

HOW TO MAKE YOUR FAMILY BUSINESS LAST

**Techniques, Advice, Checklists, and
Resources for Keeping the
Family Business in the Family**

**By
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INTRODUCTION

The Best Investment A Business Family Can Make

Whatever the size of your family business, and whatever your race, creed, religion, or nationality, one of the best investments you can make is cultivating a loving, high-functioning family. After all, our deepest pains and our deepest joys are likely to come from our families. In a family business, that's true whether we're in our 20s or 90s.

In theory, you can't put a price on family harmony. However, I've seen that it can be worth more than every penny a person owns. I intend to show that taking the time and effort needed to cultivate a high-functioning family is the best investment any of us can make. And I know of at least one point where family harmony would have been worth a billion dollars.

The Two Billion Dollar Argument

To see what I mean, come back with me to the day before Thanksgiving, a year ago. Karla Adams and I were walking up Madison Avenue. (I'm not using her real name, but the amount of money I'll be talking about is real.)

With the holidays right around the corner, the storefront windows were decorated with evergreens, dancing elves, cotton snow, and twinkling lights. Karla and I darted between the shoppers, some of whom were so laden with

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parcels and bags that they could hardly see where they were going.

I leaned over towards Karla and said, “It’s such a happy time of year! I can’t wait to share it with my family at Thanksgiving!”

I was beaming, imagining the 50 or so of the family members gathered around the five long tables that it takes to hold us all, and then in my imagination I glimpsed the sideboard laden with turkey, chicken, mashed potatoes, green beans, sweet potato biscuits But then as I looked over at Karla, I saw her expression was changing.

She was now pale, and her walk had become stiff, as if she were in pain.

“Karla, what’s wrong?” I quickly asked.

“Mitzi,” she sighed, ‘I wish *I* had a family to go home to.”

“But you have a brother? Can’t you spend Thanksgiving with him?”

“No!” she answered with a vehemence that surprised me. She fingered the fringe of the blue scarf around her neck and added, “I never told you, but Joe and I haven’t spoken since 2014. The last time we saw each other was in court, arguing about our inheritance.”

I gasped. “Oh no! That’s awful!” I couldn’t imagine a family bond so irreparably broken as to force me to spend Thanksgiving alone. “Isn’t there something you could do to put things back together again?”

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“He testified about me in court,” said Karla. She spoke slowly, and the bitterness in her voice weighed down every word. “He lied. To get a bigger share of our inheritance, *he lied*. He cared more about the money than he cared about me.”

She paused for a moment, as if remembering the court case, maybe even reliving it. She spoke through pursed lips, “When Joseph lied about me, he torched all our bridges.”

I stared at her, horrified. This terrible thing had happened to my friend, and I’d never known until now.

Karla continued. “Our parents left us each a billion dollars, but you know what? I’d give every penny of it if only... *if only* I were like you and had a family to go home to.”

I told you a moment ago that in theory it would be hard to put a price on family harmony. But here’s one person who told me she would give *a billion dollars* to have a family.

Think about this for a moment. *Your deepest happiness or your deepest misery will come from your intimate relationships*. When these relationships go badly, the pain can permeate every hour of every day.

Money can’t make up for that. What good does it do to succeed financially if you fail as a family?

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Succeeding Financially and Failing As A Family

When the family quarrel involves a family business, the consequences are even worse. When there's a family quarrel, businesses can go "China Syndrome." That's the term family business expert Thomas William Deans uses in his book *Every Family's Business*.

The phrase "China Syndrome" comes from the 1979 disaster movie of the same name. The film starred Jane Fonda and Michael Douglas as witnesses to a nuclear power plant's emergency shutdown.

To explain what the term has come to mean in business, Deans writes, "When a family business goes China Syndrome, it doesn't explode, it implodes and quietly melts into a big, deep, dark hole in the ground where the business used to be."

He goes on to say that family businesses can be leveled in weeks if not days. And it happens every day.

In the view of Deans most family businesses are ticking time bombs. And he's right. Only about 3% of family businesses make it past the third generation. Family quarrels are the major reason families fail.

That's the bad news.

The good news is it doesn't have to be that way.

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Few Things Are More Important Than A High Functioning Family

Investing the thought, time, and energy to create close and enduring family relationships is one of the most important things a family can do. I'll be sharing with you here tools that can help you build a culture that keeps your family together across the generations.

The information comes from firsthand observations of two families which have been together for a combined total of 224 years. My family of origin, the Henderson family, started as the Henderson Estate Company in 1890. This company grew into the Sheraton Hotel chain, and our family is still intact 127 years later.

