

Industry ROUNDTABLE

FAMILY-OWNED BUSINESS

PRESENTED BY:



What are the biggest challenges for family-owned businesses? How do you manage the dynamics of working with a spouse or sibling? What is your hiring strategy? Law firm Hodgson Russ and *Albany Business Review* recently convened a panel of eight family-owned business leaders at the Massry Center for Business at the University at Albany to answer these questions and others. Michael DeMasi, senior reporter at the *Albany Business Review*, moderated the discussion.

► MEET THE PANEL


DAWN ABBUHL
Title: President

Company: Repeat Business Systems Inc.

KIMBERLY ADAMS RUSSELL
Title: President

Company: Frank Adams Jewelers

NILADRI GHOSHAL
Title: Owner and Vice President, Marketing

Company: Polyset Co. Inc.

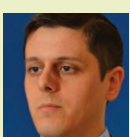
DAVID HOLLANDER
Title: President

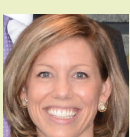
Company: Sano-Rubin Construction Services LLC

THOMAS D. O'CONNOR JR.
Title: Chairman and CEO

Company: Mohawk

JONATHAN PHILLIPS
Title: President and Owner

Company: Phillips Hardware

SETH ROSENBLUM
Title: CEO

Company: The Rosenblum Cos.

STEFANIE WILEY
Title: President

Company: Hoosick Valley Contractors Inc.


What is your biggest challenge as a family-owned business person?

DAVID HOLLANDER: The construction market is changing dramatically. We're seeing a lot of national and international firms coming in. It's sort of an arms race. We need to find the right talent, develop them within that.

DAWN ABBUHL: We are in a technology field and it's really important to stay one step ahead of everything all the time. So my husband and I have a different appetite for risk and change regarding the new technology. So we're always having to try to balance that and make sure that we're kind of relevant and current.



Is there an additional burden or challenge because you're a family-owned business?

ABBUHL: I think if you are a structured company, the CEO or the President makes the decisions. In our company, we've always tried to make the decisions together. So if my appetite for risk is a little bit higher than his, of course it's going to be a little bit more of a struggle.

JONATHAN PHILLIPS: I've been with my father 26 years. He always says when we make decisions that if it was a bad decision, it was yours, so I have to take ownership. You can change as long as you keep your business going to some degree. We need to remember how the family started the business.

STEFANIE WILEY: For me, the biggest challenge is really just having all your eggs in one basket. I also work with my husband, so it's thrilling and terrifying at the same time. When you don't agree on different matters with the business, sometimes that's challenging because you have to see each other at home and you're dealing with kids, family, father-in-laws. So it's very challenging having all of that dynamic under one roof.

THOMAS D. O'CONNOR JR.: It's staying relevant. In the family business, you have to generate enough income to invest in other businesses. Most people will tell you that paper's going away, but they've been saying that for a long time and it's not. But there are other ways that paper's being used very differently, and it takes a lot of money to invest in those R&D projects. There's not always alignment within the family on how that money should be allocated.

NILADRI GHOSHAL: For me, it's the small size of our business in relation to some of our competitors. One of the growth strategies that took place a few years ago was taking our product line from only private labeling to larger income, like Sherwin Williams, to going direct to market under our own brand. And our end goal isn't necessarily to be as big as a Sherwin Williams certainly – we're a small \$12 million company – we just want to kind of carve out our little piece of the pie and generate a few million dollars worth of revenue annually.

SETH ROSENBLUM: In contrast to what some of the other folks have been saying, the challenges we have are not around having multiple family members in the business or any dissent or disagreements; it's actually the opposite situation, which is it's just me. I'm on my own in terms of running the business. We have a phenomenal management team which supports me, but at the end of the day, we benefit from having clarity of leadership.

KIMBERLY ADAMS RUSSELL: The Internet is growing and technology is growing. Keeping on top of all that is of course a big challenge. But I took this question a little bit more personally. The biggest challenge that I really face every day in a family-owned business is really just knowing how to separate your life as far as your business life and your personal life. When you have a family business, you literally live it every single moment of every day, 24/7.

