

RDS Electric: Sparks Fly at Arizona Family Business

It was a gamble when Robert Swier and his wife, Debbie, took the leap of starting their own business. As their company, RDS Electric, is celebrating its 35th year of business, it's safe to say their bet paid off.

Beginning in 1981, Debbie handled the administrative responsibilities, and Robert — who had been inspired by his father's work as an electrical contractor and wanted to follow in his footsteps — went door-to-door, soliciting jobs at commercial industrial facilities.

"As we earned more, I saved more," Robert says. "I bought a second truck, and got work for me and another electrician. Then I saved more and bought another truck, and got work for three of us. From there, it got easier and the jobs got bigger."

In 1986, the Swiers moved the business into their Glendale location, where they offer electrical services in the industrial, commercial, residential and renewable energy industries in Arizona.

As Robert focused on growing the business, he kept his goal of becoming a master craftsman. Just as his father taught him, Robert encouraged training and participation in electrical contractor peer groups. And when the recession hit, this educationally minded company was able to pull through as employees could naturally turn to other niche areas, like the solar market or industrial service.

"We believe in continual education," Robert says. "Even when commercial construction just stopped, and sales went from \$6 million to \$2 million, we had areas that were recession resilient because our guys were highly technical."

Like father, like daughter, Jenny Dewey was inspired by her father's craft and entrepreneurial acumen and is vice president of Operations at RDS Electric. Watching the company grow first hand, she knows the culture she'll encourage when she assumes the role of company president.

"Family is a big part of our core values, along with longevity, integrity, trust and dependability," she says. "It's really worked for us. A lot of our management has been with us for many years. It's a very supportive culture."

In addition to working together to create and document this company culture, Robert and Jenny have created a succession plan. Marking seven years into a 10-year plan, there is no wish from either party for the next three years to speed by.

"I enjoy the blessing of working with my daughter. She has taken a lot of pressure off my back because of the trust I have in her," Robert says.

Regardless of the ticking clock, the duo won't be tapping the breaks. RDS Electric is breaking into new markets and licensed in California, and Robert



RDS Electric Vice President of Operations Jenny Dewey works alongside her father, founder and President Robert Swier.

and Jenny will continue to use the momentum to steer the company in a profitable direction. However, Robert conveys to his daughter, and any business owner, that work doesn't need to be her only priority.

"Part of my success has been based on the focus of balancing my life," he says. "I wanted to be successful in business, but I wanted to be certain that I could prioritize time for my wife and family. We've had a lot of fun doing what we've done."



Introducing Teens and Young Adults to the Family Enterprise

By Deb Houden, Ph.D.

“Each generation imagines itself to be more intelligent than the one that went before it, and wiser than the one that comes after it.” — George Orwell

The nature of evolution intends for the next generation to always surpass the preceding one. It is the responsibility of each generation to prepare the next to exceed them. In enterprising families, there are many facets to preparation: leadership, ownership, independence and stewardship. Skill development starts early with a very young child and continues on.

“Preparation is a lifelong process that starts as soon as the child becomes conscious of the activities of the adults around them. Work habits, attitudes toward the business, values, and relationships all take root in the soil of childhood and are formed over the years, long before successor development begins in any formal way.” (Aronoff and Ward, 2011)¹

Continuity in the family business is dependent upon the next generation. Because there are many facets to that continuity, the best place to start is with education.

Education Starts Early

Preparation with the next generation should start early. The biggest impact in preparation for the

next generation is development of a positive attitude. The way that employment, ownership, interpersonal interaction and self-sufficiency are talked about in the family home sets up an underlying attitude that can be sustainable during the next generation's lifetime. If employment is discussed at home as an opportunity for self fulfilment, problems to solve, goals to achieve, relationships to enjoy and responsibilities to honor, then children look forward to employment in any business. On the other hand, if employment in the family enterprise is discussed as a stressful, boring and stagnant duty with relationships with relatives who are hateful, then children foresee the enterprise as an obligation, a place where they must work but will never be fulfilled.

