



Family Business – The Good, the Bad, and the Ugly

By Tom Ward (WG '82)

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Think members of your family have squabbles? Try running a business with them!

With Ken Shapiro moderating, he introduced a competent panel:

Mitchell Modell, CEO of fourth-generation Modell's

Richard Star, Director of Operations for fourth-generation Cliffstar

Fredda Herz Brown, Managing Partner of The Metropolitan Group, a consulting firm for family held businesses.

Richard Allen, Partner with de Visscher and Co., which advises and structures financings for such businesses.

Challenges:

Succession and the management of the



Mitchell Modell, Richard Star, Richard Allen and Fredda Herz Brown

PHOTOS BY TOM WARD

firm. As Mr. Allen noted, few family firms survive the third generation. Many firms fail to respond to change, or encounter family members lacking interest. Ms. Herz Brown emphasized the need to “create leaders for the future...[and] build on legacy,” while not letting family issues overwhelm the business. Establish a board of advisers from outside the family and the business — “one of the very best things we’ve ever done,” according to Mr. Modell.

Formulate entry and exit strategies for all managers, and enable non-family managers to participate in the success of the business. Mr. Star said he admired his father for both his entrepreneurship and for recognizing the need to step back and bring in outside management, which has helped their company grow. Mr. Allen suggested “take-out” provisions or phantom stock for long-tenured non-family

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managers – but acknowledged that not all problems were financial.

Politics of the Family Business

Mr. Modell believes “very clearly defined responsibilities” and avoiding “overlapping” is key, as is “mutual trust and respect.” Credibility can be a problem. Mr. Modell: “You say, ‘At what age do you become your own person?’ and you know what — there is no age.” All agreed that

working outside the business early in one’s career is essential. Mr. Modell concluded a fascinating panel — one that elicited spirited audience participation — with a lament that many entrepreneurial fathers, though not his own, “have a real problem letting go...my brother and I were really fortunate.” In a lot of companies, “the fathers don’t allow their kids...to run the business...The only way you grow is you make mistakes.”

One got the distinct sense that Mr. Modell — successful by any standard — knew well of what he spoke. ■

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