

# INTRODUCTION TO COMPETENCY PILLAR

## [▶ Introduction to Competency Video](#)

The fourth PILLAR of this course is Competency. In this Pillar, you will learn the specific things parents must do to prepare their children for the life that awaits them. One of the most important things young people must learn is the connection between effort and reward. Another big lesson for kids coming up in the family business is the ability to take a job to completion and to know they have executed the job to the best of their ability. Along the way, each person must learn to manage both horizontal and vertical relationships within the business.

In this lesson, you will find the “Golden Goose Employment Policy.” This policy was created for a particular family I have worked with, and it is presented verbatim in this course. The Golden Goose Employment Policy has become the ‘gold standard’ guideline for a family business because it has all the necessary elements required, including continuing education and setting a high bar for entry.

People of all ages and ability are motivated by recognition, the opportunity for input, and the opportunity to do interesting things. A less-than-competent person will not get recognition, will not be invited to give their input, and will ultimately be shunted to the side to do boring things. When that person is a family member—you have a real problem. The good (but misguided) intention of one senior family person will have created an unhappy employee who also shares other important family ties.

It is critical that this lesson is understood and adhered to. This pillar may be last, but it’s certainly not least. It is an equal underpinning to the support of a successful family business platform.

***The Task of Parents:  
To raise responsible adults,  
who have high self-esteem,  
and can function independently in this world.***

# LESSON ONE: COMPETENCY STARTS IN THE FAMILY

Competency begins with **unconditional love of the parents for their children**. Parents shower their children with unconditional love and that love becomes the basis of trust between parent and child. The trust between parent and child becomes the foundation for their relationship and the crucible through which the child learns about life and the world into which they have been born. From the beginning, children are learning from events and situations that happen around them. It is imperative that the experience they have in the home is the very behavior the parents want them to evidence as adults. As we covered in the section on Attachment Styles in the Communication Pillar: Lesson One, the relationship between the child and parent establishes an inner blueprint for psychological, emotional, and physical health throughout life.

Praise, encouragement and positive reinforcement from parents are all essential to building high self-esteem. Parents must teach their children useful problem-solving skills, then get out of the way and let them use those skills. The core of this learning is to understand that all behavior has consequences and there is a correlation between effort and reward. The attitudes of children are directly related to the relationship they have with their parents, and the ability each has to listen to the other. Parents who really listen, and acknowledge the feelings behind what has been said by their children, create and enhance the bond of trust between them.

In recent times there has been a trend to focus on the “average.” Everyone gets a trophy, no matter the outcome. If average is the goal or is seen as the norm, then it can only lead to a dumbing down of the focus. This results in excellence being lost. “Good enough,” or average becomes the goal. Excellence isn’t considered.

Vince Lombardi, the revered coach in the National Football League, coined many phrases about effort, reward and goals. Here are a few:

**"Winners never quit and quitters never win."**

**"The only place where success comes before work is in the dictionary."**

**"Confidence is contagious; so is lack of confidence."**

**"Perfection is not attainable. But if we chase perfection, we catch excellence."**

Central to these and similar statements are parents encouraging a child to do the very best they can do in every situation. When children do this, the parent praises them for their outstanding effort and the outcome. When a child does not put forth their best effort, the parent praises them for making the effort, then helps the child analyze what happened and see how a different course of action might produce a different, even better outcome next time around.

Life includes success and failure. Parents must help their children learn from both. All the while, the child is praised for their efforts and encouraged to do his/her best. They are also told the truth. Life is full of challenges. Learning to take risks is an important preparation for life.

The task of parents:

**Raise responsible children who have high self-esteem and they will function independently in this world as adults**

It all begins with the attitude of the parents and their understanding that each child must develop a sense of who they are as they find their place in this world. Parents cannot do this task for their children but they must support and guide them in this journey. If the parent doesn't know who they are, then the child may struggle. Earlier in the Alignment section, you created your Personal Values Statement so you know how important knowing who you are is to your success. This course has been designed to support you on your journey. The PVS gives you a frame of reference for all the lessons and clarity about how you want to show up in this world.



**It is crucial for children to develop an image of themselves as a competent, successful person.** They need to believe that they can apply their skills and create successful outcomes. This happens through discovering their strengths and helping them apply those strengths to a wide variety of situations. It comes down to practicing the skills you need to develop.

Anointment doesn't work. It is the parents' responsibility to help their children explore many different avenues and activities. Such exploration provides data that parent and child can analyze and thus identify what works for the child,

helping them discover their strengths. This includes understanding outcomes from doing tasks, managing relationships within the family, and with those in the world outside of the family.

When a child comes home and reports something disturbing that happened on the playground, one or both of their parents needs to give the child their undivided attention, listen carefully to the child, and help them sort out the details of what transpired. Focus on the facts. Then the parent can help the child think of alternative ways to look at the situation or interpret what happened. The parent needs to draw out the child, helping the child to consider the possible motivation of those involved and to think of alternatives. Most of all, the parent needs to withhold passing judgement and giving answers. The parent might ask, "What are the ways you might have handled this matter on the playground?" It is the child who needs to figure out how to think about the matter in question. This process is the precursor of how they will function in the family business.

Competence starts with having success in completing tasks and solving problems within the family, such as taking out the garbage, washing the dishes, cleaning your room, listening to your sister. The Montessori method of education is founded on never doing for a child something that they can do for themselves. If the parent always ties the shoes of their children, they will never learn to tie them.

