Ideas At Work
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Family Firms – Not To Be Ignored

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When I grew up—way back in the mid-20th century—everyone aspired to have a job with a major national publicly traded company. If you could land a job with one of the big boys, you had a guaranteed job for life.

General Motors. Republic Steel. AT&T. IBM. A job with one of these was golden—a guarantee of life-long employment and money in the bank. A job with a small, family-run business—well, that was nothing to brag about compared to a job with a big company. But hey, at least you had a job.

I remember my approach when I graduated from high school and was looking for summer work to help pay for college. I would get in my car, drive until I saw a building made of steel walls, and then go inside and ask for an application.

Having watched my father walk out of the gates at the steel mills as a child convinced me that good jobs were available inside steel-walled factories, which belonged to big, publicly traded companies.


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Well, it's no longer the middle of the 20th century and a few things seem to have changed. General Motors, at the time I am writing this, is whining like a baby for bailout money from the federal government.

"We're special; we're too important to fail," it cries. Republic Steel went through the pain of reorganization several times throughout the last 30 years, with no bailouts. In fact, more than 24 steel companies were forced to reorganize since the mid-1990s because of the payment, purchasing policies and practices of the auto companies. No bailout money ever made it to the steel companies.

AT&T was pretty important too. It had a monopoly on telecommunications prior to the 1980s. That seemed pretty darn important at the time. Downright "special." AT&T was "the way" that Americans communicated. Then it was broken up by federal deregulation. Today, we have a vast and wonderful range of choices, services and telecommunications products thanks, in part, to the AT&T breakup. So much for being "special."

The fact is that family businesses are the preferred places to work in today's economy. Here are a few reasons why:

- Family-owned firms account for 89 percent of all businesses in the United States. Eighty-nine percent! I guess this does lend some credence to the fact that since they are in the other 11 percent, GM and Chrysler are "special."
- Family-owned firms employ 59 percent of the working population. They are responsible for 64 percent of the nation's Gross Domestic Product (GDP). And, they created 86 percent of all the new jobs over the last decade.

Fifty-nine percent of the working population employed and 86 percent of the new job creations

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are the result of family businesses. So why aren't family businesses the first concern of the policymakers in Washington?

- Family-controlled firms make up 34 percent of the S&P 500. During the past 10 years, these companies outperformed the 66 percent that were management-controlled in both profitability and value creation for shareholders.
- Family-controlled firms are household names such as Hallmark Cards and American Greetings, steel- and bearing-maker Timken, clothier Levi Strauss (I'll bet someone in your family is wearing jeans right now), Marriott Hotels, S.C. Johnson & Son (Johnson's wax, Windex), J.M. Smucker's (Can you have breakfast without Smucker's? I can't), Mars candy, BMW and Scott's lawn care products. These are all family-owned companies. The list goes on and on. It probably includes the company you work for.

Perhaps the most telling figure about family-controlled businesses is reinvestment. In 2002, the family businesses on the S&P reinvested $617.8 billion in their enterprises. Compare that to the non-family-controlled companies that managed to scrape up $79 billion in reinvestment.

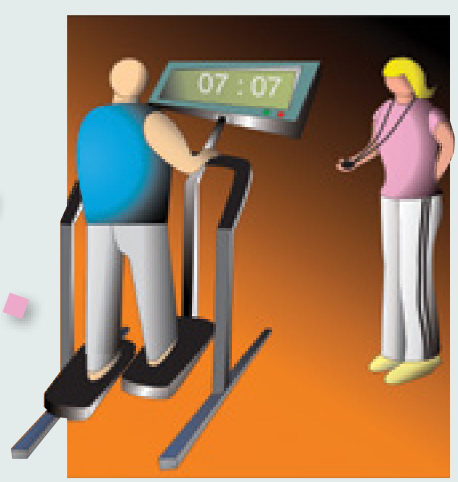
Which type of company showed a focus on being sustainable by reinvesting? It was family businesses by, let's see, a small margin of about $538.8 billion more in committed dollars.

The facts seem pretty clear to me. Family-controlled firms have greater returns on assets, on equity and return more value to shareholders, according to one 2003 study. They are America's employment engine, employing 59 percent of the workforce and creating 86 percent or more of the new jobs.

Times have changed. Looking for a new job these days? The odds are that you'll find one at a family business, like those that produce precision machined products for a host of industries. That's what is really special.

A New Year's Resolution

By Rob Kiener, Director, Marketing and Communications • rkiener@pmpa.org



Like millions of Americans, many of us make New Year's resolutions to lose weight, stop smoking or spend more time with family. Have you made any resolutions as we enter 2009 to improve the health of your business?

Do you have all the answers to the problems that face your business on a daily basis?

PMPA's mission to "lead progressive members toward global competitiveness and sustainable success..." includes helping your company. PMPA members share their expertise to support the health of the entire industry. Is going it alone—with all of the challenges we face today—worth the risk?

Do you have a plan for every crisis that comes your way? Reduce your risk and exposure by joining the PMPA.

As the leading association representing your industry, PMPA will provide you with tools such as complimentary access to PMPA's e-mail Listserve member network. This tool provides you with distributed problem solving so you can get timely and thorough answers from peers, supplier experts and PMPA staff. Issues cover everything from machining, information technology, quality and human resources to sales/marketing, finance and much more.

Would you like to drastically reduce the resources you spend

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