

BACK TO BUSINESS IOWA PODCAST

A partnership of Iowa State University Extension and Outreach and America's SBDC Iowa

SEASON 1 | EPISODE 34: Challenges Facing Family-Run Businesses

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Description: *Daniel Beenken, Director of the Family Business Forum at the University of Northern Iowa, joins host Steve Adams for a discussion about the issues facing family-run businesses today, with a particular focus on succession planning.*



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Steve Adams, host 00:10

Hello, and welcome to the Back to Business Iowa podcast from Iowa State University Extension and Outreach. This podcast is a collaboration between Iowa State University Extension and Outreach and the programs including Community and Economic Development, Farm, Food and Enterprise Development, and the Iowa Small Business Development Centers. These podcasts cover relevant topics for businesses and individuals related to education, research and technical assistance during and post COVID-19.

Steve Adams, host 00:55

Hi, I'm Steve Adams, field specialist three at Iowa State University Extension and Outreach, part of the Community and Economic Development unit and your host for these podcasts. Today, our guest is Daniel Beenken, director of the Family Business Forum at the University of Northern Iowa. We're going to be talking today about challenges that are specific to family-run businesses. Hey, Dan, thanks for being with us today.

Daniel Beenken 01:21

Yeah, good morning, Steve. Thanks for asking me on. I think this is a great topic. Family-owned companies dominate a lot of our economic engine of Iowa. So hopefully we can help out here this morning.

Steve Adams, host 01:34

Appreciate that. So before we dive too far into the weeds here, Dan, can you give us a little information on your background and what it is that you do?

Daniel Beenken 01:44

Sure. Well, I'm actually an Iowa State grad from back in the day. And I lived in Minnesota for about 10 years and I did investment banking and venture capital type work. Moved back to Iowa, about 10-12 years ago to work with small businesses and startups at the university. And that has kind of broadened and morphed over time to where now my spot on the bus is focused on family-owned companies.

Daniel Beenken 02:16

It started out that it was on succession and transition planning for existing companies, and so many of them are family-owned and trying to transition from one gen to the next and the stats are against them. And so the state and the university wanted to see more done to try to help with that. So that's where I'm at now.

Steve Adams, host 02:36

Well, yes, we've had several discussions on these podcasts about the succession and transition planning and it would seem like considering COVID we're probably going to see a lot more of those types of situations come up. So are you foreseeing that as well, Dan, that that may be the next round of what you see with family-owned businesses?

Daniel Beenken 03:01

For some. So COVID is has provided a disruption of massive proportions obviously, and for some families that were looking at succession—we often refer to the owner, current owner-operator as founder Frank. And you know, founder Frank has kind of pulled back the reins a little bit on succession, he or she is looking at the uncertainties, the wind in their face right now as a business. And I think they're looking at "I better just ride out this storm before I pass it down to the next generation" type of thing. So we've seen a little ease up on the gas from there.

Daniel Beenken 03:45

But transition is often a tug of war in a family-owned company. And so the next gen is doing the opposite. They are wanting to grab on, they want to get involved in making the decisions right now as they're going through turmoil, as they're making big decisions, as they're facing the chaos right now. And so it's creating a more heightened tug of war, I would say, between founder Frank trying to hold on and the kids or grandkids or nieces, nephews, whatever it might be, trying to grab that decision-making and ownership as well. I don't know if that makes sense or not. But that's what I've kind of been seeing.

Steve Adams, host 04:28

Well, it makes perfect sense, Dan, to be real honest with you. And I know as we transition, some of these family members, whether it be sons and daughters or grandsons and granddaughters, are saying, I don't know if I want to enter into this job market, considering the circumstances and I'm not sure that I want to run a business in this market. So I'm sure as you put it there, it is that kind of pullback and that perceived tension going on right now.

Daniel Beenken 04:56

Absolutely. Yep. And the stress of COVID just amplifies it. Anytime you add stress to the equation, obviously then the emotions become a little more raw, they show up a little quicker and the Jerry Springer moments, as I call them, are more frequent sometimes. So, yeah, unfortunately.

Steve Adams, host 05:18

Yeah, it sometimes seems like that's almost like the reading of the will, you know, and the estate, and who gets what kind of thing, and that it always gets difficult as you put it, that Jerry Springer moment and all of a sudden you start to see people's true colors and personalities come out, don't you?

Daniel Beenken 05:37

Oh, absolutely. And in a family-owned company, you not only see the true colors of your kids but you see the spouses and you see their impact upon the lives of your kids and you recognize, especially if you're a little older, that you're direction and, quote unquote, control over them has been lost to that spouse at this point. And the pillow talk that happens, the conversations that happen within their house now have changed the game a little bit. So all that kind of comes together to make things a lot more complicated at times.

