

# Real estate and the family business

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There is one golden rule in business that actually applies to life in general as well, which should not be ignored by the individuals wanting to make a success of the family business.

In life, it is the hardest thing to evaluate yourself as you do not see yourself as others do. Employing a third party to give valued input regarding structuring the business, setting guidelines and strategy, is of the utmost importance to a family business.

The opinion of a qualified third party raises the bar for all family members, similar to raising the bar to employees. Ignoring this rule leaves the family with only their own ideas and opinions to follow, which is often the main reason for lack of confidence from the employees.

Clear guidelines in a business are important for all employees, including some of the family members who may not sit on the board of directors. A good understanding of each individual's role will help husband, wife and children alike. If the husband is appointed the manager of the business, it will be detrimental for the business if the wife makes managerial decisions.

Flowing from the above rule, which clearly indicates that the manager or managing director needs to lead the family and employees, is another golden rule that a manager has to follow every step of the way in order to avoid a disastrous outcome for the business.

## Confidentiality

Employees would like to trust a manager or managing director when it comes to private business matters. The father or mother who is appointed as the MD of the business should avoid discussing every bit of detail regarding staff matters around the dinner table with his entire family. The child working as an "estate agent" should not be witness to a discussion about one of his colleagues in the private home of his family.

The rule, in summary - respect the privacy of employees and they will respect the privacy of the family.

Failed leadership is one of the main reasons why family business in real estate does not show the same growth pattern as where there is no family involved. South Africa's real estate sector still produces some of the highest numbers of family businesses; however most of them are hovering between existence and a small profit margin - very few, if any (excluding franchise organisations) employ more than 30 agents in one office.

From the above it is clear that the most common reasons for a lack of growth in a family business are: a lack of leadership; a lack of operational control; confusion over the power of family members; misplaced talent and skill; and poor communication.

## **Conflict between family members**

Another reason for failure is the conflict between family members as well as the emotional, health and wealth issues that are infiltrating the normal operational functions of the business.

Generally, employees will refer to each other by name or position, but family members refer to "mother" and "father" and "brother" and "sister", which gives the environment a different setting and in a case where it gets out of control, gives the business a total unprofessional connotation.

Families should agree to a more professional approach within the business structure, if the plan is to grow the business beyond a small enterprise.

When each member's expertise is applied in the correct department, with no interference from other family members who are less skilled in the specific field, the business is set for growth. It is also clear to other individuals outside the family circle when this happens, as they respect the specific individual for his skills and not because the person is a family member of the owner.

Each member of the family should have a designated position, a clear role and a proper job description that fits into the strategic plan of the overall company.

It is when communication is professional and less personal, when a clear business strategy and a succession plan is adhered to, and when each family member is treated as an employee that the business will show a clear sign of growth. Until this stage is reached, it will remain a small company where ad hoc sales are done and the rest is left to luck. And, of course, existing staff will eventually find another company to work for.

On the brighter side, more than 35% of the Fortune 500 businesses are family businesses. If a few simple rules are adhered to, a company is formed with employees (family) who work at odd hours for the good of the business. In many ways, it is no different from any other business in the sense that a business needs good leadership and employees that buy into the vision of the leaders.

Here are some tips for family business owners in real estate:

1. By the time your children come to work for you they are adults - ask them to call you by your name at work.
2. The one thing that does not change at work and will remain the same as at home: your children follow your example - if your employees respect you as a leader, so will your children; if you have rules for staff, your children must adhere to those rules. Give them an employment agreement and make sure that they pay their taxes and adhere to the job description. As employees they are also keen to know whether they are valued by the company.
3. Do not expect your child to walk in as the CEO of the company - give him opportunities and let him decide whether he wants to work for you and which role he wants to fulfil. Not all your children will follow exactly in your footsteps; however they may fulfil a much more important role in the future business than you had planned for them. When you apply their good skills in your business it will always be good for the business and for all the employees.
4. Whilst most of us in senior positions burn the midnight oil, it is normal to spend 80% of your life talking about business to your children whilst they have now joined you in your quest for life - make sure that you set time aside to assure them that you are still keen to be a mother (or a father) - even if it is just over a Christmas holiday.
5. Be enthusiastic about your business and the people within the business. If your children hear all the good things about the business and the people working there, they will start forming a love relationship with the business. Remember, parents are the leaders in the home and in a family business you are the leaders in that business - apply the same value systems that you practise in your home. Teach your family to serve others well.

6. A business is not a business without conflict. Teach your family how to deal with conflict. Arrogance is a sure seed for future failure. Teach your family the importance of addressing problems in a mature and kind way; to be curious rather than to judge; to listen first before speaking and to put every promise into action soonest.
7. Lastly, make sure that the family understands the budget of the business.

## ABOUT THE AUTHOR

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