This is no job for an ordinary mortal...

When emotions snag your company, maybe it's time to call in a 'business psychologist.'

BY ALAN S HOROWITZ

IT WASN'T WORKING OUT at Al Martinez Auto Body & Paint, a third-generation firm in Orange, Calif. President Al Martinez Jr., would say one thing to employees, and his son, Al Martinez III, would say something else. "He'd be pulling one way and I the other," says the father. "We had guys say to us, 'I don't know who to listen to.'"

Precision machine tool maker Horst Engineering in East Hartford, Conn., faced another concern. The second-generation owners didn't want to prepare their kids to succeed them, says Scott Livingston, the company's managing director and the third-generation family member who has since taken over the company.

Different coasts. Different companies. Different challenges. Same problem: Families are emotion-based, businesses are task-based—and family businesses, as a result, can get very confusing. Two years ago General Electric chose a successor to its heralded leader Jack Welch from among three senior vice presidents. That decision, presumably, was based on objective criteria. Imagine making that same decision if the three senior VPs were brothers and Welch their father.

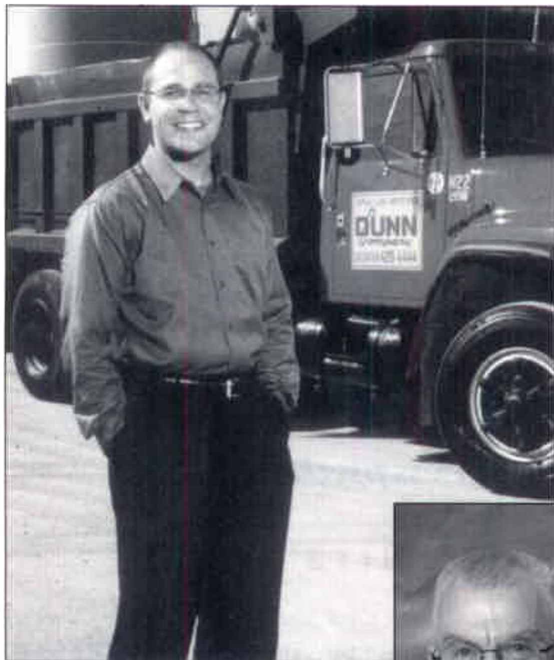
Horst Engineering's Stanley Livingston and his son. Scott: Suppose General Electric chose its CEO this way?

The solution? Join the ranks of family businesses turning to business psychologists to help them get through a variety of challenges that arise only in family firms. Michael L. Stern, a family business consultant in Brookfield, Conn., was hired by a family business after the father and son got into a fist fight in the loading dock in front of their employees. Marlene Nunberg—a psychologist who runs Nunberg Associates, a family business consulting firm in New York City, with her husband, Henry, a psychiatrist and lawyer—says she's had clients who want to sell their companies but are afraid to because they have a child in the business they believe couldn't make it anywhere else.

More than 1,000 business psychologists practice in the U.S., by most estimates. Some call themselves "business therapists," others "industrial and organizational psychologists." The good ones understand both business and psychology.

How do business psychologists work? Ed Cox, a partner in Doud Hausner Vistar, Glendale, Calif., says he starts the process by gathering the entire family together to talk about family businesses in general and theirs in

PHOTO: PETER GLASS



David Tyrolt of the Dunn Company, a construction firm in Decatur, Ill., used local psychologists James and Paula Finn (right) to iron out a knotty succession issue.

particular. He says he does this "so they realize they're not unusual, crazy or strange. It takes the pressure off." Then individual private meetings are held with each family member, including those who are influential but not active in the business, such as spouses. Key non-family executives are interviewed, too.

"We begin to see key issues emerge—and patterns," Cox says. Two or three weeks after the initial family meeting, he gathers the family together again and reports on his observations and recommendations. A major initial accomplishment is getting family members to agree on what's most important. The issues are prioritized. Then Cox sets up a plan for dealing with them.