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INDUSTRY ROUNDTABLE: FAMILY-OWNED BUSINESS

PRESENTED BY: **Hodgson Russ**
ATTORNEYS LLP**How do you manage the dynamics of having a spouse or sibling in business with you?**

O'CONNOR: We really have a mantra that we do what's best for the company, which is best for all the shareholders. It so happens that everybody's in a different part of the business. We believe in putting the best people in the job, and sometimes that's not an O'Connor. I have my son with us now. We've gotten in so many new businesses, so it's nice to have someone younger to learn these businesses instead of us dinosaurs trying to figure out what they're doing and how these new products are used.

ABBUHL: We have very different roles also, and that's been fantastic. What's changed recently is, as we've gotten bigger, we've needed more people in our leadership team, so now there's really four or five of us making decisions together, not just the two of us.

**Is it impossible not to bring work home with you?**

WILEY: I think so. Work seems to dominate our work life and our home life. Communication is so important when you're working with a spouse, because you want to make sure you're both on the same page and supporting each other, not undermining each other, because you're both in leadership roles.

PHILLIPS: My father's succession was letting me have the company or transitioning it over, but he still wanted to feel part of the company. I still have enough respect and connection to him to bring him on the

journey with me. I still have the responsibility of the journey, but if I feel he has an opinion, I have to steer him in our journey.

GHOSHAL: My father passed away in 2010 and that's when my brother and I assumed majority ownership of Polyset. I was 29, my brother was 32, and neither of us felt we were ready to fill in his role as President/CEO so we agreed that we should promote our VP of Marketing and Sales – which is my position now – to be our next President/CEO. The three of us work very well together managing the business on the day-to-day. And as far as my brother and I go, we have different skill sets and personalities, and for the most part, we tend to stay in our lane, so we don't conflict too much.

**David, you said you and your cousin are the only family members still in the business?**

HOLLANDER: Yes. I'm President of Sano-Rubin Construction Services, which is a successor company that does construction. My cousin is still involved in the company, sort of as a senior advisor, sort of part time if you will. All the decisions really fall on my shoulders in the direction we take and all those little decisions. So what I'm trying to do now is change the culture. When you think about a construction company, you basically have 15 to 30 different individual profit centers, individual businesses running for a finite period of time. And for us, that means our project managers and our superintendents are running business units. I'm really trying to empower and give more autonomy to my leadership so that they can run those businesses and I can focus on running The Business.

**Can you envision a day where a non-family member is president of your company?**

O'CONNOR: I'm chairman and CEO, but our president [Jack Haren] is a non-family member. He was our CFO, but he came from a billion-dollar paper company started by a family many years ago that had very much the same culture that we had. He just grew into that role, and we did not have a president at the time. And I decided that – you know, and my brothers said it would be good to make a statement so people knew that we were going to put the best person in the job. We put Jack in, it's probably 10 years ago that he's been president.

ROSENBLUM: We brought our first non-family executive into our business two years ago, and that's Jeff Mirel, who's our executive VP. And I would say his role is not one of president, that's still my role, but he operates with a great degree of autonomy. He represents our business publicly. And I would say definitely I could see our business evolving to the point where we would have somebody who may not be me.

ADAMS: I'm kind of similar to that as far as Seth goes. My VP is not a family member. He's been with our company for 18 years... he and I are an absolutely amazing team. I'm much better at a lot of the things on the back end, where my vice president is really my front man.

WILEY: I kind of had the reverse process happen when I started out in the business. There was a non-family member running the company at the time. My dad had stepped back for family reasons, and this person


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Hodgson Russ understands the unique challenges and opportunities faced by family-owned businesses. Our attorneys assist family businesses at all stages of growth and development, keeping in focus the vitality of the family as well as the continued viability of the enterprise. Our services include:

- Business and tax planning
- Disability and retirement planning
- Dispute resolution
- Leadership transition and succession
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groomed me, basically. He kind of took me under his wing. So without that mentorship, I feel like our business would be a lot different today.

