

The Outstanding Outsider and the Fumbling Family

by Thomas Teal and Geraldine E. Willigan

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In 1945, after four years in the navy, Paul Ballisarian came home to a suburb of Chicago, married his childhood sweetheart, and joined his father in the family butcher shop. Paul was an energetic young man, and when his father retired several years later, he transformed the business from a retail shop into a meat wholesaler.

The wholesaling business grew steadily as Paul developed personal relationships with a growing list of fine restaurants that counted on Ballisarian Beef for a dependable supply of superior meats. Paul was in his element. He liked doing business on the basis of friendship and quality, and he enjoyed his role as a local church, community, and business leader. He made an excellent income, and he and his wife, Jeanette, were happily married and had two children, Gregory and Katherine.

Paul hoped that one day Gregory would help him run the company and eventually take over. Then in 1965, when Katherine was 16 and Gregory still only 12, Paul hired Mike Post, with a B.S. in business administration, as his second-in-command. The business had become too much for one person to handle, though with Mike's drive and energy, it was not enough for two. Mike began looking for new ways to expand.

He started by selling meat to hotels and fast-food chains, markets Paul had always avoided. Then he began to wholesale frozen Argentine beef, and gradually he moved into other food products—prepared foods, cheese, and fish. By the mid-1970s, he had established Ballisarian Beef in areas far beyond the scope of Paul's original expansion, and by 1980, his ventures accounted for more than half of company revenues.

Paul, who did business with his friends and made friends of all his customers, saw Mike's aggressive acquisition of new markets as peripheral to the core business of restaurant meat supply, but despite their differences in age and outlook, Paul and Mike worked together well. They handled customer relations separately but shared the important investment and personnel decisions.

Paul paid Mike a handsome salary and, at Mike's urging, incorporated Ballisarian Beef and allowed Mike to acquire 20% of the stock. At the same time, Paul gave 10% of the stock to each of his children.

Mike was a friend of the family. Gregory saw him almost as an older brother, and Katherine and Bonnie, Mike's wife, only two years apart in age, were like sisters.

In 1975, fresh out of college, Gregory came into the business as expected. Gregory learned everything from meat cutting to accounting and showed himself to be his father's son—hardworking, affable, a good friend to his customers and a light in the community. He took over some of his father's accounts and landed a number of his own, but he spent most of his time in the office or the warehouse, where he knew nearly everyone by name. If the meat cutters or the accountants had a problem, they went to Gregory instead of his father.

Mike continued the expansion of wholesale food supply. Supermarkets were his latest target, first the independents and then a couple of chains not yet big enough to cut all their own meat and supply their own delicatessen departments. By the late 1980s, Ballisarian Beef had a staff of 47, a modern processing facility, revenues of \$23 million, a profit margin of 4%—and a life-threatening problem of succession and control.

Scene: The Ballisarian dining room. Jeanette Ballisarian, her white-blond hair pinned back, sits at the head of the table with her two children on either side. Gregory is now in his mid-thirties, slightly balding but athletic, fashionably dressed, and handsome. Katherine, his older sister, is an independent, cheerful, 40-year-old divorcee with strong opinions about almost everything. Dinner is over.

Katherine (putting down her coffee cup): You know, Greg, I can't believe you didn't see this coming.

Gregory: Oh come on, Katherine, he's been with the company 24 years! He owns 20% of the business and manages a bigger piece than that. He's never seemed dissatisfied. Why should I have seen it coming?

Katherine: Because we're all getting older, that's why. He may have been willing to work for Dad all these years while he was young, but he's smart and aggressive and experienced and, most of all, he's 46. And he's ready for something more. I understand it all too well.

Jeanette: Understand what, Katherine? What has Mike done?

Gregory: Well, Mother, Mike's been having delusions of grandeur. On Monday he presented Dad with a formal business proposal that amounts to lunacy. He wants us to spin off his side of the business and form a separate company—and give him half.