"Helicopter parents" are those who hover over their children, constantly intervening to control the outcomes so, in the parent's view, the outcome is positive for the child. Such behavior impedes and stunts the development of the child. They do not learn to do things for themselves. Stories abound of parents who step into a dispute that their child needs to learn to resolve themselves. Then there are those parents who decorate their children's dorm room when they go to college. It seems to me that when a child is ready to go to college, it is time to decorate his/her own room.

## **About Work**

Teaching a child to work, to carry a job to completion and know they have done the best they can do, are among the most important lessons of life. The ability to take a job and carry it through to successful completion brings satisfaction, and builds a base for the next opportunity. If we review the task of parents described above and the skills mentioned here, it is the very

description of a valued employee in any business. Of course, that is where this discussion is headed.

Siblings will carry into the family business the problem-solving methods they learned in the family. If vigorous, emotion-laden argument is the family norm when one is a child, there is a good chance it will be the way they expect to interact when in the family business. They will treat each other as adversaries rather than address the marketplace and work to out-perform their competition. When children learn collaborative problem solving in the home, there's a chance they will be friends with each other for life. This is especially true when children learn to have fun with one another. In that process, they will learn to share power with others, an invaluable skill wherever they go.



We live in a society where too much emphasis is placed on competition, winning and dominating. Too little value is placed on teaching children how to collaborate for a mutually beneficial outcome for all.

## Entitlement

What is “entitlement” and how does it develop? Entitlement is when a child develops an attitude that they are “owed” something.



It has been said,

**“Raise a boy like a prince, and when he grows up, he will want to be king.”**

**“Raise a girl like a princess, and when she grows up, she will want to be queen.”**

These children will have expectations for things to be given to them, all doors to be opened for them, and ultimately to be given the keys to the kingdom. Clearly, they miss the connection between effort and reward. In their desire to shower their children with “things,” and “experiences”, parents actually stifle this necessary lesson. Life is not always exciting, yet many entitled children

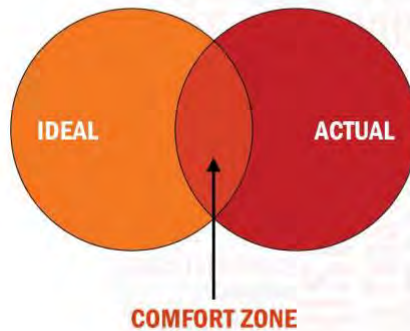
are constantly looking for the endorphin rush that accompanies being treated in some special way by their parents. There are those who believe that entitlement is almost always fatal. I don't know that to be true, but I do know that the road to repatriate an entitled child is bumpy, and filled with pain, resentment and tears for both parent and child. It can be avoided.

Each of us has an ideal and an actual self image. We will be most comfortable where there is sufficient overlap of the ideal and actual. As we go through life, it is normal to experience a separation of these images. A psychologically healthy person will recognize the separation and either modify their ideal or change their behavior so the images can return to the overlap called the "comfort zone."

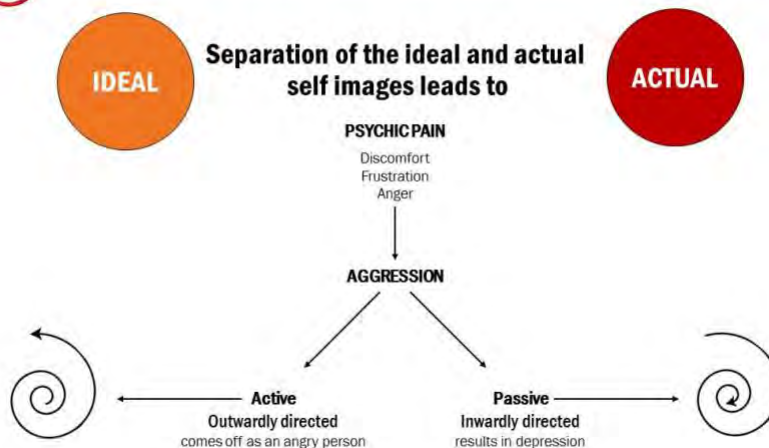


### Self-Image

We are most comfortable with ourselves when there is sufficient overlap between the things we want to be and the things we actually are.



This is in contrast to the person who is less healthy psychologically.



They experience the separation and ultimately either get angry and evidence outward aggression, or they internalize their feelings and get depressed. Neither the anger nor internalizing the feelings addresses the source of their discomfort, which is the separation of the self images.

## **Past – Present – Future**

These questions are designed to have you think about your own past, look at present functioning, and know what must be done for you to experience the future you envision.

In your family, what is/was the evidence of parents expressing unconditional love for their children?

Is your family an emotionally safe place? Explain.

In the family, do you feel totally comfortable expressing yourself on all topics? Why did it evolve this way?

Were you encouraged to be your best?

Was there a concerted effort to help you learn from your mistakes? How was this handled?

What is the relationship between effort and reward in your family? How entitled are children in your family? 1 = low, 10 = very high.

## LESSON TWO: GROWING COMPETENT YOUNG PEOPLE

This story is about a 16-year-old named Lila. It is in sharp contrast to the “Entitlement Prince” of Lesson 1. When she was about ten years old, Lila’s grandfather made a deal with her. On December 1<sup>st</sup> of each year, he agreed to match any money Lila had saved during that calendar year. There was to be no “carry over” from year to year, as he did not want to match money he had matched before.

When she was about 12, she was in a photo shop with her mother, a professional photographer. The mother had always had rudimentary cameras for her children. Those cameras worked but were neither fancy nor complex. The camera Lila was examining was much better than the one she had. Her mother said, “You can buy that if you wish, you have money in your account.” Lila asked, “When will Grandpa match my money?” When she heard, “December 1<sup>st</sup>,” she paused thoughtfully, then said, “I think I will wait.”



