

Family businesses that beat the odds

Only a third of family-owned businesses make it to the second generation. Some local entrepreneurs have taken steps to make sure their families — and their businesses — survive and thrive.

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Arthur Morrissey, left, and his dad, Bill, of Morrissey Hospitality Cos. The downtown St. Paul company manages hotels and restaurants — including the St. Paul Hotel. "The number one killer of family businesses is family," said Bill Morrissey, 53. "Unfortunately, sometimes it kills both — it kills the business and the family." (John Doman, Pioneer Press)

When Christopher Schneeman graduated from college, he was determined not to follow his father and grandfather into the family business of selling property and casualty insurance.



Schneeman decided he would make his mark by selling health insurance, instead.

'Just to slide into the family business was really too easy a solution for me — I wanted to have my own thing,' Schneeman said.

After a few years on his own, Schneeman merged his health insurance agency back into the family business. And in December 2006, that business — SevenHills Benefit Partners in downtown St. Paul —

welcomed the fourth generation when 25-year-old Dan Schneeman joined the agency.

Such longevity is noteworthy, business consultants say, because family businesses often are doomed to a much shorter life as relationships among family members become strained.

The Schneemans think one of the keys to success is that each generation has space to go in a new direction. Dan Schneeman, for example, is focusing on selling health insurance to individuals, rather than the employer groups that have been the mainstay for the business.

Still, the numbers suggest that the Schneemans are unusual.

About 30 percent of family-owned businesses survive in the second generation, while just 12 percent are still viable in the third generation, said Joseph Astrachan, a business professor at Kennesaw State

University in Georgia. Only 3 percent of family businesses operate at the fourth-generation level and beyond, said Astrachan, who edits an academic journal called Family Business Review.

Astrachan estimates that family businesses account for more than \$5 trillion of the country's gross domestic product, and employ 62 percent of the U.S. work force.

"People still do not invest time making their families better, having the mystical belief that families are natural and need no care," Astrachan said. "Because of this, when people have disagreements or conflicts, they find it hard to agree about the business, hard to spend time together, and ultimately find ways of not staying together, which usually involves selling or closing the business."

Family businesses can fail for a variety of reasons, ranging from a poor business climate and a lack of talent within the family to plain old bad business decisions, said Tom Hubler, a family business consultant in Minneapolis. But in many cases, he said, there's just too much overlap between the family and the business.

In some businesses, entrepreneurial fathers pour heart and soul into the business, but neglect their parenting responsibilities, Hubler said. That can prompt adult children to go into the family business in search of recognition they didn't get at home, while fathers who are "playing the back nine," Hubler said, start expecting those children to provide validation for their sacrifices.

In family businesses where dad's the boss, Father's Day can provide a perfect chance to start addressing problems, Hubler said.

"Tension in the business relationship often results from the emotional deficit that accrued in the family between father and kids," Hubler wrote in a 2006 article on the subject. "Troubled father/son or father/daughter business relationships that make the news are often, I believe, directly related to what has or has not happened in the parent-child relationship."

Just down the hall from Christopher Schneeman's health insurance agency in the Landmark Towers, Bill Morrissey says he worries about the problems that can torpedo family businesses.

Morrissey's company — Morrissey Hospitality Cos. — manages the St. Paul Hotel and other hotels and restaurants in the Midwest. Two years ago, the company's 23-person headquarters operation welcomed into the business Arthur Morrissey, who now is 26 and works in marketing.

"The number one killer of family businesses is family," said Bill Morrissey, 53. "Unfortunately, sometimes it kills both — it kills the business and the family."

When Arthur Morrissey was growing up, he decided against a career in the hospitality business after watching the long and inconvenient hours his father had to work. People in the restaurant and hotel businesses work when everyone else plays, Bill Morrissey says, adding that a new hotel owner can throw away the keys after opening because the doors never close.

Rather than earning a degree in hotel and restaurant management, Arthur Morrissey studied psychology. And his first job out of school was working for a parking company.

But in time Arthur Morrissey found himself drawn back to his dad's business, which he knew from his work as a kid setting up banquet halls and serving as a gopher for bartenders.

"I think you get addicted to that energy of being in a restaurant and a hotel, and serving people and giving people those moments of sheer delight and memory," he said. "To come in at night or on a weekend or something like that — when you're excited about your job, and you feel a part of something, it doesn't matter anymore."

The hospitality industry has a number of family businesses, including widely known names like the Hiltons, the Marriotts and the Carlsons of Minnetonka-based Carlson Cos. But Bill Morrissey never intended for his company to become one — and he still isn't sure that it will.

"It wasn't like I said, 'Oh, come on, come on, I want to keep this in the family.' I don't want this to interfere with family," he said. "It's important that the executives above (Arthur) understand they have as much opportunity to gain ownership in the company as anybody with the same name."

Established family business operators say Morrissey's concerns are justified.

Joe Kueppers, a lawyer who is the third generation of attorneys in the law practice of Kueppers, Hackel & Kueppers PA, seconded the point about non-family executives. Through the years, the practice in downtown St. Paul has had a variety of partners and associates who aren't family members, said Kueppers, whose 75-year-old father still works five days a week.

"You want to keep competent, professional workers from outside the family in the group," he said.

Newport-based Bailey Nurseries has been in the family for four generations, and family members have worked hard to keep it that way, said Terri McEnaney, the current president of the wholesale business. Bailey Nurseries employs about 500 full-time workers, she said, with operations in Minnesota, Oregon and Washington.

Family businesses struggle with everything from keeping disagreements about the business behind closed doors — so as to present a unified front to employees — to balancing a founder's original vision with changes that come with new generations. And then there's the issue of maintaining some distance between work and home life.

"Our grandfather and our parents, they just had that strong work ethic and really put great effort into making the business succeed," McEnaney said. "But when they came home, it was all about family. When we had gatherings for Father's Day or Christmas, it wasn't about the business."

When Don and Mike Helgeson — the second and third generation owners of Gold'n Plump Poultry in St. Cloud — get together for Father's Day, it's always at least a little bit about business. But that's because chicken is the only meat that makes its way onto the family grill.

In a multi-generation business, elders sometimes struggle with letting go so that adult children have a chance to succeed and fail on their own. But Don Helgeson, 80, said his father set a pretty good example when he handed off the business in 1951.

"He told me, 'You can run it, but just don't come to me with problems,' " Don Helgeson said. "He couldn't see much opportunity for profit."

Now, Gold'n Plump Poultry has annual sales of about \$300 million and roughly 1,500 employees. Mike Helgeson, 57, now runs the company, which partners with nearly 300 family farmers in Minnesota and Wisconsin to provide chicken products to retail, deli and foodservice customers, primarily in the Midwest.

The shift from the second to the third generation at RSW Management has come with help from the University of St. Thomas. RSW is a Balsam Lake, Wis., company that has operated a resort since the 1950s, and also manages several agricultural businesses.

The university's family business program helped second-generation owner Ronald Ward develop a succession plan in 1994 to make sure the company would continue to be operated by a family member in the future.

Now, leadership is split among third-generation siblings, all of whom come together with their mother and father for weekly meetings to discuss the business.

"The disadvantage in a family business is that family members sometimes have poor relationships that tend to get in the way of their business success," said Ritch Sorenson, a professor of entrepreneurship at the University of St. Thomas. "But they have something that I call family capital. ... Just due to blood relationship and commitment you have extraordinary resources in a family business that you wouldn't in a non-family business.

"Your own parents, brothers and sisters will do things for you they won't do for anybody else."

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