

NECESSARY TRANSITIONS

Working in a family business, whether you are 18 or 80, presents many unique challenges that often signal a transition. Typically, we tend to think only of the most major transitions in our life – graduations, marriages, births, careers, and deaths.

Judith Viorst, in her best seller and highly recommended book, *Necessary Losses* (Ballantine Books, 1986), explains life as a series of continuous – big and small – transitions. In order for us to continue to develop in healthy ways, each of us must pass through certain key transitional stages. In the process, we say good-bye to the old and known and begin exploring the new and unknown. Thus the name: *Necessary Losses*. Viorst argues that understanding the benefits of transitions helps pave the way for a smoother, more positive future.

In some family businesses transitions are, at best, ill-defined, poorly labeled, secretive, denied, or non-existent. In healthier family businesses, transitions are acknowledged, planned and carried out in as orderly a manner as possible. Building a culture where healthy transitions are prized is a process that begins very early in the family business life cycle and remains throughout the life of the business.

Not without reason, most of us think of succession planning (i.e., how leaders will be chosen) as ultimately the most important transition. Even in the best of circumstances, leadership transition is difficult. Acknowledging and planning help, but do not guarantee a win-win transition. Earlier this year, a family business engaged ReGENERATION Partners to help with the succession and transition of a founder's retirement. In our opinion, this family business was above average in sharing

power, communicating, planning, integrity, understanding their industry, and so on. This was a family business that had done their homework and had taken the necessary steps to prevent a family or business crisis.

The two working children: a son, soon to be new president and chairman and a daughter, soon to be vice-president, felt very uneasy that their father was leaving the family business after 43 years without having any real direction or clear purpose. In private conversations, each of the children expressed concern that "Dad won't have anything to do! What will get him out of bed in the mornings?"

Their concerns were on target. All the succession planning and transition development was directed at the business. None was aimed at the emptiness or insignificance that Dad might feel. It was assumed that Dad, with all his wealth, would happily step out and begin a very active retirement. Dad knew the time was right for this transition (his mission was complete) but privately expressed concern that he really had no other great interests in his life. His family and his business were, in his terms, "my mistresses."

This father's experience is fairly common to retiring CEOs. In fact, Jeffrey Sonnenfeld, a Harvard Business School professor, wrote a book on this subject entitled, *The Hero's Farewell, What Happens When CEOs Retire* (Oxford University Press, 1988). This is an important read for anyone in a family business that will confront transition and succession issues.

The outcome of this family story is that the transition and succession plans were, at the eleventh hour, broadened to consider Dad's personal interests. Fortunately, this family saw the caution flag and adjusted without a crisis. Dad has stayed positively connected to both his loves – family and business – while cultivating new interests. The children have the freedom to manage the family business and routinely ask for input and counsel from their father. The transition of succession in a family business need not shrink an individual's accomplishments. Rather, this important "right of passage" should function as another step on an individual's ladder.

This reality is voiced so clearly by our favorite *On the Road* author, Charles Kuralt. In his latest book, *Charles Kuralt's America* (Putnam, 1995) he says "... Go away, the voice said. Go be free. I had worked at CBS for thirty-seven years. Without a single misgiving, I sat down at my desk at home and typed a short letter to my boss; 'Dear Eric, I feel it is time to resign from CBS News. Accordingly, I ask that you find a replacement for me on Sunday Morning as soon as possible – by the end of this month, I hope.' I delivered this letter that same day. The second it was out of my hand, I felt a wave of giddy release. I felt like singing. The thing was done, and I was on my own."



FAST FACTS

Recently, *ReLATIVELY Speaking* conducted a survey of key decision makers in family businesses to help determine the qualifications most valued in a consultant. This survey was conducted over the phone with 50 (n=50) businesses, randomly selected from a population of approximately 3,000 firms, with sales ranging from \$4 million to \$3 billion. Business owners considered academic qualifications, "big six" type consulting experience, or successful entrepreneurial work experience within a family business. Approximately 85% (42) of those businesses polled had retained the services of a consultant within the past 18 months, and 90% (37) gave "entrepreneurial experience within a family business" the highest rating.

