

Addiction in a Family Business:
Considerations and Solutions

Arden O'Connor, MBA
O'Connor Professional Group
OConnorpg.com

Bill Messinger, Retired JD, LADC
BillMessinger.com

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Introduction

Addiction concerns in family businesses raise unique and complex challenges for the advisor, family office and corporate leadership. Our goal in this article is to provide an overview of the many policy and procedural issues you face in addressing a growing problem for all businesses, with an emphasis on family held entities. Topics include:

- Incidence rates from advisor experience and statistical perspective
- Risk factors in a family business that can set the stage for substance use disorders, as well as signs and symptoms
- How to raise concerns and if validated, treatment considerations
- Successful Treatment Models
- The transition back to the employment setting, including a sample Return to Work Agreement
- Written Policies

We recognize that alcohol and drug abuse (now called substance abuse) can be a daunting area to dive into, given the jargon and often obtuse and conflicting information on what constitutes “addiction,” “treatment,” and “recovery.”

Unfortunately, with the increasing availability of legal drugs, including pills and marijuana, taking on this task is no longer an option. It is a necessity.

While the focus here is on alcoholism and drug abuse, problems and policies must include all behavioral health disorders including mental illness, cognitive, eating and spending disorders,

Thinking About the Family Business

There are at least seven considerations that come into play when thinking about these topics:

- Family – After all, it’s a relative (often a son, daughter or grandchild) and an integral part of social/celebratory gatherings
- Business – Impact on business operations, leadership and succession planning
- Personnel Rules – Enforced only for non-family employees or all employees/
- Substance Use – With its own powerful dynamic and attitudes within the family
- Reputation – The trade off between secrecy and effectively addressing the problem
- Disability and employment law protections
- Key executive – If relied on by the family and irreplaceable family, you may have a seventh consideration.

It’s the interplay and priority placed on these factors that influence the response to the problem. Is it most important to keep the succession plan in place and preserve the family reputation? Or given the severity of addiction and personnel rule violations, is effective corrective action is needed now? Keep in mind these dilemmas as you read our article.

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Reported Incidence Rates From the Advisor Experience

Advisors to family businesses report high levels of substance use disorders. Jim Hutcheson of ReGeneration Partners conducted a study of 99 family businesses with the following findings:¹

Over 50% of the family businesses were coping with or expected to address a family-related addiction problem within their companies.

54% of study participants admitted to having worked through an addiction disorder within the company's ownership or management.

Of the families with addiction problems, 83% were working through drug or alcohol addiction, while 17% had dealt with a past addiction.

Other family wealth advisors echo Hutcheson's findings; in his article, "When Family Business Is a Sickness" Kenneth Kaye states the following:

For example, Fredda Herz Brown (1994) remarked that virtually all her clients had one or more substance-abusing members. Leslie Dashew (1995) said she found, if not alcohol or drugs, then gambling or some other addiction in practically every case. And Tom Hubler (1995) pointed out that "a family business is the ultimate enabler" to all kinds of addictions and dependencies².

These figures may seem astoundingly high, but are in fact borne out by the rags to riches to rags in two or three generations phenomena.

In our experience, operating businesses have higher numbers of identified family members with substance disorders than businesses where a liquidity event results in an investment company or cash distributions to trusts. For the former, active users impair the viability of the company and must be addressed or the company fails or may be forced into a sale. For the latter, consequence of use are restricted to the individual, with problems minimized or ignored by the family, and thus less visible to advisors.

Scope of Problem From the Statistical Perspective and Business Impact

In addition to advisor reports, data on use of drugs and alcohol also provide compelling reasons to raise this issue within the business and office. Statistics help to define the scope of the problem³:

- In 2007, of the 17.4 million current illicit drug users age 18 and over, 13.1 million (75.3 percent) were employed.

