Clear policies and roles go a long way in facilitating smooth transitions and operations in family businesses.

Nick Matt, MBA ’73, chairman and CEO of Matt Brewing Co. since 1989, never intended to lead the company founded by his great-great-grandfather a century earlier.

The youngest of the family’s third generation, he embarked on his own business career, rising to become president of Procter & Gamble’s Vicks Health Care Division.

By the late 1980s, however, Matt beer sales were so flat that one branch of the family wanted to sell the business. Nick’s branch still had hope. So those Matts decided to buy out their cousins, and turned to Nick to save the historic regional brewery in Utica. He replaced his older brother, F.X., in a shuffling at the top in which F.X. was named chairman, and Nick became president.

“It was awkward because I was 12 years younger than him,” recalls Nick Matt. “It was a bit embarrassing for him, so I never said in public that I was the boss, which would have diminished him in the community. But he knew and I knew that I was the one who made the decisions.”

The passing of the torch at Matt Brewery is one example of how families negotiate the tough decisions that confront all businesses, and family businesses in particular. Those decisions can be intergenerational, or they can take place between siblings or cousins vying for the family crown. They can split families and lead to an enterprise’s dissolution. Or they can forge bonds that ensure a profitable future as well as heartfelt toasts around the Thanksgiving table.

Family businesses comprise a huge part of the U.S. economy, contributing 64 percent to U.S. gross domestic product and employing 62 percent of the U.S. workforce, according to Joseph Astrachan, former editor of the peer-reviewed Family Business Journal, a board member of the Family Firm Institute, and professor of family business at Kennesaw State University. Astrachan’s research also shows that more than 30 percent of all family-owned businesses survive into the second generation. Twelve percent will still be viable into the third generation, with only 3 percent of all family businesses operating at the fourth-generation level and beyond.

A host of Johnson alumni lead family-owned businesses, including several who have shepherded their companies into the third generation and beyond. SC Johnson — the company that refers to itself as “a family company since 1886,” and whose founder, Samuel Curtis Johnson, is the school’s namesake — is led by fifth-generation descendent H. Fisk Johnson ’79, MEng ’80, MS ’82, MBA ’84, PhD ’86, who is both chairman and CEO. Fourth-generation brothers Ashish Bharat Ram, MBA ’94, and Kartik Bharat Ram, MBA ’99, have successfully made the transition at SRF, Ltd. in New Delhi, India, via well-defined leadership roles and a detailed family constitution that spells out company policies. At Banfi Vintners headquarters in a 60-room Long Island manor, James Mariani, MBA ’91, and his cousin, Cristina Mariani-May, became co-CEOs, creating an unusual leadership structure at North America’s leading wine importer, to usher in leadership of the company’s third generation. The Matt family found a way to revive their upstate brewery by looking to the youngest in their third generation, Nick Matt; and he, in turn, is grooming a member of the fourth generation.
ish), which developed into a diversified company that manufactured electronics, chemicals, synthetic fibers, and auto parts.

That conglomerate, however, splintered in the third generation, with their father, Arun Bharat Ram, taking ownership of SRF Ltd., a public company in which the Bharat Ram family owns 50 percent of the stock. Arun remains chairman of the board while the brothers run the company, with the elder brother, Ashish, 43, serving as managing director, and Kartik, 40, serving as the firm’s deputy managing director.

To guard against sibling rivalry, the brothers are paid the same, even though Ashish is the company’s top executive. “We make the same, down the rupee,” says Ashish. “There’s never a situation where we can argue over who gets more.”

The company policies extend to the use of what’s called “common family funds,” a pool of company dividends that can be used for travel, medical expenses, home repairs, and education.

The brothers have also divvied up corporate responsibilities in a way they say will guard against the competitiveness that led to the larger company’s dissolution during the third generation. The three uncles each ran a division of the company, and competed for resources through the family holding company.

At SRF, Ashish is on the frontline, in charge of operations, finance, and corporate strategy, while Kartik runs human resources, information technology, and corporate communications. Two chief operating officers report to the brothers.

“The previous generation had problems because they were fighting for resources to push their own projects,” says Kartik. “We aren’t competing for resources. We are working toward the same goals by taking care of different functions.”

SETTING FAMILY BOUNDARIES

Structures that create healthy boundaries within family businesses can help them thrive, says Jane Hilbut-Davis, a family-business consultant in Boston and author of *Consulting to Family Businesses: Contracting, Assessment, and Implementation*. So are governance structures that allow family members to meet periodically, often with an outside consultant running the session.

“They need to build in processes and protocols, so you have a way to make decisions,” she says. “There are so many issues that come up, which may have roots in the past. A rich family history is like glue: It can hold a family together, or be so sticky that the family can’t move forward.”

Such protocols have proven beneficial for the Bharat Ram brothers in New Delhi, where they’ve been working together since 1999 at SRF Ltd., which manufactures nylon cord for tires, chemicals, engineering plastics, and industrial yarns at plants in India, South Africa, Thailand, and the United Arab Emirates.

Those protocols include a family meeting every two months, facilitated by an outside advisor. Present are the brothers, their parents, and their wives, who are involved in the family nonprofit organization that runs three schools.

“The meetings are useful to bring out issues and get them resolved,” says Kartik Bharat Ram. “The facilitator keeps the meetings going, and helps out when we get stuck. The meetings can get rough at times. But following these meetings, there is more harmony in our lives.”

SRF Limited is the latest incarnation of a business founded in 1889 by Dr. Lala Shri Ram (great-grandfather of Kartik and Ashish), which developed into a diversified company that manufactured electronics, chemicals, synthetic fibers, and auto parts.