Jeanette: Why ever would he do such a thing?

Gregory: It's a mystery to me. He's not a Ballisarian. And surprise, surprise, this is a family business.

Jeanette: Gregory dear, it's still your father's business, and if Mike is having any kind of problem, your father will handle it.

Katherine: No, Mother, I'm afraid the problem is more serious than that. I don't think Dad *will* handle it. Dad wants everything to stay the way it is, the way it's been. At least I think he does. You know he won't talk about the future. But if he doesn't take Mike seriously, we're going to lose half of what we've got. Half? Two-thirds is more like it. Mother, like it or not, the truth is that Ballisarian Beef is Mike Post's business.

Jeanette: Katherine, I'm really amazed! Mike is your father's employee.

Gregory: For heaven's sake, Katherine, you're letting your friendship with Bonnie get the better of your common sense.

Katherine: And you're kidding yourself, Greg. How much of your profit comes from restaurants? 30%?

Gregory: More like 60%. And growing.

Katherine (wagging her finger at him): Careful, Greggie, I can see your nose getting longer. Look, Greg, I'm sorry if it hurts your feelings, but you forget that I've seen the books. Half of that 60% from restaurants is all the products—and all the hotels and the restaurant chains—that Mike is responsible for. He's a go-getter, Greg. Meat alone to the restaurants you handle isn't more than a third of the business. You know that's true.

Gregory: What I know is that we've been incredibly generous with Mike, and we've given him opportunities he wouldn't have had anywhere else—and suddenly he wants us to hand him half the business. It makes me mad.

Katherine: Of course it does, Greg. You've been jealous of Mike ever since you went to work for Dad. But the fact is, Mike made his own success. His proposal isn't the least bit lunatic. He's earned it, and he'd make us all a lot of money. And if he doesn't get it—or something like it—he's going to leave. Why shouldn't he? And who'll run the company then?

Gregory: Katherine, Mike doesn't run the company. He does some seat-of-the-pants managing, but he doesn't make strategy. I do the thinking and planning. But most important, I'm the one who's been making sure we fill the orders and pay the bills and maintain our reputation.

People buy from us because they know we're dependable and we have the highest possible quality at excellent prices and on terms that none of those people could match anywhere else. We're a family doing business with other families. They'd cut off their arms before they'd buy from someone else, and with good reason. We've helped them through crises, we've carried them in bad times, we've never compromised on quality or held their feet to the fire on price or let them down on a holiday weekend or any other time. Why do you think Mike does so well? You think he has some special magic with his big-time customers? He doesn't even know half their names! We make him look good because we have a reputation and we live up to it. We, Katherine. The Ballisarians. Dad and then me and then maybe my sons.

Katherine: I hate to break it to you, Greg, but if you take over, Mike's going to leave for sure. He couldn't work for you. You're like his little brother. And if Dad doesn't do something for Mike now, Mike's going to leave in a matter of months. And we can't afford it.

Gregory: Do something for him? Dad gives him more freedom than anyone else in the company—including me—and we've made him a part owner. Katherine, you've always got a lot to say about what we're doing wrong, but where have *you* been for the last 14 years? I didn't see you at the office every day.

Katherine: Oh come on, Greg, you wouldn't give me an office if I wanted it. All *your* precious Ballisarians are males.

Gregory: Really, Katherine, what do you know about the way this business is run?

Katherine: How much do I need to know? You say Mike doesn't make strategy. But I'll tell you what he does make—money. And if that's not more important than strategy, I'll eat my hat. You say we make him look good, but you read the financials; he makes us look good too.

Gregory: Now you're just talking dividends.

Katherine: You bet I am.

Jeanette: Gregory and Katherine, you're forgetting yourselves. Your father owns this company and runs it, and he doesn't need your help. Not yet. Not for a long time. To hear you talk, you'd think he was already in his grave. He's only in Omaha.

