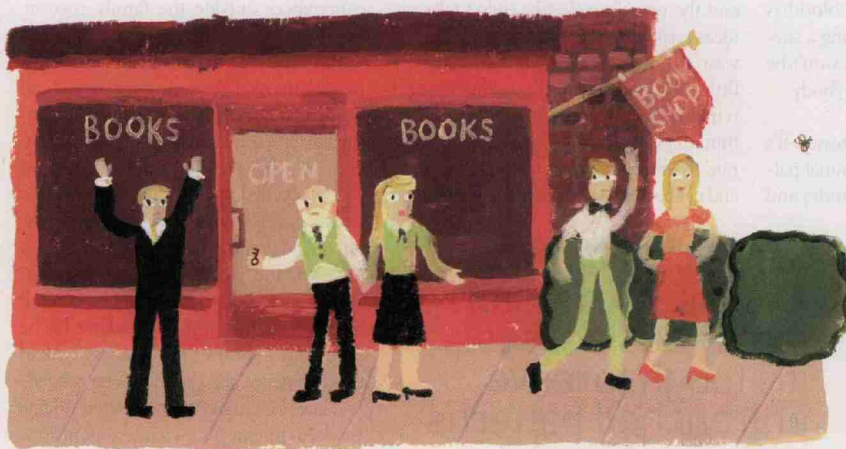


BALANCING ACTS BY MEG CADOUX HIRSHBERG



# Passing the Reins

Handing off a business to the next generation is the realization of a dream—or a complete nightmare



working closely with just one or two? Can children achieve healthy separation from parents when both have, as one entrepreneur put it, “an abnormal amount of information about each other’s lives and wallets”?

Then there’s the Prince Charles Syndrome. Parents who treat succession plans like living wills—to be carried out only in the case of death or incapacitation—

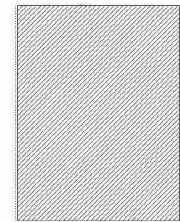
**My husband, Gary,** and I have three kids in college, none of them interested in joining the family business. Like the offspring of hippies who flee communes for Wall Street, Alex, Ethan, and Danielle will probably seek lives far from the madness of entrepreneurship. That’s fine with us. Stonyfield Yogurt was never meant to be a legacy.

We may be unusual in not indulging fantasies that a Hirshberg presence will linger at Stonyfield for another generation. After all, most entrepreneurs spend their lives nurturing two things: their companies and their kids. It’s natural to want to pass one down to the other. A family business is the perfect vehicle for transferring knowledge and know-how between generations. It provides progeny with employment and perpetuates the family “brand.” And bringing in family members signals to suppliers, customers, and employees that the owners have confidence in their company’s enduring strength and value.

Still, I suspect Gary and I dodged a bullet. Kids coming on board—as designated successors or just employees—create a hornet’s nest of complications. Which child will ultimately take over? How do you fairly divide the inheritance when one child works in the business and others do not? Can you maintain equitable emotional relationships with the entire brood while

undermine their offspring’s authority, stifle their opportunities to lead, and provoke justifiable resentment. I recently met a woman whose two sons, in their 40s, work in her company. “I will die at my desk!” she told me defiantly. Such declarations must make her sons cringe.

And what if the kids come aboard just to make Mom or Dad happy? Peter Kohn is the son of the founder of an automation-component company. I love his description of the moment when his father, over lunch, asked him to interview with the head of sales at the company. A senior in college at the time, Peter had already decided not to join the business, but loyalty to his father prevailed. When Peter agreed to the interview, his father removed the Rolex from his own wrist and handed it to him. “At that moment, I felt like Michael Corleone in *The Godfather*, when he makes the decision to shoot Captain McCluskey and Sollozzo in the restaurant,” Peter told me. “By taking that watch,



DANIELLE HIRSHBERG

ILLUSTRATION BY ESTHER PEARL WATSON

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I had symbolically agreed to join the family business. I didn't love the business. But I loved the man who ran it." (Peter stayed with the company for two years; then it was sold. He now owns a brand-extension-licensing business in Richmond, Virginia.)

