

# The Truth about Trading in a Family-Owned Business

By Lois Lang, Psy.D.

Whether you work in your family's business or have a spouse or other close relative who does, chances are you've heard about "trades" with other companies. They go something like this: "If you give me some new kitchen cabinets, I'll give you a year-long membership to our country club." Trading the products or services of the family business for something in return is tempting to all family members, whether they work in the business or not. After all, we all enjoy getting something for "free." But when it comes to trades, that freebie often has a steep cost.

In fact, even though many of your family members may think doing the trade is good for the family's business because it builds friendships and can lead to referrals, often the trade is unequal, decreases employee morale, and creates a "who is getting more" pile of resentments within the family. So while trading may be common, it's a practice you need to avoid or curb immediately. Following are some key points to consider the next time you contemplate trading your family business's products or services. Share this list with all your family members—whether personally involved in the business or not—to ensure that your family unit and company stay strong.



## Swapping quickly escalates

A little trade with a neighbor usually starts out innocent. Perhaps you swap a few haircuts for piano lessons for your child. Since that turned out well, you may keep trading with the person, but then you branch out and do other trades with more people. Before you know it, you start to think it's okay to use the family business any way you want to, which could ultimately lead to issues of embezzlement. So even though trading is not seen as taking the company's assets, it's a slippery slope that is truly a misuse of the family business.

## Trading decreases employee morale and productivity

Would you like to put in a full day's work and not get paid for it? Often, that's how employees feel (both family and non-family) when they have to do trade work. Think about it from their perspective. Whoever would have normally sold the product or service no longer gets commission for the sale, yet he or she still has to process the paperwork and possibly even do the hands-on work. On top of that, the employees see the owner (or the family member who did the trade) reap all the personal benefits of the trade, while the business as a whole gets nothing. And despite this extra work now on their plate, the employees still have to meet their usual goals and quotas. But what's the motivation to do so when the owners or family members let product walk out the front door?

## Employees often do what you do, not what you say

When employees see the owner or other family members doing trades, they often take up the practice themselves. After all, why should a certain family member be the only one with a club membership, white teeth, or new carpeting in their home? Once trading escalates, the company's inventory gets depleted and profits shrink. Ultimately, all employees start to think of the business as their personal pocketbook instead of as a stand-alone entity that has a responsibility to all employees and shareholders.

## You devalue your offerings

When you trade, the value of the item or service (for both parties) diminishes. Because no money is being exchanged, neither party truly understands the real value of the product or service received. Even worse, when word spreads that your family's business is willing barter in lieu of paid work (and it will), the value of what you do shrinks even more. Before you know it, a good number of the business's sales leads are from people interested in trading. And no company can pay its bills when trades dominate the workload.

## You can't get equal service

More often than not, trades leave someone with the short end of the stick. Because you're getting the product or service for "free," it's difficult to complain when something isn't quite right. Didn't like your haircut? Want the yard service to do a better job weeding the garden? Didn't like the last batch of organic produce? If you had paid full price for the product or service, you'd have no problem complaining. Yet when it's a trade deal, you often feel that you can't make demands. When that occurs, feelings of resentment grow, making the trade an unpleasant situation for at least one of the participants.

---

## End the Trades for Good

If someone really wants your family business's product or service, and you really want theirs, then engage in each other's offerings the right way—by going through the sales channels and paying for the deliverables. While trading is perceived as cheaper and easier, when you consider all the damage it does to the business's employees, the product or service's value, and ultimately your family's business, you'll see that trading is actually a very costly option. To keep your family business going strong, swap out the trading mentality before it's too late.



### About Lois Lang Psy. D.

Lois assists organizations in talent management, executive team development, compensation, and succession readiness. Lois is particularly effective working with families in business when they are faced with the hand-off between generations and tough leadership choices. The author of two books about family businesses, Dr. Lang is a recognized expert and author regarding family business succession, family business governance, and family dynamics.

### About Evolve Partner Group

It's never too early to start succession planning. Evolve Partner Group consultants have been assisting organizations with succession readiness for over twenty years. We know that early planning leads to smoother transitions and better business results. Our team assists businesses with succession readiness, leadership development, strategic business planning, executive coaching, executive compensation, mediated conflict resolution, talent management, and more.

Find out more about Evolve Partner Group and access more free resources online at [www.evolvepartner-group.com](http://www.evolvepartner-group.com).