Member News

(Continued from page 1)

Entrepreneurship at Wake Forest University's Babcock Graduate School of Management. Today, Wake Forest's Family Business Centers serve the needs of business owning families in the Triad (with approximately 100 members) and in the Metro Charlotte area (with approximately 40 members). Both the Triad and Metro Charlotte family business centers use the capabilities and educational resources available at Wake Forest, in their respective communities and beyond to provide closely held and family firms the assistance needed to grow and succeed from generation to generation. For more information on our family business peers' activities at Wake Forest University Family Business Center, please visit www.mba.wfu.edu/fbc.

About Our Sponsors

Colton Groome & Company • Since 1950 Colton Groome & Company has provided clear strategies in a complex financial world. Colton Groome is a financial strategies and benefit planning company that assists business owners in establishing carefully constructed financial security and succession plans. Offices are located at 34 Orange St., Asheville. (828/252-1816, fax 828/254-5895)

Dixon Hughes PLLC • Dixon Hughes is the largest public accounting firm in the Southeast. Its capabilities include accounting and auditing, tax planning and preparation, estate planning, litigation support, health-care consulting, financial services and general management consultation. Offices are located at 500 Ridgefield Court, Asheville. (828/254-2254, fax 828/254-6859)

First Citizens Bank • Established in 1898, First Citizens is the largest family-controlled bank in the United States. First Citizens' product array includes a full line of financial services such as personal and relationship banking, private client banking, investor and trust services and insurance services. Its main office in Asheville is located at 108 Patton Ave. Call Brad Blackburn for information. (828/257-5747, fax 828/684-4329)

McGuire Wood & Bissette PA
McGuire Wood & Bissette is the oldest law firm in Asheville with continuous practice dating to 1894. The firm is focused on the business, financial and litigation needs of its clients in Western North Carolina and across the United States. The firm is located at 48 Patton Ave., Asheville, in the Drhumor Building. (828/254-8800, fax 828/252-2438) *www.mwbavl.com*

Blueprints for Success: The Future of Your Family Business

Biltmore Estate is pleased to share information with UNC-A Family Business Forum membership regarding a special program geared specifically for business owning families. Beginning in May 2005, Biltmore Estate will debut ***Blueprints for Success: The Future of Your Family Business*** – a program highlighting family business topics and family meeting opportunities at the Inn on Biltmore Estate. Focusing on "the business of family business," ***Blueprints for Success*** consists of two separate multi-day sessions presented in an interactive seminar format. And as UNC-A Family Business Forum members, all family and non-family executives who register will receive 10% off of the regular tuition price of each session. Upcoming sessions include:

Working with the Family – Best Practices
Tuesday, May 17 – Friday, May 20, 2005

Topics & Key Learning Points:

- Keys to Successful Sibling Owner/Management Teams
- Developing Your Vision, Mission and Value Statements
- Why Family Firm Strategies Must Be Different
- Family Business Governance
- Planning & Implementing Successful Family Meetings
- Developing Family Business Policies

Leadership Dynamics in Business Owning Families
Wednesday, November 2 – Friday, November 4, 2005

Topics & Key Learning Points:

- Preparing the Next Generation for Their Roles as Business, Family and Organizational Leaders
- Roles of Owners Not Working in the Business
- Best Practices When Working with Spouses
- Non-Family Executives in the Family Business
- Choosing & Using Advisors
- The Power of the Board

The estate will serve as a backdrop for both sessions, with program content and facilitation by distinguished FBCG faculty. As a special feature, participation is limited to 25 attendees who will have will have an opportunity to meet and learn from FBCG faculty consultants, participate in planning sessions, and develop initial take-away action plans for their own businesses. Set in beautiful surroundings and delivered by experts in the field of family business, we hope that our UNC-A Family Business Forum colleagues will feel welcomed to participate in either or both ***Blueprints for Success*** sessions. For more information, please see www.biltmore.com/blueprints or call 888-804-8264 to make your reservation today!

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Generations

The Family Business Forum
of the University of North Carolina at Asheville

Spring 2005
Vol. 4, No. 3

Member News – Outing Report

UNC-A Family Business Forum Member Goes On the Road to Wake Forest University

The statistics are compelling: we know that family firms make up almost 90 percent of all companies and 37 percent of the Fortune 500, yet only 30 percent of all family firms survive to the second generation. Research indicates that most of these failures result from not recognizing or adequately planning for the many unique issues that will arise in closely held firms. Most successful closely held and family firms seek outside expertise, immerse themselves in available resources and regularly attend programs offered through university-based family business centers to learn how to handle critical issues.

