



Avoiding the Knowledge Void as Boomers Retire

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Many family-owned businesses pay a lot of attention to planning around the retirement of key executives or members of the management team, fearing that when these folks leave, the business will suffer a brain drain. But, family businesses often fail to recognize the impact that retirement of other staff members can have on the business in terms of disrupting the smooth running of the day-to-day operations. Given the number of Baby Boomers on the brink of retirement, without proper planning, many businesses could suffer a severe knowledge void as a result of the retirement of long-time employees.

Testing your company's readiness

Think of the activities each person on your payroll carries out in a week. (Or, even just the activities a department or division of your business carries out in a week.) You probably have an idea of what different tasks and actions are for each position (or department), and can probably explain generally how they get done each week. But, can you (or someone else in your business) explain how to do each of

them? If not, the stability and continuity of your business is at risk as staff retires.

The key to minimizing the risks associated with the departure of knowledge along with the retirement of staff is to make sure the knowledge is captured. There are two main ways of doing this:

- have retiring staff mentor their replacements; and
- document the steps involved in every business process and procedure.

Mentoring replacements

Having someone mentor their replacement is great, but it's only possible if you have enough notice of the pending retirement, and if you've found (and hired) their replacement. Mentoring is a useful way of training for any position, but it is especially worthwhile for positions that involve personal relationships, whether with other staff or customers and clients. For example, simply handing over the list of customers and contacts to a person replacing someone on your sales team isn't nearly as effective as having the retiring salesperson

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Comments and suggestions should be addressed to Bruce Ball, National Office by Fax: (416) 367-3912 or E-mail to familybiz@bdo.ca. We invite you to visit our web site at www.bdo.ca to find out more about our firm and the offices near you. Or call us at 1-800-805-9544.

Tidbit

Just as you'd knock on someone's office door before entering, you should always ask permission before giving feedback to anyone, including employees. Doing so gives them a moment to clear their thoughts and allows them to focus on the feedback. If the person says now's not the best time for them to receive feedback, respect their wish but ask them to let you know when they will be ready.

personally introduce customers to their replacement (the person they are mentoring).

Another benefit of having retiring staff mentor new staff is the fact that as the person being mentored takes over more of the activities, the person retiring is still there to troubleshoot. This is beneficial both in terms of possibly finding better ways to do certain tasks and in terms of minimizing disruptions. Obviously, the temporary cost of having two people performing the same function must be considered, but the advantages – both in terms of continuity and in the terms of maintaining relationships – can make the cost worthwhile.

Documenting processes and procedures

Documenting the step-by-step procedures for every position is a good idea for a number of reasons. The most obvious reason for doing so is so that

when people leave (whether they retire, are dismissed, or they simply quit), the person stepping into the position has a road map of what needs to be done.

Documenting processes and procedures is also useful when creating job descriptions and for identifying the types of skills and experience required when hiring.

As well, documenting the steps creates an opportunity for analyzing processes, which can result in streamlining and development of new controls that allow for better monitoring of progress, output, quality control, etc.

Tips for documenting processes

The key to documenting procedures and processes that will be useful to someone taking over a task is to include all the steps in sufficient detail. The amount of detail to include depends on the nature of the task or position; tasks prone to errors generally require more details, as do positions where there are frequent staff turnovers.

Obviously, to include details of every procedure will be time consuming. To get it done, you may need to pay people overtime, or at least allow them to set aside a certain number of hours per week to do it.

By making the documentation effort a company-wide initiative, you can increase buy-in in the process and allay fears or suspicions staff may have about why they're being asked to document the steps involved in their work. Rewarding their efforts, for example, by giving gift cards to staff or by throwing a party or lunch on completion of

the project or significant milestones, is a great way of demonstrating the significance of the project.

Conclusion

As staff members anticipate their retirement, so should your family business. The more lead time you have to prepare for someone's retirement, the better position you'll be in to ensure a smooth transition and less disruption to your business' daily operations. Having departing employees mentor their replacements is ideal, but isn't always economically feasible or logistically possible. Having a detailed description of the daily tasks performed by the person should help guard against a brain drain or knowledge void that might otherwise occur.

Tidbit

Wanting something is a tremendous motivator. So, next time you feel guilty in saying *no* to your child's request, remember that if you give your children everything they ask for you might be doing them a disservice by dampening their motivational impulses.

Is Strategic Expansion Right for Your Business?

Your family business is a success. Over the years you've increased revenue through organic growth but you feel it's reached a point where significant future growth cannot be achieved organically. Or perhaps you feel the need to diversify into other areas to help your business weather an economic downturn or over reliance on a few key customers or suppliers. If any of these scenarios apply to your business, perhaps it's time to consider growth through strategic acquisition.

The success of a strategic acquisition depends on many things, not the least of which is determining – before you set out – exactly what your objectives are for making an acquisition. Though this seems obvious, you should define the goals you hope to achieve by acquisition. For example, do you want to do an acquisition to meet revenue objectives or some non-cash objective? Once you've identified goals that might be achieved by acquisition, you must also step back and assess how those goals fit into your overall strategic plan and priorities. If, for example, you realize that what you may achieve from an acquisition is quite far down on your overall list of priorities, it may be best to postpone an acquisition because it will distract you from other more strategically important activities.

