

**THE FAMILY BUSINESS HISTORY**  
**a catalyst to a successful succession plan**

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**WHY WRITE A FAMILY BUSINESS HISTORY?**

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Is a family business history relevant to family members only? We believe the answer to that question depends on why the family business history is written. If the history is produced for use in the succession planning process, it may be instrumental in planning for a successful transition to the next generation. The documented failure of successful transition to future family generations (on average only 4% of family businesses survive to the third generation), means that consultants must search for and use, with owners, better methods and tools in the succession planning process. Family business owners are searching for solutions in a very unpredictable business climate. Often, in the quest for bottom-line performance, costly, trendy interventions such as re-engineering and paradigm shifts are employed while the relatively straightforward cost-effective, family business history is overlooked. The family business history is the obvious rich source of information that potentially could lead to extraordinary insights and business solutions. In his book "A Passion for Excellence", Tom Peters reinforces the importance of business histories: "nothing feels more of what a Company really cares about than its stories and legends.....listening to a Company's stories is the surest route to determining its real priorities and what symbolizes them" (page 334).

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A family business history is an important document that should be written for many reasons - to reveal to today's generation the values of earlier generations, to inspire, to inform, as a source of pride for the family and employees of the business and most importantly as a diagnostic tool. Although there is very little guidance in the literature, we can analogize the concept to the use of a medical history by physicians. A business history, like a medical history, assesses current status as well as past experiences and places this information within a family context by which symptoms can be interpreted, conditions diagnosed and solutions developed. A family business history will provide information that can lead to insight about the current status of all aspects of the family business including family dynamics.

In this paper, we will initially explore some of the important aspects of a family business, the Foster-Creighton Company, to see how its written history influenced the business and the family. We will reveal some of the interesting commentary from the story of that business which illustrates the values of earlier generations, the culture of the Company and the pride of the family in the way successive generations have carried on the family business. In the next section of this paper, we will review the various types of business histories which owners might consider, who should write the family business history and how it is written. In the final section, we will describe how guidelines for writing a business history are developed and we will give examples of typical guidelines before concluding.

### **THE FOSTER-CREIGHTON STORY**

This is the story of a four-generation family business from

1885 to 1973 which was "proudly" written by Wilbur F. Creighton, Jr. at the time "he was honoured to head" the Company. The Foster-Creighton Company is a construction company located in Nashville, Tennessee, a company whose famous product is so ubiquitous, most of us are scarcely aware of it - the invention of Redi-Mix concrete.

The book begins with the early family history and chronicles the hardships faced by the founder of the business. It is interesting to read about the forming of the Company in 1885 by two partners who each agreed to invest \$500.00. The author's grandfather did not have his share of the initial partnership capital and had no idea where he would get it. The author proudly invites us into the family dining room to discover that the grandfather was married to a "very frugal wife" who had saved her teacher's salary before they were married and "one night at supper, Robert found the money under his dinner plate". What a fine example of conjugal co-operation and family support and obviously a very strong basis on which to start a family business.

The success of the partnership led to incorporation in 1907; it is inspiring to note the pride and respect accorded to directors and officers early in the 20th century. That respect was not lost as the Company prospered - an illustration of the early values which were maintained by succeeding generations. There is reference to the first directors being "an excellent team", to having come up the hard way in their respective fields and that under their leadership, the Company experienced tremendous growth. Quite an example for succeeding generations who might wish to sit back and enjoy the family wealth rather than devote their time to managing the family business.

Another inspirational aspect of the history concerned itself with how the directors dealt with a difference of opinion among themselves. Because the conflict could not be resolved, one director simply offered his stock to the other directors, one of whom acquired it. This genteel way of resolving problems permeates the dealings of directors and executives throughout the history of the Company.

The possibility of disunity was a constant concern to the Company and later in the history, this is illustrated in the Company's motto: "we fight against all dissensions". Again, in a reference to a co-venture business relationship, the author states that "in order to avoid any possible disunity, the leaders of both Companies mutually agreed that they would not offer a job to any of the other's key men, after completion of the job".

