

Keeping family-run firms from becoming nightmares

A Bucks County company helps those businesses function smoothly.

By Zlati Meyer INQUIRER SUBURBAN STAFF

The chief executive officer is fighting with the chief operating officer. The sales manager thinks she deserves a raise. The vice president feels the CEO favors the sales manager over him.

Office politics can be brutal, but when the players are siblings, parents and spouses, the workplace can become a nightmare.

The Delaware Valley Family Business Center handles such brethren and business battles. The for-profit firm in West Rockhill, Upper Bucks County, caters to an estimated 400 family businesses across the United States, though most are in the Philadelphia area. They range from big companies such as Rosenberger's Dairies to mom-and-pop operations.

The center's three employees and five associates help clients develop a code of conduct, draft an employee handbook or family constitution, establish disciplined ways of decision-making, and outline the firm's future. The center also handles conflict resolution, and occasionally helps families decide whether to sell their enterprises.

"The father or mother, as head of the company, they can have board meetings in the shower," Henry Landes, the center's founder, said. "It's very simple, but if you get more people involved, you have to function."

More than 80 percent of all businesses in North America are family-owned, according to the Family Firm Institute, a Boston trade group. But only about 30 percent survive into the second generation, 12 percent to the third, and 3 percent to the fourth.

One sign of the problems faced by family businesses is the number needing help from boutique advisers, such as Landes' 12-year-old center. The Family Firm Institute now has 1,000 members, compared with 300 when the organization was founded in 1986.

Communication among family members is key, so one of Landes' clients, Clemens Markets, instituted monthly meetings for the dozen active relatives, as well as a yearly gathering for every family stockholder over age 16, called the "state of the union picnic." The meetings began eight years ago at the suggestion of another consultant.

"Somebody outside is more objective," said Jill Clemens, director of financial analysis for the Kulpsville supermarket chain and daughter of cofounder James Clemens. "It's easier to hear from an outsider that you [need to make changes] than from another family member. It can really hurt."

Clemens - whose company has 2,600 employees at 18 supermarkets and one specialty store - and three of her four siblings are in the 62-year-old business, along with two grandchildren of her uncle, Abraham, a cofounder.

Landes, 55, also helped O'Doodle's, a specialty toy store in Chestnut Hill, write a mission statement and identify family members' business responsibilities.

Second-generation owner Hank O'Donnell encountered some control issues with his father, now deceased, and left the company briefly in the 1980s. "I had a business degree. I was trained to run a business, but the tasks my father was directing my way were things I had done in high school: waiting on customers, unloading trucks, inventory," he said.

Another important issue is salary. *"Siblings are acutely aware of any semblance of unfairness," Landes said. "In business, pay is based on contribution, not because your last name is Landes or whatever. The trouble is, when the father is the company president, which rules apply? Pay people fair-market value? Siblings say: 'Dad loves him more than me.'"*



Henry Landes, founder of the Delaware Valley Family Business Center, with a chart that shows the responsibilities that members of a family-owned business must take on. His company deals with about 400 such U.S. businesses. (LA SHINDA CLARK / Inquirer)

Brothers and sisters who used to fight over toys and jockey for Mom's and Dad's approval find themselves reliving their childhood patterns. Throw spouses and grandchildren into the mix, and it grows even tougher. This time, though, the bickering is over more than a teddy bear. The family's livelihood, the business' decades-old reputation, and the jobs of nonrelatives are at risk.

Landes' own family is involved in a business: The Harleysville native's grandfather founded a plumbing, heating and air-conditioning business called I.T. Landes & Son in 1929. It still exists, though Landes has no role in it.

To maintain a company, Landes - who has degrees in social work and in management and family systems - advocates having entrance and exit requirements; hiring and promoting based on merit or outside work experience, not DNA; and creating a succession plan to ensure that contacts and trade secrets are not buried in the family mausoleum.

"A family business has all the same issues that any business has, plus more complexity," Landes said. "It's like access to high-octane fuel. It can be explosive, or it can offer a competitive advantage if you can harness the energy represented in the family. There's a lot of passion, a lot of love, a lot of hate."

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