

Hi, this is Wayne Rivers at The Family Business Institute. As always, thank you for tuning in, we welcome your comments below, we'd like to get your feedback. A new thing, please go to YouTube, take 30 seconds, go to YouTube, type in The Family Business Institute, or my name, and find our channel. Subscribe to our channel, and then you'll never miss another blog and who would want that? We're now on YouTube and hopefully that will help you in terms of having access and it would also help us with search engine optimization, so we appreciate that.

This week I want to talk about how to increase commitment from your next generation people in your family business. For years, we hear family business moms and dads and they say, "Golly Moses, I just don't know if my children are committed to the business or not." They really only have one measurement. I'm going to go off on a tangent here. They really only have one measurement for measuring their children's commitment and that's hours worked because they don't have a lot of other measurable employee criteria and that's an easy one to see. If you see somebody walking in the door at 7:00 AM and leaving at 7:00 PM, then oh my gosh, he or she put in 12 hours today. That is a sign of commitment because that's what I used to do.

Look, do you really care about time and effort or do you care about results? If I can do a job in five hours and it takes somebody else 12 hours, wouldn't you really want me doing that job instead? So, that's a really ineffective way to measure commitment among next generation. Back to the topic here, how to increase your next generation's commitment in the family business. I was reading this book called, 'Sway: The Irresistible Pull of Irrational Behavior.' By two brothers, interestingly, Ori and Rom Brafman. Not sure I'd recommend it. It's interesting, it's good for a read on an airplane, but it did make me think of a couple things.

In the book, they detail a sort of sociological experiment and so people were buying tickets to a theater presentation. Tickets were 15 bucks, and randomly, they picked out a number of people to pay full price, a number of people to get a \$2 discount, so \$13 tickets, and a number of people to get a ... I think it was \$7 discount. So, their tickets would only cost, what does that leave? \$8? Interestingly, that greatly affected people's perceptions of quality of their performance. The full priced people attended more presentations and they also rated the quality of the presentation higher. The \$2 off people attended a few less and rated it somewhat lower. The people that got the big discounts rated the performance lowest of all.

There was an association of value there. How does this relate to your family business? There's only four ways to pass on your family business, right? Four simple ways, you can close the doors and walk away from it, you can give it away to somebody, you can sell it to insiders, you can sell it to outsiders and I know there's a fifth way and that's a combination of the first four ways, but really only four ways to dispose of a family business.

Over the years, I've observed lawyers and financial planners and they say, "Boy, you could do all these gifts. You can do, annual exclusion gifts, and you can do unified transfer credit gifts and all these things, and you can give your business to your next generation family members." I, at one time, was a big proponent because you can do it, it's efficient, there's not taxation associated with it. At least, not immediately, and yeah, I was all for it. Well, here we are 28 years later after I started as a wet behind the ears kid, and my pendulum has shifted

entirely the other way, like the people who were going to the theater, the people that pay full price tend to appreciate things more.

If you want to integrate, if you want to increase the amount of commitment of your high potential next generation people, whether they're family members or non-family members, let them pay for their shares in the business. Do you provide some discounts? Okay, maybe you do. Maybe you don't make life too tough on them, but if you want to increase their commitment, don't give them the family business. Don't give them shares. Allow them to earn the shares and you'll do two things, you'll increase their commitment and you'll also increase their appreciation for the opportunity to take over and lead the family business one day.

Those are my tips, my opinions, this is Wayne Rivers at The Family Business Institute, let us have your comments below. Thank You!