



## **Grow the family business into a profitable operation**

When a company is referred to as a mom and pop operation, you might envision three or four family members working in a back garage assembling a product the family's patriarch invented. This setup may work fine during the company's infancy, but for it to remain competitive and profitable, the family business must "grow up" by enhancing its operations.

### **Simpler times**

If your company is in the early "building block" years, you've likely assembled your operations in a much simpler, less formal fashion. In fact, you and your family may have successfully managed to run the company for some time without much, if any, outside help. But as the company grows, you'll eventually become spread too thin and unable to both effectively lead and run day-to-day operations.

With growth comes the need for maturity and increasing sophistication of your operations. Your company will need to advance its supporting operational infrastructure to efficiently handle a growing client base and business volumes as well as capitalize on new opportunities to expand. Focus on these four areas.

**Organizational management.** Starting out, family business owners often serve as a "jack of all trades." Because it's your own company, you know what needs to be done and are used to doing whatever is needed. New employees, however, will need guidance. This includes providing them with written job descriptions and training.

Implement a formalized system for measuring performance that gives employees regular and constructive feedback. Not only is this necessary to help them improve, but it also serves to motivate, compensate and reward them. This is particularly key to attracting and retaining nonfamily employees, who typically desire an objective performance evaluation system that's applied to family and nonfamily employees alike.

To minimize misunderstandings and conflict, issue a handbook of company policies to both family and nonfamily employees, and establish a formal advisory council to objectively mediate and develop solutions.

**Business processes.** At the core of your family business are its processes, so the more you can systematize and document them, the more easily you can train your staff to follow them for increased efficiency, productivity and quality.

Professionalizing your business processes also involves looking at opportunities to streamline them. Reducing the amount of manual effort required can free up your resources to process bigger business volumes. When analyzing your business processes, pay particular attention to your operations, sales and marketing, finance, human resources, and customer product and service delivery.

**Strategic planning and decision-making.** For many family business owners, their business vision, goals and strategies tend to primarily reside in their heads. Business planning discussions may informally occur on an impromptu basis around the dinner table or during family gatherings.

But, as your business operations become increasingly complex, formalizing your plans in a written document and communicating them companywide is vital. This will keep employees in the loop and empower them to make effective decisions and act in alignment with your stated objectives.

**Information technology (IT) systems.** The software applications and tools your family business uses are likely limited to supporting specific business tasks and not as suited for managing overall, end-to-end business processes. As a company's operations grow and become increasingly complex, another common issue is the proliferation of disparate applications and tools that aren't linked or made accessible companywide.

Supporting a professionalized, process-oriented business environment requires integrated IT systems. And integrated systems let employees easily access operational information and automate work effort for improved productivity.

### **Transition time**

Transitioning from a mom and pop shop to a professional family business, you may encounter growing pains. But reviewing your operational infrastructure and making upgrades where possible can help your company survive the current economic downturn and thrive in the future.