Family Business Forum- "Learn from the Best: Challenges and Successes of the 3Gs (Generations)"

Date: Wednesday, June 17, 2015
Time: 7:30 a.m. to 10:00 a.m.
Location: Husson University, Southern Campus, 340 County Road, Westbrook ME
Sponsored by: UBS, Family Wealth Management Partners, Husson University and the Institute for Family-Owned Business

Overview: The Institute for Family-Owned Business continued their Family Business Forum created to help family businesses navigate through successful succession planning and the ups and downs of the economy. Family-owned businesses make up over eighty percent of Maine's businesses. In any five-year period nearly 40% of family businesses will pass the baton to the next generation and, when that occurs, statistics are alarming: only 30% survive to the second generation, 13% to the third generation, and 3% to the fourth.

We gathered two panels of experts who have successfully navigated this transition of the "3Gs" - family businesses that have beaten the odds and successfully passed the business to the third generation and beyond. Not all companies used a common recipe for their success, they all took different paths to become who they are today and sometimes the best way to keep the family business was to not keep it in the family. We heard from one panel of owner/operators and our second panel of non-family leaders in the family business. We then had all panelists come to the stage for a lightening round and Q&A. Please enjoy this transcript and refer to the end of the document for biographies of the panelists and moderators.

Panel One – "3 G's Beating the Odds": Learn how these family businesses exceed the statistics of passing their business from the first down to the fourth generation which is typically 30%, 13% and 3% successful.

Gene Geiger
CEO, Geiger
4th generation

Kevin D. Hancock
President, Hancock Lumber Co.
6th generation

Michael D. Barriault
President, Central Distributors
4th generation

Moderator:
Steve Tenney – Sr. VP
Family Wealth Management Partners

Panel Two – "Non- Family Leaders in the Family Business": Sometimes the best way to keep the family business is to have someone else manage it.

John A. Isaacson
CEO, Lee Auto Malls
3rd generation

Robert Moore
Chairman and CEO,
Dead River Co.
4th generation

Steven P. Cote
President, Chalmers
Insurance Group
4th generation

Moderator:
Nancy Forster-Holt
Assistant Professor, Husson University

Transcript: Audio_Only

Catherine Wygant Fossett:

Welcome. I'm Catherine Wygant Fossett, the executive director of the Institute for Family-Owned Business. Thank you all for joining us today and hello to our remote listeners!

As many of you may know, we are a non-profit 501 c3 that helps family business succeed so that they can pass it onto the next generation. This year we have over 30 programs that provide education and networking opportunities for our members and future members. We have calendars and flyers for our upcoming events and welcome you to join us.

Today's event is a result of some very interesting research that our first moderator, Steve Tenney conducted. He first met with over 50 professionals that advise family owned businesses. Then he met with about 20 family owned businesses that have lasted for at least three generations. If you would like to see Steve's research, just email him.

In addition to discovering various dynamics, he also found that owners were willing to share their knowledge and experience, and also wanted to learn from others. Steve and his team at UBS, Family Wealth Management Partners, show great dedication to family owned businesses. They provide advanced planning and investment consulting to family owned businesses, helping them to realize their intended legacy.

They also have a fantastic network of professionals. In fact, just last month I attended one of their events where they brought numerous resources to Portland in an effort to educate other professionals on topics that affect family owned businesses.

Outside of work, Steve spends time with his family, is an avid sailor, and former triathlete, having completed two Ironman triathlons and represented Team USA at the World Championships in London in 2013. I now turn the program over to Steve to introduce our first panel and give you some background on how we came to be here today.

Steve Tenney (1st Moderator):

Thank you, Catherine. It's great to be a part of this event. Many of us were at the Family Business Awards last month. At that wonderful event, Alan MacEwan emphasized two critical components to success that will likely be repeated today. The first was communication. Today's panelists and their companies have all followed different paths. Yet it's fair to say that for all of

them, good communication leads to positive results, and poor communication leads to challenging situations. I have been through two generational transfers, the first with my father in 2001. Clearly, the success of both transitions was determined by good communication between the partners, staff and our clients, and any stresses that arose were caused by a lack of communication.

Alan's second point of emphasis was the need for families and companies to plan for the future. My team frequently sees a disconnect between a family's current reality and their intended legacy. What they want to have happen in the future is not supported by their plan. Our experience is supported by research by White Horse Advisors. They show that 96% of business owners agree it's important to have an exit strategy. Yet only 13% have a plan that is current and written. In my opinion, if a plan isn't current and written, it is worthless.

So why does this gap exist? Our research shows there are four primary reasons; we call them the Four Cs. Company. Owners are busy running their shop. They don't want to take the time to engage. Cost. It's difficult for owners to see any sort of benefit in the near term. They are used to seeing a tangible return on their investment. Planning has intangible benefits that may be realized years in the future. Conflict. Planning involves succession or the sale of the business. It's a great opportunity for different expectations between generations, siblings or other stakeholders to come in conflict with each other. And Control. Owners are accustomed to having everything under control, yet by definition, engaging in the planning process means surrendering some control to their advisors.

So what can be done about this? How can the gap from 96% to 13% be narrowed? I recommend learning from some of the best. In fact, that's the name of today's event. It's a bold title. In some professions, it's easier to identify who the best is. Let's take sports as an example. Most people in this country would say these four athletes were the best ever in their sport. [National]

Then again, those of us in New England that really know the score would say these four were the best.
[Boston]

So why should we consider today's panelists the best? 30. 13. 3. By a show of hands, how many people know the significance of those numbers? Then you know it's the likelihood of a business being passed down to the 2nd, 3rd or 4th generation. If you measure success on how many generations have been at the helm, these panelists represent some of the most successful companies in the state.

We are going to push the envelope today, exploring some sensitive yet critically important areas. The first panel is comprised of owner/operators who not only know what it's like to run a family business, but they will share insight into the roles of shareholders, employees and management. The second panel is comprised of non-family leaders of family businesses. They have the unique perspective of both the family dynamics and business operations, and how those two intertwine. Sometimes the best way to keep a family business is to have someone else manage it. Each panel will run for about 30 minutes, followed by 15 minutes of audience Q&A.

Finally, I'd like to thank a few people. Catherine and the IFOB are great partners. Board members John Isaacson, Alan MacEwan and Frank O'Shea have provided valuable guidance numerous times. Nancy Forster-Holt, thank you for moderating the second panel. And most importantly, thank you to our panelists for taking the time to share some extremely valuable information with the group today.

Please welcome Gene Geiger, Kevin Hancock and Mike Barriault to the stage.

[Start of recorded material 00:00:00]

Panel One – Family Member CEOs – Owner Operators

Steve: For today's format, we'll talk for about 35 minutes. Then Nancy will have a brief introduction for the second panel with the non-family leaders for about 35 minutes. Then we'll have all six up here for audience Q&A for about half an hour. We should be able to get a lot of great information. We'll start with you, Mike. We're going to dive right in here. Mike, before you joined Central Distributors full time, you worked as an accountant at Ernst & Young. How did you navigate the task of coming into the business from the outside and trying to implement some change?

Mike: Sure. Thank you for inviting me here today. I appreciate it. Just as a disclaimer, this is my first panel, so take it easy on me. As you mentioned, Steve, I worked as an auditor for years at Ernst & Young in Boston. I think the experience that I gained from that is the ability to really get into a financial statement, evaluate companies from top to bottom, which is a unique thing to have experience in. It was also during a period when – I was at Ernst & Young during Enron. [Unintelligible 00:11:49] more thoroughly evaluate a company – not just its financial statements, but its processes, its risks. So I came to Central Distributors with that experience. It was a skill set that a lot of people in the company didn't have. I think I'm the most trained in the ability to give sound advice based on solid evidence. I have that going for me.

Also, when I joined I presented myself as not just the manager with a title but in working side by side with people. I was working side by side with people, but I have once formerly worked for, in high school and college, a warehouse [unintelligible 00:12:26]. I worked alongside with them to help them with whatever projects needed attention.

Finally, what also helped me implement change was identifying projects that didn't already have a project champion. So, things like safety administrator and our United Way campaign manager. There was nobody in the company that stood up to really take those roles, so I took them and did well with them. I had a good track record of doing that. As new projects came along, I attacked those as well and became the project champion. As things came up later on that other people were project champions of, it was a little bit easier to help influence change and advise on things that needed to be changed.

Steve: Kevin, you became president of Hancock Lumber at a young age. It was a year after your dad had passed away. What challenges did you face then? What would you do differently?

Kevin: Good morning, everyone. The first thing I would say is I definitely don't consider myself an expert. At 7:35 this morning I was sitting on Stevens Avenue at the campus of UNE [overlapping laughter]. I was like, where is this

thing? I barely got here. [Audio drop-out]. I'm part of the sixth generation of my family to work for Hancock Lumber. That's really how I think about it. The most important word in that sentence for me is 'for.' Hancock Lumber is not there to serve me. It did just fine before I showed up. My job is really to try, like everybody else that works there, to leave it in better shape than it was for a next generation of people.

