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When a pink slip lands close to home

When a family employee isn't meeting the challenges of the job, it's time for tough love.

By Ellen Frankenberg

Family businesses are built on both tough love and enduring work, and sometimes the two principles clash. When an employed family member isn't meeting the challenges of her job, the first question to ask is: "Would she be working here if she weren't my daughter?"

When the facts shout that it's time to "liberate" a family member, put on your business hat, and don't let the winds of emotion or fear of family conflict blow it off. But first, you must have your proverbial ducks in a row.

1. Implement clear personnel policies. To prevent lawsuits, the policies must be enforced equally for all employees—especially family members. In a professionally run company, a written policy manual may include hiring standards, job descriptions, supervision requirements, compensation norms, grounds for dismissal, vacation policies, rules on accepting gifts from vendors or customers and automobile (and, perhaps, airplane) use. Ideally, personnel policies are developed with an objective human resources professional, discussed at family council meetings and explicitly reviewed with all employees at the time of hire. They can't say they didn't know.

Improper personnel actions can be taken even in successful companies. Pomeroy IT Solutions, a Kentucky-based technology services provider, hit the courts and Condé Nast news when the chairman and founder, David B. Pomeroy II, fired his son, CEO Stephen E. Pomeroy, "due to certain conduct and actions, none of which involved any financial impropriety or illegal actions...."

2. Empower supervisors. Provide a crash course for supervisors, especially those who will train the next generation, about how to confront family members and develop their talents. State in writing, if you must, that no supervisor will be disciplined for challenging family members. Even if

the family name is on the water tower, supervisors need to know that family members must show up on time and at least meet the same requirements as other workers who will never collect a dividend check.

If a family member exhibits behavior that would result in termination if any other worker did it, empower the supervisor, with the support of HR and even Grandpa, to take the right action. Some families develop a small committee to review and support major disciplinary decisions. Others want parents notified first when their sons or daughters aren't making the grade, so they can intervene. Leaders of those companies aren't wearing their business hats.

3. Never fire in anger, without data. Periodic performance reviews based on specific professional goals give family employees and their supervisors the opportunity to identify problems and explore solutions before the problems become deal-breakers. One valuable tool—if done right—is a “360 review,” which involves anonymous feedback provided by those who work most closely with the family member: supervisors, peers and subordinates. Objective online assessments that compare a family member with a national pool of business leaders can provide a dose of reality for more than one generation. Such tools measure competencies such as goal completion, strategic thinking, commitment to the organization, ego and sociability.

4. Communicate by stating facts and feelings, because neither is debatable: “You showed up two hours late for the meeting with our top customer, and I’m angry.” Period. Give the individual the opportunity to explain, again starting with facts and feelings: “There was a huge accident on the highway and my cell phone was out of range. I’m sorry.” This conversation happens privately, without putdowns or speculations about another’s motivation. “You don’t care what happens to this company...” will only generate more defensiveness.

If lateness and excuses become a pattern, try to determine what’s behind the disruptive behavior: Addictions? ADD? Immaturity? Feelings of entitlement? Depression? If sensitive discussions fail and opportunities for treatment are not accepted, communicate specific warnings, then make a decision and stick to it—unless you want to burden yourself and the company with the same problem for the next 35 years. An heir apparent who doesn’t want to disappoint may find more than one way, perhaps unconsciously, to walk away from the responsibility of leadership in a family company.

5. Don’t use a sledgehammer when a scalpel will do. Even if a nephew or niece owns 20% of the company and collects annual dividends, his or her salary and bonuses must still depend on whether—and how—job goals are met. If there are persistent problems, suspension without pay is an option. “Come back in a week, after you’ve had time to think over whether you really want to build a career in this company.” Firing anyone—especially a family member—is a last resort, when other interventions haven’t worked.

6. But sometimes you need a sledgehammer. One nasty lawsuit can ruin a company. When a family member is caught sexually harassing a subordinate, immediate action must be taken. Damage control, with your

attorney's sound advice, becomes the urgent business of the day. Provide as much confidentiality to all parties as possible. Even if you have to walk your son out of the office, you can still invite him over for the next family cookout to discuss his plans for his next career.

7. Invest in the best. Develop leadership within the successor -generation. Challenge successors to seek the best education opportunities the family can provide. Once limitations are uncovered, develop an individual growth plan that identifies opportunities for further training, perhaps including executive education programs.

One potential successor turned down the opportunity to get an MBA, saying he "didn't need it" because he could learn everything he needed to know from his father. The father beamed over the flattery, but the business had negative sales for three years running and no innovative products to offer to its highly competitive industry. Failure to grow may force the family to sell the company.

Termination as morale booster

If a non-performing or disruptive family member is let go, what will happen to company morale? Actually, it will improve. Those who earn their paychecks every day will be able to refocus on the growth of the business.

Of course, repercussions from tough decisions will reverberate through the whole family system. There's the old joke: "The good news is, I finally summoned the courage to fire my son; the bad news is, I have to sleep with his mother tonight." That's why family councils are critical forums in complex family business systems. Family council meetings provide a venue to teach basic personnel policies to family members and explain the best practices of successful family businesses so pink slips need not be distributed.

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