Lila had come to fully understand deferred gratification. Further, her parents had schooled her to put her money into three containers: One labeled, “Spend,” one, “Save,” and one, “Share.” In doing this, her parents were preparing her for a life of responsible money management. More on money management later.

In September of her 16<sup>th</sup> year, she wrote to her Grandfather and explained that her Mom needed her car, Dad needed his and she needed a car to get to her various jobs including babysitting. She wondered if Grandfather would match her funds in September rather than December. Grandfather joyously agreed and sent her a check for \$1,546, equal to the money she had earned and saved since December 1, the previous year. Lila and her father searched and found a 20-year-old Volvo 340, in “mint” condition. It came complete with all repair records. When the seller, who bought the car new, learned that Lila was 16 years old and paying for the car herself, he dropped the price by \$200! Six months after the purchase she learned another lesson when the radiator had to be replaced.

One doesn't need a photo to imagine the pride on Lila's face as she sat in the car, as it was parked in the family driveway. Had there been buttons on the garment she was wearing, they would have popped off! It took a couple of weeks before the white Volvo 340 was covered by insurance. In the meantime, Lila would sit in the car, a grin from ear to ear, listening to the radio.

Having a car of your own is an important rite of passage. It is also a fertile time for many lessons of life. Because Lila is an honor student, she got a better rate on her insurance. Lila told the story of one of her classmates tearfully complaining that while her father had bought a car for her, it was not the one she wanted. Lila had nothing but disdain for the girl, and suggested, "I bet she is really spoiled."

It was with pride, trepidation, and a few tears that her parents stood on the porch and watched as Lila and her 13-year-old sister drove off to school in the 340. Then there was the first time Lila drove herself to a party at a friend's home, another important transitional moment. While these events caused the parents to choke up, they also took pride in knowing that they were preparing their daughters for the life that lies ahead.



Both Lila and her sister, Marie, are fortunate to go to a Charter school, the Ann Richards School for Young Women Leaders in Austin, Texas. This is their Admission Criteria:

*The Ann Richards School (ARS) is a public school of choice serving grades 6 – 12. Female students within the Austin Independent School District (AISD) may apply. On average, the school receives more than 500 applications each year for approximately 150 spots. Our admissions process is competitive, but you do not have to be a straight-A student to apply.*

*Qualified applicants are placed in a random lottery. Admissions are based on an equal value consideration of the student's letter of interest, teacher recommendations, recent report card with first semester grades, attendance records, and last year's State of Texas Assessments of Academic Readiness (STAAR) scores.*

*A typical student at ARS enjoys learning, and has high hopes for her future. Each year, 75% of our students come from schools where the majority of students are from economically disadvantaged families.*

Lila was in grade school when she first applied and her name was not drawn. The following year, her parents encouraged her to apply again, only to not be drawn the second time. The third year, parents said nothing about the application process but it was Lila who insisted on making application. Voila! Acceptance.

Lila learned the lesson of persistence. Calvin Coolidge, the 30<sup>th</sup> President of the United States, and a man of few words, is reported to have said this:

***"Nothing in the world can take the place of persistence. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent."***



Lila has learned the consequences of persistence and determination, among many other important lessons. She is building a tool box of skills and knows the relationship between effort and reward. It will be interesting to witness how she finds her way in this world.

Then there is the case of a still another family that owned a business. They did their best to teach their children about life, the responsibility of owning a business, and how to handle money. They used pie graphs to help the children understand the economics of the family and how the family stood as compared to the rest of the world. Pie graphs were used to demonstrate where the money went in the family: X% - taxes, Y% - lodging, Z% food, clothing, Q% - education and so on. Use of the pie graph was better than talking dollars, for it provided a visual which the children could grasp when in their early teens. The father initiated a quarterly meeting of the family that was devoted to understanding the business, again without actual dollars connected to gross sales and profits of the business. After one of these family business meetings, the father and his 17-year-old daughter were sitting on the porch swing. The daughter turned to the father and said,

## "Dad, exactly how much money do you make?"

In all the previous meetings the father had steadfastly avoided such specifics because he didn't think his children were ready to handle that information. Sitting on the swing, he took a deep breath and asked, "That is a very interesting question. Why do you want to know?"

Daughter's reply, "Well, this is a pretty nice way to live and I want to know how much it costs to support it."

What followed, before any numbers were shared, was an extensive discussion of confidentiality. It was stressed that some information was absolutely private and not to be discussed or shared with persons outside of the family. The discussion explored the notion of navigating through complexity, that you just didn't share a number or information without preparing the recipient as to how it was to be used.

As part of the dialogue, the daughter discussed how she wanted to live. That included an apartment in New York City and a vacation home in Montana. Clearly, she had given the matter considerable thought. Her father applauded her thoughtfulness and encouraged her dream.

Family Business lessons show up in many places. In 2014, Admiral William H. McRaven, 37 years a U.S. Navy Seal, gave the commencement address at his alma mater, the University of Texas. As he opened his address to the 8,000+ graduates, he suggested that each of them in their lifetimes would meet ten thousand people and, over the course of their lives, they could influence more than 800 million people. It is best to watch (you can find this speech on [YouTube](#)) the Admiral's address because his delivery is inspiring, however, no matter the medium, his message is clear and it's a message every child needs to learn on their road to becoming a competent person.

Here is a summary of Admiral McRaven's speech.