Business practices are illustrated in the contractual dealings of the Company over the years which culminated in the last sentence in the book: "Foster and Creighton is proud of the fact that throughout its long history, every contract has been completed without a single loss to any surety". Can you imagine the pressure on family members employed in the business to ensure that this proud string of completed contracts continued. This knowledge would be helpful not only to family but to non-family senior executives and consultants to the business as they would more easily recognize why, for example, family employed in the business might be reticent to back out of a bad business deal.

The inventive side of the Company is illustrated in the section of the history devoted to the development of "ready-mixed concrete" and the building of the first Redi-Mix concrete plant in the south. This gave the Company a competitive advantage over all

of the contractors in Nashville with the result that the Company "received most of the jobs awarded in Nashville during the 1930s".

There are two other aspects of the history that are particularly intriguing. One is how the Company used business techniques and relationships, learned in the course of construction work carried out for the United States government during the second World War, to obtain substantial government construction work during the Korean War. The value of maintenance of business relationships and future planning (to obtain private sector contracts after the war) is a constant theme throughout the history.

The second noteworthy aspect of the business history is the effort made to chronicle the relationship with the Company's banker and its consultants. It is interesting to note the president of the Company's bank was informed of the value of projects completed during the Company's fiscal year whereupon it was reported that the president of the bank:

"had no interest in the amount of business done; all that mattered to him was the amount of Company capital and surplus at the end of the year. His words made a profound impression on the Officers of the Company and since that date, the Company has been able to improve its financial position each year:"

We believe that The Foster-Creighton Story illustrates that a business history is extremely useful in the succession planning process. As well as being a diagnostic tool, it is also an assessment tool for the identification of critical success factors for the family business. For example, as a business history

unfolds it can help family members and consultants determine important core values, leadership and management styles, conflict resolution, decision-making processes and external relationships such as those with customers, professional advisors and business relationships. This can act as a template with which future generations can test current practice and decisions for the future in these domains.

If, in fact, writing a business history is worthwhile and is a useful tool in the succession planning process, the challenge rests with the consultant to convince the owners of the family business that writing a business history is an invaluable exercise regardless of the cost.

### **RE-LIVING AND WRITING THE LEGEND**

If you are a consultant to family owned businesses, you have challenging clients. The nature of their business brings an incredible amount of baggage that you must understand and carry to be able to give them the best advice possible. One of the ways you can hope to achieve this is by convincing the owners of the family business of the importance of writing their family/business history.

A particularly pertinent time to start such a project presents itself at the succession planning stage of a company's evolution. It is a time of reminiscence, but also of looking forward. What better way to understand a business than to properly research and document the history of both the family and the business.

One of the first steps is to sit down with the owner and

explore just how best his or her interests can be served by this exercise. For some, a few thoughtful pages written just by the owner will solidify what it is he or she wants to achieve. Especially if it is a small, young company with a short history, it may be sufficient to merely state the reasons for being in the particular business, how the business got to its current position, who the peripheral people are and how they are involved and where the owner hopes the company will be in a number of years.

However, writing a history of a larger, or older, or more involved enterprise is probably a much bigger job. If the owner is a writer and has the time, he or she might well like to research it and write it, but chances are this will not happen. Sometimes this is reason enough not to do it at all. In such cases, the consultant must take over.

#### WHO WILL WRITE THE HISTORY?

The consultant should ask if any member of the family is interested in the project and should be prepared to explain what is involved in the research, interviewing, writing and publishing of the story. An interested employee could do the job as well. If no "in house" person is appropriate or available, it is the consultant's job to find someone who can write it. Perhaps the consulting firm has people on staff who could handle it. Failing that, the consultant could suggest a local librarian or historian. Alternatively, one might propose a professional writer who specializes in family business histories or who knows something about the particular business.

A professional writer should be skilled in making an interviewee feel comfortable and encouraging him or her to be

candid and to give a complete picture of his or her place in the organization, the reason for being there, how he or she feels about it and views as to what should and will happen in the future. A discrete, non-judgmental but observant and skilful writer will know how to respect confidentiality, create a trusting relationship and deal with delicate situations.

