



# FINDING THE RIGHT ROLES FOR FAMILY BUSINESS OWNERS

Is your current role serving the company's best interests?

Family business owners tend to take on multiple responsibilities, including top leadership. But when the business needs to evolve because of changing markets, customers, or other circumstances, they may need to reassess whether they are still in the best roles to successfully accomplish the transition.



In this edition of *Executive Issues & Insights*, we explore key insights drawn from the extensive C-suite and Board experiences of the

NextLevel team on how to help family business owners find the right roles.

## NEXTLEVEL CASE STUDY

*Family-owned business achieves value for successful sale as owners shift roles*

A software development tools company founded and run by a married couple had experienced good growth in a healthy market over its ten-year history. But deficits in their management and leadership skills, including an inability to delegate and make effective decisions, presented obstacles to profitability and the company's ability to reach the next stage of growth. Both owners wanted to grow and then sell the company but were unsure how to break through a performance ceiling and realize value.

A NextLevel team member was brought in as a consultant and later as interim CEO to help achieve their objectives. The first thing he did was to put in place good management structures with delegation authority, clear responsibilities, and accountability. He also brought in outside talent, including a new VP of development, who, along with his team, could take some of the engineering load off the technical

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## NEXTLEVEL INSIGHTS

### Be as clear as possible about family-owner goals

Depending on how many family owners there are and their positions in life, there may not be unanimity of purpose. However, being as clear as you can about family owners' expectations – e.g., a steady stream of dividends, long-term growth and value for the family nest egg, a brand that lasts into the next century – can help clarify strategy and make it easier to evaluate roles to aid transitions.

### Identify bottlenecks in implementing strategy

Perhaps the company is about to face a new competitive landscape that will require drastic measures to continue to deliver on the owners' goals. What obstacles will be in the way? Sometimes the appropriate role for family business owners does not become clear until these areas are identified. A trusted outside advisor can help in gaining clarity on what is keeping the company from reaching its full potential.

### Evaluate personal strengths

Family business founders may feel the need to be jacks-of-all-trades, having a hand in everything. But as markets, customers, and strategies change as the company matures, they may be spread too thin and/or their skill sets may no longer fit what is needed in leadership. Evaluating personal strengths can help determine, for example, whether they are better suited for top leadership or contributing as subject-matter experts. Again, a trusted outside advisor can help.

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## **FINDING THE RIGHT ROLES FOR FAMILY BUSINESS OWNERS** *(continued)*

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half of the couple. This provided more capacity to complete product updates and new development. In addition, improved reporting systems in marketing and sales were installed to make it easier to establish and achieve key success targets.

In his position as an independent advisor, the NextLevel team member was able to guide the owners to a realization of their best personal roles and the company's best position in the marketplace in order to optimize value. His objectivity, along with the aid of M&A consultants, helped them realize that 1) the company could achieve greater value by folding into a company with a complementary suite of products, and 2) new roles for them could both add value and lead to their personal fulfillment.

The company was sold to an acquiring company from which the founding couple received an attractive price. One of them was able to become an outstanding primary developer for the acquiring company, while the other left to pursue other nonbusiness interests.

**“AS A FAMILY BUSINESS EVOLVES, THE  
OWNER’S ROLE SHOULD ALSO EVOLVE.”**

**Let the best interests of the company  
guide you to your best current role.**

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### **Examine the organizational structure**

Sometimes it's not the owner's role that needs to change but how that role fits into the company. A flat structure with too many senior managers reporting to an owner/CEO can crowd out leadership activities now demanded of a top executive. Changing to a structure with fewer direct reports can be one solution. Chief executive owners can still have an appetite for detail but satisfy it by holding senior management accountable instead of picking up the hammer and nails themselves.

### **Consider different ownership models**

The best strategic move in the interests of the company and its owners may be to no longer be a tightly held family business. Alternatives may include partnering with nonfamily companies, taking the company public, selling to an outside buyer, or creating an employee stock ownership plan. This is where understanding family-owner goals becomes important, as it may identify the need to buy out family members whose interests are no longer aligned with the strategic direction.

### **Manage feelings about losing control**

A new strategic direction may evoke fears of losing control over day-to-day operations if it requires skills the current owner/CEO does not have. Moving to a strong governance role on the board, possibly as chairperson, can help mitigate those fears. Ensure there is clear understanding of and commitment to the new role, as well as willingness to let the outside CEO, if required, have enough authority to implement the new strategy while still holding him or her accountable for results.

## **KEYS TO FINDING THE RIGHT ROLES FOR FAMILY BUSINESS OWNERS**

- **Your goals:** Are you clear on the expectations of your other family owners?
- **Your strategy implementation:** Have you been honest about the real bottlenecks?
- **Your personal strengths:** Have you stepped back to evaluate them clearly?
- **Your organizational structure:** Has it evolved to suit your changing company?
- **Your ownership model:** Is it still in the best interests of the company?
- **Your attitude:** Are you managing feelings about loss of control?

### More Information

To learn more about how NextLevel can help family business owners find the right roles, call us at (800) 833-NEXT or email [info@nlbev.com](mailto:info@nlbev.com).

