Engaging the Next Gen With the Family Enterprise

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Background & Setting

• NextGen Engagement is a critical issue for family business owners concerned about both their legacy and the company’s future direction
• There is no standardized approach - sometimes it evolves naturally, while other times it requires formal encouragement
• Importantly, not all engagement with family members involves identification of future business leaders; other important objectives are also involved
History

• Founded in 1863
• Oldest business in Westport, CT
• Farming – Coal/Lumber – Energy/Stone/Real Estate

Gault & Co:

– Energy: Residential heating oil, propane, electricity, HVAC service and installation, generators, energy audits, indoor air quality
– Stone: Stone & masonry supply and fabrication business

Hamilton Real Estate:

– Commercial & residential property ownership, management and development

TRANSITIONS EAST 2016
April 6-8 | Renaissance Vinoy Resort | St. Petersburg, FL

Family Business
Elkay Manufacturing Company

January 26, 1920

ELKAY

Today residential and commercial products
– Drinking Solutions, Sinks, Faucets, Cabinetry, Foodservice & Millwork

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Elkay Manufacturing Company

Sheetz History

First Sheetz Store - 1952

Bob Sheetz, Founder
Sheetz Today

- Now more than 500 stores - Across 6 states
- More than 17,000 employees
- Serve more than 1.5 million customers daily
- Total sales of more than $6.1 billion!
- Open 24/7/365
- And one of Fortune Magazines 100 Best Places to Work!

Context & Challenge

- As we have seen, the panelists represent successful multigenerational companies in three industries with varied strategies for growth and development
- We also have an interesting contrast between a smaller, tightly focused family and two larger families that are dispersed geographically and professionally.
- It is revealing to see the challenges presented and the response to addressing them through different approaches to NextGen Engagement
The Next Generation

Gault & Co:

Hamilton Real Estate:

- Currently two G4 and five G5 family shareholders
- Eleven G6

Today Our Family is made up of G3 – G6

- G3 – 2 80 & 91
- G4 – 9/11* 44-75
- G5 – 20/19* 13-58
- G6 – 23/4* 2-23

* Nephew of G2 wife (one of the founders) received stock so those shareholders family members are in the Married-In Numbers

- Spread out in 11 states and 2 countries
A further refinement of NextGen Engagement occurs as strategies are developed depending upon the potential role being considered (Future employee? Interested non-executive? Later married-in?)

Another issue to be resolved is who assumes responsibility for the initiatives undertaken? The family business or the family council or perhaps just an informal effort by the elder generation.

A third consideration is the level of engagement planned. The commitment can range from information updates and reunions to structured programs with implications for governance.
Engaging the Next Gen

- Next Gen - in the business
  - Legacy experience
  - Education of the business
  - Involvement beyond the job
  - Informal mentorships

- Next Gen - not in the business
  - Exposure
  - Involvement/Education
    - 150th Anniversary
    - Annual Company Meeting
Engaging the Next Gen

- Hamilton Real Estate
  - Quarterly Meetings
  - Education
    - Formal Education
    - Financials
  - Transitions Conference

Engaging the Next Gen (and Current Gen)

- Shareholder & Family Event at facility
- Company Newsletter
- Annual Shareholder/Family Dinner
  - Elkay & Family Trivia
- “In the News” emails
- Mid Year Call with CEO and CFO
Engaging the Next Gen (and current Gen)

- Ownership/Management
  - 12 + years ago quarterly meeting with Executives – target group
  - One on One lunches with Executives
  - Quarterly offsite meeting with CEO
  - Rotating Board Seat
    - Guest Attendance
    - Committee Member
    - Interaction with Board

Engaging the Next Gen

- Family
  - Shareholder & Family Event at facility
  - Each family takes it upon themselves
    - G5 ranges in age from 13 – 49
    - G6 ranges in age from 2 – 23
Family Business Secrets

1. Hire smart, non-family members
2. High standards for working family members – They have to earn their way.
3. Clear lines of responsibility
4. Business needs way before personal needs
5. Run the business as a family team
6. Let family values drive the business culture
7. We like each other – respect each other