## 10 Lessons for Life

#1: If you want to change the world, start off by making your bed. Little things matter.

#2: If you want to change the world, find someone to help paddle. You can't change the world alone.

#3: If you want to change the world, measure a person by the size of their heart, not the size of their flippers. You must have the will to succeed.

#4: If you want to change the world, get over being a "sugar cookie," and keep moving forward. Things are never perfect; get over it; move forward.

#5: If you want to change the world, don't be afraid of the Circus. Life is a series of events, of circuses. Learn to deal with all of them.

#6: If you want to change the world, sometimes you have to slide down headfirst.

#7: If you want to change the world, don't be afraid of the sharks. Stand your ground.

#8: If you want to change the world, you must be your best at your darkest moment. Remain calm and composed.

#9: If you want to change the world, start singing when you are up to your neck in the mud. Never underestimate the power of HOPE.

#10: If you want to change the world, don't ever, ever, ring the bell that signals you've quit. Never give up. Stand firm to the end; respect everyone for who they are.

While I am not personally acquainted with Admiral McRaven, I suspect he would fully endorse the themes of this course. Many of his Ten Lessons are about being aware of the messages being sent from one's emotional brain, all the while staying firmly grounded in one's executive brain, the seat of rational thought, goal-setting, strategy and action.

## **Competency and the Brain**

A family business is essentially an organism, a living, breathing entity with interdependent cells (individuals). People in effective family businesses are sensitive, have high emotional intelligence, and well-refined executive ability. They regulate their own emotional character and function from a base of high

integrity. These highly-functional individuals have genuine “heart,” high EQ (emotional intelligence) and well-developed executive reasoning.

In the discussion of the brain in the Communication Pillar, we made reference to the "Triune Brain." If you remember, the limbic system (mammalian brain) is the seat of human emotion. The prefrontal cortex is the "rational brain" which enables impulse control. Under stress, the limbic system can overpower the prefrontal cortex, making the regulation/control of emotions challenging. It is in the connection between the limbic system and the pre-frontal cortex that impulse control is made possible.

Children do not arrive in this world with rational thought or impulse control. In fact, it is not unusual for children to have poor impulse control as evidenced by tantrums and “the terrible twos.” One of the jobs of parents is to help their children develop impulse control. Effective parents teach their children to be in touch with their feelings, but process them in a healthy and constructive way. Impulse control is essential for effective functioning in life and especially in a family business where relationships are both personal and professional.



Admiral McRaven’s list is grounded in his experience of being a U.S. Navy seal. If you listened to his address, you heard him describe SEAL training.

It is a superb example of training individuals to be acutely aware of and in touch with their thoughts, feelings and emotions, AND simultaneously regulate their

behavior with their executive brain.

The situations in which SEALs operate require a very high-level of rational thought, planning, accuracy, and precision. here is no room for error or miscalculation.

Family businesses can learn much from their example.

## Questions for Reflection

- What is your self-assessment of your own impulse control?
- Are you aware of being “in your limbic brain,” then switching control to your executive brain, aka: prefrontal cortex? What are the clues?
- Do you have behaviors over which you have no control? (shopping; alcohol; drugs; gambling; sex)
- What part of Admiral McRaven’s instructions are most relevant to you in your family business?
- Who in your family business would benefit most by the study of McRaven’s observations? What evidence supports your view? What do they need to study? Be specific. How about you?

# LESSON THREE: EXPECTATIONS FOR COMPETENT FAMILY MEMBER EMPLOYMENT

*"The society which scorns excellence in plumbing as a humble activity and tolerates shoddiness in philosophy because it is an exalted activity will have neither good plumbing nor good philosophy: neither its pipes nor its theories will hold water" - John W. Gardner, "Excellence", Former President of the Carnegie Corporation*

Family businesses are notorious for allowing family members to work in the business who are simply not capable of doing so. It is often the case that "a place is found" for a family member to participate with insufficient education, training or skills. The family member is given a place in the company because "he/she needs to do something" and owners/executives feel pressured by other family members to "give him/her a chance." Though clearly unprepared, the wishful thinking is that the family member will "learn on the job." This is a recipe for disaster.

While in some cases the family member may appreciate the opportunity, take it seriously, and in fact develop as hoped, this almost never happens. The family member becomes a "white elephant liability" rather than make a needed contribution. Others in the business enterprise come to resent the family member's presence, and a sour mood of **entitlement permeates the workplace** climate. Even more dangerous, when the founder or previous generation retires or passes away and younger family members have not been sufficiently groomed to take over, the entire enterprise can crumble. For this reason, the *Golden Goose Family Employment Policy* was created.



The Policy was created for a large family. The founder of the company had passed away, leaving four brothers in the second generation. Among them

they had 27 children. The business had supported the four families very well. However, it was clear that it would not support (27 + 4 = 31) households.

They were in need of an employment policy establishing clear expectations and concrete guidelines for any family member entering the business. The Policy established a **baseline of competency** that would ensure the family business would continue to prosper. While the policy was designed for a specific company with specialized needs, the fundamental principles of the policy apply to all family businesses. It has since become the "gold standard" for family business enterprise.

## The Components of a Family Member Employment Policy

There are several key components that comprise an effective family member employment policy. These components consist of concerns you need consider when building your own policy.

### PURPOSE OF THE POLICY

It's important to state why you're implementing a Family Employment Policy. Doing so will communicate to all members that there is now a **clear and concrete criteria** being established for potential family members wishing to work in the family business.

