
Passing the torch: Transitioning the family-owned businesses to the next generation

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What comes to mind when you think of family-owned businesses? If it's the mom-and-pop store on the corner struggling to compete with the national franchise down the street, your mental model is due for an update.

Family-owned businesses are a powerful economic force, comprising 80 to 90 percent of all business enterprises in North America, according to the Family Firm Institute. They range in size from the traditional small business to Fortune 500 powerhouses like Wal-Mart, Ford, Motorola, Bechtel, Gap, Levi Strauss, Hallmark Cards, Nordstrom, Weyerhaeuser and J.R. Simplot.

Family Business Magazine defines a family-owned business as one in which a single family controls the company's ownership, with family members active in top management. Companies can be privately or publicly owned; in fact, 60 percent of all public companies in the nation are family-controlled.

Family businesses account for 60 percent of total U.S. employment, 78 percent of all new jobs and 65 percent of all wages paid, according to the Family Firm Institute. Despite these impressive statistics, fewer than one in three family firms survives to the second generation, and only about one of ten makes it to the third. The average lifespan is 24 years.

Why are generational businesses so elusive? Not enough owners plan ahead for a smooth and orderly handoff, experts say.

Generational transitions work best when they are systematic and purposeful, according to Catherine Pratt, assistant dean and director of the Family Enterprise Institute at Pacific Lutheran University's School of Business in Tacoma. Pratt conducted a study of Washington family businesses last year. "The most successful owners groom their children at a young age to become leaders, exposing them to a variety of experiences inside and outside the firm," she said.

Bill Lampson experienced that kind of careful grooming firsthand. He is the second-generation owner of Lampson International, which specializes in heavy lift and transportation equipment, such as cranes. Neil and Billie Jane Lampson founded the Kennewick company in 1946 and built it into a highly respected, worldwide venture with a strong community service ethic.

"The business was our family's principal goal right from the beginning, and Dad included us as much as possible," Bill Lampson said. "At age 16, I was going on business trips and to equipment auctions with him" he said. Three older sisters also worked in the business.

"Dad and I spent a huge amount of time together and a lot of that rubbed off. We had a great relationship," Lampson said. Bill Lampson took over in 1982. Today, the

company employs more than 375 people in three countries and sells equipment and services in 25 countries.

Just as his father prepared him, Bill Lampson is involving his children in the business. The three siblings range from high school to post-college, including a daughter working in the Australia office. "I put them under somebody's supervision and watch how they do," he said. "Over time, they develop certain talents that they have success with, which gradually become the focus of their operations."

Lampson cautions that employees must perceive that the family members are worthy of their positions. "It creates morale problems if you bring in a family member who is ineffective or half-hearted," he said.

Cathy Preston-Mouncer helped build her family's firm-Preston Premium Wines-literally from the ground up. "I helped plant the vineyard when I was 12," she said. Cathy and her brother Brent Preston have operated the winery since 1991, when they took over from parents Bill and Joann Preston.

The elder Prestons helped pioneer Washington's wine industry. Now, Preston Premium Wines sells wine in 35 states from its picturesque 200-acre headquarters in Pasco.

"Brent and I worked there all through high school, doing everything from bottle labeling to sales," she said. That experience, combined with academic training in college, helped ease the transition when the elder Prestons were ready to hand over the torch.

"My brother and I divided the responsibilities based on our interests," she said. "Brent does the winery and vineyard operations and I do the marketing and run the tasting room," she said.

Willingness to be flexible has helped his business survive into the third generation, said Charles Grigg. His father founded Grigg's Department Store in Pasco in 1938 and later turned it over to the then-20-year-old Charles.

The three-acre building, a Pasco icon, is likely the largest independent general merchandise store in the Pacific Northwest, Grigg said.

Over the past 11 years, son Charlie has managed the store as his dad Charles gradually phases out. "Charlie is more interested in systems and operations, and I'm a merchandiser at heart, which sometimes creates management conflicts," Charles Grigg said. "But if the goal is achieved, it doesn't matter how you get there."