



In November 2010 Sobel & Co. conducted our first annual survey of families in privately held businesses. We think the results will add real value for you as a business family, so here is a snapshot of what we learned.

What business families worry about.

To begin with, more than 70% of our respondents replied that their two biggest business concerns are increasing healthcare costs and personnel issues. This is probably no surprise to you, but it points out the importance of dealing with critical business issues to ensure any company's continuity. If these are also amongst your toughest challenges, we can meet with you regarding potential solutions based on your unique circumstances.

What your family needs to know.

It was exciting for us to see that more than 50% of our respondents reported that there are currently two generations actively working in the business. This bodes well for those who are wondering if family businesses can survive the transition between generations!

However, it is also interesting to note that even though over 70% of the respondents expect to have future generations join the business going forward, only 30% have identified a successor, and only 14% of those have given the successor any kind of formal leadership training. Leadership development and formal training are tools used frequently by many companies to nurture their most valuable asset - their employees. Yet it appears that families in business do not do as good a job at initiating structured internal leadership training programs either for family or non-family employees. We cannot emphasize enough how important it is for the leaders and influencers in the business to address this area, investing the time and resources necessary to ensure success over the years.

What can you do about this in your family business? By taking a more proactive approach to developing tomorrow's leaders, you can have a significant impact on the seamless continuity of your business. Your first step is to identify who will lead the next generation, followed by step two which encompasses designing an appropriate training and mentoring program to provide the formal and informal guidance necessary to grow smart, visionary leaders of the future.

Good communication is critical in any business.

It was not surprising that so many of the respondents claimed that communication between family members is their most significant challenge as a family in business. In some instances, scheduling family business meetings can enhance communication, but whether your culture supports formal or informal communication (or both), it is clear that you must establish efficient channels that support frequent and open dialogue that includes working and non-working family members.

What's the good news?

Family businesses have many positive attributes, including common values, a rich legacy, mutual history, and a sense of pride in ownership. Nurturing a family business is also one of the most effective ways for a family to build and ensure wealth for the current and future generations. If you are able to integrate more formal business practices into the family business, the chance of moving into the third generation and beyond increases significantly.

Some tips for families in business.

After analyzing the results of our Family Business survey, we have some suggestions for you that may help maximize your opportunities as you work together to continue building your family business while mitigating some of the most pressing issues that may be obstacles for you.

- Hold regular family business meetings that cover all areas of strategic planning and invite outside advisors to act as board members.
- Establish policies under human resources that apply to *everyone* employed.
- Have a formal compensation plan that addresses *all* levels of employment. .
- Develop goals and measurement systems for the business and the family.

We hope these insights have been helpful. If you would like to discuss specific issues facing your family business, please feel free to call Barbara Semple at (973) 994-9494 or e-mail barbara.semple@sobel-cpa.com. We look forward to hearing from you!