Case in point: Mary was a third-generation member of a family business finishing her college degree in an area where she was proficient but did not enjoy. She was told her degree needed to be in an area that was necessary for the family business. She saw her father and his sister not getting along and her aunt as flakey and incompetent. She also knew her cousin who already worked at the company was just like his mother. When I interviewed Mary, she had already formed a negative opinion regarding working with her relatives and her employment in the business. Her negative attitude was set. In fact, research has shown that one of the biggest indicators regarding satisfaction with the family firm is the perception that employment (and future ownership) is an opportunity rather than an obligation. (Houden, 2008)²

Education in Progress

As children grow through their teenage and young adult years, more tangible introductions to

employment can be made. Often times, children of entrepreneurs have an intimate knowledge of the family enterprise as they grow up. They spend time at the business playing or exploring while accompanying their parents. In later generations (especially generation three and later), the opportunity for teenage exposure to the business dwindles. The limited contact with the business may hinder the knowledge and perceived opportunity for that child. The innate understanding of exactly how the company is run or how products or services are rendered does not develop in the same way it does when children are around the business more often. Therefore, more opportunities for involvement in the business may be needed.

Employment Education

Some potential ways for children to become involved with the family enterprise are after-school and summertime employment in appropriate areas. Employment education should include the following:

Set learning goals each week.

Communicate progress: Keep it structured by asking questions such as the following:

- How is what you're doing important to the company?
- Can you see a way to improve the process for what you do?
- Are you respecting others in their jobs? What are some actions that show respect?
- Do you have other thoughts about the area you work in that might be helpful for us to know?
- What do you see as the next step if you left this department?

Receive feedback, as listed below, to promote the ability to listen and reflect upon areas of needed improvement:

- Needs to be constructive.
- Outlines areas where they've done well.
- Suggests areas where they could take initiative.

College-aged kids can work in areas of interest or at other companies that may have similar skills needed for the family's company.

Ownership Education

Introducing ownership at an adolescent stage is as easy as inclusion in the family meetings. Family meetings are an opportunity for education and learned responsibility of the family enterprise. Parents can develop a culture of ownership by carving out time to create, attend and participate in their own family meetings. To increase interest and participation, invite the teenagers to develop a part of the agenda. Their involvement underscores the importance the family places on each individual's involvement in the family business.

One family I worked with had a third generation where the age ranged from 16 to 40. The 16-year-old was honored to be invited to the family meetings but was inevitably bored. His parents started to forgive his absences and his participation dwindled. Other cousins started to notice the absenteeism and voiced opinions that his lack of participation was getting out of hand. This young cousin was going to be their partner one day and they wanted him to be prepared. All of the older adults understood the challenge for the youngest to want to attend and stay focused during the family meeting.

Preparing the next generation takes time and energy, but the rewards are immeasurable.

So the cousins invited the youngest member to develop a part of the agenda and excused him from some of the other parts of the meeting. The youngest cousin created an opportunity for the family owners to be involved in a community project and, in turn, started a new tradition.

History Education

Storytelling at family meetings by older senior generation members is a good way to educate and capture the attention of younger members. Stories of the early days, of mistakes made and small triumphs achieved, help younger members understand that nothing was ever perfect, that sometimes there were failures, but the family endured. Those stories create a sense of hope and wonderment. The family with the young cousin also had a session where senior members shared their worst mistakes made early in their career with the whole family. The senior generation enjoyed laughing at and sharing their past mistakes, and the youngest member was inspired that those elders, whom he held in such esteem, were once as green as him. This particular family modeled a culture of attendance, involvement, flexibility and inclusion — the exact skills needed for effective ownership. The youngest cousin, now college aged, is present at each meeting.

Strategies for Engaging the Next Generation

- Develop family meetings for ownership preparation.

- Model behavior of attendance and involvement.
- Let younger members develop a part of the agenda.
- Be flexible with parts of the meeting where the younger members may be excused.
- Encourage community involvement in the name of the company to promote pride in ownership and responsibility to the community involved.
- Spend time telling stories of ownership pride and responsibility.

If teens and young adults can develop a healthy attitude of opportunity in the family business, many of the other preparation steps fall into place. When introducing

employment and ownership, including the teens in the operations of the business builds knowledge of the company and pride in involvement. Family meeting attendance and engagement help develop a commitment to being an effective owner. Preparing the next generation takes time and energy, but the rewards are immeasurable — both for the family and the enterprise.

1 “Preparing Successors for Leadership” book by Craig E. Aronoff and John Ward, Palgrave MacMillan, 2011.