I came to work for the company at a young age with no plan to do so. Growing up in a small town, Casco, as one of two sons of the fifth generation of the owner/manager of the business – I'm sure everyone who watched me growing up assumed this is what I would end up doing. Well, they were right because it is what I ended up doing, but it wasn't anything I planned on doing. I went to Bowdoin College. Then I was going to teach, coach. I went to Bridgton Academy and taught there, coached there. Then I was going to go to law school here in Portland, which I'm glad I didn't do.

A month before law school was supposed to start, my dad got cancer – got lymphoma. For a bunch of reasons, I changed my mind, came to work for the company, started on the front counter of the store. Within three months – the kind of thing that can happen because you're a family member in a family business – I was running a store, knowing less about the business than almost anybody that worked there.

Things just kept spiraling forward. In 1997, my dad died. Within a year, at the age of 31, I was president of the company. I'm 49 now, and I've already managed the company for a quarter of a century. I've been president of the company for most of that time. The thing I laugh about now, when I look back on how I felt about it when I was 31 – kind of like how young people tend to think, because I thought it was going to be easy. My favorite line now about a family business is success is what's easy for those who weren't around to watch it be.

I think the biggest thing I'm on is it's a lot harder than it looks. From the outside, especially with a multigenerational business, there's this perception that – which in some ways it is – it's all teed up, that it's smooth. If you do a good job, it might look that way from the outside, but it's a lot of work. Just real quick, I remember I started working in 1991. From 1991 until 2005, every year the economy got better. Every year there were more housing starts. Every year Hancock Lumber sales grew. Why I laugh about that is, we thought it was us. [Laughter] Then in 2005-2006, the credit markets crashed and the housing market crashed. I was totally not prepared for what was happening and what to do about it. I've been as lucky as anything. I found a way to keep surviving just because the company's got a great brand, a lot of great people [drop out].

Steve: Before your dad died, he said to never take your jeans off – figuratively, of course. How was that approach received by your employees?

Kevin: I've got to explain that statement he made. [Laughter] Just before he died, there were a couple things he told me. One – which was the most valuable – he said it would be okay to sell the company. He knew, because he'd been there, how much pressure family members could feel in a family business to keep it going and make it work, even if you're at the point where that might not be the smartest or most sensible thing to do. Then he had told me a few years back – I started in '91. I was running our store window. They had done a little press release in the Bridgton News. It's really easy to get a press release in the Bridgton News. There was a picture of me out in front of the store as a 25-year-old member of the Hancock family in my blue jeans and a Hancock sweatshirt.

My dad, at the time – as was customary during the day – definitely wore slacks, often wore a suit. He called me right after he saw the picture. He said, "Oh, I love that picture. I think it's so great for the brand, the family, our employees and the customers for you to be in blue jeans. So, never take the blue jeans off in this business." I've never forgotten that because I love blue jeans, first of all. One of the best parts of my job is I can run a company in blue jeans – but it's a blue-collar industry. Most jobs at the company are blue-collar jobs. Most of our customers wear blue jeans every day. I wear blue jeans every day. To me, it's symbolic of being accessible and staying humble and grounded and part of the team – not bigger than the team itself.

Steve: Gene, you've got two sons. David has worked at the company and has plans to in the future. Jeff is there now. You've made a decision to have someone else – a non-family member – be a mentor for them. Why'd you make that decision? Has it developed as you'd hoped?

Gene: First of all, if you've got sons or daughters in the business and you're in it as well with them, they're certainly going to look to you and model their behavior on you. Doing things that are exemplary, your kids are going to watch you. To some extent, that's mentoring because they're seeing what you're doing. I can see my sons are trying to act like I do, at least in some ways, but I haven't figured out how to do it myself.

It's one thing to pat your kids on the back; it's another thing to give them critical advice and then switch hats and be a father. I wanted to figure out how I can really be a mentor in the sense of developing their talents. In the case of my youngest son, he really has taken hold. He has really listened and worked well. He's been coming here for about three years now. He has progressed so nicely. He has been mentored by two of my key colleagues and done very well. In fact, he's done so well that he's going to go off to law school this fall,

spend three years doing that, and then come back and bring his law school stuff into the business.

My oldest son is a little bit of a story. He'd been in the company for 10 years or so, but he worked in Maine for a couple years. Then he went to the west coast, and he struggled a whole lot more and did not do very well in several jobs. He said, "I'm a Geiger-mentality kind of guy." My youngest son is much more humble. The oldest one has been sort of like, I'm a Geiger, and how quickly can I get to be president. I struggled a lot more with him. He has not been so successful in that regard. He's now back from the west coast. He's working the company. I've got an external person to help him with career development and coaching. On this second go-round, he seems to be more humble and more willing to listen and to absorb.

I'm not capable of doing what is necessary to get him really on the right path. It's going to have to be someone else. So far, it seems to be working with somebody else helping him to set goals and to keep him on track towards doing what he needs to do. With any family, if you've got multiple kids in the business, they've got different personalities and different ways of coming along. Some go faster than others. What I expect is that they have to earn their way along. I hope my oldest son absorbs that understanding that he's got to earn his way by performance.

Steve: This is a question for any of you. Conflict is inevitable in families and in business. The combination of both can be a real challenge. How do you deal with conflict?

Gene: As I look back over the last – I've been in the business for 40-odd years now – there are two or three people that are trusted external advisors. In the case of my father and his generation, he had a right-hand man who was our general manager/CFO guy. He was Solomon. When there was really a problem, he came in and could talk and get everyone – everyone was respectful of him and his opinion, that he was the one who could come in and help to massage solutions where you couldn't do it one on one within the family.

Kevin: For me, I spent quite a few years in conflict situations thinking about what everybody else in the conflict was doing to cause the problem. It's only lately – and that thought never seemed to get me anywhere – what has been more helpful is to not really worry about what other people are doing, but just be a bit more introspective about what I'm doing and the things I can do that would heighten or lessen conflict. Particularly when you have a family member who's running the business, you at least are perceived to be sitting with a lot of the chips or the power. You've got to really learn to be patient and calm [unintelligible 00:25:08] position I'm in when I'm trying to work with the other members of the family.

Mike: As a leader, you have to commit yourself to keep yourself above the BS. You really have to commit to not to add to the conflict if you're going to be the one who's responsible to get through it. In part – actually in large part – the ability to do that really helped my grandfather when he was transitioning from president to me – for my ability to do that. In the boardroom, everybody has to have the ability to have a say, regardless of what opinions might be. Someone can't be stopped short of making their point before their point is made. If people are allowed to have their say fairly in the boardroom, that's probably half the battle. The other half is bringing people and leading them to base their arguments and presentations in the boardroom based on good evidence and sound rationale, rather than emotions and hearsay.

Steve: Following up on that, your father, uncle, sister and cousin are all of the company, and you're president. How do you avoid the perception of playing favorites?

Mike: I make sure to set the expectation early on that none of them are my favorites. [Laughter] Really, I think it was easy for people to assume that once I became president that I would most often side with the opinions of my father – because my business, we have two sides of the family involved: my dad's side of the family and my uncle's side of the family. I think it was easy for people to assume that. I like to think that I proved them wrong. In part due to my public disagreements with my dad, within the company and the boardroom, had a lot to do to help get my grandfather to get confidence in me that, if I did take over as a president, that I wouldn't just be siding with my dad – that I'd be hearing the arguments on their face and making sound decisions based on that.

My dad and I have a great relationship. I believe his attorney is the one who's on the conference call, here, so I'll be sure to check my words. We have a great relationship, but he knows that I'm not afraid to disagree with him. In fact, it's one of my favorite pastimes. In terms of compensation and fairness financially, I make sure that any matter of compensation and finances is represented as openly as possible so they have the opportunity to – comments and make changes, rather than having those decisions made under a cloak of darkness.

Steve: Gene, your father started the policy of needing to work at the company to be a shareholder. Has there been a positive dynamic? What challenges have come up? Could you give us some insight into your [overlapping noise] buy/sell agreement that the company has?

Gene: My dad spent most of his adult life trying to get stock back into his hands from stock that had floated away. He was of the notion that the people who work in the business know it best. He didn't want to have external forces that

could have any influence. He really worked consciously to keep things within the hands of those who worked.

As my three brothers and I were coming to the business, he started an agreement that stated that the company would buy back the stock if any of us quit, were fired, or retired. The company would maintain ownership inside rather than having that stock float away into spouses or whomever. It was interesting the way it was set up. The idea is that they settled upon an evaluation for the shares based on book value. At the time of someone's departure, we didn't have a question about what the stock was worth. We didn't have to go out to an outside body and have some sort of market value calculation. It was a [discount] from book. It was a disincentive to scram, to take the money and run. It made for no question about what would happen if somebody left.

