



Harvard Business Review

Family Business Handbook



Toolkit Manual

Included below: [Family Employment Policy Tool](#)



TOOL 1**Family Business Genogram**

You can begin to decode your family business by examining the relationships inside it, as a family business involves multidimensional relationships that influence each other in profound, often unexpected ways. To begin to understand the complexity in your family business, identify the individuals in your family business system and their relationships with each other. Using Tool 1, you'll sketch a genogram (a family tree) with all your family members, including spouses, going back to the generation that founded your business. A genogram helps you map a business family at a glance—and identify potential issues in the future. Though it may seem simple at first, creating a genogram will help you identify assumptions, issues, and looming challenges in your family.

READ ALONG

HBR Family Business Handbook

Chapter 1: Decode Your Family Business

TOOL 2**Map the Roles in Your Family Business**

System dynamics create competition inside a family business. Competing interests typically emerge over time, especially as your business expands to new generations. Use Tool 2 to map out the competing interests in your system. As families and businesses expand, people compete for what they want in predictable ways. When you consider how each person's role in the family business system influences their interests, you'll better understand what is motivating their behavior and decisions—and you can avoid the fundamental attribution error.

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Chapter 1: Decode Your Family Business

TOOL 3**Are You Destroying or Sustaining Your Family Business?**

Without the hard (and smart) work of the owners, family, employees, and others, family businesses all too often naturally destroy themselves. The embedded and powerful competing interests are too destructive to overlook. It's similar to entropy in physics, a law of thermodynamics that states that systems naturally tend toward disorder. Energy is required to keep them ordered. Using Tool 3, you'll capture how you are wielding the power of ownership today by making two lists and answering questions about the major actions you have taken to help sustain your family business.

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Chapter 2: The Power of Family Ownership

TOOL 4**What Type of Family Business Do You Want?**

Have you ever stopped to consider how your family owns your business? The type of ownership may seem like a formality that was determined in a legal document long ago. But as an owner group, designing the type of family business that you share is one of your core rights. Using Tool 4, you'll create a shared asset map for your family to track the shared assets of your family, their rough value, who can own them, which people (or trusts) own them today, who can be owners in the next generation, and any issues that the family may face as a result of the ownership design. This map will begin to give you a sense of how your family's ownership is designed and what the embedded issues are.

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Chapter 3: Design:
Choose the Type of Family
Ownership You Want

TOOL 5**Make Better Decisions with the Four-Room Model**

The quality of your decisions will determine the future of your family business. You can use the Four-Room model to map out who makes which decisions in your family business. The value of building your governance around the Four-Room model is that the rules and boundaries of decision-making will become clear: Everyone will know which rooms they participate in and then understand how the rooms work together.

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Chapter 4: Decide:
Structure Governance
to Make Great Decisions
Together

TOOL 6**Create an Owner Strategy Statement**

It's important to define clear objectives in your family business that determine the rules of the game, how you keep score, what winning looks like, and what moves are not allowed. Use Tool 7 to craft your Owner Strategy, one of the purest expressions of who you are as a family business.

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Chapter 5: Value: Create
an Owner Strategy to
Define Your Success

TOOL 7**Build a Communication Plan**

Effective communication is one of the most vital tools to sustain a business that endures over the years. To support you in your endeavor, use Tool 8 to construct a deliberate communication strategy.

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Chapter 6: Inform: Use
Effective Communication
to Build Trusted
Relationships

TOOL 8**Create Your Continuity Plan**

To make a good transition, you need a continuity plan that maps out the path from the current generation of ownership to the next. Picture each generation on opposite sides of a canyon. If you just keep going along as you were, you will fall right off the cliff. You need to build a bridge to cross that canyon. That bridge consists of three main elements: transferring assets, transitioning roles, and developing capabilities.

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Chapter 7: Transfer: Plan for the Transition to the Next Generation

TOOL 9**Business Family Disruptions Checklist**

Most business families experience four major types of disruptions: death in the family, new entrants into the business family, inequality, and behavioral health issues. Without preparation for such disruptions, both your business and family could fall apart under the strain. Use Tool 9 to determine your preparedness now. Complete this tool both as individual owners and then across the owner group to compare notes.

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Chapter 8: The Business Family: Four Disruptions You Will Face and What to Do about Them

TOOL 10**Should You Work in Your Family Business?**

Using Tool 10, you'll answer 10 questions before deciding whether or not to join your family business full-time. It's important that you effectively navigate the emotional mix of expectation, obligation, uncertainty, and desire for professional success when faced with the decision. As with any such complex decision, there will be pros and cons.

