TENNESSEE CENTER FOR
FAMILY BUSINESS

3 WAYS TO SUCEED AT FAMILY BUSINESS

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CHAPTER 1

Family Business & Long-Term Goals

Anything that's worthwhile requires careful planning and fanatic execution. Things don't just happen by chance. Businesses don't become successful overnight.

"20% of small businesses fail in their first year. 50% of small businesses fail in their fifth year."

According to the Bureau of Labor Statistics, 80 percent of small businesses survive their first year. About 66 percent survive their second year. About 50 percent survive their fifth year, and only about 30 percent survive their 10^{th} year in business!

What happens to all of those great ideas and great potential? Why only a third of those who start a business survive and thrive over a long period of time? Could goals and execution have anything to do with it? We think so!

Before we look at reasons why only a small percentage of businesses succeed, let's first define long-term goals.

Why Long-Term Goals?

Long-term goals set our direction. Short-term goals help us stay on track.

Long-term goals are not about day-to-day execution. Long-term goals are what some would call dreams, visions, or BHAG's (Big Harry Audacious Goals.) Long-term goals have more to do with the WHY behind starting a business and about embracing possibilities and our vision of the future for our business.

Steve Jobs had a long-term goal, a vision for his business. It was to "make the best devices in the world, not to be the biggest." He also wanted to "make a ding in the universe." How is that for a BHAG!

“Setting goals is the first step in turning the invisible into the visible.”
Tony Robbins

Jack Welch, the highly regarded former CEO of General Electric, often talked about stretch goals.

“Stretch goals are those that push us beyond what we think possible. A stretch goal is a deliberate attempt to reach for the unreachable, a goal so outlandish that it cannot be achieved simply by working harder or longer.

This “reach for the stars” aspect of stretch goals forces us to release our current methods of thinking and search for original, radically creative strategies and solutions. Stretch goals force change in how we think and in how we behave, communicate, relate, and coordinate. Stretch goals inspire an urgency to innovate.

Many of Jack Welch’s stretch goals were not fully achieved. However, virtually everyone who embraced stretch goals during Welch’s tenure at G.E. achieved significantly greater gains than they imagined they would. They may technically have “failed,” but they failed forward and at a higher level than they thought possible.

Stretch goals require courage and passion and a willingness to abandon excuses.” Nathan S. Colier

So, what are some simple guidelines for setting ling-term goals?

Set goals that represent your values
Set goals that motivate you
Align goals with your passions
Don’t be afraid to dream BIG
Be flexible
Don’t be limited by what you know today
Have a strong WHY
Start with a draft, think, process, adjust

93% of people can’t translate goals into action if the goals are irrelevant to them.

“By reaching for what appears to be the impossible, we often actually do the impossible. And even when we do not quite make it, we inevitably wind up doing much better than we would have done.” — Jack Welch

“If you reach for the stars, you might not quite get one, but you won’t end up with a handful of mud, either.” — Leo Burnett

“Most people have a million reasons why they can’t when all they need is one reason why they must.” — Unknown (folklore)

3 Principles for Long-Term Success

Jim Collins, known for bestsellers like *Good to Great*, *Built to Last* and *How the Mighty Fall*, wrote another book called *Great by Choice*.

Great by Choice analyzes what makes the world's best companies thrive in even the most uncertain and chaotic times, by distilling nine years of research and great stories into three tangible and actionable principles.

As important as dreaming big and setting stretch goals are, Collin's research confirms that unless we follow through with fanatic execution and discipline, we won't make it.

So, what are these three simple yet actionable principles Collins discovered during his 9-yearlong research?

#1 Develop Fanatic Discipline

It's not enough to dream big. It's not enough to write those dreams on paper. It's not enough to laminate your long-term goals and aspirations and post them in every office and on everyone's desk.

Innovation without discipline is a distaste.
Jim Collins

Unless you and your team are dedicated to fanatically and consistently execute toward those goals, you will (most likely) fail.

That's where long-term goals meet short-term goals and objectives. Breaking your long-term goals into daily actionable items and executing on those with laser-like focus is what differentiates business that make it only for 2-3 years from those that make it 10 years and longer!

#2 Fire Bullets NOT Cannonballs

Innovation is a must but it cannot be done foolishly.

Long-term success won't happen when we play it safe, get stuck in the past and refuse to think outside the box. Taking risk is part of long-term success. But how we innovate and take risk makes all the difference.

Collins compares risk taking to firing bullets and cannonballs. Too many businesses throw a lot of financial and human resources on ideas that have not been vetted. Collins call this firing a cannonball.

"Far more difficult than implementing change is figuring out what works, understanding why it works, grasping when to change, and knowing when not to." Jim Collins

Instead, he suggests taking calculated, low cost risks often in order to test ideas before going all out. He calls it firing a bullet. Firing bullets versus cannonballs allows us to protect financial and human capital form being wasted.