In North Carolina, we are very fortunate to have two centers focused on addressing needs of family owned and operated enterprises. And In February 2005, UNC-A Family Business Forum member Dini Pickering (Biltmore Estate Vice Chairman of the Board) was invited to visit our closest neighbor, Wake Forest University Family Business Center. As the guest of Tom Ogburn (Executive Director), Sarah Leonard (Assistant Director – Triad) and Nicole Stephens (Assistant Director – Metro Charlotte), Dini met Wake Forest's Family Business Center members and participated in sessions with program presenters Dr. Bill Lindsley ("Strategic Planning: Dancing on the Deck of the Titanic") and Jerry Neal (Founder and Vice President of Marketing, RF Micro Devices).

Wake Forest's Family Business Center was established in 1999 in Winston-Salem to address the issues faced by closely held and family firms. It was the first program initiated under the Angell Center for

(Continued on page 4)

From The Director

In the Winter 2004 edition of this newsletter we wrote you about the arrival of two baby boys- Ethan Tobias Morse and Dylan Joseph Molis- with ties to our group and featured pictures of the little fellows. The "message" we were trying to get across is that family business owners do not HAVE to "export" their children or other involved family members to distant locations in order for them to earn a paycheck. Certainly that is one of the privileges of business ownership.

A year later both little boys are doing fine and off to a good start. Ethan and Dylan celebrated their first birthdays on April 6 and March 29 respectively.

It was also on March 29 that the Family Business Forum lost one of it's own with the passing of Charles Anthony Yost the founder and leader of Dynamic Systems, Inc.

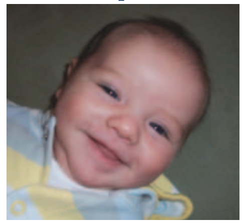
Charles Anthony Yost

Charles Yost embraced the Forum from the first day he was involved and regularly attended our programs and shared them with many of Dynamic Systems' key employees- family and non-family alike.

I personally always enjoyed visiting with Charles at his facility. And, it became apparent very quickly that his interest was in research and his concern for the business extended beyond his lifetime and, certainly, beyond an income statement. Charles also had a knack for understating everything good that he was doing. However, with his best efforts, he could not belie the fact that he possessed a brilliant mind.

Charles Yost chose a simple life filled with meaning. His life was an adventure in learning as opposed to merely an existence. As Ethan, Dylan and Davis Tatum Groome (born Feb, 27, 2005 to Tate & Anna Groome and grandson of George and Barbara Groome) begin their own personal adventures, may theirs be as fulfilling and rewarding as that of our friend and colleague Charles Anthony Yost.

As we near the close of another programming year, I am pleased to advise you of a number of projects that are underway to improve the service levels to our membership. We are creating a resource book that we plan to offer electronically as part of our website and in print to inform members and visitors to our website about your business capabilities. The website itself will be undergoing a major facelift and we will be contacting each of you to discuss how we might design it to provide additional business opportunities for you-including links to your site. Our newsletter is also getting a serious review as we look to offer print and electronic versions going forward. And, we are looking at a smart new way of providing you with electronic meeting notices and easier ways to advise us of your attendance plans.



Davis Tatum Groome

Finally, I am really looking forward to our tried and true individual meetings with you over the summer. Our program topic selections come directly out of these important meetings and help us address the changing needs of your family business as we begin our fifth year of service to you.

Rich Lasher
Executive Director

The Family Business Forum
of the University of North Carolina at Asheville

The purpose of the Family Business Forum of the University of North Carolina at Asheville is to enhance the viability of closely held businesses in Western North Carolina. Guided by its members and supported by sponsors, the forum presents programs and activities that are meaningful and relevant to the membership. The Advisory Board, composed of a sponsor, FBF members and the executive director, develops programs for the year, which runs September–May. The forum is a resource to successful family-owned businesses seeking to support the entrepreneurial spirit of the family and the company.

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Visit our Web site at **www.unca.edu/fbf/**

Family Business Profile

Whole Brain Thinking: What You Don't Know CAN Hurt You!

An Overview of Herrmann International, Lake Lure, NC

With affiliates spanning the globe, Herrmann International (HI) has a history of research and development in the matters of the mind and brain - specifically how people prefer to think, learn and communicate. In business for 24 years, HI's focus is on real world applications of this expertise.