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or decades Jerry Hass, James B. Rubin Professor of Finance emeritus, taught Johnson students the value of a well-crafted business plan. In 1999, he put that wisdom to work for himself and his family when he partnered with his daughter and her husband, Marna and Andy Boerman, to buy the Ithaca Agway on South Fulton Street.

Hass knew the stakes were high.

“If I risked $10,000 and lost it, then my wife and I could say, ‘There goes the vacation,’” says Hass, the company’s treasurer. “But when you are risking someone else’s $10,000, and they are going to be with you for the rest of your life, and you aren’t married to them, then you really feel the pressure to make sure it’s going to work out.”

The purchase developed during the holiday season in 1999, when the Boermans visited Ithaca from Arizona and learned that the local Agway was up for sale. Hass liked the idea of his daughter coming back to town, and subsequently agreed to a 50/50 arrangement on the purchase of the retail business, which sells lawn and garden supplies, farm products, and pool supplies.

Three days after learning the Agway was on the market, Hass and the Boermans met with an Agway representative at a Denny’s in Syracuse. They spoke for 10 minutes. The rep handed them the company’s financial statements, and declared they had 20 days to decide whether to move forward.

“We went from being relatives to business partners in those 20 days,” says Hass. They worked hard on the business plan, making sure all potential risks were addressed, including their ability to run the business. His daughter had retail experience at Lady Foot Locker, and his son-in-law, Andy, a 1991 graduate of Cornell’s School of Agriculture and Life Sciences, was a rep for chemical agricultural products. Hass was the finance expert.

Mutual respect, says Hass, was the key.

“That was part of my due diligence from the start,” says Hass. “I had to trust. That’s an aspect of any joint venture, and it becomes very important in a family business.”

Their plan also included an exit strategy for Hass: a buyout agreement that the Boermans could execute when the time was ripe. In 2010, they exercised it. While stepping down as a co-owner, Hass has remained as the company treasurer, maintaining its relationship with the banks, and handling its pension and profit-sharing program.

“We had that agreement settled the day we bought the business,” says Hass. “That’s the time you want to do it — when you are excited about the prospects, and have no intention of exercising the option. This way, it’s no longer personal when the time comes.”

A clear delineation of duties also helped, says his daughter, Marna. “Jerry has never given us any suggestions on how to run the business,” she says. “He was our money-cruncher. Once in a while, he’d come to help out on a busy Saturday, but otherwise, he stayed out of it, so there wouldn’t be any issues.”

“[I] had to trust. That’s an aspect of any joint venture, and it becomes very important in a family business.”

—PROFESSOR EMERITUS JERRY HASS
SHARING THE TOP SPOT AT BANFI

Developing the right leadership structure can be tricky as the new generation emerges. That became an issue in the late 2000s at Banfi Vintners, founded by John Mariani on Spring Street in Manhattan's Little Italy in 1919. The company, which has Italian wineries in Tuscany and Piedmont, also imports such labels as Bolla, Cecchi, and Fontana Candida.

Succession was an issue when brothers John and Harry Mariani, who were partners in the company’s second generation, looked to pass the company on to their children. What emerged was an unusual arrangement between Harry’s son, James Mariani, MBA ’91, and John’s daughter, Cristina Mariani-May. In 2008, they became co-CEOs, running the company with the support of its advisory board of non-family members. They developed the structure with help from the Family Business Development Group of Chicago.

“The co-CEO arrangement potentially leads to obvious management issues,” says Mariani. “There are few case studies available for such a unique management system in a family-owned and -managed business.”

That structure has presented challenges for in-person meetings of the cousins on a weekly basis, as both are often on the road crafting wine deals in Europe and South America. But they’ve worked it out at the Banfi headquarters, located on a 127-acre estate and vineyard in Old Brookville, NY.

“The division of roles and responsibilities is, at times, fuzzy,” says Mariani. “But, it is supportive of natural absenteeism that comes with travel, and permits time-sensitive decision-making when needed.”

“My children] needed to go elsewhere to work, to get experience, and see other business models.”

—NICK MATT, MBA ’73, CHAIRMAN AND CEO OF MATT BREWING CO.

BREWING SUCCESS FOR THE MATTS

While the Marianis have divided the top job, the Matt family has thrived with Nick Matt in charge. In the early 1990s, he realized that the brewery couldn’t compete with its Utica Club and Matt’s brands in the market for low-priced beers against powerhouses like Busch, Old Milwaukee, and Miller Light. So Matt Brewing launched its Saranac line of premium ales and lagers, which have found a niche among beer drinkers willing to pay higher prices for a beer with both body and taste.

Now 66, Matt is looking to the next generation to carry on the family tradition. When he took over in 1989, he recruited his nephew, Fred Matt, an advertising account supervisor, to join him as they rebuilt the company. Fred, who led the company’s sales force for many years, has served as the company’s president and chief operating officer since 2008. “Fred has been a great part of what has happened,” says Nick Matt.

Matt says he drew great strength by developing his professional skills at Procter & Gamble, which prepared him for the challenge of bringing Matt Brewing Co. into the 21st century. He encouraged his children to look outside the family company, as well. “They needed to go elsewhere to work, to get experience, and see other business models,” Nick says.

At this point, none of them work in the beverage industry. Sarah, 35, works in an ad agency; Kelly, 33, is in the clothing industry; and Nicholas, 31, works for Procter & Gamble, as his Dad did back in the day. While there are no plans for them to come home to the Utica brewery, Matt says that if and when they do, they’ll learn the ethos that has helped the company claw its way back in the competitive beer market, and prosper.

“If you have a family business, you need to run it like a business,” he says. “It’s not a family. It’s a business, and if you lose that focus, you’ll have problems.”

David McKay Wilson writes for alumni magazines across the country.