



HUMAN RESOURCES

IN  
THE **Family**  
**Business**

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MAXIMIZING THE POWER  
OF YOUR PEOPLE

A FAMILY  
**BUSINESS**  
PUBLICATION

David Ransburg,  
Wendy Sage-Hayward,  
and Amy M. Schuman

## More praise for *Human Resources in the Family Business*

“Family-owned businesses have always been and will continue to be important drivers of the economy. This book, *Human Resources in the Family Business*, provides the tools to select, develop, and deploy employees so company results are maximized.”

—Gerald L. Shaheen, Retired Group President, Caterpillar Inc.; Director, AGCO Corporation, FORD Motor Company

“Valuable and transformative insights for families and professionals of family enterprises. Those moving from either family or business to family and business will greatly benefit from this book.”

—James A. Burton, Chairman, PPI; Board Member, Institute for Family Advisors

“Besides being an excellent technical resource for general HR management, Ransburg, Sage-Hayward, and Schuman have provided compelling evidence and impactful tools for families in business to not just manage, but also leverage their unique human resource dynamics. A must-read for any family-controlled enterprise!”

—Allen S. Taylor, Chair, Canadian Association of Family Enterprise (CAFE)

“I have come to appreciate Amy Schuman as a friend and as a fantastic resource in family business for more than ten years. As I read *Human Resources in the Family Business*, I saw what an HR playbook, not only for family businesses, but a playbook for HR departments in any organization can look like. Its step-by-step look into the fundamentals of a successful HR partnership with family or business leaders provides great guidance. There are numerous examples and worksheets to help HR professionals create their own processes and stories of success. You will enjoy reading and applying what the authors have laid out for all of us.”

—Vince Newendorp, VP & Chief Administration Officer, Vermeer

“From recruiting and onboarding to culture and exit, *Human Resources in the Family Business* guides readers through the intricacies of human resources in family firms. Filled with practical tools, this is a text that will inspire family businesses to persistently reach for more.”

—Judi Cunningham, Family Enterprise Advisor and Founder of the Institute of Family Enterprise Advisors

“Whether your family business has an actual HR department or not, this book is a must-read for any family business leader—family member or not—who wants to maximize the contribution of their people. Not only will it help you take a more strategic view of human resources, but it is also filled with practical tips that you can start using right away.”

—Andrew Libman, Director and President of The Libman Company

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A FAMILY———  
BUSINESS  
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Family Business Publications are the combined efforts of the Family Business Consulting Group and Palgrave Macmillan. These books provide useful information on a broad range of topics that concern the family business enterprise, including succession planning, communication, strategy and growth, family leadership, and more. The books are written by experts with combined experiences of over a century in the field of family enterprise and who have consulted with thousands of enterprising families the world over, giving the reader practical, effective, and time-tested insights to everyone involved in a family business.



The Family Business Consulting Group, Inc., founded in 1994, is the leading business consultancy exclusively devoted to helping family enterprises prosper across generations.

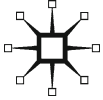
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# Human Resources in the Family Business

*Maximizing the Power of Your People*

David Ransburg, Wendy Sage-Hayward, and  
Amy M. Schuman

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HUMAN RESOURCES IN THE FAMILY BUSINESS

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*Amy*

*For my colleagues at The Family Business Consulting Group, who inspire me every day with their humility, curiosity and creativity.*

*David*

*For my family, who defines me.*

*Wendy*

*To all of our clients over the years who have opened up their hearts and minds to us. We would have no expertise to share without you.*



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# Preface

We wrote this book for a simple reason: we saw a great need to help family businesses address the many challenges and opportunities they face in relation to managing their human resources (HR). A strong, well-supported HR function in any organization provides tremendous benefits to individual contributors as well as to the broader organization. Part of the challenge is that managing HR in any family business involves multiple, complex, interrelated issues with many nuances. Just a small sample of HR questions for family businesses include the following:

- How do you employ family members in the business in a way that works best for the family, the business, and the individuals?
- How do you identify, interview, and hire the best people among both family and nonfamily members?
- How do you develop individual and firm-level capabilities that ensure constant evolution of every kind?
- How do you deal with tricky HR issues related to sensitive topics such as underperforming family employees?
- How do you manage employee exits effectively, especially those of family members?
- How does the HR function—in whatever form it takes—interface with the family? How is this group's role with the family best carried out?
- How does the HR function lead and contribute to the business's culture?

Answering these and many other questions thoughtfully is an important challenge for the family business, as the decisions made will influence the firm's culture and performance. People—and how



they are treated—are the foundation a family business because it is the company’s people who help create the infrastructure that will enable a business to live past any individual founder. In this book we have articulated HR challenges in family businesses and presented strategies, frameworks, and tools for managing these effectively. We firmly believe this highly complex set of issues can be broken down into manageable tasks and fulfilled, with excellence, by any family business.