PHILLIPS: My GM retired after 35 years, we wouldn't find anyone from the outside that had our company values. So I kind of stepped in. And kind of it helped, because when you have five people reporting to me, when I took over as GM and had to go back into the field, I started to realize all the connection points I was missing in our company. So at this point in my life, I started to read – I gave it to Mr. Hollander, I don't know if you've read it yet – "Finish Big," Bo Burlingham.

HOLLANDER: It's on my nightstand.

PHILLIPS: That book really opened my eyes to the dynamic about what you think is your succession most likely is not going to happen. In the 10 business stories I heard, it said run your business like you're going to sell it.



Great segue. By a show of hands, how many of you had a formal succession plan? Let the record reflect two hands went up.

ABBUHL: I'm surprised there's only two people.

WILEY: We had one, but it just took place two years ago.

ROSENBLUM: We just completed ours.



Do you think part of the difficulty or the challenge here is that nobody wants to think that the day will not come when I'm not here to run the show?

PHILLIPS: I'm actually hoping for that exit.

ROSENBLUM: I'd say the opposite. I would like to have a succession plan in place. I'm 35, my oldest child is nine. It's a family business. But it actually stresses me out that we don't have a plan. If something, God forbid, were to happen to me, I don't know what the plan would be tomorrow. I would like there to be a plan. It's almost a contingency plan or risk mitigation strategy as opposed to a succession strategy.

ABBUHL: And ours have changed as our children have gotten older. We revisit it every five years. It's not because we think we're going to be leaving the company soon, but it's really just because, if something happened, we don't want to throw the company into a tail spin and leave our customers high and dry.



Let's shift a little bit and talk about doing business in New York. How will your business be impacted if the state's minimum wage is increased to \$15 per hour?

O'CONNOR: It won't impact us at all because we don't pay a wage that low. \$15 an hour is the summer internship as far as my financials.

ADAMS: See, I think it will, though, because I think it will raise the bar, and then everyone will feel devalued in their own position. That's the issue. I have a staff that, even though they're generously compensated, they're going to say, well, these people got an automatic raise.

HOLLANDER: Immediately, I don't think it's going to impact construction. But I'm worried about wage compression.

WILEY: I'm sure for construction, too, that's going to make it even harder to recruit. We're faced with a labor



Left to right: (back) Jonathan Phillips, David Hollander, Seth Rosenblum, Thomas D. O'Connor Jr., Niladri Ghoshal, (front) Dawn Abbuhl, Stefanie Wiley, Kimberly Adams Russell

DONNA ABBOTT-VLAHOS

shortage in the construction industry. Wages are very competitive and it's hard to get good talent.

PHILLIPS: It's affected retail, no doubt, already. In New York state, a good wage for a salesperson on the retail hardware floor is like \$12 an hour. So my employees that I want to retain, we pay \$15. Already this year, we had a raise, because as soon as this topic is out there, my \$15-an-hour employees, my key people are like, the minimum threshold at McDonald's is going to be \$15, Jon. I've been with you three or four years. Why am I only at \$15?



Is there any less of a sting because it will be phased in over five or even six years?

PHILLIPS: You mean one big bite then another? No.

ADAMS: Even though our staff is compensated at a higher rate than that, it will make people feel devalued if they're not going along with that increase. With health care costs growing and other expenses growing and payroll growing and profits shrinking, it just puts you in a position that you have to make some really hard decisions along the way.



Can you name one thing the New York state government has done in the past few years that has made your business life easier?

ABBUHL: We loan people money all the time in our business. They would deduct it from their paycheck. And there came a time where you weren't allowed to do that any longer. People had to give you a check back. So then either you stop loaning people money or you just suck it up. They did repeal that regulation, so they helped us by repealing a bad decision that was made earlier.

ADAMS: There has been some economic growth. I can see from a retail end that we've really grown in a diversified market here locally.

