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■ *Succession Planning in Distribution Case Study*

Mayer Electric: Protecting the 'Goose'

Succession planning should not be spontaneous in family businesses

Mayer Electric, Birmingham, AL, has been a family business since its founding in 1930. CEO Nancy Collat Goedecke spoke with MDM about the processes the family developed and the challenges they have overcome to keep the company healthy and thriving.

This article is part of a series on succession planning in distribution.

By Jenel Stelton-Holtmeier

Preparing a business for succession increases the likelihood of a smooth transition, according to Craig Aronoff, co-founder and principal consultant for The Family Business Consulting Group Inc. "Preparing the ground is probably more important in 90 percent of the cases than who you actually select," he says.

That means beginning the discussion well before the current leadership or ownership is ready to step aside.

When Nancy Collat Goedecke was about 30 years old, her father, Charles Collat, asked her and her siblings if they understood what it meant to be potential future owners of a business. "We said that we thought we did," recalls Goedecke, now CEO and co-owner of Mayer Electric. "He said, 'I don't think you do.'"

Laying the Groundwork

Collat didn't leave the discussion at that. Instead, he launched a process to prepare the siblings for their eventual roles, beginning with sharing the fable "The Goose that Laid the Golden Egg." While the siblings were in their 20s and 30s, the story they heard often as children went a long way toward bringing them together.

"They told us we had to keep that goose – Mayer Electric – healthy," Goede-

cke says. "And that goose – Mayer – was bigger than any one of us individually. That was the premise and our foundation for moving forward."

The family engaged Aronoff to help lay the groundwork for eventual succession.

"You really need to understand the environment in which the business is operating," Aronoff says. "You really need to understand the business and its strengths and its weaknesses."

Goedecke's parents and the company's CFO began teaching the Next Generation – which is how the siblings referred to themselves at the time – about the business, from reading and understanding financial statements to the responsibilities of ownership.

And it meant addressing some questions that can be very difficult for family businesses, beginning with: Should the company stay a family business?

As with all families, the siblings didn't agree on everything, but when it came to the business they were unanimous on three critical pieces around succession. The first was that they wanted Mayer to remain a family business.

"We wanted it to be there for our children and our grandchildren and our associates' children and grandchildren," Goedecke says.

The second thing they agreed on: They wanted the best person to run the company – even if that person wasn't a family member.

"In many family businesses, there's the notion that a family member is going to lead the business, and it's regardless of their skill set or ability," Aronoff says. "The old notion is that businesses were treated

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like royal houses." It didn't matter what the first in line for succession knew or could do, he was the heir. "If that started wars with other countries, so be it."

The Next Generation recognized that this approach wasn't necessarily the best way to keep the business healthy and growing, which meant they had to learn how to recognize who would be the best person for the job and then figure out how to inject objectivity into the process.

The third critical decision made by the Next Generation was that, if possible, they wanted a "blood Collat" to be chairman of the board to maintain the family connection to the business.

Challenging the Decisions

"It's easy to say those three things, but it's very different to walk the talk," Goedecke says. The first challenge arose in the mid-2000s when a large, well-known company expressed interest in buying Mayer Electric. Goedecke's parents were making the final decision, but the Next Generation was old enough to discuss the prospect and come to their own conclusions.

If the deal had gone through, the family's children and grandchildren "would probably have been set for life," Goedecke says. But what would it mean for the associates and their families? How would it impact the suppliers and the customers?

"Understanding what the business meant for so many, it was a very easy decision," she says. Goedecke, her brother and her sisters came back and said they weren't interested – their parents had already arrived at the same decision.

In 2007, a challenge to the second decision arose. The company's president – a nonfamily member who had been with the company for more than 30 years – announced his intent to retire. Because of Mayer's culture, the family decided to launch the search for a successor internally. They engaged Aronoff and other outside resources to help with the process.

Nine internal candidates initially put their hats in the ring – "an incredible number," Aronoff says. That pool was winnowed down to five finalists – one family member and four nonfamily associates.

Eventually a nonfamily member, Wes Smith, was selected as the president. Smith had started as a temporary worker in Mayer's Montgomery, AL, warehouse and worked his way up through the company. "To me, that speaks volumes to all

of our associates that you can be whatever you want at Mayer Electric," Goedecke says. "You don't have to be born lucky, like I was."

Even though the family member wasn't chosen to lead the day-to-day operations of the company, everyone involved in the process agrees that the best decision was made. Three of the four remaining candidates – including the family member – are still with Mayer.

The Challenge of Family

The biggest challenge many family businesses have to face is family.