¹ <http://www.businessnewsdaily.com/3632-addiction-family-business-secret-problem.html>

² <http://www.finh.com/cmsAdmin/uploads/045-07-08-2012-FBA-Adviser-Article-when-the-family-business-is-a-sickness.pdf>

³ http://www.sapaa.com/page/wp_stats_workplace

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- Similarly, among 55.3 million adult binge drinkers, 44.0 million (79.4 percent) were employed, and among 16.4 million persons reporting heavy alcohol use, 13.1 million (79.6 percent) were employed.
- Of the 20.4 million adults classified with substance dependence or abuse, 12.3 million (60.4 percent) were employed full-time.
- An estimated 3.1 percent of employed adults actually used illicit drugs before reporting to work or during work hours at least once in the past year, with about 2.9 percent working while under the influence of an illicit drug
- An estimated 1.8 percent of employed adults consumed alcohol before coming to work, and 7.1 percent drank alcohol during the workday.

This information describes prevalence in all workplace environments; substance abuse in family businesses is estimated to be higher.

Workers reporting heavy alcohol use or illicit drug use, as well as workers reporting dependence on or abuse of alcohol or illicit drugs, are more likely to have worked for more than three employers in the past year. Likewise, those workers are more likely to have skipped work more than two days in the past month. There is evidence that co-worker job performance and attitudes are negatively affected. Workers have reported being put in danger, having been injured, or having had to work harder, to re-do work, or to cover for a co-worker as a result of a fellow employee's drinking.

Negative Impact on the bottom line, safety and family

The end result is chemical dependency can dramatically affect an employee's ability to contribute to your company's success. In economic terms, an addiction can lead to a drop in productivity, reduced product quality, increased absenteeism, and higher health care costs. Depending on the nature of the individual's work, public safety can be jeopardized. Unaddressed addiction in spouses or offspring has a similar impact. In human terms, an addiction or substance abuse issue can lead to failed marriages, broken homes, severe emotional problems, and even death.

Risk Factors in a Family Business

Family businesses have a number of risk factors that can help explain the higher prevalence of substance abuse issues with employees.

These include the following:

- Family members serving as supervisors for other family members
- Emotional dynamics that cloud performance issues (ex. sibling rivalry)
- Lack of formal human resource infrastructure: policies and procedures
- Confusing or unclear reporting structure, lack of succession planning
- Non-family member fear of reporting on a family member employee

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Family businesses can be a good place to “hide” an under-performing adult. In some cases, family members with known substance abuse issues have been accepted into a business and given a job without responsibility to allow him or her to “feel included,” and with the hopes that he or she “will rise to the occasion.” Other times, family members may not know an issue exists, but when substance abuse surfaces, they permit the person to retain his or her position out of a feeling of loyalty.

Many family businesses are able to contain these risks until the senior generation passes. But they do so at a high price, as the suppressed and postponed conflicts inevitably play out in the next generations. The failure to maintain objective performance standards in the context of a family business has a corrosive effect on the other employees, many of whom come to enjoy the benefits while disdaining the owners.

Signs and Symptoms of Substance Use Issues

Substance use issues can come to light in a variety of ways within the context of a company- an individual can self-report a problem to HR, a supervisor may witness performance issues or a colleague could divulge suspicions to a management team member. Without an employee admitting to a problem, it can be difficult for employers to ascertain the existence and acuity level of a substance use issue, particularly if the individual has learned how to hide signs of use, or he or she is in a position of authority. Crises (ex. inappropriate behavior at a holiday party, a DUI) can be opportunities for employers to exert leverage and to rapidly engage in a specific course of action.

Below is a list of possible symptoms; some of the listed symptoms may be associated with issues other than substance abuse, however the existence of multiple signs should cause an employer to become concerned.