### POSITIVE BEHAVIORAL EXPECTATIONS

Any business or organization sets forth clear expectations with regard to employee behavior. The same is true for employment in family business. The difference is that with family business, these expectations should reflect the values of the family when it comes to personal character, capability, and accountability. Any family member who enters the business needs to be an exceptional representative of the family at all times. This section of your policy should set the behavioral standards such as being responsible, making a contribution, taking ownership for their own success and well-being as well as others, problem-solving, and the possession of exceptional life-skills. These same standards are hopefully present in teaching children about their role in the family.

## RELATIONSHIP MANAGEMENT

Managing both vertical and horizontal relationships in family business is especially challenging. Personal history and feelings about family members can either be an asset or a liability to the business. Your policy should make clear three things. First, that all interaction between family members "as employees and with other employees" abide by the *Principles of Respect-Based Communication* (see Pillar One: Communication). Second, that when conflict arises, it will be addressed in the same manner as conflict between non-family members, in a formal way with no bias. If you don't have a formal conflict management process established, now is a good time to implement one (see Pillar One: Restorative Process). Third, state your expectation that any family member must demonstrate their ability to responsibly manage all aspects of their personal and work lives. Implicit in this statement is the expectation that family members must *understand and respect the boundary between what is personal and what is professional*.

## PROFESSIONAL COMPETENCY

Employment in the family enterprise is not a birthright. Family must meet the same high standards for employment as non-family employees. If being considered for an upper-level management or executive position, they should come to the business with a portfolio of successful experience elsewhere. This is a boundary that must be honored to protect the business. You wouldn't hire someone to work in your business if they didn't have a solid resume and references. You shouldn't hire a family member if they aren't qualified. If this rule is not in place, and less than competent family members are given jobs, sooner or later the less competent family member will become a problem that reverberates throughout the business and the family. *Many family businesses could have saved themselves heartbreak and tears had they embraced this concept.*

## APPROPRIATE AND RELEVANT EDUCATION AND TRAINING

Though it may sound harsh, a history degree doesn't qualify someone to be a CEO. Establishing educational and/or training criteria as a policy does two things. First, it gives younger generations who wish to work for the family the opportunity to plan. If a son or daughter wishes to work for the family, they can set an educational course during high school (and maybe even before). While it is valuable to have younger generations intern at the family business while in school, it should be understood that employment requires knowledge

and skills that can't be gained solely by interning or "helping out." Second, it guarantees that family members entering the business will bring fresh ideas, current best practices, and both creative and critical thinking to the enterprise. This is especially true for families wishing to professionalize operations and business culture.

In truth, all family members have the capacity to become *responsible* owners. If this is the thinking in a family, they can create an educational process that is geared to being a responsible owner. Ownership knowledge and skills are quite different from the education required to be an employee.

## **PRIOR EMPLOYMENT REQUIREMENT**

Working elsewhere is important not only for the business, but for the potential family member. The family member will gain real world experience and discipline that will be extremely valuable for them. Simultaneously, the family enterprise will benefit from that experience. If a family member cannot demonstrate competency elsewhere, it won't change once employed by the family business. Individuation is a lifelong process that is never fully complete. When you work somewhere other than your family's business, you are given a job to do. You do it and your supervisor gives you feedback on your performance. Whether you have done it correctly or not quite so, you will be told, and either praised or admonished to do better next time. If the next time you don't do it better, you may be invited to find work elsewhere. In the family business, the feedback is either inordinately positive, harshly negative, or completely non-existent. What every person needs is truthful feedback so they can learn. Working elsewhere supports one's individuation and helps you find out who you really are.

## **APPLYING FOR A POSITION**

As with any business, there is a vetting process consisting of reference-checking, interviews, and discussions among a hiring committee. Potential family employees are no different. If hired, there's a greater chance that other non-family employees will know the family member had to undergo the same rigorous standards of consideration as they did when they were hired. This (ideally) prevents any resentment or gossip about nepotism. Similarly, the family member will understand they are being held to the same standards and treated no differently than any employee. Requiring the family member to undergo the vetting process ensures they meet the qualifications for the

position, and understand the conditions and terms of employment.

## **NO PREFERENTIAL TREATMENT**

If hired, family members will not be given preference in advancement just because they are family. Family must meet the same high standards for advancement as non-family employees. Implicit in this statement is the principle of fairness and equality. If a non-family employee has demonstrated more competency and experience, they should be promoted and not the family member. The family member will understand that self-interest and personal ambition must be subordinate to the well-being of the business. Favoritism serves no one.

As well, analysis of performance will be measured with the same standards used for non-family employees. Feedback about performance will also be consistent with non-family employee review processes. In the family business, it is often challenging to get honest feedback. It can be too soft, too harsh, or non-existent. Honest, accurate feedback is critical for professional development regardless of family status.

## **"The Golden Goose Family Employment Policy"**

## FAMILY BUSINESS

# If Family Members Ask For A Job

By David Bork

**S**ooner or later, almost every business owner faces the issue of whether or not to hire family members. This problem becomes critical in the second and third generations of a business, when there are more and more family members to consider.

Let me tell you how one of my family-business clients—let's call them the Wilson family—handled this issue.

The four Wilson brothers own a business with gross sales of nearly \$50 million. Founded by their parents, the business has provided very well for all of the brothers, but they have serious concerns about succession and employing members of the third generation—all 27 of them!

There are enough members in the third

*David Bork is a family-business consultant; his company, Coda Corp., is in Aspen, Colo.*

generation to field three softball teams, while the third generation's spouses bring that number almost high enough to form a league. One member of this younger generation is already employed in the company, and others are knocking on the door. The Wilson brothers know they have a potential problem on their hands.