Sometimes, the consultation ends there. Other times, Cox is hired on a continuing basis to help the family work toward its goals, meeting with them perhaps three or four times a year.

Business psychologists provide a smorgasbord of services, from leadership and sales training to succession planning. Dunn Company, a construction firm in Decatur, Ill., used local psychologists James and Paula Finn to iron out a knotty succession issue. Dunn had been run by two brothers, Frank and Bernie Tyrolt. The question was whether to pass the business to Frank's son David—the only second-generation member involved—or choose another route, such as hiring a non-family member as CEO.

"My dad and Bernie didn't want to put people in positions they were not well suited for," says David. The Finns gave the candidates a battery of aptitude tests, developed personality profiles and conducted one-on-one meetings. "It helped my dad and Bernie draw up the management succession plan and the roles people would fill in the future," says David, who ultimately took over the business last year.

Psychologists often use objective tests not just to identify strengths and weaknesses of family (and even non-family) members, but for political reasons. "Parents may know who the next leader is, but they like to have more objective data so it doesn't look like just a parental decision [showing favoritism]," comments John Hughes, consulting manager in the Minneapolis accounting and consulting firm of RSM McGladrey Inc.

Sometimes business psychologists work in tandem with a lawyer or accountant. When a child gets married, for example, there's an issue of the new in-law—his or her role in the company, compensation, ownership interest, and what happens if the marriage fails. (You may not want the in-law to remain a stockholder or manager after a divorce.)

Some families look to a business psychologist to help them separate family issues from business ones. Ralph M. Daniel of the Center for Family Business Dynamics in Santa Barbara, Calif., sets up rules for when and where business can be conducted—like not at the dinner table or in the car on the way to a child's soccer game. "If the key problem is that their family behavior intrudes on the business, I help them create boundaries between when they are a family together and when they are in business together," Daniel says.

Even perfectly well-adjusted family

businesses use business psychologists. John Rex, president of Rex Heat Treat Corp., a metal processing company in Landsdale, Pa., uses psychologist Michael Fineberg of Delta Consultants in Wayne, Pa., to assess family and non-family members for hiring and promotion. Adding objectivity to the hiring and promotion process not only helps ensure the right people are in the right jobs but also removes much of the jealousy and resentment when certain family members don't get the jobs they wanted.

Ralph Daniel: $2,000 a day for starters.

Tom Furia Jr., general manager of Penn Jersey Paper, a paper products distributor in Philadelphia, was concerned about the effectiveness of his company's hiring practices and called in Fineberg's partner, Ross Desimone. He structured a testing process to help Penn Jersey assess potential new hires and tested current employees who were hired before the testing process was implemented.

Like lawyers or accountants or money managers, some business psychologists are better—or better suited to your needs—than others. The best way to locate a business psychologist is through a referral, just as you would do when looking for an accountant, lawyer or doctor. Ask owners of other family businesses. Find a psychologist with experience working with family businesses.

Costs vary. Marc Becker of Mastermind Consulting, Anaheim Hills, Calif., says he charges $200 per hour for coaching and up to $350 per hour for training. A project involving four or five key employees, plus team development, might run $10,000 to $20,000. Providing assessments of key employees runs about $3,000 per employee, says Pennsylvania psychologist Michael Fineberg.

Ralph Daniel of Santa Barbara, Calif., charges between $2,000 and $4,000 a day. Depending on the size of the business and the number of family members, a project could run three to five days. But sometimes his involvement is more extensive, and so are the benefits to the company. The two brothers who run Blois Construction in Oxnard, Calif., turned to Daniel because "We were doing OK, we were making money, but we were working

When do you need a business psychologist?

Here are some telltale signs that your family business may benefit from the services of a business psychologist.

