Massachusetts
FAMILY BUSINESS
Fourth Quarter 2010
Official m the FBA
FAMILY BUSINESS ASSOCIATION

Bringing More To The Table

Younger Generations Urged To Broaden Horizons

Plus: The Demise Of Saltus Press: What Happened

A Supplement to Banker & Tradesman

Massachusetts Family Business
Official magazine of the FBA FAMILY BUSINESS ASSOCIATION

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In Recognition of Excellence

By Brian Nagle

As summer gives way to fall, orange, red and gold accents begin to ignite the foliage in a brilliant display. Each New England season relents to the next with a degree of consistency not unlike the ever-changing business cycle. Change remains a constant part of the economic landscape. The latest business cycle has been less forgiving than most. Economic inflection points that present challenges also present opportunities. As the severe downturn has slowly given way to a modest recovery, companies employing the very best business practices maintain a strategic advantage. The Family Business Association (FBA) continues its mission of disseminating the knowledge of these business practices through its multifaceted educational platform that incorporates entrepreneurial family business owners and the professionals that support the FBA.

The FBA continues its tradition of honoring family businesses on Oct. 21, 2010 as it hosts the Family Business Association 2010 Awards for Massachusetts at the Royal Sonesta Hotel in Cambridge. More than 400 attendees are anticipated that evening. The FBA Awards program was designed to provide recognition of the family business movement, highlight highly successful family businesses, and provide an opportunity for collaboration and knowledge-sharing among these companies. At the 2010 Awards event, Whit Shaw, CEO and president of American City Business Journals, owner of the *Boston Business Journal*, will be the keynote speaker. Whit worked with his father, Ray Shaw, at American City Business Journals for well over 20 years and has successfully transitioned leadership of the company. The evening will be hosted by David Wade of WBZ-TV and co-moderated by Jeffrey Davis of Mage, LLC, and Al DeNapoli of Tarlow, Breed, Hart & Rodgers, P.C. As has been a highlight every year, award finalists will be profiled in dynamic video presentations. The FBA's website, massfamilybusiness.com, contains additional information about the Awards program.

The FBA has accomplished much since its 2009 Awards event. Its message on the importance of family businesses to local communities and economies continues to gather momentum as it is delivered through cable, radio, print, internet and word of mouth. Beginning in March, Comcast Spotlight created several public service announcements featuring past award winners, such as Crescent Ridge Dairy, Bernie and Phyl's Furniture, Anton's Cleaners, Zildjian Cymbals, George Washington Toma TV & Appliance, and the Lafrance Hospitality Company, in support of nominations for the 2010 Awards. Hundreds of these ongoing spots have aired on many of cable television's best known programs through channels such as Discovery, History, CNN, AMC, MSNBC, Travel and CNBC, reaching more than 1.9 million households across the state. The FBA's quarterly publication, *Massachusetts Family Business*, presently reaches more than 40,000 readers through the support of The Warren Group. Entercom Communication's radio stations, WAAF, WEEI, WRKO and Mike-FM, have enabled the FBA's message to permeate the airwaves, reaching more than 2 million listeners each week in the months of July and August, with more than 220 public service announcements that remain ongoing. The *Boston Business Journal* continues its support of the Awards program with multiple articles focused on the family business space.

In addition to the extensive media coverage, the FBA rolled out educational seminars throughout the various geographic regions of the state.

The FBA's growth and success is largely attributable to its purpose of serving businesses and the grassroots support it receives from a diverse group of corporations, chambers of commerce, trade associations, educational institutions, and civic organizations. This support has yielded more than 400 nominations for the 2010 Awards program. The FBA and its supporters look forward to celebrating with you the accomplishments of Massachusetts family businesses and their contributions to the local economy and communities on October 21.

Looking back, much has been accomplished to date. Looking forward, there remains much to do as we prepare for October 21. While waiting for the first frost to arrive, the FBA continues to complete its calendar of events for 2011 and is finalizing the blueprint for its virtual Center for Family Business. The center will serve as an open platform, offering industry expertise to and collaboration amongst entrepreneurs, families and businesses, in conjunction with the academic institutions located in their respective communities, thus further deepening the bonds between community, business and education. ■

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FBA FAMILY BUSINESS ASSOCIATION

Family Business Association Awards for Massachusetts 2010

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Fast 5 Ways to Choose the Best Temp Service

By Jean Kelley

Working with the wrong temp firm can be costly. The following guidelines will ensure that you not only find the best service for your needs, but that you also work with the company effectively so you can build a long-term relationship and save time in the future.

1. Know the company. Choose a temp service based on a referral from a trusted business professional, or do your own due diligence. How long has the company been in business? Does it belong to any national associations? Does it test and reference-check its temps? Does it have areas of specialization?

2. Beware of pushy salespeople. Some temp companies may want to send a salesperson to your office at first contact. Take caution. If the salesperson asks many questions about your needs, that's good. But if they spend the entire time telling you why you should choose their company, find another service.

3. Don't make a decision based solely on price. Temp agencies' markup runs anywhere from 30 to 60 percent – the difference between the temp's pay and what you pay the firm. Low markup companies usually don't screen as rigorously as higher markup companies. Choose based on need. For low-skill jobs, the lower markup company is fine. But if the job requires discretion and critical thinking skills, consider a higher markup company.

4. Find out each temp firm's policy details before you choose one. In addition to the markup, what's the fee if you want to hire the temp full-time? Some companies will simply transfer the person to your payroll after a certain timeframe, while others will require that you pay an additional transfer fee. Also, how long do you have to decide if a temp is working out? What's the policy for replacement? Firms that offer no guarantee are a red flag.

5. Notice how the first temp order goes. Any temp request conversation should take 20 to 30 minutes, unless the salesperson has already obtained key information. The person should ask about: the temp's manager and their personality; the temp's department and main duties; measurements of performance and success; why the position is vacant in the first place; and if this role will go to direct hire, or if you want a long-term temp. Also, if the agency doesn't give you a progress report on an order within a day, that's not a responsive temp service. ■

JEAN KELLEY IS PRESIDENT AND FOUNDER OF JEAN KELLEY LEADERSHIP CONSULTING.