They asked me for help in developing a family-employment policy that would meet their special circumstances. They needed tough, clear rules that would protect the company, which they laughingly refer to as "The Golden Goose."

The Wilsons' long-term goal is prudent stewardship of the family enterprise. The family's values emphasize education, competence, self-esteem, independence, church, and community. We worked to design a policy that would reflect those goals and values. To set a no-nonsense

*An employment policy makes it clear who can join your company and what would be expected of them.*

tone for the policy, we use such phrases as "constructive contributions" and "opportunity is earned . . . not a birthright."

A decision to alternate the presidency between family and nonfamily employees provides an opportunity for renewal within the corporate structure, something often overlooked in family-held businesses.

Of special significance is the policy's section on education, where training to become a knowledgeable owner is separated from career opportunity. This avoids the mistake of confusing these two elements and equating family ownership of a business with the right to a job—a mistake that can lead to the demise of a closely held enterprise.

What follows is the family-employment policy developed for The Golden Goose. You can modify it for use in your own firm or use it as it is.



## WORKING DOCUMENT

### Family Employment Policy For The Golden Goose Co.

#### Purpose

The purpose of this policy is to define the procedures, process, and criteria that will govern how Wilson family lineal descendants and/or their spouses enter and exit from the family company's employ.

This employment policy is intended to remove the ambiguity that currently exists so that interested family members can shape their career paths accordingly.

We believe that clear, constructive communication of this policy will contribute to the long-term success of our family and The Golden Goose Co.

#### Philosophy

We are a family committed to our members and descendants being responsible, productive, and well-educated citizens who practice the work ethic and make constructive contributions to the local community and the world at large. Each member is encouraged to develop and use self-supporting, marketable skills that contribute to the enhancement of his/her self-esteem and independence. We believe that for a family member to be employed in this company, there must be a legitimate job and the skills to match.

It is the policy of this company to search out and



employ, at all levels, individuals who have the ability to manage vertical and horizontal relationships, who show evidence of ability and willingness to take initiative, who exhibit self-confidence and high self-esteem, and who are both independent and responsible in managing their lives and their jobs.

We subscribe to the philosophy that the opportunity to be employed in our company must be earned; it is not a birthright. Our business succeeds best when professional competence is the criterion for entrance to employment. Further, high-level competence must be supported by a sustained performance record. We believe that family members who cannot meet these standards will be happiest when employed elsewhere.

#### General Conditions

1. Family members must meet the same criteria for hiring as nonfamily applicants.
2. Family members are expected to meet the same level of performance required of nonfamily employees. Like nonfamily employees, they will be subject to performance reviews and to the same rules regarding firing.
3. As a general principle, family members will be supervised by nonfamily members.
4. Family members under age 30 are eligible for temporary employment, with "temporary" defined as less than one year. To be re-employed after temporary employment, a family member must meet the requirements of Condition No. 7, below.
5. No family member may be employed in a permanent, entry-level position (that is, a position that requires no previous experience or training).
6. Compensation will be at "fair market value" for the position held.
7. Family members seeking permanent employment must have at least five years of work experience outside this company. One of those jobs must have been held at least three years with the same employer, during which time there must have been at least two promotions. It is our view that if a family member is not a valued employee elsewhere, then it is not likely he or she will be happy or useful in The Golden Goose Co.

#### Applying For A Position

Family members must make their interest known in writing to the president/chief executive officer of The Golden Goose Co. When a position becomes available, only family members who have expressed an interest in employment in writing will be informed of the opportunity. They may then complete the normal application forms and submit the

application for appropriate processing and consideration.

#### Succession

The size of our company necessitates our reliance on nonfamily professionals. These industry leaders bring fresh ideas into our business and, thus, renewal to our family and to our business. To provide incentive for these employees to excel and to aspire to the presidency of our company, we will alternate the position of president between a family member and a nonfamily employee. No family member can succeed another family member as president/chief executive officer of The Golden Goose Co.

#### Education

1. Each quarter there will be a family meeting to report the status of The Golden Goose Co. This meeting is open to all spouses and to extended-family members age 14 and older. It will follow an educational model, with segments of the meeting geared to different levels of understanding. The purpose is to develop throughout the extended family a broad-based, high-level understanding of business. Financial matters and asset management will be heavily emphasized.

Learning how to handle confidential family matters will be part of the education process. One of these meetings will be called The Golden Goose Annual Family Gathering. It will include outside presenters, interesting learning opportunities, and other activities that will enhance and enrich our family life.

2. If a family member has not already earned a master's degree at the time of permanent employment, he or she must earn one in a business-related field within six years of such employment. If the degree is earned while the family member is in the full-time employ of the company, he or she will be reimbursed for tuition and related costs for each term in which a "B" average or better is received. Family members who become permanent employees and already have a master's degree in business or topics directly related to our business will be paid a bonus of \$20,000, to be divided into equal quarterly installments over the first four years of employment.

3. As a condition of continued employment after receiving a master's degree, a family member must complete 60 hours of approved continuing professional education in each calendar year. Failure to do so will freeze the family member's salary for one year and jeopardize his or her employment status.

♦♦♦ To order reprints of this article, see Page 71.

## Reflection Questions on Competency

What expectations are present in your family that will enable family members to learn the relationship between effort and reward?

What elements from this family employment discussion are relevant to your family business?

What are your written criteria and are those criteria serving your best interests? Is there need for revision? (if you don't have criteria, then there are plenty of principles outlined in this lesson to build one for your family.)

