



Putting the “Business” Back In Family Business: How to Lead Your Company to Success

By George Singos • The Center

Decades ago, your grandfather decided to invest everything he had into starting a business. He gave all of his energy, time and money to make it a success. Because of your business acumen and natural leadership ability, you're in charge of leading the company and its employees forward. Now what?

This situation exists in hundreds of thousands of companies across the nation. In fact, according to the U.S. Census Bureau, about 90 percent of businesses in America are family-owned. While this may seem impressive, the reality of family businesses is less inspiring. According to the Family Business Institute, only 30 percent of family businesses survive the transition from first to second generation management, 12 percent make it to the third generation, and just 3 percent operate into the fourth generation and beyond.

With such startling statistics, leading your company to success might feel impossible. This is a reality many family businesses face due to the inability to manage employees (family) or poorly running the company overall. Some common observations among failing businesses include:

- “I’m the purchasing manager but I’m also part owner, so you can’t tell me what to do.”
- “I’m not going to let my younger brother manage me just because he’s the president.”
- “If I can’t do what I want in the company, I’ll go to Mom/Dad.”

Running a business is already difficult enough, but it is made almost impossible with the added element of family politics. Any progress towards effective business leadership requires prioritizing the needs of the business over the needs of the family. This can be done using the following five strategies:

1. **Define job descriptions with prerequisites.** If your sister is the controller, make sure she can perform all essential job functions.
2. **Make each member of the family work a comparable job at a different company** for two years before they work at your family business. This will help them



learn the responsibilities of the job as well as teach them to be held accountable for their work.

3. **Establish Key Performance Indicators (KPIs)** for every department/function to better measure and track each employee’s performance. This will help with accountability and target areas (or people) requiring improvement.
4. **Pay reasonable salaries to all employees.** Your salaries should roughly match similar positions in the marketplace. Paying a buyer \$150,000 just because their brother makes that much in his role as the president does both the individual and the company a disservice.
5. **Develop an Advisory Board.** This allows external support to review KPIs objectively and ask detailed questions about performance and metrics. You can prevent many problems from happening, such as siblings blaming each other for business failure, by identifying opportunities for improvement based on irrefutable data.

Maintaining a family business means more than maintaining just any business. Give your business the care and leadership it deserves by removing the family element from your discussions and focusing on the business itself. By taking a more objective approach to the leadership of your company, your chances of success dramatically improve and your family legacy will be better positioned to continue for generations to come. ⚙️

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George Singos is the Business Leader Advisor with Michigan Manufacturing Technology Center (The Center). He may be reached at 734-451-4207 or gsingos@the-center.org.