Family Businesses Must Work to Make Objective Decisions

Everett Moitoza - Interview
By Kelly Hearn
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Everett Moitoza, Ed.D., MBA, is a licensed psychologist and consultant to family businesses and partnerships. He recently shared his insights on family businesses in an interview with Portsmouth Herald Business Monday.

Q: Can you talk about the demographics of family businesses in New Hampshire?
EM: In the U.S., family businesses account for 90 to 95 percent of all businesses. In New Hampshire, it is no different. Most people are shocked and don't realize that most all businesses are family run. In terms of the average size, they are relatively small with $2 million to $5 million in annual revenue, and their lifespan is about 24 years, a little more than a generation. Interestingly, only one in three makes it to a second generation and one in 10 survives to a third.

Q: What is the biggest challenge for family businesses?
EM: There are two. The biggest dilemma is how to separate business decisions from family decisions. Some put family first, using family rules, values and goals versus business values and decision making. A company owner for example might say, "Let's hire young Bill, our 24-year-old son who just graduated from an MBA program. He's never worked, but let's make him a vice president." That is a family-first choice. Because he is a relative he goes to top of the heap. A business-first decision starts him at the bottom or close to it. This is an important distinction. It is critical, then, for family owners to know when to use business criteria and when to use family connections in making business decisions. That's critical to longevity.

The second family business challenge is balancing: 1) family harmony; 2) business prosperity; and 3) each individual's well-being. This challenge forces each member to make decisions that maintain harmony, prosperity and well-being for all. While families are forever; businesses are not. They last on average 24 years. I might add, too, that the oldest continuously run family business is the Tuttle Farm in Dover, which is now up for sale. It was started in 1632 and is the oldest family-run business in the country.

Q: How do family businesses manage succession?
EM: Managing succession is key. And it is difficult. The challenges of finding skilled family members who have all of the attributes of leadership, industry
knowledge, vision and multi area competence, who can be great future stewards is tough. More often, now I work with family businesses that succeed by having two or three siblings, each with different expertise, partner to lead the company into the next generation.

Q: Are there any family business organizations that provide programs, support and information to family businesses in New Hampshire?

EM: A great one is the Center for Family Business at UNH (www.familybusiness.unh.edu). I'm a sponsor of the center along with other professional firms and businesses. They have excellent support and training programs.

Q: Can you give us a few examples of situations that you were called upon to help with in a family business?

EM: One of the most frequent is when a business is going through succession. There are two adult children, and the family is going through the question of who will run it. There is often sibling conflict, most commonly between brother and brother. Oftentimes, the family founder wants to make a family-first decision and put the oldest son first. But a business-first decision might mean promoting a more competent daughter. In one case I worked on, there was a daughter who had an MBA from The Wharton School of the University of Pennsylvania and a son who the founder wanted to succeed him. But the son had been in and out of drug rehab and had tanked a small business. The decision to promote the daughter was a tough but ultimately successful one.