In fact, in the late '90s two of my brothers left the company. We got into a real battle over some issues, with lawyers involved and so on. But because we had a real clear understanding of what the value of the company was, the departing shareholders – you didn't have to go out and spend X-thousand dollars to get a value of the business. The value to the exiting shareholders was not so great that we couldn't afford to deal with it. The company stayed intact. If we didn't have that agreement in place, I'm fairly sure that there would've been some sort of dissolution, or having to bring in some non-family shareholders to pay off the departing brothers. It was a useful scheme. It worked. It kept expectations in line regarding what this business was worth to those who left.

Steve: You introduced non-family members into some senior management roles. Why'd you do that? Has that worked out?

Gene: We're not a small business anymore. We're a $150 million company. There's just no way there's enough family members to do a good job. You cannot have a successful company if it's inbred. You've got to have outsiders that are really talented. Those outsiders have to feel like they have a chance to grow, that they're not going to be cut off at the pass by somebody who's less competent. Nobody who is a great talent is going to want to report to somebody who is mediocre or less competent than they are. So if you're going to hold onto people and have them be motivated and have them grow, you better give them the opportunity to do so and to flourish. It's done very well for us. In fact, some of the top people – we have the equivalent of equity. We've got some phantom shares, where they're participating in the increased value of the company. They are participating in their good work. Without these people, we would not have a particularly successful business. You have to do it that way.

Steve: Kevin, you worked hard to make yourself less important. Why did you go about this? What challenges have come up?

Kevin: People tell me I'm doing a really good job at that when I say that's my goal. [Laughter] I find every person's story interesting. It's all about what happens to you and how you learn from that or don't. In my case, in 2010 I acquired a really rare voice disorder called spasmodic dysphonia. There are lots of times where, if you and I were sitting having coffee, you couldn't hear me. It only affects speech. So I found myself in 2010 running a company and not being able to talk consistently.

I've since gone on to say that every CEO should lose his or her voice [overlapping laughter], because in my case – how it changed me in a significant way as an individual for the better and as a manager for the better – because I'd always been about taking more, doing more, getting up earlier, charging harder, whatever needed to be done. All of a sudden, when I couldn't talk on a consistent basis, I had to really rethink that. I started changing my goals, not because I had a master plan, but because I just was dealing with this weird situation.

Over the course of a couple years, when I started watching what was happening when I did less, I was like, wow, this is actually a lot better for me, and it's actually a lot better for the organization – because what we're stumbling into, which is what I've come to talk about now, is an organization where everyone leads. Especially in a family business, what I have come to believe is especially with a family CEO – that person, in this case me, first did all the work and all the decisions. Everybody stands around and lets that person pick up everything he or she wants to pick up. Then they take care of everything that's not picked up. What I found is, if I picked up less, everyone else would enthusiastically and in a very talented way pick up more.

Where we found ourselves four or five years later was in a place we never thought we could be, which is a lumber company – very blue collar, sawmill, truck driver, retail-store industry – that had been become the best place to work in Maine, which is an extremely difficult thing to achieve because it's all based on third-party employee surveys. It's not Kevin Hancock giving a speech about what he thinks about Hancock Lumber. It's their perception of what working at the company means to them.

I've since really come to take on this – see this bigger goal that I'm trying to share with everybody of putting the work back in its place. It's really important and we're really committed, but it's gotten a little bit out of hand. It had gotten out of hand for me, and I feel like it had gotten out of hand for everybody. I've since gone to work on some initiatives we have that we're really excited about.

All our jobs are full-time jobs – 98 percent of them – but getting everybody back to a 40-hour workweek and having pay go out... Our average workweek was almost 50 hours. We were able to cut it to 40 and have paid out by over five percent on average for over half a decade now – and little things like not emailing on the weekends, not emailing at night, not sending this message that... In the lumber business, and it may be rugged individualism, the ethos – if you don't fight it – is the earlier I [get in - unintelligible 00:36:52], the later I stay, the more I suffer, the more loyal I am to the organization. I've actually stumbled because I've lost my voice on a bit more of what I've come to call an Aquarian Age path, where you can chill the business out a little bit in a way where everybody will actually produce even better results but at a more balanced quality of life. [Applause]

Steve: This is another question for any or all. What are the advantages and challenges of being a family CEO?

Mike: What I believe to be the greatest advantage is the unparalleled [unintelligible 00:37:41] that can serve as a motivator to keeping a company going, carrying on a legacy, and moving it forward. Also there's a strong sense of not wanting to disappoint family members, but rather wanting to be on the other end of their congratulations. That serves as a motivator, as well.

A great challenge is the risk of not being humble enough to recognize if you might not have the skills to be reliant to carry that business forward and make it successful. If you're able to do that, if you're able to humble yourself, then you can recognize to bring in outsiders or recognize the skills and benefits that other family members might bring to the table. I think that's important.

Kevin: Overall, I would say the benefits have been – the pile of benefits and things I'm thankful for is much bigger than the challenges, but there are some significant challenges. A lot of them, for me, live inside my head or inside my very personal place. One challenge of being a family CEO of a multigenerational family business – a couple things come at me – is that you never really totally are sure what you actually did. You spend a lot of time trying to sort out what really did I do and what really did I inherent here in terms of an opportunity.

You think about that, and what that ties into for me is, if you're not careful as a family CEO of a multigenerational family business, you can lose track of your own personal identify. I've had stretches where I got lost in my role, where I actually saw my role as me, and it took me quite a while to actually see my role as... When I landed in a much better place, it was when I was able to detach myself just a bit from being the sixth-generation CEO of a six-generation company – and say that's my job, that's my role that I care about and want to do well, but that's not who I am. I'm completely separate from

that. I'm a person who's not in that role. Identity and the sense of what you've done can be a bit hard to understand and sort out in a multigenerational family business.

Gene: There are a lot of advantages, but I'll come up with four challenges. First of all, there are black holes out there that exercise influences on family members who are in the business. By that I mean a black hole in space is not visible because light cannot exit it, but you know a black hole is there because of the influence it has on planets and things outside of it. In a family business, and I'm thinking back especially to the time there were four brothers in the business, the black holes are the spouses out there who are exercising influence over the ones in the company. I had one brother who's in the business. He would say things, and I knew what he was saying was a reflection of what he was hearing in his ear on the side. There are black holes that are out there. You can't control them and you can't see them, but somehow they're exercising influence on what's going on.

Family members who are shareholders, who are owners, have a tendency not to keep their roles separate. You've got ownership. You've got governance. You've got management. It's very easy for someone who owns something to say, well, I'm an owner, so let me put my nose into this place over here. I've got one brother who has tended to call my subordinates and say, "We need to meet, because I need to know what you're doing" – even though she doesn't report to him. She reports to me. That's a problem, when you've got a family member saying "I'm an owner, therefore..."

I mentioned the issue of entitlement. It is a problem, if you're an owner, to have you assume that you're entitled to a certain role just because that's your name. Lastly, management compensation and parts of things is really tough. I remember thinking, when we had business cars back then, if one of us got a car, four of us got a car. If one of us got something, four of us got something. So, multiply by four what any one of us got, because if he gets it I should have it too. Then you have the black hole saying, "How much is my husband making versus how much is that one making?" You have that sort of thing going on, as well. Those are four little things you have to really massage and work through.

Steve: Gene, back in 2012 there were some dynamics in the tax law that helped you engage in some pretty extensive planning. Earlier I talked about the hurdles, the reasons why a lot of planning doesn't get done. How did you overcome those hurdles?

Gene: [Grant Smith] is in the room. If anyone wants to talk to him about how this stuff works, he knows it better than I do. Our business is worth a fairly good amount of money. How the heck does it get passed from my fourth generation

to my son's fifth generation? You've got the whole estate tax thing. At this point in time, I guess it's still a $5 million dollar lifetime thing. It was going to sunset. That $5 million dollar thing was going to go away. I'm not sure when it will.

Anyway, we were able to take advantage of the $5 million exemption, but we had to bring in – our staff all brought in our accounting firm. Bryan Dench got into this deal. Bryan is on the phone. Paul Buckley Jr. in insurance – and we had a whole team of people trying to figure out how the hell we can take this asset and get it to the next generation without estate taxes causing it to have to be sold?

Trusts were set up. My brother has no children; I've got kids. He was going to give his money away to charity. How are we going to move all this stuff around? We came up with a diagram that was so complex that Stephen Hawking would have a lot of trouble figuring this whole thing out. Somehow I was told that, even though my brother and I could maintain control of the company – and in fact, we could sell it if we chose to before we pass away – if it gets that far and my son is still around, they can successfully take on the ownership of the company and keep it going into that fifth generation if they choose. But it was an extraordinarily complex thing. I understood it for about three minutes, and then when broke up after the meeting I no longer understand it all. We figured it out with the help of a diverse outside team.