Steve Adams, host 06:22

I can appreciate that. So I the way I hear you talking, though, it seems like you've got some personal experience with family things, true?

Daniel Beenken 06:32

[laughter] I definitely have a mother- and father-in-law who probably would rather not put up with me. I don't know if that's what you mentioned, you're getting to Steve or not, but I could see that. A shout-out to my sister in law who works with you, Christa Hartsock, she's, you know, probably that same ilk of "What's my crazy brother-in-law doing now?" type of thing. But, um, you know, my family was involved with a family-owned company. We had a chain of shoe stores across the Midwest. My grandfather was a part of it and when it got to the point of it going down to the fourth generation of the family, it blew up, really.

Daniel Beenken 07:10

And it didn't blow up because of profits and loss or anything necessarily related to the financials and success of the business itself. It blew up because of relationships and because of strains on relationships and kind of, and fights about fairness and equality and power struggles and all that kind of stuff. So that you know, can often happen too in a family-owned company, is that the company itself can be doing pretty well or well enough certainly to handle a transition, but the relationships amongst the family members is often where you see the the pulling apart of things.

Steve Adams, host 07:52

You almost sound like you're some kind of counselor or mediator. Do you find yourself in that role, Dan?

Daniel Beenken 07:59

Yeah. Absolutely, and not unlike yourselves probably working with clients around the state too, through extension. But I definitely, you know, we we do a lot of succession planning work with family-owned firms and mostly my role on the front end, I like to say is, that I'm gonna be the quarterbacking person keeping the process moving, holding folks accountable, organizing them, getting them together. But what I often find out, what often happens down the road, is that my uniform changes from looking like a quarterback to looking more like a referee in some cases.

Daniel Beenken 08:44

And that's just not a metaphor either. There's oftentimes fighting and crying and a lot of raw emotion, as you said earlier, Steve, that a third party can oftentimes be a constructive add to that type of a mix, to keep conversation flowing and make progress I guess. So yeah, I definitely see myself wearing that therapist type of hat or performing that type of role with families, especially as they get bigger and more folks are part of the equation.

Steve Adams, host 09:25

So Dan, what would you say would be the biggest issue or challenge that most family businesses struggle with, that is somewhat unique to them versus a non-family business? Is that family dynamic, as you've discussed here previously, is that the main difference or are there other things that work into that equation?

Daniel Beenken 09:47

I would say that it's two sides of the same coin, if that's the right metaphor, but the things that are the most...become the biggest stumbling blocks or struggles, as you say, Steve, are also those things that can become the biggest competitive advantages for those firms. But it's the family dynamic. It's the fact that you've grown up around Dad or Mom and seeing them from one lens, and then you start to work for them, with them. And you see this new lens, of course, and they see you in a different light. And how you handle that, with what folks that have done this a lot longer than I have would call a little bit of honesty and a little bit of kindness mixed together, is difficult. And some families can balance that

pretty well and other families either need help or go their separate ways. But the family component is I think what makes them strong and at the same time can make them weak.

Steve Adams, host 11:02

Well, I speak from experiences here as well, Dan, my sons and I actually owned a landscaping firm for about a decade.

Daniel Beenken 11:13

Okay.

Steve Adams, host 11:14

And it did come time to actually sell the company, that my oldest son who is the primary shareholder, you know, wanted to go on and expand his operations into the Omaha market and didn't want to maintain a presence here in Red Oak, Iowa. So I would have to say as we went through the whole sales and transition process that it was—I'm gonna use a vast understatement here and just say that—it was painful at best. And there were times that I wish I'd had somebody like you, Dan, not again to overuse the athletic metaphor, but the referee who said Okay, wait a minute, guys, timeout. Let's really take a clear look at this with a clear head, not let emotions get involved. But, you know, it was difficult. It all worked out in the end, let me tell you, but [unclear].

Daniel Beenken 12:07

Yep. I don't think—you know, that's not unique at all. I mean most all of our families struggle at times just to be families, right? And then if you put into that blender money and working for each other and livelihoods and careers and differing visions on that part of things, you know, it can get messy. And it's families that are proactive, that are communicative on the front end, that are keeping a family meeting going on a frequent basis. Those seem to be the families that are able to withstand those types of things better than others.

Daniel Beenken 12:54

It's like anything else, the more proactive you are typically, the more success you're going to have. It's like dieting, if you stay on it, if you're proactive about it and it becomes part of your natural routine, you usually have success. If it's more like me and you say, Well, I had a pretty good week here of eating and I'm going to have a big bowl of ice cream tonight—you know, that's where you struggle, right? Because you're not staying on it.

