



Balancing tradition, transition

Few shops survive a 2nd generation; those that do walk fine line

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At Rodenbaugh's Flooring America and Appliances in Allen, the divisions of power are clear.

Gary Rodenbaugh operates the flooring store. Ronald Rodenbaugh oversees the appliance operations.

The brothers get along just fine, but this is business, and if the two men are to build on what their father, Donald, started 40 years ago in downtown Allen, lines must be drawn.

"The biggest thing is that Ron and I have a respect for one another," Gary Rodenbaugh said. "I would be remiss if I said we've never had a disagreement, but we've got to trust and respect one another.

"I've seen other second generations come in and feel like they deserve to earn more and set their salaries so high the businesses can't support them. We keep things realistic."

The Rodenbaughs are a minority in the business world. About 70 percent of family-owned businesses do not make it through the second generation. Less than half of those survive the third generation.

In Collin County, where the business community is made up of Fortune 500 companies, big-box retail and three regional malls, a family-owned business can be overlooked.

But some have not only survived, but also built upon what their founders started as far back as the turn of the 20th century.

They are competing in industries dominated by major corporations - appliances, pharmacies, office supplies - and, in some cases, they are expanding.

Other times, they are simply serving a niche.

"In some cases, it's their business to lose," said Joseph Sullivan, a Wylie-based family business consultant.

"The development and growth of this kind in Collin County helps them. In growth markets, it isn't as much price competition as it is service."

Mr. Sullivan said service must become a hallmark of a store, in this case Rodenbaugh's, founded by its patriarch in 1962.

Consumer features such as a lifetime flooring installation warranty and a 50 percent credit for an unused warranty have helped distinguished the business.

"It gives people assurance that they are going to be satisfied with the product and that it is going to be taken care of," Gary Rodenbaugh said.

Sustaining day-to-day operations is one thing, Mr. Sullivan said; successfully passing the business on to the next generation is another.

Family members in subsequent generations can become divided about how the business should be run. Battles are often waged in court and settled by dissolving the business.

Consultants and business scholars identify a few key problems that can doom a family-run business. Among them:

- Founders fail to do proper succession planning or estate planning.
- The founders aren't willing to fully give up control.
- Additionally, they fail to establish an estate that protects the business from possibly liquidating to pay estate taxes.

None of these problems have come up for the Rodenbaughs, whose father died two years ago.

"Our dad was very smart, a very far-sighted person," said Ronald Rodenbaugh. "He had done a lot of planning to make it a smooth transition."

Although it is important to preserve continuity, experts say adaptation to change is also important.

Owners, be it the founders or successors, sometimes avoid taking risks or are afraid of change.

"They stop trying to reinvent the company," said Leonard Green, a consultant who teaches at Babson College in Wellesley, Mass. "You can't stand still."

Many of Collin County's farming families had to reinvent themselves with the times, some staying closer to the county's agriculture pedigree than others.

The Wells family changed a business that began as a farm in the late 1880s. In 1959, John and William Wells opened a grain storage business, then began stocking farm supplies.

Today, William's son Richard operates Wells Bros. Farm Store on Avenue K in Plano, while his other son, John, works on a family farm in Fannin County. "You have to change with whatever is going on around you," said Richard Wells, whose store carries items ranging from horse feed to wild birdseed.

"The kiss of death is saying, 'Well, that's the way we've always done it.' You go with what got you there, but you need to see if new stuff will work."

Richard Ruschhaupt, whose parents, Al and Gerry, founded McKinney Office Supply in 1947, has stood up to the onslaught of the big-box office supply stores: Staples, Office Depot and OfficeMax.

"My father instilled a strong work ethic into us, and that's why this company is successful," he said. "That's why we've been able to grow and outflank the big companies with customer service and new products."

Family businesses don't necessarily fail because of discord among successors. Sometimes the next generations simply pursue different professions.

Last year, Wayne May and his father, Herman, decided it was time to close their Farmersville furniture store because they had no one to hand over the business to.

Wayne May's children had found satisfying work elsewhere.

Meanwhile, it was time for Herman, 85, and Wayne, 61, to retire. So they did on Herman's birthday in June 2001.

"Luckily we were able to sell everything as opposed to unloading things at 20 cents on the dollar," Wayne May said.

"So, I can't be too disappointed. I do miss the camaraderie with all the people. But I don't miss the part about being at work at 8 six days a week - no, not at all. We've had a good run."

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