- Possible symptoms of substance abuse or addiction in the workplace:
- Change in work attendance or performance
- Alteration of personal appearance
- Mood swings or attitude changes
- Withdrawal from responsibility or contact with associates
- Unusual patterns of behavior
- Defensive attitude concerning the object of addiction
- Rumors/reports of substance abuse by colleagues

It is possible that an individual may have several of the above symptoms and his or her behavior may deteriorate quickly (ex. lateness turns into absenteeism, late assignments turn into missed assignments). For other individuals, the impact of substance use gradually builds over time, and may take a long time before a supervisor feels comfortable addressing it. Finally, there are “high functioning” substance users (typically

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alcoholics) who may be able to complete their assignments, but are still drinking outside normal limits (guidelines suggest 7 drinks per week for women; 13 for men) and exhibiting obsessive behaviors around substances, suggesting a problem.

Regular Drug Testing

A policy of regular, random drug testing is one way to reduce confusion and identify potential problem employees. Testing could include alcohol, depending on the firm's rules on alcohol use during the day or in the place of business.

- The bigger question is whether drug testing and use policies apply to family members working in the business on the board or in related entities, such as philanthropy.

The impression given by an inebriated Uncle Snuffy speaking for the foundation at a community event never reflects well on the family. But, better there than with outside directors or customers. And, then, of course, think of the message sent to employees when observing the dual standard.

Raising Concerns

One of the first considerations is to identify the source of pressure to encourage the employee to seek treatment. Usually personnel policies, performance issues and the Human Resources Department are used for non-family employees. This process is rarely followed for the family employee, where the relative with the most authority in the business either leads the effort or otherwise is fully on board with lesser status family members taking charge. However, care should be taken to adhere to established procedures to avoid potential litigation.

Employers are also in the difficult position of having to assess whether it is appropriate to raise a concern, when to do so and how to frame the conversation. Some employers will wait until a substance use problem raises a financial, legal or ethical risk that the firm can't afford to ignore. Smaller businesses, particularly family owned firms, may adopt a more proactive approach, potentially even involving family members.

Employers often worry about a range of issues that are quite different than for family members.

- Employers are often more sensitive to confronting an individual without "evidence," making the firm vulnerable to claims of slander.
- There are federal laws that protect individuals with certain conditions including addiction that must be considered during disciplinary action.
- Employers may worry about invading a person's privacy and trying to "control" personal choices around use (ex. can a firm "prohibit" someone from drinking?).
- Finally, the employer's motivation may conflict with the best clinical interests of an employee; For example, a salesperson may reach his financial targets by entertaining clients every evening, which may not be the best option for someone who is in early recovery.

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These worries can lead to paralysis without a written procedure in place and coaching help.

Stick to the Facts

It is never easy to raise an issue around substance abuse, and the context of the conversation is important (ex. is this a colleague approaching a peer or a supervisor who is having performance issues with an employee). In general, firms fare best if they stick to specifics observed and don't make accusations. An example of this would be a supervisor mentioning that an employee has been late three days in a row and has missed deadlines; versus saying "You are clearly drinking too much which is why you're not performing well." Positive drug testing, violating use policies and inappropriate behavior can be the lead in to the conversation.

Documentation

Like any other performance issue, the documentation of conversations is important. In some circumstances, the conversation may come from a group of peers (ex. partners at a law firm approaching another partner). In those circumstances, verbalizing compassion may be appropriate (ex. "I am concerned about your level of stress"). It is still important to mention specifics (versus make accusations) and offer help. A key part of the process is having a list of resources available so that a plan of action can be formed quickly.

If a family member employee has a substance abuse issue, concerned parties must decide whether it is appropriate to raise concerns in the context of workplace performance, or whether it is better to handle the issue as a family matter. In addition to the employer considerations described above, a family member employee may have an ownership stake in the business, complicating the intervention process and making legal counsel an important part of the planning.

