



Is your family name part of your brand identity?

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You've never needed a piano mover before, but now you do. Who would you call first: ACME Piano Movers or Anderson's Piano Movers?

If you simply took the first name you saw in phone book, you'd call ACME. (Unless you've seen one too many Road Runner cartoons, in which case the name probably conjures an image of your precious piano being dropped over a cliff!) But before you ring up ACME, you might wonder who owns it? Who's behind the cartoon-like name? On phoning up Anderson's Piano Movers, on the other hand, you might well expect the call to be answered by an actual Anderson.

In the old days (or in a small town where most people know each other), family names were often included in business names precisely because people knew the family behind the name. In such cases, inclusion of the family name enhanced the brand. But, since consumers have become more-and-more accustomed to doing business with companies, rather than individuals, it's quite common for people to launch new family businesses under a name that has no connection to their family. Not just that, some long-established family businesses are re-launching their

brand and choosing to omit their family name.

The recognition factor

In this era where most recognize the value of branding, family businesses should take time to consider the benefits of branding their business *as* a family business. Though the value of a brand is dependant on the interplay of a number of factors, there are some strong arguments in favour of stressing the family behind your family business.

If your family is well established, well respected, and trusted within a community, your business can clearly benefit by the name recognition. If your business is relatively new, but you've sat on community boards and councils – or even sponsored local little league teams – chances are people recognize your family name.

Even in situations where your family is not particularly well known, putting the family's name on the business helps put a face to the business. To many, a family name carries with it a belief that there will be a more personal touch, which can be a huge benefit to customers who are tired of dealing with nameless, faceless companies.

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Another benefit of a family name associated with a business that's been around for a long time (for example, one currently run by a second or third generation) is the idea of continuity, which often translates into loyalty from second and third generations of customers. Indeed, many people may feel more comfortable doing business with a family that their parents and grandparents dealt with. So, if you're considering deemphasizing the family name or going with a more generic name to help create the impression that the business is

bigger than it actually is, keep in mind that you may be sacrificing years of hard-earned loyalty.

Conclusion

When considering your brand, be sure to factor in the value attributable to your family name. In short, ask yourself whether you customer's – current and potential – recognize your name and whether they value doing business with a family. If so, why not make the most of your good name – it's an asset none of your competitors can benefit from.

Tidbit

Family business meetings are a useful way of keeping family members not active in the family business in the proverbial loop. Be sure that the agenda for the family meeting includes a mix of business and non-business topics to increase the chances of everyone participating in, and contributing to, the meeting.

Employee bonuses – why discretionary bonuses may be counterproductive

Does your family business have a bonus policy or program for your employees? If not, perhaps it's time you thought about instituting one.

By definition, bonuses are amounts given over and above an employee's regular salary. So, the types of bonuses we're talking about aren't things like a Christmas turkey given to all employees every year, or the nice pen given on someone's 10th anniversary with the business.

Bonus plans can be based on performance or they can be discretionary. Performance-based plans come in all shapes and sizes. They can be based on the specific performance of the individual employee, for example, if the employee meets certain sales targets or production goals in a given period. Alternatively, they can be based on the employee's group or department achieving specific goals. They even can be based on the business reaching certain goals or targets.

Owner-Manager Remuneration: Bonuses versus Dividends

Separate from the issues to be weighed when considering bonuses paid to employees, when it comes to paying bonuses to owner-managers (a common occurrence in family-owned businesses) tax issues should also be considered.

Income earned at the corporate level is subject to tax in Canada at both the corporate level and at the personal level when the income is paid out in as dividends. The personal tax system offers some relief to individuals through a gross-up and dividend tax credit mechanism on dividends paid by Canadian corporations.

Historically, this mechanism worked well for corporate income taxed at the lower small business corporate rate, but it did not provide sufficient relief on corporate income above the small business limit (because the corporate rate applicable to such income is higher). As a result, a common tax-planning technique was for owner-managers to pay bonuses to reduce or eliminate the corporation's business income – at least to the level of the small business deduction threshold.

The impact of recent tax changes

Thanks to recent tax changes, however, a corporation's general rate income pool (which is basically after-tax income that is not small business income or investment income) can be paid to shareholders as an eligible dividend, which means it is taxed at a lower personal tax rate. As a result, depending on what province you're in, bonusing down to the small business limit may no longer be necessary. Because of the way the provinces have chosen to incorporate these federal changes, the benefit of bonusing down will vary by province, so business owners should speak with their tax advisor.

The choice is good for family-owned businesses

These tax changes are beneficial to family-owned businesses. With bonusing down to save tax no longer as much of a concern, policies related to remuneration of family members can be treated as it is with non-family member employees, which should help separate the business and family circles that are so much a part of family businesses. Thanks to these changes, family-owned companies are freer to simply pay fair remuneration and to have a dividend policy regarding family members that, like a well-crafted bonus policy for non-family employees, provides incentive.