What are the standards for the continuing education of your family members?

Are you building a bench of the kind of talent, family members and non-family members, you will need in your family business to meet the challenges of the market place?

## LESSON FOUR: COMPETENCY & SUCCESSION, PASSING THE BATON

I have been adamant about the mythology of "rags to riches to rags in three generations." One researcher bears some responsibility for the myth. He did an early study of one industry that covered what I will call a short cycle. The conclusion of that study, small sample, and short cycle was the beginning of this myth. I have tried to combat it for many years.

What has always annoyed me is that even repeating the myth puts family enterprise in a negative light. With everything, there is a time to buy and a time to sell. According to the way the myth is spun, sale of a business is a failure. I say, NOT! Consider a business I served for years. At the 3rd generation level when those members were 33-60 years of age, they sold the business for hundreds of millions. All but one of the 3rd generation put their money into a pool. That pool now has one family member in charge of investing and compounding the asset. Mythology suggests that selling means that the family business has failed. Again, I say, NOT! What needs study is how the family compounds their asset base over the generations. Another way to look at it is to consider the aggregate value of the combined assets of a family.

In this lesson you will be coached about how to think about succession and what you must do to prepare for a successful transfer of control between the generations.

Many people are confused about succession. Some think it is a day or a point in time when someone is given recognition, with or without ceremony, and ushered out the door. Others relate succession to occupancy of the corner office. **Succession is not an event. Succession is a process** and it has been the implicit subject since we began this course. While there are 4 Pillars to this course, all the training and preparation discussed in this course is about competence. Here is the short list of what is required:

**Full command of the technology of your business.**

**Sufficient financial acumen to manage business and personal finances in a prudent manner, using specialized advisers when indicated.**

**Realistic perspective on the possibilities created by the success of your business in your market space.**

**Wisdom about the business and perspective about self in your life journey.**

**Passion and courage to go the extra mile in all things, including with your customers, your employees, and your family.**

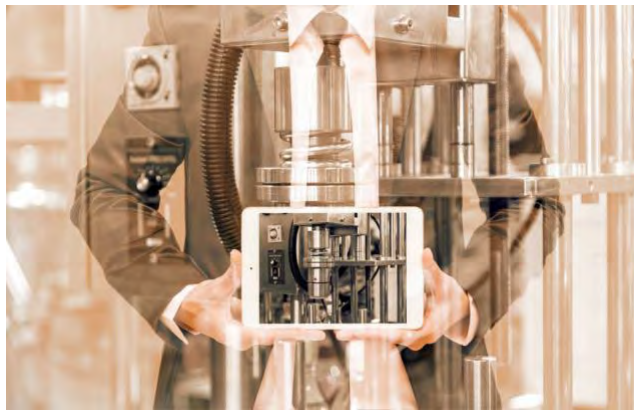
**Honoring the relationships with family members, listening to all, and respecting what they have to say.**

**Recognition that you have one life to live, so make the most of it all.**

**Commitment to enjoy the journey.**

## **What does it mean to have full command of the technology of your business?**

Whether your business is a major beverage distributor, a full blown long-haul trucking business or manufacturer of vitreous china, you must understand all the steps required to produce profit. Each business has its own specialized financial detail and technology. Family members must understand the technology and be able to read and understand the corporate balance sheet. They need to know which are the critical factors that indicate the financial health of the company and how that ties into the technology.



Whether achieved via educational sessions using internal resources or taught by an outside financial adviser, the family needs to develop a common understanding. It is often better if the person in charge of the instruction is not a family member. Our experience has shown that disputes develop in family business when individuals have different understandings, different premises, and different conclusions. If the family communication pattern is to believe you are always “right,” never mind the facts, it is certain to produce drama in the discussion rather than rational examination of the issues. If you have any doubt about this, revisit the Communication Pillar!

## **Realistic perspective on the possibilities created by the success of your business in your market space.**



In 2013, the average sales of a single McDonald's was \$2.7 million, with the net profit in the range of \$154,000 after all costs and non-controllable costs are charged against gross profits. That is about 5.7% return on gross sales. A “quick and dirty” method to understand is to first identify the industry, then look at the numbers. Returns might average 10% of the gross sales to the bottom line in some businesses. Depending on the

industry, the 10% might be closer to 2% or 3% if it is a grocery business, whereas other businesses such as accounting, tax preparation, bookkeeping and payroll service companies often have net profits averaging 18.4 percent of sales.

The point is to be sanguine about expectations for your business. The goal for your business should be better than average or higher for your type of business. I had a client who owned 93 McDonald operations. He understood the economies of scale. Because of the size of his business, he was able to reduce many of the costs that would be fixed in smaller operation by applying what he did for one store to many.

## **Wisdom about the business and perspective about self in your life journey.**

Wisdom is something that only comes with time and there are no guarantees it will ever come. If you say you have it, you probably don't. Perspective is something else. We are all on a life journey, and it is important to see your own progress on that journey. Perspective about self begins with attitude and the things you tell yourself. (Remember the lesson on self-talk.) There are those who can scarcely wait to wake up and face the challenges of the day. These individuals generate zest and express joy at the opportunities that come to them. To be a person like that is a choice that is up to you!

