

# FAMILY BUSINESS

## newsletter

### The Spark Behind Cache Valley Electric: *100 Years in Business*



Cache Valley Electric President and CEO Jim Laub  
(John Zsiray/Herald Journal)

**H**itting 100 years in business is impressive. But for an expanding family business, it's an even bigger feat.

Always on the cusp of new technology, Cache Valley Electric started out selling appliances and automobile parts (a brand new industry at the time) along with electric services. One hundred years later, third-generation President and CEO Jim Laub keeps the company charging ahead.

#### *In His Grandfather's Shoes*

"I try to put myself in my grandfather's shoes, hedging his bets to see what would work," Laub says. "It's an irony to still be experimenting with new fields. We've made Cache Valley Electric one of the most technologically advanced electrical contractors in the United States."

Ironic or not, strong values were carried down from generation to generation in the Laub family. Laub's grandfather and father both put emphasis on taking care of the customer and their own employees.

"The best part of a family business is the tradition," Laub explains. "People throughout the state know Cache Valley Electric.

There's a lot of pride, not only for me but also for our employees."

#### *Working With Family a Challenge*

The past 100 years wasn't all play and no work for CVE. Working with family brings a number of challenges. Laub notes family businesses are hard to run when there are too many people with the same last name, admitting he's been through a lot of ups and downs with internal strife in the family.

"I read those feel-good stories of companies, 15 people all with the same last name. I don't believe any of that. It's a challenge," Laub says. "Construction is a tough business to start with — then add all the personal involvement and it makes it even tougher."

But the Laub family has managed to stay on top. Laub's two sons, Mark and Eric, are following in the

footsteps of their great-grandfather, grandfather and father. Jim Laub is clear his sons won't receive a position unless they've earned their stripes. Just as his father did, Mark Laub, 28, started learning the family business as a teen, working in the field and learning about divisions of the company. Jim Laub's second and youngest son, Eric Laub, 17, helps out in the shop between his high school courses and sports practices.

#### *Continuing the Legacy*

"I've learned from being out in the field," Mark Laub says. "It's neat seeing something come from a pile of dirt into a completed project and all the coordination it takes. I became close with the guys out in the trenches working rain or shine. They are one of the strongest points in our company, and I have all the respect in the world for them."

With that perspective, Mark is climbing in the company as he focuses on using technology to correct the weaknesses he experienced in the field. He admits he loses a bit of sleep over potentially taking over, but firmly states all he wants is the success of the company — whether he is the next CEO or not.

"My heart is here. It's in my blood. As a child, I always got a kick out of riding in the track hoes or cranes," he says. "I've never thought of anything else beyond Cache Valley."



- » Coordination of philanthropy
- » Providing personal services for individual family members, such as accounting, bill paying, insurance, travel booking, assisting in large purchases like automobiles or property, and paying domestic employees (often called concierge services)
- » Keeping the family cohesive as it grows in numbers and geographic diversity

## The Second Family Business: *The Family Office*

By Bernard Kliska, Ph.D.

After a successful family business has amassed sufficient wealth, the family enters a new, more unfamiliar stage in which, independent of the business, the family has to decide how to preserve its wealth, maintain its influence in society, continue to benefit its family members and nurture a cohesive family identity. This phase may be launched by selling the family's primary business asset, or it can occur more gradually as investments outside the business become larger than the business itself. Without a clear plan for wealth and family legacy preservation, the family faces a gradual dispersal and dissipation of its assets and an erosion of family cohesiveness, influence, and identity. Stepping up to the plate is the idea of a family office.

Almost ten years ago, a study by the consulting firm Graystone Partners estimated there were more than 5,000 family offices operating in the United States — a number that has surely increased since then. These family offices range from first to

sixth generation, and controlled assets ranging from \$100 million to several billion dollars. While this might conjure images of grand office suites in which legal, financial, and accounting professionals go about managing the massive wealth of a high-profile family, family offices are actually the exception. A family office can be as simple as one bookkeeper managing the family financial and legal matters from home.

