Understanding family businesses
How to not only survive but succeed through the generations

BY JEMIMA OWEN-JONES
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gasworld attended the 2017 annual convention of the Gases and Welding Distributors Association (GAWDA), held in New York City in October, for four days of networking and educational content for distributor and supplier members.

The second half of the Opening General Business Session focused on family businesses, which are a common type of organization in the gases and welding distribution world. A panel-based discussion helped attendees understand what it’s like to work within a family-owned and operated organization, what it takes to grow a family business, and the many challenges and opportunities that arise as such businesses move through the generations.

Daniel G. Van Der Vliet, the Executive Director of the Smith Family Business Initiative at Cornell University, led the discussion. He introduced the subject with some interesting statistics. He said, “50% of family businesses make it to the second generation, 12% make it to the third generation, and less than 4% make it past the fourth generation.” What’s embedded in those numbers is the fact that as businesses go through and succeed from generation to generation, they start to become a little more complex.

“For businesses to succeed for 10, 20, or 30 years, they need to innovate, change, and stay current. As more people become eligible and come into the business from a family perspective, that process needs to be managed.”

Van Der Vliet went on to identify some of the key words that spring to mind when thinking about family businesses. Among them were “small,” “conflict,” and “nepotism” – words that Van Der Vliet deemed, “not very positive or glowing.” Despite these negative associations, Van Der Vliet reminded the audience that family businesses, however small, populate our local communities. He said, “The most recent list of Fortune 500 companies states that 20% of those businesses are family-owned or family-controlled. So, they really do dominate the overall economic spectrum. In the US, we estimate that 70%-90% of all businesses are family-owned or controlled. When you look globally, that number goes up to 98% in some economies such as India.”

“These businesses are very significant; they make up the backbone of the economy, but we still know very little about them,” he continued. The reason for that, Van Der Vliet explains, is because family businesses are privately-owned. They’re not beholden to public shareholders, and this can often make them hard to understand from an outside perspective.

Before opening up the discussion to the panel, Van Der Vliet emphasized the strong link between entrepreneurship and family businesses. “They are not distinct of each other,” he added. “A recent survey found that nearly 48% of all entrepreneurs came from a family business – they learned how to run a business first hand, at home. In addition, nearly 85% of all entrepreneurs engaged their family in some meaningful way in the first three years of business.”

“What we’re seeing is a relationship,” he explained. “For businesses to succeed, they need to remain entrepreneurial, whether that’s in the first, second, or third generation.” Van Der Vliet then turned to the panel to ask some thought-provoking questions.

“In your opinion, what makes family businesses so unique?”

First to respond was Jenny McCall, former GAWDA president and President of Wesco Gas and Welding Supply, Pritchard, Alabama. She said, “We’re a very close-knit family, and what we do is surround ourselves with great people – that’s what makes us successful. We treat all of our employees like family. Since we are a close-knit group, they support me and I support them, and it just works for us.”

Abyde Butler Moore, newly named First Vice-President for GAWDA and Executive Vice-President at Butler Gas Products, Pittsburgh, Pennsylvania, concurred. She believes that as well as being family-oriented, family businesses tend to have a long-term perspective compared with larger or publicly traded organizations, which are usually more concerned with quarterly results.

“In our business,” said Moore, “we can look a little more into the long term. We’re more asset-based, focused on investment, re-investment, and succession planning. We have a 100-year plan!”

“How do family values carry over into the business?”

(Nicholas) Britt Lovin, former GAWDA president and General Manager at Andy Oxy Company, Asheville, North Carolina, the third of three panelists, was first to respond. “Treat your employees as family and care about their future,” he said. “We have a lot of long-term employees who feel it is their business now too.”

Lovin believes that by caring for employees as if they were family, by providing them with bonuses and life insurance for example, they will invest themselves in the company, and strong, long-term relationships will be formed. McCaig agreed, “Treat your employees with respect – whatever your position is in our company, we will treat you with respect. Take care of your people and they will take care of you.”

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McCall reiterated the sentiment about how many family-operated companies are involved in our industry. “In our case, we give back to the community and are very supportive in all of our local associations,” she explained. “It’s not just the sale, it’s the service after the sale. That, in my opinion, is what sets us apart from the competition.”

Moore explained that Butler Gas Products is often promoted through the number of years the family has been a business. She said, “Soon it will be the company’s 70th anniversary as an organization – we try to make sure that’s something the entire Butler Gas family can really stand behind.”

“What do you look for when you’re doing business with a vendor?”

Moore reiterated the sentiment about core values. She believes that when a long-term relationship is formed with a supplier, it’s usually because their values align and it’s a good fit.

In McCall’s opinion, it’s all about communication. She said, “It’s a three-way conversation – we value the supplier, it’s all about the relationship that you build.” For Lovin, empowerment is key. “We empower our sales people to make decisions,” he added.

Sometimes family businesses can be a lonely place in terms of knowing where to go for support. Are there networks beyond GAWDA that can be helpful? McCaig recommended Vintage – a California-based advisory and executive coaching organization designed exclusively for CEOs, business owners, and key executives. Butler Gas Products is a member of the Institute of Entrepreneurial Excellence at the University of Pittsburgh.

The process of succession in family business is ongoing. “What do you look for in the next generation?” Moore observed, “Our Shareholder Agreement outlines criteria for next generation ownership. It requires a passion for the business, a college education, and additional elements to protect the company.”

Can you share an example of how being a family business offered you a distinct advantage in the marketplace? Lovin responded, “Once we gain business, we keep it. I will personally visit them and show them that they’re not just another number on the account and that we actually care about them.”

Moore added, “I also find it fascinating how many family-operated companies are involved in our industry. I’m not sure if it’s like that in other industries, but there seems to be a lot of multi-generational businesses in the gases and welding sector. There’s clearly something that makes us all work well together. There’s definitely something to be said about the cultural fit.”

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How do you approach the family brand, and how is that message communicated to your community?

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Day one review
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