

# McLean, Koehler, Sparks & Hammond

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## How Entrepreneurial is Your Family Business?

It has been said that by 2008, nearly 40% of all family businesses in existence just five years ago will change hands. That means that every year, thousands of family companies must wrestle with issues such as management transition, successor development and ownership transfer. However, an emphasis on succession and transition planning may be for naught if a family business hasn't also taken steps to keep the entrepreneurial spirit alive. There's no question that many family companies were founded by people with extraordinary vision and passion. But ask yourself today: How entrepreneurial is your family business?

Like beauty, words are in the eye of the beholder. For some, the word "entrepreneurial" brings to mind a do-it-yourself, fly-by-the-seat-of-your-pants style of management. For others, the word "entrepreneur" may remind us of someone we know personally—a creative, single-minded individual who risked it all to begin a successful venture. However you define it, whatever your associations with the word, "entrepreneurial" is a mindset more than anything else. It's a way of seeing opportunities that others may not. It's focusing on what *can be* or *might be*, rather than what *is* or *was*. It's the ability to see what's happening and what's needed in the marketplace before your competitors do.

Take a look at these characteristics of entrepreneurs and entrepreneurial companies and answer the questions for yourself. How would you rate yourself and your family business?

### **Creativity**

In some family businesses, there's an unspoken belief that creativity is reserved for writers and musicians. In others, there's an underlying mindset of "this is the way we've always done it." Either attitude can stifle creativity, which is a precursor to innovation, which is essential to entrepreneurship. Creativity comes in many forms—the ability to generate multiple approaches to a problem, having heightened perceptions or awareness, seeing things differently or seeing different things. Which of those creative talents are present in your business? What are you doing to develop them?

### **Growth Orientation**

Think for a moment: in the last year, what specific plans have you made to pursue a new area of growth for your business? How motivated are family members, owners and non-family managers to pursue strategic growth opportunities? An entrepreneurial family company can be both prudent *and* opportunistic—they are not mutually exclusive—and both involve an orientation to growth. How prudent is it, after all, to stay in the same place you were last year?

### **Adaptability**

In a family business there are many good reasons to honor and respect past traditions. However, this must be balanced with the need to adapt to changes in the family, in the structure of the business, and to the marketplace. When was the last time your company ventured out of its comfort zone? Is your family business a model of flexibility and enthusiasm for change? Are you?

### **Future Focus**

One of the great strengths of family businesses is their ability to take the long view; a majority say they want to continue family ownership through the next generation. Paradoxically, a great weakness of many family companies is a failure to *plan* for the future. How committed is your family business to a long-term, forward-looking business strategy? What concrete plans have you made that demonstrate your commitment?

### **Self Determination**

Great entrepreneurs are determined to win. They love what they do, do whatever it takes, and good or bad, are willing to live with the results. But entrepreneurial parents may unconsciously encourage just the opposite from their children. Parents naturally want to take care of their children and to protect them from

painful experiences. Unfortunately, the best of intentions can dampen one's entrepreneurial spirit. The best way to protect the next generation is to encourage self-determined behavior. Do your next generation leaders set challenging goals for themselves? Do they take the initiative to reach those goals? Do you allow them to make choices, and experience the consequences?

If the quick assessment above indicates that you need rekindle the entrepreneurial spark, here are a few practical steps you can take.

1. Create an idea bank and reward employees for coming up with new ways to create efficiencies, delight customers or boost the bottom line.
2. Incorporate the "contrarian" point of view into every business meeting. What would conventional wisdom say about this plan or decision? Okay, now what if we did the opposite of that?
3. Schedule an offsite meeting purely for the purpose of brainstorming, or present a workshop on business creativity for your managers and employees.
4. If you haven't engaged in strategic planning for the business, block the time out now. If you're not meeting regularly with family members to talk about the future, schedule a family council meeting now.
5. Institute a family participation policy that requires successors to work outside of the family business before joining yours – preferably in a pacesetter, entrepreneurial company.
6. Develop a family business compensation system that rewards individual performance and also ties leaders to company performance.
7. Let successors take the lead on developing a new project, product or service. Give them P&L responsibility. Allow them to experience the consequences of failure and the rewards of success.

Regardless of size or type, many organizations have found that entrepreneurial concepts are essential to competing in a changing and challenging business environment. For a family business, a sustained culture of entrepreneurship is essential for business growth now, and continuity for future generations.

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McLean, Koehler, Sparks & Hammond helps owners and business leaders become more successful by providing innovative financial, technology and management solutions for every stage of their organizations' life cycle. MKS&H's organizational consulting division, Tandem Partners, specializes in people strategies that drive business results. For more information on this article or MKS&H, please contact Margaret Wilson at 410-296-6200 or via email: [margaret@mksh.com](mailto:margaret@mksh.com).

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