There are many issues to consider when remunerating an owner-manger. For more information on your specific situation, contact your BDO Advisor.

One of the benefits of performance-based bonuses is that there is little room for surprise. If employees understand the reward criteria at the outset and they are given accurate updates on the progress toward achieving the goals, employee disappointment should be minimized. Another benefit of a well-crafted performance-based bonus is a sense of empowerment that employees feel when their actions impact on the performance target. Discretionary bonuses often are attractive to business owners because of the flexibility they offer. But, there are serious downsides to discretionary bonuses. Perhaps the most serious problem with them stems from the fact that they are based on individual judgment and therefore are subjective.

Though the business owner may have a rational basis for the bonus amount, with discretionary bonuses there's always a danger

that employees will believe that the amount was arbitrary. And, since the amount is subjective, if the employee feels the amount was low (or it was less than hoped for), the employee will be dissatisfied. Worse still, the employee could confuse a lower-than-expected bonus with a negative (albeit indirect) review of his or her work. Ironically, if the bonus is more generous than anticipated, the business owner will usually never find this out, as few employees are in the habit of letting on when they're pleasantly surprised.

Another thing to keep in mind regarding discretionary bonuses is that once employees receive a bonus – rightly or wrongly – human nature kicks in and most will come to expect subsequent bonuses, even if the company's policy of awarding discretionary bonuses is clearly stated. Aside from the disappointment – if not outright animosity – engendered when no subsequent bonus is

given, the reality is that in anticipation of receiving future bonuses many employees actually factor in an amount for a bonus as they make future spending plans. So, if they don't get one the next year, they might end up in financial jeopardy, which makes for very unhappy employees.

Conclusion

Having a stated bonus policy is a way of demonstrating to employees that you value their contribution toward the business' bottom line and that you intend to reward them with additional cash compensation over-and-above their normal earnings. Though discretionary bonuses are often favoured by business owners, they can carry unexpected disincentives. Performance-based bonuses, though often difficult to structure, generally lead to fewer surprises and they really can act as incentives to employees to work harder or do better.

Tidbit

The most successful companies train their managers to become leaders – to coach and mentor their staff rather than “manage” them, according to Terri Levine, author of Stop Managing, Start Coaching (CCU Press, 2003).

Stopping embers from turning into fires

Business owners are confronted with problems all the time. Some problems flare into flames before you've even detected smoke, but many start as mere embers that, if dealt with quickly and appropriately, can be snuffed out before they become fires. And, since putting out embers is almost always less time consuming than putting out fires, it makes good business sense to take steps to create an environment conducive to allowing for early detection of problems.

Here are a few* surprisingly straightforward things you can do to help ensure that problems and issues will come to your attention fairly early. In other words, think of these things as virtual smoke detectors:

Be approachable – many people are uncomfortable being the bearer of bad news. If employees see you as approachable and able to maintain your composure, they're more likely to bring problems to your attention. For example, thanking them for their input and

showing a willingness to listen to their suggestions and solutions can help foster the type of open communication needed to learn about problems early-on.

Empower employees – employees can be a first line of defence when it comes to troubleshooting, but only if they feel empowered to do so. Encourage them to identify and attempt to resolve problems by offering incentives and by rewarding them for solving problems.

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Admit your own mistakes – if employees see you as quick to gloss-over your own errors they may feel it's acceptable to try covering-up their mistakes. Remember, people tend to take their queue from the top, so lead by example and admit your own mistakes or misjudgments, take steps to correct matters, and show that the business is strong enough to keep moving forward.

Address performance problems as they arise – annual reviews are a good thing: they provide an opportunity to assess past performance and growth and are often a time for open discussion about the future. But, performance problems that might seem fairly minor at the outset can cause serious consequences down the road if they go unaddressed until the annual review.

Conclusion

Though these techniques are not the only behaviours a successful family business owner needs to help prevent minor problems from becoming crises, consciously adopting these will go a long way in preventing fires and will free up your time to respond to the truly urgent problems that arise.

*These ideas come from an item in the September 19, 2005 [Family Business Magazine E-Newsletter](#) and are attributable to Tracey Fuller, executive director of The Creative Group.

Tidbit

Hiring a non-family member for an executive-level position in your family business is a tough hurdle for many business owners. If it's time to consider looking outside the family for talent but you're hesitating, try thinking about it as an opportunity for potential growth without risking losing control of the business.

Q&A – Taking Advice

Q. – I started our family business five years ago and we've grown steadily. If we stay on the current course, our revenue next year is expected to be twice this year's. My spouse and oldest daughter are active with the business and by the end of next year I also expect our workforce to double. It's very exciting and a bit hectic, but I love it. One thing that I do find "challenging" is all the advice I get. It's not that I don't appreciate advice – I do. But it can be quite frustrating, not to mention time-consuming, when everyone and their brother feels compelled to give me advice. Having said that, do you have any advice about "taking advice"?