BOOK ReVIEWS

THE BEST OF ALL WORLDS

INTIMATE WORLDS

by Maggie Scarf (Random House, 1995)

Power, Intimacy and Conflict. This important, although hefty (425 pages) book reads more like a “thriller” than a non-fiction “how to better understand and improve the health of your family” guide. Scarf weaves rich accounts of families struggling with core issues to all families; POWER – Who has it and how it’s managed, INTIMACY – How to achieve it, and, CONFLICT – How to resolve it. Whether we are ready to accept it or not, the apparent truth is that each of us, in many ways, forms the basis of our beliefs about relationships during our early years within the context of our family. **EXCERPT.** “*It is within the early family that we learn patterns of being, both of a healthy and pathological nature, which will gradually be assimilated into, and become a fundamental part of our own experience.*” The health of a family is, in large part, determined by how the members function together. Scarf uses the **Beavers Family Systems Model** to classify in which of 5 levels of health and competence a family functions. The highest functioning, Optimal Families, have learned to share power equally. The lowest functioning, Families in Pain, have conflicts that never get resolved while confusion and turmoil are the norm. In between, the midrange families are either Polarized, Rule Bound or Adequate. We once heard a psychologist state, “95% of all families are dysfunctional and abnormal.” Although we clearly disagree (if 95% are abnormal, it sounds like they would be considered normal and 5% would be abnormal), Scarf presents highly practical and simple techniques to improve the functioning of a family.

We are tired of the endless check out counter “How to” books that promise wealth, fame and happiness. Scarf’s message in *Intimate Worlds* is not a fad and promises to be on the shelf of relationship professionals. This pleasurable text should be included on the reading list of anyone who has an interest in understanding and improving the functioning of a (your) family. The author, Ph.D.-less, has been married 42 years.

U-MUST READ

BIRTHRIGHT

by Ron Watkins (Morrow, 1993)

Murder, Power, and Greed in the U-Haul family dynasty. This is a beautifully written and very interesting story of the Shoen family, the U-Haul family business, and the growth of the move-it-yourself industry. Founder and patriarch L. S. Shoen gifted 97% of the common stock to his 12 children by three different wives only to be voted out of his own company by his children. He then witnessed family warfare of near epic proportions among his children. More than 15 lawsuits were filed, culminating in a libel suit by the two sons who control the company against their father for suggesting they may have been responsible for the murder of Eva Shoen, wife of the oldest son who had remained loyal to his father. It is a story of greed and lust for power run amok, and is the ultimate cautionary tale to any family owned business about what not to do.

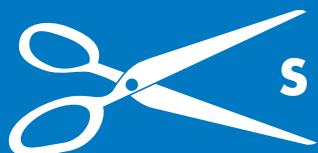
As I often do after reading an interesting book, I tracked down the author for a quick interview. Although he was guarded in his comments by threats of lawsuits, he did say that today, L. S. Shoen wishes he had never founded the company, let alone given it to his children. The story of U-Haul and the parent company, Amerco, is still making headlines today as revenues and profits are reaching new highs. This book deserves a place on your family business bookshelf. A must read.

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SNIPPETS

JUSTIFIED AVOIDANCE – Estate planning is something most people hope to avoid. Coming to grips with your own death is a subject that probably doesn’t rank high on your list of cocktail conversations. Although some continue to say, “if I die” rather than “when . . .”, the two facts of life – death and taxes – are as true today as they were at the dawn of civilization. The need to plan, no matter who you are, was recently brought sharply into focus when Chief Justice of the Supreme Court, the late Warren Burger, died this past June, at 87 years of age. Chief Justice Burger left a will that contained all

of three sentences, complete with typos. He certainly saved on legal fees. “Unfortunately, the truth is that had he taken some relatively simple planning steps, his heirs would have received an additional \$450,000,” according to an Arlington, Virginia lawyer. A New York estate lawyer commented in *USA Today*, “that it is possible he believed that avoiding taxes was not patriotic.” Even if this were Justice Burger’s intent, we still recommend spelling out the details in a professionally drafted will. *We all know the difference between tax avoidance and tax evasion . . . about 20 years.*

HOW ARE WE CHANGING? – In many ways.

