

## **Management-First Businesses**

Management-first family businesses are likely to actively discourage family members (especially in-laws) from working in the business and/or to require work experience outside the business as a prerequisite for employment. The performance of employed family members is reviewed in the same manner as the performance of nonfamily managers, and human resource policies generally apply equally to family and nonfamily employees. Compensation is based on responsibility and performance, not position in the family hierarchy. And the scorecard on business performance is all business; for example, the focus is on profitability, return on assets, market share, revenue growth, and return on equity. Once in the company, next-generation family members are often viewed in terms of how they will be able to manage and grow the firm—in other words, in terms of their utility and potential contribution to the business.

When family members meet socially, the conversation often turns to business subjects. Family events—even wedding and honeymoons—are sometimes arranged, canceled, or delayed for business reasons. There is no automatic commitment to family business continuity among management-first companies, because the enterprise is seen as a productive asset. As an asset, it could just as easily be folded into a larger company through a tax-free exchange of stock with a publicly traded corporation or sold through an employee stock ownership plan.

Poza, Ernesto J. Family Business. Mason: South-Western, 2004.