



Hiring Family In Your Family Business

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It's quite common for a family business to employ several members of the family that owns it. Hiring family in the workplace is understandable. Going outside the family means hiring a stranger – whereas staying inside the family means hiring someone you know and trust.

Advantages to employing family members

When hiring family members to work for you they may fill various positions within your business. The advantage is that you will have an awareness of your family members' traits and personalities. They may even be trusted individuals that you, as the business owner, have raised.

Family members have helped many small businesses not only get established but also thrive. As the business grows, family employees may even see their roles expand. Family members can be helpful in reducing the costs of putting on extra staff in busy periods and family employees are much less likely to get the business involved in costly industrial relations problems.

In a majority of family run businesses, spouses play some part in the family business, from sharing management and administration responsibilities to filling in on a part-time basis.

Family members are likely to have an emotional and personal relationship to the business that will encourage them to do that extra bit for its success. Family employees are not going to steal from the business, as that would mean stealing from themselves. They are also less likely than employees from outside to look around for another job outside the business.

Family employees know each other well enough to be aware of things they can and cannot do. They share knowledge of what makes relationships work and they are part of the same culture.

It is often noted that family ties make for closer ties between people and the company. If the business employs several family members who are all happy there, these positive feelings can build on one another. As a result, family employees don't want to leave the business if other family members work there. This can lead to a long-term employee retention advantage.

In many situations, the dynamics of a family make the business more welcoming and friendly – and less impersonal – than another type of enterprise. In turn, this culture prompts employees who *aren't* in the immediate family to work harder in order to be accepted.

Issues to consider when employing family members

Family businesses also have their weaknesses and issues to contend with.

Too often personal family disputes quickly move from home to the business and affect things there as well. Family employees can easily feel slighted if the business offers non-family members a pay increase





or a promotion. Also, it is inherently more difficult to transition a family member out of the business when they are not performing well in their job.

The process of hiring, managing, and paying family members is likely one of the most difficult issues that business owners face. Family relationships can inappropriately influence the business decision-making process.

In many cases, non-members of the family will feel they are disadvantaged in the decision-making processes of the business. Non-family members may also perceive, rightly or wrongly, that they are less likely to have their requests granted for things like time away from work to take care of personal matters.

Family business owners often fail to realize that their family employees are subject to the same industrial relations legislation and other conditions of work as other non-family employees. This can lead to situations where owners may be penalized for non-compliance.

Best practices for hiring family and friends

As a business owner, you feel you are helping your brother, cousin or uncle by giving them a job in your business. However, if you do not apply similar rules when hiring family members as you would for any other employee, this can lead to potential issues for your family business down the road.

Job Qualifications - *Firstly, make sure your relative has the right qualifications for the job.* They may have worked in the business before in a part-time position – but that does not necessarily mean they will be suitable for a full-time role.

Job Application Forms - *Ensure that potential family employees complete the same paperwork, including an application for the position, as any other candidate would be required to do.* Conduct similar reference checks on them as you would for someone you don't know. Just because they are part of your family does not guarantee they will work as hard as you do.

Experience - *You may wish to encourage family members to work somewhere else for a period of time before rejoining the family business.* This is particularly advisable if the only work experience they have has been within your family business. External work experience gives them a better understanding of what it feels like to be a successful unrelated employee. Family business advisor and expert Quentin Fleming, author of *Keep the Family Baggage Out of the Family Business*, says, "Working elsewhere provides family members with an education in how other companies think and operate. When the kids do enter the family business, they will bring with them different perspectives."

Training Period - Make sure you give a family member the same induction process as you would anyone else who has just joined the business. They will need to realize that they will need to work just as hard as the rest of the staff and that their family relationship does not entitle them to special privileges during working hours.

Goals and Measurable Outcomes - It is important to ensure that family members have specific goals to accomplish and be given tasks with measurable outcomes, just like other employees in your business. They will need to be given a clear description of their job, and details of their responsibilities and





expectations in their role in the family business.

Promotions Based on Merit - Promote all employees – family and otherwise – on the basis of merit. This is essential to keeping your business running well and growing. Avoid the temptation to promote someone just because they're related to you and have worked in the business for a few years. If your business needs to fill a key position and there is not a suitable family member available, go outside to get the right talent.

Summary

As your business grows and potentially more family members become family employees, you may wish to consider forming an outside advisory board or council of non-family members to make evaluations of potential family candidates for promotions or salary increases. Being objective, these outside advisers can be invaluable when you need to make selections for key strategic positions in the company.

If you are thinking about or currently working on your business succession plan and are in need of assistance, please contact Rick Gendemann, one of our business succession leaders. We look forward to the opportunity to connect with you to discuss your transition planning issues and address how we may be able to work with you and your family on developing and implementing your successful business transition plan.

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