

THE LEGACY: FAMILY BUSINESSES STRUGGLE WITH SUCCESSION

By Aldonna R. Ambler, CMC, CSP, The Growth Strategist™

The Turners of Manasquan, NJ, consider it a privilege to operate their family-owned bakery business. “This business is more than doughnuts; it’s us,” says Jim Turner. “We all share in the awards that my father has won over the years.” The Schundlers of Edison, NJ, have had the family business in their blood for generations. Their grandfather, H.C. Schundler, founded their construction material business and their great uncle, F.E. Schundler, founded an aspect of the entire industry. F.E. then set up his nephew, Otto Schundler, in the business in 1951.

“The real challenge of my generation is not just to keep the Schundler Co. current in technology and markets, but most important, to develop a

tradition of passing the company from one manager to the next in a timely manner.”

The legacy. For some family businesses, it is the primary motivation for keeping a company alive. F.E. Schundler, Jeff’s great uncle, may not have intended to create one when he began the business over 70 years ago, but that is what developed over the years.

In fact, Schundler’s story was probably just like any other entrepreneur’s. He had one good idea, or could not find a job, or get along with his boss, or was stubbornly independent and started the company from scratch. There was not any profit for years, let alone any legacy to protect. The burden would be borne by future generations.

Says Jeff Schundler, the company’s CEO: “We each feel an obligation to improve the business. It doesn’t matter what our titles are. If your name is Schundler, you give just a little bit more.”

Put yourself in the position of being the heir of your grandparents’ business. If you do not want to do that type of work, the legacy is at risk. Could you handle the guilt? If you could, would your relatives let you?

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Some families know the scenario all too well. When the time came to plan for succession, none of their children wanted to run the business, so they spent the next several years looking for buyers and working with the estate planning experts to limit their tax obligations as they transferred assets to their children and the company to others.

“I’d be lying to myself if I said that I’m not disappointed,” says one owner, who grew the company from \$150,000 in revenues in 1950 to \$4 million in 1980. “We took care of our family financially, but when the company passed to someone else, it was as though part of us died.”

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“I feel very gratified knowing that my son, Doug, wants to continue my business,” says Steven Gyure, president of S4J, Inc., a New Brunswick-based manufacturer of specialty lures for the medical industry. “Years ago, I wasn’t sure any of my three children would want to take over the business, but as Doug became an adult, it became obvious that he would make an excellent president some day. It’s like having a piece of yourself live on well after you are gone. It’s been fun to see a preview of what the future will be like.”

To many entrepreneurs, having a family business goes beyond how many relatives are involved in the company. Art Crowley, Sr., president of Garon Products Inc., thinks of Garon Products as a family business because of “how we all depend on each other on a daily basis.” One visit to Garon Products’ Wall headquarters and you know what Art means. Except for some physical clues, like similarly shaped noses, you might not know that Art Jr. and Mike are the only other Crowleys in the business.

Do not tell Vinnie Azenza, Bob Hornak, and Chris Grant they are not relatives. They will not believe you. Even if suddenly no Crowleys came to work, these managers would press on. The Garon way transcends Crowley.

Because of such very personal feelings that become associated with family-owned businesses, offspring sense their parents’ desire to have the business live on, even when their parents have not had an opportunity to make their desires known.

Many try very hard to keep the business in the family, even when they had something else in mind for themselves.

Take Ozone Pure Water for example. When the owner, Marty Langweiler, died in his early 50's, none of his children were available to run the business. Frankly, no one was expecting him to develop diabetes with major complications. To keep the business in the family, his daughter, Michal, left her teaching position in northern New Jersey and relocated to Ozone's Atlantic County base. She built the business by selling their products in the highly competitive casino industry and by expanding the product line into varieties of bottled water and coffee service. She did not see running Ozone in her long-term plans. When Ozone hit \$1.2 million in gross revenues in 1986, she sold her shares to private investors from Philadelphia. Although Michal still holds a minority share of the company — now Keystone Pure Water — most of her time is spent in the real estate business and raising two very active boys. Does Michal regret letting the family business go? John Henry, one of Keystone's major shareholders, says, "Michal did what she had to do."

She knows that her father would be proud of what she was able to do with the business prior to selling it. The worst thing she could have done is to just let the business die. She felt her father deserved better than that.

On the other hand, some people view having a family-owned business as expanding the options for their children, but do not want their children to feel like the business is another obligation trapping them. Take Marpac Industries. Over the past 24 years, Don and Sue Sykes have built the Waldwick-based Marpac into a high quality, specialty container manufacturing business, employing 70 people. Their customers include several original equipment manufacturers, and they hold numerous patents. Although their 28-year-old daughter is not currently employed by the company, their son is an employee. At this point, it is not clear when or if either of the Sykes children will want to assume a meaningful position with the company.