For one, we are getting older. According to the *UC Berkeley Wellness Letter*, 23 million licensed drivers in the United States are over 65 years of age. This group accounts for 14% of all drivers. A 40% increase from 1980.

INTERESTING PRINCIPLE – Interest rates and bond values generally move in opposite directions. Rising interest rates usually cause the value of previously issued bonds to fall. Falling interest rates usually cause the value of previously issued bonds to rise.

WHAT'S IN A NAME?

Several friends of ReGENERATION Partners have recently quizzed us about our name and the name of this newsletter, *ReLATIVELY Speaking*. As you might guess, there is a story behind our selection of these names. Here is the short version.

The dictionary tells us that *regenerate* means to be formed or created again, to be spiritually reborn, to give or gain new life, or to renew by new growth. As a consulting group, nothing we could think of more accurately describes what we strive to accomplish in our work with family-owned and family-managed enterprises.

Adding “Partners” to our name has dual meaning. In the primary sense, any positive change in either a business or a family requires a commitment from all the interested parties. The most meaningful and long lasting changes occur when the family members and managers “buy into and see the needs” for changing. Thus, in the true meaning, a partnership is formed.

The second meaning of “Partners” is more transparent. It simply means that ReGENERATION Partners is composed of many very talented individuals that are “pulled-in” on engagements as they are required. The partner arrangement offers a client the very best professional services, but only those necessary. We are very proud of the quality partners that form the nucleus of ReGENERATION Partners.

The name, *ReLATIVELY Speaking*, is foremost something that we think is fun. We hope that each of you will find the information presented in a quick, easy to read manner, and that the information is useful and timely as it relates to families that work in business together.

The fonts used in the masthead do have significance. Each family is made up of individuals. Every individual is unique. We don't ever want to challenge the importance of uniqueness as it relates to an individual or family. Our newsletter logo was chosen and designed with this appreciation. Each letter is unique and different from one another. But, taken together, they have their own identity – in this case all the individuals in the family come together to become “relatives.” We hope you enjoy the delight we take in our names. Use the “Boomerang Card” and tell us what you think.

A TAX BREAK FOR FRESH HEIR(S)

A new senate tax bill is in the works. The talk of less oppressive inheritance and estate taxes is under discussion once again. (Is an election year approaching?) This senate bill, however, seems to be gathering some real steam. Mixed in with several other interesting tax changes, including special tax considerations for football coaches (sorry, but basketball, baseball, and all other professional coaches don't get the break) is a nugget that would exempt the first



\$1.5 million of a family-owned business and exclude 50% of the next \$3.5 million from estate taxes. The catch is that in order to receive these tax considerations, the family business must continue to be operated by the deceased's heirs. This potential change ups the exemption from the current \$600,000 allowance. According to the Treasury Department, the tax savings estimate for someone who dies with a \$5 million estate is approximately \$1.7 million. We will cross our fingers and await the outcome of the congressional and presidential action.

BOOMERANG CARD

SEND IT BACK! WE WANT TO HEAR FROM YOU.

Please take a few moments to fill out the form below and send it back to us with your comments – praise or protest. We want to hear from you, our interested family business readers.

Please check below if you would like more information about ReGENERATION Partners, Two Turtle Creek Village, 3838 Oak Lawn, Suite 1112, Dallas, Texas 75219.

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A New Look at Life

by Joe Taylor Ford

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**IN THE
NEXT ISSUE**

- How much is your business worth? Valuing your family business
- Terminating the family member
- Conflicts that destroy: A simple approach to resolving problems

AN AMERICAN PROFILE

A NEW LOOK AT LIFE



Edward John Noble, a young, ambitious advertising salesman, turned marketing disaster into a quarter of a million dollar marketing success in just two years by capitalizing on an underutilized marketing niche.

In 1913, Noble purchased his first package of Life Savers and was so impressed with the taste, shape, and name of the mints that he visited the manufacturer with the objective of advertising the product. The manufacturer wasn't interested in Noble's services but offered to sell him the rights to Life Savers at a reduced price.