The family I married into, Perdue Farms, began as a breakfast egg company in 1920, and we're just three years short of celebrating our 100th anniversary.

The biggest secret for their longevity is this: Neither the Hendersons nor the Perdues left their family's continuation to chance. Both families put time and energy into creating a culture that supports keeping the family together.

What Does A High Functioning Family Look Like?

Every family has a culture, but a high-functioning family has a culture with the following characteristics:

- Family members enjoy being together.
- They support each other.

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- They want to help one another to be their best selves.
- They are aware of the enormous benefits of belonging to a close family.

Members of a high-functioning family understand that:

- For a family to work, members can't expect always to get their way. Compromise is key.
- Each family member must support the family and at times make sacrifices for the family.
- Membership in the family is not a one-way street. You don't get the benefit of your family's financial and social benefits without owing a lot in return.
- The elders are responsible for teaching the younger family members the attitudes and values that will give them the greatest chance at happiness and fulfillment.

Members of a family that leave their culture to chance are in danger of the following:

- Parents focus on the business and making a living, but don't invest in the family's culture.
- Parents don't teach the younger members of the family that they are there to support one another.
- Family members fail to appreciate the warmth and love a family can provide.

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- Family members don't learn that sometimes you have a choice between having a relationship and being right, and if you choose being right over having a relationship, you are sacrificing a lot of what makes life joyous.
- Family members do not learn until it is too late that losing your family over something like an inheritance issue is probably the worst choice you could possibly make.

For families to be a success over time, individual family members will need to give up something of themselves for the benefit of the larger family group. A person may be entirely right about an issue, but when Thanksgiving comes along and he or she is all alone, is hanging onto "being right" worth it?

Since family harmony can be worth every penny you have, how do you go about establishing a family culture that supports family harmony? How do you respond to the predictable—and unpredictable—crises that are likely to come your way?

That, dear friends, is what the rest of this book is about. Every family has a culture. The cultures that come about by design have a far better chance of surviving than the ones that came about by default. What follows are suggestions for ways of creating and strengthening a culture that supports keeping your family together across the generations.

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SECTION I

STRENGTHEN THE CULTURE: IT WASN'T RAINING WHEN NOAH BUILT THE ARK.

INTRODUCTION

Your family's culture is the biggest tool you have available for keeping the family business in the family. It's at the basis of everything you do because at heart, a family's culture is "the way we do things." I put the section on strengthening the culture first because it's the foundation for everything else.

However, if you are in a difficult situation right now (and frankly, the odds are that you may be, given that conflicts can arise so easily in any family), then skip ahead to the next section of this book, the one on **PROBLEMS? DON'T LET THEM TURN INTO THREE-GENERATION TRAGEDIES**. (Page 96) That section offers first aid for a number of problems you may be up against, including in particular, conflicts that threaten relationships or even the entire company.

The section you're reading now is about creating, building, maintaining, and handing on a positive family culture. Members of your family may be only barely conscious of the family's culture, but it underlies what family members feel is right and wrong and what is worth doing or not worth doing.

You want a vibrant family culture because a family-supporting culture can prevent many of the issues that can tear families apart. A strong family culture can help

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over-ride the centrifugal forces that come from society at large, the forces that tend to pull families away from each other and that make individuals forget they're part of something bigger than themselves.

A positive culture doesn't just happen; it's important to know and use the tools that make it happen. And I, as someone who cares that your family does well, hope you find these tools useful. They've helped my families and they can help yours.

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CHAPTER 1

The Individual Versus the Family: A Tug of War, But, Family Has To Come First

There never has been and never will be a family that can avoid all conflicts. That's because there's a built-in tug-of-war in families: it's the tug-of-war between being an individual and belonging to the family group.

On the individualism side, we are pulled towards wanting to be able to express ourselves as we see fit and to act on our own true, authentic feelings. We want to feel autonomous and free; we don't want to feel repressed or smothered.

On the family side, we yearn for a ready-made source of comfort, support, understanding, security, and identity. Ah, but that can require giving up some of our individualism in return for conforming to the norms of the group.

Members of any family are likely to feel pulled between these two forces. However, being part of a business family changes the balance because in this case, there's a greater responsibility to the group.

It's Different When You're In a Family Business

When you're a member of a family business, there's a lot more at stake than just the family. There's an entire world of others who are influenced by how the family is doing, including employees, stockholders, lenders, customers, and countless others who may be affected by the health of the family business.

