Building the Best Team Possible: Relationships Between Family and Non-Family Employees

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In our experience working with family business we often hear of key non-family employees who become anxious or frustrated when working with, or overseeing family employees—especially in the next generation. We commonly hear reports of family members underperforming or being under qualified for the positions they are given, displaying attitudes and behaviors that would get non-family employees fired. Fortunately, there are successful strategies for avoiding these situations that can lead to discouragement and deteriorating motivation for your non-family managers, as well as unsatisfying results for the business itself.

The first step is to develop a clear and transparent process for integrating family members into the business. Often, families handle family employment in a very informal manner, and history has shown an informal method is much more likely to produce negative family employment complications. A clear process might include the establishment of a summer jobs program for high school students who will work in basic jobs for the company, an internship program for college-aged students where they are exposed to higher-level information about the firm and its products and services (excellent for future owners who are not likely to actually work in the business fulltime), and a formal process for orienting family members who intend to enter the business fulltime as their chosen career. Most important is to get this process outlined on paper and to then communicate the ground rules to all in a family forum. This helps set expectations and allows junior generation family members to understand the opportunities and responsibilities involved in working with the family enterprise. It also adds to family credibility in the eyes of non-family employees.

In addition to a process for integrating family into the business, a second critical element is a family employment policy guiding the requirements for family members seeking employment. It is the ownership group’s responsibility to seek alignment on expectations for employment, as unity around these expectations will protect the family from unnecessary conflict in the future, and allows the ownership group to speak with one voice. A typical employment policy clearly defines the path to employment for the next generation, answering questions such as:

- Does the policy apply to lineal descendents only? What about spouses?
- Who do we go to when we wish to apply for a position?
- What education is needed before we can work full time in the company?
• How many years of outside work experience are needed before we can come in full time?
• Can we work directly for another family member?
• How will our pay be determined?
• How will promotions be determined?
• What is the process for receiving performance feedback in the new position?
• Can a family member be terminated? If so, by what process?

The employment policy is necessary, but not sufficient to guide family employment in a positive direction. The third component needed to navigate family employment issues is a Code of Conduct to guide behavior on the job. The ownership group has tremendous power in guiding productive family behavior by working together to forge a set of expectations to which family members can aspire. The Code of Conduct drives behavior by articulating the family’s expectations about the following:

• How are we expected to perform on the job?
• What attitudes or behaviors are expected towards our supervisors, peers and direct reports?
• What communication expectations exist between fellow family employees? What information do we share and what do we not share?
• Will we operate in conjunction with the employee handbook on all matters, or what exceptions will exist?
• What are our expectations for vacation, time off and work hours?
• What will we do when we have a conflict with other family employees?
• How will we speak about each other to spouses, family members and others?

Having worked together to establish the three components of integration, the family must then communicate with non-family management about its hopes regarding family employment. This is best done at a forum between the family shareholders and relevant key non-family managers. In this meeting, the family articulates its vision for the enterprise, its commitment to the enterprise and the values it intends to support in the business. In particular, the family takes time to articulate its deepest hopes around family continuity, and asks the key non-family employee group for help in achieving the above.

As the forum is a two-way dialogue, non-family employees should be given plenty of time to articulate their needs from the family in meeting the vision, gain clarity on whether they will really be supported in helping the family group reach its goals, and express any concerns they have about family employment. This process can be used to help key employees see what is in it for them, such as ownership continuity, a stronger organization (assuming family policies support a stronger organization), and the freedom to supervise family employees without backlash.

The weakened economy has lead to two emerging complications around non family motivation and family employment: specifically, bringing on new family employees while the firm is downsizing due to economic pressures; and the family’s taking of perks while non-family employees are being asked to go without (e.g. pay freezes, reductions in 401K benefits, etc.).

The first issue—bringing on family employees—can be addressed through the forum concept described above. The family can express how important it is that they prepare the next generation of family owners/managers, and their taking a long-term view in these matters. At the same time, sometimes the family needs to think creatively to limit the disruption this family hire might cause for non-family managers. One suggestion could be to put the new family hire’s compensation above the line on key managers’ budgets (for example, putting their compensation in overhead rather than in a key manager’s operating budget). In this case, the manager will be minimally impacted by having a junior generation family member in “learning mode” on their watch. In fact, it may be viewed positively, as they get performance from a family member without it impacting their budget (and therefore, their own compensation or bonus calculations). This is often done for a year or two, until the family employee graduates from training mode and begins to directly contribute to firm performance.
The second issue-family perks in a time of scarcity-deserves the family’s attention. Assuring that family perks are not impacting employee compensation structures negatively is a start. While non-family employees may be tolerant of family perks (those perks not afforded to all employees of the same authority level) in good times, they may become very resentful if they see the family taking benefits when everyone else is being asked to cut back. These feelings will be especially strong if they believe their compensation and benefits packages are being influenced by events beyond their own control, as occurs when family employee perks are charged to non-family managers’ budgets. Families do well to explore whether family employee perks are hindering employee motivation and taking corrective action if this is the case.

As with so much else in family business—the strength of these companies comes from the successful blending of differing priorities or agendas: family and business, or in this case, family and non-family employees. While the above details the effort required, it is a great investment to think through the challenges and opportunities that come from the overlap of family and non-family employees at your company, and to do what it takes to make this a strong union. In our experience, successful family businesses need the commitment and enthusiasm of the family as well as that of a broad range of key non-family employees and executives.

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