

FAMILY BUSINESS

If Family Members Ask For A Job

By David Bork

Sooner 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

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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.

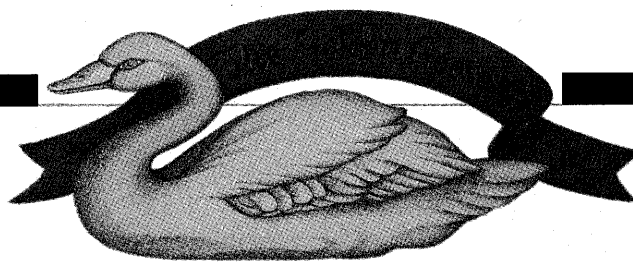
This employment policy is intended to remove the ambiguity that currently exists so that interested family members can shape their career paths accordingly.

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.

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