a certified Family Business Advisor and founder of Family Business USA consultancy.

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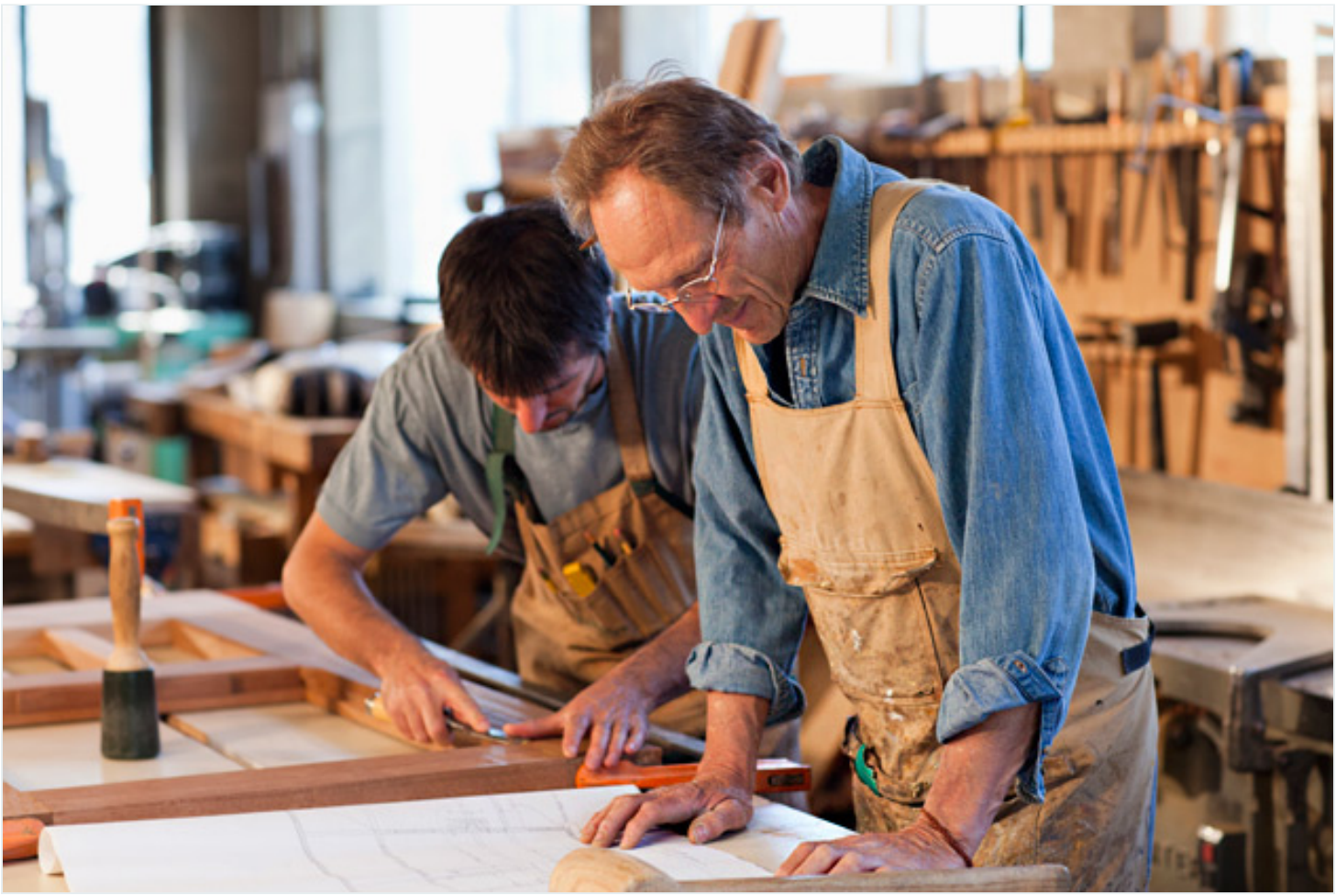

Non-family businesses can learn a lot from family businesses, says Henry Hutcheson, a certified Family Business Advisor and founder of Family Business USA consultancy.

"Family businesses outperformed non-family businesses during the boom years leading up to the 2008 recession, and during the 2001 and 2008 recession years," he says, citing a recent Harvard Business Review study.

Hutcheson, author of the new book, "Dirty Little Secrets of Family Business," says

"The factor that enables family businesses to rise to the top is trust: Family members can potentially trust one another far more than non-family members," he says. "But trust can erode – when a family member can't or won't perform at the necessary level; when there's a sense of entitlement; drug abuse; laziness. And that can have serious, business-killing consequences.

"If the business is professionalized, there will be a way to deal with those issues. But too often, safeguards are not in place."

Hutcheson offers five top success strategies for family businesses:

- **Keep the lines of communication open.** Schedule regular family meetings to discuss issues of concern and topics such as business transition, business performance, and responsibilities. Include *all* of the family members, no matter where in the hierarchy their jobs fall – exclusion creates animosity. Create a family manual that lays out the ground rules for how the meetings will take place to ensure everyone gets a chance to be heard and impediments to communication are left at the door.
- **Assign clear roles and responsibilities.** As a family member, it's natural to feel that everything is "my" business. However, not everything is every family member's responsibility. Job definitions prevent everyone from jumping in to tackle the same problem, and help ensure the business runs smoothly.
- **Keep good financial data.** The downfall of many small businesses and family businesses is not having solid data. Have a single point of contact to manage the finances. If you're small enough, you can rely on a family member. Otherwise, you'll need to bring in a qualified accountant. You may cringe at the cost for this, but the difference between a good accountant and a bad one is the difference between knowing exactly where you are on the road and trying to drive with a mud-covered windshield.

- **Avoid overpaying family members.** Market-based compensation is fundamental

"More than 70 percent of all businesses are family businesses – they account for a significant number of new jobs and a large portion of the GDP," Hutcheson says. "But that's not the only reason they're so important.

"They're motivated by profits, but also by other important considerations: pride in the family name, building something for future generations, philanthropy. For those reasons, they contribute in tremendous ways to social stability. They make our communities better."

Small Business