

Hello. This is Wayne Rivers at The Family Business Institute. Thank you as always for tuning into our blog. Please give us the benefit of your comments below, and subscribe to our social media too – LinkedIn and YouTube and twitter and all that stuff. We appreciate that.

This week I want to talk about three kinds of family business decisions. This came out, I know you guys are sick of me talking about stuff that comes out of peer groups. But, really just so much unbelievable stuff. Just great information comes out of these peer groups. I'm at a recent meeting, and one of the peers is talking about sort of a culture change in her company. The company has grown quite a bit, so there's a cohort of older employees, kind of like a barbell. A cohort of older employees, and then a group of newer employees over here. Not many people in the middle. The company's experienced rapid growth, and in the old days it was, literally everybody could sit around the break room table almost and they could make decisions as a group – as a family, if you will.

Now, the company's growing, and that's not practical to do anymore. But yet the older employees are clinging to that older decision-making style. The problem was that as the company grows and decisions need to get made at lots of different levels, these older employees are imposing themselves in every decision. The decisions that get made and they're not included, irrespective of their position in the company, they just think they're supposed to be included in everything, "Because that's the way we've always done it here", right? Then they second guess decisions that were made in the new style, and weren't made in the old style.

One of the peers made it so simple. I was kind of, the question came up, and then I was kind of wrestling with the question in my mind. One of the peers spoke up, and Golly Moses just made it so simple and exquisitely beautiful. He said, "Look. You've got to know what kind of decision you're trying to make". He really defined it in three simple ways. The first kind of decision is a pure democracy. The second kind of decision is a representative republic. The third kind of a decision is a dictator type decision. Then he went on to define.

Okay, so a democracy. This would be the old way they were making decisions. Everybody gets to have input on everything and we kind of vote. "Where's the company picnic? Or when is the company picnic? Or where?". Low impact kind of things where it's fun and you need broad participation and that kind of stuff. That's an easy one to put out to everybody as a democratic decision.

A representative republic. That kind of goes up the importance scale a little bit. That might be buying a new piece of equipment. For that you might bring in the appropriate people that are going to be involved in that. Your equipment manager. The operations people who are actually going to be utilizing the equipment. The finance people who'll have a stake in this decision. Of course, ownership who ultimately has to pay back the debt for the new. That would be a representative republic, where you'd pick two, three, four, five people, and you'd kick it around and analyze it and then make the decision.

Then finally there's a dictatorship, where really the primary owner, or maybe a couple of owners. In this case there's one owner with a vast majority of shares, and then a minority owner. A dictatorship is where the owner or owners get together and kind of make a decision. This would be something like, "Are we going to move our location? Open a new location? Are we going to fire an employee?". You know, that kind of stuff that really needs to be made by the chief executive. That's a dictatorship type decision.

Now, there's nothing wrong with communicating these types of decisions. In fact, you should do it. Because how are they going to train the old staff used to the old way of, "Everything's an open democracy"? How are they going to train them in this new way if the people don't know the definitions of the kind of decisions that get made in the company? Obviously, they need to be discussed. When you're faced with a tough decision in your family business, first of all sit back and think about, what kind of decision is this? Is it a democracy? Is it a representative republic? Or is it a dictatorship type decision? That'll make things go a little smoother for you.

This is Wayne Rivers at The Family Business Institute. Thank you.