Katherine: I'm sorry, Mother, but Dad doesn't run the company the way he used to. He doesn't have the energy for it. He isn't in Omaha trying to land some big account. He's socializing with his friends.

Jeanette: Sometimes I think he has more energy than he ever did. And you know what he says? He says that going to work every morning is what keeps him young. Leaving the business would kill him.

Katherine: Mother, believe me, Greg and I love and respect Dad. But the business is facing a crisis, and Dad simply won't talk about it. We have got to talk plain English if we're going to survive.

Gregory: What do you mean, survive? Don't be melodramatic.

Katherine: Greg, I happen to know that an investment group—including two customers—has offered to back Mike in his own wholesaling operation. They want him to have total control of the business, and they're talking about structuring the deal so he can eventually buy them out.

Now I'm not sure Mike wants us to know that, but we do. Bonnie told me. All Mike wants us to know is in the proposal he gave Dad. And you know what that proposal tells us?

Gregory: It tells us he wants half the company.

Katherine: It tells us he doesn't want to leave. He wants to stay with Ballisarian Beef. But he's 46 years old, and he doesn't want to end his days as some kind of junior clerk. The question is, why do we want to *force* him to leave?

Gregory: You mean we should give him what he wants?

Katherine: I never said that. I said it was a reasonable request. It would keep him and his customers inside the company. It would give him a bigger share of the profits, of course, but the way he expands he'd make that up in a couple of years.

Gregory: And by then he'll have us in soft drinks and ski clothes.

Katherine: Well, I've got a better way out—for everybody. There are only three points that matter.

Number one: Unless we're willing to give Mike some measure of control—a bigger share of the company, autonomy in his own area of the business, control of some kind—he's going to leave us. And he's going to take his customers with him.

Number two: Unless Dad steps down or gives up a good part of his control, we can't accommodate Mike, and you, Greg, will perish of frustration, and the business is going to get set in its ways and die of paralysis. We must have been the last company east of the Rockies to get computers.

Number three...

Gregory (sarcastically): Yes, I can hardly wait for number three.

Katherine: Number three: I think the time has come to professionalize this company. I think we should make Mike CEO.

Gregory (rising involuntarily to his feet): You've lost your mind!

Katherine: Oh, sit down and listen to me. It makes sense. What Mike really *wants* is to be CEO. He'll settle for being head of his own separate division, he'd probably settle for more stock, but making him CEO is better for all of us. I mean it. We've given away too much stock already. And making him head of his own division is a setup. It carves out a unit that Mike can walk away with anytime he wants.

As for booting him out the door, well, that would be completely idiotic. No. The way to hold on to this company *and* its profits is to make Mike CEO. You can be president, Greg, and chairman of the board after Dad retires. It makes perfect sense.

Gregory: Dad didn't build this company so his grandchildren could work for Mike's kids.

Jeanette: If Michael is making the demands you say he is, we should ask him to leave. I can't believe he could be so ungrateful.

Katherine: Mother, Mike is the one who puts the food on this table. And pays for the house in Florida and the condo in Hawaii and the trips to Europe and the furs and the jewelry. Mother, Mike brings in 70 cents of every dollar you and Dad spend. Dad knows that. Maybe that's why he won't even discuss the question of who's going to take over.

Gregory: Katherine, those hotels and supermarkets that Mike went out and got are doing business with Ballisarian Beef, not just with Mike. It makes me mad that you think Mike can walk away with any customer he wants. Sure, I'd prefer that Mike stayed on. I'd be terribly sorry to see him go. But if Mike's departure cost us even 20% of our profits, I'd be surprised.

Katherine: Aren't you forgetting that if Mike leaves, we have to buy back his stock? At 20% over book—isn't that what the agreement says? Borrow that much money, and the debt service alone is going to eat so far into profits you'll have to give up the country club. So you're right. You'll be terribly sorry to see him go. Dad may not want to give up control, but he's not foolish enough to let Mike get away.