Treatment Considerations

It can be difficult for employers to develop a comprehensive list of potential resources for behavioral health challenges, given the economic, cultural and geographic diversity in an employee base. There are also challenges with the way traditional substance use treatment works:

- Episodic and crisis –driven (ex. 30 day treatment with limited follow up)
- Varied quality of inpatient and outpatient providers (ex. therapists without substance abuse expertise)
- Limited focus on a family systems approach
- High relapse rates
- Lack of focus on sustained recovery and continuous care

In reality, success results from treating addiction as a chronic disease, with an on-going recovery program and immediate response in the event of relapse.

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Employers should be aware that the best outcomes in the addiction industry are with licensing boards for pilots and physicians. A range of studies report the following outcomes:

- 92% of pilots remain sober at TWO years*. Similar results exist for physicians⁴
- The physician and pilot outcomes contrast sharply with average of 30% sustained sobriety rates quoted by the therapeutic community.⁵

What are pilots/physicians doing that is different?

- Oversight and direction of treatment process
- Long-term monitoring, including drug testing for years
- Use license revocation as leverage to pressure compliance with treatment
- They MANAGE the recovery process

This process is foreign to most HR departments who provide employees options and let them choose and pursue recovery on their own.

While this model may not be transferable to every employment situation, it is worth studying its components and attempting to adapt depending on the circumstance. Sample services for employers to consider implementing include the following:

- Intervention process (if applicable)
- Referral to inpatient or outpatient treatment
- Education on disease of addiction
- Case management and care coordination
- Continuing care plan implementation and compliance
- Assignment of therapist and/or psychiatrist
- Attendance at AA or other self-help groups
- Drug testing and/or alcohol monitoring

It can be challenging in a family owned business to determine which of the above listed treatment options the business funds and what is the personal responsibility of the family or individual. There is also a question of equity- are all employees entitled to the same treatment options? Do family member employees get more options than non-family members? Treatment for addiction can be expensive, which is why it is important for family owned businesses to wrestle with these issues, ideally before a problem arises.

Transition Back to Work

If an employee agrees to address a substance abuse or addiction issue, one of the biggest challenges for an employer will be to create a return to work plan that meets both the firm's and the individual's needs. There are legal issues around "reasonable

⁴ Hazelden Voice Winter Report, 1998.

⁵ <http://ideas.time.com/2013/04/03/we-need-to-rethink-rehab/>

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accommodation” to consider, as well as practical challenges around requirements of the position.

For references purposes, there is a sample “Return to Work Contract” included at the end of the article that can be modified to address specific circumstances. It is designed to promote accountability so the employer has protections in place in the event of relapse. The contract is modeled after contracts airlines require pilots to sign and is one example as to how their treatment programs are so different than those offered to the general public.

In family owned businesses, there may be more emotionally driven dynamics to consider. For example, a sister who has worked faithfully for the family business may resent her brother’s transition back into the workforce if he was unproductive for years. A family member may not be the ideal supervisor, as he or she may not be able to hold another family member to objective standards.

Summary

Employers must address alcohol and drug use issues present within the company, given the economic costs of ignoring them. A variety of factors, including liability and privacy, make it difficult to have a “standard” solution. Family businesses have the added challenge of emotional dynamics and complex relationships that make objective standards harder to enforce. There are, however, models that can be adapted to increase the chances of long-term success.

We hope after reading this article you will have a good understanding of the policy issues and practical problems when facing substance use disorders in the family business setting. We should note the obvious- that you will need the services of an employment lawyer with a good understanding of the tension between protecting the business from the risk of substance abuse and employees making a good faith effort at recovery. Also, while it may seem self-serving, we recommend consulting with a qualified, licensed addiction specialists.

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Return to Work Agreement (Draft) Sample (Similar to the Agreement for Pilots)

Employee, _____, (“Employee”) and Employer _____ (“Employer”) agree to the following terms and conditions of this Agreement for the purpose of Employee returning to work after chemical dependency treatment and the further purpose of encouraging Employee’s ongoing successful recovery and support.

