



Enterprising Rural

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This newsletter is an instrument of the *Enterprising Rural Families: Making It Work* program of the University of Wyoming Cooperative Extension Service. For further information concerning the *Enterprising Rural Families* program or on-line course contact information@eRuralFamilies.org or go to <http://eRuralFamilies.org/>.

TIP OF THE MONTH:

TEN REASONS BIUNESSES SUCCEED

- The experience and skills of the top managers.
- The energy, persistence and resourcefulness (the will to make the business succeed) of the top managers.
- A product that is at least a cut above the competition and service that doesn't get in the way of people buying.
- The ability to create a "buzz" around the product with aggressive and strategic marketing.
- Deal-making skills to sell the product at the highest possible price given your market.
- The ability to keep developing new products to retain and build a customer base.
- Deal-making skills to work with resource suppliers to keep costs low.
- The maturity to treat employees, suppliers and partners fairly and respectfully.
- Superior location and/or promotion creating a connection between your product and where it can be obtained.
- A steady source of business during both good economic times and downturns.

What Is A Family Business Charter and Why Would A Family Business Need One?

Every business, regardless of size, requires definite systems and rules to abide by. This allows for consistency in operation, freedom of expression without fear, and top managerial performance. For best results, these should be developed with the contribution of all team members.

The often competing and conflicting family and business values comprising a family business system creates the need for a method of communicating between

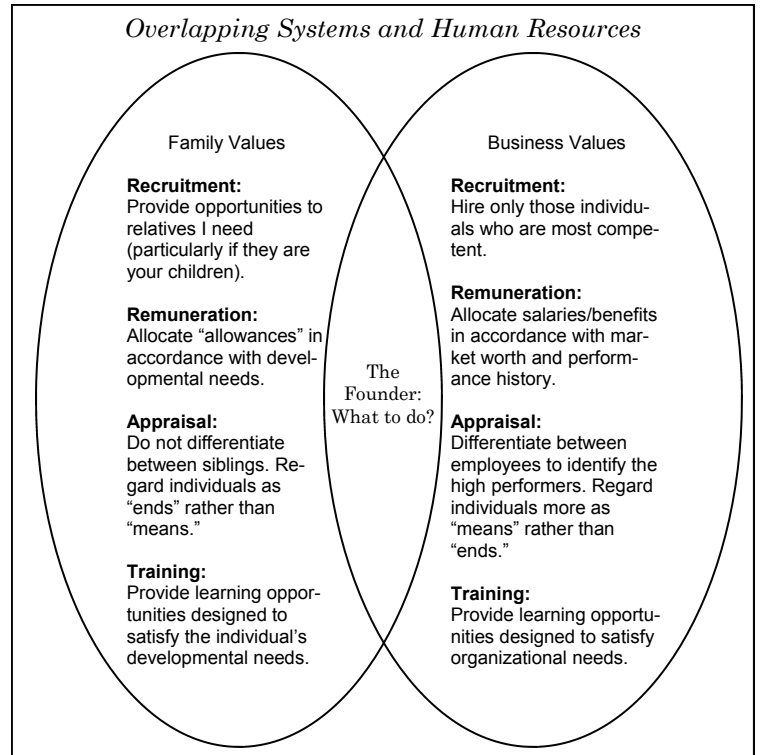
these systems. Formal documents describing the way business will be conducted and how family members and other employees will interact in that business can help.

Written policies should be developed to cover: Mission Statement, Business Charter, and Code of Conduct. Written procedures are required for such areas as: Hiring, Discipline, Dealing with Conflict, Upgrading of team skills, Orientation, Meetings, Teamwork, and Accountability.

Mission Statement

Mission statements typically contain three parts:

- ✦ Vision – The purpose of the business. Where and what it will be in the future.
- ✦ Business definition – The product produced, services rendered, customers sought, and geographic area.
- ✦ Values— Desired attitudes and behavior that direct your business; attitude you will carry out through policy, programs, procedures, personnel selection. It clearly shows "what is important to the team."



EXAMPLE MISSION STATEMENT

We are dedicated to the production of a quality product through reflective human resource management to ensure the highest level of safety and satisfaction for our customers and sustainable employment for our employees.

OR

To achieve the highest customer satisfaction through producing top quality products within a system of soundly managed employees.

Assign team members the task of individually coming up with what they think would be a good Mission Statement. Later, come together as a group, consider everyone's ideas and develop one statement from them.

Family Farm Business Charter

A family business should have a Family Business Charter which outlines the goals and expectations of the family for the business and each other. This charter will allow all family members to express their vision for the future. This should be set up with the assistance of an outside party to help to bring some objectivity to the process.

A Family Charter is a decision-making tool that sets out the values that are important to the family and the rules for resolving problems in a united and peaceful way. It is not intended to be a legal document (as is a Shareholders' Agreement), but a reference point that clearly sets out the criteria for the goals, management philosophy, share ownership, working relationships, family relationships, and succession of the family business.