GHOSHAL: There's programs like Global NY that we've increasingly taken advantage of, which is an initiative

to have foreign investors invest in New York (and) New York companies to export. We recently attended a foreign trade show in Vancouver ... and New York state is actually picking up the tab for our exhibit to encourage more local New York companies to start exporting. (And) Polyset just got our minority business enterprise status in New York state, so the state is trying to encourage more contracts and percentages of contracts be delegated for MWBE companies.

ROSENBLUM: We have two office parks that are right here in proximity to SUNY, and we've recently begun discussions with them about qualifying our properties for some of the benefits that other companies would use around Start-Up New York.

O'CONNOR: We added between 200 and 300 jobs in the last two and a half years ... and not one of them is in New York. They're in Ohio and Massachusetts. They're so welcoming, it's not even the money. Ohio, we had a facility there, but it's now about 1 million square feet. We just built an envelope plant in South Hadley, Massachusetts. It opened up about a year ago. I think our employment is up to 60. We should be at 100 by the end of the year, and we'll continue to expand. Those are 300 jobs easily that could have been in New York state. They're not difficult jobs. Most of them are envelope manufacturing.



What changes have you experienced as a result of Obamacare and do you think we should keep it or repeal it?

ABBUHL: It didn't affect us except, just like what we were saying about the wage, it's a perception. Now, everybody feels like they're kind of entitled to it.

WILEY: We used to also cover whole plans, and we just can't afford it anymore because it's so expensive. When I show the employees what the cost is, it's hard for some people to even afford it.

HOLLANDER: When we covered 100 percent, we weren't very good about communicating the full cost to the employees, so they didn't really realize the benefit they were getting and how expensive it really was. I think they value what we do more now. Sometimes,

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if you have to pay a little bit, you value what you get.

GHOSHAL: There's more transparency for the employees to the actual services of plans that are available. A big negative is that it hasn't done much to stem the rise of premium costs.

WILEY: You really have to educate yourself, too, to understand health care now. A lot of our employees are having trouble with that. They don't want to take the time, they don't want look at the different plans.

ADAMS: It's mandated to have health care. But it's just unaffordable. What do you do with someone who's in their 20s who's required to have health care but they're paying out at least \$500 a month for it? Where are they getting that? And honestly, it may affect their wage when they're hired.

PHILLIPS: We've always maintained full-time help and benefits. But over the last couple years, it becomes more and more of a financial struggle where we've gone into a deductible. Even with us trying to explain it ... Our younger people don't want to be educated. They want the money. And we're a family-owned retail outlet. We're trying to compete with the big stores. But our cost of doing business is so much higher that I can only hold for so long. There's not many family businesses left. And you see the public wants the family businesses more. I see it coming back: Shop local concepts, farmers markets. But the fear is, in the state, the regulations are still going to pull us financially back. How long can we hold for what maybe the public wants?

ROSENBLUM: Our values have always been to provide a full slate of benefits. But we've had to, over time, start with increasing deductibles, increasing co-pays and things like that. Staff are resistant to understanding those kinds of changes.



Do you plan to hire additional employees this year, whether you go above your current staff count or are just filling vacant positions? Is anybody planning to cut back?

PHILLIPS: We're closing one of our sites (and) we're going through the pain of retaining everybody that wanted to stay. The trained employees that want to stay with you, to let them go would be a mistake. And then we'll be opening a couple of our new businesses this year ... as well as we're going to have to hire some new employees for different posts throughout this year.



What was the overall strategy for the new hires?

WILEY: We're positioning ourselves for growth and a lot of our staff are approaching retirement, so we're bringing in some new people in preparation for that in the coming years.

HOLLANDER: A challenge for a family-owned business, a small business like ours, is bringing people on board. And today, they don't just want a job. They want to know where the company's going, what's the vision, will there be growth opportunities. So I think, as a business owner and as a leader of 80-some-odd people, I've got to give them a vision. And we've done that. I've got to give them a path for growth and enrichment. So I figure we have to continually have to look to grow where we can and when we can.