Gregory: If the stock is all you're worried about, you just leave that to me. With the kind of slow, steady growth our business and our name depend on, the worst that can happen is a couple of lean years. But we can certainly survive—and prosper—without Mike. I'm a professional manager too, you know. I'm conservative, I stick to a core business, and I cultivate my customers the way Dad always has. But I also understand money, I understand risk, and I understand Ballisarian Beef.

As for Dad, well, we'll see just how far he's willing to go for Mike.

Jeanette: Indeed we will. I'm just glad your father isn't here now. This conversation would break his heart.

Who Should Do What?

John A. Welsh is retired director of Southern Methodist University's Caruth Institute of Owner-Managed Business, which he started in 1970, and the founder of Flow Laboratories, Inc.

Dear Katherine,

The situation at Ballisarian Beef is a tragic drama that has been reenacted thousands of times in every culture since before the Babylonian camel traders built their city into a commercial center.

The final scene, with only rare exception, is predictable. Paul Ballisarian, old, bitter, and broke, is unable to comprehend the motives of the bright young man he trained, trusted, and brought into his family—and gave an even bigger share of the company than he gave his own son. Neither can he fathom the bitter quarrel between his children.

Ironically, Katherine, you are simultaneously a principal in the drama, a part of the audience, and one of the victims of the tragedy. From that unique position, you may be the only person who can alter the course of events and make the final curtain one of those rare exceptions.

Your father is faced with the most intractable dilemma of his lifetime. It is not the business decision but the emotional one that seems so insurmountable. If he accepts Mike's proposal, what can he offer his son Gregory that will be comparable or better? How will he explain to his

cronies that he gave away 50% of such an important part of his life's work? How can he convince your mother and Gregory that Mike is not just greedy and ungrateful?

Perhaps your father could find a commendable reason for agreeing with Mike's proposal. Suppose he saw the possibility of avoiding a major tax burden on his son and daughter by making gifts to them each year starting right now. I don't know what the net worth of Ballisarian Beef is, nor the fair market value as a going business. But breaking it into two pieces and selling half of one piece to Mike Post at the low price Mike would find attractive might justify your father's giving his children a large part of the remaining half at a low valuation for tax purposes.

It seems unwise to make Gregory a large minority stockholder in Mike's company since Gregory will someday become the manager of Ballisarian Beef. He and Mike will likely disagree on the management of Mike's company. Your father could claim to foresee this possible conflict and resolve it by giving you an interest in Mike's company while giving Gregory proportionately more interest in Ballisarian Beef. Mr. Ballisarian could tell his cronies that he trained and guided Mike and successfully launched him in his own business. Now he is doing the same thing for his son.

There is one thing I would ask of you, Katherine. Do not ever again mention where the profits of Ballisarian Beef come from. Just think what your father and brother are hearing when you say Mike generates most of the business and the profits. You impugn your father's success. He is a proud man and has every right to be. He took over his father's butcher shop and built it into a \$27 million a year wholesaler. Of course, he had help—and maybe more help than he can ever admit—but he is Mr. Ballisarian of Ballisarian Beef, the successful son of a humble butcher.

The numbers you want to present to your father are the inheritance tax numbers. If anything should happen to him, heaven forbid, it's his family who will have to pay the big taxes. Mike won't have that problem, because he is only a stockholder. With the company making 4% on the bottom line from \$27 million in sales, that puts earnings at more than a million dollars. If a price-earnings ratio of five to ten can be applied to Ballisarian stock, your father's 60% ownership could imply inheritance taxes on \$3 million to \$6 million.

The company probably has a lawyer or accountant your father likes and trusts. That person is the most likely to succeed in getting your father to listen to the facts and to at least consider the suggested solution. Perhaps you could talk to that person to initiate the discussion. You should then step back and allow your father to display his wisdom.

These suggestions will not be easy to execute, but you have to try something. You must do it right away and without emotion. Let the IRS and your father's love for you take care of the emotion.