#### OFF THE RECORD

The issues of anonymity and confidentiality are huge and in many cases represent the largest stumbling blocks to obtaining a family history. The importance of this information cannot be underestimated. How can you properly advise a client if you are not made aware of the hidden agendas, the secret love/hate relationships, the unspoken hostilities, rivalries, and fears?

One answer might be as simple as recording (printing, typing, writing) this information on different coloured paper and explaining that the integrity of these pages will be strictly guarded. As a consultant, you need to know the deepest, most hurtful "wounds" of the family and of the company in order to apply the proper "dressing." This is the type of information that you will never see in a financial report, although the "bottom line" might be very affected by it and vulnerable to it.

#### DEPTH OF HISTORY

After the decision has been made who is going to write the business history, there are many questions to be answered. How extensive should it be? How big a circle of information does the owner want included? Is it the story of the immediate family today or does it go back into the past? If so, how far? To what

extent are employees expected to give their input? What about customers? Is it a purely factual piece or is there room for people's opinions? How long will it be?

In the process of answering these questions, the original concept might change many times. In the case of Llewellyn Smith, of the E.D. Smith company, he started out with the intent of documenting his family's history for his children. When he realized the wealth of information and the powerful stories his ancestors had to tell, he became intrigued with them and wanted to know more about them. Above all, he wanted to understand their visions. The original thought of a 20-page pamphlet turned into a 270 page book called *The House That Jam Built*. He chose an independent, professional writer who knew something about family businesses because he knew it was too big a job for him alone. Mr. Smith came away with the information from the family's and company's archives consolidated in one place in the form of a book he could pass on to his children, his employees and his customers.

Mr. Smith was astounded at the extent to which situations existing when the book was written paralleled those of years ago. The similarities between himself and his great-grandfather, E.D. Smith, gave him a feeling of reliving some of the same problems but with a mentor, an adviser from his past to help give him direction for the future. Above all, it put him in the right mind set to work on and complete his succession plans, confident that he had a good understanding of the direction of the company.

#### INTERVIEWING TECHNIQUES

In most cases, it is imperative to have the approval of the

owner before approaching any individual to ask for an interview. It is helpful to have the owner write a "to whom it may concern" letter, giving the writer permission to interview those specified in the letter. The owner will decide if it is a "carte blanche" situation or the owner may limit the number of interviews by stipulating the names or positions of those to be questioned. In any case, before starting an interview, the letter should be shown to, and perhaps signed by, the interviewee to keep it all above board.

Interviews can take place on a one-to-one basis, in person or by phone, with or without a tape recorder or video camera. Use what is most efficient and comfortable for both the writer and the interviewee. Many older people become nervous or suspicious when they see a tape recorder and even more so with a camera. Be sure to take very careful notes and ask if the interviewee would like to see the transcripts of the interview to check for accuracy and give general approval. If the interview is recorded over the phone, the first thing the interviewer should state is that the conversation is being recorded and obtain the taped approval of the fact.

Joint interviews with two or more persons not only give information but also impart an attitude pertinent to the group. An assembly of retired old-timers reminiscing about their days at the plant, for instance, provides wonderful insight into the way things used to be and acts as a bridge to the way things are today. Properly documented, such an interview can be invaluable as a means of recording colourful stories, significant events and vivid impressions. In a group interview, the dynamics of the individuals come across, as does the energy of the group in the manner in which the group relates to the company and the family.

Rather than be interviewed, some people would prefer to write out what they want known and submit it as their information. This is a good source not to be overlooked.

#### PERTINENT HARD FACTS

The writer should be acquainted with local and world history as it relates to the company. What is the economic condition of the company relative to the rest of the world? A simple timeline is a good way of placing the family and business in their proper historical context. Some of this is learned through interviews and some through research.

The physical data of the company should be included. How many employees, how many square feet of space, how much revenue generated annually, percentage increase or decrease in sales; in other words, all the numbers the owner is prepared to make public. This can be a sensitive issue. Some companies are very private about some facts and figures and this privacy must be respected, although one hopes not to the detriment of the understanding of the history.

#### MORE THAN JUST TEXT

Encourage all to assemble letters, photographs, newspaper clippings, trophies, plaques and anything else that will paint a picture of the beginnings and the development of both the family and the business. Perhaps this is the time to create the company archives, if it has not already been started.