So for now, Don and Sue keep their options open. "If our children want the business, it's here for them. If not, we have created something very special at Marpac," says Suzanne Sykes, Marpac's chief executive officer. But knowing the Sykes' children, they would probably make sure that

Marpac continued if something were to suddenly happen to their parents.

The Sykes know that keeping their options open is easier said than done. Every few years they interview their children to learn about their preferences, not make assumptions, and renew their offer of an opportunity share in the business. "But we don't risk the future of the business waiting and hoping that one of our children will want a key role. We have to keep going. At some point, we will have to make commitment to non-family members, because we feel that we owe something to people who have been with us and helped make Marpac what it is today," says Don Sykes.

When the Dalys of Suburban Services in Holmdale wanted to retire, they reviewed their books. It soon became apparent that they and their children could make more money if they sold the company rather than expect their children to operate such a tight-margin business during a recession. Like the Sykes, they had kept their options open. Their heirs will benefit from their hard work without the obligation of running the company.

Family Business magazine defines a family-owned business as having at least 25 percent of the ownership within a given family and having at least two family members involved in running the company. Of course, this means that long-time family-owned companies like Campbell's Soup Co. are no longer family-owned businesses. The three heirs of the condensed-soup inventor, John T. Dorrance, Jr., control 32 percent of Campbell's stock, and another 27 percent is spread among six other family groups, but no one in the Dorrance family actually works at the company. Those of us with businesses in Camden County know that most people have not quite let go of the image of Campbell's as a family-owned business, despite *Family Business*' official definition.

Recognizing that others have a variety of definitions for a family business may help you prepare for the succession planning.

If you value tradition or are having trouble letting go, one important part of your family business may be leaving your mark. If so, you might want to consider filing for trademarks and patents, licensing or franchising, writing a book, doing public speeches, or being nominated for prestigious awards — like the Malcolm Baldrige Quality Award — to help you meet those needs. You never know what your offspring will want or

whether they would operate your business the way you would.

If you see ownership of a family business as a way to provide for your children’s future, it might be time to view passage of assets without obligation as a tremendous advantage and gift from you. What a marvelous head start the Sykes gave their children by teaching them about financial realities, meeting needs, following through, and focusing on quality. Their children will inherit the financial value of the business since they are planning ahead. The ownership of the business need only pass through their hands for a very short period of time for them to realize the value. Plus, it is important to remember the Dalys’ option of selling the business at a good time. It would not have been any favor to their children to hang on too long.

Apparently Michal Langweiler concluded that her father’s goals had not been quite realized. Sometimes family carries an obligation to play out what has been started — but not necessarily to be stranded by it once that objective has been accomplished.

The Schundlers, Turners and Gyures are unusually lucky that their heirs genuinely wanted to satisfy their business goals by staying involved.

All-In-The-Family Business Tips

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| <ul style="list-style-type: none"> • Enjoy any family-feel they have while they have it (be it with family members or non-relatives). |
| <ul style="list-style-type: none"> • Introduce incentives to encourage desired behaviors, like excellent customer service, to keep that family feel. |
| <ul style="list-style-type: none"> • Be honest with yourself about the real purpose of your company. |
| <ul style="list-style-type: none"> • Talk about like goals openly with family members and do not assume you know what is best for others. |
| <ul style="list-style-type: none"> • Continue to build the business the best you can while keeping your options open. |
| <ul style="list-style-type: none"> • Separate the passage of assets to heirs from operational succession planning. |
| <ul style="list-style-type: none"> • Find other ways to recognize and establish a legacy. |
| <ul style="list-style-type: none"> • Do not assume that family-owned is always best. |
| <ul style="list-style-type: none"> • Consider yourself fortunate if you have offspring who choose to keep the business in the family. |

Known as **The Growth Strategist™**, Aldonna R. Ambler, CMC, CSP helps professional service firms, technology-driven businesses, and construction-related product/service for distribution companies reach their goal of **Achieving Accelerated Growth With Sustained Profitability®** through a combination of speaking, consulting, executive coaching, authorship, and growth financing. She has executed an ESOP, grown multiple international businesses, won multiple awards, provided expert testimony on economic growth at over 30 legislative hearings, conferred with Presidents in the Oval Office, has written over 100 articles and plans to publish “Four Entrepreneurial Styles” this fall. Aldonna was named the **national (USA) “Woman Business Owner of the Year”** and one of **NJ’s Best 50 Women in Business**. She currently hosts a weekly Internet radio show, *The Growth Strategist™* on VoiceAmerica® Business (www.business.voiceamerica.com) every Tuesday at 11 a.m. ET. Aldonna Ambler can be reached at Aldonna@AMBLER.com, 1-888-ALDONNA (253-6662) or at www.TheGrowthStrategist.com.

