



Case Study No. 100: The Allen Family By Larry D. Hause

Objective:

To prepare the second generation to participate in control of the family enterprises.¹

Situation:

The Allen family consists of six adults. All but one spouse is working in the family-owned, international businesses. The main business is toy design manufacturing. The other businesses include toiletries and men's sport clothes. These items are mostly made in Asia, with some still being made in Australia, the original home of the company. Sales for the company are \$250M per year. The company had a Board of Directors which included the entrepreneur, her husband, and their close friend and trusted legal advisor. The business executive team includes the board member and several executives who have key oversight.

The consultancy was begun as a result of the entrepreneur's ill health the year before and her inability to be actively involved with clients. Several major clients had significant concerns about the health of the company's succession plan. [The goal of the engagement was to prepare the family for explorations of change and the readiness of the 2nd generation to assume a more central role in the company.]

Role of the Trusted Advisor:

- Attorney has been very close friends with the Founder and Spouse for many years
- Able to inform the client of the seriousness of the client's customers concern for a succession plan following serious illness of the Founder
- Provided **Hause Family Business Transitions, LP** with insights into the client's situation, relationships, and business; particularly the son's addictions
- Kept the client engaged in the process
- Evaluate

Unique Needs / Circumstances

- Son's serious addiction to street drugs

¹ move from Peripheral Stage to Vision Stage

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- Mother/Son relationship: mother was in denial regarding son's addiction; mother had unrealistic expectations regarding son's ability to manage the business
- Mother/Daughter relationship: mother could not accept daughter for who she is, mother expected daughter to be like her
- Sibling rivalry: Daughter thought her brother was loved more than she and that he received preferential treatment
- Money was substituted for love: gifts came with many expectations and conditions, contributed to fear within family that they were not loved
- Unreasonable loyalties: Founder guarded certain employees and family members to the detriment of the company
- Son-in-law considered an excellent manager
- Husband of Founder participates in the business and has generated considerable revenue in the past
- Founder's Husband and Trusted Advisor are very tight: both have much to gain by protecting the system as it is, do not want to promote next generation for fear it will lead to their loss of power and control

What "The Balance System" provided:

- Developed values, needs, and goals statements for each family member
- Separated roles and responsibilities relative to family, owners and managers
- Aligned values, needs, and goals for the family and resolved conflicts
- Brought in addiction counselor to work with son and family
- Counseled daughter in her relationships with mother and brother
- Expanded Board of Directors and provided basic training on roles and responsibilities of Board Members

Results:

- Son and Daughter now participate on Board of Directors along with Mother, Spouse and Trusted Advisor
- Founder has started to share control through the Board
- Founder has improved relations with children and is more willing to consider their input
- Son is in recovery
- Son is managing new ventures of the business
- Daughter is more able to speak directly to Mother; healing relationship with brother
- Business customers are satisfied that a Board is in place

Next Steps:

- Develop an Owners' Manual
- Develop an Owners' Plan
- Reconcile Owners' Plan with (existing) business plans