1) Follow Primary Treatment Recommendations, Discharge Plan and Recovery Plans

Employee agrees to follow all primary treatment recommendations included in the discharge plan. This will include specific continuing care group, therapist recommended activities or other recovery related activities (i.e. AA, sponsorship, participation and attendance). In addition, Employee agrees to follow other or additional recovery plans as may be developed pursuant to this agreement.

2) Designation of Professional by Employer

The Employer will designate a licensed professional with expertise in chemical dependency to implement certain provisions of this agreement, to receive requested information from or about Employee, and to advise the Employer on treatment, recovery and other matters related to chemical dependency. For the purpose of this agreement such professional shall be Licensed Professional

3) Modification of Employee Workload and Responsibilities

The Licensed Professional shall meet with Employee for the purpose of discussing modifications in job responsibilities and hours or employment so as to support Employee’s recovery after treatment. The LP will make recommendations for such modifications to the Employer, who agrees to act in good faith regarding the requested modifications. Employee, Employer and the LP will meet to discuss such job modifications and other recovery issues that may be employment related.

4) Sign Full Releases of Information

Employee agrees to sign full releases of information for all treatment providers (such as medical, addiction, dental, mental health) and recovery related activities (such as sponsor) to the Licensed Professional.

5) Approval of Service Providers

Employee agrees that all providers of mental health and chemical dependency services must be approved in advance by the Case Manager.

6) Random Alcohol and Drug Screens or Testing

Employee agrees to participate in random observed alcohol and drug screens for one year, with the testing service and procedures to be determined by Case Manager. Failure by Employee to comply with test requests or procedures will be deemed a violation of this agreement and paragraph (7) seven.

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7) Abstinence from Mood Altering Chemicals and Behaviors

A) Mood Altering Chemicals. Abstinence from all mood-altering chemicals (alcohol and drugs) includes prescription medications unless prescribed by a physician and approved in advance (except in case of emergency medical needs) by the LP. Employee will immediately inform LP of any prescribed medications and sign full releases to the prescribing physician to release information to LP

B) Behavioral Concerns. Employee agrees to remain abstinent from all mood altering behaviors, including gambling of any sort, attending any sexually oriented entertainment, compulsive spending or other compulsive behaviors, including internet related activities.

8) Chemical Relapse or Behavioral Concerns

Employee agrees that in case of positive drug or alcohol screen or test or expressed behavioral concerns are noted by Employee's family or work Employee agrees to meet with Licensed Professional for resolution:

A) If a positive drug screen, employee will go on medical leave immediately and follow recommendations of LP. Subsequent return to work is contingent on the recommendation of the LP and the assurance from treatment providers that employee is able to return to work, including any recommendations or conditions regarding employment and post-treatment activities.

B) If the employee is engaging in one or more prohibited behavioral activities, the employee will meet with Licensed Professional to develop a plan to address such behavior. In the event of a dispute over the plan, the employer may request the employee to enter into an assessment process, including in-patient assessment, as designated by the LP.

9) Meetings with Licensed Professional

Employee agrees to meet at least monthly with Licensed Professional for the purpose of identifying issues or concerns regarding recovery and to identify areas of progress.

10) Meetings with Employer

Employer, Employee and LP will meet at least once a month to discuss progress and any employment related concerns. Additional meetings may be held at the request of the LP.

11) Progress Reports and Information to Employer by LP and

Employee agrees that the Licensed Professional may give progress updates to his Employer, as LP deems necessary. The information provided to the employer will include the following:

A) General reports on Employee's progress in recovery including compliance with plans specified in this agreement and any alterations to such plans.

B) The outcomes of screens and testing, as specified in paragraphs 6,7 and 8.

C) Identified behavioral concerns that remain unresolved by the Employee (paragraph 8)

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D) Other matters that may jeopardize the financial well being of the Employer or safety and health of employees or the general public.

Agreed:

_____ Date: _____
Employee Signature

Print Name

_____ Date: _____
Employer

Print Name