

PETER LEACH 

“ the family business

Phrasebook

a guide to essential family business-speak

Introduction

“Son, I hope you’re taking note, because pretty soon you’ll have to manage all this without me.” In a family business setting, this kind of comment, or any number like it, is bound to capture attention – and not least because it is likely to be completely untrue!!

It is an odd fact of family business life that many things are said which mean something completely different. Founders, for example, are often heard promising to retire and step down in good time for the next generation to take over and move on to pursue other interests. But they rarely do so gracefully. The same goes for other family members, who will often say either a) what they think the senior generation wants to hear, b) what they think their spouse wants to hear or c) the first snide remark that comes to mind, in order to get their own back for something said last weekend by their brother/sister/nephew/in-law/five-year-old!

Unsurprisingly, this lack of frankness, even when it stems from perfectly well-meant intentions, creates a host of complications when it comes to managing a family business in a straightforward manner. It also makes it very difficult to work out what is going on in many family business situations, which is why we have put together this handy phrasebook. It is based on 30 years of close work with family businesses of all shapes, sizes and nationalities. We hope you enjoy it - and look forward to hearing from you if your family business needs a dose of honest, straightforward advice.

A handwritten signature in cursive script, reading "Peter Leach", with a horizontal line underneath.

Peter Leach
Chairman, Peter Leach Associates Ltd



Family phrase 01

“A job in the family business is a birthright...”

What it means:

“I’ve gone completely bonkers and decided to put the future of my business in jeopardy by ignoring the fact that the people who run it should at least have relevant skills and competencies...”

Surely you mean a job in the family business is an opportunity? And the best opportunities are where a meritocracy exists, and you have the opportunity to shine on the basis of your abilities.

Lest we forget, there are three types of family business:

- Autocracy: everybody knows where they stand, whether they like it or not.
- Meritocracy: everybody knows where they stand, and generally accept it.
- Adhocracy: nobody knows where they stand.

Now, which one is yours?

01

Family phrase 02

“In order to treat all the children fairly they each need an equal share of what comes out of the business...”

What it means:

“I love each of my children equally, and can't work out how to divide it all up but because I won't be around to sort out the mess that equal shares will create, I'll just take the easy option...”

As a parent you always try to treat all your children equally, so why shouldn't that go for the family business, too?

Perhaps because an equal split is rarely equal, particularly if some family members are pulling their weight more than others. The answer here is to save the 'equal' approach for Christmas; for the business, come up with a formula which recognises individual contributions and abilities – ultimately what's right for the business.

“The girls won’t be interested in getting involved in the business...”

What it means:

“Business is a man’s game. I didn’t get where I am today by wearing a dress!”

This is gender discrimination at best and could be cutting off a valuable source of talent from the family business. Sure, the founder’s daughter might not fancy working for a chauvinist, but you’ve got to wonder what she is planning to do with the business school education she is getting at the moment.

03

Family phrase 04

“Very soon you’ll have to manage without me...”

What it means:

“I’d really like to believe that you could manage my business but to be honest I doubt it. You see, I built this company up from scratch, brick by brick. Tell you what, I know I said I’d retire and give you free reign, but why don’t I stay on a bit longer? You know, just to keep an eye on things while you find your feet (continues...)!”

Most founders know you cannot take it with you but do not realise they have to let go of it before they die. And, fair enough, there may be good reasons for meddling. Male founders may not have been able to create anything else of note in their lifetime; founding members may be relying on income from the business for their retirement; and so on. But allowing the next generation to spread its wings may be critical in keeping the business alive in the long term. This is an emotive subject. Don’t rule out counselling to help with it.

Family phrase 05

“What happens to the business when I leave is your affair – you’ll probably want to make a few change...”

What it means:

“You’ll be changing things over my dead body...”

What did we say earlier about founders finding it hard to let go? Just as they will be inclined to stay on and meddle with the work of the next generation, so they find it difficult to stand by and watch as other family members tinker with their treasured life’s achievement. But let go they must.

05

Family phrase 06

“There’s no need for the family members of the business to have appraisals...”

What it means:

“There’s a jolly good reason why family members should have appraisals like everyone else, but frankly I’d rather not talk about it...”

Why would it not make sense to give family employees a decent appraisal like everyone else in the company? From a founder’s perspective, the no-appraisal decree could denote a number of deep-seated anxieties, such as:

- it might show the family are not quite up to the task that they have been ‘awarded’ in the business
- it might show that they are actually worth quite a bit more than they (and/or their siblings) are getting
- ultimately, giving family members appraisals undermines the idea that only the relatives of the founder can own and run the business.

