



Generation Gap

When real-life families collide in the boardroom, it can make *Dallas* look like *The Brady Bunch*. That's when Jim Hutcheson gets a starring role as peacekeeper. By John Carroll

After Jim Burton's family business split into warring factions, he knew they needed some kind of special adviser to help hold the business together. ¶ "We were searching for almost a psychiatrist," recalls Burton, who watched the Dallas-based telecom business he had founded with his brother George rupture in the late 1990s after the two had a furious dispute over the company's future and their roles in it — a dispute that left them with no way to even talk to one another. ¶ So, on the recommendation of an accountant, they called Jim Hutcheson. It helped that Hutcheson had learned first-hand about growing up in a family business, the portrait-photography company Olan Mills. But maybe the best thing he had to offer was that he could walk into the family minefield as a neutral player, allied with neither of the opposing wings. ¶ "Probably the main reason we selected Jim was that nobody knew him," says Burton. "He interviewed my brother and his wife separately, and then me, then

George's son — my nephew, who worked with the company. And he interviewed key employees. And then at that point I took a consensus vote, and everybody involved who had taken one side or the other agreed that he would be the ideal consultant. He wasn't seen as on anyone's side. He could be impartial and could try to find a solution."

The solution that the family eventually settled on was to sell the company.

WHEREAS MOST BUSINESS advisers try to bring an objective eye to corporate structure and strategies, keeping it all about the business, Hutcheson — head of the consultancy group ReGeneration Partners — works to guide family enterprises through tense and often combative transitions. And he does it by guiding them to common ground by getting them to agree on common goals.

That may sound simple, but it isn't all that easy. As even a casual fan of Shakespeare will recognize, family members are just as quick to turn on one another as they are to band together. And when the stakes include money, power, and prestige, you have all of the ingredients for a nasty, brutal, made-for-TV family feud.

That dry gunpowder of human emotion makes Hutcheson's role all the more complex: part adviser, part psychologist, part priest, and part human bomb squad. He has stepped into boardrooms that were out to leverage the most from the family business while selling it, as well as those working to defuse the explosive family politics involved in selecting the next chief executive from the ranks of the second generation. And he's been called in to help referee some melodramatic, behind-the-scenes family dramas replete with hidden tape recorders, secret addictions, accusations of lying, and the exposure of more than one musty old family skeleton long hanging on a back bough of the family tree.

After close to 100 clients, Hutcheson is convinced there's no single scenario for what can threaten a family business.

Relationships are too complex to be rendered to the kind of simple financial algorithm that can be handled by a lawyer or accountant. But even if there is no common design of the problem, there's a common benefit that he can get everyone to focus on.

"The nucleus of what we're after is 'Do you want more wealth or less wealth?'" says Hutcheson. "You can find common ground to bring everyone together or to come apart in a positive way."

By Hutcheson's count, there are four primary reasons why a business founders: bad concept, inexperienced management, lack of capital, and poor planning. But for family businesses, you can add four more pitfalls: succession, governance, conflict, and compensation. That helps explain why two-thirds of all family businesses don't make it to the second generation, says the consultant, and less than 10 percent survive past the children of company founders.

Just look at one problem: spreading the wealth. In any company, anyone farther down the pecking order may resent the salaries and perks that go to higher officers. In

a family company, that smoldering resentment can instantly spark an angry showdown if the big corner office is going to a cousin, a brother, or a sister.

"If somebody is making a six-figure salary, and no one else is getting anything like that, it causes a problem," says Hutcheson, with the kind of understatement that can become second nature for a freelance family diplomat. Hutcheson's role, after all, is to ratchet down the intensity, get family members to look at emotional issues calmly, and take the heat out so they can consider the business implications coolly.

"He's like the eye of the hurricane," says Stan Baxter about Hutcheson. "When everything else is whirling around, he can stay calm, even when people are shouting and yelling across the table. He has an ability to insert his calmness, which in most cases stops the shouting almost immediately."

When the Baxter family called Hutcheson, Stan and his older brother, younger brother, and father were bitterly divided over not only who should have authority (and how much) at Baxter & Sons Elevator in Dallas,

but ultimately over what kind of future the company should be aiming for. His father, by then in his mid-70s, wasn't able to resolve the conflict.

