

Success and Succession

Family-owned businesses can inherit mixed fortunes

by Tony Lucia

The millions of family businesses in the United States, including some of the largest and most powerful – WalMart, anyone? – are testament to the strength of both the American free-enterprise system and the family unit.

Statistics say such businesses account for 60 percent of all U.S. employment, 78 percent of all new jobs and 65 percent of all wages paid.

But other, more sobering figures underlie that achievement. Only 30 percent of family businesses make it to the second generation, 15 percent to the third, and 5 percent to the fourth.

For while business owners and leaders devote their energies to guiding their enterprise and, hopefully, making it grow, family business owners also have to contend with personal issues, sometimes emotionally charged, that can result in defeat for even the most adept entrepreneur.

“If the family is strong, if there’s a lot of emotional flexibility, that’s a tremendous base to build a business,” said Henry Landes, president of the Delaware Valley Family Business Center, Sellersville, Bucks County. **“But DNA does not guarantee value alignment or trust.”**

“Sibling rivalry is real. It can create a high-octane fuel that’s very effective in the marketplace; other times, it’s destructive.”

Landes, whose organization offers a variety of programs and tools to assist business families, said that in contrast to families, which offer unconditional love, businesses have to be performance-based.

He also cautioned that families’ understanding of ownership policies and structures often is limited.

Though many family businesses survive without ever adopting or even recognizing

the need for such knowledge, **Landes imparted some general guidelines his organization emphasizes every family-owned business should consider.**

First comes communication. **Family members in business together must communicate regularly and formally, in a meeting format, Landes said.**

Continuing education also is key to having a successful family business, he said, whether undertaken through organizations such as Landes’ Center or by seeking out books and articles on the subject.

But Landes stressed that developing and following written policies is possibly the most important step family businesses can take.

“They have to develop the plans, the architecture, the accountability to beat the odds, because they are working against the odds,” he said. **“Only the best are going to make it.”**

The center advises its clients to hold regular meetings to develop policies, with a facilitator – either a professional or a family member – overseeing the process.

After the discussion is summarized and the steps to be taken are identified, **a code of conduct should be written, along with ground rules for the future consideration of important issues.**

Such issues must be anticipated and dealt with before they become personal, with particular attention paid to consistency; fairness and efficiency.

A policy statement then should be drafted and, when there is complete agreement, adopted and signed by all family members. Subsequently, regular meetings should be held to review and revise the policies.

Ironically, although Landes grew up in a family business – his grandparents founded I.T. Landes & Son, a heating



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and plumbing business based in Harleysville, Montgomery County – he elected not to participate.

“I think I have a special understanding of what it’s like from the inside,” he said. “My background is in organizational development. I sort of fell into this. I found that all my clients were family firms.

“So I bring a lot of understanding of family dynamics to the table that I didn’t really know applied to this particular niche until my clients said, ‘I need you over here in this family stuff.’ I was very attracted to this.”

Similarly, he said that while he hopes the center survives after he is gone, it would not necessarily be in the hands of his children.

“I will transition this business to people who share my values and vision,” he said. “My children need to have their own vision.

“The purpose of a family is to help children find out their mission in life and do it, and not necessarily to be a plumber like your dad was. Children who grow up in business families too often get sucked into dad’s or grandpop’s vision. They get seduced economically. The forces are so strong, they really are. You live with them every day.”