Whatever the reason, having one rule for family and another for the rest of the company is bound to be divisive and bad for morale. If you’re trying to build a strong, lasting team then swallow your pride and give everyone an appraisal.

“Our family business affairs are perfectly transparent...”

What it means:

“I haven’t got a clue about what the other family members are doing here, but that’s OK – they don’t know anything about my affairs either...”

Families are notorious for being economic with the truth in relation to just about anything: politics, succession, who gets what... you name it. This lack of transparency is what people use to gain power, but it’s not good for teamwork – or the business.

07

Family phrase 08

“The sooner I get the children into the business, the quicker they’ll learn...”

What it means:

“The way I did it is the only way to do it and I’m damned if anyone is going to tell me otherwise...”

This is behaviour of which any self-respecting ‘ostrich’ would be proud; completely ignoring that the world has changed, the business has grown and the skills can now be acquired through means other than spending 15 years on the shop floor.

The reality is that insisting children get a solid education and ‘real life’ experience before entering the business has been shown to be a major success factor for family businesses.

“I am a shareholder in the family business, so my view counts as much as anyone else’s...”

What it means:

Frighteningly, this is a widely-accepted view – which is why it creates such a problem!

But in a well-organised family enterprise, you get respect through hard work, not because daddy decided to leave you 20 per cent of the company in shares. Sure, as a shareholder you are entitled to have a voice, but unless you are prepared to muck in then you should expect to leave the key decisions to those people who are running the business.

Family phrase 10

“We already have plenty of meetings...”

What it means:

“We have most of our discussions over dinner and have done a pretty good job so far of papering over the cracks around here, so let’s not make things awkward for ourselves by creating more excuses to talk about what really matters, eh?”

Families can be very good at ignoring simmering issues until it’s too late. Have you wondered whether a few lively business discussions over dinner might not be preferable to a row in the boardroom? Communication is key in a family business so set aside time for it and make sure it happens.

“The family should always run the business...”

What it means:

“The family should try to run the business till the bitter end since I can’t countenance the possibility that my business and entrepreneurial skills have not been passed on in my genes”

What sounds like a piece of fond founder advice on management and ownership could in fact be a recipe for disaster if none of the founder’s offspring has the management skills or entrepreneurial spirit needed to run the business. The fact is that successful family businesses need to be able to recognise that ownership and management do not need to go together and, in some cases, may be best kept apart.



Family phrase 12

“A degree from Harvard won’t teach you how to run this business”

What it means:

“I didn’t get to go to college and that’s a bit of an issue for me...”

In a large, professional family business, a business-related degree or similar qualification, along with practical experience in other companies, can be a real asset to management.

Family phrase 13

“I can’t possibly tell the kids how much they are worth...”

What it means:

“I’m scared to tell the kids how much we are worth”

A founder’s offspring can often grow up in much wealthier circumstances than the founder, which lead to serious parental anxiety: is so much money good for them? Do they really need to know they have got it? Would it be better just to not let on? Once again, ostrich-like behaviour rears (sorry, buries) its head...

Family phrase 14

“I mainly joined the business to continue the family traditions”

What it means:

“I didn’t really know what to do when I finished school and I thought I’d probably earn more this way”

Always watch out for the accidental family MD... people who end up there without some good reason often find they are doing an important job out of guilt, needing to meet expectations, imprisonment or some other non business reason. Remember, if ever you see business decisions being made for family reasons you know there will be a problem!

“Someday, all this will be yours...”

What it means:

“I really don’t know what’s going to happen and I want to keep my options open”

Leaving options open is fine on the one hand but on the other how do you manage expectations of others if things are so loose. Clarity and transparency are virtues not often seen in family companies and how about a little truth telling... Truth never really hurts at the end of the day and without it, how can you have honest conversations about seriously important issues?

About Peter Leach Associates Ltd

Peter Leach Associates Ltd specialises in advising family-owned businesses and the people behind them. With over 30 years of experience in the field, Peter Leach is one of the world's leading family business consultants and facilitators. He has a successful track record of working with and transforming numerous family businesses across the world.

From our experience, built up over many years of working with family businesses we know that no two are the same - nor are the commercial or competitive pressures that affect them. For that reason, we tailor our approach to the specific needs of the family and the business involved in each assignment we undertake.

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