



UPGRADING SYSTEMS AND PROCESSES FOR A FAMILY-OWNED BUSINESS

Does your family-owned business need to professionalize its practices?

Many family-owned businesses are built on a lot of passion. But passion alone may not be enough to sustain your business for the long term. Ensuring your family-owned business is using up-to-date professional processes and systems can help it remain viable as it grows.



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 upgrading systems and processes for a family-owned business.

NEXLEVEL CASE STUDY

Family-owned B2B company professionalizes and upgrades for increased sales and margins

A \$20 million B2B manufacturing and catalog marketing company had experienced high turnover in the President's position due to conflicts with the matriarch and patriarch founders of the business. Family influence, favoritism, a reluctance to adopt modern systems, and decisions based on personality rather than objective evaluations had degraded morale and weakened sales.

An experienced senior executive, now a NextLevel partner, was hired as CEO to implement changes to reverse this decline and place the company on stable footing. The first step was to establish weekly staff meetings and biweekly one-on-ones with key managers, encouraging them in turn to meet regularly with direct reports, in place of the previous impromptu meeting style.

He convinced the owners of the need for a fully integrated ERP system to enable, for the first time, real-time cost and

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NEXLEVEL INSIGHTS

Consider an enterprise resource planning (ERP) system

Installing an ERP system may seem daunting for a family-owned business, but if similar-sized companies are using one, it may be time to do so—and more affordable than you think. An ERP system provides robust data to measure progress against strategic goals, evaluate customer sales trends, and much more. It can help empower managers with better information and contribute to a culture of metrics-based execution.

Examine human resources practices

Family-owned businesses can sometimes be influenced by the personalities of their owners more than other companies. This becomes a problem if personal biases lead to favoritism, which can degrade morale and performance. Use HR best practices in recruitment, hiring, compensation, benefits, employee training, and career pathing to ensure decisions are as objective as possible. During regular performance reviews, include family members so all employees are held to the same level of accountability.

Establish regular, transparent communication processes

A founder may not see the need for formal staff and management meetings when their company is small. But as it grows, regular staff meetings and one-on-ones with key managers promote accountability and keep a focus on business objectives. In a family-owned business, be aware of the potential for side-channel communication among family members, which can erode trust among other staff. Be as transparent as possible with all important communication.

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production/inventory control and to provide objective data for decision-making. The company effectively leveraged underutilized assets to finance the ERP system and other overdue capital improvements such as material-handling automation that increased production capacity by 33 percent while reducing costs 25 percent.

The NextLevel partner also upgraded human resources policies and procedures. He recruited a talented management team, launched new training initiatives, established employee career pathing, rewrote the benefits program, and tied bonus compensation to achievement of business objectives. These changes improved morale by reducing favoritism. In addition, he aggressively pursued new business with key accounts while repairing and solidifying relationships with existing customers.

As a result, fragile relationships between owners and employees were calmed and the company culture transformed to be positive, proactive, and employee- and customer-focused. The company captured \$1.5 million in new business, increased sales 10-12 percent annually, and significantly improved margins.

**“A FEW SIGNIFICANT UPGRADES CAN
HAVE A BIG IMPACT ON A FAMILY-OWNED
BUSINESS.”**

**Focus on professionalizing and
modernizing to build enterprise value.**

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Appropriately leverage your assets

Family-owned businesses sometimes place a higher priority on tightly managing cash flow to protect the family nest egg or pay dividends rather than using leverage that might require debt service but also increase ROI. In the process, they may avoid investing in worthwhile capital expenditures that require debt financing. Find the right balance of leverage and financial risk to appropriately finance opportunities that would grow the business and sustain it. There may be low-risk ways to generate a return that would pay off the debt.

Take advantage of online tools for small business

A host of online software applications that increase efficiency without increasing overhead are available for small, family-owned businesses. Online accounting software offers integrated options for scheduling payments, managing expense reimbursements, and time tracking. An online payroll management system with at least two authorized users provides redundancy when employees leave or go on vacation. Robust online tools let your current employees do their jobs more accurately, faster, and with built-in security.

Turn to trusted outside advisors

The passion that goes into starting and maintaining a family-owned business can potentially lead to blind spots in running the company. Outside perspectives can take the subjectivity out of the sometimes-complex family dynamics that may be part of a family-owned business. Take advantage of trusted outside advisors for unbiased evaluations and assistance with implementing change. When your company reaches critical mass, bring non-family members into senior management for balance.

KEYS TO UPGRADING SYSTEMS AND PROCESSES FOR A FAMILY-OWNED BUSINESS

- **Your data reporting system:** Is it time to install a formal ERP system?
- **Your human resources practices:** Are they designed to promote objectivity and based on best practices?
- **Your communication with managers and employees:** Is it regular and transparent?
- **Your assets:** Are you leveraging them for the appropriate return?
- **Your accounting and payroll functions:** Are they using the most efficient tools?
- **Your advisors:** Are you incorporating non-family perspectives?

More Information

To learn more about how NextLevel can help you in upgrading systems and processes for a family-owned business, call us at (800) 833-NEXT or email info@nlbev.com.