2 “Competence, Justice and Conflict” dissertation by Debra Holschuh-Houden, University of Wisconsin, 2008.

Deb Houden, Ph.D., is a consultant with the Family Business Consulting Group Inc. specializing in communication, transition and next generation development.



“There are plenty of children out there who would love being a pirate.”



The Right Reasons to Sell

By Jennifer Pendergast, Ph.D.

We are committed to supporting the health, growth and perpetuation of family owned businesses. We know that they make significant contributions to economies around the world. Family businesses are a stabilizing force and a reward to the families who own them, employees who work for them and the communities where they reside. Therefore, it may be surprising that we would want to discuss when to sell the family business. The truth is that keeping your family business may not always be the right answer.

There are certainly situations where selling the family business is the best answer; in some cases, it may be the only answer. It is also important to note that we do not view selling the family business as a failure. Unfortunately, statistics that measure survival rates of family business tend to equate selling the family business with its demise.

While the business has not “survived” in terms of a given family’s ownership (although in so many cases it survives with new owners), sale of the business can actually be a great success for the family owners. It can provide financial freedom to accomplish other goals, allow family members to truly focus on family and promote

application of the family’s talents in other arenas (e.g., philanthropy).

That said, many families consider selling their businesses at some point in their careers. For those who have invested years of work, financial capital and often their identities in the legacy of the business, letting go is very difficult. For many, the

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decision to sell may be laced with guilt of letting down the family or failing to fulfill the legacy as well as feelings of failure.

If you are a family considering a sale of your business at some point, the following list of valid reasons to sell the business can serve as a tool in facilitating the sale discussion with your shareholders. If you have never considered selling the business but see your situation reflected on the list, you might want to give the option of selling at least some consideration.

Reasons to sell the business tend to fall into three categories:

1. Destructive family dynamics;
2. Inability to support a viable business under current ownership; and
3. Lost passion for the business.

Destructive family dynamics may be self-explanatory, but it is also helpful to identify its warning signs. Consider a sale if you see any of the following present in your business:

- Dissension within the family is destroying the economic value of the business.
- Dissension within the family concerning the business marking lasting damage on family relationships.

- Family employees and/or owners have come to resent the business due to the impact it has had on the family.
- Family members are no longer speaking with each other due to intense conflict over family business issues.
- Family shareholders have resorted to lawsuits as a way to settle differences.
- Next-generation owners are incapable of working as a team.

If any of these elements are present in your business, we are not suggesting you give up hope. The first step is to identify the problem and discuss it as an ownership group. At that point, it may be appropriate to bring in outside help. If you have already used a family business consultant and have not been able to resolve the dissension or come to compromises the family can live with, selling may be the best option. We should note, however, that some families succeed in running businesses for decades surrounded by unresolved family dissension. This scenario is certainly an option, but one that the family should consider carefully given the lasting damage it can do to the family and the business.

Even if the family owners get along, it may be that preservation of the business is impossible under current