War Or Peace

Lessons To Lessen Gridlock In A Family Business

By Stuart Morley

STUART MORLEY

Big Family Manufacturing Inc. had been struggling for some time to find the best direction in which to take its mid-market, family manufacturing business with close to 100 employees. Sam, the founder and CEO, was in poor health, and his two brothers, as fellow shareholders, were struggling with what to do next. Due to differing financial situations between the brothers and the founder, the company was in gridlock.

Big Family Manufacturing had done the textbook things: engaged an advisory board, brought in two retired senior executives from large companies in the industry, and hired a business consultant. The consultant recommended Sam retire immediately, given his health issues, and have his youngest brother Ed step into Sam's leadership role. Unfortunately, when Sam's wife found out, she presumed the worst and started a family war. They could not break the gridlock.

In businesses that are not family businesses, the gridlock issue is often more straightforward. Common gridlock situations include: deciding on a direction, new approaches to revenue growth and creative ways to refinance a business. Such gridlock is often resolved by obtaining a valuation of the business and buying out a conflicting shareholder. In a family business, the common reaction to conflict, especially among family shareholders, is to avoid the issue, thus not moving beyond the gridlock.

Big Family Manufacturing decided to discuss the challenge with some other family businesses. They are members of an association for families in business that has a peer group with which they could discuss the issues in confidence. The peer group convinced them to hire a strategist who specializes in mid-market family business issues.

The strategist distilled the issues at hand in a brief series of interviews with the principals of the company; not an easy task when you consider the issues involved.

The family took the strategist's advice and used the following 6 steps to move past their gridlock:

1. Design a strategy day that starts with a presentation of the common issues.

The strategy day needs careful planning. For Big Family Manufacturing, it was important to invite the brothers, the advisors and key managers. Also important was to get the key issues on the table in a way that was positive so participants did not become defensive. The presentation of the issues works well when they are introduced anonymously. The participants can then focus on the merits of the issues and resolution, rather than worrying about who raised the issues.

2. Call each of the participants ahead of time to get their advice and insight.

People will say things in confidence, especially on the phone, that they would not say in an open meeting or even in a face-to-face meeting. The strategy day leader should make sure to take careful notes and summarize the comments.

3. Figure out the most important issue for each key shareholder.

When reviewing the notes from the interviews, look for comments that give a clue as to an overlap of ideas. In the case of Big Family Manufacturing, Sam wanted to grow the business so he could sell his shares at a rate higher than the current value. The middle brother, Bob, really wanted to add more equipment to realize significant cost savings in the business over time, and did not want to grow the business unless this could be done in a way that made the business more profitable. The overlap was that all three brothers would stay if a plan could be developed to grow the business and be more profitable.

4. Be optimistic and upbeat on strategy day.

One way to make a group feel like they are making progress, and to reduce the impact of negative discussion, is to focus on building a plan for the future that can be synthesized quickly. Ideally, the plan should be in a format that fits on one page and is action-oriented.

5. Finish the day with a take-away for each participant.

Many people have difficulty connecting the dots between a great plan for the business and how they should change. Sam really appreciated having some discussion at the end of the day on how he could work half days and how the other managers could take on more responsibilities.

6. Remind the participants that if the gridlock was easy to solve, it would not have required such a strong approach.

Even with a great plan, the first three to six months of a multi-year plan can be very stressful, as it takes a long time and can be expensive to make changes. Therefore, it is important to close the session with a warning that unwinding gridlock is tough, especially in a family business. Things often seem to get worse before the benefits of the changes show up.

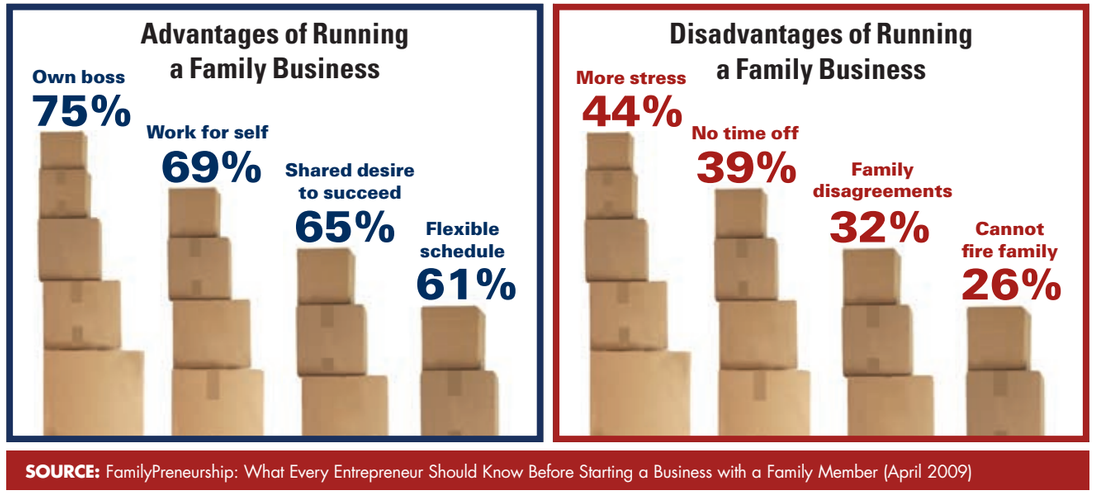
The family was able to use the process to help members of senior management change roles and facilitate a smooth succession in the business. Thankfully, the new strategy worked.

Six Months Later...

After some time, the strategist followed up with the family to see how they were getting along. Ed replied, "The best news is that Sam is well, and we brothers and our families keep showing up for our family reunions." ■

STUART MORLEY IS A PARTNER IN JUMP, BASED IN SCOTTSDALE, ARIZONA AND TORONTO, ONTARIO.