It all began when the founder, Ned Herrmann, a physicist by training, became head of management education at GE University in the 1960s. Herrmann wanted to figure out why learning programs with equally great content could sometimes produce opposite results. So he began studying the brain. All three daughters, Pat, Ann, and Laura were among his earliest subjects. Their father wired them to an EEG (electroencephalogram) to see how their brains worked in response to different inquiries.

Herrmann's theories got the attention of GE's CEO at the time, and soon he had funding to do more research. Wiring up executives was not going to be a practical application, though, so he got some pscyhometricians involved and they developed a 120-question survey which is the basis of the HBDI (Herrmann Brain Dominance Instrument used today. Through subsequent validation studies, Herrmann learned that there are four quadrants of the brain representing our abilities to analyze, organize, personalize and strategize.

This understanding led to new ways of thinking and tapping into our creativity as well as more effective design of learning and communication. Herrmann Authored two books: The Whole Brain Business Book and The Creative Brain. Using the Herrmann Brain Dominance Instrument (HBDI) in a multitude of management development applications, today HI delivers products and workshops around the world to organizations like IBM, MTV, Victoria's Secret, Target, Weyerhauser, SAP, BMW, Bank of America. With Fortune 100 companies as clients, 1,000+ licensed trainers, a database of over 500,000 individuals and 30 percent growth for the last 3 years, the company continues to pursue research and new applications of brain dominance technology.

Ned and Margy Herrmann moved to Lake Lure in 1981, delaying retirement plans for the new business venture. The company's world headquarters features a unique Learning Center designed and outfitted for optimum learning experiences used for meetings, workshops and customer conferences.

The company has been featured in Business Week, The Harvard Business Review, Scientific American and this month an article in O Magazine describes weight loss research using the HBDI.

A Twelve Step Exit Strategy for Family Business Owners

Wayne Rivers is the co-founder and President of The Family Business Institute, Inc., located in Raleigh, NC. He has authored two books on the subject of business families: Prescriptions For a Healthy Family Business and You Don't Have To Die To Win – Success and Succession For Family Businesses. He recently appeared on the CNBC special program "American Family Business."

by Wayne Rivers

In his book, *The Hero's Farewell*, Jeffrey Sonnenfeld found that the retirement of family business owners resembles the adjustment period of a terminally ill patient faced with the prospect of ultimate death. First, there is a period of denial. Second, there is a stage of anger. Third, there is a stage of bargaining. Fourth, there is a stage of depression. Fifth, the terminally ill patient arrives at the stage of acceptance. Family business owners who have reached the stage of acceptance have noted that two things helped provide them with the perspective needed to carry on in a successful "second career." The first is writing their memoirs, even if it is done for family, not publication, purposes. The second item is the importance of family, children, grandchildren, travel with spouses, and more time at home in general; these activities offer them rejuvenation and perspective. A retired chief executive said his first two years in retirement were the most difficult. After that initial period of adjustment, his second career was able to take on new meaning. The challenge, then, for family business owners is to build a new life while simultaneously avoiding post-retirement emptiness.

Sonnenfeld interviewed a group of 75 Young Presidents Organization members in the late 1980s to determine their attitudes toward retirement. Non-family heads of companies looked forward to retirement, felt that retirement should come no later than age 70, and cited attainment of their life's goals as their reason for retirement.

Founders of closely held companies said they *never* intended to retire, did not look forward to retirement, did not think age should limit their tenure, and would consider retirement only in cases of poor health, boredom, or because one of their children was ready to take over! Obviously, founders felt a much deeper emotional and psychological commitment to their companies than non-family presidents.

In the same survey, the founders of companies *never* thought of themselves as mentoring, coaching, counseling, advising, or teaching. When it came to their successors, they presented themselves as judges who would put candidates for leadership on trial assignments. When asked how they would like to be remembered after retirement, non-family members expressed goals such as the financial stability of the company, growth of the business, and market share as measuring sticks. Family managers' goals had to do with building deeper, more secure foundations for their companies, the company's overall success, and a marked concern for their employees. The difference between non-family managers' and family managers' responses are striking.