Steve: Kevin, when you work with outside advisors, do you tend to have them collaborating or have more of a siloed approach?

Kevin: No, they're definitely all connected and collaborate. They do a lot of work together amongst themselves.

Steve: That's going to be it for the first panel. [Applause] Now I'd like to welcome Nancy Forster-Holt from Husson.

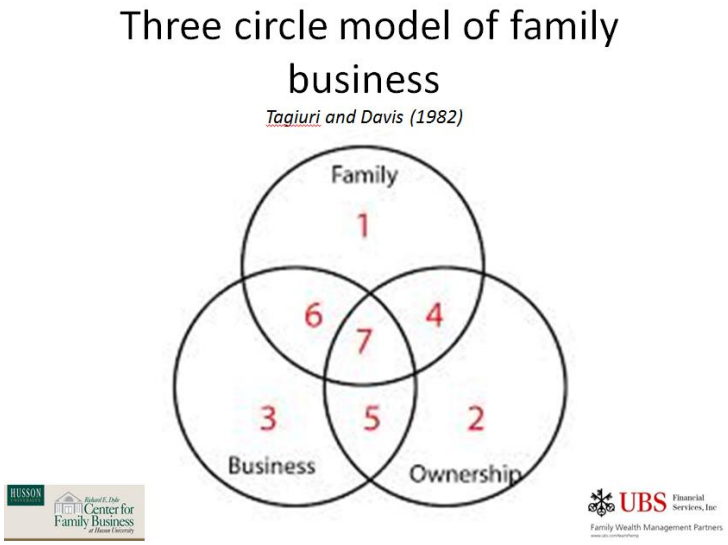
Panel Two – Non Family Leaders CEOs

Nancy Forster-Holt (2nd Moderator):

Thanks, Steve. That was awesome. That was great to hear from that panel. My job at Husson – I'm a professor. I also run the Richard E. Dyke Center for Family Business. Mr. Dyke vision and mission was really to connect students and family-owned businesses as much as possible. I loved where Gene said [unintelligible 00:47:03] real career path even for non-family members. Students don't always understand that.

At Husson, we really do have the supply of talent. We always want to make sure we are relevant in the marketplace. What we've done in the [unintelligible 00:47:37]. We thank the Institute for Family-Owned Business for really reaching out and collaborating with us, because I think together we're better. We can have a little bit more at stake. I thank you for having me here.

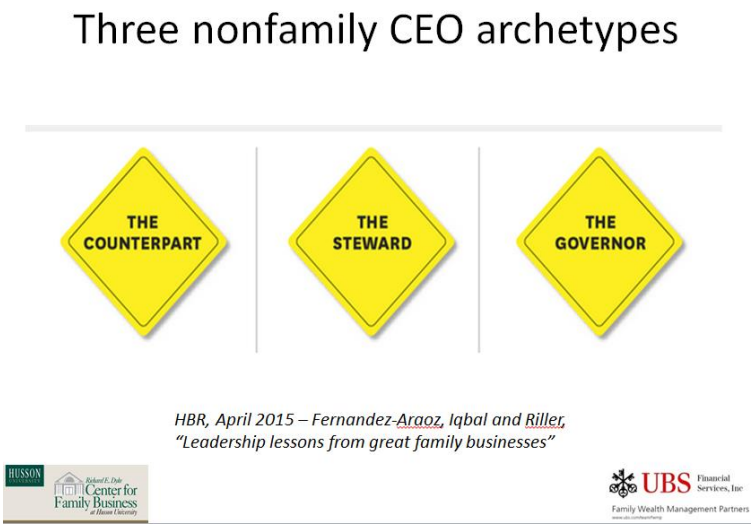
I don't have any cool pictures of sports, people. I'm really sorry. This is a really classic model. It creates a lot of discussion among family businesses. Many of you have lived it but never quite drawn it. What you see here is of course the day-to-day business operations, the longer-term ownership. A lot of companies start out that way. Then they evolve into a family-owned company. The size of that family circle can vary depending on the timing, the generations, and the governance.



I'm really excited that our next panel will be talking with our [non-family] CEOs. It's theorized that the ability of the family business to outperform its non-family counterpart is dependent on the ability to manage that family circle. As we peel back the layers of the onion today with our second panel, we'll see that it takes leadership, discipline, honest and a frank assessment of talent and the foresight to choose that next leader from non-family sources. These leaders were chosen of course for their integrity, but also for their ability to – kind of a cultural fit with the family.

I do a lot of research about business exit. My husband and I own a great adventure company. We're the third family to do it. He calls what I do me-search, not research. You'll find that there are some forms on your table. I'd love to get to know you a little bit better. But history is being written as we speak in the research of family-owned business.

This is just one Harvard Business Review from April, 2015. Family-owned businesses are being recognized for their economic impact on a global and a local level. What we're going to try to get drilled down to is do our three non-family CEOs see themselves in these CEO archetypes?



What you find is the counterpart really actively participates in setting strategy for the company. They work as an equal partner to the family and eventually overtake them. The steward furthers the legacy, but within the family's vision. The governor keeps the status quo. We have the opportunity, with our three non-family CEOs – we've got a variety of tenures. So let's please welcome Steven Cote, John Isaacson, and Robert Moore. I'll introduce them all with a brief bio. [Applause]

Mr. Steve Cote, he's our newest CEO. He was promoted in 2013. He started with the company in August of 2000. A 1989 graduate of Bowdoin College – and he's a basketball coach. He was born into [presidents] of a fourth-generation family-owned business, Chalmers Insurance. A licensed property and cash-rated insurance agent in Maine, New Hampshire, and Vermont, he has served as a trusted risk-management advisor for families, individuals and businesses for over 25 years. Steve often represents Chalmers as an advisory board member to many other carrier partners. He has many current and past advisory board affiliations.

Next we have John Isaacson. He's our longest-term CEO – 19 years as CEO. He's a 1984 graduate of Dartmouth College. He started with the company as a salesperson in 1983 and held various management positions within the company before obtaining his current position in 1996. He has held a variety of leadership roles in the community. He's currently the chair of the board of directors for the Institute for Family-Owned Business and past chair and

current member of St. Mary's Health System in Lewiston. Also very embedded in the community – he has served on many other boards, as well.

Third we have – seven years as CEO – Mr. Bob Moore, chairman and CEO of Dead River Company. He graduated from Trinity College, served as a jet pilot in the US Navy, pursued a law degree at the University of Maine Law School, worked at Verrill & Dana, and became a partner at Pierce Atwood. Then he joined the Dead River Company in 1995 and assumed his current position in 2008. Dead River is a fourth-generation family-owned company.

These are some heavy hitters. They follow the best practices of companies that choose their leaders earlier and groom them. I can't wait to get into a little more detail. Let's get some questions for you. I'm going to start with you, Bob. Do you see yourself as a counterpart, a steward, or a governor within your company? Have you been able to determine that after seven years at the helm?

Bob: The short answer is no, I haven't been able to determine that. [Laughter] Probably more steward, I guess, than any of those, if I had to pick one off the top of my head. In my role as CEO [unintelligible 00:54:13] I also share, although being a non-family CEO is quite different in other respects. None of our owners work in the company. They haven't for three generations. We have no family members who are employees with the Dead River Company. I won't go into why that is good and what other challenges it brings, but in terms of identifying my role, I see it more as a steward and reminding our owners regularly not to view themselves as investors but to view themselves as owners. As soon as they stop viewing themselves as owners, I believe that's the beginning of the end.

Nancy: John, how about you?

John: I thought literally about this. I would say counterpart. Certainly strategy is what I do. I set the strategy, set the tone, set the plan for the business. My situation is a little different. I'm almost a hybrid between the two groups. I'm one part owner of the company with my two partners, who are the grandsons of the founder. In our families – my family and the [Lee] family – they're lifetime friends. I grew up with them. While not technically family, I'm a slight step to the side of that – but equal owner with my two partners. In terms of overtake, time will tell where everybody ends up.

Nancy: How about you, Steve?

Steve: I consider myself under the counterpart, as well, with one caveat: There will be no overtake. [Laughter] I have the luxury of working with my senior partners, who are brothers, and my junior partners, who are cousins. We've developed a trust and a relationship that allows me to work with them to set

corporate strategy, work as equal partners, have an equal say – but while I'm here to coach and help manage, the only overtaking that's going to happen is, the cousins are going to take over the reins at some point.

Nancy: Can you describe the last few years leading up to your promotion? What were the dynamics like? What were the expectations? How was that communicated?

Steve: Of course, everybody is sitting right in front of me, so it's a little bit [overlapping laughter]. I feel really very lucky. Timing was everything. I had a very open and honest relationship with Bill and Bruce even before I became part of the organization in 2000. Early on in a review, Bill asked me, "What are your goals? What are your ambitions?" I said, "I want to be the first non-family member to be a stockholder of the agency." A month later, we were sitting in front of CPAs and lawyers and getting it done.

