

How to Grow Your Family Business

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Taking a family business to next level can be trickier than it is for other small businesses.

It's never a cakewalk to invest and take the inherent risk necessary to expand a business, of course, by hiring the next employee, adding a new product or service, opening a second location or borrowing to finance new equipment. But when a family is involved, things can get prickly for a variety of reasons —many of them having nothing to do with the business case for expansion.

For advice on how to grow your [family business](https://www.nextavenue.org/family-business-succession-successful/), (https://www.nextavenue.org/family-business-succession-successful/) I turned to two experts: [Kimberly A. Eddleston](https://damore-mckim.northeastern.edu/people/kimberly-a-eddleston/) (https://damore-mckim.northeastern.edu/people/kimberly-a-eddleston/), a professor of entrepreneurship and innovation at Northeastern University and a senior editor on the [EIX Editorial Board](https://www.nextavenue.org/why-entrepreneurs-over-50-rock/) (https://www.nextavenue.org/why-entrepreneurs-over-50-rock/) of the Schulze School of Entrepreneurship at the University of St. Thomas in Minneapolis (full disclosure: The Schulze Foundation is a funder of Next Avenue) and [Ken Wentworth](https://www.mrbizsolutions.com/) (https://www.mrbizsolutions.com/), a small business growth consultant based in Columbus, Ohio.

Family Business Growth Is Strong

This seems to be a great time to think about it. Family-owned businesses are growing faster and creating more jobs than their peers, according to the [EY Growth Barometer 2018 survey](https://www.ey.com/en_gl/growth/growth-barometer-family-business) (https://www.ey.com/en_gl/growth/growth-barometer-family-business).

“There are both pros and cons of being a family firm when facing a big growth decision,” says Eddleston. “The pros are the ability of the family to sacrifice for the firm — putting in extra hours and energy without taking pay, giving the firm generous loans with little or no interest, and often very lenient payback schedules and basically doing whatever it takes to make the firm succeed.”

Then there are the less tangible benefits of being in a family business poised to grow. “Family members also offer emotional support, which often comes in handy when facing the turbulence and risk of growth,” Eddleston says. “Finally, a family firm is also able to make quick decisions — quicker than non-family firms — because of the high-trust environment, which can be a real advantage when looking to grow.”

The Advantage of Being Nimble

The EY survey supports her analysis. Because growth decisions at family businesses tend to be made with the involvement of fewer people than at other firms, they can be fast and rely more on gut than data, according to the survey. “We see family businesses using the advantages of greater agility and streamlined decision-making to move faster than their non-family business peers,” wrote Marnix van Rij, EY global family business leader, in the EW report.

But there are also stumbling blocks to growth that are unique to family businesses.

For older firms, there's “the problem with [legacy](https://www.nextavenue.org/daughters-are-taking-over-family-businesses/), (https://www.nextavenue.org/daughters-are-taking-over-family-businesses/)” Eddleston explains. “That is, the family firm becomes mired in tradition and does not want to change things because they feel it would be disloyal to the founder's vision.”

And family firms, especially small ones, have a “tendency to rely on informality,” she says. “They often fear ‘formality’ and thus resist hiring non-family

employees or growing because they think it will change their culture and how they function.”

Finally, there's the fear of losing a grip on the inner workings of the business itself. Says Eddleston: “Families often like to call all of the shots, so if growth means they will need to hire and rely on non-family members, that can keep them from growing.”

5 Tips to Grow a Family Business

Now that you've seen the benefits and obstacles to growing a family business, here are five tips on how to do it:

Build purposely. “Before expansion plans can be executed, you need to ensure your current operations are in good working order,” says Wentworth. “Failing to heed that guidance can be disastrous.”

Each step you take as you grow needs to be part of a process. A solid, functioning business with a foundation in place is vital to preserve the essence and vision of the founder and the family's mission.

Talk about it. When there's more than one family member on the management team dealing with growth, it's imperative that everyone is on board with the planned changes. Communicate clearly about what you're doing, why you're committed to growth and why it's important to the long-term success of the business.

“Taking a family business to the next level is often more difficult because there are more emotions involved,” Wentworth says. “The key element to thwart these challenges is [transparent communication](https://www.nextavenue.org/getting-all-family-business-members-on-the-same-page-with-tech/) (https://www.nextavenue.org/getting-all-family-business-members-on-the-same-page-with-tech/).”

Stay focused on your family's values and the company's values. The transformation that comes from growth can be unsettling for your customers who are drawn to the personal touch of your family business. Keep them abreast of what's afoot and assure them that they aren't going to lose that level of familiarity and comfort they trust and rely on.

Hire with care. Adding employees often goes hand-in-hand with ramping up your business. But to make this click, the newcomers must not only be able to do the job, they have to believe in the values and mission of the business.

Keep learning. To grow wisely, stay up to speed with your industry, economic trends and technology changes. Push yourself to attend workshops and seminars; take online courses. Doing so will help you be prepared to smoothly manage the growth you're looking for.

Additional Search Terms: family business strategy, conflict, managing relatives, succession