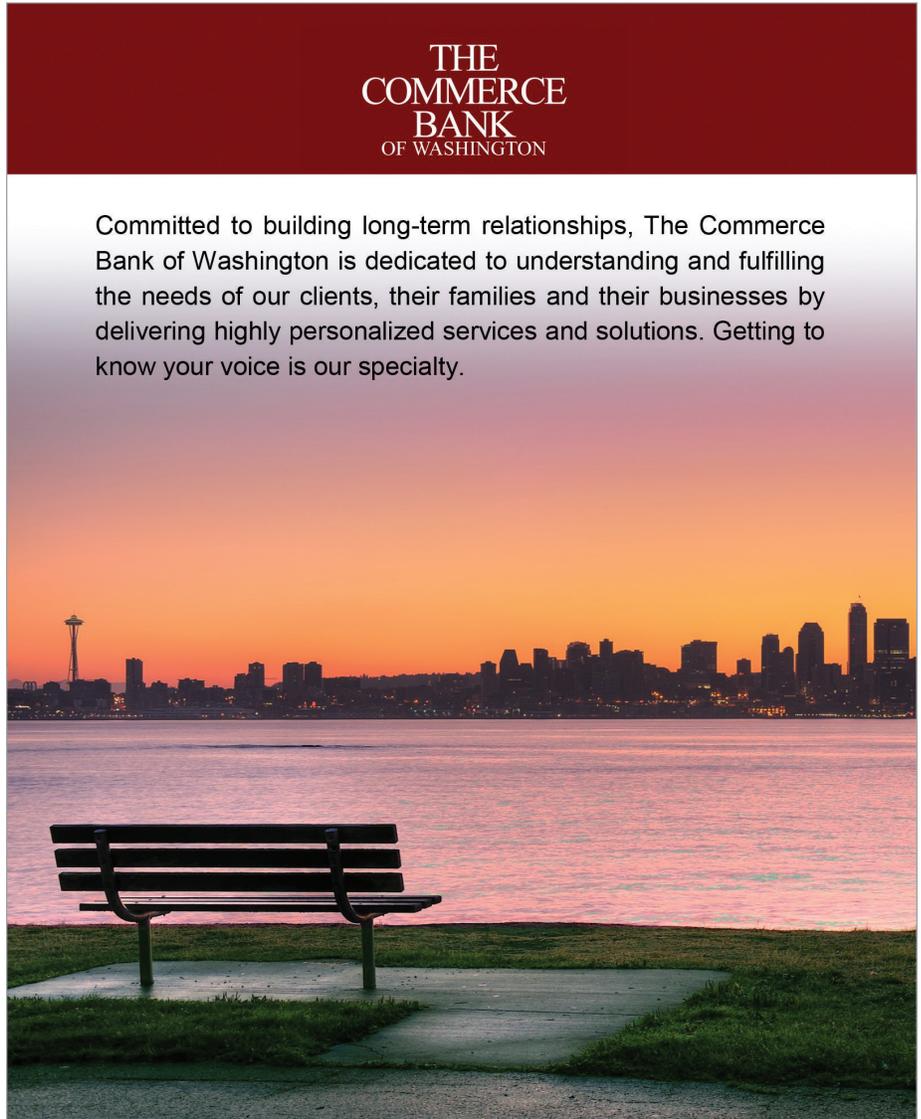
ownership. The inability to support a viable business can come from a number of sources.

- If you believe that the next-generation owners are not capable of maintaining the culture and values of the organization, it may be best to sell to other owners who are. This notion seems counterintuitive, since one of the reasons families stay in business together is to perpetuate their business culture. However, in certain cases the next generation may not be good stewards of the asset, particularly if they have been unable to internalize the values and sense of stewardship.
- The business may not be able to compete in the current environment. If you have concerns that the problems your business faces are beyond the abilities of the current ownership group to manage, you may want to consider selling to someone who has the skills or resources to improve the business.
- If the family would like to maintain ownership, you can and should consider bringing in outside management. But, if the shareholder group is not up to the challenge of changing the business to meet the current competitive environment, it may be time to sell.

- The business may require a capital infusion to remain viable. If current owners do not have access to the capital necessary to maintain the business, either through additional equity from family or through debt or equity from other sources, then selling to someone with access to those resources may be best.
- Current owners require capital to retire and the business cannot provide the funds. In this case, the next generation can step up to the plate to buy the business from the current generation. But if next generation members do not have the ability to secure funding, then the business may need to be sold. It may also be that next-generation members do not have the desire to buy the business, but this fits more appropriately in our third category.

The last but probably the most important reason to sell is if owners no longer have a strong passion for the business. Particularly for businesses that require a great deal of owners' attention, it is crucial that owners maintain enthusiasm for the business. If owners' commitment wanes, it is time to consider whether holding the business makes sense. At this point, the decision to sell becomes a purely economic one.

If keeping the business is more financially lucrative than selling, absent other issues, maintaining the business with non-family management makes sense. But, even in this situation, if owners have other interests and the desire to unlock capital to invest in those interests, selling the business can make sense. One test of passion is to have owners identify the benefits they perceive from the business. If they cannot



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identify benefits beyond money that make the business worth keeping, it is time to decide if selling would be more lucrative than keeping the business.

While this list is certainly not exhaustive, we hope it has given you some food for thought. We would be negligent if we did not address the fact that selling the entire business is one option to address the problems raised above. There are certainly others. Buying out part

of the ownership group, bringing in outside management or bringing in an equity partner may be other options.

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IN THIS ISSUE:

- RDS Electric: Sparks Fly at Arizona Family Business
- Introducing Teens and Young Adults to the Family Enterprise
- The Right Reasons to Sell

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