Leaping From Unemployed To Owner



SOURCE: FamilyPreneurship: What Every Entrepreneur Should Know Before Starting a Business with a Family Member (April 2009)

MassMutual Study Offers Tips For A Successful Family Business

"You can choose your friends, but not your family" – so the saying goes, but many in the growing ranks of the unemployed who have become victims of the floundering economy are choosing their family members as their business partners. Entrepreneurship was up in 2008, with about 530,000 new businesses created each month, according to the Index of Entrepreneurial Activity by the Kauffman Foundation. And it was on the rise again in 2009, according to LegalZoom, an online legal document service.

It's easy to see why. The advantages of starting and running a family business paint a Norman Rockwell-like picture. According to Massachusetts Mutual Life Insurance Company's (MassMutual) research study, "FamilyPreneurship: What Every Entrepreneur Wants to Know before Starting a Business with a Family Member," conducted by Harris Interactive between January and March 2009, they include:

- Being your own boss (75 percent)
- Working for yourself and family (69 percent)
- Sharing a desire to succeed with others (65 percent)
- Flexibility of schedule (61 percent)

The study, conducted via focus groups and an online survey of over 500 business owners, identified downsides, too, and they are significant; participants cited more stress (44 percent), less time off (39 percent) and family disagreements (32 percent). The inability to separate the family from the business can often sabotage the enterprise. Only a bit more than 30 percent of all family-owned businesses survive into the second generation. Twelve percent will still be viable into the third generation, with only 3 percent of all family businesses operating at the fourth-generation level and beyond. How can would-be entrepreneurs make sure their family business is part of the 3 percent that survives?

"Family businesses offer a great upside, but entrepreneurs need to go into these new ventures with their eyes wide open to give themselves the best chance to succeed," said Brian Trzcinski, director of business market development for MassMutual's Life Company Marketing Division. To help ensure your start-up doesn't stall, MassMutual offers the four secrets of successful family businesses:

- Effective communication
- A high level of trust in partners
- Good planning
- Work-life balance

Speak Up!

Communication was by far the top critical component, impacting all other aspects of business owners' personal and professional lives. When asked how good relationships are maintained, 28 percent selected communication as an important component to their success. One husband and wife retail team who participated in the research study noted that their business has suffered from lack of communication between the business' three owners. "There's no communication. There's no cohesiveness. There are three different owners, three different bosses, three different views – hence nothing, at times, seems to get done."

Who to Trust?

When asked who the person was they most trusted, participants in the MassMutual study listed their spouse 38 percent of the time, but when asked whom they trusted for business advice, in general, accountants (55 percent) came up more frequently than spouses, who were tied with lawyers for second place at 43 percent "Overall, spousal companies and majority owners are significantly more likely to say their spouse is their most trusted advisor," summed up Trzcinski. "However, family members are significantly more likely to say their accountant, parent, child or friends are their most trusted advisors."

One husband and wife, owners of a retail lawn equipment company, commented that they rely on and trust each other, because "when there is something to be done, it usually gets done 100 percent right."

Our Plan is to Make a Plan

It's no secret that long-term planning is one of the most difficult tasks to accomplish for small business owners. Sisters and restaurant owners who responded to the MassMutual survey summed it up best: "It's because we're so busy running our business from day to day, and running kids everywhere when we're home, we just don't have the time to think about this kind of stuff, and that's the reality."

MassMutual's 2009 FamilyPreneurship survey found that only

- 57 percent of respondents have developed a plan to deal with estate taxes generated from the business in the event of death of owners;
- 39 percent of the business owners surveyed have a documented succession plan;
- 27 percent have a buy-sell agreement in place;
- 20 percent have disability income insurance for key employees in place.

Work-Life Balance, the Lopsided Equation

One family business owner who participated in the survey recalled that work commitments prevented him from accompanying his wife home from the hospital after she gave birth to their second daughter, a slight she still reminds him of 22 years later. On the other hand, another husband and wife team said they always can depend on the other to cover the business if one has to attend to a personal matter.

"Ironically, work-life balance was both one of the most commonly-named advantages *and* disadvantages. The lines between home and work can become very blurry, and it's important to establish boundaries, communicate needs with your partners, and plan," said Trczinski.

Another challenge: 26 percent of respondents noted that you "can't fire a family member." That's important because familial relationships, as opposed to spousal relationships, can be a hotbed of discontent. Family members (not spouses) who are business partners were more likely to cite lack of agreement, goal setting, lack of personal privacy, coordination and difficulty making decisions as disadvantages.

"My father and uncle had a bad relationship. They argued all the time. It hurt the business a lot," said one daughter who responded, now in business with her father.

So what is the solution if the downsides of working with a family member start to outweigh the advantages?

Having a trusted advisor facilitate conversations and address potential problems with proper planning can provide clarity and reduce tensions. "Professionals who are skilled in the special dynamics of family businesses can help owners anticipate some of the thorniest issues and put plans and funding vehicles in place so that the partnership and the business are successful," said Thomas Waring Jr., a financial services professional with the Buffalo Agency, a MassMutual general agency. ■

For an executive summary of the research findings, visit www.massmutual.com/productssolutions/businesses organizations/businessneed/protectyourbusiness.

The Fall of the House of Saltus

By Scott Van Voorhis

A company built upon more than a century of hard work by family members came crashing down just a few years after fourth-generation proprietor Scott Saltus passed on the leadership to a top employee. Except for a few insiders, no one saw it coming.

