

Changing Lanes

Transition planning for entrepreneurs and family businesses

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with compliments from

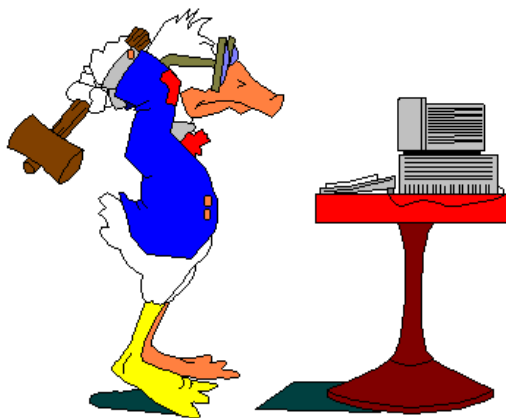


Perception is Reality

While logically many of us would quickly disagree with the above statement, it is in fact something that most of us unconsciously live by. If we truly perceive something to be true, then it generally becomes our reality.

One of the premises of psychology is that thoughts lead to actions. Those involved in advertising definitely understand that. Their goal is to sell you on a thought to the extent that it becomes your reality. Their campaign is successful when you act on that reality and purchase the product or service. Whether positive or negative, such is the power of perception!

Consider the picture below. When asked to describe what they saw, nine out of ten people immediately commented that the duck was angry or frustrated with the computer and intended to smash it. Is that a reality? Or it is just their perception? While it may be a very convincing perception, it is conceivable that the duck is using a mallet to rub its back, perhaps because it is stiff from bending over the computer.



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Imagine for a moment how perception can impact other forms of communication, be it an important meeting or a casual conversation. When we base our actions on what we believe to be a reality, how do we know it isn't just our perceptions that are driving our decisions? Now think about what can happen to the communication process when a group of people all have different realities.

Communication is necessary in all areas of our lives, including the transition of our businesses. Unfortunately, a lack of communication is cited as one of the causes of an unsuccessful business transition. This issue of Changing Lanes looks at ways you can address this complexity and improve the communication that is essential to a successful transition of your family firm.

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Why the Complexity?

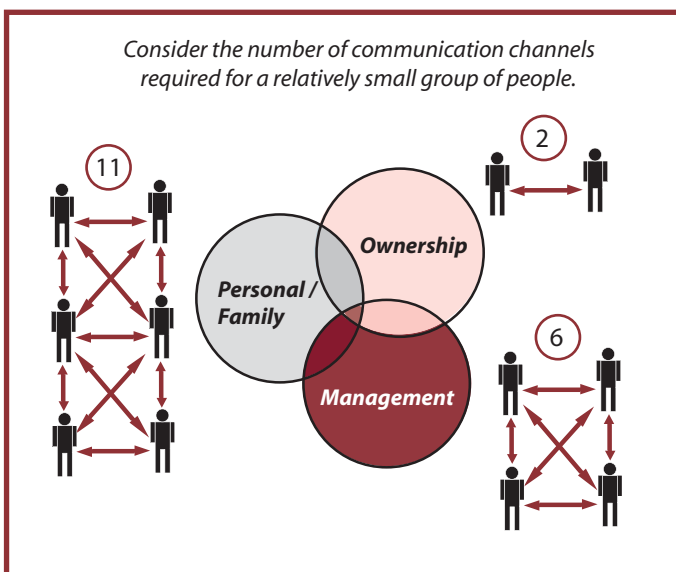
Despite the fact that it appears in the sixth position on our list of seven, the **lack of communication** is a major contributor to all the complexities facing families in business together.

While maintaining good communication in the operational area of a growing business is a challenge in and of itself, add to that the myriad of communication channels that are created as the family and shareholder areas expand, and the challenges multiply exponentially.

Undoubtedly communication was fairly simple at the beginning when your business was a one or two-person shop. It is highly likely that in those days a 2-way communication system between you and your partner or spouse was sufficient to discuss all family and personal issues, ownership matters and the day-to-day requirements of the business.



