A Vibrant Vision
The Entrepreneurship of Multigenerational Family Business

Richard N. Seaman
PRAISE FOR A VIBRANT VISION

"A Vibrant Vision lays out a path for visionary entrepreneurs to build not only successful, sustainable businesses but also BE a force for good while still participating vigorously in a market-based society."

— Daniel Isenberg
Executive Director, The Babson Entrepreneurship Executive Project

"A Vibrant Vision is a compelling call for stewardship and building an institution out of a family business."

— John Ward
Co-director, The Center for Family Enterprises at Northwestern University's Kellogg School of Management

"Applying the lessons of this insightful, engrossing book-based on Seaman's own family business experience will greatly increase your chances for multi-generational success."

— Teresa Amabile
Edsel Bryant Ford Professor of Business Administration in the Entrepreneurial Management Unit, Harvard Business School
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In the early stages of their business’s development, entrepreneurs face a kaleidoscope of choices. Their product or service idea can take on a variety of forms. Their organizational structure is uncertain as they try to look into the future. They see a multitude of colorful patterns that seem to change with every rotational twist.

How can the entrepreneur select from all these “kaleidoscopic patterns” a design that can be woven into a meaningful tapestry that achieves lasting business success? More importantly, how does this creative design become a tapestry of heirloom quality that can continue to expand, evolve, and be sustainable throughout future generations?

Likewise during these early stages, most entrepreneurs are not thinking generationally. They are thinking about the coming weeks, the coming months, the coming year. They are thinking about how to complete the product or service development, how to reach customers, how to acquire funding, how to generate cash flow, and oftentimes how to achieve an exit.

The typical model presented to entrepreneurs as they visualize the path forward for their start-ups is funding from family and friends, seed funding from angel investors, surviving the so-called Valley of Death, followed by institutional funding from venture capitalists (an “A” round), growth, funding from private equity, and, ultimately, the exit: a liquidity event.
INTRODUCTION

Weaving a Vision into a Tapestry of Heirloom Quality

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My mother and father started our business in 1949 with two sewing machines in the basement of our home. Their first contract was sewing lace around baby doll diapers. My father’s entrepreneurial vision was simply to acquire enough “cut-and-sew” contracts to generate money to feed his family.

My parents’ longer-term vision was to build a family business where their five children could build their careers. My mother and father were children of The Great Depression. In their minds, the most valuable legacy parents could leave their children would be a job opportunity that grew into a stable, long-term career.

My father, a high school graduate and a World War II B-24 pilot, had a very curious and innovative mind. His creative thinking was always exploring a kaleidoscope of design choices, experimenting with new and unique products. This curiosity, innovative thinking, and persistence wove a variety of choices together, ultimately creating one of the leading industrial fabrics businesses in North America. His “lace around baby doll diapers” evolved into colorful vinyl-coated industrial fabrics used for a variety of heavy-duty applications such as truck tarping, architectural and environmental fabrics, single-ply membrane roofing, and fabrics for military applications. Today, that company, Seaman Corporation, is a US-based manufacturing business successfully exporting industrial fabrics into China.
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This exit comes in many forms: an IPO, a strategic acquisition by an industry leader, or a sale to another private equity firm.

But all these models of entrepreneurship are focused on a monetizing scenario because these early funders are primarily motivated by financial returns in a five- to seven-year time frame. Little thought is given to creating a stewardship model with an enduring culture or multigenerational heritage.

But the seeds for building an enduring culture or multigenerational heritage are sown in the early years of the business, identifying and creating its own unique DNA. The decisions that entrepreneurs make during these early years, although they feel short term, will be the beginning of a set of business processes woven together to create an organizational future—if only for a few years—until a long-term vision is created.

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I am the oldest of five children, and we all grew up in the business. We saw the struggles, the successes, the failures, and the cash flow challenges that my mother and father experienced every day. I watched my father mix formulations in my mother’s kitchen. Then he put those formulations into our oven to cure the compounds. Afterward he placed the thin layers of cured compounds in the freezer to see if they remained flexible at cold temperatures. Our kitchen became his homegrown chemical compounding laboratory.

With five children to feed and a struggling start-up business, my parents also farmed our forty-acre homesite. My two brothers and two sisters and I learned a great deal about planting and harvesting vegetables each year as well as raising pigs and chickens for the freezer to feed the family year-round. Our annual chores helped develop our family’s work ethic and made us mindful of the sacrifices and work it takes to be committed to a fledgling business endeavor.