Over a period of 10 years, I acquired stock. That was really nice. But I was a stockholder and a manager well before becoming president. I think there was a combination of things going on. Bill and Bruce had a combined experience of close to 90 years of running the agency and were really looking to [drop out]. Their son Jim and daughter Dotty, for lack of a better term, are not quite ready for prime time. They really needed some additional time to grow. I happened to be a nice in between.

I know it was a very tripped-up decision, being the first non-family member in 157 years, but there was a lot of discussion. Bill was very passionate and supportive from the beginning. He made sure everybody understood and was on board. He very publicly announced that the decision had been made, that it was done legally, behind the scenes with everybody in the room. That's why it worked, because it was an emphatic statement from the long-time owners that this was the way it was going to be. I also think 86 coworkers were also very pleased and comforted and just happy that a plan had been made, a decision had been made, and we were going in a certain direction – because there was definitely some question as to what the succession was going to be. That's the story.

Nancy: Did you see anything in their answers about how conflict was resolved that sounds familiar? Or do you have a different strategy for conflict?

John: In terms of conflict, our company [unintelligible 01:00:21] when Shep was a second generation, worked with his father, his father was long gone – was an extraordinarily difficult person to work for. [Shep] learned from that and wanted to make sure his son would try not to be an extraordinarily [horrible] person to work for but, more importantly, provide some sort of buffer between his son and his nephew, himself – that no matter what happened at work, no

matter what happened in business, the family would always be the most important thing and there wouldn't be conflict within the family. He was able to do that.

As part of his estate plan – he passed away about five years ago – because of things he mentioned about taxes, his three non-business kids were going to end up, for a time, owning part of the company, but they didn't work for the company and not working for the company and owning stock was something that Shep was very much against – but it meant, for a time, that his non-business kids would own stock and the rest of us, who did own stock [could buy that] so that there would be the opportunity perhaps for some conflict during that period. He spent a tremendous amount of time planning and communicating what was to happen during that time period and what was to happen so that the three of us ended up owning the whole company and they ended up getting out.

It was saying to us, essentially, that there will be no conflict. Just, there isn't going to be any. It's just essentially not going to be allowed. Even though he was going to be dead, he would come back to kill us if there was conflict. [Laughter] He said to me privately – because I was the person who wasn't in the family and had a different perspective on things – he said very specifically, "If you ever get into a situation where you perceive there's going to be a conflict and it's below" – and he gave a dollar amount – I won't give you the dollar amount, but it was a specific number – "if it's below that, I want you to just give in and just do whatever they say. If it's above that, well figure it out." He always said that the preservation of harmony in the family was more important than the profitability of the company.

Nancy: Bob, what do you have to say about conflict resolution?

Bob: Well, as a recovering lawyer I should probably go on to the next topic, but I won't. It touches people on a lot of points. People know I've been with Dead River. Most of you know it's 106 years old. We're basically the same family for 106 years – two sisters, two shareholders, if you will – 50/50 owners in this company. We're 1,200 employees in four states. We sell about 200 million gallons of product a year. We're not a small operation. There's a lot of moving parts.

There are two or three pieces of the best approach to run this type of business. Number one is we've had an outside lawyer and directors for the last 40 years. Nine directors – six of them are outsiders. I'm one. It's basically outside, professional, highly involved by directors, who provide a tremendous oversight and insight. The kind of discipline that kind of boards brings is invaluable and critical to the success of the operation.

At the same time, to ensure owner involvement – we have an advisor for our family who advises all the outside owners – if you will family members – who is in constant communication with us. He does an outstanding job. That's also very important. Finally, at our board meetings family owners are welcome and do attend our outside advisor comes up for board meetings [unintelligible 01:04:30]. Currently we have a lead independent director along with the CEO of the company. We have the chairman of the board. One of our outside directors is designated as the leading independent [unintelligible 01:04:48] for keeping the family as informed and engaged as you could possibly do. To me, those are the three critical pieces of this.

Getting back to my other point, having owners continue to adapt by themselves as owners and by investors and get them to support the values of the company, the integrity, caring and excellence – which is what we hammer over our people all the time – is unbelievably important. At the end of the day, it is their company. They know, and we remind them, that having these pieces outside – these independent family advisors, regular meetings – is absolutely essential.

Nancy: Steve, have you instituted anything that is a deviation from what was already in place – for structures, for communication with stakeholders?

Steve: Very uniquely, at the same time that the leadership role came about, Bill and Bruce had also agreed to elevate our councilor chairman status. [unintelligible 01:06:08]. The entire leadership team was brand new in January of 2014. We had all had leadership roles within the group, but much smaller. In addition to that, we knew that we were moving into a leadership role. Dotty and June, whom I worked very closely with every day, we also stepped aside and made significant changes to the entire organizational structure, how we managed things day to day, all at the same time.

Then we acquired an agency on the same day that we took over. Then we acquired another one five months later. There were a lot of moving parts, but I think in my case it helped that I'd been there for 14 years. It helped that a lot of my coworkers had seen me out in the field working in the community, doing my thing. There was some immediate credibility and understanding as to what we were trying to accomplish.

The other thing that I have found is – you talked about conflict. We really haven't had much. Bill and Bruce set the table – 85 years combined leadership, never once, ever, had an argument. Just a little unique. That's something that they bring up quite often. I can say that we're a little bit more contentious than that, but we never raise a voice. All of our decisions are made on our mission statement and our core values. We talk a lot. We compromise. We have moved a lot of cheese in the last two years, but I think

it's been for the better. Fortunately, our coworkers have bought on. They understand what we're trying to do. Of course, it's only been a year and six months, but so far so good.

Nancy: How about you, John? What kind of structures – what kind of regular communications do you have in place?

John: Step back a few years. Shep and his kids used to go away for a week every year on vacation. Part of the vacation was to call a family business meeting. He would meet with them. In all seriousness, he would meet with them for a few hours, just with his four kids [drop out] and give them an update on the business. Part of this was because he knew this would be a time when the non-business kids would all [unintelligible 01:09:04] during a transition period. He didn't want them to have investment or ownership in something they didn't understand.

The stock doesn't pay dividends. It doesn't give you the right to vote. The only thing you can do with the stock is sell it back to these three guys when the time comes – but during the time in which they owned it, it was going to be a significant portion of their net worth. He wanted to make sure they understood it. He wanted to make sure they understood the rules so that he... He had a formal time. "Okay, this is the time we're going to help our business." He would get the information from me to present to them how the business was doing, answer whatever questions they had. Then that was closed. That meant questions were had, questions were answered, now we move on to the joy of being together with your family.

When he was no longer able to have those conversations, my two partners and I tried to recreate that situation – question/answer, let them know what was going on, allay their fears – but also establish a trusting relationship with them – that we're going to be in business together, and we want you to trust what we're telling you. That all went well.

Remember, my two partners and I, we talk to each other all the time – but we meet informally once a month. We go to dinner, put together an agenda, and we talk about all kinds of things – strategy, what's going on, how we want to do what we want to do. Once a year we go away with our spouses for a long weekend for our annual retreat. When business is very good, we go very far away. When business is lousy, we go to the [audio drop-out, laughter]. Just time away together to plan for the year. A chance for people to be much more open with what they're thinking, what they're feeling, as opposed to [unintelligible 01:11:19]. It works quite well for us.

We have the unwritten rule between the three of us that it is our friendship and our ability to get along – because we spend a lot of time together – is

dramatically more important than how much money we make or all those kinds of other things – what kind of car your wife drives. I used to sell cars to [Gene's] father. What Gene doesn't know is I would tell his father [overlapping laughter].

Nancy: Each of you has instances of the family tree growing wider with each generation. How does that affect the governance of a company?

Bob: On the surface, if you draw the pyramid, obviously it's a bigger challenge with each generation. The keys to that for us, that are working, are an outside independent board, outside independent advisor to the owners – so that there comes communication and facts. None of these owners work at Dead River Company.

Nancy: How did you choose the mix of your board? Is that subject to change?

Bob: It's subject to change in the sense that we have a four three-year term max, so that the maximum of 12 years is the turnover. We just put that in place. That was one of the things I did when I took over. We had a system where essentially we were waiting for a mandatory retirement age as a way to do it, I think because owners feel a little uncomfortable making decisions about that. [Drop out] putting in standard terms has really helped with that. Obviously there's a lot of work that goes into setting criteria with board members – what you're looking for, what kind of skills you're looking for.

This goes back to an earlier question, in terms of [drop out] especially when you have an outside board. The risk of sounding like the recovering lawyer that I am – I'll probably misstate it, but I've been practicing a long time. If you read the Maine Business Corporation Act, it's very interesting. [Unintelligible 01:13:54]. The Maine Business Corporation Act says that the duty of a director is to act in the best interest of a corporation.

