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**practical strategic thinking and action
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family business and a joke

An owner walks up to his son and says, "Son, I've been thinking, I'd like to give you half of this company. I'd like you to learn the business starting on the plant floor with production." Son says, "Dad, that's not really interesting to me." Father says, "OK, son, work in the office with me and learn finance, sales and marketing." Son replies, "That doesn't sound very appealing." The father, frustrated, then said, "Well, what do you suggest, son?" The son replies, "Why don't you just buy out my half?"

Former owner and now family business advisor Scott Wakeman, told this joke at our first *Owners Academy* session at last month's Exit Planning Exchange (XPX). At this event, owners were invited by XPX members to hear other business owners talk about their various experiences in owning, operating and exiting their own businesses.

Another former family business owner, and now investment banker Andy Crain, explained how his family was somewhat insular and less inclined than other companies to get good outside advice from a board of advisors. This is actually common with family businesses - to keep it 'inside' and figure it out without help from the 'outside'. Luckily, Andy is a smart guy and was able to lead the family business out of trouble, but some family businesses aren't so lucky.

Maybe not everyone would find Scott's joke to be that funny. But I think it proves the point that family business is such a unique and special entity. You can understand business, but that doesn't mean you understand the first thing about a family business - so maybe it's safer to consider this an inside joke.

a different approach

Part of what makes a family businesses unique could be that they simply have a different set of priorities. While many

companies place a high value on growth and current profits, family businesses consider other values of high importance. For example, many family businesses consider the value of the family business to the fiber of the family. This business can serve as a source of employment for family members and it can serve as a means of keeping the family connected.

This unique set of priorities can be very productive- allowing a company to really focus on building value for the long term. But it can also cause problems, especially if a skill set is missing within a family and they refuse to go outside for help. Family businesses also have unique challenges compared to traditional business - family tensions and dynamics have a way of spilling over into the business causing fissures and counterproductive behaviors.

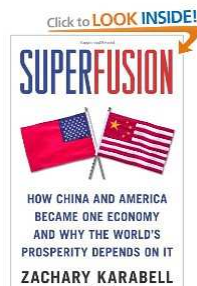
I've seen both the positive and negative sides of family businesses. In my opinion, the secret is to not pre-judge a family business based on "traditional" business practices. Rather, start with an open mind and take the time to understand the business, the family and then their relationship together. It is also vital that you are ready to confront the family when their behavior becomes a problem for the business.

This thinking requires specific training in issues facing family businesses -which is why we have included this in the curriculum at XPX. If it's done right, a family business has a lot to teach American business people who have lost the ability to think long term.

reading list

["Superfusion: How China and America Became One Economy and Why the World's Prosperity Depends on It"](#) by Zachary Karabell

For those who were not paying attention the last 20 years, the United States and China have become closely linked economically. Many companies re-located manufacturing operations to China to take advantage of lower labor costs.



So the U.S. is now deeply in hock to China (not to mention having lost an intellectual property advantage by sharing all the manufacturing knowledge with Chinese partners). Much of the economic growth in the U.S. in the 1990's was financed by China's purchases of U.S. issued debt. In this way, they raised the standard of middle class Chinese

with favored economic development zones.

Karabell traces the origins of this economic dependency with stores and examples. His original point of view regarding this interdependence does not offer solutions to the U.S. problem, but does provide an entertaining version of how we got here.

announcements

There is a very strong focus on intangible capital in **China**. So it's no surprise that we were asked to lead a discussion track at the [upcoming ICICKM conference in Hong Kong](#). My partner, Mary Adams, will be leading a number of discussions on IC as well as the wrap-up session on future practices. I'll be sure to include her reports on what she sees in next month's newsletter.



November 10th in New Haven, CT - Shifting Sands - How Families Transition through the Selling of a Business

This [breakfast meeting](#) will focus on the transitions that families undergo when they sell their businesses, the challenges they face and how they can prepare. Our panelists include Amelia Renkert-Thomas, Scott Wakeman and Gretchen Davidsen. Amy, Scott and Gretchen together will discuss the differences between running an operating business and a family office, or family investment vehicle, and how to effectively structure and manage a family office to maintain control.



November 16th in Philadelphia, PA- Exit Stories from the Trenches For this [breakfast meeting](#), we'll have the perspective of three seasoned advisors who have worked with hundreds of companies, and seen all types of situations and outcomes. They will share their memorable stories of successes and lessons learned. We will conclude with a summary of the biggest challenges faced by advisors in working with owners who want to sell.



Our panel consists of Matt Coyne, Brandywine Mergers & Acquisitions, a Philadelphia-area Mergers & Acquisitions Advisor, Ray Agran, from the firm Saul Ewing LLP, a Philadelphia-area lawyer with considerable M&A experience, and Jack Beauregard, Successful Transition Planning Institute from the Boston area, who has helped reluctant

owners get over their block and actually plan an exit.

December 9th in Wellesley, MA - Valuation in M&A

At this [breakfast meeting](#) at Babson College, Chris Mellen, author of [Valuation in M&A](#) will address issues in valuation facing selling owners.

Most owners and managers operate their businesses without ever knowing what their company is worth, how much more a strategic buyer would pay to acquire it, what factors affect



the company's stock value and whether they would be better off selling or exiting in some other fashion. This session will discuss the

metrics needed to maximize our clients' companies' value, how we can help them determine their return on investment in their company as part of their overall investment strategy and how value depends on the many exit options available to business owners.



Trek Consulting is proud to announce that our Trekking newsletter was named a 2009 Constant Contact All Star!

about trek consulting

Trek works with owner-managed businesses to develop and execute action plans for growth frequently by identifying, assessing and improving the intangible capital in a firm. Trek also works with the owners to prepare for their successful exit by coordinating the resources necessary to increase and preserve the firm's value, creating the succession plan and assembling the right transaction team, financing and post-transaction plan. Trek Consulting is one of the founding partners of the Exit Planning Exchange (XPX). Trek's principals co-authored [Intangible Capital: Putting Knowledge to Work for the 21st Century Organization](#).

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at www.trekconsulting.com or call us at 781.729.1008.



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