#3 Never Rely on Luck

As one of his final thoughts, Collins tells us to never rely on luck. He does not deny that something unexpectedly good and beyond our control could happen and sometimes will, but we should never use this as part of our strategy!

One simple way to protect ourselves from falling into the reliance on luck and chance is to develop and cultivate daily personal and business habits.

Habits like careful planning, thorough research, people first, integrity before revenue, personal ownership of mistakes can make or break our business and daily cultivation of those and other habits on both personal and organizational level will reap long-term benefits.

In The idea that leading in a "fast world" always requires "fast decisions" and "fast action"—and that we should embrace an overall ethos of "Fast! Fast! Fast!"—is a good way to get killed. 10X leaders figure out when to go fast, and when not to. Jim Collins

Long-term planning requires both boldness and courage as well as fanatic discipline to execute on a day-to-day basis. In our next chapter, we will talk about ways short-term goals and objectives help us with that fanatic discipline.

CHAPTER 2

Family Business And Short-Term Goals

More than 80 percent of the 300 small business owners surveyed in the recent 4th Annual Staples National Small Business Survey said that they don't keep track of their business goals.

"80% of small business owners don't track business goals."

If You Can't Measure It, You Can't Improve It.

Peter Drucker, Management thought leader, is often quoted as saying that *"you can't manage what you can't measure."* What Drucker means is that you can't know whether or not you are successful, unless you first define what success means to you and your business.

Why Short-Term Goals?

"A goal without a plan is just a wish."

It's important to note that both, short-term and long-term goals matter, and that both play a critical role in helping your business thrive.

While long-term goals provide you with the opportunity to dream big, and to create an exciting picture of the future for your business, short term goals become your action plan to help you execute, step by step, towards your ultimate vision for your business. Short-term goals are important because they:

- **Allow you to test direction and make timely adjustments**
- **Provide quick wins to keep you encouraged on a long journey of building and sustaining your business**
- **Are a source of motivation, giving you a sense of achievement**
- **Serve as early indicators and warning sign that something is not quite right**
- **Help maintain sense of purpose**

"If you want to live a happy life,
tie it to a goal, not to people or things."
Albert Einstein

How to Set & Measure Short-Term Goals

Specific
Measurable
Attainable
Relevant
Time-bound

You don't have to measure every single activity. If you do, you'll find yourself in a constant paralysis of analysis mode.

Determine what activities or results are most critical to successfully achieving your business goals, and measure those. Think of it another way: List activities that, if you stopped doing, would put you out of business, and measure those. Improving those critical key performance indicators will become your short-term goals.

If you've been to any management or leadership workshop, you most likely heard about setting SMART goals. Smart simply stands for goals that are:

Specific – clear and understandable
Measurable – with clearly established metrics
Attainable – realistic, based on capabilities of employees
Relevant – must relate to your key customers and must reflect your mission, vision and values
Time-bound – must have a start and end point

There is also another school of thought regarding goal setting. It encourages business owners to set CLEAR goals. Clear acronym means:

Collaborative – must be built on collaborative teamwork
Limited – should be limited in scope and length of time
Emotional – should make an emotional connection to employees, and be directly connected to employee's passion
Appreciable – should be able to accomplish those fairly quickly
Refinable – give yourself permission to make mid-course adjustments

Clear
Limited
Emotional
Appreciable
Refinable

Once you know WHAT to measure, it's also very important to spend time and determine HOW you will measure your short-term goals.

Depending on the type of your business, how you measure and the timing of what you measure will become critical. Using outdated numbers in order to make business adjustments can lead you down the wrong path, hence here are a few tips on how to measure for effectiveness:

- Be current / timely
- Be accurate
- Be complete (measure all important components)
- Be unbiased (no sacred cows or favoritism)

Numbers don't lie, but people use numbers to lie.

It's been said that numbers don't lie, but people use numbers to lie. Make sure you remove any bias from the way you measure and track your goals.

Achieving Your Short-Term Goals

I wish we could tell you that once we decide to set short-term goals, we have won half the battle and are likely to actually achieve those goals.

92% of people who set goals don't achieve them.

Unfortunately, research proves otherwise.

According to research by the University of Scranton, a whopping 92 percent of people who set goals don't achieve them.

So, what do the other 8 percent do in order to stick to their goals and turn them into reality?