Very little strategic planning was done in support of my father’s business, certainly no strategic planning around multigenerational success for this business. Nonetheless, my parents did have a vision: Their children would have a business where they could develop their careers. Implicit in this vision were multigenerational hopes and aspirations—for the children of parents who grew up during the Depression and witnessed the challenges of job scarcity and unemployment.

When I turned fifteen, my summer work experience was to assist on the primitive coating lines to help produce the products that provided cash flow to the business and our family. Each summer thereafter was spent in the factory until I went off to college; my summer employment then moved into the office—generally the accounting department. So, I shared real-world work experience with my college education—instilling the principles of entrepreneurship into my academic learnings.

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It was the summer of 1966. I was between my junior and senior years at Bowling Green State University. I convinced my father to
allow me to go on a three-week college trip that would begin in Copenhagen, Denmark; take us to Helsinki, Finland; Leningrad and Moscow in Russia; Bucharest, Romania; Prague, Czechoslovakia; and then finish in Rome, Italy.

The author’s 1966 summer trip through Europe and Russia.

I was an excited, young, and naive student who grew up in a village of four hundred in the middle of Amish country. I spent three years at a state college in northwestern Ohio. I was convinced that the Europeans we would meet on this trip would certainly envy us as Americans with all the opportunities that America had to offer. That illusion was quickly dispelled.

Our first evening in Copenhagen, following dinner, four of us wandered through Tivoli Gardens—the city’s Central Park. We were fortunate to meet several Danish students and began talking with them. When we told them we were from America, I was surprised at their response.

“Well, how nice, but we certainly would not want to be Americans.”

“Why not?”

“You have many benefits in your country and you’re doing quite well, but you are only 250 years old. You have no history, no long-term culture.”

I was shocked. I had assumed that pride in your country, even at our young age, was measured by financial or material success, or financial opportunity. Here was someone telling me the exact opposite. What she valued as a Dane was the multigenerational, centuries-old history and culture of the homeland. GDP per capita was not part of that consideration. At the time, I did not realize that this multigenerational cultural identity could also apply to the growth and development of a family business. Financial results would not be the singular measure of business success.

Over the years, I came to recognize that these divergent cultures were evident in our paradigms about family businesses in the United States. The success of a family business is measured by its profitability and ability to sustain an ever-growing lifestyle. The motivation to pass it on to the next generation is dependent on one or more of the children willing to have their careers in the business—oftentimes primarily to support the lifestyle of the next generation. If there is no one in the next generation who wants to work in the business, then the obvious exit strategy is to harvest it and pocket the money.

The experience I gained from developing and growing our family business helped me discover other entrepreneurship business models that support multigenerational sustainability by stewarding the culture and heritage of the family business in addition to remaining focused on financial results. This journey is the essence of A Vibrant Vision.
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After becoming President of my family’s industrial fabric business, I had another significant experience that reinforced the insight from my college European trip. As a member of the Young Presidents Organization, I committed to attending the one-week program sponsored at the Harvard Business School each year. I referred to this as “YPO Boot Camp” because of the vast amount of preparation work required before attending—at least forty hours of study for twelve to fifteen case studies prior to arriving. Each year the class consisted of 150 CEOs from around the world. We were divided into study groups of eight, living together and meeting nightly to review cases in preparation for the next day of classes.

This particular year the theme of our program was about when and how to “harvest your business.” We were assigned several cases about entrepreneurs who had successfully sold their businesses for millions of dollars. We also studied cases about entrepreneurs who waited too long and missed the window of opportunity for an optimal exit.

In my particular study group, there was a President of a major construction company from South Korea. This President had been educated at Miami University in Ohio. After receiving his degree, he spurned the opportunity to return home to work in the family business and instead took a job in Kuwait, as he had no intention of ever working for the family business. Once he had a son of his own, however, his perspective changed. He decided to return to South Korea and join the family business to continue his family’s legacy.

During our study session on Wednesday evening, midway through the week’s program, this South Korean classmate interrupted our conversation. He spoke up with a quizzical look on his face. “When I decided to return to the family business, my goal was to manage the business in a manner that will leave it in better condition for the next generation of family members than it was when I took over. I do not understand this concept of ‘harvesting your business.’”

