

CASE STUDY | J & D, Inc: A Family-Owned Business

Situation

Family: Parents were co-founders; one son (Tom) and daughter (Mardi) are active; another son (Sam) is a passive owner.

Business: Biologics centers throughout the U.S. and Europe; market analysts viewed the company quite favorably.

Ownership: Parents had been business partners for 30 years, but at odds over the successor issue for six years.

Crisis: Husband fell gravely ill, and wife could not run business without him. The Father favored the (younger) active son (Tom) and Mother favored the older, passive son (Sam) as the replacement CEO. After a half year of anxiety and tension over Father's illness, the company was losing six figures a month, for the first time ever. At this point a trusted business adviser (TBA) intervened and had tGCP brought in.

Leadership Potential: Sam is an MBA and had been an effective CFO at J&D, but had left precipitously a few years back. Tom has a Masters degree in Biology and headed up Marketing and R&D, working well with their managers. Mardi has a PhD in Psychology and adeptly headed up HR, but wanted to leave to spend more time as a mother, ostensibly.

Core Issues: Historically, Sam had been the favored successor by most of the company, primarily because he was so capable. Mother experienced Sam's leaving as a real loss; Dad, though, seemed to migrate his attention to Tom, trying to stretch him, to little avail. Had Tom peaked, developmentally speaking, in his current role?

Dad was pushing hard to resolve the issue before his demise. Mom was trying to shield him from the stress of it all. But, because of all the very difficult issues swirling around, everyone was caught up in bickering, acting at cross-purposes, unfocused, and demoralized.

Not Happening: All the planning related to the open tax and estate issues, along with a going-forward business strategy to ensure that the business survived Dad.

Objective

Preserve Family Relationships: The parents with each of their children and the three siblings, one with the other.

Uncover the Real Reason for Sam's Departure: What drove Sam out initially? Why was Dad so opposed to his coming back to take over?

Get Mom Back on Track: The business was needing Mom's time, attention, and experience more than ever before, yet she was reeling from her husband's imminent death. She needed our help to climb back in the saddle and deal with getting Sam back; to make sure Tom was stable in his role; and to support her daughter's desire to cycle out of the business and then find her replacement.

Put Dad's legacy in place before his death: Mom needed to step out of the business and spend time with her husband for whatever days remained for him. They both needed to be relieved of the responsibility of the business and to feel assured that it was in good hands and would survive and thrive in the care of the next generation.

Solutions

Conduct Interviews: The purpose of one-on-one, confidential interviews with the principals was several-fold—to establish rapport and the consultant's credibility; to discover what the true reality of the always-complex family-business situation was; and to assess the depth and breadth of the next generation's talents, abilities, and motivations. In this case, we discovered that Sam had been forced out of the business by his Father because of a serious money mismanagement problem, which only Dad knew about.

Administer Research-based Survey: This web-based tool benchmarks the family-owned business (FOB) against well-recognized best practices and critical success factors for FOBs. Opportunities to address weaknesses and better capitalize on strengths are revealed.

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Solutions *continued*

Conduct “Shuttle Diplomacy”: A combination of Family Council meetings and side-bar meetings, as required with various principals, to surface all the issues, resolve conflicts, navigate toward consensus, and move everyone toward a comprehensive, mutually beneficial resolution of their complex and difficult (and very human) situation.

Reorganize Roles: Dad was out because of his dire health situation. Mom needed to devote herself to him during the final months of their marriage. A CEO needed to be named, and other key supporting roles needed to be filled.

Synchronize the New Team: The new constellation of leadership needed to come together as a true team. That was not going to happen automatically; it never does.

Results

Dirty Laundry Cleaned & Sorted: Sam had been mortified by his lack of control over his money problem. He used his time with the tGCP consultant to “come clean” immediately and forge a plan to make amends with his Father (who knew all the details) and with the other three family members (who knew nothing). It worked amazingly well, especially given the gravity of the transgression. Sam returned to the business as the COO.

New CEO Installed: Everyone came to the conclusion that Tom was the optimal candidate to replace Dad. He was adept in his former role and was well regarded by employees. With the addition of Executive Coaching, he would only get better and “on-board” into his new role as quickly as possible.

Ownership Transferred: With the skeleton out of the closet and the family realigned in a realistic way, the transfer was stripped of subjective, “non-rational” elements and became a straightforward exercise for the TBAs to execute.

Sister Stays: Mardi made the startling decision to stay. She felt re-energized by the buried secrets having been addressed; by the “re-admittance” of Sam into the family; and by the revitalization of the company’s leadership and direction.

Leadership Team Renewed: Informed by all the data gathered, a business planning process ensued. The tGCP consultant guided the new family team through a process that created a new Vision, Mission, and Core Values statements and a new business strategy, steered by a balanced scorecard. To further accelerate the execution of all this, our consultant served as a coach to the family executives, both individually and as a team.

Mission Accomplished.