Three subsections below that, in the same section of the Maine Business Corporation Act, it goes on to say that the records, in addition to the interest of shareholders, may be taken into consideration for customers and yadda-yadda-yadda. An ongoing challenge that any board member has is this – I call it a conflict. In some ways it's a conflict, but it's a constant back-and-forth. Am I supposed to be backing according to the best interests of the corporation? Or do I take that hat off and put on the hat of fiduciary looking out for the shareholders? There is no quick and easy answer to that, frankly. There is simply to acknowledge that's where the tension will exist. [Drop out]

There is going to be that constant – call it conflict, call it tension. It's just something you have to pay attention to. There's no black and white, absolutely right answer – unless you want to fall back on the Business Corporation Act

and [unintelligible 01:15:22]. They won't be too fond of it. But that attitude is an inevitable conflict that's in the minds and hearts of any director, especially outside or independent directors.

Nancy: I'd like to have each of you address the group and talk to them as if they're on a fence about a non-CEO. What are the benefits, the circumstances that the family should consider?

Steve: Some unique advantages of non-family leadership... One of the things that I was able to do right away is to really think deep and understand the tremendous history and the scope of the Chalmers family, the insurance business, and the importance [to western Maine] and the gravity of that responsibility. Also, them knowing where they've been has allowed me some latitude to think about how we differentiate ourselves. That really has been a lot of fun, working with Jim, Dotty and the new generation to create a new structure, create new leadership strategies.

An advantage from the outside looking in is understanding where we've been but always moving forward. The other thing with a non-family leader is that I know I have a set, premeditated exit strategy. One of the things that I have come to realize in family business is that family leaders don't retire easy. Some know when it's time to say I'm out of here. Some stay on well beyond that traditional retirement age. That's very logical. It's family. It's home. That's where they've been. That's what they do. As a non-family owner, I know when I'm going to leave. At the same point in time, there's a major urgency within me to be as effective as possible until that final bell.

Quick story – we were having a strategic plan session. We had all the owners and the managers in one room. There were 12 of us, I believe. I said, "You realize that in 20 years, the only two people that are going to be sitting here are Jim and Dotty?" Bruce, our senior leader, he raised his hand and said, "Twenty years? Where are you going? Where are you going to be?" I just said, "Bruce, I've already told Jim and Dotty that, when I turn 65, all my stuff better be out in the yard." I do feel very strongly that I'm going to work as hard as I can until a certain period in time. I'm very confident that the folks who are going to take the reins are going to be highly confident, much smarter than I am, and will do a great job.

Nancy: How about you, John?

John: A couple thoughts about when to consider a non-family CEO. Obviously it comes into play as the business becomes more and more complex – that the family may not have the skills necessary to continue with the business as it gets bigger. They may not have the expertise. You certainly need, though, in

an outside CEO someone who has the same vision, the same values as the family does, or it's going to be a recipe for disaster.
I was brought in right out of college. There was the expectation and the discussion that "I'll bring you in, I'll teach you as much as your talents allow, and we'll give you the opportunity to own some portion of the business." That was very unusual for a family-owned business in Maine to say that to somebody. [Extended unintelligible 01:20:48]

Anyway, when would you consider having a non-family CEO? I would say anytime there's going to be succession, you ought to at least think about it. It may be it's a bad idea; we'll move away from it. Maybe it's an obvious idea. Or maybe it's a grey area, and you might do it if you find the right person. It certainly changes the makeup of a business. It has significant impact on other family members of the business. You bringing this person in, what does that mean for me? It takes a lot of work and a lot of research and a lot of communication with everybody to make sure it goes smoothly.

Nancy: Bob, what about you?

Bob: From the previous panelists, I think you got a good sense of the positives of having a family CEO. There are some positives, but there are often other sides to that. The two or three points I would make on the benefits of having an outside CEO – it's very difficult to replace or remove a family CEO, even if you have an outside board. That's something that you should take into account. [Unintelligible 01:22:55] I think that although it’s great to have the positive of the owner in the store. A family CEO may not have the perspective than an outsider would have.

There could be problems that maybe you would get with credibility if you [work] internally. The family CEO has to work extra hard on that. What would act as a deterrent to the inside manager's ambitions if they're aspiring to your position – or up a ladder that they can never achieve because it's going to be an owner? That might mean your talent pool is lessened, although I don't see any evidence of that from the businesses we're hearing about today. At the end of the day, either family or non-family being the CEO is a tough job. It's going to really depend on the person – less about the last name and the family bloodline and more about the person, how that person approaches his or her job. That's going to really be the solution.

Nancy: Thank you gentlemen. I want to thank you so much for sharing what you shared with us. At this point we're going to invite the other three panelists to rejoin us. [Applause]

Panel One – Family Member CEOs – Owner/Operators
Joins
Panel Two – Non Family Leaders CEOs

Steve Tenney: We're going to have a little fun even more fun we're going to have a lightening round. Each panelist has 10 seconds to answer each of three questions. Bob, I'm going to start with you. What saying are you known for?

Bob: What saying am I known for? Patience is an overrated virtue. [Laughter]

John: I say to our sales teams looking outside, "This is not a museum" these cars are for sale so go out and sell them [overlapping laughter].

Steve Cote: I'm not known for any pet sayings, except for when the computer is slow or locked. Then I have a lot of sayings. A lot of my leadership style comes from coaching and sports. And so I often emphasize just keeping things simple, focusing on fundamentals, and treating everyone with respect.

Gene: I just keep asking people what if what if we did this, what if we did that – because people tend to cover with single solutions. I keep wanting people to think about alternatives.

Kevin: The saying I'm known for is that's a great question. What do you think?

Mike: I don't think I'm really known for a saying at work yet, but at home, partly it's 'Joseph, get off your brother.' As an operations manager for the last 10 years in the safety field [drop off] repeat our mantra over and over that safety comes first, our fulfilling of accuracy – getting the orders right – comes second, and our production goals of efficiency comes third. Now as president, it has shifted to first comes sales, second comes sales, and third comes sales.

Steve Tenney: Share one interesting fact or experience that would never show up on your formal biography that has shaped your success?

Mike: It's probably because I was a total nerd in college – probably in high school, as well. I had a lot of friends, but I didn't partake a lot in parties. I spent a lot of time in the library. I was something of an introvert in the super quiet study halls. I don't know if that comes across, but it's just who I am.

Kevin: For me, it's the one I already mentioned – that most people wouldn't know that I lost my voice.

Gene: I was promoted to be president of the company at a pretty early age, but I ended up reporting – officially my father's right-hand man reported to me, but essentially I spent the next 15 years reporting to him. I was essentially trained

by the guy who was reporting to me. To this day, this fellow – we used to say to ourselves, what would George do in this situation? I was trained by the guy who was a superior guy, who people didn't know about.

Steve Cote: My wife and I lost our son Patrick to a rare immunodeficiency back in 2001. He would have been 15 years old in March. I think the experience taught both of us about overcoming adversity, compassion, community, resolve. We came away from that experience truly understanding what priorities are in life and not taking anything for granted – realizing that life is way too short, and just to go for it. Not only has that applied in business, but also being a varsity basketball coach for nine years at the same time. Always on overload but loving every minute of it.

John: That's a tough one to follow, but something I would never show in my bio is that the summer after my senior year of high school, I was a trash man for the city of Lewiston. That's me on the left. You can't quite see, but in the interest of safety, that is a red safety vest I'm wearing as a belt holding up my 27-waist pants.

Bob: Not on my resume, I was born in Portland and raised in Portland. I started working eight hours a day, five days a week summers when I was 11 years old and never stopped. It taught me a lot about what I didn't want to do with the rest of my life. It taught me an awful lot about the value of hard work.

Steve Tenney: What books or periodicals do you read for ongoing learning?

Bob: This is getting pretty private. I read the Wall Street Journal every day. I read Harvest Business Review. I read a ton of nonfiction and biographies. I'm an avid reader. I'm an English major, so I read books constantly – mostly nonfiction.

John: I read all kinds of automotive industry journals, either weekly in print or daily online. I read the Lewiston Sun Journal, the Portland Press Herald [unintelligible 01:30:46, audio drop-outs] every day at work. I read the Falmouth Forecaster. I've just started on a book reading program for the summer. We are reading books written by relatives of mine. My father wrote three. I have two cousins at Harvard that each wrote one. I have a cousin in Boston who just wrote one. I read Walter Isaacson. I assume he's a relative of mine, because he has my last name.

Steve Cote: I never read books unless I'm in a place far away on vacation, on a beach, under an umbrella, where I can just decompress and read a good book. But daily trade magazines – Independent Agent, Rough Notes, Insurance Journal. Also I'm a big fan of Harvard Business Review and Mainebiz and Basketball Wining Hoops.