Part of our inspiration for writing this book is that our previous corporate and consulting work has brought us into contact with many executives and managers, within and outside formal HR departments, who are struggling to manage HR issues. We hope this book will help them learn from one another and from us, especially from the stories and examples of how family firms and others across market sectors have handled their own HR challenges.

That brings us to an important question: why are we the right people to write this book? Together, we have nearly a century of experience in different sectors including agriculture, automotive, consumer products, construction, financial services, health care/insurance, manufacturing, real estate, retail (in multiple forms), technology, tourism, and others. We have served well over 200 organizations as trusted advisers, both before and during our tenures as consultants with the Family Business Consulting Group (“FBCG”), a Chicago-based business founded in 1994 to help family enterprises prosper across generations.

Our experience as individual professionals, including both “in-house” and consulting roles related directly or indirectly to human resources issues, informs everything in this book:

- Amy Schuman served as Director of Organizational Development for 12 years with Fel-Pro, a family-owned maker of automotive gaskets and sealants that was eventually acquired by Federal Mogul. As a key nonfamily executive, Amy was present during the transition from the second to the third generation and helped support the firm’s cultural transformation from paternalistic to performance centered, emphasizing employee participation and a strong sense of ownership at every level, including team-based manufacturing processes and compensation. Such features helped Fel-Pro earn a place in Fortune’s Top 10 Best Companies to Work for in America, among other

honors. Amy was the founding facilitator and coach in the Next Generation Leadership Institute at the Loyola University Chicago Family Business Center, a one-of-a-kind leadership training program that helps fast-rising family business leaders fully realize their leadership potential. She has written multiple books on family business issues.

- Wendy Sage-Hayward has extensive experience working on human capital issues. She has worked as an organizational-development consultant for over 26 years, covering a variety of topics related to the development and management of HR. That has meant partnering regularly with HR departments of firms and nondepartment-based HR functions across sectors to develop and implement initiatives related to strategic planning, training and development, performance management, executive coaching, and many other areas—always with a focus on positioning HR as a strategic partner within the organization. Wendy is also an adjunct professor at the University of British Columbia’s Sauder School of Business, where she teaches families and their professional advisers to address the complexity and challenges associated with the human factor in family business, whether leadership development, ownership development, governance, or succession. Additionally, Wendy is an owner and director of a six-generation, 130-year-old agricultural family business with 45 family partners.
- David Ransburg has also served in multiple corporate and consulting roles, with the additional dimension of experience in psychology. He was an owner, manager, and board member with his family’s consumer-products manufacturing business, working on key initiatives including the sale of the company to German multinational Bosch. David also served as a consultant with leading independent benefits compensation and HR consultancy Sibson, along with working in corporate finance at LaSalle Partners (now Jones Lang LaSalle) and as a staff therapist with Northwestern University’s Family Institute. He has also served as faculty for Northwestern University and Loyola University, with a focus on family business leadership issues.

As FBCG consultants, each of us is involved deeply in our clients’ human resources issues, helping them diagnose issues and develop high-value plans, programs, strategies, and solutions. These include

issues related to leadership transitions, continuity, identification and development of family/non family talent, executive assessment, compensation, family employment policies, mentoring, career development, communication between and among family and nonfamily managers and employees, management of relationships and dynamics, family conflict/psychology issues (such as divorce and addiction), and many others.

We are excited to share with you key insights we've gained from our continued, ever-evolving experience with human resources issues in family-owned and other organizations.

# Acknowledgments

First and foremost, we would like to thank our many client families. Our clients inspire us every day, and have fostered our desire to share our learning with you in this book. We are deeply appreciative for the thoughtful approaches of our clients to the human resource function—each one slightly different, but all reflecting great care and creativity. By sharing their journeys with us in ways large and small, our clients enabled us to develop and enrich so much of the material contained in this book.

We are especially thankful to those clients who allowed us to interview them for this book and include their stories as illustrations of excellent human resource practices in family business. These include Kathryn Bader and Martha Jahn Martin; Anna Ball from Ball Horticultural; Jeremy Baude and Rodney Benson from Danica; Ken Chaun from Kal Tire; John McHugh from Kwik Trip; Bill Phelps, Will Phelps, and Elizabeth Neuman from Joseph Phelps Vineyards; Todd Plymate from Plymate, Inc.; and Jeff Vincent from Laird Norton Company.

We are also extremely grateful to Sachin Waikar, who guided us through this journey with patience, perseverance, and a gentle but firm grasp on our collective hand, which kept us moving forward—especially at times when our momentum waned or we became distracted due to workload or other important life events (like one of us becoming a grandparent!). We also want to thank Michael Mok for his assistance in making our diagrams look distinct and professional.

We are grateful to our colleagues at the Family Business Consulting Group, who have been gracious and generous in sharing their knowledge and insights with us in our work with family businesses. A special thank you to Anne Hargrave, who painstakingly reviewed each chapter and provided valuable feedback despite her heavy workload.