A. – Well, as a matter of fact we do – a fair bit of it, in fact. (Just kidding!) It sounds as though your main frustration lies in the fact that you're getting lots of unsolicited advice. Such advice can be useful and even good advice, but because, by definition, you did not seek it out – you are less likely to "hear it".

Most people are open to advice that they've sought. So, it's a good idea to try to make it clear to people when you're asking for their advice or input versus when you're merely venting. Though letting people know what you expect from them (in other words, whether you want them to listen or actually advise) may be difficult to get used to doing, think of it as empowering them to help you in the way you need help. You'd be surprised at how well people respond when specifically told, "I

don't need your advice, but I'd really like to just talk through this with you."

Assuming there are times when you actively seek advice, the issue of whether to follow it is a whole other matter. Naturally, for some issues you should seek professional advice. Though cousin Joe may be a great IT guy, you shouldn't rely on his advice regarding at what rate you can depreciate your new server.

For some, expert advice is a particularly thorny matter. Clearly you don't have the knowledge the expert has, but that doesn't mean you should cede your decision making to the expert. Ideally, what you're looking for from the expert is information on which you can make a reasoned decision. The expert has knowledge of a particular area, but you're still the expert when it comes to your business. If you consult an expert who seems to prefer dictating what you should do, remember that you're free to disregard his or her advice and you can always get a second opinion.

Before we move on from the topic of professional advice, there's one other thing we should mention (given that we are professional advisors). Actually, this is true of any advice – not just professional advice: be as thorough and honest about all the facts related to the situation you're seeking advice on. No matter who the advisor is, he or she cannot possibly be as knowledgeable about the facts of the situation as you are. So, if you want advice based on the actual situation, it's up to you to set it out. Avoid the temptation to gloss over things you think are unimportant unless you know for sure that they are absolutely irrelevant. Otherwise,

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the advice you get could be wrong or unhelpful. (Think of it like this: if you go to the doctor because of a nagging cough, the odds of the doctor misdiagnosing your problem are certainly higher if you don't tell the doctor your smoke.)

Issues of timing often come up when it comes to taking advice. First there is the question of when to seek advice; then there is the issue of when to move on the advice. Where you're seeking advice related to a future event – something you're considering or planning – there is time for you to contemplate the big picture. In these kinds of situations give some thought as to the steps that will need to be taken, the order of the steps, and the timing of them. Often the timing will drive when you seek advice, as well as how fast you make a decision regarding the advice.

If you procrastinate in getting advice, the person you'd like advice from may not have the time to respond, or the response may not be as thorough as it would have been if you had contacted them earlier on in the process. On the other hand, if, in your planning mode, you seek advice well before you're ready to implement a plan, alert your advisor to this fact and to your expected time-line, as he or she may be able to warn you of changes that may be pending that may impact his or her advice.

On the other hand, don't let someone advising you push you into making a decision you're not ready to make. If you feel someone pressuring you in this way, it's best to politely thank them for their advice and assure them that you will make a decision as soon as you have all the information you need and as soon as you feel confident it's the appropriate time to take action.

Short of full-fledged advice, in the course of your business there are likely to be times when you should consider seeking "input" from people. Think of input as information that will be useful to you as you make decisions. In a family business context, input from a variety of people can be quite useful, including input from family members about how they feel about the issue at hand. For example, before naming your daughter as your successor, you should probably seek her input about whether she would like to succeed you.

Our last bit advice on taking advice is to trust yourself. If there's something in your gut that doesn't feel right about a piece of advice, listen to your gut. Chances are there's a reason for your feeling and you should pay attention to it, even if doing so only causes you to think through the matter one more time before making a decision.

We hope this information helps – but of course, we don't expect you to follow every bit of advice included here.

Sibling Mentoring

The influence of birth order on a child's development is a popular topic. Equally interesting, though less often considered, is the role siblings play in teaching and mentoring each other. In the formative years, older children often teach younger brothers and sisters different skills. As adults, sibling mentoring often continues, though it has less to do with birth order and more to do with sharing expertise and experience.

In a family business setting, encouraging sibling mentoring can be a productive way of keeping siblings engaged in the business and of building a stronger sense both of teamwork and of family. Here are a few do's and don'ts when it comes to sibling mentoring:

- ÿ Reinforce the fact that every sibling has something of value to offer.
- ÿ Rather than age or longevity with the family business dictating who mentors whom, let skill and expertise dictate mentor/mentee roles.
- ÿ When tasks and challenges become opportunities to show "who's best", old sibling rivalries can surface – to avoid this ensure mentoring situations focus on willingness.
- ÿ Reward mentoring behaviour, even if the reward is just words of thanks and recognition to the sibling mentor.
- ÿ Distinct projects and tasks that can be shared by siblings and that have definite end-times and outcomes (preferably where the results can be fairly easily quantified) provide great sibling mentoring opportunities.