Gene: I've got an iPad. I'm always reading the – I'm bouncing all over the place. I try to find things that may relate to our business and then shoot them off to our colleagues. Then when I'm working on things like that, I've got books in my ear all the time – different kinds of things.

Kevin: I deliberately set out a few years ago to read the paper less and watch the news on TV less, because I was finding that my day-to-day experience in real life was better, happier, more positive and optimistic than [laughter]. Literally when I read the paper – someone said, "You can read the newspaper once a week and know pretty much everything anybody could know if they read it seven days a week." I've been doing lots of that. My favorite business author is Jim Collins. I love his books, particularly for family businesses – "Built to Last," "Good to Great," and most recently "How the Mighty Fall."

Mike: I do have young children at home, so a lot of my reading is "Thomas the Train." I think "My Little Pony" is probably where I'm at in my future. But Twitter accounts – I don't have a lot of time to read items, so I use Twitter a lot to get at the headlines. Then I can drill down if I need to see more. I too read the Lewiston Sun Journal, the Wall Street Journal, and a lot of trade magazines as well. I'm going to throw out a book that was recommended to us by a consultant that worked for us a few years ago. It's called "Balance Point." It talks about how to use [drop out] owners and managers. I have not read it cover to cover, but I often find myself flipping through the pages and using it as a reference.

Steve Tenney: We're going to go to an audience Q&A. While you're all getting your questions together, Gene wanted to make a comment about non-family CEOs.

Gene: Listening to John speak and everybody on the panel here, I'm 65. I'm not sure how many more years I'm going to be doing what I'm doing. But my sons are in their late 20s, early 30s. There has to be a non-family CEO between me and my sons, assuming that either one of them can take on the job. I've got a colleague who started with us at 19. She's worked at the company for 38 years. I made her the COO of the company a year ago. She is superb. She's better than I am at 100 different things. The likelihood is that we'll need a non-family CEO to be the bridge between me and whatever they do.

My sons will not be able to take on my role for 15 years, anyway. There's got to be some seasoning in them. There's got to be somebody. I've got somebody in hand. John was saying that the non-family CEO better share the values of the family members in the company, and she does with spades. She's highly loyal. I know who will take on for me.

Nancy Forster-Holt: If anybody has a question, when you ask your question give your name and the company you represent and address to whom you would like the question to be answered by.

Question: So, I'm Bill Chalmers. [Overlapping laughter, applause] Anyway, the first thing needed in my company was, they hired a consultant. The first thing the consultant said to me was, "I'm now on the balcony." The one thing he didn't say – what that means – so I meant to ask the question to the panel – particularly Steve Cote – to you, what does the balcony mean?

Steve Cote: I'll take on the challenge. There's so much that we can learn from past leaders. We tend to think of the balcony in a couple of ways, but first and foremost it's providing enough distance to allow the new leadership to try things out, to move some agendas that might be a little new and a little different, but at the same time get close enough for a perspective experience. So far, every once in a while the trap stairs come down off the balcony and Bill comes down to see how things are going, but for the most part both he and Bruce do a great job in providing that type of perspective for us.

John: Shep called himself semiretired, but he was really retired. We knew that he was – he came to the office some number of days ago, but it was totally nonoperational. We knew that he was there if we had a question, if we had a disagreement, or anything we wanted to bounce off him. He was there and available. But he never stuck his head in anything to try to get in the way. A couple of times we were doing some expansion, we went to see him and said, "We're doing X, Y, and Z." He said, "You think that's the right thing to do? Go ahead and do it. I don't want to sign my name to anything anymore. If you want to do it, that's fine. Go do it." It was comforting knowing that he was there if we ever wanted to ask himself something, but I think in the entire time we were in this arrangement, there was one time we went to see him and said "give us your opinion on this" – but never really had to go to arbitrate or help us out because we had messed up.

Question: [Joe King with Cross Insurance]. Outside of the family dynamic, where is your biggest business challenge?

John: For us, finding talent, human capital – especially in the technical areas. People think of used car salespeople. We have a lot more people everyday fixing cars than selling cars. People buy a car every three years. The rich buy them every two. But they get them fixed much more often than that. It's extremely hard to find people who are qualified and want to work hard in certain trades, even though they pay very well.

Mike: Most businesses are being challenged by technological changes that are impacting what customers know and what customers expect – e-commerce

kind of stuff. Our industry is being challenged significantly in that regard. Any business that has been around for a long time tends to know what it knows pretty well and tends not to be able to willing to let go of old things, old policies, old practices. For our business, it's how fast can we move? How can we get people to raise a greater sense of urgency to change their willingness to let go of what we have been? That's my big thing: technology driving us. Can we move fast enough to adapt?

Kevin: The biggest challenge with the biggest payoff is trying to create an environment – a management-team environment – where the front-line people who are actually doing the work say what they actually think – what they truly, honestly, under a lie detector, actually think. Organizations can get very political. Organizations can have expectations even on the [client end] about what's okay to say and what's not okay to say. I just believe that people doing the work are really smart. They know and want to do a good job. The key to success is creating an environment where they feel like it's okay to say what they think, especially when what they think is different than what their supervisors or bosses think – what the politically correct thing is.

Steve Cote: One of the funny things is one of our most beloved patriarchs of our agency – they would come around and visit our various offices periodically. One particular day I'm in the office. It's a very busy day. We're a little short staffed. You can cut the tension with a night. You can feel it in the room. All of a sudden, a car pulls up in the front. Bill and Bruce get out. The doors open. There are harps, rose petals, snow mist. Bill and Bruce walk in. "How's it going?" "Oh, it's great. Everything's fine. I love it." "Okay, good bye. See you later." As soon as the door shuts, it's right back to the stress and the tension.

The new leadership, because we have been first and foremost on the front lines for a number of years, something that we really wanted to emphasize... When Dotty and I go around on a quarterly basis and have our meetings, we say we want to know what is on your mind, what you really think. We can't fix what we don't know is broken or needs improvement. That's something that we've really tried to institute a lot. That's been very helpful.

The two biggest challenges for us – we're in the same business – technology and bringing youth into the business. The average age in our agency group is 55. We have a 10-year window to find another 30 to 40 great people to replace great long-term staff members. Those two things are the most important for us.

Bob: Actually, our biggest challenge [drop out]. I think the biggest challenge that we have – and I think most businesses have – is dealing with change, particularly when you have as many people as we have spread out as far – loyal, great people who work for you, who usually are honest with us – but it's

change, leading change. That is a huge challenge. My word of advice is don't settle for telling your people what the change is. The most important thing is to communicate why the change and make sure your team is all on the same page with why the change is happening. Not what; why.

Question: [Mike Davis with Industrial Roofing Companies]. As someone that was just put into a position like you folks are – I was asked by one of the majority owners, "What are the top three things that you're going to sink your teeth into to make change to improve our company?" I struggled with that, because I've got 20 things. I seek your advice as to how to whittle that down to three. Is that a good approach?

Gene: One of the key things is getting to a common starting point. When you have 55 offices, as we do, one of the most important things, first of all, is getting everybody in the same place – for lack of a better term, standardizing how you go about doing your business. You've got to have some standards everywhere so you know what the endpoint is and your people understand that's just a starting point – that it is going to change. You've got to make sure every single person who works for you understands change is mandatory and they must change. You need to be empathetic with them, but at the end of the day, they need to understand that if they resist, they'd probably be better off off of the team.

Steve Cote: If you really have 20 things you want to change, you need to prioritize. You need to put together a team to help you. No matter what the changes are, you're not going to be able to do them on your own. Then spend a lot of time explaining why, during the execution phase. If they're willing to adapt what you're doing as you receive more feedback...

Mike: If you don't have a strategic plan, or if you've never been in a leadership position before, I would recommend hiring really good outside assistance. If you did your first strategic plan by yourself hunkered down in a room with people you're very comfortable with, you're never going to go anywhere. You're never going to look outside the box. From a leadership perspective, having someone who can coach you and develop those skills so you can bring empowerment to your coworkers is very important.

Kevin: I've had a lot of problems with the stuff I have done than the stuff I haven't. Sometimes there can be pressure for leaders to quickly come up with those soundbites. 'These are the three things I'm going to do.' Sometimes the best thing may be to resist that temptation and say, "Well, what I'm really going to try to do first is keep everything that's going great about this business going great and get my head around listening to and understanding all the different constituents."

To take that one step further, for me a revolution – which we've only started doing in the last six or seven years – is giving third-party professional survey feedback on what the customers actually think versus what we think they think – and what the employees actually think versus what we think they think. Those surveys – we ran the business forever without those. Today, I couldn't even imagine how to run the business without that information.

When I talked to our managers about those third-party customer surveys, which we do every 18 to 24 months – and the employee surveys we do every 12 months – I call those surveys the answers to the past, because what will surface is exactly what customers is most important and exactly what employees think is most important. Then you can just go focus on that with really the data and credibility as to why that's what you're spending your time on.

