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Centuries-Old Family Businesses Share Their Secrets

Other enterprises can benefit by borrowing strategies from these companies that have prospered generation after generation

by [Stacy Perman](#)

In 2000, a few members of the Lyman family moved out of its capacious ancestral home. Though the house, set on a sprawling farm in Middlefield, Conn., had been inhabited by Lymans since its construction in 1785, it was feeling too big for them. Two years later, the 180-member family decided to turn the homestead into an event space for weddings and other occasions. It was the latest in a series of business decisions that have kept the family business thriving for over 200 years.

Today, the event space is one of multiple businesses spun out of Lyman Orchards, including two golf courses, a line of baked goods, and Connecticut's largest indoor farm market. The farm, operated by eight generations of Lymans, sits on 1,100 acres and earned \$10 million in revenue in 2007. "I think obviously it's unusual for a family business to last as long as us," says John Lyman, Orchards' executive vice-president.

Indeed, according to the Family Firm Institute, a research group in Boston, only 30% of family-owned businesses make it to the second generation, 10% to the third generation, and 3% to the fourth. While all enterprises are susceptible to failure, regardless of ownership, family businesses contend with some [unique issues](#) (BusinessWeek.com, 9/26/07), such as managing succession, going public, bringing in outside board members and other executives, and keeping products or services relevant through the generations.

THE IMPORTANCE OF LOOKING AHEAD

While the odds are indeed stacked against family-owned businesses being operated by continuous generations of family members, there are examples of companies that have remained family-controlled and successful through time.

[Kongo Gumi](#)

(BusinessWeek.com, 4/16/07), a Japanese construction company that began in the year 578 lasted for 14 generations until 2006. The Marinelli family of Agnone, Italy, has been making bells in its foundry since around the year 1000. The Loane Bros. started in 1815 as a maker of canvas sails on Baltimore's Bowley's Wharf for the famous Baltimore clipper ships in 1815. When the steamship made sails obsolete, Loane shifted the company's focus to manufacturing awnings. Today's sixth generation continues to produce awnings and also makes event tents.

While the statistics don't favor family ownership over the long haul, those companies that have beaten the odds describe a host of things that have contributed to their success. According to William O'Hara, the executive director of the Institute for Family Enterprise at Bryant University in Rhode Island, the biggest mistake that most family businesses make is not planning for the future. "The companies that have trouble are those that don't look ahead, whether about succession or future products," he says. Regarding the happy few that do make it, O'Hara says, "Those that have been around for centuries deal in products that respond to human needs."

According to John Lyman, the key to his family's 265 years of success has been remaining tied to the land as well as continuously diversifying offerings. The head of the family's third generation, Charles Elihu Lyman, introduced non-agricultural products such as spring lambs and dairy cattle, and began selling hay for local livestock. He is also credited with introducing peaches as a major crop in Connecticut.

LUGGAGE MAKER TO THE STARS

In the 1930s, the family began promoting Lyman Orchards as a recreational family destination, with the launch of the Apple Blossom Festival. "To stay relevant in the market you have to change," says John Lyman. "We are constantly

looking for new opportunities. We've tried to be open to new ideas. We are not heavy risk-takers, but we try not to be afraid of taking risks, too."

In 1987, Michael Root, a former executive at [Bloomingdale's](#) took over T. Anthony, the maker of handcrafted luxury luggage founded by his grandfather Theodore Anthony in 1946. The company became a favorite with royals and celebrities from the Duke and Duchess of Windsor to Marilyn Monroe and Jacqueline Kennedy Onassis.

While T. Anthony's prices—\$1,000 shirt-cases and \$15,000 trunks—limit its clientele, Root says the company strives to keep the brand current without abandoning its founding principles. "I would say the biggest challenge is keeping the company true to its original values," says Root. And while it continues to offer the same lines of hard luggage and canvas and Italian leather matched sets that helped establish its reputation, in recent years the outfit has added wheeled suitcases, duffel bags, computer bags, and cases for electronic gadgets. And every six months it offers new handbags and gift items to keep the line current. But, says Root, the company has learned if it keeps to its core values of high quality and luxury items, its customers are happy. "Once they buy our luggage, they don't want us to change it."

A PRINCIPLE OF STEWARDSHIP

The Young family of Salt Lake City is at the crucial stage of taking its firm, the [Young Electric Sign Co.](#) from the third to fourth generation. Thomas Young started the company in 1920—with a \$300 loan from his father in Ogden, Utah—as a maker of coffin plates (plaques bearing the deceased's name affixed to the coffin) and hand-painted signs. Today, it is an \$80 million business creating state-of-the-art signs all over the world, including for the Wynn Hotel ([WYNN](#)) and the [Hard Rock Hotel](#) in Las Vegas. In fact, the company is credited with creating Glitter Gulch on the Las Vegas Strip back in the late 1940s.

"We were brought up, and my father was brought up by his father who founded the company, [to believe] that we work for the company, the company does not work for us," says Michael Young, the president. "Another way to describe it is our principle is one of stewardship rather than ownership and there has been a consistent commitment, starting with my grandfather to the present [generation] of not selling the business or going public."

Young says this philosophy is a core part of the company's culture and the basis for its enduring success. In addition to Young-family members, he says, a number of its 1,600 employees are members of multiple generations of outside families as well. "Like everything, it has its pluses and minuses," says Young. "On the plus side, the loyalty and commitment is fantastic for us over 88 years. The downside is the usual scenario of preferential treatment." According to Young, the company works hard to put the interests of the business above those of individuals and the family. "My father often referred to the company as a child that has to be nurtured and cared for and kept warm."

FAMILY AND OUTSIDE MANAGEMENT

Facing the difficulty of passing the business on to the next generation, Young says the family begins to groom those members who have expressed interest in entering the family business once they start college. "Not all of them are interested," he says. "We have an orientation that gives them the complete ownership structure." They are also given a set of opportunities and expectations up front. "If they are given the opportunity to work for the company, they have to understand the business comes first—this is not a get-rich program," says Young. "This company has existed long before them and [will exist] long after they leave."

For the German company Villeroy & Boch, originally a manufacturer of tableware, a mixture of family and outside management has helped keep the firm successful and family-owned for 260 years and nine generations. Originally started as an iron foundry and maker of simple earthenware tableware, today the company has grown to include bathroom and kitchen fixtures and tiles, earning some €700 million (\$1.08 billion) in revenue a year.

"The continued involvement of the family is one of our major factors for success," says Volker Pruschke, the company's chief strategic officer (and a non-family member). "It gives so much strength to the brand to be backed by the family. There is an authenticity. There is a certain family spirit. Like in any good team, it has become an enormous asset." According to Pruschke, the family through the years has also been able to contribute a spectrum of

experience from business to art design to innovation that has also kept Villeroy & Boch strong and flexible over the centuries. "They know the markets and have a long-term view of what is essential," he says.

At the same time, the family has gone outside for professional managers and board members. Last year, the company chose Frank Goring, a 10-year company veteran and non-family member, to succeed family member Wendelin von Boch as CEO. "At the end of the day, they want the kind of management capability and they have a willingness and determination to find the best person for the job," says Pruschke.

See the BusinessWeek.com slide show for a look at [how the four long-lasting companies mentioned above adapted their products and services over the centuries](#).

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