We were all struck by our Korean classmate’s perspective. The concept of building a high-growth business only to sell it was totally foreign to him. His words have remained chiseled in my mind. I reflect on them often, particularly as I see the churning of businesses in the United States. Private equity companies buy family businesses, keep them for five to seven years, and then sell them to another private equity company, with little or no appreciation for the culture and heritage of the family business. Many times these businesses become laden with debt until they sink under the weight of their financial burdens, adversely impacting employees and the communities in which the businesses reside.

For example, Hinckley Yacht Company, a boatbuilding business founded in 1928 by the Hinckley family, had a strong brand name and a loyal following. Then, beginning in 1997, the company was sold not once but several times to succeeding private equity companies. According to the *New York Times*, with each sale, the company became more leveraged with debt to support the new purchase price and to fund a rapid expansion. Then when a slowdown in the economy adversely affected the luxury boat market, the company was forced to take drastic measures to service the debt. It sold all its real estate and began moving aggressively against longtime customers to collect marginally overdue receivables, including putting liens on their Hinckley yachts.

The client base reacted negatively and sales fell drastically. The private equity company insisted on major layoffs, reducing the workforce in the small community of Southwest Harbor, Maine, from 625 to 305. The Hinckley family was dismayed by the fate of their once healthy company.

I spend a great deal of time observing start-up organizations, particularly in my work as a trustee of The Morgan Foundation and as a commissioner for the State of Ohio’s Third Frontier program. I see young entrepreneurs starting new businesses with great creative ideas, many of them software related.
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In the vast majority of cases, their vision is to create a software service or a product that can gain marketing traction over the next five to seven years and then have a liquidity event that will make them a multimillionaire. There is virtually no conversation about creating a business that will grow and be sustainable for generations to come.

Perhaps this is because so many start-ups require, as discussed, angel financing, then early stage capital, followed by several rounds of venture capital. These sources of funding are looking for a liquidity event that will provide a positive financial return in a short time, certainly less than a generation or two. This source of early funding for entrepreneurial start-ups focuses primarily on five- to seven-year returns. The pressure to create financial value overrides the consideration of longer-term legacy value such as support for the culture of the family business.

Additionally, the United States has a dynamic and responsive market economy, particularly in the financial sector. As reported in Forbes Online, in 2017, private equity funds raised $621 billion in this country alone. The large presence and efficiency of private equity makes it much easier to monetize the value/equity of a business and therefore more tempting for a family owner to prioritize a liquidity exit strategy.

A Vibrant Vision advocates for another choice: From the very beginning, consider creating your business with a multigenerational lifespan, built on a solid foundation of family culture and financially sustainable over many generations. I have seen the positive rewards of this choice in our own business and in other family businesses across the world.

In the work my family has done researching family businesses in support of our own, we discovered an international family business organization called the Family Business Network. Although the thirty-year-old organization is based in Switzerland, it sponsors an FBN Summit every year somewhere in the world for its 10,000-plus members. In its thirty-year history, only one summit has been held in North America.

My family had the opportunity to attend the FBN Summit in 2010, held in Chicago, and my wife, Judy, and I attended FBN’s International Business Summit in London two years later.

The London FBN Summit was in 2012, when Europe was still reeling from the 2008 financial crisis. The continent was in financial disarray, with everyone very concerned about the Euro and the sustainability of the European Union. But at this international summit, no sessions focused on the financial crisis or the viability of the EU.

I realized that these centuries-old multigenerational businesses had survived many crises in the past: two world wars and a global economic depression in the last century alone. To them, the 2008 financial crisis was simply a speed bump in the road. The businesses recognized the critical nature of the financial challenges and were prepared to respond, but there was very little concern about survival. Sustainability of their family businesses would be dependent on more relevant strategic issues that were the focus of the summit. Unlike the many YPO programs and universities I had been to, the words “harvesting your business” were never uttered.

We had another experience at the London FBN Summit that opened our eyes to the value other cultures place on family businesses. One night, upon arriving at a cocktail reception, I met a young woman who introduced herself as Cleopatra. She was a descendant of a family whose company was three hundred years old. The company had begun as a blacksmith shop that then became the largest iron forger in England. To diversify their family holdings, the family recently had invested in shopping malls in South Africa.