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The thing is, a happy family means a happy company. And alas, a miserable family can mean a wounded company. This means, family members need to learn from early on to listen to other points of view and that compromise is key

Standing on principal sounds like a good idea, but it can end up devastating the family. A person who won't compromise is highly likely to enable his or her lawyer to buy a new car while at the same time blowing up the family.

And that's not the end. A public quarrel can harm or even kill a business. When I was growing up as a member of the family that founded the Sheraton Hotels, I was told from infancy that a public quarrel could harm the family business. That led to a deeply culturally ingrained notion that public quarrels "are not something we do."

My siblings and I grew up with the phrase, repeated a thousand times, "We don't wash our dirty linen in public." We'd hear this during meals, or during holiday rituals, or when we'd hear stories about our grandparents and others who had gone before.

We were made aware that with 20,000 employees and 25,000 stockholders, it would be WRONG to let quarrels escalate. We knew that a public family quarrel could mean we'd be vulnerable to competitors; it would be demoralizing to the employees; it would harm the brand. We were also told that since Sheraton stock was publicly traded, a public family quarrel could cause Sheraton stock to plummet. That would mean widows and orphans would be suffering because of our selfishness.

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The mantra of, “We do not wash our dirty linen in public” was so firmly ingrained that I don’t think any of us ever considered bringing in a lawyer or a member of the press. We knew to keep quarrels from escalating.

The Principle Gets Put to a Test

And by the way, we did have issues. To take just one, in 1968, some of the family members wanted to take advantage of a tremendous offer that ITT had made to buy the Sheraton chain. It would mean enormous amounts of cash right now.

However, several of us including me didn’t want this to happen. Those who opposed it all had our reasons.

“It’s my identity!”

“It’s disrespectful to Father’s memory!”

“I don’t want the cash; I want to be a part of Sheraton!”

“An outside company will never care as much about the welfare of the employees as we do!”

Imagine for a moment the feelings involved: your family is divided over the possibility of large amounts of immediate cash; a large part of your identity is in danger of being ripped away; your parents’ legacy is being turned over to outsiders! It’s a great big bubbling stew of some of your strongest feelings. In the case of me and my siblings, emotions were at white-hot levels.

We Kept It Secret

We argued among ourselves, but none of us ever spoke

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to lawyers or the press. I don't think anyone outside the family knew what we were feeling.

In the end, we did sell Sheraton. To the rest of the world, we had a united front, and we were true to our deeply held values, that we never washed our dirty linen in public.

I think at the end of this experience, we all felt proud that we had gotten through this and remained a close family. Once the decision was made, we closed ranks and nobody held a grudge.

We're still a united family half a century later. But this wouldn't have happened if we hadn't developed a culture ahead of time that supported "family first" and "We don't wash our dirty linen in public."

Since conflicts are inevitable, the best strategy is to prepare for them ahead of time.

The most helpful preparation is, develop a solid culture of "putting the family first." This doesn't come about automatically.

Checklist for Putting Family First

Take a moral stand that it's wrong to move quarrels outside the family. There are so many others who could get hurt by a public quarrel that it's morally wrong to allow a family business quarrel to become public. In the Henderson family, we learned public quarrels were wrong in the same way we learned murder was wrong.

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Have a phrase that children hear continuously that reinforces “Family First”
Continuously emphasize that we don’t take quarrels outside the family. The Henderson mantra sure worked for us: “We don’t wash our dirty linen in public.”

Put relationships ahead of ego. Let family members know from a young age that there are times when you have a choice of getting your way or having a relationship, and that it’s a terrible bargain to sacrifice one of the most important parts of your life for the ego gratification of getting your way.

When there’s conflict, make sure that everyone gets heard and listened to. Being heard goes a long way toward defusing conflict.

Teach family members to avoid being addicted to being right. Being addicted to being right is ego-centric and destructive. A milder way of saying the same thing is, “Don’t be stubborn.” Don’t reward family members for being stubborn,

Be careful what you say in anger. Angry words can be self-fulfilling, such as for example, threats of divorce or disinheritance. You say them in momentary anger, but the person hearing them may remember them for a lifetime. As my brother Barclay Henderson warns, “Garbage can come out of Pandora’s Box that can’t be stuffed back in again.”

If you liked this chapter,
visit the following link to purchase the entire book:

<http://www.mitziperdue.com/store/>

You'll be glad you did!

This book can help prevent or solve some of the most difficult “soft” problems a family business faces.