

# Outsiders fawn over 'family-owned' businesses

By **Kim Leonard**

TRIBUNE-REVIEW

Thursday, December 20, 2007

The letters arrive a little more often now. Unsolicited, they're from agents representing potential buyers of Quality Life Services, a family-owned chain of nursing homes and other businesses.

"We ignore them. None of us are thinking 'sell' at all," said Susie Tack Beardsley, employee relations director for the Butler-based company that her grandfather, father and uncle founded in 1973.

The future is cloudier at hundreds of other family businesses in the region, local experts say. Parents and children, siblings and spouses often have varying ideas on whether to grow the business or sell it off. And with today's robust investment climate, many are confronting more frequent bids to buy all or parts of their companies.

"There is this huge amount of money in the equity market now," said Rich Snebold, who heads the Family Business Center at NexTier Bank. Many business owners don't take time to map out the next several years, he said. "And because they've not prepared mentally, emotionally, financially, it puts inordinate pressure on them to make a decision."

One of the region's oldest family businesses was spotlighted last week, as the Henningers and McSwigans said it was time to sell Kennywood Entertainment of Pittsburgh's five parks and a banquet and catering business to a multinational amusement parks operator. After a century of ownership, more than 100 members of the families hold shares, yet none has a controlling stake and none had run daily operations at Kennywood or the other parks in decades.

Still, the families rebuffed several previous offers and called the decision tough.

"We approached them, and they initially said no to us," said Richard Golding, CEO of Parques Reunidos, the Madrid-based company that expects to acquire the Kennywood businesses in March for an undisclosed price. Later, "We came to a meeting of the minds in that we have similar philosophies, and they felt comfortable that we would be good custodians of the parks."

The Kennywood owners' choice is one example of when it's time to consider letting go of a family business, local experts who advise those companies say.

Here are others: If family members don't share the same vision for retaining and growing the business and can't resolve their differences. And if a company's ownership has passed to cousins, say, who never worked there, who collect dividends but aren't emotionally attached and are reluctant to invest in new technology and other upgrades.

"If the shareholders are ground in turmoil for too long it will affect the operation of the business," said Ann Dugan, a family business consultant and executive director of the University of Pittsburgh's Institute for Entrepreneurial Excellence. Her family runs a building supply business in Georgia that her great-grandfather started in 1890.

Family business owners face more pressure than ever -- from global competition, to the

taxes and regulatory challenges that make it expensive to do business in Pennsylvania, to their own relatives who may want to jump aboard the family enterprise. "How do you assimilate all those people? How do you develop policies that are fair?" she said.

Talking frequently with other family members, with non-family top employees and with independent board members about where the business is going and having a succession plan are key, said Dugan and Rich Snebold of NexTier Bank.

These days, aspects of family businesses may make them more attractive acquisition targets than before.

Considering Wall Street's lackluster performance of late, investors are looking for places to put their money that will provide a steady return. Family-run businesses often have a market niche honed over several generations. They tend to compete more on quality and service than on price. They're generally run conservatively and don't carry much debt. And for investors outside the United States, they're less expensive now because of the weakened dollar.

Beardsley said her family's Quality Life Services -- with eight relatives involved, five as owners -- gets acquisition offers for another reason.

"There is a lot of talk out there that the nursing home business is set to really boom, because of the Baby Boomers," she said. But the chain of six nursing homes, a personal care home, a pharmacy, therapy company and two apartment complexes is in growth mode itself, having bought two facilities last summer.

Those opportunities can be sore reminders of how business affects the family. "We have looked at nursing homes outside of Pennsylvania," she said, "and we are very hands-on owners. We've said, 'If we buy this in Toledo, who's going?' It's not easy. If the founders send one of their sons, that means the grandchildren are moving."

Anne Henne Rockwell, who left her family's Henne Jewelers business in Shadyside last year after 10 years, agreed family businesses in some ways are tougher to run.

Usually there's more than one decision maker, "and in addition to that you have emotions and the past and childhood and all those things to deal with," she said. "But it can be more rewarding because you trust these people more than anyone else in the world."

Rockwell left to spend more time with her two children, leaving her brother John and sister Meg Gibson as the fourth-generation owners of the 120-year-old business. Their parents were bought out a few years ago, John Henne said.

Seeing potential clashes between active owners who wanted to invest in the business and inactive owners who wanted to take money out, the Hennes developed a plan about 10 years ago under which, in order to retain voting shares, family members had to work in the business about three days a week.

"In the midst of the trouble it can be detrimental to the business, but if you can overcome it, it can be phenomenal," he said.

*Kim Leonard can be reached at [kleonard@tribweb.com](mailto:kleonard@tribweb.com) or 412-380-5606.*