



Published: May 12, 2008 04:09 pm

INDUSTRY: Family-owned businesses often fail because of infighting

Gannett News Service

Bill and Ginny Meyer, a husband-and-wife team that owns Ginny's Gems in Howell, N.J., have worked together each day for the past 20 years and avoided disputes that spell doom for millions of family-owned businesses.

How have they managed to do that?

"Because I'm an angel," Ginny Meyer said with a laugh.

Sometimes, that's what it takes. Family-owned businesses make up a huge portion of the economy, but they come with a built-in conflict. When family life and workplace life collide, it can create so many problems that observers say family-owned businesses generally fail not because of economic issues, but because they can't resolve family turmoil.

"I've never seen a family business go out of business for a business reason," said Quentin J. Fleming, a University of Southern California professor and author of "Keep The Family Baggage Out of The Family Business." "I don't say it doesn't happen, but I've never seen it. Something else causes the business failure."

Family-owned companies account for 60 percent of the nation's employment, 78 percent of all new jobs and half of the nation's gross domestic product, according to researchers at Kennesaw State University in Georgia. They include Fortune 500 companies such as Ford Motor Co. and Anheuser-Busch Cos. Inc. and small mom-and-pop stores.

Thirty percent of them survive into the second generation, the researchers found. And the survivors said that it isn't without a unique set of struggles.

Hal Gunther owns Old Monmouth Candy Co., a Freehold, N.J., candy maker that was started in 1939 by Gunther's father-in-law, Warren Prest. Gunther's wife, Susan, and two of their six children, Steven and David, work at the family business.

Gunther has an emotional connection to the business that a typical CEO wouldn't have.

"I tend to feel a little guilty about (my sons) not making more money," said Gunther, 60. "David just had a baby, so you want to make sure they can earn more money."

The scenarios of what can go wrong with a family business are too many to count.

The owner's children may feel entitled to preferential treatment and spark resentment among the rest of the staff. The owner may be reluctant to give up control and leave his children ill prepared to take over. Family members may dig in their heels on everything from trivial matters to defining decisions. Family members' values may be at odds; one wants to leave a legacy, another wants to get rich.

Adding to the tension: Employees can't simply leave their dust-ups at work. The bad feelings can linger, making family dinners, birthday parties and vacations excruciating, experts said.

It means people who work for family-owned businesses need to communicate with each other and lean on outside advice to steer them in the right direction, said Kristi S. McMillan, director of the Cox Family Enterprise Center at Kennesaw State University.

"The biggest issue is communication, having clear guidelines and expectations and having policies in place for how to deal with any conflict or situations that arise before something arises," McMillan said.

When family-owned businesses do that, the payoff is significant, experts said. Families can create businesses that focus on long-term viability instead of short-term profits. Owners say they take a particular pride in keeping the business going.

The Meyers said they owe the longevity of Ginny's Gems to patience, tolerance and mutual respect.

Ginny Meyer, 61, started the jewelry store 30 years ago. Bill, 63, joined 10 years later, after he was laid off from his job as an electrical engineer. He added the engraving business.

She keeps to the storefront, interacting with customers. He spends most of his time in the workshop, engraving.

Since the business is thriving, they plan to keep working until they can't anymore. So they work nearly side by side, laughing and arguing, only to return the next day.

"The little nitpicking (things), you just forget about," Ginny Meyer said. "You have to choose the big things."