

CENTRAL NEW YORK

BUSINESS JOURNAL

Preparation is vital to keep a family business flourishing

What can help a family-owned business avoid fulfilling the proverb of “Shirtsleeves to Shirtsleeves in three generations,” and instead keep growing into the fourth and fifth generations of the business? We don’t have to look very hard to see many successful second- and third-generation family businesses in our community. Some statistics say that only a small percentage will make it to the fourth generation. So is it really going to be a matter of blind luck to get them there?

**DONNA
HERLIHY**

VIEWPOINT

On the contrary, most experts state that preparation for the continuity of a family-owned business must start at an early stage. As founders of a business with young children, there are steps you can take to begin this preparation.

Start with assuming your business will evolve into the next generation(s). As a parent, promoting partnership, communication, and conflict-resolving skills at an early age will encourage teamwork between siblings. Giving them team projects, problem-solving events, or even planning the family vacation together, can create some great teamwork skills.

Something to avoid might be telling the oldest child, “this all might be yours some

day,” or putting the oldest in charge of the team-building projects, or being negative about the business at the dinner table or family events.

Eric Allyn, fourth generation of Welch Allyn, shares that preparing the next generation early through education and building trust in each other is essential from the start. The Allyn family focuses a lot of activity on educating the next generation, who range in age from newborn to 21 years old.

Eric says, “We don’t provide training on how to best manage the company, or our product lines, or our financial performance. Instead, we focus our efforts on building trust among the 31 members of the fifth generation. We have annual team-building activities — ranging from three generations playing hockey together, to a swim across Skaneateles Lake.

“Having strong, trusting relationships with one another, coupled with a sense of responsibility in ownership, are our primary goals of next-generation development. Our intent is to ensure that the next generation becomes great stewards of our business, so that they can keep it family-owned into the next generation.”

Each stage of a family business is different from the previous one, and there is no one model to follow. As the ownership moves into the sibling and cousin stage, a framework

will be needed. A structure will need to be in place for decision-making, leadership, planning, and goal setting. Meetings will need to be more formalized. Eric states that outside of the basic steps necessary to address ownership/estate tax challenges, he emphasizes the importance of considering governance changes when moving from one generation to the next.

“The truth is, the way my generation oversees this business — keeping in mind there are 11 in my generation — is very different from how Bill and Lew Allyn managed the company in the 1970s and 1980s. The governance model needs to adapt as the number of owners increases. And, keep in mind, the fifth generation has 31 people in it (so far!). One imagines that they will have to re-shape our governance in the future as well.”

Your family business could still be a few years away from transition, but preparation can begin early. To learn more about the sibling/cousin transition, the New York Family Business Center will have Drew Mendoza, from the Family Business Consulting Group, as its keynote speaker on Feb. 9, 2012. Visit the New York Family Business Center at www.NYFBC.org for more information. □

Donna Herlihy is the executive director of the New York Family Business Center in Syracuse. Contact her at DHerlihy@NYFBC.org.