

Company ready to help all in the family

Running a family business can create issues.

By John Wilen

"Families that do well are families that keep learning."



Henry Landes, President
Delaware Valley
Family Business Center
Sellersville, PA

What would you do if you had to fire your son? How about your dad?

These may sound like pretty unusual situations, but they're not, says Henry Landes, president of Sellersville's Delaware Valley Family Business Center.

In fact, 80 to 90 percent of all companies are family-owned and operated, according to the Family Firm Institute, a trade group for organizations like the Business Center that help family-owned companies.

That means situations where one family member is faced with a critical business decision that directly involves a loved one are more common than some might think.

"It's hard to work for your mother,"

Landes said. "It's hard to work for your sibling, often."

Landes started the company that became the Family Business Center in 1988 as a management consulting practice. He quickly found that some of the biggest problems managers faced had nothing to do with other employees, but with family members working for the same company.

"Our business quickly evolved into serving only family businesses," Landes said.

Now, the Business Center has 85 family-owned companies as paying members. It also conducts group and one-on-one counseling, mentoring and coaching sessions with family-owned businesses and executives.

"Families that do well are families that keep learning," Landes said.

The Business Center performs three functions:

- **The Family Business Forum.** This group of 85 area family-owned businesses meets regularly to talk about the issues that face families who work together.
- **Next-generation Learning Labs.** These are peer groups of about 12 people. They're typically younger family members who want to move up in the family business.

- **Executive coaching.** This is one-on-one coaching, facilitation of family meetings or the creation of formal structures, such as outside boards of directors, to help families manage change within the businesses.

The issues families face are diverse and differ as widely as families themselves. One of the biggest issues is whether to pass the company along to the next generation, and if so, to which member of the next generation.

"Every family business has the question, do I want this business to go to the next generation," said Phil Clemens, chairman and CEO of The Clemens Family Corporation, at a recent Family Business Forum.

"The succession process is one you must be committed to and willing to invest in."



Phil Clemens, CEO
The Clemens Family
Corporation
Hatfield, PA

In the case of Clemens, which owns Hatfield Quality Meats and other companies, but not the Clemens Markets grocery chain, the answer is yes.

“We always want the head of our corporation to be a qualified family member,” Clemens said.

That’s easier said than done. Only 30 percent of family-owned businesses retain family ownership into the second-generation, the Family Firm Institute says. Only 12 percent make it to the third and 3 percent to the fourth generations, respectively.

The operative word is qualified. Clemens, himself a member of the third generation of company owners, has identified a key problem that Landes says causes many family-owned businesses to stumble: Nepotism, or the promotion of family members to positions of responsibility for which they are not qualified.

Succession is particularly a problem at a company like Clemens, which employs 23 family members.

Working with the Family Business Center, Clemens setup a board of outside directors to advise the company on all aspects of its business. That in itself is unusual for a family-owned business, Landes says.

Clemens then established a committee of its board to recommend a successor for Phil, who is nearing retirement. The new CEO can only be chosen by a two-thirds vote of the board.

Meanwhile, Clemens family members interested in management meet

regularly to discuss character issues. Each must read a book recommended by Phil Clemens on management between meetings.

“The succession process is one you must be committed to and willing to invest in,” Clemens said.

The Family Business Center charges companies an annual fee of \$975 to belong to the Family Business Forum. *The next-generation peer group labs also require an annual fee, which Landes declined to disclose. Executive coaching session fees vary.*

Family-owned businesses aren’t a foreign concept to Landes. He grew up in the family that owned IT Landes & Sons, a Harleysville HVAC company.

Landes’ older brothers went into the business with their father. Landes went to graduate school, and worked as a management consultant in North Carolina and Indiana.

Landes declined to disclose the Family Business Center’s revenues. The Center employs two in addition to Landes, and hires outside consultants for some of its programs on a case-by-case basis.

The idea of counseling family-owned businesses isn’t unique to the area, Landes said.

“There are over 100 family business forums in the country,” he said.

Most are affiliated with universities, but there are other for-profit companies similar to the Family Business Center.

Most of these other companies work all

over the country, Landes said.

While Landes has done work as far a field as Jamaica and Maine, he prefers to focus on this region.

“I prefer to be home at night,” Landes said.

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