### *A family office can include a range of services:*

- » Estate planning advice, assisting in wills, trusts and gifting
- » Investment selection, administration, reporting and accounting
- » Wealth transfer assistance and implementation
- » Tax planning, compliance assistance and coordination, and tax return preparation
- » Education for younger generations about working with legal and financial matters and advisors

To operate successfully, a family office requires some of the same fundamentals as a family business: good communication, a clearly defined organizational structure, budgeting, and a mission statement. In addition, it requires strategic planning concerning which services it will provide and who will provide them. In many cases, a large proportion of the work overseen by the family office is accomplished through contractors or consultants.

In the past, family offices were started only when a business was sold, but today many are started while the business remains operating in the family's hands. More families have begun to anticipate well in advance how to make their wealth and legacy last for future generations, whose only experience with the family business will be limited to old newspaper clippings, financial reports, anecdotes, and photographs. The first step to opening a family office is to convene a family meeting to address the following strategic questions:

## More families have begun to anticipate well in advance how to make their wealth and legacy last for future generations.

- » What family values do you want to see preserved?
- » How will the mission of the family office be defined?
- » What scope of services will be provided to family members?
- » What assets does the family want to enhance or preserve?
- » Which family members are interested in serving in a leadership role?
- » How will governance be organized, i.e., how will the office be owned, organized, managed, and overseen?
- » How will key functions be accomplished (in-house employees or outside advisors)?
- » How will the family office services be paid for?

The mission statement of the Hirsch family of Canada provides a clear example of the mission and values of their family office:

*“Our family mission is to protect and enhance the family wealth, to assist in the pursuit of leadership in philanthropic endeavors, to secure a sound future for ourselves and for future generations, and to ensure that the future generation understands the responsibility of their inheritance and how they can benefit from it.”*

One of the most important strengths of a family office may

also become a serious weakness. Many family offices can end up overprotecting and coddling the family. With the family business no longer employing and educating new generations about sound business practices and responsibilities, new family members may come to see the family office as a well from which they can heedlessly draw, while learning nothing about the world of investment and responsibility. Writing in the *Family Business Advisor*, Ross Nager describes the potential for coddling and spoiling:

“The family office becomes the easy place for a family member to turn if some need arises. Need a new house? Call the family office and have them arrange financing and deal with that messy paperwork. Need a will? Let the family office interact with the family lawyer to handle that complicated stuff. Need to fire the maid? The family office can handle that distasteful task. Don’t want to plan your own budget or try to understand investment principles? Give ’em a call.”

Three ways to avoid this problem are education, cost awareness, and fees. Unless someone is willing to provide unlimited resources to the office, there must be awareness of the effects of service requests, and there should also be some

accountability for those requests. When inexperienced family members request a particular service, it can be considered both a request and an educational opportunity. For example, instead of an accountant merely arranging for a real estate transaction, he or she can walk through the entire process with step-by-step explanations. Family members should also be apprised of what a particular service will cost the office, so they can make connections between their needs and the very real cost, not just to the family but to future generations. Some family offices even charge their family members fees for certain services.

All these decisions should be made before setting up the office, and reassessed periodically. This ongoing process helps avoid misunderstandings, builds family cohesiveness, and helps ensure the longevity of the family office and the family wealth. One of the most important functions of any family office, large or small, is to serve as a forum for open and candid family communication. History is rife with stories of powerful families destroyed by interfamily fighting and poor communication, losing their fortune and dignity amid public spectacle. A well-thought-out family office can help keep the family connected, communicating around a central organization and a common goal for generations. ■

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The act of selling the family business allows a re-examining of why the family is in business and why they are in it together.

# Back in Business

by Denise Kenyon-Rouvinez, Ph.D.