Compare that to the communication required for your family business to function today. Instead of the two channels between two people, you would need 6 channels for 4 people or 11 channels for 6 people. Note the example below that depicts a total of 19 exchanges of information for a relatively small group of people. It is easy to see why it is so difficult to ensure effective communication.



The Seven Complexities

- 1 No clear definition between family and business
- 2 Family members can lose their personal identity
- 3 Unresolved conflict
- 4 No clear vision or direction - only dreams
- 5 Lack of trust or "we focus"
- 6 **Lack of communication**
- 7 Lack of clarity around responsibilities, roles and rights

Effective Communication

Effective communication is absolutely essential to the success of any collaborative or cooperative entity.

If your goal is to create business continuity, then it certainly will require a collaborative environment. Regardless of whether you sell to someone inside or outside the business, no transition can succeed without collaboration and by extension, effective communication.

In its basic form, communication is the flow or exchange of information from one person to another. Basically it is the 4-step process shown below and its effectiveness depends upon how well step 1 equals step 4.



Sender



Receiver

1. Think
2. Convert thoughts to words
3. Hear words
4. Convert words to thoughts

For any exchange of information to be truly effective, the information received must be interpreted and understood exactly as the sender intended. Unfortunately this is rarely the case. As both the sender and the receiver, we naturally filter our messages to compensate for our perceptions. However, if the outcome and the relationship are truly important to us, we can learn to base our realities on facts instead of perceptions. Read on for some very practical techniques and tips.

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Tips and Techniques

Enhancing the effectiveness of communication in all three areas of your family business will net you a huge return on investment, such as a more cohesive management team and a group of shareholders who are united in their ownership philosophy. But the greatest satisfaction will come from the knowledge that when mapping out the future for your business and your family, you will have greater clarity and cohesiveness from the openness, inclusiveness, and respect that effective communication breeds.

Here are five important tips for increasing the effectiveness of your communication.

1. Be insightful

Empathy is essential to good interpersonal skills. Good communicators are able to see the other's perspective and are adept at interpreting the need behind the message delivered.

2. Deliver a clear message

Effective communication requires the ability to deliver a clear verbal message both orally and in writing. Both the choice of words and the delivery mechanism should be tailored to the receiver. Additionally, as only 7% of a message is received verbally, it is even more important to consider visual and other non-verbal methods of delivering your message.

3. Be assertive


Getting the point across to others with respect but without fear of angering them or hurting their feelings is a skill set of assertive communicators. A non-assertive communication style (passive or aggressive) often indicates a low sense of self-worth.

4. Practice active listening

While listening is important, it must be more than passive listening. Active listening is about truly understanding the speaker – as if you were walking in his shoes. Active listening includes listening with your eyes and other senses in addition to your ears.

5. Recognize feelings

Good communicators are comfortable with discussions that involve feelings or sensitive issues. They appreciate their own or others' vulnerability. They understand that, for communication to be successful, feelings must be acknowledged.

Feel free to contact us if you would like some help to introduce these techniques to your family, ownership or management groups. We have, on our team, family business facilitators who are committed to helping you improve the effectiveness of your communication and ultimately the success of your business. 


The Twelve Questions

In his best-selling book, *Every Family's Business*, Tom Deans shares his family's **communication strategies** including the twelve questions that are the foundation for a realistic transition plan.

As the son of the CEO, Tom advocates that clarity is key – clarity around the future direction of the business, clarity around who can participate in the business and how, clarity around who can be a shareholder and how they buy or sell their ownership, and above all, clarity around the family's principles and philosophies for wealth and legacy.

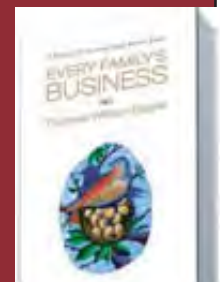
This clarity will help prevent the acrimony, sibling rivalry, sense of entitlement, mistrust and other devastating consequences of disparate viewpoints. This clarity can only be obtained through open and honest communication.