Daniel Beenken 13:24

And so anyway, I appreciate you sharing that, Steve, because I think that story is not unique. And you know, I don't know how your your sons divided out ownership when they started. But things can get complicated when we start to get different priorities and spousal priorities. And then when our kids are involved in the mix, and we want to make decisions that we think are best for them and their future, all of a sudden, who used to be our closest sister or brother takes a backseat to that kind of stuff a little bit. And I don't know necessarily that's what happened your case, but I see that all the time.

Steve Adams, host 14:07

Oh, most definitely emotions took over at certain points. I think some estrangement happened as a result of the settlements, things seem to be on an even keel now. So, you know, hopefully whatever damage was done is slowly, slowly healing, Dan. But I'm not here to air dirty laundry on my family at the moment [laughter].

Daniel Beenken 14:31

Oh I understand and I didn't mean to ask you too much about it. I mean, I think it's important to remember that, of all companies, you know, that's family-owned companies, only about 30% of them make it from the first generation to the second generation. So it's incredibly hard. It's incredibly hard just to make it as the first generation, especially when we have, you know, the type of world we're living in now in the macro-economic environment that we're in.

Steve Adams, host 15:01

Well, I certainly want to give hats off to my oldest son, he turned this into a very small company into a very large company by the time he sold it. So again, hats off for him putting his head down and driving through it and really, really making it a successful company. So, we've talked about all the family dynamics, but what's COVID-19 done to the equation? Are there other issues that have been surfacing in your work with family businesses as a result of the pandemic? And what kind of advice you're going to give to them?

Daniel Beenken 15:32

Oh, boy. Well, um, when I think of the COVID aspect of things, I think COVID has just been a—not "has just been"—has been a new stressor, a new headwind for families. And so those that were were already strong with communication and relationships, and knew their roles on the boss and were comfortable with those roles and that kind of thing—so in other words, those families that were doing well before, you know, they had the tools and experience and communication lines in place to keep the bus moving, although, obviously, they're not doing as well, I would say at a macro level.

Daniel Beenken 16:18

But those families that had any kind of stress already, those are the families that are really struggling just like you would expect. I think they, this headwind is becoming the straw that can break the camel's back, so to speak a little bit, from a COVID standpoint. And so I think it's reiterating to those families that have been proactive that, hey, this is why we did this stuff. This is why we spent Saturday morning talking through estate planning or decision making hierarchies or next gen leadership development or succession planning—whatever it might have been. This is why we had those conversations so we could have them at a time when when the environment wasn't against us. When you try to have those conversations reactive because of, you know, poor performance of the company or whatever else might be going on because of COVID, then all of a sudden, you're having more of an emotional conversation, and it's harder, it's difficult, and it usually doesn't end well.

Steve Adams, host 17:34

So Dan, if somebody wanted to get ahold of you to ask about anything you've said today, what's the best way for them to contact you?

Daniel Beenken 17:43

I would say Steve, thank you for the opportunity. And I would say to find us on our website, which is Advancelowa.com. You can learn a little bit more about our family programming there. Our Family Business Forum is going to kick off here in about three weeks with a with a program. I believe it's September 18. We'll be focusing on advisory boards and the types of ways that family-owned companies use an advisory board. Why do they have an advisory board? What are the benefits, etc., to that? That's an important thing for any company, regardless if you're family-owned or just independently owned. So at Advancelowa.com, they can find more about us. Thanks, Steve.

Steve Adams, host 18:33

That's pretty simple—Advancelowa.com. Again, our guest today has been Daniel Beenken, who is the director of the Family Business Forum at the University of Northern Iowa. Hey, Dan, thanks again.

Daniel Beenken 18:46

Thank you, Steve, thanks for your time and appreciate your anecdotes here along the way. Those are interesting, of course.

Steve Adams, host 18:53

My whole life's about anecdotes, Dan.

Daniel Beenken 18:57

I appreciate it. Steve. Thanks for your time. Thanks for having me on and have a great rest of your week.

Steve Adams, host 19:03

Thank you, sir. Well, folks, you've been listening to the Back to Business Iowa podcast series. If you've enjoyed listening to this podcast, please consider posting a review on iTunes, Spotify, Apple, Google, Stitcher, or whichever platform you find our podcasts. One stars, two stars, five stars. We want to hear from you and get your feedback on what you think of our programming for this. Again, my name is Steve Adams and I can be reached with any questions you may have at stadams@iastate.edu.

Steve Adams, host 19:38

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