

Prepared for the inevitable

Supermarket owner set for smooth transition, unlike most business owners, who procrastinate

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By Andrew Kitchenman

Larry Rothwell owned Pennington Quality Market for more than 10 years in the early 1990s when he decided it was time to plan for succession of the business to his children. Each year since then, he has given his three children stock in the ownership of the supermarket.



Since the early 1990s, Larry Rothwell, center, has been working on a plan to hand his Pennington market over to his children. Now, Barbara Rothwell Henderson, left, and Michael Rothwell are involved in its day-to-day operations.

“In my mind, you never know what is going to happen to you, and I wanted to make sure these children were protected and the company would be protected ... [so that] when the time came that I went to the supermarket in the sky, there was no question — everything was done,” said Rothwell, 85, the semiretired company president.

With the help of attorney **Allen M. Silk** and financial planner **Bill Borchert**, Larry began a smooth transition. Son **Michael Rothwell**, 54, returned from a sales management position in the corporate food industry to eventually serve as vice president and general manager, while eldest daughter **Barbara Rothwell Henderson**, 57, became manager of the floral department. His youngest, **Terri Rothwell Orlando**, 52, does not work in the business.

The Rothwells' case is an example of how a family that owns a small business — Pennington employs

155 at its 44,000-square-foot South Jersey location — can succeed at succession planning when the family members aren't afraid to take on difficult questions and are willing to communicate openly.

That isn't always the case, though, according to Silk, a shareholder in Lawrence-based Stark & Stark.

“Generally, people tend to be more reactive than proactive, and I think that's probably a characteristic that most people have — not just business owners,” he said.

In succession planning, attorneys draw up partnership, shareholder or operating agreements, which address what happens when someone retires or dies, as well as how the business will be valued and where interests in the business will pass.

“Many businesses are under tremendous financial pressure, and their first instinct may not be, ‘Well, let’s sit down and spend some money on succession planning,’” Silk said.

While it’s possible that these issues won’t arise for years, “statistically, we know these things” — retirement, death, divorce — “are going to happen,” Silk said. Frequently, business owners see a succession problem arise for a colleague or friend, and “they’ll recognize, ‘Gee, that could happen to me,’” Silk said.

“A lot of people just want to shoot from the hip, and if it’s worked in the past, they feel it will continue to work,” he said. “But what usually happens when time goes on, the chief executive of the company has no fresh perspective and the company is not staying as competitive in its industry with other competitors.”

In addition, small businesses can fail to grow if they don’t prepare to change, so that, “if you have talented people around you, they’re never going to flourish in the business.”

These issues become particularly acute for family businesses, he said.

“There have been a lot of psychologists who have lectured about how you want everyone to succeed in the family, while in the business, you have to be very objective about who can succeed and who can’t,” Silk said.

Parents with multiple children may need to grow the business if the children become involved. Silk recalled a couple that owned a single cleaning business: The parents took the time to help the three children get loans to open new locations, which were a mix of success and failure.

Silk noted that in decades of doing succession planning work, he has seen the mobility of business owners’ children increase.

“They don’t necessarily just stay in the area where they grew up,” Silk said, noting that in some cases, the very success of the family business can lead children to have professional ambitions outside of the business.

For children who remain in the business, the parents can be in the difficult position of telling them they won’t succeed in management. Silk said he recommends “being open and honest with everyone, with regards to the fact that people have certain strengths and weaknesses. It’s a difficult situation to be able to talk to a child to tell them that you may be the oldest, but you’re not going to be the leader.”

In the case of the Rothwells, Michael was prepared to become the leader. Michael Rothwell, who left a sales management position for Mott’s apple products with Cadbury Schweppes, recalled that his father planned for succession once Michael became involved in its management.

“My dad’s goal and interest was to perpetuate the business,” Michael said, adding that they wanted the business to benefit both the family and “our family of associates.

“My dad had the wisdom, vision and the courage to make the decision to do this,” Michael said of the succession planning. “In a lot of families, the patriarch of the family is reluctant to make those decisions.”



Pennington Quality Market employs 155 at its 44,000-square-foot South Jersey location, including Annie Jackson, a floral designer, who is pictured below making holiday gift baskets.

Michael joined a cross-country “share group” with similar second- and third-generation family business executives, and found all of the other members were in conflict with parents who didn’t want to give up control.

“I realized through those many meetings how fortunate I was,” Michael said.

The family holds board meetings twice a year with board members from outside the family who are knowledgeable about supermarkets and finance; each of the three children participate as equal shareholders. They also periodically review the succession plan with Silk based on changes in laws.

“You’ve got to be able to seek some input from some credible people who you know and trust,” Michael said. The Rothwells credit Silk with guiding them through the process.

“He asked the tough questions, some of the questions we’d be afraid to approach each other on,” Michael said. Larry said he continues to urge other men he knows who own businesses “to do what we did.”

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