

## **Best Practice Guidelines for Employing Family Members**

There is a tendency for the Family Business to be regarded as a 'job for life' employer of family members, regardless of their capabilities and commitment. Such an attitude ignores the requirements of the business and may ignore the needs of the individuals.

Here are Top 10 tips:

### **Gain experience working outside the Family Business.**

It is recommended that family members gain relevant experience in an unrelated organisation for a period of three to five years. They are then able to bring fresh, new ideas and perspectives, contributing more to the business.

### **Employ family members based on qualifications, experience and merit for available positions.**

It is recommended that family members gain a tertiary education or relevant trade qualification. In an ever-changing business environment, the family business must maintain appropriate quality staffing at all times. It cannot afford to carry individuals, whether family members or not, who do not make a full contribution.

### **Remunerate family members employed in the business at market rates.**

Obtain independent evidence of an appropriate remuneration package and benchmarking within the relevant industry when employing family members. Concentrate on the market value of the position being filled and not on the individual needs or wants of the person filling the position. Do not confuse remuneration with a return on share ownership.

### **Appraise family members in the same way as non-family members using performance appraisal systems.**

Apply the same rigorously-applied HR policies to family employees as non-family employees to ensure they receive the proper level of training and career development. There is a risk of over-promotion of family members creating demotivating influence on non-family employees. This can lead to difficulty in recruiting and retaining high-quality outsiders.

### **Employ the best candidate for the job**

Consider family members alongside non-family candidates, utilising the same recruitment process for available positions. Excluding non-family candidates from senior positions, because of fear of loss of control by the family, may exclude the most suitable person for the job. Smart family businesses are prepared to look outside the family for the best available people and appoint them where appropriate. Employing outsiders can provide valuable resources, keeping the business competitive.



### **Qualify entry into the family business as an opportunity or privilege and not a birthright**

High levels of commitment and performance will be expected from family members. If there is no suitable employment for family members, think carefully before employing them. Employing a family member solely because of his or her surname can breed resentment within an organisation.

### **Invite family members to join the business without pressure**

It's better to wait until a family member is ready to join the business than to push them before they are sufficiently skilled or motivated to contribute at the required level. If necessary hire an outsider, often referred to as a bridge, until the family member is ready.

### **Prepare family members for a future in the family business**

Family employees will often be regarded by non-family staff as being undeserving of their job until they prove themselves. They will need to put in an extra effort at least in the initial period demonstrating a strong work ethic and commitment to the business and other employees. Establishing a work experience program for young family members in the business is beneficial and recommended.

### **Establish a mentoring program both inside and outside the business for family Members**

Family members in senior management positions will often find it 'lonely at the top' and will benefit greatly from formal and informal mentoring. This helps them deal with the many issues which can arise when the family and business environments collide. Mentoring can come from family members who already have experience of working for the business and/or from senior executives and non-executive Directors.

### **Develop family members to create future leaders of the business**

Family members, both male and female provide valuable resources to the family business. Addressing leadership skills and teaching family members the value of taking responsibility, being accountable and developing ownership for their own careers promotes respect. Remember, real authority comes from the respect you have earned, not from the shares you have inherited.

### **SUMMARY**

1. Gain experience working outside of the business
2. Employ based on qualifications and experience
3. Remunerate at market rates
4. Use performance appraisal systems
5. Employ the best candidate for the job
6. Qualify entry into the family business
7. Invite family members to join the business without pressure
8. Prepare family members for a future in the business
9. Establish a mentoring program – internal and external
10. Develop family members to create future leaders.

*Information taken from BDO Family Business News, Australian Issue no 19. Read more [www.bdo.com.au](http://www.bdo.com.au)*