

## Why Family Business Owners Need a Job Description

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Do you know what one of the most important tools family business owners need to ensure their business is well run? You might think of a board of directors, a strong management team or a family employment policy. While these are all good answers, the tool I would like you to consider is an owner job description.

My guess is that many readers are skeptical at this suggestion. This is not the advice you typically hear. Yet in my experience, a sophisticated appreciation of what ownership is (and is not) is such a critical dimension for long-term success in family enterprise, that I want to convince you that creating an owner job description should be at the top of your to-do list.

If I were trying to encourage you that having a job description for the CEO or other key positions in your business is important, my task would not be so complicated. The value of job descriptions in a business is widely understood. Job descriptions clarify the hierarchy of authority, establish accountability, ensure key tasks get accomplished and provide a mechanism for evaluating performance.

Imagine that you have created a new position for a vice president of marketing in your business. How could you possibly fill that position without a job description? Potential applicants need to understand what will be expected of them in the job, to whom

they will report and how you will evaluate their success in the job. You would also use the job description to determine what skills and experience will be needed to fill the role. And other managers on the team need the job description to understand how this new team-member's responsibilities will integrate with what they do.

Since convincing you that a job description in your business is probably an easy sell, let's take an example that may not be as familiar. What if I told you that you have a job description as a homeowner, even though it is unlikely you have put it down in writing.

As a homeowner, I would suggest you need to do the following:

- Ensure that your mortgage and property taxes are paid;
  - Invest in the maintenance of your property to ensure that it is a safe environment for your family;
  - Protect your property rights (e.g., do not let others infringe on the property);
  - Be informed on issues that affect your community (e.g., changes in laws, new building codes, etc.);
  - Create a will that determines who will own your property if you pass away;
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- Maintain records to protect your ownership (title, tax records, etc.).

While you may not think of this list as a job description, these are clearly actions a responsible owner should take to protect his or her investment.

So, what is the job of a business owner? Let's take a look at the job descriptions we have already considered. In the case of a management job description, the purpose is to clarify lines of authority and ensure that key tasks are accomplished, among other things. In the case of an owner's job description, these criteria apply as well. An owner job description outlines who is accountable for key responsibilities in the oversight of the family business. Are owners responsible for day-to-day operations of the business? No. But, they are responsible for setting the vision and direction for the business. With respect to lines of authority, owners are responsible for electing directors, who in turn, are responsible for overseeing management.

Similarly, there are parallels between the homeowner job description and the business owner job description. The focus of a homeowner's job is to ensure his investment is protected. A business owner has a similar motivation to protect his or her investment. So, what are some of the actions you should take as a business owner to protect your investment? First, management is best able to do its job if owners provide clear direction about their desires for the future, as well as their financial expectations of the business.

In setting an ownership vision, questions that need to be answered include:

- How long do we want to own this business?
- What role do we want family to play in management of the business?
- What are the rules for who can own stock in the business and how ownership will transition from current to future owners?
- How much risk are we willing to take on?
- Do we aspire to diversify into different business lines?
- Do we expect to take money out of the business every year?

Beyond these vision questions, owners should also provide guidance on the values they would like the business to embody. Is creativity or entrepreneurialism important? Do we expect management to make a strong commitment to employees? Do we expect the organization to be involved in the local community?

In order to protect your investment, you must also ensure that you have the appropriate governance structure in place to oversee management. Owners must decide how the board of directors will be structured. What role will owners play on the board? What role will management play? Will you incorporate independent directors in the mix? How often will the board meet and what authority will it be given? And, owners have the responsibility for selecting the directors, typically on an annual basis.

Finally, in order to make all of the decisions described above, owners need to be well-educated. They need to understand their industry, the competitive environment and be able to read and evaluate financial statements. They also need to understand the unique aspects of businesses with a family ownership structure.

In summary, if you were to write a job description for yourself as an owner, it would be fairly short:

- Define the vision for the business;
- Clarify financial expectations to management;
- Articulate values that should be embodied in the business;
- Develop a strong governance structure to oversee management performance;
- Elect qualified board members;
- Understand the business context we operate in.
- While the list may be fairly short, each of these responsibilities is incredibly important.

Protecting your investment in a home or other assets is something you do without thinking. Shouldn't you place the same importance on protecting what is likely a much larger investment — your investment in the family business? I hope you will take these suggestions to heart and craft a simple owner's job description for the owners in your business.



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