Mike: I'm only about two years into my role. Two of the first things that I did is one, we were operating like an all-family board. We had to set some guidelines as to how we were going to organize that board and operate that board to avoid chaos, to avoid conflict, and to manage and try to get emotions out of the boardroom. Being of Franco-American heritage, we have some pretty colorful discussions.

The second thing I wanted to do is retake a look at the mission statement and make sure that was still relevant. We ended up revising the mission statement we'd had hanging on the wall for probably close to 15 years that hadn't been looked at. We thought it was time to take it off the wall and rebuilt it from scratch and make sure that everyone had their opportunity to get their feedback in there to make sure that not just family members but also employees had opportunity to get their feedback in there so they'd had some ownership over what the vision of the mission of the company was going to be going forward.

Nancy: Kevin, I want to thank you for your shameless support of our survey. We do have a survey. That segues into our survey. We have time for one more question.

Question: [Chris Wasileski with Sea Coast Management Company]. I just have a question about family communication as it relates to family members inside and outside of the business – and varying levels of interest. I was wondering if the panel really has any helpful pointers or tips on communication with family members that are outside the business – that have, I would say, varying levels of interest in what's going on in the business, from zero to very interested.

Mike: All of our family members are inside the business. However, what's maybe unique about us is that we have two generations working right now. We lost

my grandfather, who was our third generation – or rather, who was the second generation of the company – but for a short period of time we had three generations working in the boardroom. Something we did as my generation, the fourth generation – I work with a sister and cousin who have ownership interest as well and have participated as employees. We organized ourselves as a fourth-generation shareholder group. We meet once a month. We talk about what's relevant to our generation and what we'd like to convey at the boardroom as a collective. It's something we've started to do. We don't know if it's going to be successful yet, but it's something that we hope has some impact on the company.

Kevin: I think sibling communication within the business can be extremely hard. Being in a family is hard without the family business. Families are challenging, and then you add the dynamic of money, power, business, and control. It can be very difficult. Often it takes help. It's often difficult for siblings by themselves to sort things out.

Gene: I'm on the board of Hussey Seating, which is going on a seventh-generation business. Each year Hussey has a retreat that includes the board, which is dominated by outsiders as well as all the shareholders – and there's a whole bunch of them running around. We go somewhere for the board meeting. The board meets with the primary shareholders, the voting shareholders. Then there are dinners and celebration of history. Then there's communication about things. Then on Saturday mornings I take the seventh generation and give them an exercise on something or other about the company. They get a whole weekend retreat, an annual thing, where everyone gets together and sees the value in action, understands what's going on, and gradually gets nurtured through the process of being embedded in this Hussey culture. It's a pretty effective thing.

John: What worked for us it two things. One is to schedule a meeting annually, and we did it face to face. It started out with some email stuff. It's really much easier and much better to look someone in the eye. They can see how you feel and build trust in you. We did it manually. We did it face to face. Set aside a couple hours. We're very open, very transparent, answer people's questions, gave them the information they wanted. It seemed to work for us.

Bob: We have quarterly board meetings. Our owners have quarterly meetings, usually the week of the board meeting, coordinated by their outside advisors. We have a very active committee structure of owners, and they're all welcome to [extended unintelligible 01:54:41]. One of the real challenging parts is getting different messages from these black holes. Sometimes you know where they're coming from. Sometimes you don't even know. All you know is they're coming from out there. Having a lead independent for a family advisor that you can go to to resolve this is very important.

Nancy: Thank you so much. That was our last question. We could go on all day. Let's hear it for our panel. [Applause]

Catherine: Thank you so much for coming. Thank you for the panelists. That was great. Thank you for the moderators. Thank for Family Wealth Management Partners, UBs and Husson University for sponsoring us. We do have a few door prizes. I don't know if everybody got to sign in. Does anybody have any last minute additions before we pull the prizes?

[End of recorded material 02:00:31]

Biographies of Panelists & Moderators

Panel One – "3 Gs" (Generations)

Gene Geiger – CEO, Geiger
Gene is a 1971 graduate of the University of Notre Dame and fourth generation CEO of his family business. The firm is based in Lewiston, but it sells promotional merchandise to nationwide clientele. Gene formerly served on the Board of Lee Auto Malls and currently is currently a director of Hussey Seating Company. Active in industry and civic affairs, he has served three times on the Board of Promotional Products Association International and is currently a member of the Lewiston Auburn Economic Growth Council, Chair of the LA Future Forum, and Chair of the LA Charter Commission.

Kevin D. Hancock - President, Hancock Lumber Company

A graduate of Bowdoin College, Kevin leads a sixth-generation family business headquartered in Casco, Maine. The company has 10 retail stores and three sawmills, employs 425 people and also owns and manages 12,000 acres of timberland in Cumberland and Oxford counties. In 2014, Timber Processing Magazine recognized Kevin as its forest products industry "Person of the year". He is past chairman of the Northeast Retail Lumber Association, the National Lumber + Building Material Dealers' Association and the Bridgton Academy Board of Trustees. Hancock Lumber has been recognized as the Maine International Trade Center's Exporter of the year; the Maine Family Business of the year; the Governor's Award for Business Excellence and a 'Best Places to Work.

Michael D. Barriault – President, Central Distributors
Michael graduated from Bentley College in 2000, and worked for Ernst & Young in Boston. He is a fourth generation family member of Central Distributors based in Lewiston and its current President. He served as operations manager for over ten years, providing leadership in areas including: warehouse/delivery operations, office administration/human resources, finance/accounting, technology/information systems, and government/trade associations. Michael is also the current Vice President of the Maine Beer & Wine Distributors Association and campaign chair for the United Way of Androscoggin County.

Moderator: Steve Tenney - Senior Vice President, Family Wealth Management Partners
Steve graduated from Tufts University and has over 24 years' experience in financial services in the U.S. and UK. He leads the team's family business consulting effort as well as investment strategy. He is a Certified Portfolio Manager® and has led the team through two successful generational transitions.

Panel Two – "Non- Family Leaders in the Family Business"

John A. Isaacson - CEO, Lee Auto Malls
John is a 1984 graduate of Dartmouth College and is the CEO, an equity partner and a board member of Lee Auto Malls a third-generation family-owned business. He started with the company as a salesperson in 1983 and held various management positions within the company before obtaining his current position in 1996. John has held a variety of leadership roles in the community. He is currently the chair of the board of directors for the Institute for Family-Owned Business and a past chair and current board member of St. Mary's Health System in Lewiston. He also serves on the boards of directors of Covenant Health (chair) ; Greater Atlantic Insurance Company; Key Royal Insurance; Covenant Health Insurance, LTD and is a founding trustee of the Maine Auto Dealers Health Insurance Trust.

Robert Moore - Chairman and CEO, Dead River Company

Bob graduated from Trinity College and served as jet pilot in the U. S. Navy. He pursued a law degree at the University Of Maine School Of Law and worked at Verrill & Dana and became a partner at Pierce Atwood. Bob joined Dead River Company in 1995 and assumed his current position in 2008. Started in 1909 Dead River is a fourth generation family-owned company. Bob currently serves on the boards for Martin's Point Health Care; the Energy Policy Research Foundation in Washington D.C.; the Community College Foundation; The Maine Community College System; America's Edge; and the Executive Council for The Conference Board. He also serves on the University of Maine Law School Board Of Visitors. In 2013 he received the JoAnn Pike Humanitarian Award from Good Shepherd Food-Bank as well as the Distinguished Citizen Award from the Pine Tree Council of the Boy Scouts of America.

Steven P. Cote - President, Chalmers Insurance Group
A 1989 graduate of Bowdoin College and veteran youth basketball coach, Steve was promoted to President of Chalmers Insurance Group (a fourth generation family-owned business) in January of 2014, the first non-family member to lead the Agency in its 158 year history. A licensed Property and Casualty Insurance Agent in Maine, New Hampshire and Vermont, he has served as a trusted risk management advisor to individuals, families and businesses for over 25 years. Steve often represents Chalmers as an advisory board member to many carrier partners. Current and past advisory affiliations include: Hanover Insurance; Peerless/Liberty Mutual; Acadia Insurance; MMG Insurance; Main Street America Group/NGM Insurance and Patriot Insurance.

Moderator: Nancy Forster-Holt, PhD, MBA, CMA - Assistant Professor in Husson University's College of Business; Executive Director of Entrepreneurship and the Richard E. Dyke Center for Family Business A graduate of Cornell University (BS Labor Economics) and University of Maine (MBA, PhD); worked a long career in tax accounting, banking and sales before entering academia; research has been presented to local, national and international audiences. She researches entrepreneurial and small firm exit, real options and small firm acquisition strategies. She is co-owner of family-owned Shaw & Tenney with her husband Steve Holt and CFO of Double Blue Sports Analytics.

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