Selling the family business can be as emotionally difficult as a death in the family. Some families, however, find new beginnings after a sale by going back into business together. In doing so, such families have a unique opportunity to combine the entrepreneurial motivation with the wisdom and experience of generations in business. Such situations I've named "Serial Business Families" and conducted in-depth interviews with nine serial-defined families. The analysis brought about the following conclusions:

1. Serial business families typically follow a three-stage process: first, the sale of the original business; second, a relatively long interim period, lasting on average for five or six years, during which the family, or at least one of its members, identifies what to do next, often while remaining in charge of the original business for the new owner; and third, the re-creation of a family business.
2. The original business, in terms of family involved, ownership and the nature of business, has a strong influence on what is re-created.

The motivations for families to go back into an operating business together are numerous and varied, but tend to gravitate around two main elements: the family and a unified entrepreneurial drive. The family and its long-term welfare, however, are central to all decisions.

For most of these families, working together as a family — how they relate together as a family in a business — seems to be more important than the business itself. Unlike other family businesses which pass the same company to successive generations, serial business families tend to focus more on the passing of assets, including family foundations, cash and securities or other business interests.

The fresh motivation and the strong commitment of serial business families, combined with renewed entrepreneurial spirit, could well be a model for many families who have just sold their business. It could also serve as an inspiration for families who have been in business together for generations and whose commitment and entrepreneurial drive have eroded with time.

The act of selling the family business allows a re-examining of why the family is in business and why they are in it together. This is a crucial exercise for all business-owning families. ■

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*"I've called you in here to keep you in the loop as we've made some very long-term investments."*



## 'Letting Go' Is a Two-Way Street

by Craig Aronoff, Ph.D.

Succession problems are usually characterized as the parental generation's struggle to let go of authority, responsibility and passing the baton to the next generation. And certainly, those problems can be dauntingly real and frightening to business-owning parents.

A parent's greatest fear is the loss of power in the family. What happens if a family is in conflict or a family member is in need? Parents often feel that keeping control of the business purse strings provides extra strength in addressing potential family problems.

But succession — and “letting

go” in particular — is a two-way street. One family business successor's insights clarified the lesson for us.

“I finally got it!” He explained, “It was my expectations that made the power struggle so painful for me. My parents rightly were upset by my expectations of them. And the longer I held on to those expectations, the more they fought letting go.”

This successor describes several expectations that are widespread and may sound shockingly familiar to next generation members of business-owning families.

*The expectations include:*

**ENTITLEMENT:** the next generation deserves what the parents have

**FAIRNESS:** parents should treat each sibling with unmistakable equality

**PERFECTION:** parents should take all the initiative and provide all the wisdom in letting go

**RESPONSIBILITY:** parents should straighten out conflicts among the offspring

Parents who have these expectations of themselves or who accept them from their children inevitably face great frustration. Next generation

## Who Can 'Let Go'?

members who cling to these expectations retard their own growth and development. Even as they complain of inadequate progress toward succession, next generation actions can subvert the process. Each time a child complains to parents about a sibling, succession is slowed. Every time siblings need parental help to solve problems among themselves, they slow succession. Every time a member of the next generation asks parents for financial resources to help support a lifestyle or personal need, succession slows.

Part of succession — and personal maturity — is letting go of the expectations a child has toward his or her parents.

When successors hold four beliefs, they are able to let go of problematic expectations.

Then they can more comfortably negotiate the inevitable trials of generational transition. These beliefs are as follows:

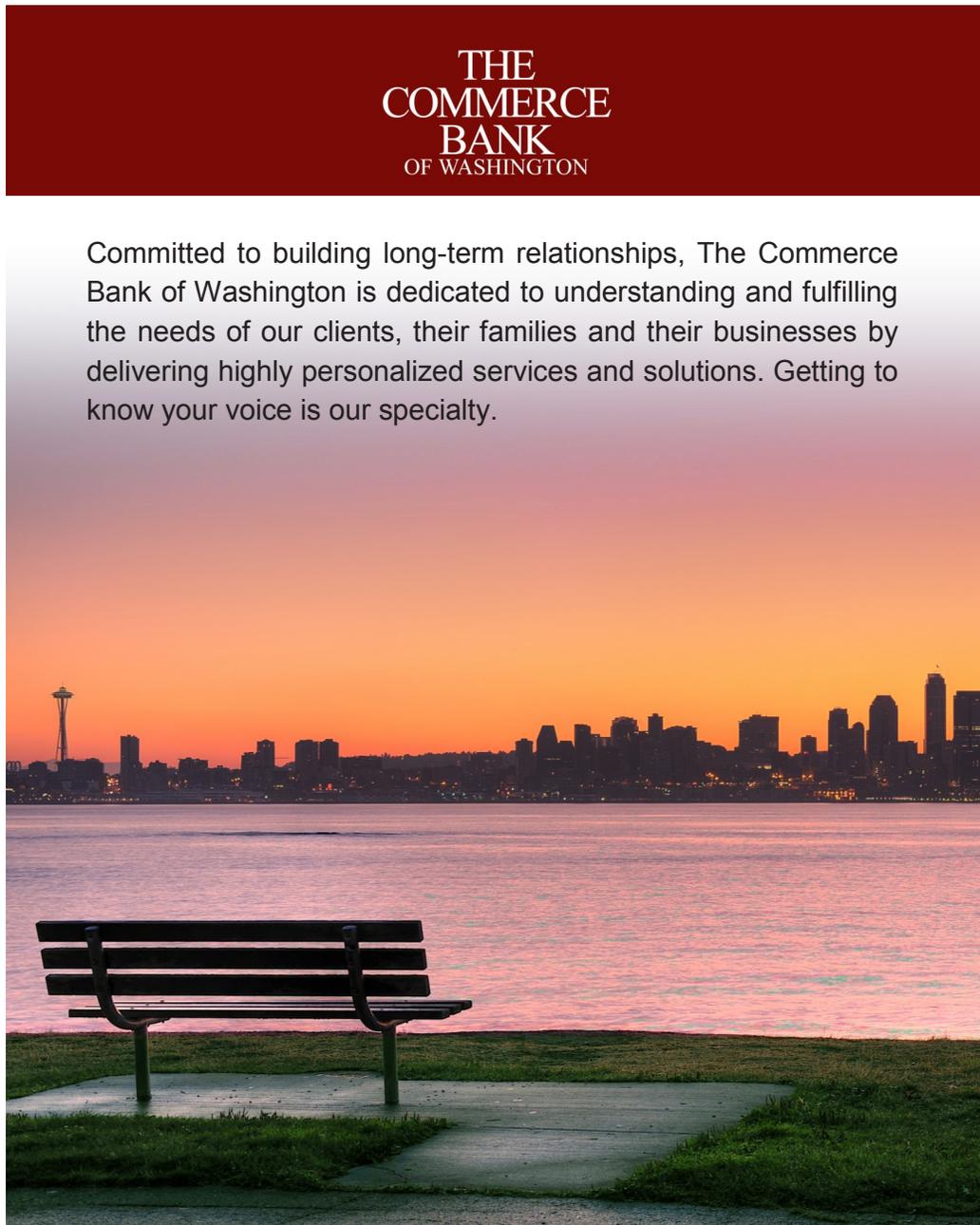
1. Appreciate that their parents are not perfect
2. Accept parents for who they are, with respect...and love
3. Understand that life isn't fair
4. Assume personal responsibility for their own life, security, and identity

Although it's unclear which comes first, parents' ability to let go of power correlates with the next generation's ability to let go of emotional expectations of their parents. As one successor concludes, "when I assume personal responsibility for who I am and for my own success, my parents can't wait to support me. They seem to draw on my strength. It helps them." ■

*Craig E. Aronoff, Ph.D., is a leading consultant, speaker, writer and educator in the family business field, lecturing at more than 100 universities and authoring, co-authoring or editing more than 30 books. He is also the co-founder and a principal of The Family Business Consulting Group, Inc.*

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### SAVE THE DATE

for our next  
Family Business Webcast:

### FAMILY BUSINESS CULTURE

Thursday, June 11, 2015  
9 a.m.

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