Continued on page 14

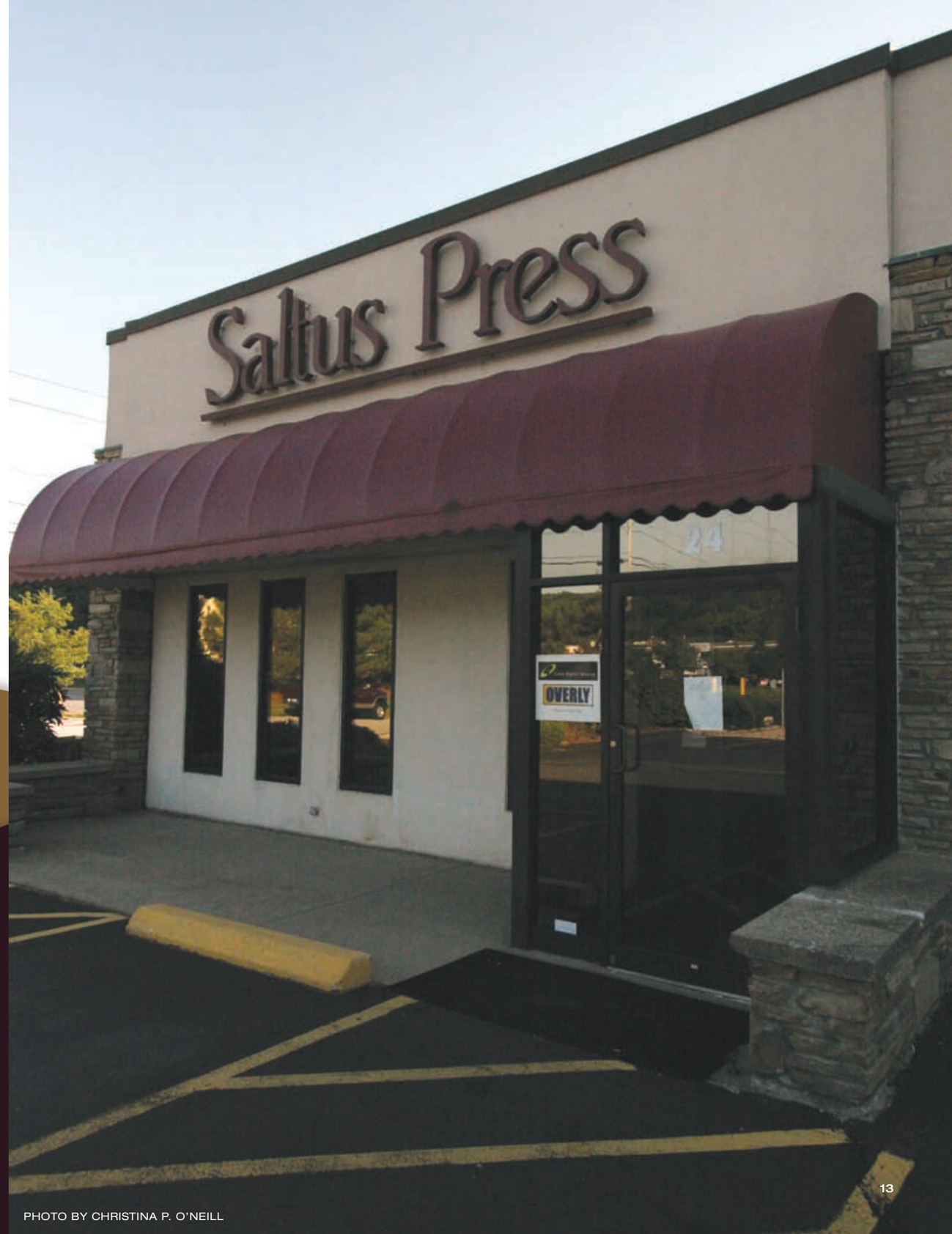


PHOTO BY CHRISTINA P. O'NEILL

Saltus

Continued from page 13

The demise of Saltus Press is the stuff of nightmares for hard-working family business owners.

A venerable family-owned printer in Worcester, Saltus suddenly closed its doors in early August, taking the local business community by surprise and casting dozens of long-time employees out on the streets.

Saltus had embodied the model for both family businesses and printers struggling to survive in an era where the Internet is in and paper is out. Scott Saltus, the fourth generation to run the 104-year-old printer, enjoyed years of success as he took big steps to move the firm to the industry's cutting edge. Then the bottom fell out.

A Troubled Transition

As sad as the demise of Saltus has been, it highlights one of the common threats facing family businesses. Generational transition, whether to a family member or a trusted employee, is often fraught with risk, experts say.

Still, trying to determine the cause of Saltus' demise requires a bit of detective work. The company shut down without any official announcement and the principals involved have declined to comment.

> "I think he came back and gave it everything he had. Things worked against them."
>
> **WARD MCLAUGHLIN,**
> Boutwell, Owens and Co., Inc.

The transition in leadership was one of the biggest changes Saltus Press experienced in its last few years. And it appears to have been a troubled handoff, with Saltus returning to the helm of his family's firm in what looks like a desperate attempt to keep it afloat.

"The company has been around for 104 years and it was time for him [Scott Saltus] to step back and enjoy the fruits of his labor, but the economy went bad," noted Don Shortman, a Worcester printing industry consultant who did work for Saltus. "As the economic downturn has gone on, the use of paper goods has gone down everywhere."

Succession Challenges

If you want to see family businesses grappling with transition issues, you don't have to look far.

Family businesses account for as many as 90 percent of all firms in the U.S., notes Robert Nason, an expert on family businesses and entrepreneurship at Babson College's Arthur M. Blank Center for Entrepreneurship.

The greater Boston area is no exception. Some of the biggest corporate players are owned or controlled by individual families, including the Krafts sports and paper empire, the Redstones' National Amusements cinema chain, and Boston Properties.

Along with being family owned, these three powerful players have also had their fair share of succession challenges to face.

So far, the Krafts appear to be the model of how to gradually turn power over to the next generation. Robert Kraft has increasingly delegated key parts of his empire to his sons, each of whom has found a niche in the family's global paper products and sports empire. At Boston Properties, Doug Linde seamlessly took over the reins after the death of his father. But it was not baptism by fire, as the younger Linde had steadily taken a more high-profile role over the years.

By contrast, the Redstones stand out as an example of how not to do things. Instead of preparing to turn the family empire over to his children, octogenarian Sumner Redstone has all but declared war on his daughter, Shari, a top executive at the company.

Ideally, the patriarch or matriarch of a family enterprise establishes a mentoring relationship, steadily bringing along the younger generation and then preparing to step aside when the time comes to transfer power, according to Nason.