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Chapter 9: Working in a Family Business

TOOL 11**Family Employment Policy**

Use Tool 11 to establish policies to allow your family to “pre-decide” issues that could eventually end up being contentious, irreparably damaging the business, the family, or both. A thoughtful family employment policy not only helps avoid that fate but also positions family members to succeed. What's more, the policy can help ensure successful generational transitions down the line.

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Chapter 10: Family Employment Policy

TOOL 12**Wealth Responsibility Checklist**

The idea that the family may be successful enough to be financially independent, provide for multiple generations, and offer benefits to family members is part of the payoff of building a family enterprise. But responsibility for the wealth of your family business is no small burden. While there are no one-size-fits-all formulas for success, business families grapple with the same three questions. Tool 12 will ensure your family is positioned to protect the golden goose, build a lasting portfolio, and be responsible with wealth.

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Chapter 11: How to Be Responsible with the Wealth of Your Family Business

TOOL 13**Quiz: Find the Goldilocks Zone**

Conflict is a “Goldilocks problem.” Both too much conflict and too little conflict are ultimately unsustainable. Families must find a healthy middle ground where difficult issues can be raised, addressed, and resolved without the parties’ doing lasting damage to the relationships or shared assets. A family’s interests are rarely perfectly aligned. People have different objectives. As a result, some conflict of interest is inevitable. The priority is to manage that conflict, not avoid or eliminate it. Some families can more easily tolerate conflict than others, and the extent to which people will put aside their personal interests to support the common cause also varies. The Goldilocks zone shares some characteristics across all families. Tool 13 offers a three-part quiz that you can use to see if your family has found the zone and offers solutions for finding it if missing.

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Chapter 12: Conflict in the Family Business

TOOL 14**Assess Your Family Business**

Your family business is a system—one that involves collaboration to accomplish your goals. To assess it, gather key members together and ask them to individually assess each aspect of your system and then collectively discuss your ratings, using Tool 14. You aren’t judging or assigning blame for any issues of the past; you’re looking forward about how to improve. The work you completed in previous tools should greatly inform your assessment.

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Conclusion: The Good Journey, Together

TOOL 11

Family Employment Policy

Established policies allow families to “pre-decide” issues that could eventually end up being contentious, irreparably damaging the business, the family, or both. A thoughtful family employment policy not only helps avoid that fate but also positions family members to succeed. What’s more, the policy can help ensure successful generational transitions down the line.

A good family employment policy should address six key decisions that need to be made not just when a family member enters the business but throughout the employment cycle:

1. How you attract great family talent to be employees to the family business if you want them
2. The experience, achievement, and capabilities required for a family member to enter the business and to reach their highest level of seniority
3. The career path for the family member once the person has entered the business
4. How a family member receives feedback and development as an employee
5. How compensation for family members is determined in their role as employees—not as owners or directors
6. How family members, including the aging patriarch or matriarch, exit the business

Below are the range of options we’ve seen families adopt (explicitly or implicitly).

DECISIONS	OPTIONS				
Attract*	Discourage	Stay silent	Handpick	Publish rules	Recruit
Entry rules	None in	Glass ceiling	Level playing field	Higher bar	All in
Career path	Undecided	Branch silo	Company’s career path	Custom family path	Executive escalator
Feedback and development	Ignore	Same as company’s policy	Supplement company’s policy	Prove yourself	Coddle
Compensation	Take what you need	Market	Below market	Above market	All equal

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Chapter 10
Family Employment Policy

Pages 183–195

DECISIONS	OPTIONS				
Exit	Underperform and you're out	Up or out	Suitable job	Job for life	All to the top

*For definitions of these terms, see page 185 in the *Handbook*.

Start by agreeing to what your current family employment policy is for your family business. Do this exercise with others in your system, as they will likely have different experiences and points of view. Write down experiences people share that indicate a certain family employment policy or, at least, practice exists.

Then work to develop the policy that works for you. It might be easier to start with what you *don't* want. Cross out the options that you know won't work for your family so you are left with fewer possible policies, and focus the conversation on the mostly beneficial options for your family. Which policies do you think are inappropriate for your family and family business? Fill in the chart below with the options you would like to consider and discuss with your family.

POLICY	DESCRIPTION OF WHAT YOU WOULD LIKE TO DO	DESCRIBE SOME OF THE ACTIVITIES THAT WILL ENABLE THIS POLICY
Attract		
Entry rules		
Career path		
Feedback and development		
Compensation		
Exit		