Worst of all are scenarios in which a child wants to run the show but is not up to the job. I spoke about this with Paul Karofsky, founder of Transition Consulting Group, in Framingham, Massachusetts, and a counselor to family companies for 20 years. Paul said entrepreneurs must decide: Does the family serve the business, or does the business serve the family? If parents take the attitude that blood is thicker than ability when choosing a successor, chances are the business won't be around long enough to serve anybody.

**Even in successful** family businesses, it's tough to leave entrenched emotional patterns in the parking lot. Old attitudes and

under his father's dominion. College brought him independence, but upon joining the company after graduation, Nick once again felt controlled. "In a business, there can only be one captain," said his father. "I had to exert authority, and my son didn't like that." Nick Jr. doesn't disagree. "I regressed back to a childhood power struggle," he told me.

Work tension, in turn, sours personal relationships. When Jesse Brubaker joined his mother's occupational medical clinic, the two were close. Soon after, his mother was in a serious car crash, and Jesse managed the clinic for six months. She returned, and the two clashed. "She didn't take my ideas seriously," Jesse said. "She thought I wasn't competent enough. I was still her little boy." Jesse left the company and remains distant from his mother. "I kept thinking we were going to be able to separate the business from our personal lives and get back to being a family," he told me.

in Richvale, California, "The family legacy and the opportunity were compelling."

Though Jessica worked on the farm as a child, neither she nor her parents assumed it was her destiny. But after college, she decided to spend a year seeing if she could make a place for herself. Harboring zero sense of entitlement, Jessica embarked on a series of low-level jobs: filing papers, working sales shows, driving a tractor, and weeding in the plant nursery, which she now runs. That apprenticeship exposed her to important parts of the business and gave her credibility with other employees.

Experts also advise kids to seek work experiences outside the family cocoon. Tony Stein knew his father's company—Camp Echo Lake in Elmsford, New York—inside out. As a child, he cooked out and canoed with the other campers; as a teenager, he worked summers there. Tony recognized what the camp needed to grow and proceeded to outfit himself with the necessary skills, earning an M.B.A. and taking outside marketing jobs. He wanted to test his mettle "where my reviews, compensation, and feedback wouldn't be colored by family relationships," he told me. By the time Tony took over the business, he had the confidence and experience he needed.

Nick Horman Jr. quit Allen Pickle Works to pursue his own interests, including art and philosophy. But after two years, he returned to launch the company's first retail line. With maturity and perspective gained during his time away, Nick Jr. has learned to appreciate his father, and the two no longer fight. Working in the company together, he says, "deepens the understanding of what it is to be a family."

Perhaps that is the greatest gift of a family business: that it brings parents and children closer long after most have begun to drift apart. A dysfunctional family enterprise, says consultant Karofsky, is "like no other hell on earth." But when such a business works, there are few greater joys.

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**Even in successful family businesses, it's tough to leave entrenched patterns in the parking lot.**

arguments surface. Parents may feel strange consulting with their children as equals. Kids fret that their bosses during childhood are still their bosses in the workplace.

Nick Horman Jr. is a self-described "third-generation pickler" in his family's wholesale business, Allen Pickle Works, in Glen Cove, New York. Nick spoke about the terrible screaming fights he used to get into with his father, Nick Sr. "I'm not proud of it," he said. "But family can bring that out in people. The fact was he was still my father, not just my boss. In every event, in every encounter, that relationship is there. You can't pretend it's not."

As an adolescent, Nick Jr. had chafed

"But what happened created a gap between us. We're working to resolve it."

**For many entrepreneurs**, the myriad reasons to keep children and business separate pale beside the fact that *these are their kids*. Whom else do they trust? Whom else do they build for?

The odds of a good outcome improve when the child has grown up in the business, helping out on weekends and vacations. In this way, she may come to understand the company intimately and perhaps learn to see a future in it. As Jessica Lundberg says of her decision to join the fourth-generation Lundberg Family Farms,