Noble's troubles began when he discovered that the product had virtually no shelf life because of old-fashioned packaging. The first thing he did was to wrap the mints in foil to seal in the flavor. Armed with a supply of the bright new packages of fresh mints, Noble set out to sell to Life Savers' established customers. Again, he encountered difficulty. None of the merchants wanted to take a chance on adding more mints to the stale ones gathering dust on their shelves. Noble realized he'd have to get new customers . . . fast.



Life Savers had been marketed as a breath mint, so Noble went to saloons and talked several owners into putting the five cent mints on the counter in competition with the free cloves which were provided for their imbibing customers. The mints were a novelty, and they sold. Realizing he could benefit from marketing his product to the impulse buyer, Noble convinced United Cigar Stores to put the mints near the cash register in their 1,200 stores. (*Where are United Cigar Stores today?*) He also suggested they carry a bold five cent price tag, and that the cashiers be instructed to give every customer a nickel as part of their change.

The result of this strategy was beyond Noble's wildest dreams. Counter merchandise was so successful that he realized it could not be kept away from competitors, so he designed a display container that would hold not only his own mints, but also other manufacturers' chewing gum, candy bars, and so forth. Life Savers occupied the center front of the display, and continues to do so today. Noble's early predictions that Life Savers could be "pyramided" into a fortune proved right on target.



REALLY BIG PROBLEM!

My wife, Sarah, and I were recently attending a hedge fund partners' meeting in New York City. This meeting took place during the 50th anniversary celebration of the United Nations. During major events the traffic on the streets of New York becomes immobile. They call it gridlock. We call it unbearable. We heard this story . . . The Pope was scheduled to speak to the UN delegates. His limo picked him up and headed toward the United Nations Plaza but unfortunately, they became enmeshed in the famous NYC gridlock. They were running late. The Pope became anxious and asked his driver to hurry or he would be late. The driver, unfortunately, was stuck. He could not move his car. Out of frustration, the Pope suggested that the driver switch places with him, and he would take responsibility for getting to the UN Plaza on time. They traded places, and the Pope got moving. He managed to hop a couple of curbs and ended up driving down the sidewalk. Two blocks later a motorcycle policeman stopped the limo and walked up to the drivers window. As the window came down, the policeman saw who was driving and asked him to stay put. The policeman went back to his radio and called the station.

"Hello, Chief, I have a big problem. I've pulled someone over that is really big."

"How big? You mean the mayor?"

"No, much bigger!"

"You mean you pulled over the governor?"

"No Chief, even bigger."

"You didn't pull over the president did you?"

"No, even bigger. This guy is really big."

"Then you can only mean the Pope!"

"Chief, let me tell you just how big this guy is . . . The Pope is his driver."

HEALTHY DISAPPOINTMENT

Leadership and Development. Is there anything new under the sun? We recently came across a dog-eared, tattered copy of the timeless article written by Abraham Zaleznik in 1966, "Management of Disappointment" in the *Harvard Business Review*. One thing is for sure, at some point along your career in a family business you will experience disappointment. **EXCERPT:** "No one is immune to encounters with disappointment. More significantly, individuals who want power and responsibility or seek creative expression are especially vulnerable to episodes in which reality does not conform to one's wishes or intentions." Disappointment is not evil or bad – on the contrary it may signal a window for accelerated growth. When a young student asked Edison how he felt after failing so many times while attempting to perfect the light bulb, Edison replied, "Young man, I did not fail. I was very successful at discovering thousands of ways that the light bulb would not work." If you do not have the 1967 November issue of *Harvard Business Review* and would like a free reprint of this article, call Jay Perry at *ReLATIVELY Speaking*.

Skipping the holidays with your family again?

Mixing family and business all year long can make the holiday season especially stressful. Maybe it's time you discussed having ReGENERATION Partners help you confront the issues that have taken the joy out of being in business together as a family.

Who knows, maybe the holidays will be fun again, and you won't have to come up with a new excuse for missing the holidays with the family next year.

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