

## **The strength of family** Megg Mueller, 6/22/2009

Only 40 percent of businesses are able to make the transition from the first generation to the next. After that second generation takes over, the transition to a third generation is even less likely, about 12 percent, while only 3 percent make it to a fourth.

These numbers from the Family Firm Institute, a research group in Boston, paint a bleak picture for family owned businesses. Some of Reno's oldest businesses, however, have thrived as they moved through the generations. Savage and Son has been in business since 1893, holds Nevada's oldest state contractor's license, No. 10, and is heading into its fourth generation of family owners.

Pete Savage, who along with his brother, Len, will continue to run the business when their father, L.J., steps down, attributes much of its success to core family values and exceptional employees.

"We've been successful because of our dedicated, loyal employees and our loyal customers," he said. "Plus it was the values instilled in us by our employees and our parents. It all comes down to respect, the Golden Rule. Truth is, I learned as many valuable lessons from our employees as I did from the University of Santa Clara," he jokes.

Mitch Besso, co-owner of Reno Vulcanizing Works Auto Care and Tires with his brother, Steve, and Fran Menante, echoes the importance of family in the business operation.

The three are third generation owners, having bought it from their fathers 22 years ago. Their grandfathers bought the company in 1920.

"We were taught by our father. We had to watch everything, learn everything. My brother and I have the same hands-on mentality as our grandfather. We are here daily, right in the middle of things. If there's a problem, we're here."

Being hands-on is also key to Ed Frazier, President of Dr Pepper - 7UP Bottling Co. of the West. Frazier took over the 104-year-old business from his mother in 1984 and will turn over the operation to his daughter, Molly Vestal, in the next decade.

Vestal, the company's executive vice president, has a marketing degree, and has interned at the Dr Pepper headquarters, but Frazier knows the best course is day-to-day experience. His mother had a professional manager run the business, but he, Vestal, and his two sons, Will and Ray, work in the business every day.

"The experience factor is the most important. And the connections with the parent company and with the other bottlers. There's 30 years of business relationships here,

and she'll have to make her own," Frazier said.

The first-generation transfer for many of the older businesses was a fairly simple thing. Children were raised with the understanding they'd work in the family business. Besso and Frazier both said they weren't forced into it.

"It was a different time. A different mindset. It's just what you did," Frazier explained.

Today, kids are generally given more options. Besso isn't sure if any of his three sons or niece will decide to carry on the family business. But that's OK, he insists: "It's a tough business. They have to make that decision."

Savage and his brother both went to work for other companies after college before making the decision to return to Reno and the family business. Vestal knew she always wanted to be chief officer; she's worked in the business since she was 14 with that goal in mind.

Besso, Savage and Frazier also grew up working in the family business, learning all aspects during summer vacations, weekends and more. That kind of early learning is crucial, according to Scott Wait, the managing director of the McLean Group in Reno who assists companies in repositioning themselves and exit planning, too.

"Usually the family business, if they do transfer to the second, third or fourth generation, it's because it's part of the family culture. It's something they start when the kids are really young, working for the business early on. Start training them in junior high school. Those are success stories," Wait said.

Planning for a transition is also an important step. Taking over a business requires the guidance of lawyers and accountants and others; Frazier thinks this is a crucial step if for no other reason than to make sure the government doesn't end up getting it all. Besso also noted the importance in preparing for all the regulations and rules imposed upon small business.

"That's an expensive, time-consuming part of business today," Besso said. For Savage, planning wasn't a main focus, but respecting the plan already in place was. "If our kids came to work here ... well when Len and I came onboard, we totally respected the 100 years this company has been around. There has been a Savage family member in this office everyday since 1983. I mean, that's pretty impressive. I'd tell them to understand the importance of keeping an eye on the future and innovation, but never forget the past and lessons learned," Savage said.

If a family hasn't been planning but is facing an eventual transition, Wait suggests

members immediately begin sharing the value of why it's beneficial to take over the business, and to share the challenges. Vestal agrees that in order to be successful when taking over, "you have to know what you're getting in to. It's got to be something you want to do." Wait also suggests getting family members involved in all aspects of the business. Having strength in one area is fine, but they need to know all aspects so they can continue to find talent to help manage that business