

KEEPING THE FAMILY BUSINESS IN BUSINESS

By Kittridge Chamberlain, EVP & Chief Banking Officer, Pacific Mercantile Bank



Many of the world's largest companies started as, and remain, family-owned enterprises. Family businesses generate a significant portion of the U.S. GDP. On top of the challenges that all other companies deal with, they need to survive transitions to subsequent generations, melding family with "outsiders" to run the business, and perhaps some drama. If you're a family business owner or want to be, we recommend that you keep the following principles in mind.

Our experience in working with family businesses over the years has shown that applying these principles can help you avoid pitfalls and create a lasting legacy.

Let Family Members Opt for the Business

When you hire from outside the family, you look for skills, cultural fit, and a genuine interest in what your company does. If your children, siblings, or in-laws aren't drawn to the business, let them go where their passions take them. Everyone will be happier and more productive, and your dreams of success for your child just might come true somewhere else. On the flip side, avoid being the employer of last resort for your family. No one wants to celebrate the holidays with an incompetent relative who just bungled a key customer relationship.

Encourage the Next Generation to Get Outside Experience First

Even if it's in a different industry, working somewhere else affords real-world perspective and professional development. Then the family member can join the business better prepared to appreciate it and add value. Doug Homet, a business consultant and former CFO of CALPLY, says, "While it isn't absolutely necessary, family members who come in with experience are generally more engaged and successful. They bring ideas and skills that they might not otherwise have developed." Either way, once they're on board, treat them as bona fide members of the team.

Recognize When to Hire from Outside the Family

If you're serious about building a successful company,

always keep sight of the "business" part of "family business". Do your level best to have the right people in the right places. Homet recalls a successful company led by three talented brothers. "As the business grew, they agreed that they needed a new CEO to guide the company. They also saw that none of them was the right person for the job, so they went outside. It was the right decision, and the company has done extremely well because of it."

Blood is Thicker than Water, But Keep It from Getting Too Thick

Finding and retaining talented employees is critical. They can tell when decisions are made for family first and the business second. If they see that poor performance is OK for certain people, or that promotions are based on relationship rather than merit, they'll move on to a company that offers a career path for achievers and a culture of performance. In the end, it's your business. Within reason, you can run it the way you choose. But if you want to keep good people who aren't family members, run it like you mean it.

Building an enterprise that blends business and family takes wisdom and foresight. It can also be profoundly rewarding. Done right, it elevates everyone involved.

At Pacific Mercantile Bank, we specialize in helping companies succeed.

Call today to discuss how we can be your partner for success.

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