If, after your strategic analysis, you decide to proceed with an acquisition you should determine the financial criteria (price, return, etc.) that will guide you in

your search and subsequent negotiation. Though financial issues are important, don't overlook "cultural" issues – everything from how staff interacts with each other, to the tone and manner management employs when communicating with employees, to the way you treat customers, and even how vacation schedules are determined, can have an impact on contentment, productivity, and retention of staff. Many acquisitions that look good on paper fail because the cultures were too different.

Acquisition targets

By doing your homework in terms of identifying the specific strategic goals you're hoping to achieve by acquisition, you'll likely see acquisition targets in a whole new light. You may find, for example that all you really want is a division or unit of a company, instead of the whole thing. This realization may frustrate business brokers, who are intent on selling entire businesses, but so be it – the risks associated with acquiring more than you want are real and taking the bad with the good could be financial suicide.

Don't be discouraged if you find that what you're looking for doesn't seem to be on the market. The fact that a business (in whole or part) is not up for sale, doesn't mean the owners wouldn't consider selling it. There's no reason you can't approach a potential target. Of course, before you do, you should do as much

research on it as possible and have a target price in mind.

Once you've made a decision to seek growth through acquisition, it's human nature to want to move forward and do a deal. By all means, be proactive in identifying and finding a target, but assess each opportunity objectively. Fatigue and impatience can be your worst enemies in both your search and in negotiations. Be ready for a long haul and don't let your emotions get in the way. In terms of the amount of work that goes into making a strategic acquisition, the size of the deal doesn't matter, per se. Indeed, smaller deals may pose unique complications because of a lack of management infrastructure.

The acquisition is not the last step

Integrating the business (or division) you've acquired into your existing business is time consuming and difficult. Failing to put sufficient effort into the integration can have far-reaching consequences, and not just in terms of the pay-off directly attributable to the acquisition. A poorly planned or executed integration can jeopardize your whole business.

Family considerations

Aside from issues of financial risk, the impact on your family must also be considered. The prospect of rapid growth or changes in the nature of the family's business may create tension and anxiety among family members. Depending on how important business decisions are normally made in your family

business, you may want to convene a family meeting to discuss the prospect before you start down the road toward making a strategic acquisition. And, even if other family members are not actively involved in the family business, it's a good idea to maintain open communications regarding your

plans because they will no doubt be impacted by both the acquisition process and long-term result.

Strategic acquisitions require a lot of forethought, planning, and effort, but they can provide benefits that may not be achievable through organic growth.

Tidbit

Regularly setting aside time in meetings to discuss “what’s going right” not only provides you with an opportunity to celebrate achievements, the positive tone helps people feel good about their work and the company and often leads to a discussion of how to make other things work better.

Empowering Employees Through Accountability

Is your family business trudging along instead of flourishing? If so, is it because you can't seem to motivate your staff (family or otherwise) to take more initiative or follow-through on things? If this is the reason, then it's time for action – time to start holding people more accountable.

Accountability is not a dirty word

The idea of being held accountable seems threatening to some because they confuse accountability with simply being assigned a task that's to be finished by an arbitrary deadline. As Gil Efron notes in “How to Fix a ‘Not My Problem’ Attitude in Your Company”, in the October 2007 issue of the **New York Enterprise Report**, accountability isn't an assessment that is part of the employee's annual performance review. Instead, accountability involves:

- asking someone to approach a problem, come up with a solution, and implement their solution by a specific date; and

- providing them with the authority, tools, manpower, and monitoring, necessary to achieve the goal.

Making your expectations known

Because accountability is related to outcomes, not methods, it's important that you make your expectations known. According to Efron, accountability isn't a “top down” process. So, rather than tell someone what to do, you tell them what your expectations are. For example, if your business is experiencing a cash flow crunch, your expectation may be that staff find a way to ease the crunch by the end of the fiscal quarter. You raise the issue at a meeting, leaving it to them to figure out how to tackle the problem and at subsequent meetings you follow-up with questions that require direct answers and that reiterate or further clarify your expectations.

Your follow-up helps you gauge the progress toward the eventual goal, and gives you the

opportunity to coach, train, and teach the individual. Unless it's clear that accomplishment of the task is unlikely, refrain from intervening beyond coaching. Instead, encourage the employee to consider making mid-stream corrections that will get the task back on track to meet your expectations.

Fostering accountability

Beyond your role as a mentor and coach, you must ensure the employee has the responsibility and resources he or she needs to implement their solution.

Therefore, a regular part of your follow-up sessions should involve finding out whether they are accessing the resources they feel they need (whether it's hardware, software, supplies, people, etc.).

Efron points out that in building a culture of accountability, there may be times when holding people accountable involves confrontation, which many business owners find uncomfortable. If you find it necessary to criticize something

in particular, be sure to do so in private, behind closed doors. Your frustrations and disappointments stemming from an overall lack of progress, however, are appropriately aired to the team as a whole. And of course, praise, recognition, and accolades should be loudly and widely proclaimed.

