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## *To Sell or Not to Sell?*

*It is a question that can tear families apart. But, if done right, it doesn't have to.*

BY RIVA RICHMOND

The toughest moment for the owners of a family business may be deciding whether to kiss it goodbye.

The decision often means weighing concerns about the livelihoods of family members, a departed parent's legacy and the emotional baggage that entails, or the family's very identity and sense of purpose. Some family members may want to invest and work hard to develop the business, while others may want to liquidate and relax. Older family members may want to defend their legacy, or perhaps let go and retire. Younger members may want to try their hand at running the show, or to cash out and invest the money elsewhere. The competing agendas can create significant strife, especially if many people and multiple generations are involved.

Yet, experts say, if a family is well prepared, is realistic about its options and gets the timing right, the process can produce a solution that works for everyone and ultimately may even enhance family harmony.

"For the owner of a family business, it's not just a financial asset, it's a heritage, it's a culture, it's status in the community," says Francois M. de Visscher, founder and president of family-business financial-services specialist de Visscher & Co., Greenwich, Conn. "The decision to sell is always a very difficult decision. And that decision needs to be reached on the basis of a sound evaluation of the alternatives, and has to be based on trust among the family members and information and communication."

While the impetus for a sale often comes from within the family, a growing number of families are likely to have this decision thrust on them. Globalization is driving companies to get bigger and more efficient to compete, fueling strategic buying sprees and industry

consolidation. Meanwhile, the private-equity industry is showing increased interest in family concerns, which often have the kind of untapped potential these firms look for and tend to have low-debt profiles that make for particularly attractive investments in today's tough credit environment.

### TIME TO SELL?

One crucial consideration for families thinking about selling is timing, experts on family businesses say. Would they get a better price if they spent some time sprucing up the business? Or is now the time to sell, problems or not, because a changing competitive landscape could erode their bargaining position over time?

Edward J. Carroll Jr. entertained calls for several years from Six Flags Inc. about selling the amusement park he ran with his two sons, Riverside Park in Agawam, Mass. He always said no, worried about putting his sons out of work. Besides, the park was in his blood; Mr. Carroll's father started it in 1940, and "56 years later we were still there selling family fun on summer nights," he says.

But by 1996, Six Flags had become a big power in the amusement business through acquisitions, and another threat to the Carrolls was emerging to the south: Foxwoods Resort Casino, founded 10 years earlier, was expanding aggressively. Mr. Carroll decided to talk to Six Flags, and sold within a couple of months.

"We were afraid if we didn't react to [Six Flags'] offer, they would build a park in the Northeast or partner with Foxwoods," he says. Riverside "was the source of my livelihood and my sons' livelihoods, and the first question is: Are you going to get enough in the sale so you don't have to worry about that? We were able to do it." Now his sons are happy in jobs with weekends off, and "I

just play golf," he says.

### BE PREPARED

Families are more likely to make a good decision about a sale if they're prepared to consider one, experts say. Having to quickly weigh the business's options and family members' conflicting desires only after a bid is received is harder and a bigger risk to family unity.

The Yanco family was tested by a surprise offer from Hess Corp. in 2002 for the four gas stations they owned as part of their Peabody, Mass., business. Glenn Yanco had approached Hess to ask about gasoline prices, thinking he might switch suppliers, when the overture came. He asked the advice of his father, then in semiretirement, who had started the business in 1969.

"He didn't want to break up a business that the family was in for so many years," Mr. Yanco says. But his father ultimately agreed that the business environment made a sale the right choice. The gas stations' profit margins were getting slimmer all the time amid rising gas prices and stiffening competition from big rivals with slicker, 24-hour stations. The two men broke the news to Mr. Yanco's three siblings, who also worked for the company. "They were shocked," he says. "There was a day or two when we didn't talk to each other maybe."

The family overcame that shock. Mr. Yanco's brothers now work elsewhere, and his sister oversees bookkeeping for the family's surviving business, Stadium Oil Heat Inc., which delivers heating oil and other products in a few dozen towns north of Boston.

But in a bigger company, with more family members involved, being unprepared for an offer can have a more lasting impact.

Mr. de Visscher, the adviser, recommends that larger family businesses set up governance structures to help man-

age the process of considering any offers. That structure might be a family council, with representatives from each branch, or a family-run office with a staff that oversees all family investments. Whatever the structure, he says, it should be separate from the company's board, whose goals may not be the same as those of the family.

"It's separating the business of the family from the family business," he says.

Of course, a sober look at a company's operations, including its strengths and weaknesses, opportunities and obstacles, is vital to making a wise decision on whether to sell a business. To keep that assessment objective, an outside adviser may be helpful.

At Fostoria Plumbing, Heating & Electrical Supply Co., in Fostoria, Ohio, disagreements over how to run the business had escalated into bitter arguments among six siblings who own the company. In an effort to end the discord, one of the siblings, Michael Reinhardt, head of operations, brought in a consulting firm, Strategic Business Partners LLC, of Arlington Heights, Ill., last year to study the company and make recommendations on how to proceed, including the possibility of selling the business. The idea was: "Let's see what someone else thinks of the business," says Elizabeth Cook, Mr. Reinhardt's sister and the company's financial chief. "Do we even have something worth selling?"

The consultants found the company was on the right track but in need of a slew of changes, including upgraded computer and accounting systems and more-advantageous purchasing agreements. Mr. Reinhardt, Ms. Cook and another sister wanted to hold on to the company and implement Strategic Business Partners' suggestions, Ms. Cook says. Three other sisters chose to sell their stakes to the company; that buyout is still being negotiated.

In this case, though, achieving a decision on the company's fate wasn't enough to keep the family together. Now focused on the same goal, "Mike and Marge and I are getting along great" and the business is getting stronger, says Ms. Cook. But "our sisters who have left the business won't talk to us." One of the three sisters who are selling their stakes declined to comment; the other two couldn't be reached.

#### TAKING THE INITIATIVE

There are still other options for families that want to step back from the business without getting out entirely, such

as finding a buyer, perhaps in private equity, that would keep family members on and agree to some continued family ownership. Ms. Cook says that's a route she and her siblings might go when they get older and want to slow down.

And if a family wants to make an exit but isn't comfortable with an initial suitor, it can enlist investment bankers or business brokers to try to drum up a buyer it can live with.

"At the end of the day, it's their company and it's their decision who to sell to," says Ross M. Posner, associate director of Allstate Investments LLC, the private-equity arm of Allstate Corp.

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