'The biggest challenge that I really face every day in a family-owned business is really just knowing how to separate your life as far as your business life and your personal life. When you have a family business, you literally live it every single moment of every day, 24/7.'

KIMBERLY ADAMS RUSSELL,
President, Frank Adams Jewelers

ROSENBLUM: I think a common theme I'm hearing is sort of riding these waves of the succession in the family business. It's like somebody is edging more toward retirement, things tend to get more stagnant, things tend to stay status quo. My father founded our company, he was in his mid 30s at the time he founded it, and he built until he was in his early 60s, which was the mid-90s when he finished Great Oaks Office Park. And I think things reached a certain point where he felt like he had more than enough to keep his plate full, time-wise, financially, everything else, and it was a successful enterprise. Then there was sort of this lag, and then when I got involved about 12 years ago, it took a few years just to sort of absorb the operation, get to know what we had, start to work on refinements, start to put the right people in place. Then we did the generational transfer, succession of leadership back, and from 2008 to 2012, we were working through that. And it's only really in the last three years that we put a strategic growth plan in place. So we were no longer focused on the succession aspects or absorbing the operation, but merely focusing on how we're going to grow, who we need to put in place on our executive team, who we need

to put in place on our management team. And now, I can say in terms of your hiring question, we're on a path towards doubling in size this year. We're actually taking a plan that we wrote two years ago or finished two years ago, and that was a 10-year plan. And we're hoping to see that through this year in terms of achieving that growth. So we're hiring for our accounting department. We didn't even have an accounting department three years ago. Now we're adding a second person in it. We're adding building maintenance engineers. My experience over the first eight years that I was really day to day leading the company is we maybe hired one person a year, and that was just due to turnover. Now we have to start think about things like an on-boarding process. And again, it's putting all those building blocks in place so we can do it efficiently and effectively.



To what extent are you using social media to find good quality people?

ABBUHL: So the unemployment rate is very low. Everybody knows that. So we've turned over every rock. So we use LinkedIn, we use Facebook. We ask everyone we know. We give everyone who works for us money if they refer somebody to work for us. We use ads in local papers. I don't think there's anything that we haven't done that I can think of, but if anybody has any other ideas... And we have gotten great people that way. We used to be able to put one ad in and get hundreds of resumes. Now you need hundreds of reaches to get a couple resumes.



Are there any strategies you have to try to fill the gap and find workers?

WILEY: I think it's just having an attitude of constant recruitment. Even when you're not hiring, if you come upon the right person, bring them into company for when you step up the company. We've also had some really good luck bringing in people from other industries that have a good attitude and a good work ethic and are a cultural fit, and then teaching them the construction management side of things.

ROSENBLUM: In terms of advertising for the positions, I've been seeing a complete 180 in the way we do it in the 15 years I've been involved. When we were recruiting for office positions, it was usually online and it was usually through the newspaper-affiliated Times Union Jobs or whatever. And if we were recruiting for a blue collar position, we were advertising in the classifieds, thinking that population may not necessarily be online. I would say halfway through that, seven, eight years ago, we started doing away with any of the print media whatsoever, and now we've found that even the affiliated websites have no value add. So it's really all social and it's all word of mouth now at this point. We're finding for more executive and management level positions, we're finding it's on Indeed. They just buy the best key words basically. I hadn't even heard of it until a year and-a-half ago. All of a sudden, people are like, Indeed, and we started using it, and everybody's there. So it doesn't matter if it's an \$18 an hour building maintenance position or a \$60- to \$80,000 a year management position. That's where people are looking. And then there's definitely a social aspect. I can tell you several times in our hiring experience over the last year where somebody has either checked us out on social media or gone to their contacts who are Facebook friends with me and said I want to know more about the Rosenblum Companies. What's Seth really like? What are the people there like? Do they treat their employees well? So it's becoming very much word of mouth oriented, but through both online as well as face-to-face relationships and the networking that we do and the exposure we get in the community.