A win-win

Successfully holding people accountable results in “wins” all around: the task at hand gets done (so you and your business win) and employees win because they experience personal growth. As importantly, accountability also gives employees a sense of ownership and interest in how the business performs, which can make them feel more committed

to it. As well, holding employees accountable demonstrates your belief in their skills and abilities and helps employees reach their full potential.

Tidbit

While there are many ways that training can help you achieve your business goals, all the training in the world will not solve problems caused by things like employee-job mismatches and insufficient staffing.

Q & A – Handling Grumbling In-laws

Q. My husband and I are delighted with the way our family business is going. All three of our adult, married children are active in the business and have been for some time. (None of the spouses of our children are active in the business.) A couple of our university-age grandchildren have worked on and off for the family business too, and we expect – and hope – that trend will continue. A couple years ago we started a family council and we meet formally twice a year. That seems to be going well, in that at these meetings (which are a combination business meeting and social gathering) everyone seems to get along and seems satisfied with the way the business is going.

But, outside of these meetings, at some family gatherings I’ve sensed some discontent, and I’ve heard rumours about animosity some family members harbour. I don’t want to be the interfering mother-in-law, nor do I want to make a mountain out of a mole-hill (as my husband sometimes thinks I do), but I worry that once my husband and I retire, the business or family may fall apart. Any suggestions for delicate ways of handling this?

A. First off, you and your husband should be congratulated for your success – both in terms of your business and in terms of having a well-functioning, growing family. Clearly both of these are due to your hard work, patience and care. The fact that

you have a family council is a clear indication of your family’s interest in creating open lines of communication.

Though it wasn’t clear from your question whether you had any first-hand, objective evidence of animosity (you mentioned rumours only), we are firm believers that when it comes to interpersonal relations, while it’s not good to jump to conclusions, ignoring your intuition or a sense you’ve felt isn’t a good idea either. You are absolutely correct to be concerned with unhappy daughters and sons-in-law, as they can be the source of discontent and jealousy that can strain your relationship with your children and even your grandchildren.

So, we have a few suggestions. First, if you haven’t already done

so, speak with your spouse about it. Find out whether he's heard or observed anything that hints at growing unhappiness or animosity. It could well be that he has observed similar behaviour but didn't know what to do about it or didn't want to raise it with you, for fear of you criticizing him or of planting a negative idea in your head. If he hasn't noticed or heard anything, ask him to pay attention for awhile – two sets of eyes and ears are better than one. Also, you'll want his support if you decide to take any action.

Consider convening your family council more often – at least quarterly. Doing so may be beneficial in many ways. More frequent meetings may give non-active family members a sense that they are more involved and up-to-date with what's going on. More frequent meetings also mean that there are more opportunities for family members to raise their concerns.

If you don't already do so, you may want to hire a professional facilitator to run your family council meetings. A professional facilitator is a non-threatening intermediary skilled at drawing people out (and at diffusing emotionally charged situations). Though introducing an outsider may seem awkward at first, with proper ground rules regarding respect and openness, you may find that over time family members feel more comfortable opening up and raising their concerns at family council meetings.

Another approach may be for you to forthrightly, but respectfully, address rumours and meddling behaviour. For example, at the

Paradigm Shift: Moving from Managing to Coaching

Coaching is basically working with someone to help them move forward. In terms of your business, think of coaching as working with your employees to help strengthen their skills. By coaching instead of managing you'll increase your staff's competence, satisfaction, and job performance, which will doubtless impact your bottom line.

Here are some straightforward coaching techniques Terri Levine, the Guru of CoachingSM, Ph.D., and author of numerous coaching books, suggests* managers apply to bring out the best in employees:

- Develop rapport with employees** – the key is connecting with people by showing compassion and by allowing them to feel safe interacting with you. According to Levine, rapport promotes trust and respect.
- Neutral listening** – the key is to listening without judging.
- Reflecting back** – after your employee has finished speaking, reiterate what you heard them say. Doing this gives the employee the opportunity to confirm that is what they meant to correct any misunderstanding.
- Responding** – reply to what employees say in a way that reassures them that they have been heard.
- Ask powerful questions, provide meaningful observations, and make useful requests** – the purpose behind all these is to help employees reflect on things and come up with solutions on their own.
- Help employees achieve their goals** – you can play an important part in helping employees achieve goals by helping them as they create their plans and as they execute them.

* The items included here are paraphrased from ideas set out in, "What is wrong with Management today?" by Terri Levine (<http://www.terrillevine.com/articles/wrong-with-management.htm>).

next family council meeting, when it comes time to address non-business issues, you may bring up a matter by saying something like, "We heard there was a question about..." The goal of this kind of approach is to create an open forum where all sorts of matters are raised and addressed. Though such a direct approach can be seen as

confrontational, it demonstrates to everyone that you are dedicated to openness and that you won't put up with behind-the-scenes drama and manipulation.

We hope these suggestions help. Good luck at fostering open, honest communication among all members of your family – it can be emotionally difficult, but doing so will pay off in the long run.