Katherine, I must tell you that had Mike Post asked for my advice, I would tell him that his proposal to your father displays his great respect and affection for Paul Ballisarian. In my opinion, however, Mike should end the relationship as quickly as possible and get on with starting his own business. Mike has no future with Ballisarian Beef.

I cannot help but wonder if Mike knows his proposal will be rejected and offers it only to salve his conscience when doing what he really wants to do—own and manage his own business. In my opinion, making Mike CEO of Ballisarian Beef will not satisfy him, and it will make Gregory's position untenable.

With that in mind and assuming your father agrees to divide the company, you might make an agreement with Mike that he can buy the stock you will receive from your father on terms equal to those available from Mike's new investors. That would make the Ballisarian deal as good as the one available from the new investors while giving Mike an existing customer base.

No doubt Mike will take some Ballisarian customers with him when he opens his business. Beyond that, he will find that Gregory was correct. Customers deal with Ballisarian Beef, not Mike Post.

If you find yourself the proud owner of stock in Mike's company with an agreement for Mike to purchase your stock over time, find yourself an investment adviser you can trust. You will want to reinvest the proceeds from stock sales in a diversified portfolio that provides current income and growth in principal over the long term. In years to come, you will want to be financially independent of the family.

The part of the company that Gregory receives may never grow to \$27 million in sales. Gregory seems to be a chip off the old block who will manage much like his father did. But he too may find a bright young person to help him run the business. We may all be pleasantly surprised when Gregory gets to be his own boss.

Sincerely,

John

Joseph A. Baute is the chairman and CEO of the Markem Corporation in Keene, New Hampshire.

Dear Mike,

Thanks for describing your proposal to Paul Ballisarian. As a non-family CEO in a family business, I had many strong reactions, and I'd like to offer you some fairly blunt but, believe me, heartfelt advice.

In a nutshell, Mike, I suggest you withdraw that proposal as quickly as you can and then—putting yourself in the Ballisarians' shoes—rethink it step-by-step.

The proposal you've given them is essentially a loss for them and a loss for you as well. It threatens their control and their future prosperity. It does nothing to promote Paul's dream of seeing his son eventually run Ballisarian Beef. It ignores Gregory's present frustration and his need for broader experience and helpful coaching. It weakens your own position by undermining the commitment you've demonstrated so well in 24 years of outstanding performance. Mike, even if they agreed to your proposal, my guess is that the tensions created by the new business would ultimately cause a break between you and the Ballisarians, bring about your departure, and lead to a period of economic difficulty for all of you. I can't believe this is how you'd want to end the productive relationship you've had with this family all these years.

I'm convinced there is a win-win proposal you can make instead by picking up the leadership opportunity posed by Paul's succession dilemma. Obviously, he doesn't want to retire completely. He founded the business and loves what he does.

In his heart of hearts, Paul probably knows Gregory is not yet ready for the top management job. But Paul needs help to chart a course that gives Gregory the breadth and experience he needs without diminishing your responsibilities, interest, and performance. My guess is that he doesn't know how to make the critical decisions affecting the business and the lives of those important to it.

You hold the key, Mike. Paul must see you almost as a son, must feel great pride in what you and he have accomplished together. With his 60% interest, he could always have done whatever he wanted, but he has focused his efforts on his restaurant niche and left the newer growth segments and the overall performance responsibility to you. Why not talk to Paul? Sit down with him, reaffirm your commitment by telling him you mean to invest yourself fully in the continuing success of Ballisarian Beef, and offer the following suggestions:

Begin by recognizing Gregory's need for more experience and responsibility. Suggest that he assume some of your accounts and, if Paul is willing, some of his. This would give you an opportunity to play a greater coaching role with Gregory and to spend more of your time on other ventures that further build the business. You and Paul can agree on whom to promote from within the organization to fill Gregory's current job.