Every Family's Business is a must-read for all business families. Contact us if you would like a copy or order one online at www.successcare.com/category.cfm. We can show you how

Tom's twelve questions can help you develop valuable communication vehicles to prepare for a voluntary sale of your business. 

Before I joined the business my father and I sat down and hashed out a pretty detailed plan. We played 'what if' for several days ... "What if he dies, what if I die, what if the offices burns down, what if my brother or sister want to join the business, what if I get divorced, what if we go bankrupt, what if he meddles in the business, what if he thinks I'm useless" ... things like that.

*Excerpt from Every Family's Business ~
A Blueprint for Protecting Family Business*



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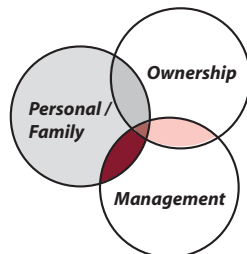
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Communication Structures

Formalizing the communication process is an essential step in increasing its effectiveness. In addition to using techniques to improve the exchange of information between the sender and the receiver, it is important to develop appropriate forums to allow the exchange to take place. The goal is to create an environment where people can not only obtain relevant information but also be encouraged to participate in what is clearly a structured communication process. Consider which of the following structures would be most beneficial for your organization.

Clarity in the Family Circle

Enabling communication within the Family / Personal area will not only promote the support, empathy and respect of individual family members but enhance the cohesiveness of the family unit. It is especially important for ensuring those family members not involved in the ownership or day-to-day running of the business remain connected.



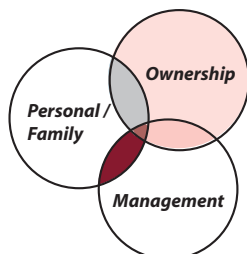
Family Council

A **Family Council** is the recommended structure. In its simplest form, it is a forum where the family can get together to clarify and communicate their business and ownership philosophies and then develop policies to ensure those philosophies can be maintained in subsequent generations. We call this their 100-year plan.

In addition, families can use the family council forum to discuss their overriding principles for success, the criteria for working in the family business, ways to pass on their heritage and build family traditions, how to support the personal development of all family members, how they might support communities and organizations in need, and so much more.

Clarity in the Ownership Circle

Disparity among shareholders is a common situation in business but one that can be improved or prevented with ongoing, open communication. Shareholders need a forum in which they can discuss and make decisions with regard to matters like wealth protection, capital investments, entrance / exit policies, and shareholder compensation.



Ownership Advisory Board

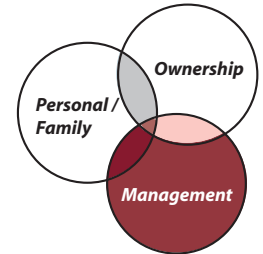
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Consider forming an **Ownership Advisory Board** which includes a modicum of outside expertise. This is particularly beneficial when the shareholder group is small as it ensures a variety of perspectives. The advisory board looks ahead about five years and ensures there is a clear direction for the business.


Clarity in the Management Circle

In addition to the standard communication channel that a management team provides, all businesses can benefit from a **Management Advisory Board** to add a big picture context to the day-to-day operations.



Management Advisory Board

The role of this forum is to develop and oversee an annual operational plan that fulfils the 5-year strategic plan outlined by the ownership group. While the membership of this group is primarily owners and/or key management team members, it is certainly a more effective forum when it includes someone from outside the organization who has knowledge and experience of the industry. When planning for the continuity of the business, a key objective of the advisory board is to ensure the business can always survive following a change of leadership and/or ownership.

Implementing a formal communication process is a fundamental step in preparing for the inevitable transition of your business. Whether you sell within your family or business, or to someone outside the organization, you will have increased both the value of the company and its sustainability. We are available to help you to decide which of the above forums best suit your needs.. With a more formal communication strategy, you will be better able to address each and every one of the seven complexities. 



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