

Inc. Magazine Interview of George Isaac on Running a Family Business - April 2016



FAMILY BUSINESS

## 7 Tips for Successfully Running a Family Business Without Drama

Business is hard enough without adding family to the mix. Here are expert tips on how to keep peace with the relatives even when you work with them.



BY KEVIN DAUM

 [@KevinJDaum](https://twitter.com/KevinJDaum)



IMAGE: Getty Images

Ninety percent of family businesses do not make it to the third generation. Family businesses struggle for a variety of reasons, whether it be the overlap of the personal and professional or even the mismanagement of the hiring process or general lack of interest from one generation to the next. And then there is the emotional drama. It's

hard enough for many families to get along without their livelihood and savings tied to group decisions. Problematic family dynamics can far exceed challenges in strategy and operations management typical in "normal" businesses. In addition to impacting the business, family relationship problems can have long-term psychological repercussions outside the workplace. George Isaac understands these critical dynamics, having made a 30-year career out of consulting with and running multiple family businesses.

Using his experience as a young Deloitte management consulting partner, Isaac took over his third generation family business after an outside professional president failed to meet family expectations. As CEO, he grew the business six-fold over eight years to \$200 million in revenues. Isaac then sold the business to a public company where he served as EVP and an executive committee and board member and helped build a \$1.2 billion enterprise over two years through acquisitions. Isaac has served on 14 company public and private company boards ranging in size from \$30MM to \$1BB.

Isaac, a member of Young Presidents' Organization (YPO), now helps other family businesses get on track and grow. His proprietary and internationally recognized work on the "Family Wealth Evaporation Trap" provides custom-designed strategies for realizing and preserving family wealth by focusing on family member financial and risk management needs, and family business operational and capital requirements.

Here are Isaac's tips on how to successfully grow a family business and keep everyone on track and happy.

### **1. Actively manage family dynamics.**

Working with family means the personal matters generally don't stay at home when you go to the office. Boundaries must be set to keep the personal drama at home instead of potentially ruining the work environment for everyone in the company. Leaving it to chance or just good judgment generally results in disaster. "*Positive family dynamics requires proactive management and an important success factor for multi-generational family businesses,*" says Isaac. Have process and agreements for how to deal with family conflict both on and offsite. Most problems center around Isaac's Four C's for Success-- Consideration, Communication, Connectivity and Compensation.

### **2. Be flexible in your focus on family and business.**

Sometimes family issues will be too potent to ignore or defer while at work and will demand immediate attention to help the business thrive. By the same token, there will be time when business needs will override any familial ties and demand your focus to resolve. Isaac, while advocating clear structure, recommends being ready and willing to straddle this line and "*shift [your focus] to shore up the family or focus on the business as required.*"

### **3. Establish a governing arm that is not part of the family.**

While different family members will be involved in the governance of the business, Isaac recommends having an independent board of directors or advisors that include non-family members to shore up missing skills and experience and help balance interests when family members come into conflict. *"Include non-family independent board directors or advisors to bring objectivity and an extra degree of professionalism to your board meetings,"* he recommends.

#### **4. Address family members' individual needs and goals.**

Isaac notes that all family members involved in the business are individuals and have their own priorities, needs and vision for the future. These often change as life events and normal aging impact individual family members. *"The best rule is to treat family owners as individual investors,"* he elaborates. *"Understand and address their individual needs, both business and personal. Remember, minority ownership problems can become majority ownership problems if minority issues and objectives are not addressed."*

#### **5. Put the best people in the right roles because of ability, not lineage.**

Just because Aunt Martha thinks her son Tony is the best one to take over as VP of Marketing doesn't mean that he is or that you should hire him as such. It's easy when running a family business to put family members in desired positions to avoid conflict in the short term. But not everyone is suited to handle positions well, and there may be other talent outside the family that may help the company perform better. Isaac advises running the business as a meritocracy. It will improve performance and keep overall employee resentment to a minimum.

#### **6. Each generation should consider its own purpose and direction.**

Just because your parents ran the business a certain way does not mean that you should do exactly the same, especially if you feel that there are changes that are crucial to its long term development. *"Each generation needs to develop and continuously implement new strategies to continue protecting and growing the business,"* says Isaac. Business environments and investor goals change over time. A culture of growing the business is a good litmus test to keep your business healthy and a management team engaged and committed.

#### **7. Have fun with the family.**

Just because you run a business together does not mean that work should be the primary focus with your family away from the office. In fact, Isaac notes that living as a family with outside interests is critical for keeping everyone sane and grounded as people. He recommends setting up specific networking and family time to just enjoy and appreciate one another on a human level. Quite often, creating a Family Council is helpful to address the needs of the family, particularly for multi-generational family

businesses. This way you won't forget the familial bonds that will keep you together regardless of the world of business.

***Each week Kevin explores exclusive stories inside the Young Presidents' Organization (YPO), the world's premiere peer-to-peer organization for chief executives, eligible at age 45 or younger.***

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