The next logical step in this discussion should be to clarify Ballisarian Beef's organizational structure in a way that faces the succession question and considers your qualifications for the top job you've earned. Encourage Paul to think about assuming the chairmanship and appointing you president and CEO and Gregory executive vice president and chief operating officer. This would send a clear signal that a succession plan exists, and it would formalize the mentoring responsibilities so important to you and to Gregory.

By taking a leadership role in helping Gregory develop his potential, you are relieving Paul of a very difficult training task and ensuring the eventual family succession. Paul is certain to welcome your efforts to help Gregory prepare himself to run the business after you retire. In terms of age, experience, and performance, this is after all the logical sequence—Paul, then you, then Gregory. Point out to Paul that it also gives Gregory the challenge he needs right now and eliminates the frustration that comes through in so many of his statements and actions. (Just between you and me, it's hard to work for one's father without feeling inadequate and losing a sense of self.)

As this new structure evolves, suggest to Paul that he create a small Ballisarian board of directors. This board might consist of you, Paul, Gregory, several capable outsiders, and, if Paul is willing, his daughter Katherine as well. She is clearly able and interested.

Mike, I see this as a winning scenario for everyone. Ballisarian Beef continues without external or internal threat. Company leadership develops a logical succession plan. Paul continues to do as he likes with his own restaurant niche, and you get a chance to follow him as CEO as you work to develop Gregory as your own successor.

Instead of throwing down a challenge, you offer a solution that preserves the best in the Ballisarians' family business and that gives you room for your own business potential. But it all depends on you, Mike, and on your leadership and sales ability. Paul has been more than fair with you in the past. If you can make your case convincingly, he'll be fair with you now. Good luck.

Sincerely,

Joe

Charles E. "Gus" Whalen, Jr. is president of the Warren Featherbone Company of Gainesville, Georgia, which his great-grandfather founded in 1883.

Dear Greg:

I well understand your difficult position as a family member leading your company from what it was to what it will become. The situation you've described concerning Mike Post is symptomatic of a larger organizational issue that has not been resolved: Where is Ballisarian Beef headed?

As a family business, Ballisarian Beef can grow only so far. You recognize Mike Post's special contribution, but his existence in the company really runs counter to the family environment as you define it: a business run by Ballisarians. If that's the type of family business you want, Mike Post probably will leave, as will others, not because of earnings or ownership but because he won't really fit in. You will be able to maintain such a narrowly defined family business only as long as you can find competent family members to fill the organizational slots. Once you're out of family, you're out of business.

If you'd like Ballisarian Beef to really grow, you need to reconsider the nature of your family business. You will have to enlarge the "family" to encompass all of your 47 employees. These people need the respect, dignity, and sense of control that you want for yourself. They have

hopes and dreams and probably can make a tremendous contribution to “their” business so long as they are given genuine recognition, compensation, and a chance to control their destinies.

In short, you need to find and help develop new heroes for your business. There are all sorts of ways to build this into your corporate culture without substantially changing the ownership. Ownership in small companies really has limited value—it’s valuable only when you sell, and only if you can find a qualified buyer. Most people want recognition, compensation, and a chance to develop and contribute their talents now as opposed to the possibility of selling their piece of the rock later.

Greg, I offer three suggestions as you work through this period of transition:

1. Discuss the situation with your Dad and work out transition of ownership. Do it now, while he’s still in good health.
2. Discuss Mike’s situation with Mike. Your knowledge of his intentions and desires is secondhand. Perception and reality may be different.
3. Decide which road you want to see Ballisarian Beef travel in the years ahead. Do you see your company as a family business dominated in fact and concept by Ballisarians? Or do you see your company as a larger, more professionally run organization where “family” is open to competent professionals like Mike who are recognized and paid to see their collective dreams become reality?

Chances are your industry, like most, is going through consolidation; the big customers and suppliers are becoming much larger. Ballisarian Beef’s ability to survive over the long run may depend on continued expansion. In that case, you will need a larger, professional family to take care of the business. Your job, then, is to grow the family.