The most difficult step comes at that point; the exiting CEO must resist the temptation to charge back in when the company's new generation of leadership makes a mistake or appears to stumble, Nason notes.

Where Saltus falls on this spectrum of transitions, from the seamless to downright disastrous, is far from clear, but when Scott Saltus stepped back and sold the firm to an ambitious employee back in June 2007, the company was still vibrant. The new owner, veteran finance executive Karl Wohler, inherited a major printer with $19 million in revenue and nearly 160 employees.

The firm's strength was a testament to years of hard work by Saltus, the fourth generation of a local printing dynasty extending all the way back to the early 1900s.

Building From the Ground Up

Saltus grew up putting in long days in the family firm's Worcester offices and plant. At 14 he was working in the mailroom; he later learned to run the firm's powerful array of printing presses. He followed in the footsteps of his father, Loring Saltus, who ran the firm for many years, and his great-grandfather, Freeman Saltus, who launched it in 1906 and profited from the then-rapid growth in the newspaper industry.

"He is not a silver-spoon kid," said Ward McLaughlin, president of Fitchburg packaging and press company Boutwell, Owens and Co., Inc., and chairman of the Printing Industries of New England. "He worked on the floor as a general laborer. There wasn't anything he didn't know how to do."

And when it came his turn to take charge, Saltus excelled. Industry colleagues and former employees note Saltus took an already powerful printer and made it stronger, helping it to diversify to meet the challenges of a traditional paperbound industry in upheaval over the rise of the Internet.

Butch Dion, a long-time Saltus production and sales executive, credits Scott Saltus with making some shrewd acquisitions, including Charles Overly Studios, which produced everything from stationery to framed prints for colleges across the country.

Saltus also bought a pair of competing printers, a notable achievement, given Worcester's once-vibrant cluster of printers had begun to dwindle, as firms either closed up shop or sold out to competitors.

"Scott was the best person I ever worked for," said Dion, who is now part-owner of his own firm. "Scott realized good employees were worth more than equipment. If you had good employees, you could do anything."

An Emergency Move

So it seemed like an opportune time for Saltus to step back and sell the family firm to Wohler, who, before joining the printer, had worked at a number of financial firms and at Polaroid Corp.

For his part, Wohler had big ambitions, unveiling plans right after he took over in the summer of 2007 to hire another 30 to 40 employees.

But not all that long after Saltus sold the business, something went wrong with the firm he spent decades helping build up. Within 18 months, Saltus had taken back control of the firm. Exactly how he did that remains unclear – he may have bought it back from Wohler for far less than what he sold it for. By all accounts, it was an emergency move by Saltus to help stabilize a company that had suddenly begun to seriously flounder. However well intentioned, it may have spurred controversy as well.

The long-time head of a family business who strides back in a bid to rescue the company after it hits a rough patch is a common – and often tension-filled – scenario, Nason notes.

"A lot of times it is a tremendous source of frustration for the next generation of the family business," Nason said.

Sadly for the 104-year-old Worcester printer, Saltus' decision was not enough to pull the firm out of its tailspin. By all accounts, though, it was not for lack of effort on Saltus' part.

"People don't realize how hard he worked to keep it going," McLaughlin said. "I think he came back and gave it everything he had. Things worked against them."

Union Blues

A number of theories are now circulating among former Saltus employees and industry colleagues about why the firm failed. Scott Saltus is said to have pressed hard for concessions from the firm's unionized production workers, only to be rebuffed.

Saltus' union status brought with it its own set of pros and cons. On one hand, it ensured business from Democratic office holders and candidates needing all sorts of printed materials, but Republican candidates were not impressed by the firm's union status. Having a labor shop likely pushed up Saltus' costs compared to its other Worcester competitors, most of which did not have unions.

The expansion may have also loaded up Saltus with debt at a time when the economy was starting to head downhill.

The recession has hit printers hard, both in the Bay State and across the country. Direct mail advertising, a major source of business for printers, is off by as much as 25 percent as companies scale back their marketing budgets, industry executives say.

Tougher times in corporate America have led to a reduction in demand for paper products of all type, from letterhead to business cards.

"In Worcester, there have been three major closings in the past year," noted Shortman. "Companies are not doing enough business to create enough printing business. They are not doing as much direct mail – [it's all] online advertising and email marketing."

Along with the downturn, Saltus and other printers have also been buffeted by an unforgiving tide of technological change. The rise of the Internet has also hurt Saltus and other printers by knocking hard a key client: newspapers. As readers go increasingly online to get their news, newspapers have had to cut back on their print runs or even go out of business altogether.

Saltus had significant exposure in this area; the firm printed a number of local weeklies, including the *Grafton News*. The newspaper found itself scrambling after Saltus went under, taking to its website to inform readers it was shifting to a new printer and would be back out on the streets soon. Donald Clark, editor of the paper, said he would have liked more notice, but noted that Saltus had helped transfer the printing contract to another firm.

"If you're talking about commercial printing, the web has certainly affected it," Clark said. "A lot of people are going to email rather than direct mail."

In the end, it is unlikely any single factor led to the closure of Saltus Press. The economy, the rise of the Internet, maybe even strained management labor relations all played a part. But the company's leadership transition also clearly played a role, though how large will likely remain a matter of debate for years to come among former Saltus employees and industry colleagues.

If nothing else, what happened to Saltus highlights the challenges family businesses face as they seek to pass on the torch to the next generation of leaders. "It's the difficulty of letting go. You are living and working and breathing and eating your family business from the shop floor to becoming CEO," Nason said. "It really becomes part of your identity." ■

SCOTT VAN VOORHIS IS A FREELANCE WRITER.

The Piantedosi family is charting a career course for fourth-generation family members for the mutual benefit of both the people and the business, which includes outside experience. Pictured from left are: Tom Piantedosi, president and CEO; Bob Piantedosi, senior vice president of production operations; Adam Piantedosi, manager in training, and Joseph Piantedosi Jr., executive vice president of marketing and business development.