"As close as we were, learning to work together, forming as a group, storming as a group, norming and performing as a group takes time," Goedecke says. And with a nine-year age difference between her – the oldest sibling – and her brother – the youngest – it also required them to learn to respect where they each were in their lives.

When they began the process, Goedecke was in her early 30s with kids; her brother was just graduating college. Their priorities in life were significantly different. For example, when it came time for the group's fall meeting, her brother would say he couldn't meet because Alabama had a football game that weekend.

"We would get frustrated because to us it was just some football game," Goedecke says. "But it was important to him at the time." Fast forward 15 years, to when Goedecke's children were in college, and she found herself saying she couldn't meet that weekend because Alabama had a football game.

"It's hard to appreciate where other people are in their lives," she says.

Another challenge is parental involvement. It can be difficult for any parent to allow their children to make their own decisions and potential mistakes, but allowing them to go through their own process can be a great learning experience.

"When I first started working with the Next Generation group, it became clear that we had to tell daddy and mama to butt out – in much nicer terms, of course – and to let them have their own meetings," Aronoff says.

The siblings took on the responsibility for running their own meetings, without an obligation to report on what happened. They had to work out their own issues to come together as that cohesive group to be able to make the right decisions for the business – to continue protect-

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ing the goose.

As difficult as it is to get siblings on the same page, the challenges are compounded when families grow and the business gets passed down to other generations. "Siblings are raised in the same house with the same values," Aronoff says. "With cousins, they're in different houses, and spouses and different values are introduced."

As the number of owners increase, the dynamics of the ownership group change, he says. Families need to place more emphasis on how they organize the ownership group, not just how they organize the business.

For companies the size of Mayer – which had sales of about \$741 million in 2014 – succession should not be spontaneous, whether ownership or management succession, Aronoff says. Policies should be established to inject objectivity into each decision, and processes should be in place to ensure the best people are identified early and prepared for the future roles they will play.

And there are no special favors for family members at Mayer. Goedecke's ownership group established clear policies for future family members that want to be involved in the business of Mayer Electric. If they want to work full-time at Mayer, they are required to have a four-year college degree, work outside the business for at least two years, and be successful in that job, such as earning a promotion. And there must be an opening at the company they are a fit for – a position won't be created for them.

The first member of the fourth generation – G4 – met the requirements and joined Mayer Electric full-time in October 2013.

Looking to Future

Succession planning isn't just for family members or management teams. Mayer Electric has launched discussions to ensure critical roles filled by outside resources – including Aronoff – also have a continuity plan.

"One day I was meeting with the group, and Nancy's father came in," Aronoff recalls. "He took me aside and said: 'Look we're talking about succession for everyone – for the chairman, for the board, for the executive positions. We're talking about succession for everyone – except you. Who's going to be your successor?'"

Because Collat viewed Aronoff as a permanent resource filling a critical role for the company, he wanted to make sure that when Aronoff

could no longer fill that role that there would be someone else already ready to take on the responsibility.

They also saw an opportunity to start preparing G4. Between the four siblings in G3 – which is what the Next Generation is now called – there are 10 children. At the time of Collat and Aronoff's discussion, they ranged in age from 7 to 17 years old.

"Being 60-plus, I'll admit to not being able to relate to 20-somethings as well as I can relate to 40-, 50- and 60-somethings," Aronoff says. "So it made sense to bring in a younger consultant from my team to work with the next generation."

So they tapped Stephanie Brun de Pontet to be G4's adviser.

While the group was younger than G3's members when they started preparing, "I think we had something going for us in that they had seen the value and the importance that their parents had placed on having these meetings," Goedecke says.

The first family meeting bringing G4 into the fold began the same way that G3's did, with the fable "The Goose that Laid the Golden Egg." The meeting included many fun activities focused on learning to work together.

Because G4 grew up connected to the company, it's likely they already had a sense of how their parents' ownership group worked together. But it wasn't until a later family meeting that G3 really saw how well they understood.

A then-11-year-old member of G4 asked to attend the big family meeting and was told he could participate but had to sit quietly. "I thought he was playing on his iPod Touch the entire time," Goedecke says. "But after the meeting, he handed his iPod Touch to his mom, who handed it to me. ... He was taking notes the entire time."

What he wrote at 11:

- The spirit of the family will move us along.
- Don't step up too quickly. We have 25 years to do this.
- Don't let conflict get in the way.

"There was a good bit more, but at the end he wrote in big capital letters: AND PARENTS, LAY OFF!" Goedecke recalls. "While he was young, he got it. It was a lesson for us, because as parents we still form and storm and norm as a group, but we had to let them go through the same processes that we did. "