"We had a family business for 32 years," says Baxter. "The first 25 years, we would sit around on Sundays after church at our parents' and talk about business. When things start going sour, you can't have those types of discussions anymore."

Hutcheson, though, was able to win the confidence of everyone involved, says Baxter, kept their conversations private, and early on won general acceptance of a family code of conduct over how they would communicate with each other after he stepped in.

THE SENSIBLE APPROACH to calling in a family-business expert would be to plan ahead, says Hutcheson. Don't wait for the storm to hit before planning for it. But then, that usually isn't the way things are done in the United States.

"The mortality rate for family-business owners is 100 percent," says Hutcheson.



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AVOIDING THE MINEFIELDS

There are some sensible ways to keep a family business from planting the seeds of its own self-destruction. And much of Hutcheson's advice is drawn from his own experiences as he went from a career of his own into the family business of portraiture.

- Don't just jump from diploma to a job in the family business, he says. Go out and get grounded with some solid work experience in another company, somewhere you won't be able to ask for eight weeks of vacation and leave early every Wednesday for a child's soccer game. Work at a company where you get an annual performance review and have to compete for promotions.
- Spell out details regarding issues such as titles, perks, responsibilities, and business plans in a formal family contract that everyone agrees to. If Hutcheson is coming in to a family battleground, he's likely to ask for meetings on neutral turf — away from Mom or Dad's office or the company boardroom.
- Regular family meetings and retreats are essential. "You don't want them completely contained," Hutcheson says. "A family solves business problems; a business solves family problems. You want to have some overlap. The retreat looks at both of those issues: family harmony as well as the components of keeping the family abreast of the wealth-management business operations. Give them a heads-up. Let them be an owner."

"And most family-business owners don't realize that.

"I'd put it metaphorically," he adds. "Most people don't buy their burial plot and choose their headstone; they're too busy with life to plan for that. The preventive model that works well in some cultures doesn't really work here. You have to have the stroke before you change the way you live. That's just the way the culture works."

It's a stereotype that Hutcheson is all too familiar with: the father who plays the role of autocrat in the boardroom. None of the kids are looking to rock the boat with the one person who's always called the shots and controlled their incomes and their status in the community. Then Dad dies.

"It causes a void, uncertainty, anxiety, and conflicts over the future. That's generally when we get called in," he says.

For Hutcheson, the inner workings of family businesses are written into his DNA. His family operated the portrait-photography chain Olan Mills. After joining the company in 1976, he climbed the family corporate ladder to run Olan Mills Studios, which had more than 1,000 locations and 15,000 employees. Eleven years ago, he branched out on his own to start ReGenera-

tion Partners, taking what he learned about his own family business as a guide for advising others whose blood ties add a potent ingredient to company politics.

"I had a great job and loved it," says Hutcheson about the photography business. But after earning an MBA and degrees in psychology and sociology, Hutcheson also had a hunch that he could do a better job than the "bright, articulate, good-looking, and tanned" business consultants his own family had relied on in times of trouble.

YOU START THE PROCESS, says Hutcheson, by asking questions.

"We generally start out meeting with individuals privately," he says, "so we can understand the real goals and hidden agendas. We help facilitate talking and understand the games going on behind the scenes. Then we call the family together, do follow-up evaluations, and begin to work with the family on crafting a solution."

Since he's dealing with family businesses, part of resolving conflict may require a discreet reference to an addiction-treatment program, a drying-out period at the Betty Ford Center, or some anger-management sessions with an outside expert. He's even helped a few people get on the right antidepressant or attention-deficit-hyperactivity-disorder meds. There are, of course, limits to what the family-business doctor and his team can do.

For Stan Baxter, four years of mediation work wasn't able to heal the rift with his older brother. After another bitter argument, Hutcheson advised them to find a way to recapitalize the business by either bringing in new investment funds so one could buy the other out or by selling the business. A buyout offer that came later set them down the path to a sale.

Baxter and his older brother are still estranged but view Hutcheson's work as a success. The elevator company operated with record earnings while he was involved, and they were able to win a premium price for the company when it was sold.

"It was successful in the sense that he took us to the point of knowing what our future should be," says Baxter. "Our future should be one of separation, not continual frustration of being unable to work together." **AW**

JOHN CARROLL is a Texas-based writer and a contributing editor to *American Way*.

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