Family Governance

- Established Family Council in 2013 to formalize family representation in company governance
  - Assist with business to family communication and vice versa
  - Develop, create and maintain unity and commitment
  - Educate individuals about the role of family and shareholders
  - Formulate policies such as family employment policies
  - Avoid or resolve conflicts within the family
  - Build support across the family for the business’ direction and its continued success, i.e., become part of the business’ competitive advantage
Sheetz Family Education Matrix

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Entrepreneurship, Investment &amp; Financial competence</th>
<th>Interpersonal/family communication skills</th>
<th>Our Family</th>
<th>Governance</th>
<th>The Business</th>
<th>Community Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-8</td>
<td>Saving, spending allowance</td>
<td>Family Communication skills</td>
<td>Family values and the family tree</td>
<td>Store visits, videos</td>
<td>Family philanthropy</td>
<td></td>
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<tr>
<td>9 thru 12</td>
<td>Savings goals, basic financial concepts and records, demonstrate self sufficiency</td>
<td>Participate in Family Assembly, family dynamics</td>
<td>Family values and family history</td>
<td>Introduce family employment guidelines and who works here</td>
<td>Store operations, corporate structure, roles and responsibilities</td>
<td>Participate in Sheetz Family charity</td>
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<tr>
<td>13-17</td>
<td>Conflict resolution, self-awareness, team accomplishments, stewardship, participate</td>
<td>Participation and contribution in family events</td>
<td>Understanding family policies and other governance policies, being an effective owner</td>
<td>Summer internship option, Mentor program</td>
<td>Participate in Family Council meetings, premarital agreement, estate planning</td>
<td>Induction into the Family Assembly</td>
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<tr>
<td>18-24</td>
<td>Income statements, balance sheets, cash flow, stockholders report</td>
<td>Win-win negotiation, initial leadership in family team; Self-awareness and feedback</td>
<td>Particpate in family events</td>
<td>Effective ownership, living responsibly with the Sheetz name</td>
<td>Work opportunities, Mentor program</td>
<td>Contribute time to philanthropic events</td>
</tr>
<tr>
<td>25+</td>
<td>Advanced financial reporting, estate planning</td>
<td>Participate in the Family Association and/or Family Council</td>
<td>Participate in family events</td>
<td>Family Council meetings, premarital agreement, estate planning</td>
<td>Work opportunities; engage with Company events and publications</td>
<td>Donating money and time; identify personal charities</td>
</tr>
<tr>
<td>New members</td>
<td>Induction into the Family Assembly</td>
<td>Orientation: Intro to family tree, culture, business etc</td>
<td>Engage with company events and publications</td>
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</tr>
</tbody>
</table>

Impact & Lessons Learned

- As we will see, the extent to which objectives are achieved is affected by family considerations, company developments and external issues
- Further, tailoring the NextGen Engagement to each family company’s circumstances enhances significantly the impact of the program
- Perhaps not surprisingly, the rewards of making the effort to broaden the family’s involvement are meaningful and encourage even greater outreach going forward
What’s Next

• Create Structure and Formality
  – Family Employment Policy
  – Education
    • Legacy
      – Historical Society Exhibit
      – Commemorative Book
    • Business
    • Documents

Elkay Manufacturing Company

• Impact
  – Greater interest from the shareholders & the family
  – More well rounded on the business and decisions that are made – not kept in the dark
  – For those between the ages of 20-23 continued conscience effort to get them engage/involved
Elkay Manufacturing Company

What’s Next….

• Have younger members attend Family Business Seminars
• Engage new leaders with our family and family with our leaders
• Continue to grow on what we have started

What’s Next?

• Working the Plan
  – Continued education
  – Strengthening family relationships
  – Using new Family Employment Guidelines
  – Growing our Family Mentor Program
  – Enhancing and adopting communication tools
• Defining Sheetz Family Philanthropy
Key Take Aways

- Start early
- Consistent family gatherings / meetings
- Focus on values & legacy
- Create development paths
- Outside education / conferences
- Open communication – real dialogue