

How Children Successfully Join Family Businesses

7 key considerations

Key Takeaways:

- Have a family business constitution in place before your children join your business.
- Make sure you allow your child to make and learn from their mistakes.
- Have your child successfully work outside your business before letting them start work at your company.
- Have someone besides you supervise and manage your children when they work for your business.

You have worked very hard to build a successful business. The dream has been to have children join you and continue the legacy that the founder started.

But, before you get excited, stop and think. For many entrepreneurs, having children join their business is a true joy. For others their children are an albatross. They wonder why they ever thought it was a good idea to have their children work in their business, much less take it over.

If you are thinking about having children join your business, here are some important considerations:

1. Make sure the next generation is competent.

You don't want to be in a position in which you have to tell your own child that they can't stay with the business. Too often parents let their children join the business only to discover that their children add zero value to the enterprise—and sometimes even subtract value.

A business is not a place where you provide social welfare for a child. Next Gen must be able to add to the value that the business provides to its clients and customers.

2. Make sure the next owners (your children) have experienced life outside of your business.

The best way to ensure that your child is competent is to make sure they've worked successfully outside of your company. You don't want to have your child join your company as their first "real" job.

One of the most important rules you can adopt in your business is to require your child to earn at least one promotion while working outside the family company. This way, someone

else can handle their early career training and make an objective decision about how competent the child is.

3. Have a real job for your child.

After your child has proven him or herself outside your business, you're in a better position to have them join your company. But, suppose you don't have a job that fits their skills and experience?

This is not the time for you to make up a job for them. Make sure your child holds on to the outside job until you truly have a job that fits their skill set.

When it's time to bring a child into your business, make sure they're not joining at a level higher than the job they had outside your company. You never want to have to tell a child that they aren't unwelcome in the family business after an unsuccessful debut.

4. Think about your compensation policy for your children well in advance.

Too often I see children overpaid or underpaid. Either way it's a big mistake. Make sure you have a firm salary policy in place. If you do, it's important that you pay children comparably to what non-family members earn for similar jobs.

If your children are overpaid, then non-family employees will find out and they'll resent it. If your child is underpaid, he or she will find out and resent you for it. You'll have some uncomfortable family dinners as well.

5. Never have your children report directly to you.

Part of supervising an employee is correcting his or her behavior and work. This is not something you want to do with your child. Let's face it; you have a history with your child around discipline and it's often not a very positive one.

Even though you have policies that work well for non-family members, it's rare that those policies work for family members when they're coming from a parent. When a non-family member supervises your children, you'll likely avoid hard feelings that result from having to reprimand a child for their workplace behavior or performance.

6. Remember, Next Gen will run your business differently than you did.

I'm hoping that you successfully integrate your child into the business. Now it's time for you to transfer real responsibility to your child. Just know that your child is going to approach problems and opportunities differently than you do. This means their approach to solving these issues will also be different, and in many cases, better than how you would do it.

You're going to want to look at the results your child's methods produce. You need to let your child make mistakes and you need to be there to help them learn from those mistakes.

Think about how you learned on the job. I bet you made plenty of mistakes along the way.

7. Successful transitions come with a process.

I like to see family businesses develop what I call a "family constitution" for joining the family enterprise. Your family constitution doesn't have to be complicated. In fact, it can be as simple as the bullet point list below:

- Have your child achieve a certain level of education.
- Have children work outside the family business for at least two years.
- Make sure your child has earned at least one promotion from a non-family business before joining yours.
- Don't start your child in the family business at a level higher than they had at their last non-family business.
- Pay your child at the same scale that you would pay a non-family member for a comparable job.
- Have your child's direct supervisor be someone who is not in your family, especially you.
- Have a system in place for accepting and learning from your child's mistakes.
- Let your child do things their way once they have proven themselves-- unless their idea will truly put your business at high risk.

Conclusion

I'm hoping that you've successfully brought your child into your business. Years will have passed and you know that it's time for you to let go and have your child take over. This will be a challenging time for you. You're going to need to learn how to let go. You're going to need to find a compelling next chapter in your life. You're going to have to let your child be his or her own person.

Successfully transitioning your child can be an incredibly satisfying experience. Have a system and stick with it. You'll be glad you did.