Departure Styles of Family Business CEOs

Sonnenfeld described four manners of exit for chief executives. He labeled the styles:
1. Monarchs
2. Generals
3. Ambassadors
4. Governors

Monarchs don't leave office until they're forced out through death or a management coup. Monarchs are the most attached to their roles as chief executives. Their stature and power are hard to let go. They emphasize profits less than the other types of leaders while putting greater emphasis on building the company (high sales and high asset growth). Monarchs typically ruled until death. They were consistently weak in choosing a successor, and, once chosen, they frequently undermined him.

Generals also must be forced to exit. They leave reluctantly, but plan to return. They can't wait to come out of retirement in order to rescue their companies from what they perceive as inept successors. Generals often develop strong managers against whom they would eventually turn. They express strong attachment to heroic stature and are frustrated by the loss of their heroic missions. A good example of the General type of departure style is marked by Lee Iaccoca's successful development of Chrysler followed by a brief retirement after which he attempted to undermine his hand-picked successor and reseat himself as CEO.

Ambassadors, in contrast to Monarchs and Generals, leave office gracefully. They are good at providing continuity and counsel for their successors.

Governors leave their companies for a limited term of office then, after retirement, move on to other challenges. They maintain very little ongoing contact with their companies after departure. An example of a Governor might be Bill Gutheridge who served as head coach of the University of North Carolina basketball program after Dean Smith's retirement. He served for a short period of time, maintained high standards, handled his stewardship duties well, and withdrew gracefully after a short time in favor of younger coaching candidates.

From empirical observation, there are not many Governors and Ambassadors as leaders of family businesses. Overwhelmingly, family business owners fall into the categories of Monarchs and Generals. Not to be indelicate, but family business owners are terrible at naming successors, grooming them, and exiting gracefully. Often, family business owners have to be figuratively dragged kicking and screaming from their thrones, and this determined reluctance to let go of power has negative ripple effects throughout the family and the business. Ironically, Monarchs acknowledged that after their retirements they could have done a much better job grooming their successors. Sonnenfeld also found that outside activities unrelated to the business are not fulfilling to retired CEOs. Charity work, board directorships, and other pursuits don't make up for the loss of heroic stature. The success that put the FBO on a pedestal makes it that much harder for him to find alternative means of maintaining his self-esteem.

Irving Shapiro, former CEO of DuPont, had an interesting perspective for retiring CEOs. "Every CEO should remember that the position exists not for his benefit, but for the corporation's. It is his job to know when it is time to step down." Family business owners will be remembered for a host of accomplishments, the most enduring of which just might be the successful transition of their companies from one generation to the next. The sad thing is, because they hold on to the reins too long, most FBOs tarnish their reputations and harm their companies at the end of their tenures. They have a type of late career desperation to prove they are still young enough, smart enough, and vital enough to continue to imprint their companies and their communities. A graceful and pre-planned exit is an essential part of an FBO's legacy.

The Twelve Step Solution

With all the emotions, conflicting agendas, fear of change, and procrastination, how do family business owners transition themselves out of their carefully nurtured roles and into new ones befitting the dignity and prestige that they have earned?

Dr. James Lea cites a study of 42 entrepreneurial and family owned companies which attempted transition into the next generation. 14 of the 42 reported they started planning 10 years or more before making the transfer of management. Of that number, 86% of the companies were successfully operating 15 years later. 22 companies started planning between two and 10 years before making the transfer. There was a 50% survival rate among those firms. The remaining eight companies did not start planning soon enough, citing two years or less before handing over control. It is not surprising that 75% of these companies failed.

Dr. Leon Danco, in his *Twelve Commandments For The Business Owner*, devoted one-fourth of the commandments to specifics of succession. Commandments Eight through Ten read as follows:

- Thou shalt name thy successor.
- Thou shalt be responsible that thy successor be well taught.
- Thou shalt retire and install thy successor within thy powers within thy lifetime.

The family business owner has a covenant with his family, his enterprise, his employees, and his customers to see to it that the company continues into the next and future generations. It is essential that the FBO begin a structured process of letting go and preparing for succession. The following is a 12 step solution to successful family business succession.

Step One: Understand the Importance
Step Two: Decide When To Leave
Step Three: Develop a Financial Exit Strategy
Step Four: Identify the Successors
Step Five: Begin the Silent Phase
Step Six: Write the Succession Plan
Step Seven: Develop A Business Plan
Step Eight: Appoint A Family Business Advisory Board
Step Nine: Announce the Plan
Step Ten: Announce the Transfer Date
Step Eleven: Pass the Baton
Step Twelve: Transfer Ownership Control