

THE ACADEMY OF ELECTRICAL CONTRACTING

**Paper Presented by
Dillard R. Borden, Jr., Fellow**

**The Family Business
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What do Tri-City Electric Company, Inc. in Miami, Florida; Weber Electric, Inc. in St. Paul, Minnesota; Wal-Mart; and The Marriott Corporation have in common? If you answered that they are family-owned or controlled businesses, you are correct.

Family businesses are big business in America since they make up 90% of the 15 million businesses in the United States. In addition, they account for 40% of our gross national product and generate 50% of all wages paid. Over one-third of the Fortune 500 companies are family-owned or controlled. As you can see, the impact of the family business on our economic system is very great.

Family businesses are a special type of company. When they work well, they can provide unique advantages which make them very competitive in the market place. Family members who work together demonstrate a high degree of trust and security. They care for one another, their employees, their customers and they exhibit responsibility, respect and dedication in their daily work environment. They have the ability to change much more quickly than larger corporations in a rapidly changing world. Futurist, Alvin Toffler, has noted that "...family firms can make quick decisions. They often are willing to take daring entrepreneurial risks. Family firms can change faster and adapt better to new market needs. Communication through constant face to face interaction and even pillow talk is swift and rich, conveying much with only a grunt or grimace. Family members typically enjoy a deep sense of 'Ownership' in the firm, evidence high motivation, are strongly loyal and often work superhuman hours."

His views would seem to indicate that family owned businesses are a golden opportunity and that perpetuation should guarantee family economic prosperity for continuing generations. Unfortunately, this is not the case. Most family businesses do not live long. In fact, the average family business survives only twenty-four years. A mere 30% of family businesses succeed to the

second generation and only half of those reach the third generation. It is apparent there are inherent downside risks associated with a family business.

In-fighting or family disagreements spill over into the workplace. Siblings turn on each other or their parents. Non-family employees feel cut off from decisions and compensation. These problems are typical negative scenarios in the family business.

The competitive business climate and society's mixed messages about family values can scuttle an unprepared family business. According to Don Bishop, president of the California-based National Family Business Association, "A family is based on emotion, nurturing and security, but a business revolves around productivity, accomplishment and profit." The family business is a true oxymoron.

To help resolve this conflict, here are some ideas:

- * Be professional at work. Leave family matters at home.
- * Define duties for both family and non-family members, and put them in writing.
- * Develop clear policies regarding salaries and other compensation. Family members should earn their pay.
- * Set realistic goals that everyone can agree on.
- * Plan for the future, both short-term and long-term.
- * Communicate, don't let problems fester.
- * Accept individuality. Family members will have different skills, perceptions and goals. The challenge is to put them all together in a powerful, but flexible package.

A major obstacle in continuance of a family business is the failure of the owner to properly prepare for the future. Aging companies require planned change. Regeneration and re-thinking for the future is a must. The owner must have a

well thought out and prepared succession plan. Most owners have more than half of their personal net worth in their business. In order to retire, they must be able to convert these assets to retirement funds and still allow their businesses to operate profitably.

In order to accomplish this, an owner must:

- * Train and empower his successor - Identify the successor and share information, responsibility and power. The successor must be committed to explore his or her vision and passion for the family business.
- * Step aside by age seventy - or any acceptable age. The key is to establish a date. All family members and the successor should know what is going to happen at this specific point in time. This creates an environment in which everyone is working towards a mutual goal, to meet specific performance standards and accountabilities by the chosen date.
- * Become financially independent of his business - The owner should position himself financially so that when it is time to step aside he is not dependent on the family business to protect his standard of living during retirement.

In a world that is in a rapid state of change, the family-owned business is under constant pressure to perpetuate and succeed. Family businesses have been created by owners who are driven by passion and vision. As James Conant once remarked, "Behold the turtle, he makes progress only when he sticks his neck out." The owners of family businesses are the true turtles of our economic system. They have stuck their necks out to develop and nurture businesses that hopefully can be passed from one family generation to the next. In fact, this may be their most difficult task. Loving, giving

and forgiving are what tie family members together and are often the true basis for the family business' success. With a little luck and a lot of hard work our nation's economy will continue to be fueled by the family-owned business.

Dillard R. Borden, Jr. is the owner and president of Tri-City Electric Co., Inc. in Miami, Florida. Tri-City Electric is a second generation family-owned business, founded in 1946 by Borden's father, D. R. Borden, Sr., a returning World War II electrician's mate. Today, Tri-City Electric employs in key positions Borden's wife, his three sons, one daughter-in-law, two first cousins and six sets of mothers or fathers and their sons not related to the Borden family. Tri-City Electric has been a NECA member since 1963. D. R. Borden, Jr. has been affiliated with the South Florida Chapter of NECA since 1970. He has served the chapter as president and governor and has served on the NECA National Executive Committee, Codes and Standards Committee and on the President's Committee on Membership.