WHEN FAMILY IS PART OF THE BUSINESS

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Don and Lee Zerivitz grew up liking each other. As brothers go, not all get along, let alone those who own and run a family business. Together they have grown Orlando, Florida based Pro Clean Building Maintenance from scratch to a

$5 million company with 20% annual same store growth. And they still like each other.

Don and Lee work hard on their relationship as well as the business. They have put mechanisms in place to do both. Quarterly they meet, typically out of the office with what is commonly referred to as a family council and what they call the "growth audit." They ask each other, "How are you doing in meeting your personal needs and getting what you want out of life?" The follow-up question is, "what does the business need to look like to make your personal goals happen?" Responses to these two questions over the past 10 years has led to a series of strategic decisions and actions including a sophisticated HR program, significant investment in the development of key operations managers, and crystal clear owner roles. At a deeper level, these types of conversations which eventually involved others resulted in an inclusive, open book, and "deal directly with our differences" company culture. In planning for the next generation, the brothers have also agreed that their kids, should they be interested in joining the business, will:

- Learn the business from another janitorial company, not from within
- Be only put in roles where they can handle the job vs. the entitlements of being a Zerivitz
- Benefit from a bulletproof, first generation, Buy Sell agreement

Not every family business situation glows like Pro Clean's. This is shown frequently in the statistics generated about family businesses - 30% make it into the second generation and less than 8% into a third. Consider this $20 million, second generation, western U.S., janitorial company which has been experiencing a downturn far beyond what might be expected from the recent recession. Two cousins recently felt a compelling need to oust one cousin's brother, who also held the title of president. The president's drinking problem had heightened a leadership style that was already abusive, autocratic and based on a "take care of my friends mentality." In addition, the two cousins, while friendly on the surface, have a difficult time making joint business decisions because of the "old baggage" from past hurts and perceived unfairness and mistreatment. And significant ill will exists among extended family members, some of who are also company shareholders.

What led to this dismal picture? The two brothers and cousin had taken over the business after the founder, the two brothers' dad, suddenly died. No succession plan was in place. No expectations were ever laid out for the next generation, including getting the necessary experiences and/or education. In addition, the dad had made all the decisions and couldn't be challenged. To some extent this was fine with everyone because the business did very well and grew. But no one was being prepared to size up business situations, develop alternatives and make a decision. On another front, the dad was extremely generous financially with all family members. Outright gifts or a hand-out to solve an individual's problem soon turned into an expectation which then turned into a sense of entitlement. Thus, many family members never had to stand on their own two feet and be responsible.

What's the difference between these two companies? At first glance, one is financially stagnating and relationship struggling, while the other is expanding its operations and deepening the owner's fraternal bonds. Underneath these generalities tells the real tale.

Pro Clean had developed a collaborative culture, one where Don, Lee, and others would openly discuss issues and arrive at decisions in a mutually acceptable fashion. The other was a patriarchal culture where decisions were reached autocratically and conflicts were not openly aired which resulted in the "old baggage" constantly emerging later in hurtful, "one-upsmanship" ways. Don and Lee have spent, and continue to spend, considerable time working on their relationship. The other company's relationships degenerated into a series of family cliques and conflicts where the only time they got together was because "they had to talk about a business crisis." Don and Lee had clear expectations for both operational and ownership roles. The other company never laid out clear expectations, nor held family members accountable for their behavior or producing results. It became a culture of entitlement vs. outcomes. What was a thriving first generation business, has begun to unravel in the second, and is likely to fight for its life in the third.

Clearly, formal organizational mechanisms showed up very differently in the preceding comparison. One company was absentmindedly informal, lacking many commonly understood ingredients for family business success. Alternately, Pro Clean demonstrated a lot of savvy by putting in place among others:

- A Buy Sell agreement
- Clear “working in the business” roles with accompanying performance expectations (vs. owner responsibilities)
- A strategic plan
- A commonly understood succession plan
- Owner and operational meetings with clearly established purposes

More importantly, they also invested heavily in their relationships by having frequent, open, drop dead honest conversations about themselves and Pro Clean. Why “more importantly?” Because without these conversations, the more commonly understood ingredients rarely get effectively put in place.