Experience Wanted

Younger Generation Urged to Broaden Horizons When Committing to Family Business

By Christina P. O'Neill

Joseph Piantedosi Jr. was newly graduated from Boston College in 1983 and attending a football game at his old high school when a former classmate asked him, "Do you still work for your father, or did you get a real job?" The question "hit me like a jolt," he says.

Its implications were that younger-generation members of family businesses join because they can't compete in the job world – or that they are trying to avoid doing so. That's unhealthy for the younger generation and particularly unhealthy for the business. Joe Jr., now executive vice president of marketing and business development at the Piantedosi Baking Company, a commercial bakery based in Malden, has seen it happen at other family-owned companies. He and his third-generation brethren have been determined not to let it happen at the company his grandfather had started in 1916.

Piantedosi Baking Company has changed greatly over the last generation. When Joe Jr. joined the company fulltime in 1982, it had less than 100 employees, including about eight other third-generation family employees, and did about $13 million in sales. He and the other two owners embarked on a 25-year initiative to grow the business and shrink the number of non-active stockholders. "All of a sudden, we became a real company," he says. Today, the company has sales of about $40 million, and 250 employees.

When the oldest of the fourth generation was still in his infancy, the third-generation Piantedosis – Tom, president and CEO, Joe Jr., and Robert, senior vice president of operations – started developing an entry plan for their kids. It was never written down, but it emphasized the importance of outside experience as a requirement for those who choose to join the family firm. It's in beta test mode with Joe Jr.'s nephew Adam, now 23 and a manager in training.

The plan: Once generation four graduates from college or other post-secondary schooling, they are to work somewhere else for two years. It's subject to adjustment as needed but the goals remain the same: Broaden your horizons so you can bring something of value to the company.

"We are working on trying to figure out what direction we want to take the company," Adam says. "As a member of a new generation, I want to try to grow the company in the right direction for the future and leave my mark with the rest of the fourth generation."

Giving People the Option

Adam is the son of CEO Thomas Piantedosi. He graduated from Fairfield University in Connecticut in 2009 with a degree in psychology, and took the summer off. After that, his preferred options were to go back to graduate school, get a job, or get a short-term certificate as a personal trainer. He got the trainer's certificate, but decided he wanted to work, not go to grad school – at least not in psychology.

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Experience Wanted

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Experiences working the front desk for a summer left him curious about the business. Then, in college, he received a carton of fresh bread every week (with the company name on the box, of course) to distribute on campus. "I became the bread guy," he says – and the concept took on a life of its own. "The popularity of the bread and the passion that people had for it, whether it was at college or while I was working here for that summer made me really appreciate the business," he says. His school had an intramural softball team in which the players wore Piantedosi Baking Co. T-shirts as their uniforms. "This happened from people simply trying our bread and loving it and seeing me wear some of our T-shirts. … There is a social experience around bread."

So, six months after graduation, Adam talked to his father. Options for work were limited in the difficult economy, so his father invited him in – but the third generation told him, in effect, that there would be a quiz. A big one.

The plan for Adam was that he would come in on a temporary basis to learn. Today, he has just come off a six-month rotation in production. He was tasked with looking at his work environment as a manager would see it. That's not the same as acting like a manager before the time is right. "The rotation is important," Joe Jr. says. "We have long-time employees here. Adam needs to gain their respect. He needs to come in and get dirty, to do things our generation did when our dads were here."

While both Joe Jr. and Adam say they never felt pressured to join the company, Joe Jr. likens joining a family business to an arranged marriage, except that his father had urged him not to do it, but to get a law degree instead. He demurred, but says, "I think it's so important to give people the option." Adam says, "I think that deciding on my own and coming in when I was ready has been a positive for me."

Adam will do rotations in through all aspects of operations, administration and compliance. His plan: He's currently studying for the GMAT and plans to apply to Northeastern University for the start of next fall, after having learned most aspects of the business. Northeastern's work co-op program is a draw for him. Sales will be his last rotation segment. "It's not going to be a cakewalk, let me tell you that," Joe Jr. says.

Making it on the Outside

There's no one way to get outside experience, says David Karofsky. While some family business consultants say getting outside experience first is ideal, the economy doesn't always cooperate. That's what happened with Adam. "They brought him in, but didn't give him a leather seat and a nice office," says Karofsky, who is acting as Adam's executive coach, helping him to refine the rotation program, which Karofsky says is completely the brainchild of the Piantedosi family.

Cady Zildjian Bickford, New Business Development Coordinator

"Typically, we encourage the younger generation to go out and get work experience prior to joining the family business," Karofsky says. "First, we want the next generation to bring focus and expertise, but we also want to make sure that the next-generation family member has experience they can use inside the business or outside experience in case the company decides to sell."

That's not the case at Piantedosi, says Joe Jr. "Bringing the fourth generation in telegraphs that we're not interested in selling the company."

David Karofsky, Adam Piantedosi's mentor, joined his father, Paul Karofsky, in the business consulting sphere after 15 years of outside experience. "It's great to learn what it's like to have a boss who's not your uncle, not your father, not your mother," he says. He advises that the outside experience does not have to be in the same industry, as long as the skills are transferable.

The next two people are examples of those who are using their portable skills, developed somewhere else, to help their parents' businesses.

Not Your Father's Company

Molly Brodeur didn't join her father's business until she was 32, in 2006, picking up 14 years of experience in the financial industry and media, working for WBZ radio. Al Brodeur opened his eponymous company, Al Brodeur's Auto Body Inc., in Marlboro in 1970, and has been at its current location since 1984. Molly plans to take over the business when Al, a fourth-generation small-business owner, retires. His father, grandfather and great-grandfather were dairy farmers in town. "My father saw the writing on the wall and knew [the dairy business] was not going to last," she says.

