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Thinking Outside the Family—Part 1:

Taking the tough first step toward saving a family business

By Michael Lobraico

*-The following is based on one of Michael Lobraico's clients, John Poole.
All of the names and telling details have been changed to preserve client privacy.*

H& L Tooling's annual revenue had dropped for three years in a row, but Rick Horn, who'd been running the family business for the last thirty years, believed he had pinpointed the problem. Unfortunately, he'd got it wrong, and if

he didn't find the strength to face the real cause, the company's future would be in jeopardy.

When I asked for specifics, he said, "We missed a big trade show last fall. That probably cost us half a million in sales. And we've had some employee turnover, which has cost us training and development time. I want you to do for H & L what you did for Benson Tile. They had similar problems and you righted their ship with a policies and procedures program."

I had done policies and procedures for Benson Tile, but Benson's real problem was solved by something else I did for them. Rick knew Jeff Benson, who ran the company, and I wondered if he was aware of the whole story.

To get things going, Rick invited me to a management meeting, which included three junior managers who were extended family members, and Joe, Rick's eldest son and the heir apparent who ran marketing and sales. The only non-management person present was Bob, the marketing supervisor who reported to Joe. Bob was also the only non-family member.

We spent the first part of the meeting getting to know each other. Everyone was nice, though Joe stood out as a loveable bear of a guy with a great sense of humor. Bob seemed a bit withdrawn, however.

When Rick asked Joe to outline the annual marketing plan, a plan intended to help turn the tide on revenue, Joe

began by cracking a few jokes. After the laughter died there was an awkward silence, then Bob offered to go over the plan, carefully adding that he and Joe had worked on it together. Bob's presentation was superb, and I was impressed with how deeply the marketing supervisor understood the company's strategy.

When he was done, Rick thanked Bob and Joe, but to me he seemed to give Joe the most credit. I noticed Joe shrugging sheepishly, as though the credit wasn't quite deserved.

At the end of the meeting, after everyone else had left, Rick asked for my thoughts on what kinds of policies and procedures I thought should be priorities.

"Before we get into that," I said, "let me ask you about Joe."

"I couldn't be prouder of him. He landed the Johnson account five years ago, which gave us our

huge growth surge."

Rick continued to extol Joe's virtues and when I eventually managed to speak again, I said, "Who was responsible for missing the trade show last year? Was that Bob's fault?"

"No."

"Joe's?"

Rick hesitated before saying it was his own fault, but he was clearly covering up for Joe.

I then asked which departments had experienced the most turnover.

"Well," he began, reluctant to answer the question, "we really need those policies in place."

I decided to go with my hunch and push a little. "Has any other department had the kind of turnover Marketing and Sales has had?"

"Open communication isn't easy. Joe is afraid of letting you down and he's afraid that if he doesn't take over the company, he'll lose his stake in it."

“Look, it’s really hard to keep marketing and sales people these days,” Rick started.

“Are you worried about Bob leaving?”

“Bob likes it here. And we pay him well.”

“Do you pay him well for a supervisor or a manager?”

“He’s not a manager. Joe’s the manager.”

“How come Bob attends these management meetings?”

“We make an exception for him.”

“Why?”

“Well, he often has things to add.”

“But—”

“Look, Joe does an excellent job,” Rick cut me off.

I could see that I had pushed Rick far enough and suggested we talk again in a few days. In the meantime, I would sit down with the managers and some of the key employees one-on-one.

The next day I met with Bob and asked him to give me details on Joe’s contribution to the marketing plan. He wavered, clearly struggling to find a way to protect Joe. I had noticed the same type of behaviour in my other interviews. I understood the reasons. Everyone loved Joe. He had contributed greatly to the company’s success. And because he was slated to take over the company, protecting Joe was a way of protecting one’s job security. Rick, of course, had added motivation—the pride he had for his eldest son.

As my interview with Bob continued, however, Bob’s resolve to cover up for Joe had worn out. “Joe’s a great salesman,” he said, “but he can’t run the whole marketing and sales department and he certainly won’t be able to run this company. Missing the trade show was his fault, and so is the turnover. If this wasn’t a family business, Joe wouldn’t have his position. New people see that and leave. Frankly, I deserve to be manager. In fact, someday I would like to have the opportunity to run the company.” Bob then told me in confidence that he was exploring other opportunities. “I don’t really want to leave, but if things don’t change, I will, and H & L will really suffer.”

When I later met with Joe, on the surface he was fun and jovial, but he gradually began dropping hints about some fears and concerns he had, including that he was feeling the weight of the company on his shoulders and wanted some relief.

A couple of days later, I got a call from Rick. “I want to apologize for getting frustrated the other day, but you started down a road I didn’t want to go down.”

“Rick,” I said, “do you know the full Benson story?” I asked, referring to the other family business I’d worked with that had experienced a similar problem.

“I do. Jeff Benson filled me in on everything before I called you.”

“Then you knew we would go down this road, that’s why you hired me. You didn’t hire me just to help put in policies and procedures.”

After a long silence, he admitted I was right. “But it’s hard when it’s your own son. I really love Joe and I don’t want to hurt him.”

“What’s hurting Joe is the way things are running now,” I said. “He knows he’s not right for the job.”

“But his dream has been to take over the company.”

“Is that Joe’s dream or yours?”

Another long silence before he said, “He’s told me he wants to run H & L.”

“Maybe at one point that was his dream, but I don’t think it is now.”

“Why hasn’t he said anything to me?”

“Open communication isn’t easy. Joe is afraid of letting you down and he’s afraid that if he doesn’t take over the company, he’ll lose his stake in it.”

“What do we do?”

“The first thing we do is resolve to address the real issue, rather than focussing on policies and procedures in an attempt to protect Joe even further. That won’t work for Joe and it won’t work for the company. And to be honest, you have to move fast on this because the people capable of creating a prosperous future for your company might not hang on for much longer.”

“You mean Bob...?”

“I just mean, let’s move fast.”

Over the next few weeks we began the process of opening up communication at H & L. Rick, Joe and some of the other stakeholders struggled with lost dreams, fears and worries—so talking openly wasn’t easy. But eventually they learned they would only be able to turn things around once they found the willingness and strength to fully express their personal goals and desires.

A few months later, H & L had chosen a new path and had already begun to see employee retention and revenue stabilize, with renewed growth on the horizon. Watch for an upcoming case study, in which we’ll explore the process and the solution more fully.

Michael Lobraico is the founder of NCI Solutions, a company specializing in helping family businesses maximize their potential. For further information, visit his Web site at www.nci-solutions.com.

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