In fact, while not every successful family business creates the same mechanisms, one factor seems constant – a culture of continuous open, honest conversation. Houston based, multi-service McLemore Building Maintenance has their own unique formula for this. Don McLemore started the company in 1970 with his wife, an old car and some mops and brooms. As a second generation business, it currently employs 1200 people with revenues of $18 million. Something must have worked.

Today, Don’s sons, Keith and Curtis, and their spouses run the business. Keith and Curtis started out with front line positions and have performed their way to increasingly more responsible roles. Keith is the COO, while Curtis is the VP of sales and marketing. One spouse is the CFO while the other is the HR manager. Talk about the potential opportunity for trouble. But the McLemores have none of it. They have put in place a variety of mechanisms to ensure smooth business and family interactions.

Don began planning for the next generation well before leaving the business. Early on he gradually began giving his sons increased responsibility and involving them in key decisions. His formal transition included a meeting with his sons and saying, “I’m going to stop coming in. I am available if you need me, but now it is up to you two.” He still is involved by phone for key operations meetings. He has also learned to never get in between either son or daughter-in law’s business issues, instead wanting them to work it out by themselves. Don is now semi-retired and has tried getting out of the kid’s way, but the transition, similar with most entrepreneurs, has been challenging, and yet, quite successful.

Collectively, Keith, Curtis, and their spouses now run the company. In describing what has made the business and relationships work Keith outlined a few important points, “Once a month we have dinner meetings to explore everything—personal, family, and business. At that meeting and others, our interactions are based on honesty and straight talk. When Curtis and I have issues between us we go directly to each other and figure them out. When either of us needs to deal with the other’s spouse—or our own, (on business, not domestic matters) we talk and agree on the best approach. Then we act and close the loop. In addition, all four of us meet regularly as an executive committee. Recently, we realized that we were quite family insular and needed to involve more than the McLemores in critical business decisions. We are beginning a strategic planning process this fall involving some of our key managers. Another ingredient is our common set of values, topped off by integrity which for us involves honesty and delivering on commitments. This value allows family members to hold themselves and employees accountable."

Another successful melding of family and business is $11 million Red River Sanitors from Shreveport, Louisiana. Mike Young is the second generation owner, taking over from his father Claude who started Red River in 1963. What is laudable is how Claude made the transition. He has three kids, two who were in the business (Mike and Kiplyn) while the third never participated. Each late afternoon Mike, head of operations, Kiplyn, head of sales and Claude would meet and have candid and sometimes heated discussions about the day's events. Most decisions were reached by the two with Claude only stepping in if the siblings were hopelessly deadlocked. Kiplyn eventually left the business (on excellent terms) and moved out of state. Mike was trained over time to make decisions under the watchful eye of his father, but not under his "thumb." Mike and Claude attended a father/son peer civic business group where siblings and parents sort out the family and business relationships. When Claude was ready to cede the business leadership, he moved his office to another floor to no longer be easily accessible. He also would send employees and customers to Mike when they called him by saying, "you'll need to work that through with Mike, he's the company president now."

Claude's wise decisions weren't over however. He met individually with all three children and shared his estate decisions and requested their input. All thought it was fair. Due to his thoughtful transition and some savvy estate planning, the three Young kids enjoy wonderfully positive relationships with each other. And Mike and Claude speak every day.

What differentiates Pro Clean, McLemore, and Red River from the other less successful example is their ability to form collaborative first and second generation work relationships among family members and employees. In the absence of such collaboration, subsequent generations are left to deal with the results of a powerful patriarchal influence, being woefully unprepared to make wise decisions and stand on their own. In addition, unresolved conflicts and hurts continue to fester beneath the surface increasing the likelihood of win-lose interactions.

Just because a family business is experiencing some roughness doesn't mean that it will always have to be that way. Our experience suggests that it's never over until it's over. It may be more difficult to turn things in the right direction after certain relationships have become conflictual and some business practices have become entrenched. However, reasonable parties from all generations, with the proper guidance, can begin to make positive strides toward working differently with one another. Awareness of the need for more healthy family business mechanisms coupled with the simultaneous desire to freshly relate to each other as business and family partners is a first step.

While formal mechanisms such as succession plans, clearly articulated roles, and a commonly understood company strategy exist as key elements, they can only take root in companies where open, frequent discussions and on going feedback are the norm. And we know that successful family businesses need both—the formal mechanisms and a culture of collaboration.