- Family members (in or out of the company) are constantly fighting and bickering.
- Communication between family members is minimal or non existent.
- There's a crisis, such as a blow up among family members that prompts one member to walk out on the business.
- Family members lack the skills or experience needed to run the business.
- One or more family members is having personal difficulties, such as substance abuse or marital problems, and the business is affected.
- Growth of the business causes problems. "The more money involved in the situation, oftentimes the worse the difficulties," says James Finn, a business psychologist in Decatur, Ill. Everyone gets along fine when the business is small and not much money is involved, but watch out when the money gets big and lots of folks want to put their fingers in the pot."
- When the business is not doing as well as it could because of conflict or non-performing family members.
- There is no succession plan: The younger generation is chafing to take over and the older generation won't give up the reins, even though they are getting on in years.
- When an issue comes up and family members won't cooperate. "I get called in when there is a legal transaction pending, like an estate plan or buy/sell agreement, and family members are reluctant to sign it because of some hidden emotional objections," says Ed Cox, a partner in Doud Hausner Vistar, consultants in Glendale, Calif.
- When the family wants to take a proactive approach and develop a family or business plan or strategy.
- When hiring and promotions are not being carried out effectively.

too hard for what we were earning," says co-owner Jim Blois. "We wondered what we were doing wrong—could it be there were some family things going on here?"

First Daniel met with the Blois brothers at Daniel's office for a few hours. Then Daniel visited the business, spending three days interviewing the dozen or so employees who worked in the administrative office; these interviews lasted from 15 minutes to three hours apiece.

Brothers Jim and Steve Blois settled their uneven positions—and promised not to mention the subject again

A few weeks later, the brothers met with Daniel to hear the results of his research.

Daniel concluded that the brothers were competent but employee morale was terrible, with employees habitually blaming each other for mistakes. Also, the brothers had started some small businesses unrelated to the main business, and, though they didn't realize it, these were distracting them.

Daniel uncovered other issues, too. The Blois brothers' father, who had started the company, was barely active but still maintained an office on the premises. Co-owner Steve Blois, who is nine years older than his brother Jim, had more corporate clout—he had the better title (president, while Jim was secretary-treasurer), slightly more ownership and a slightly higher salary. And unlike Jim, Steve had earlier invested some money in the company.

Daniel brought the brothers and their wives together to discuss this situation. Here are some of the changes Blois Construction made under his tutelage:

- Firings and hirings. "We did make painful changes, laying off some people, hiring new people," says Jim. "We needed to go with a new culture."
- Key employees gained more autonomy and authority. "My brother and I gave up a lot of control. We learned we couldn't do it all ourselves," says Jim.
- Their father was completely removed from the business and his office closed.
- The brothers settled their uneven positions in the company. Jim wrote out a check to Steve and the brothers now have the same title, the same ownership interest and the same salary—and an understanding not to mention the subject again. Daniel calls this process "rough justice."
- A senior management team was formed that included two non-family employees.
- An outside board of directors was created.

For the first six months, the brothers met with Daniel once a week. For the next 18 months or so, they met monthly. In the three years since, they've met approximately quarterly. Jim Blois estimates the company has paid Daniel about $100,000 all told over the five-year period, with more than $30,000 of that coming during the first year.

The payback? In the five years since Blois Construction hired Daniel, the firm's annual revenues increased from about $10 million to $18 million; pre-tax profit margins rose from 2% to 6%; actual profits quintupled, from $200,000 to more than $1 million; and the employee count jumped from 50 to over 90. After the first year, Jim Blois says, he and Steve sat down and concluded that the cost of Daniel's fees "was easily worth it."

This past summer, a new issue arose: the entrance of the third generation. Steve Blois has a daughter graduating from college who's interested in joining the company. With Daniel's help, Jim and Steve are now drawing up a plan for bringing in the third generation. Issues being discussed: Third-generation hiring requirements (education, whether experience outside the business is necessary, etc.), what positions are available to them, salary and criteria for deciding when they gain the opportunity to become owners. Says Jim Blois: "Let's do it now rather than ten years from now when it will be a lot harder to do." FB

Alan S. Horowitz, author of The Unofficial Guide to Hiring and Firing, *is a business, technology and marketing writer who lives in Salt Lake City, Utah.*