Now, the auto body business is grappling with its own economic challenges. For years, Massachusetts auto insurance rules have kept the reimbursement rate for labor far below the cost to maintain a growing independent business. Auto dealers can subsidize their in-house body shops with other sales and services, but the independent collision shops don't have that option. The result: Small shops often can't afford or don't have access to the technology needed to fix today's cars. But Al Brodeur was never one to give up, says Molly Brodeur. She uses her marketing and communications experience to advocate for shifting the control of where auto body work is done from the insurer to the customer. Her trade group, the Automotive Alliance of Service Providers of Massachusetts, will refile a bill to that effect this coming January. Her father, she says, has spent the last 25 years trying to make the industry better, and his never-give-up attitude has been an inspiration to her.

Around the time she decided to join her father's business, Molly decided it would be in the shop's best interest for her to get a business degree. She chose Becker College's accelerated adult program, earning her bachelors in business in three years. "That experience was invaluable," she says. "Most of the professors are adjunct faculty; they're out in the business world and bring that experience to the classroom, and all my peers were working adults. I learned a lot from the professors and my classmates."

Skills You Can Take With You

Cady Zildjian Bickford also took a circuitous route to joining the family firm. Yes, *that* Zildjian – the fourteen-generation cymbal maker with international recognition, the company now based in Norwell, with 150 employees and about 600 SKUs for cymbals. Cady's aunt is the CEO and her mother heads human resources. A long-standing family requirement is that incoming younger-generation members had to get outside experience first. The criteria are broad, she says – three to five years' experience in some field that relates to the business in some way, with management experience a key component. In her case, that was customer service, a portable skill that transcends many industries.

Bickford is a horseback rider by avocation. Her job choice out of college was a then-startup company called SmartPak in Plymouth, which initially specialized in equine nutritional supplements and medications, but which has expanded its products and services to a wider segment of the equine market, as well as catering to the show dog market.

Bickford graduated from college in 2002 and joined SmartPak in 2003. That company has been named twice to *Inc.* magazine's Fastest Growing Companies list and operates a retail store in Natick. Bickford spent nearly four years in customer service, as product manager and account manager.

Customer service is a big part of Zildjian's business, as it was at SmartPack. "I won't forget my first boss at SmartPak," Bickford says. "If someone was unhappy with the service, the boss said, to impress people, you never come to the boss with a problem – you come with a solution."

One of her cousins is finishing a course of study at Babson Business School and will start work next summer at an independent branding consulting firm. "There's no pressure to join the company," Bickford says. "It's all on us. … It's a privilege to work here – you're not entitled to it just because you were born [a Zildjian]."

Prior Experience a Prerequisite

Entry programs, however they're done, are of vital importance, says Pat Frischkof. She and her husband Paul are family business consultants who have helped their clients all across the country develop entry plans. "I think businesses should hire insiders the same way they hire outsiders, but they don't do that," she says. "They don't say, 'we have a need in purchasing, accounting or sales' … and target family members who meet those criteria. You end up with a lot of mishmash and not really well-matching skill sets [to] what positions where young people are taught."

Pat Frischkof says she and Paul do see economic pressures as keeping some younger-generation family members close to home in the current economy, but they, like David Karofsky, emphasize the need for the younger generation to develop portable skills – whether inside or outside the family business. If the family business is a bad fit or they don't like it, "they have something to fall back on. If the situation doesn't work out for them and the business fails or is sold, they can be in a real tough strait if the only reference they've got is a relative. It's extremely difficult to work anywhere else." ■

Five Generations, Many Different Paths

For those who maintain that there is no single correct way to do an entry plan, let us now present the Woodman family, proprietors of Woodman's of Essex.

The fifth generation of the Woodman family, age range 1 year to 26, many of whom are already working at the restaurant.

Founded in 1914, Woodman's is a family-owned restaurant and catering business, now in its fifth generation, with two locations – its main facility in the North Shore town of Essex and an establishment in Litchfield, NH, acquired in 2009. Woodman's has about 80 year-round employees and up to 200 in the 16-week summer season. Its present management team includes third- and fourth-generation family members. Woodman's has become a part of the culture of Essex, and has been described by Zagat's Restaurant Guide as "an American cult classic." The business is inextricably intertwined with the family that created and sustains it.

There's a saying: "'Normal' is what you grew up with." Woodman family members started their work life at the restaurant at a young age, learned many skills early in life, and worked hard to earn the trust of the older generation. "Most of these kids are phenomenal multi-taskers, by luck or by environment," says Maureen Woodman. "The older people were willing to trust our kids. We weren't afraid to put them on the register, or anywhere else, because they just knew how to do it."

At the urging of second-generation Virginia Woodman, all of her seven children got their postsecondary education in subjects that would be pertinent to the business. Two third-generation co-chairs, Stephen Woodman and Douglas Woodman, who shoulder the fiscal responsibility in addition to several other areas of talent and expertise, now lead the company. A non-family comptroller, Carolyn Gourdeau, who joined the company 13 years ago through a bout of expansion, supports them. Rhonda Woodman, director of marketing, says Gourdeau's outsider's perspective has become a valuable part of the company's continued success.

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Family **Fortune** Telling

Why Most Family Businesses Come Through Economic Downturns Successfully

Family businesses believe that if they achieve the goal of serving others successfully, they will ultimately be serving themselves.

Family businesses are considered by many economists to be the backbone of the U.S. economy. From Ford Motor Company, with 40 percent of the voting stock (virtual control) held by the Ford family, to John Bordman, Inc., a father/son contracting business in Concord, most family businesses respond more positively through economic downturns than non-family businesses.

This phenomenon is not a coincidence; it can be explained by the innate characteristics of most family companies.

Although many family business consultants and advisors have thoroughly documented the myriad of family business succession problems, they have rarely espoused the ability of most family companies to rebound successfully after recessions. Here, then, are six characteristics which have enabled many family businesses to snap back from economic downturns:

The Ability to Make Quick Decisions

Most family businesses are either small companies (sales under $10 million) or mid-sized companies (sales between $10 and $100 million). Larger companies (sales over $100 million) are usually public, have layers of management, include outside investors and most likely have outside directors as well. In addition, 35 percent of the Fortune 500 companies are family controlled, according to *Bloomberg Business Week* magazine.