What safeguards and practices can you, as a business owner, put in place to assure that you and your team have the best chance of success? Here are a few tried and tested practices:

- **Communicate your goals and metrics up and down your business**
- **Communicate / post results so everyone can see and understand how things are progressing**
- **Create a reward system directly tied to your goals. It can be financial, time off, etc.**
- **Create a process for receiving a continuous feedback**
- **Seek out trusted advisors – someone outside your business to provide objective feedback**
- **Avoid multitasking / setting too many goals**
- **Keep grinding… We become what we repeatedly do!**

**Steady plodding brings prosperity…
Hasty speculation brings poverty.**

CHAPTER 3

Family Business And Relational Goals & Conflict

It's a dreaded word that wreaks havoc among family-owned businesses. No one sets out to engage in it when building a business, yet it's an inevitable part of every family-owned business.

20% of family businesses report weekly conflict.

That dreaded word is conflict.

Conflict is not bad, as long as we understand how to use it to improve our business and ourselves. Conflict, can, however, be destructive to family-owned businesses when allowed to foster resentments and cross over relational boundaries.

According to the Family Firm Institute, 20% of family businesses report weekly conflict, another 20% report monthly conflict, and 42% report conflict 2-4 times per year.

"Peace is not absence of conflict, it is the ability to handle conflict by peaceful means."
Ronald Reagan

According to Harvard Review, some 70% of family-businesses fail or are sold before the second generations have a chance to take over the business. Conflict results from poor management decisions, emotional immaturity and being unprepared to handle complex business decisions.

Before we look at three ways to use conflict to gain positive outcomes for the business, let's define conflict.

Conflict is not the same as a simple disagreement. Many of us disagree or don't see eye-to-eye with others, yet we find ways to get on the same page, because our values and the end result are much more important than the difference in opinions.

Disagreements happen all the time and are simply defined as lack of consensus Conflict, on the other hand, goes much deeper than a simple disagreement. Conflict happens when two people reach a point where their positions are mutually exclusive, or a point when two points of view come to a place of a prolonged struggle.

In order to prevent conflict from destroying your family business, you first need to identity the root cause of the conflict. Once the cause has been determined, use the following three principles to prevent conflict from undermining your business:

Say NO to Nepotism

Hiring, paying and promoting family members because they are family rather than on their merit, will inevitably cause conflict. In a business where family and non-family employees work together, engaging in nepotism will not only discourage non-family employees but eventually drive your bottom line down. So how to avoid conflict caused by nepotism? Make it very clear to your family members that all hiring, firing and promotion decisions will be made based on merit. Explain to them why this principle is critical to the wellbeing of the company, and help them understand how destructive nepotism can be to both the business and the relationships. By making avoiding nepotism a guiding principle you'll minimize the potential for emotionally charged conflict to occur. Reach out to a trusted and experienced third party to help you with personnel issues.

Say NO to Greed

Long-term financial health should be a priority of every family business. Conflict will arise when business objectives clash with financial needs or wants of the family, especially when no boundaries have been set to protect the business from foolish financial decisions.

Successful Family businesses leaders focus on the next generation, not the next quarter.

As Family Business Center puts it so well:
"*Successful Family businesses leaders focus on the next generation, not the next*

quarter. They tend to embrace strategies that put customers and employees first and emphasize social responsibility."

"When team members trust each other, and know that everyone is capable of admitting when they're wrong, then conflict becomes nothing more than the pursuit of truth or the best possible answer."
Patrick Lencioni

Set ethical standards so high around the finances of your family business, that there won't be room for abuse. Make sure that controls are in place to help prevent financially driven conflict.

Set Clear Conflict-Resolution Guidelines

A wise proverb says that there is wisdom in a multitude of counselors.
Since conflict is an inevitable part of life, and will rear its ugly head in virtually every family owned business, having clear, written guidelines for conflict resolution becomes very important.

Guidelines could include principles like:

- Deal with conflict quickly, do not let it fester.
- Listen to the opposing party without interrupting and with an open mind.
- Once you have listened, re-state what the opposing party has said back to them in your own words and ask them if you are understanding their point of view correctly. You may have to repeat this step until they feel understood.
- When stating your view, focus on facts, observations and behaviors. Ask them to re-state what you have said in their own words until you feel your point of view is also understood.
- Go directly to the individual you are in conflict with. Do not permit gossip or character assassination.
- Designate few individuals to serve as unrelated, uninvolved and objective go to parties for counsel and wisdom. Give them full permission to speak truth to your life.
- Do not be easily offended.
- Put other's interest above your own.
- Focus on serving others rather than being served.

Data shows that only 30% of family-owned businesses survive into the 2nd generation. Only 12% survive into the 3rd generation, and only 3% make it into the 4th generation. Conflict, when allowed to go unchecked, has the potential to destroy even best business.

Conflict does not have to be bad. When managed appropriately, it can actually help a family business grow and mature. Don't allow your business to become yet another unfavorable statistic. Resolve early on to not allow conflict to destroy your family business. Reach out to trusted experts to help you manage conflict. Very often honest, unbiased feedback and evaluation will help you not only overcome conflict, but use it for something good.