



## MassMutual survey identifies 10 top tips for family business entrepreneurs

A 2009 study, *FamilyPreneurship<sup>SM</sup>: What Every Entrepreneur Wants To Know About Being In Business With A Family Member*, commissioned by MassMutual and conducted by Harris Interactive, identifies the top 10 lessons family business owners wish they had known when they started and that today's entrepreneurs should know as they launch and grow their businesses.

# Business Boosters: 10 lessons every family business owner should know

Ever have a great idea for your family business, only to find yourself asking, "Now what?"

**Join the club.** Most family business entrepreneurs learn how to run a business by trial and error, with heavy emphasis on the error. But a recent survey of more than 500 family business owners by Massachusetts Mutual Life Insurance Co. (MassMutual) identifies the top 10 lessons family business owners wish they had known when they started and that prospective entrepreneurs should know as they launch and grow their businesses.

"The greatest threat to the long-term survival and success of any family business has less to do with what's going on outside with customers, competitors and technology, than it does with what's going on inside with relationships among the key players, especially among family members," says Dr. Ed Hoover, family business psychologist and author of *Getting Along in Family Business: The Relationship Intelligence Handbook* (1999).

The following are tips that you can put into practice today to help improve the family dynamics and interpersonal relationships that will help ensure the long-term success of your family business.

## 1 | It all starts with the intangibles

More than any other elements, passion for the business and trust between family members and their advisors were cited as the two most important critical success factors by current family business owners. As a family entrepreneur, you are putting everything on the line – your life savings, your family’s comfort, your professional future. You have to have 100 percent confidence that your partners are going to be with you through thick and thin, and that you’re advisors are knowledgeable and steadfast.

## 2 | Go in with eyes wide open

There are many advantages to running a family business, including control and work-life balance. But those advantages can come at a price, such as more stress, fewer vacations and potential disagreements with family members, according to survey respondents. “Set up boundaries between work and non-work activities,” says Hoover. “Make sure you have defined spaces for personal time, family time and work time, especially if you have an office in your home. Based on your life priorities, balance the time you spend with yourself, family, friends, business associates and charitable causes.”

## 3 | Communication is key

Respondents said that communication can be one of the top elements to success because it helps maintain good relationships with family both in and out of work and leads to effective decision-making. However, one of the most important and difficult challenges is to communicate clearly all the time. The business not only depends on it, but your family does, too. “Communication becomes a vehicle for building trust and cooperation when your goal is to truly understand what the other person is saying, especially when you disagree,” says Hoover.

## 4 | Decide who’s the boss

Clear definition of roles and responsibilities is critical, enabling the business to run efficiently and ensuring that it avoids paralysis due to confusion over leadership. “Basically, you have to do what you’re better at,” said one respondent who runs a food service equipment business with her husband. “He’s better at sales. I’m more customer service oriented, and also marketing.”

## 5 | Decide how to decide

Respondents said a decision-making and disagreement-resolution process is critical to avoid arguments that can stymie the business and hurt morale. Some businesses adopt a majority-rule process. Others assign decision-making responsibility for particular areas to each partner. Others advocate for a negotiation process. “It’s important so you don’t butt heads,” said one respondent to the survey, a co-owner of a family-run restaurant.

## 6 | Strike a balance

It’s easy to get consumed by work demands and to let them invade family life. Most family business owners discuss work at home (44%) and vice versa (28%), but most say they don’t consider it to be a big problem, according to the survey. When working with family the line between work and home is often blurred, but as long as communication and effort are put into the relationships, it seems to work for most. “Most assaults on work/life balance come more from not living life each day according to your most important priorities rather than from an over-committed calendar,” says Hoover.

## 7 | Divorce-proof the business

This applies regardless of whether the business is owned by a husband and wife team or not – a partner’s divorce from a spouse uninvolved in the business can still have disastrous consequences. Of the 15 percent of respondents whose businesses had experienced divorce, only 5 percent had a positive experience. More than a third of respondents have never given the possibility of divorce and its impact on the business any thought. This is a big area of exposure for many family businesses and proper planning could minimize the impact of a potential divorce on future operations.

## 8 | Who’s next?

Most family business owners have inadequate or inflexible succession plans. While most (56 percent) are worried about how a death would affect their business, and nearly half are worried about how a disability would affect their business, many either have no succession plan in place (41 percent) or have a plan in place that they consider to be inflexible (47 percent.) “Determining the future leadership needs of the business should be the backdrop against which the selection of a successor is made,” says Hoover. “The best way to do this is through an ongoing, long-range strategic business planning process that identifies where the business is going over the next five to ten years and what will be required from leadership to get there.”

## 9 | This way to the exits

Most respondents (65 percent) say they don’t think a legally-documented buy-sell agreement is necessary, even though such agreements can be an effective way for owners to smoothly transition the business should something unexpected happen to one of the owners, such as a divorce, disability or death. Just as you put a lot of thought into starting a business, you have to put a lot into how you want to leave it.

## 10 | Don’t lose it all to Uncle Sam

More than a third of respondents (38 percent) have no plan in place to deal with estate taxes, which can hurt a family’s ability to continue the business and can also erode inheritances. There are lots of ways to develop effective estate plans that can help ensure that both the business and the family weather the passing of an owner.

A good first step for many family businesses in dealing with these issues is to develop a relationship with knowledgeable financial professionals – such as Certified Family Business Specialists\* – who can bring fresh thinking, experience, and know-how to the conversation.

Many family business owners get so tied up with day-to-day matters that it seems that planning matters such as these can be overwhelming. But with the right help, it’s possible to put strategies in place that will enhance the health of your business and increase your peace of mind.

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\* The Certified family Business Specialist program is offered by the American College in Bryn Mawr, Pa., exclusively for MassMutual financial professionals.

## Methodology

*FamilyPreneurship: What Every Entrepreneur Wants To Know About Being In Business With A Family Member* is a two-part study of focus groups among small business partners, and an online survey. Six focus groups were conducted by Harris Interactive on January 29, 2009 among 6 separate pairs of family business owners. Participants met the following criteria: all own a business with a spouse, sibling, or immediate family member, have between 1 and 500 employees, have been in business for at least five years, and earn a total annual revenue of \$1 million or more. The survey was conducted online within the United States by Harris Interactive on behalf of Massachusetts Mutual Life Insurance Company between March 6 - 20, 2009 among 518 business owners, among which 330 are involved in a spousal business relationship and 250 are involved in a business relationship with a family member other than a spouse.

Respondents met the following criteria: all U.S. residents, age 18 or older, have between 1 and 500 employees, have owned their business for at least five years, and have annual revenue of \$500,000 or more. Results were not weighted. No estimates of theoretical sampling error can be calculated; a full methodology is available.

## About Harris Interactive

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