From entrepreneurship to family business

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Navigating the waters of business and family matters

The legacy of Stanfield's

Like most great entrepreneurs, Charles Stanfield was part inventor, part marketer and part gambler.

When he started his textile business in 1856, the Maritimes were fertile ground for success — a fresh start from his native England.

While he worked to grow his business, Stanfield also puttered with his innovations and inventions — innovations like heavy rib underwear and the now legendary “drop seat.”

He manufactured the first cardigan jacket and stockinettes in Canada, and he helped his two sons develop a shrink-proof process that would someday make the Stanfield brand famous around the world.

Four years ago Jon Stanfield took over the helm of the company that his great-great-grandfather founded 11 years before Canada became a nation.

It would have been easy for the young CEO to rest on his family’s laurels — to continue on with business as usual. But when your family business spans five generations, it’s a safe bet that business acumen runs in your genes.

He immediately embarked on a program of new growth, expansion and innovation — the same kind of attention to detail that his ancestors have been showing for 150 years.

His company needed to keep growing, he says, or run the risk of plunging into a steep, inevitable decline.

“Each generation of Stanfield’s has its own challenges. But in the end my grandfather, my father and I, we’re all the stewards of Charles Stanfield. Our growth philosophy doesn’t change. We’re always moving aggressively in the direction of new business,” says Stanfield.

That philosophy may explain how Stanfield’s has managed to become one of the oldest and most respected family businesses in Atlantic Canada — but they’re not alone.

The region is rich in family business success stories — families with names like McCain, Oland, Jodrey and Irving, that have risen to legendary status in the pantheon of Atlantic businesses.

A few have been in business even longer than Stanfield’s. The Wilson family, also based in Truro, traces the roots of its business empire back to New England Planters, and entrepreneur

William Wilson, who made his way to Nova Scotia on the heels of the Acadian Expulsion, some 260 years ago.

Each of these families is an outlier, and each one has bucked the odds.

Passing on a family business is no small task

Leslie McNabb is director of the Centre for Family Business and Regional Prosperity, a department of the Faculty of Management at Dalhousie, which is dedicated to supporting and promoting family businesses in Atlantic Canada. She says that many family businesses fail soon after the founder relinquishes control.

“In fact only 30 per cent of family-owned businesses survive into the second generation, while 12 per cent are still viable into the third generation, and about three per cent make it into the fourth generation,” says McNabb.

Family businesses face all of the typical challenges that every business must face — everything from cash flow and HR issues, to the vagaries of market supply and demand.

But in many ways they also become extensions of the family that created them, complete with all the complications of living as part of a family dynamic — sibling rivalries, entitlement issues, members who refuse to pull their fair share of the weight.

Working with family is a challenging, but rewarding experience

“The emotional connections are always there when you’re working with family members,” says entrepreneur and winery owner, Pete Luckett. “It’s hard to separate family and business sometimes.”

Luckett was 24 years old when he immigrated to Canada from his native Nottingham, England, and opened a small fruit and vegetable business in Saint John.

He spent the next 30 years establishing himself as the region’s premier specialty grocer. With his larger-than-life personality and a genius for marketing himself and his business, he became well known as a local celebrity and television personality.

In 2002 he began working on Luckett Vineyards in Nova Scotia’s Gaspereau Valley, eventually selling his grocery business to Sobeys Inc. to run the winery full time.

Today, by his own admission, the wine business occupies him 12 to 14 hours a day, seven days a week.

In recent years Luckett’s daughter, Geena, has joined the company as general manager. He calls the collaboration a fabulous experience.

“We have differences of opinion like any father and daughter,” says Luckett. “But she brings a lot of savvy to the business. We complement each other. She understands a lot about the modern world, things like social media marketing that I really don’t understand.”

McNabb says family businesses have some real advantages over typical corporations. For one thing they tend to be leaner and are able to implement new policies and new directions much quicker. But bringing family members into the mix can cause real upheavals in a business.

The Centre for Family Business and Regional Prosperity works with family-owned and run businesses across Atlantic Canada to help them manage issues that are unique to family businesses. Issues including succession planning, governance and the often difficult transition from an entrepreneurial entity to a family corporation.

One of the hardest things is defining exactly what is meant by a “family” business.

There are more than 65 academic definitions of a family business in existence, according to McNabb. One of the problems may be self-perception.

In a study conducted by the Centre for Family Business, 40 per cent of businesses in the region self-identified as family business.

The actual number may be as high as 70 to 80 per cent. That low number of self-identified family businesses may be due to some negative perception of the term “family business,” or just a low awareness of what the term means.

“Often a husband and wife who are running a business together don’t think of themselves as a family business, even though by most definitions they are,” says McNabb.

“Every family business starts with an entrepreneur. At some point they cross the line and become a family business, but that point isn’t always obvious.”

Succession planning is key

The Ocean Group of Companies certainly didn’t start out to be a family business. Entrepreneur Jack Flemming started the company in 1974, as Ocean Contractors Ltd., with two employees and a half-ton truck.

He quickly built it into one of the largest road-building companies in the region. Today the Ocean Group has 300 employees and Flemming has garnered a long list of accolades and accomplishments, which includes the Order of Canada.

Flemming’s two sons both followed their father into the field of engineering, both working for a number of years in Western Canada before coming home and entering the family business. Today son John is the company’s president, while son Scott is vice president.

Jack Flemming believes that many businesses don’t survive the transition period from entrepreneurial business to family business because the hearts of the next generation simply aren’t into it.

“Too many company founders push their kids into the business even if they’re not really interested,” says Flemming.

“That can be a real detriment and its destroyed a lot of great businesses over the years. The children have to want in. Otherwise it’s not going to work.”

It’s also important to leave the next generation with something to work with. Construction is a capital-intensive business, says Flemming, with much of the company’s capital tied up in expensive equipment.

“The business can really suffer when the owner retires and takes too much money with him. It’s important to do your homework and get a good financial plan in place so that your successors have the capital they need to work with.

“Accountants, a lawyer and a good bank can really help with that,” says Flemming.

Succession planning is key, says McNabb, yet only 30 per cent of family businesses have a succession plan in place.

“All businesses are concerned with succession issues, but when family is involved it takes on an added stress. Family issues tend to creep into the discussion.”

Pete Luckett says that for a business to succeed in the transition from entrepreneur to family business, it’s important to find a space outside of the business to talk about issues and map out business strategies.

“You have to understand where the business is going,” says Luckett. “You’ve got to make sure that at the end of the day you’re all on the same track.

“You can’t be seen to be disagreeing in the workplace. You’ve got to work out all those issues beforehand. Otherwise it’s not going to work.”

But the hardest thing for any entrepreneur may be relinquishing control of a business they’ve spent a lifetime building. For Luckett, whose personality and image are inextricably linked to his company’s brand, it’s doubly hard. But handing the reins over to the next generation may be the best way to create a lasting legacy, he says.

“The easiest way out would probably be to sell the company and walk away,” says Luckett. “But this way there’s a chance that the company I built will live on after I’m gone and become something even greater. That’s a pretty nice thought.”