We wish to thank Laurie Harting at Palgrave Macmillan, who from the start encouraged us to write this book and provided ongoing support that invested us with just the right dose of excitement and inspiration to carry on.

Finally, we would also like to thank our families for their patience and generosity in giving us the time and space to work on this project over the past year and a half. Without their support, encouragement and love we would never have been able to complete this book.

## Introduction

As we see it, HR is truly the beating heart of your business, as it is all about enhancing the experience, engagement, and performance of what is considered the most valuable asset of most companies: your people. Yet because HR is often overlooked, we want to highlight its importance in the family business with three mutually reinforcing points.

*People matter, so HR matters to any business, especially family firms.* We are not the only ones to point out the criticality of HR in business. Others have noted how HR matters because people matter—more in the context of business today than ever before. Firms with an actively engaged workforce report 2.6 times the growth in earnings per share than counterparts with disengaged employees.<sup>1</sup> In fact, over 30 studies have correlated employee engagement to variables including better sales, profits, productivity, and customer service, along with decreases in turnover, absenteeism, product defects, and safety incidents.<sup>2</sup> While HR might seem like a relatively “easy” business function, creating thoughtful systems that maximize engagement, productivity, and satisfaction is far from easy, and requires a strategic approach to both the crafting of HR practices and their implementation.

We suggest that HR is even more important in family business for the following reasons:

- *Family firms often treat employees—whether family or nonfamily—as family, thus putting more attention and pressure on the need to handle HR issues with great care and respect.*

- *Family dynamics complicate the emotional environment of a family business—for better and sometimes for worse.* The inclusion of family employees in many family businesses mandates a careful approach to HR issues at every stage of the HR life cycle, from recruiting to exit. That is, it is hard enough to deal with hiring/firing and development of nonfamily employees, so handling such issues strategically and sensitively with family employees is paramount.
- *Family relationships and the family's reputation are at stake, which is a huge risk for the family and the business.* When HR issues are dealt with poorly in the business they have an impact on the family system—which can have devastating effects. We have seen families where estrangement and lawsuits are the result of poorly managed HR challenges in the family firm.
- *The livelihoods and fortunes of business families are often tied up in the enterprises they run, so they need to maximize the value of the business, including getting HR right on every dimension so their income source remains intact.*

*Family firms outperform nonfamily firms—and this is correlated with how they manage HR.* There is a substantial, growing body of evidence for the superior returns and sustainability of family firms compared to nonfamily businesses across dimensions. One study found that family enterprises outperformed the S&P 500 by up to 15 percent over a ten-year period.<sup>3</sup> Research on Canadian firms has shown that family firms outpaced nonfamily businesses significantly on share price from 1998 to 2012.<sup>4</sup> A *Harvard Business Review* article highlighted extensive evidence from the United States, Canada, and Europe that family businesses outperform their nonfamily peers during adverse economic times.<sup>5</sup> To study outcomes beyond financial performance, another research group compared hundreds of family-controlled and nonfamily-controlled public businesses and found that family-owned firms implement more employee- and community-focused social initiatives.<sup>6</sup> Moreover, family firms are viewed as exemplars of long-term thinking, which helps them avoid overfocusing on near-term results and manage risk, liquidity, and other factors with a longer time horizon in mind. That approach contributes to greater returns and longevity.<sup>7</sup>

Because your business's performance is so highly dependent on your people, HR is a crucial contributor to the superior performance of your family firm. So maximizing the effectiveness of your HR systems and practices will help maximize your performance across the board.

*HR can and should be a strategic partner within the firm, rather than just a transaction-focused administrative function.* As mentioned earlier, despite the potential value of HR, too many firms fail to use this function strategically, relegating it to an administrative and/or policing role, with a focus on the nuts and bolts of the employee experience or the perfunctory enforcement of routine policies. As such, HR becomes more like a metaphorical finger-wagging librarian than a trusted, value-generating partner. These firms are missing out on potentially larger opportunities for creating value on multiple dimensions—or at the very least for involving HR when dealing with complex employee-related and cultural issues. There is mounting evidence for the strategic value of HR—both the people and the systems/processes involved. One piece is the rise of the CHRO, or chief human resources officer. A recent *Harvard Business Review* article notes that HR leaders at many firms now report directly to the CEO (rather than the COO or CFO) and serve as key advisers to the top executive and board, requiring higher-level leadership and strategy skills.<sup>8</sup> The article's title sums up the newfound appreciation for the power of HR: "Why Chief Human Resources Officers Make Great CEOs."

We believe strongly that HR can be an enabler rather than a disabler, a builder rather than a blockade, a partner rather than a peripheral player. In short, the ideal role for HR is as a true champion of engagement of *all* firm resources, not just the human ones. In many firms that will mean taking clear, practical steps to transition HR into a more strategic role. We wrote this book to help you do exactly that.

More specifically, we want to help you address questions like these:

- How do you identify candidates for employment who align best with the underlying culture and values of your family business—and how do you convey your attractiveness to them as a desirable place to work?