## **Passion and courage to go the extra mile in all things, including with your customers, your employees and your family.**

When you put these words, passion and courage, together there is bound to be magic. Passion is a feeling of intense enthusiasm towards, or a compelling desire for, someone or something. Passion can range from eager interest in or admiration for an idea, proposal, or cause to enthusiastic enjoyment of an interest or activity. Physical courage is bravery in the face of physical pain, hardship, death or threat of death. Moral courage is the ability to act rightly in the face of popular opposition, possible discouragement, or personal loss. Courage includes perseverance and patience. When passion and courage are the norm within your business, the entire environment comes alive. People want to come to work for the sheer enjoyment of being in such a positive, "can do" environment. It makes them feel vitally alive and they seek to excel, performing at the highest level. It breeds success, and that success generates more of the same. It is infectious, and soon people become even more inventive, contributing more to the betterment of the business.

## **Honoring the relationships with family members, listening to all, and respecting what they have to say.**

Consider a loving family, where communication is open, clear and constructive and where family members listen to AND hear one another. They are sensitive to one another's feelings. They don't always agree but they are inclusive. When they don't agree, they talk openly about the matters and either resolve the disagreement or agree they can hold different opinions on the matter. They enjoy each other's company, share laughter and good times, respect individual and family boundaries. What could be better?

\*Remember: It's okay to have an opinion on everything. It is not okay to expect that your opinion will prevail.

## **Recognition that you have one life to live, so make the most of it all.**

As of this writing, the data seems to overwhelmingly prove we only have one life. As yet, no one has yet returned from “the other side.” This suggests that we must seize the opportunities that come to us, have the courage to take the risks, and be ready to harvest the outcomes. If life gives us lemons, then we make lemonade. This is proven to be a quality of those who age well.

## **The Story of Mitchells of Westport, CT** (and other locations)



Mitchells of Westport, Connecticut, and Huntington, New York, are men's and women's specialty stores, known the world over for exceptional customer service, exquisite designer clothing, jewelry and accessories, and multi-generational relationships with designers and customers alike.

Mitchells had its humble beginnings in 1958, when the original "Ed Mitchells" was founded by Ed and Norma Mitchell. Its first location was an 800 square-foot former plumbing supply store. Norma famously brought in her coffee pot each day to make the customers feel welcome. Ever since, they have continued to carry on that tradition, offering lattes, snacks, M&Ms, a "Kiddie Corner", and other services designed to make customers feel at home.

The second generation, sons Bill and Jack, joined the family business in 1965 and 1969, respectively, and are both still involved today. Bill brought a unique gift for building customer relationships and he developed a famous passion for philanthropy, sitting on countless boards and hosting events. Jack brought a global vision of the retail industry, authoring the retail classics, *Hug Your Customers* and *Hug Your People*. In 1990, Linda Mitchell, Jack's wife, joined the business to build Mitchells renowned women's department.

In 1979, "Ed Mitchells" purchased "Richard's" in Greenwich, Ct., which was expanded in 1993 to its current size of 33,000 sq.ft., including the corporate offices.



In Fall of 2015, the Mitchells name was adopted at the Huntington store, previously known as Marshs. Founded by Herbert Marsh in 1925, the Huntington location was run by the Marsh family until 2005 when it became part of Mitchell Stores. Mitchells Stores, at that time, was going through a major renovation and the integration of women's fashions. In 2006, that resulted in the elegant, design award-winning retail environment it is today. Mitchells subsequently purchased Wilkes-Bashford of San Francisco and Palo Alto, and

most recently, Mario's, with stores in Portland and Seattle.

Mitchells has been the training ground for a third generation of seven grandsons, six of whom lead Mitchell Stores today. Bob and Russ Mitchell are co-CEO's and Andrew Mitchell-Namdar is responsible for Marketing & Visual Services. The stores in Greenwich, Huntington, and San Francisco are led by Scott, Chris, and Tyler Mitchell, respectively. And a new generation of Mitchells is not far behind!

Mitchells of Westport and Huntington, like the additional four stores that now make up Mitchell Stores, is the vibrant "heart" of their communities. The doors are always open for charity meetings, trunk shows and sold-out fundraising galas.

**Fast forward.** Today, Mitchells of Westport, Ct. is arguably *THE* leading men's and women's specialty store in the world. They are recognized as the epitome of an outstanding family business, and have nine family members working in the business. The zest, joy and delight with which they approach their business is infectious. People come from near and far to shop in their stores. The merchandise can be found elsewhere, but the total experience at Mitchells Stores is unique. You can go to their web site, read "About Us", then watch the video marking their 50<sup>th</sup> anniversary of being in business. Savor their inspiration. <https://www.youtube.com/watch?v=-X6W5RgmaA8>

The heart of their extraordinary vision was to "hug" the customer, to enhance and add value to the retail experience by offering unsurpassed service and a uniquely warm environment. They wanted to give back to their communities and to build trusting relationships with sales associates, customers and friends that would last for generations.

Here are a few things that can be learned from this very successful family:

- They live and breathe family.
- They are customer-centric and seek to exceed customer expectations.
- They are excellent merchants, driving their top line and controlling their costs.
- They know their customers.
- They "buy right" and their "sell through" is excellent.
- They have excellent relationships with their suppliers.
- They are fiscally conservative.
- They are deeply aligned in their fundamental values.
- They treat their employees/associates/customers with utmost respect.
- They are deeply involved in their communities, giving back in many ways.
- They respect the boundaries within the family and the business.
- They support one another through good times and not so good times.
- Quality is the standard for merchandise and in all relationships.

The Mitchells are a shining example of what can be done when a family embraces the Four Pillars. Now that you are at the end of this course, you have the skill to create an instrument based on this list that characterizes the Mitchell family. I encourage you to begin to outline, in writing, how these 4 Pillars will shape the future and thus the legacy of your own family business. Let that beginning outline be the subject of your next several family meetings.