#### WRITER AS INTERPRETER

Armed with all this information, the writer can then use it to "illuminate the power relations that define the family business systems" (Marion McCollom, "Organizational Stories in a Family-Owned Business, p. 6) This is a complex association, as noted by Marion McCollom:

The concerns reflected by story morals give some insight into the differences between the worlds of family members and employees.....Family stories appeared to reflect the concerns of their narrators as owners of the business--securing property, taking risks, and managing difficult employees. Employees expressed frustration with management practices, customers, and co-workers but also described a world in which connections with colleagues and family members in the business were strong. Thus, the stories of the two groups, perhaps predictable, reflected their different roles in the family business system. (p. 16)

#### MORE THAN JUST STORIES

Nowadays, not many family members sit around the campfire to listen to grandma telling stories about "the good ol' days," "the way things used to be." But they should.

How else would the grandchildren of Fred Tregunno, who owned the Halifax Seed Company since the mid 1920s, ever have learned how he solved his problem of how to distribute his seed packets, unless the story was passed down. His answer was to ask the local

milk delivery drivers to deliver the seeds for him in exchange for a free beer.

Why is this important? To the family, as well as to the consultant, it reaffirms that the company did not achieve its current status by chance. Perhaps this piece of information would inspire a reminiscent type advertising campaign and perhaps it would give a struggling adviser an innovative suggestion for today's distribution. It might also suggest to the accounting consultant ways of saving money.

We believe strongly that by learning from the families' history, consultants are in a better position to understand what makes the company "tick" and how best to use this information to plan the future. Tom Peters gives good advice when he says:

Care about the stories you hear and treat them as the crucial company heartbeats they are. In fact, the drift of stories over time is arguably the single best measure of corporate vitality. (Tom Peters, A Passion For Excellence, p 280)

What story could prove this better than the following:

In 1972, Ernest Llewellyn Gibson Smith (president of E.D. Smith at the time) threw out the time clocks. He had seen men lining up at them and said, "I decided I didn't like the idea. It seemed a degrading custom. If I can't trust my people, I don't want to be in business." (The House That Jam Built, p. 189)

## THE PITFALLS OF AN ORGANIZATION'S SHORT MEMORY

In a perfect world, the consultant would be all-knowing and all-seeing. Every discussion heard would be padded with total understanding of every issue pertaining to the conversation and he or she could advise from a pedestal of total knowledge. This is not the case in the real world.

There are many reasons why the past gets lost in the shuffle of time. In this information age, it is all too easy to feel overwhelmed with material to read and learn! Basically, we are too busy to assimilate any more knowledge. But,

We need ways of sorting through the infinite minutiae out there, and we start with heuristics--associations, analogues, metaphors, and ways that have worked for us before. (Tom Peters, In Search of Excellence, p 63)

Mr. Peters also states:

Important strategic business assumptions (e.g. a control versus a risk-taking bias) are buried deep.....whose origins have long been obscured by time. (In Search of Excellence, p. 6).

Information is conveniently lost or forgotten by those who have a skeleton in the closet. Although it is true some stories need never come to light, others might definitely influence future

generations if an understanding was known as to why things happened the way they did. For example, a very successful machinery agency company in Toronto, Canada experienced several very serious, strange financial setbacks. It was not until the son took over the agency that he learned the well-liked accountant had been an alcoholic and made some terrible mistakes. He had been quietly let go and no one had said a thing. The family business suffered in its attempt to help the accountant to avoid disgrace. That is how the owner chose to deal with the situation. Any consultant to this business should know that story. Why? Because one company's approach for dealing with a situation can be very different from that of another company and it is this difference that defines the "soul" of the company. It makes one organization different from another.

Another reason information and history are not passed on is simply because a company may have grown so fast that no-one has been around long enough to know the whole story. It can lead to the need for every decision to be re-invented every time. Stephen Michael Peter Thomas, in his book *The Book That's Sweeping America* says:

This tendency to want to forget can severely hinder a company's ability to grow, change and learn. (p. 66-67)

#### THE ULTIMATE COMMUNICATION

What better service could you offer your client than that of improving his or her communication with co-workers, family, and customers. Solidifying the family business history in writing does just that.

