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Two Hats

Mom: Caught in the Middle

by John L. Ward

Key executives in family businesses often wear "two hats." Decisions are more difficult because managerial and family perspectives overlap. Here is a typical scenario presenting the family business owner trying to balance business and family.

The transition of business leadership from father to son can present painful and seemingly insoluble family business problems. And when it does, the person who suffers most is often the mother of the son/wife of the father. The two most important men in her life are hurting each other.

As Mom

I'm so proud of my son; he is bringing so much to the business. He wants to do what he thinks is right for the business.

My son keeps complaining to me, and to my daughter-in-law, that he's frustrated - that his father can't "let go." I know he's right. How can he let go of what's been his whole adult life?

It seems I see less and less of my son and his family. The relationship between him and his father is getting very strained. They're avoiding each other.

They both complain to me about each other. Wise friends tell me not to get caught in the middle—don't make a communications "triangle," they say. My husband and son must learn to work it out between themselves...and I'm the one getting all the stress. They need to talk to each other, listen...

But my son has never learned to talk about how he feels.

We see this no-win emotional dilemma much too often. Rarely do business-building parents find new careers to rush to, leaving a competent heir to his or her own show. If that were the case, offspring would be begging for advice from "too busy" parents, rather than trying to push them out of the way.

We agree with the realization in this story that moms/wives can get themselves entrapped in triangles of ineffective communications. What to do? Some who are caught in the middle develop the personal strength to avoid being drawn in, and tell each of their men, "I'm sorry you feel you have this problem with the other. But you have to talk directly to each other about it!"

Some "moms" even successfully "conspire" with daughters-in-law so that the message comes through twice as strong. In this way, each can emphasize some tolerance and patience...and can coach her man on better expression of their feelings directly to one another.

As Wife

But his aggressiveness and eagerness to do his own thing are making him push my husband out of the business. My husband doesn't feel appreciated, needed.

And I don't want my husband feeling unimportant and lonely and moping around the house. That's not good for either of us.

I'm really torn. I know my husband still has so much to offer if he were only asked and respected. He has been in this business 30 years! And I think he has a right to hold onto most of his stock. After all, he built it all.

But my husband has never learned to talk about how he feels.

The Family Business Advisorsm

The Monthly Guide to Successful Business Management, Family Relations and Asset Protection

Complimentary Issue

Family Business Survival: Understanding the Statistics

"Only 30%"

by Craig Aronoff

Perhaps the most quoted statistic in the world of family business is this one: 30% of family businesses make it to the second generation, 10-15% make it to the third and 3-5% make it to the fourth generation. Thousands of newspaper, magazine and journal articles report this statistic. The marketing materials used by the burgeoning family business consulting industry are rife with those numbers.

Indeed, we don't argue with the numbers. We just have a few quibbles with how they are presented. The meaning of the statistics is hard to fathom without defining family business (when we use the numbers it means family business leadership and control, therefore excluding such successful ways of "making it" as transfer of ownership to employee or cashing out to a com-

petitor's strategic acquisition). Another small quibble is that, in fact, 30% make it through the second generation, not to the second generation. We know these things because the original research leading to these conclusions was conducted about twenty years ago by our own John Ward on Illinois manufacturing companies. The numbers have been replicated globally.

But we have a very serious argument with how the statistics are used. A brochure we received recently from a family business consultant is typical: "Only 30% of all family businesses make it to the second generation. And a meager 5% make it to the fourth generation." Judgment implied in descriptors like "only" and "meager." Generally, people using these statistics imply, suggest or out-right say that the numbers indicate a sorry state of affairs.

continued on page 6

An Open Letter to the Non-Family Executive

If you're a new non-family executive in a family company, or if you're thinking about accepting a management position in a family firm, you may be wondering how to make the experience a successful one. It's a wise thing to think about, because family firms pose many challenges to executives that they don't encounter in other companies.

Based on our years of experience working with hundreds of family-owned businesses,

continued on page 7

In This Issue

Create Buy-Sell Agreements That Work
page 2

Kiplinger's Success: Humility,
Hard Work, Consensus
page 4

Equality
Quote/Unquote
He Looks Like A Board
Putting the Team First
Shared Goals for E. & J. Gallo
Estate Tax Audits
In A Heartbeat
Secrets of Long Life
page 8

"Only 30%"

continued from page 1

But how do we know whether a 30% "make it" rate is bad, good or just plain normal?

I was speaking at a family business conference in Monterey, CA over a decade ago. On the morning before the presentation I was visiting Monterey's magnificent aquarium, (supported largely by the Packard Family's foundation whose family business – Hewlett-Packard – arguably failed to "make it" to the second generation). There I learned that it takes 250,000 starfish eggs to produce one mature starfish. I wondered whether that was good, bad or just plain normal, and if there were starfish survival consultants bemoaning this horrible performance and offering their services to help fix the problem.

To put family business performance in perspective is to compare what we know about family businesses with other kinds of businesses. As we have often reported previously in *The Family Business Advisor*, most such comparisons give the edge to family firms. Maybe their survival rate is higher too? But how to compare? Because publicly-traded companies with dispersed ownership naturally turn over share ownership, one cannot speak of a directly compared "survival" rate. How can so many people use terms like "only" and "meager" when comparisons are impossible?

I found an opportunity for comparison by accident. In 1996, the Dow Jones Industrial Average (DJIA) celebrated its 100th anniversary. Its 30 companies represent the largest, best capitalized paragons of U.S. industry. And yet, only one company originally included remains on the list today.

I did some quick arithmetic. A hundred years at 25 years per generation represents four generations. About a third of family businesses survive in each generation. With 30 companies on the DJIA, and a one-third survival rate defined as continuing on the DJIA for four generations, we would predict that *one* would still be around. The survival rates of the companies comprising the DJIA and of the family businesses in general turns out to be the same!

The single company from the original list that survived the century is General Electric. GE is generally considered to be one of the best managed and capitalized companies in the world.

According to statistics, your family business has the same

chance of survival as General Electric. Does that suggest that a four-generation, 3-5% survival rate is "meager"? Rather than bemoaning family business survival rates, we should judge them as somewhere between normal and extraordinary.

Indeed, I'm wondering what strengths family businesses have that allow them the same survival rate of companies like GE. What do family businesses have that most of the DJIA component companies lack?

What distinguishes family businesses, of course, is family. Adding family values, loyalty, pride, cohesiveness, meaning and all the other strengths of family to business ownership and management seems to provide sustenance *not* available to other enterprises. Given an economy that chews up and spits out whole industries, technology evolving at unprecedented rates, Wall Street probing every niche to unlock financial value, global competition, instantaneous communication, the alternative opportunities open to well-educated offspring, competition that drains margins as distribution channels are re-engineered, and the social and cultural pressures that make successful family life increasingly challenging, I believe that a 30% generational survival rate among family businesses is incredible testimony to the positive power of family when applied to business. I believe that these oft-cited statistics offer yet another reason to celebrate family businesses.

And besides, few have taken on the specific task of improving overall survival rates for family businesses. Those of us who work with and for family businesses typically seek to help one family at a time to achieve its goals.

Which, oddly enough, takes me back to starfish. A story is told of a father and a daughter walking on an isolated beach at dawn. As the sun rose, they came upon a galaxy of starfish left by the tide and, for the most part, still alive. The young girl immediately began to throw the creatures back into the sea. "Don't bother with that," said her father. "There are too many. You can't save them all. It won't make any difference."

"But I can save some of them," she said without pausing. And she didn't even know that each starfish she saved took a quarter million eggs to produce.

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