Let us assume for this article that we are discussing small or mid-size family businesses and that the companies' senior management is largely comprised of family members. Through the course of daily, weekly and monthly operations, important decisions are confronted. When the business climate is suddenly impacted negatively, all steps to curtail the overhead expenses are open for discussion.

The senior management team and ownership, frequently comprised of family members, meets to address the above issue. Many of them have worked in the business since they were teenagers and through their frequent communication have learned to address problems as they surface. They also come together less formally than non-family businesses would and, as though gathering at a family dinner table, present the problem and are unafraid to act quickly. Nor do they have the burdens of the politics of board of directors or extensive layers of management.

A Willingness to Retrench Drastically

Members of most family businesses do not view working for the company as just a job, but rather as a responsibility to protect the family heritage, which is almost always the family's largest asset and source of livelihood. Most family business executives will do whatever it takes to ensure that the company survives during difficult times. Not only will they lay off employees or cut employee salaries, but they will also cut their own salaries or forgo their compensation entirely until the business is sufficiently improved. This behavior sends a very powerful message to their suppliers, customers and employees about their commitment to the family enterprise. In addition, because of their operating skill, family businesses can cut their overhead to the bone and still manage to break even at 50 to 60 percent of their normal revenue.

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Family Fortune Telling

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A number of years ago, Superior Baking Company of Brockton, then the largest Italian bakery in New England, was considering selling in order to reward five members of the second generation family business with a "liquidity event." When the family realized that the new owner might fire the founder's two grandsons after acquiring Superior, and might change the company's culture, the family members called off the sale of the company in order to preserve the family heritage. Such a decision is an example of a family business retrenching in order to preserve its history.

Driven by More than Profits

Perhaps no other economic adversity is as conceivable as a business establishment burning to the ground. A few years ago, Verrill Farms, a large retail establishment in Concord, had such an experience. Most proprietors would, at age 70, collect the insurance settlement and retire. Not Steve Verrill, head of this multi-generation family. His family felt not only an innate responsibility to the business, but also a cultural responsibility to preserve the family's heritage, which also served its community and neighborhood.

Memory of History

Because economic downturns happen at least once in a decade, multi-generation family businesses are served by their memory. Family business owners may worry, but they do not panic. They understand that they have been through economic downturns before and that they have the experience, knowledge and belief that they can do it again. And so, they do!

A Long-Term View

While public companies are forced to focus on their short term quarterly results to satisfy Wall Street, their stockholders, and the compensation of their CEOs, family businesses, concerned with creating wealth as opposed to short term gains, think in terms of decades.

For example, the Ford Motor Co., a publicly traded but family-controlled company, started to address its financial problems three years earlier than General Motors and Chrysler. Consequently, it did not have to take any stimulus money and returned to profitability much sooner than the other major brands. Ford's stock went down to $1 when the auto industry tanked. However, the stock rebounded to $15 and continues to hover in the teens.

Unlike venture-financed companies, which place huge incentives on CEOs to double or triple their companies' growth in five years, thus putting their company at risk of failing, family businesses, which are frequently the entire source of the family's income and the source of the family's eventual wealth, tend to pass up short term gains in order to assure long-term success.

Family members of family-owned businesses also have an emotional connection to the business. It is a source of their identity as well as a way of life. They take great care to keep the business stable and frequently re-invest their profits. They abhor debt and consequently have very conservative balance sheets. They do not put the "family jewel" at risk by relying on debt or over-leveraging.

Family businesses' long-term perspective may result in slower, more methodical growth, but because they don't "bet the ranch" on a risky acquisition or a risky new project, they can withstand economic downturns more successfully.

Enduring Values

Family businesses believe that if they achieve the goals of serving others successfully, they will ultimately be serving themselves; or, as the saying goes, "A business has to be good for the customer, good for the company, and good for the employees."

A strong commitment to both family and business has allowed family businesses to survive for generations and has created a toughness not found in other businesses where commitment and loyalty, when tested by tough times, can waver and default to self-interest, versus the interest of the business or its shareholders. In the family business, the interest of the employees, the ownership and the business are by definition aligned. It is that alignment of goals, focus and toughness that explains their ability to survive economic downturns better than most. ■

RUSS ROBB IS MANAGING DIRECTOR OF TULLY & HOLLAND IN WELLESLEY, AND **THOMAS DAVIDOW** IS A BROOKLINE-BASED CONSULTANT.

Five Generations

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As for the fourth generation, "We worked our way up from the bottom," says Vanessa Woodman, who oversees the business' social media marketing efforts (including 2,800 fans on the restaurant's Facebook page). "We weren't treated as special just because we are Woodmans. There's more responsibility and pressure. Mom would say, 'Be better, set the example; others will follow your lead.'"

Vanessa graduated from college in 2006 and spent three years in Mexico teaching English as a second language. The teaching training and the management and writing skills she developed there have become a valuable contribution to the family business. Her current long-range plans are to become an immigration lawyer. Vanessa put the company's learning culture into black and white as she reworked an all-company management-training manual under the mentorship of Carolyn Gourdeau. It was implemented in the 2010 season.

Eian Woodman is Woodman's general manager. He's also a volunteer fireman. In 1998, he went outside the family business to work for another restaurant group in Boston for 14 months, while keeping his hand in at Woodman's. He returned to the family business when a position opened up. "We have tried to keep on whoever wants to be here," says Maureen Woodman. "That's been a consistent pattern."

Fourth-generation Stephen Woodman Jr. went off to college for sports medicine and instead of going to graduate school accepted the offer to help with the new venture at Litchfield, because of his knowledge and skills acquired at the restaurant over the years. Fourth-generation Tracey Carlson worked in and out of the Essex restaurant facility for many years, including in the catering department, as well as in the accounting office, and joined her younger cousin Stephen at the Litchfield facility to balance the team.

Some businesses struggle to sporadically "reinvent themselves," but for Woodman's, reinvention seems to accompany each new family member. The abundance of family members willing to work there, the company's fluid approach to placing them, and the essentially two-way street of family members moving in and out of the business, have given those family members valuable skills to take out into the world – as well as to bring back home. ■