Cleopatra went to college to become a veterinarian. She spent several years following her graduation building a successful veterinary practice. But when her father asked her to join the family business, she did not hesitate to leave her practice and become part of the management leadership. The cultural value of the family business legacy is illustrated by this young daughter’s willingness to give up her early career aspirations to continue the stewardship of her three-hundred-year-old family enterprise.
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These experiences throughout my career have sustained my early intuitive vision that, like my parents, I wanted to build a family business that would survive me. While this vision was not specifically articulated as building a multigenerational family business, the decisions I would make to build “a business that would survive me” implicitly supported a multigenerational family business strategy.

While my vision of building a multigenerational family business seems unique in America’s start-up and venture-capital-intensive business culture, according to the McKinsey Quarterly, family businesses themselves are very prevalent and economically impactful in the United States. Defined simply, a family business is one wherein the “family owns a significant share and can influence important decisions.”

The EY Growth Barometer 2017 explicitly describes the importance of family businesses to our global economy: “Family businesses form the backbone of the global economy; they include some of the earliest, oldest, and largest companies in the world. An estimated two in three companies globally are family-owned and together they are responsible for creating upwards of 70% of global gross domestic product (GDP), according to the Family Firm Institute.”

Furthermore, as revealed in the Family Business Review, businesses account for eight to nine out of ten business enterprises in North America and generate 64 percent of the United States’ GDP, roughly $5,907 billion. While we might think of family businesses as small mom-and-pop shops, some of the largest businesses in America are family owned or controlled: Wal-Mart, Cargill, Ford Motor Company, Comcast, Mars, Milliken & Company, Levi Strauss, and the J.M. Smucker Company among them. In addition, Edelman research has shown that 75 percent of people would prefer to do business with and 54 percent of people would prefer to work for family businesses. In addition, 66 percent of people are willing to pay more for products or services that come from a family business.

If family businesses are the backbone of our economy and the preferred partners of consumers, why aren’t we more culturally invested in preserving these treasures? Outside the United States, family businesses are preserved through generations. As pointed out in Family Business magazine, companies like Japan’s Hoshi Ryokan, a 100-room hotel in Komatsu founded in 718, or France’s Taittinger Champagne, founded in 1734, are considered treasures.

Additionally, the American economy was built on such family businesses as John D. Rockefeller’s Standard Oil, J.P. Morgan’s banking business, and Cornelius Vanderbilt’s railroads and shipping businesses. Our own history proves that a family business can be as high growth as a nonfamily business, with the added benefits of greater stability and an ability to take a longer view on investment decisions.
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I look forward to sharing my experiences in identifying, adapting, and developing business processes that helped a family business that was started with two sewing machines in a basement grow and achieve international success as a leading industrial fabric manufacturing business. My hope is that these experiences will provide inspiration and insight for how you might develop your own set of business principles, processes, and strategies for sustainable multi-generational growth in your own family business.

I truly believe that these are the principles and processes that will help entrepreneurs take the kaleidoscope of opportunities that they encounter and help weave them into a tapestry of heirloom quality that can be passed on from generation to generation.

I know this personally because, as I reflect on my fifty-year career in growing our family business from $2 million in annual sales to more than $175 million, and employing 350 associates, I have learned a number of lessons about how to grow a business sustainably. I have also concluded that an entrepreneur and business owner must from the outset make a decision about the long-term vision for the business because strategic decisions for the business will vary depending on that long-term vision.

If your growth vision for the business is to support an ever-growing personal lifestyle for you and your family, then the strategic decisions you make will differ, and this book is not for you. If your growth vision is to have a liquidity event to harvest the business, then the strategic decisions you make will differ, and this book is also not for you. If your entrepreneurship funding model is “family and friends, angel investors, venture capital, private equity, and then EXIT,” your strategic focus will differ from the lessons presented in this book.

If, on the other hand, you want to build a business that will continue to grow and be sustainable for multiple generations of family ownership; if you want to build an enterprise that continues to reinvent itself to deliver quality products and services in a changing economic environment; and if you want to create a legacy of stewardship for your future family descendants, then A Vibrant Vision will describe the strategies and critical business processes that need to be embraced and institutionalized to support future growth and sustainability.

There can be resistance to embracing these business processes from within the business itself. While the early days of a fledgling family business or any start-up are usually dominated by the charismatic founder’s vision and energy, maintaining that momentum can be difficult as the business grows. Nevertheless, as one researcher wisely notes to BCG Online interviewers, “the best way to sustain the magic is to formalize it.”