The key to avoiding serious conflict is to involve family members in the process of creating a family business charter. Set aside the time to discuss the components and get consensus. Refer to the charter often to clarify direction and resolve conflict.

Reassess the charter every couple of years and make adjustments to reflect any important internal and external changes.¹

The business charter outlines guiding principles for family membership in the family business. With such guidelines, conflicts arising from differing value systems, expectations and overlapping roles between family and business can be minimized. Consistent application of these guidelines brings clarity to production and peace to the team.

Some of the points a charter should contain include:

● **Who will be hired?** A charter should spell out whether some or all family members will be hired. Policies relating to eligibility of spouses, in-laws and cousins should be formulated. In

all cases, people should be hired for their ability to contribute to the business not because of their family connection.

● **What criteria will be used to determine eligibility?** Guidelines should state the age, education and experience required. Some families believe that on-the-job training is sufficient. Others see the advantage of having family members exposed to other experiences. Whatever the preference, expectations need to be spelled out.

● **Is there a job opening?** Family members should be brought in to do a job that clearly serves the purposes of the business. Creating a meaningless job just because a family member wants to work in the business can lead to resentment among other employees and the erosion of the family member's self-esteem.

● **Who will supervise?** Having one family member supervise another can be difficult. New family members should be supervised, if possible, by a non-family employee. This facilitates better training and more honest feedback.

● **How will the employee be held accountable?** Once in the business, is a family member assured of continued employment no matter what? It's far better to have in place a system of performance appraisal and compensation commensurate with fair market value.

Family members:

- ✓ Must meet the same criteria for job requirements and level of performance as non-family members.
- ✓ Are required to have training and experience prior to being considered for permanent employment.
- ✓ Will be compensated only at fair market value.
- ✓ Must complete the normal application form for positions available, and will be considered the same as other applicants.
- ✓ Must complete ** hours of approved continuing education each year.

(** set through team discussion and based on policy decision)



Code of Conduct

The Code of Conduct is a written statement that clearly points out what is important in conducting business affairs. It reminds members of their commitment to and interaction with each other. In addition, it reaffirms what is important in conducting family business affairs, both within the team and with others outside the business. It must be designed to suit a family's specific needs and situation. The code is not meant to be a list of "Thou shalt" and "Thou shalt not." It is intended to reaffirm what's important in conducting family business affairs and remind members of their commitment to each other.

Codes of conduct differ from one family business to another. Each should be designed to suit the individual family's needs and situation - but they tend to have features in common. Here are some of the issues that might be addressed in a family code of conduct:

- ✦ The need to respect each other
- ✦ The need to treat each other fairly
- ✦ The relative importance of family harmony and loyalty (some may see this as being paramount; others may not)
- ✦ The relation of the family to the business. An example might be "What is good for the company is good for the family"
- ✦ The need for open, professional communication
- ✦ The need to keep family differences out of the business
- ✦ The right of family members to speak up and express themselves
- ✦ Guidelines for handling conflict
- ✦ Policies on substance abuse and safety

This list is not exhaustive. Many other topics could be addressed in a code of conduct according to what suits a particular family. What is important is that the code be understood and accepted by all members.

Develop your Code of Conduct during a meeting of all family team members. You must also seek input from your non-family employees as well.

In addition to the mission statement, business charter and code of conduct, written procedures for other dimensions of family business can help the business function more smoothly. Other areas to consider include such areas as: Hiring, Discipline, Dealing with Conflict, Upgrading Team Skills, Orientation, Meetings, Teamwork, and Accountability.

(Developing written policies, including a family business charter, and procedures for operating a family business are covered in greater detail in the **Enterprising Rural Families: Making It Work™** on-line course.)

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Reprinted from *Managing the Multi-Generational Family Farm*, Canadian Farm Business Management Council, 1997 and *A Guide for Developing Best Practices For Farming with Family*, Canadian Farm Business Management Council, 2003.

"Overlapping Systems and Human Resources" diagram taken from *Guide to Family Business*, Canadian Edition, 2003.

¹"The Family Communication Program," The Success Care Program, <http://www.successcare.com>

Example Code of Conduct

EMPLOYEES MUST

- ✦ Conduct themselves in a professional manner appropriate to the work environment
- ✦ Maintain a pleasant atmosphere for customers and other staff
- ✦ Be courteous, friendly and cooperative
- ✦ Show respect and understanding to consumer
- ✦ Exhibit open and honest communication
- ✦ Treat each other fairly
- ✦ Respect each other in word and action



A family business should have written polices developed to cover:

- ✓ Mission Statement
- ✓ Business Charter
- ✓ Code of Conduct

Written procedures are required for such areas as:

- ✓ Hiring
- ✓ Discipline
- ✓ Dealing with Conflict
- ✓ Upgrading of team skills
- ✓ Orientation
- ✓ Meetings
- ✓ Teamwork and Accountability.



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