## **GUIDELINES FOR WRITING A FAMILY BUSINESS HISTORY AND CONCLUSION**

Writing the family business history will help solve the problem of how to introduce the topic of succession that some owners/founders do not know how to handle. Just discussing the family history will force the issue of succession. When the owner says, "I'll wait until the kids are ready and come to me to talk about it," chances are the kids are "waiting for dad to bring up the subject." It has been said by some owners that discussing succession is like planning one's own funeral. However, if the process starts with the writing of a business and family history, it seems more like a beginning. Winston Churchill proved it when he said, "The further backward you look, the further forward you can see." There is no doubt in the value of such an exercise, especially if it is the catalyst that starts the succession planning process.

We believe the development and implementation of a succession plan for a family business is a process which may be a work-in-progress that continues for many years. By commencing the process with the writing of a family business history, the owner will more likely accept the fact that a succession plan is not a one-time job to be completed by a consultant in isolation. Discussions surrounding the history of a family business and the writing of a business history should illustrate to the owner that a succession plan involves teamwork among family members and varied consultants retained to provide counsel in the process of developing the succession plan. It should also reinforce among family members that their family business succession plan will be unique to them just as their family business system is unique. One of the goals of writing a family business history, no matter how short or how

long it may be, is to excite the owners and family and ensure they will buy into the process of succession planning.

We referred earlier in this paper to a family business history acting as a template for future generations to test current practice and decisions for the future. We believe it is also a template for the succession planning process and, accordingly, guidelines should be developed before the writing of the business history commences. This means the consultant should have input into the creation of the guidelines after discussion with the owners. Generally speaking, the guidelines should reflect the family business system, the nature of the business and the goals the owners hope to achieve in the succession planning process. For example, if several children and perhaps other relatives are employed in the family business and one of the goals of the succession planning process is to determine an "heir apparent", guidelines for writing the business history should include the eliciting of information on how family members were brought into the business in the past, how their careers were managed and how choices in business leadership and ownership succession were made. The guidelines for writing a business history can be divided into two broad categories: firstly, the history of the business from inception to the present and secondly, a profile of the family business as it presently exists.

The history from inception to the present could include a description of past products, from initial products to new products and divestment of products. It could also include reference to past resources such as research, special equipment and business locations and to important human resources such as family involvement, key employees, consultants and advisers and important business relationships. Other areas of consideration

could be past business tools. These would incorporate changes in the company's mission, linkages and networking relationships and competitive posture. Significant business changes over the years are important to an understanding of the changing culture of the family business. These would include strategic alignments, sales of assets, divisions and product lines, business expansion and acquisitions and mergers. Finally, the financial history of the business will provide an understanding of the sources of private and institutional capital and the efforts made by the business and family owners to raise capital.

The present business profile could include a current description of many of the categories described above. However, we believe the description of present human resources should include detailed information about non-family key employees, consultants, directors and advisers. Also, more effort should be devoted to describing family participation in the business, internal and external family conflicts and family business policies, such as career counselling, annual reviews and promotions and demotions. This could reveal how differences among family members are resolved, how important family decisions are made and whether spousal relationships are supportive and harmonious. Present ownership is also a key component of the present business profile. This category would include trust agreements, buy-sell arrangements and related business and shareholder interests and concerns.

We believe these are just some of the areas which a business history could include. They highlight our thesis that if the family business history is to be a useful tool in the succession planning process, the guidelines for writing the history must be established after discussion with the owners. This will ensure

the history is relevant and will provide information necessary for a productive, relevant planning process. Better historical information and better succession planning should substantially contribute to enhanced prospects for a successful transition of the family business to future generations.

*Editor's Note:* The next part of the "Estates and Trusts Journal" will continue our series on succession planning with an article on valuing the family business for succession planning purposes. The authors will focus on the dilemma of choosing between maximizing value realized through a third party sale and maintaining the continuity of family ownership through an internal sale or transfer. Other issues covered will include the developmental stage of a business and its markets (i.e. developing vs. mature vs. declining) and how they affect value.

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