Sincerely,

Gus

Wendy C. Handler teaches family business management at Babson College in Wellesley, Massachusetts and has participated in her own family’s businesses.

Dear Katherine,

Haven't you been on the sidelines long enough?

It's natural for family members to be concerned when the family business is threatened by a powerful outsider, a potential takeover, or intensified competition. But for you, the situation must be not only worrisome but also frustrating. You care deeply about the business and have some valuable information, but you don't have much credibility with your father and brother for a number of reasons.

For one thing, you're not actively involved in the company. Second, as you mentioned, the family business has employed only male Ballisarians for three generations. Third, your advice is threatening to your brother because it implies change from the status quo. He believes that Ballisarian Beef will live forever and that he'll succeed your father; your recognition of Mike's capabilities tells him there may be someone more qualified to take over the company. Fourth, you seem to be accusing your father and brother of mishandling the whole situation, which is of course insulting and makes them discount whatever you say.

Your strong feelings about Mike's proposal to spin off part of the company may stem from your frustration at having information but no credibility—or it may be more deeply rooted than that. Maybe one of the reasons you're reacting so strongly is that you have some underlying resentment about being excluded from the business. At Ballisarian Beef, as in most family businesses, the men run the business and the women are on the sidelines. Maybe you're more dissatisfied with that than you've been willing to admit. If you are really interested in the company, it may be time to break the generational pattern and stand up for yourself. You have a right to participate. You certainly seem to have the commitment, and you have a lot to offer, like your ability to see things clearly and your willingness to raise difficult issues.

Getting involved in the business would go a long way in giving you the credibility you need to be heard. But it might also give you some insight into what actually goes on at the company. You seem to be pretty impressed by Mike Post, but you may be surprised to learn how much your father and brother contribute and how hard they work, and you might come to respect Gregory more. Also, many people who go to work for a family business discover just how special it is to be part of the team. If you make a similar discovery, you may be more empathetic with Greg and much less willing to turn things over to Mike.

But joining the business doesn't mean your father and Gregory should follow your advice. It's not for you to be the sole decision maker. Their opinions are also very important, so any course of action should be discussed among the three of you and, ultimately, with Mike.

You can be a catalyst to stimulate that kind of conversation. So far, you've been trying to act as an objective adviser. You shouldn't. Because you're a family member, you have your own biases. But you can take your father aside and encourage him to talk to Gregory, and you can take your brother aside and urge him to approach your father. And when the family has decided what to do with the business, you should encourage your father to have a frank conversation with Mike to clarify Mike's goals and whether he can achieve them at Ballisarian Beef. Performance reviews are one good way to determine how personal and career aspirations align with organizational goals and to monitor competence.

A professional manager can be very valuable—if the culture is conducive. Your company seems to be strongly oriented toward family. It could be, then, that Mike will have to leave if he can't get along with Greg. On the other hand, it may be possible to divide responsibilities between Mike and Greg along product or market lines. Each could be a vice president of operations, Mike for wholesale products and Greg for beef.

One good thing about the crisis at Ballisarian Beef is that it is forcing your family to confront things that have been there right along. Now it has to deal with them. Please understand how extremely threatening this is, especially to your father, and be careful not to criticize him. Succession planning is a disturbing topic. Think of your mother's remark at the dinner table; to her, the conversation suggested your father was "already in his grave."

For your father and your brother, the crisis is an opportunity to plan. For you, it's an opportunity to encourage family members to interact openly and to rethink your feelings about the business and the role you want to have in it. Bear in mind that even if you do join the business, your father and your brother will have a hard time accepting you because you don't conform to the role women have traditionally had in your family. You must be prepared to work very hard—even harder than Gregory—in order to be taken seriously. And as unfair as that is, the satisfaction and credibility you gain may well be worth it.