I look forward to sharing my experiences in identifying, adapting, and developing business processes that helped a family business that was started with two sewing machines in a basement grow and achieve international success as a leading industrial fabric manufacturing business. My hope is that these experiences will provide inspiration and insight for how you might develop your own set of business principles, processes, and strategies for sustainable multigenerational growth in your own family business.

I truly believe that these are the principles and processes that will help entrepreneurs take the kaleidoscope of opportunities that they encounter and help weave them into a tapestry of heirloom quality that can be passed on from generation to generation.

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I know this personally because, as I reflect on my fifty-year career in growing our family business from $2 million in annual sales to more than $175 million, and employing 350 associates, I have learned a number of lessons about how to grow a business sustainably. I have also concluded that an entrepreneur and business owner must from the outset make a decision about the long-term vision for the business because strategic decisions for the business will vary depending on that long-term vision.

If your growth vision for the business is to support an ever-growing personal lifestyle for you and your family, then the strategic decisions you make will differ, and this book is not for you. If your growth vision is to have a liquidity event to harvest the business, then the strategic decisions you make will differ, and this book is also not for you. If your entrepreneurship funding model is “family and friends, angel investors, venture capital, private equity, and then EXIT,” your strategic focus will differ from the lessons presented in this book.

If, on the other hand, you want to build a business that will continue to grow and be sustainable for multiple generations of family ownership; if you want to build an enterprise that continues to reinvent itself to deliver quality products and services in a changing economic environment; and if you want to create a legacy of stewardship for your future family descendants, then A Vibrant Vision will describe the strategies and critical business processes that need to be embraced and institutionalized to support future growth and sustainability.
Large family businesses create cultures that are agile, foster innovation, and reward fresh thinking. All these conditions fuel disruption in the marketplace... The world’s largest, and often longest lasting, family businesses have long learned to adapt and innovate—how else would they still be a force in today’s competitive markets?... This long-term and entrepreneurial orientation may be intended to create a lasting legacy for the family but also results in creative and prosperous businesses.

—2018 EY Global Family Business Survey

It is commonly believed that family businesses do not survive over several generations. The data confirm this paradigm. According to the 2018 EY Global Family Business Survey, an often-quoted “family business survival ratio” is 30:10:3. That is, approximately 30 percent of all family-owned businesses make it to the second generation; 10 percent are viable into the third generation; and only 3 percent survive into the fourth generation and beyond.

One primary reason family businesses fail to survive into the next generation is the lack of both a good governance process and the appropriate education of future family shareholders. In addition,
Richard Seaman is the Chairman of Seaman Corporation, where he served as CEO from 1976 to 2015. He graduated in 1968 from Bowling Green State University with a Masters in Business Administration and joined the family business, which his father had founded in 1949. He assumed the leadership role of this family business in 1978 when his father passed away at the young age of fifty-five. Under his leadership, Seaman Corporation grew from $10 million in annual sales to nearly $200 million in sales today.

Richard serves as a Trustee of the Burton D. Morgan Foundation, a philanthropic organization dedicated to strengthening the free enterprise system by providing grants to organizations and institutions that foster the entrepreneurial spirit. In 2012 he was asked by the Governor of the State of Ohio to serve as a Commissioner of the State’s Ohio Third Frontier, a multi-million-dollar economic initiative focused on the creation of a statewide technology-based entrepreneurial ecosystem.

Shortly after his father passed away, Richard joined the Young Presidents Organization and actively participated in their programs designed to create “Better Presidents through Education.” He was an enthusiastic participant in the YPO Harvard Presidents’ Program, which engages CEOs from around the world to discuss global economic issues and leading-edge business thinking. He continues his support for ongoing education by serving as a Trustee on the board of the College of Wooster.

Because of Richard’s interest in multigenerational family business, he was asked to serve on the board of the Family Business Network–USA, where he has the opportunity to interact with multigenerational family businesses from around the world.

In 2012 Richard was recognized as an Honored Life Member of his industry trade organization, the Industrial Fabrics Association International, for his contribution to the industry. In 2014 he was recognized for his long-term community leadership by being selected as a Wall of Fame Honoree by the Wooster Area Chamber of Commerce. In 2015 Richard was selected by Ernst & Young as Entrepreneur of the Year in the Family Business category.

Richard is an avid skier, sailor, photographer, and tennis player. Richard and his wife, Judy, live in Wooster, Ohio. They and the families of their three children are committed to being active owners and stewards of their family business enterprise.

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