Sincerely,

Wendy

Harry Levinson is president of the Levinson Institute. He has published more than a dozen articles in HBR, including “Conflicts That Plague Family Businesses” (March-April 1971).

Dear Paul,

Now it's your turn to face the most difficult problem that the head of a family business has to deal with—the problem of succession. Clearly, you are proud of the business you have built and of the immense contributions Mike and Gregory have made.

Since Gregory is a competent executive, you naturally want to keep the company in the family and see him as president and CEO. And since Mike is not a family member, it's easy to think of him as an employee. But the fact is that he has taken both the family and the company to heart. He has acted as if he *were* a member of the family. And for all practical purposes, he has worked just as hard, just as imaginatively, and just as successfully as any member of the family could have.

In many ways, Mike is like you. He took the business into areas where it had never been before. He did such a good job of it that all of you profited handsomely. No doubt he even taught Greg a significant part of what Greg knows. As Katherine points out, it is with considerable justification that he feels entitled to succeed you as chief executive officer, even if he doesn't say so. Like most men his age and with his record, he is ready to be at the top of an organization—if not yours, his own. He knows that, and so do you. (It's surprising nobody has yet recruited him away from you.) But his wish to be his own man makes life very difficult for you because, after all, this company is your child. You don't want to become a nothing, which is what so often happens to chief executives when they give up their organizations.

But give it up you must. Not to do so, as Katherine points out, means that you will likely lose a significant portion of it anyway. Giving it up means several things.

First, you must face the anguish you feel and talk it over with a psychologist who can help you explore your feelings about the company, about Mike and Gregory, and about yourself and the prospect of a role “on the shelf.” If you should choose this course, then you cannot interfere with

Mike and his right to run the business. That will be hard for you to do and is another reason you should be involved in continuing discussions with a psychologist.

Next you have to deal with Gregory. Greg is entitled to his place in the sun, and he will have it. In the meantime, both you and Mike will have to support him as he learns to develop new dimensions of the business to prepare himself for the chief executive role. In fact, Mike can be a mentor for Greg and teach him those aspects of the business he knows best, but you will have to help Greg accept this subsidiary position until his own turn comes. You will have to help him understand the difference between his contribution and Mike's. He needs to understand his naturally rivalrous feelings and his reluctance to see the family business in anyone's hands but his own. Greg, too, will need to talk with someone outside the company who can help him explore his feelings.

Once you have come to understand what you must do if you're to hold on to Mike and keep the company growing, then it will be time to work out an agreement that guarantees each of you a unique niche in the organization without intruding on Mike's capacity to provide leadership for the company as a whole.

The process I have described here will mean a good deal of pain and discomfort for you. All entrepreneurs are reluctant to pass the baton. Most also fail to resolve family tensions that can interfere with an orderly succession of leadership and control. They become defensive, resistant, and rigid. Sometimes even when they do relinquish ostensible authority, they go on trying to run the organization as if they were still CEO, and that, of course, exacerbates internal conflicts and makes it difficult for the organization to follow a single leader and a clear course of action.

You must not lose sight of what matters most. The fundamental issue is the survival of the company. This is no time for self-centered thinking or for failing to understand the deeply held wishes and aspirations of the people you work with.

I offer you one more word of caution. Beware of the complaints of your peers who have passed on their businesses, or sold them off, and now feel deserted and angry. There is no need for you to abandon the business or turn your back on it. Both Mike and your son will profit from your wisdom, from your help in resolving disputes, and from their shared desire to please you by

making your company more successful. Give them your attention and your affection. Take pride in what you have wrought. You have given life to an organization that, if you properly manage this stumbling block of succession, will become an evergrowing monument to your creativity.

Sincerely,

Harry

A version of this article appeared in the September–October 1989 issue of *Harvard Business Review*.

Thomas Teal is a former senior editor of the Harvard Business Review. This article is adapted from his introduction to *First Person: Tales of Management Courage and Tenacity*, published by the Harvard Business School Press in April 1996.

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