

STRUKMYER: MANUFACTURING A FAMILY LEGACY



In the 1980s, Bob and Anne Delk knew they had a solid partnership when they established their family business, Strukmyer — an innovative medical manufacturing company out of Mesquite, Texas. The Delks had respective skills and work experiences that complemented each other.

Bob and Anne had general knowledge about running a business when they started Strukmyer, a namesake to Anne's maiden name. Bob was a former salesman at a telecommunications company and naturally gifted at understanding numbers. As for Anne, she had previously operated a small business in which she sewed drill team

Left to right: CEO Addison Delk, and Co-Founder and Chairman Bob Delk outside Strukmyer's 100,000 sq. ft. world-class manufacturing facility in Mesquite, TX

uniforms for schools in north Texas.

Ultimately, they combined their knowledge to start their own business out of their garage. "I would go out and get the business. I would sit in the air-conditioned office," Bob joked. "And, Anne would have to be out in the plant making products."

Continued on page 2

It matters who you grow your business with.
IT MATTERS WHO YOU BANK WITH®



When it comes to the success of your business, Nevada State Bank really gets to work. We're here with remote banking solutions, convenient locations, and relationship managers who take the time to get to know you and your objectives. Because when you're in business for yourself, it helps to have a bank that's in the business of helping you.

CONTACT US TODAY

nsbank.com/biz | 888.862.7013



NEVADA STATE BANK®
THE DOOR TO YOUR FUTURE

A division of Zions Bancorporation, N.A. Member FDIC

Cover story continued:

At the time, Bob split his time between his salary job and his business before focusing entirely on Strukmyer. And it's a day he remembers very well! "I realized I loved running the business full-time," Bob said. "We had enough business on the books that I could quit my salary job and go ahead and take a chance on our own business."

Over the next 40 years, the Delks led the company as they grew it from their garage into a 100,000-square-foot world-class facility, employing nearly 200 Texans, including their son, Addison. During this time, Addison would learn the business from the ground up, starting with manufacturing and sales, even running one of the sister companies they purchased as an acquisition for nearly three years.

"He was well-educated in each of the operations of the company and each of the job functions," shared Bob, who knew one day his son would succeed him. Although there wasn't a timeline, it was a mutual dream and aspiration between father and son for the business to stay within the family.

Then, Bob became unexpectedly ill in the summer of 2020 — amid an ongoing pandemic that interrupted businesses and industries worldwide. Overnight, Addison assumed the

role of CEO, allowing him to carry out the daily operations of the business his parents worked hard to build and maintain. "I didn't have my dad there to bounce ideas off. It was pretty stressful, but we have a great team here. A lot of our employees rallied behind me and rallied behind each other," Addison said.

Eventually, Bob recovered. But at that moment, he learned Addison was ready to take over as CEO and lead the company into the next chapter. "It made me realize how lucky I was to have 10 years by his side to learn from him," Addison said. "Still today, I have the luxury to call him to bounce ideas off because I know he cares about the company just as much as I do. His only motivation is for me to succeed, and that's an incredible asset that only family business can provide."

Now Bob spends his time as chairman of Strukmyer, watching his son come into his own as CEO of the family business he started with his wife. "It is a blessing how things turned out, and it was a blessing that he was in a position to take over as CEO," Bob said. "It has made my life far more pleasant knowing that he is just as concerned about the business as I am."



Family Business Succession: 15 Guidelines

By John L. Ward, Ph.D. and Stephen L. McClure, Ph.D.

Succession is the most painful and critical time for family businesses. Less than one-third of family businesses survive into the second generation, and only about 13% make it into the third generation.

How do the successful ones make it? After working with hundreds of family businesses, we'd like to offer 15 guidelines that we hope will help you during the succession process.

1. Succession Is a Process Not an Event

Rather than thinking of succession as an event that happens on a designated day, consider thinking of it as a process that occurs over a long period of time. Parents should begin to lay the groundwork for succession while their children are still small. How? By the way in which they talk about the business at home.

As the classic story goes, the business owner comes home from a typical day at the shop and complains that three key people quit, a customer didn't pay his bill, the suppliers sent

the wrong order again, and the bank is threatening to jerk the loan. Then, he turns to his son or daughter and says, "Someday, this will all be yours."

Of course, the truth of the matter is that most people who are in business for themselves love it, or they wouldn't be doing it. However, the tendency is to talk more about the bad events than the good ones. But making a conscious effort to present a balanced perspective on the family business can help the next generation gain a better understanding and appreciation for the business.

2. Present the Business as an Option Not an Obligation

Many, many parents hope that their children will want to follow in their footsteps and join the family business. But some fall into the trap of overselling the need to follow the family tradition. Others never bring up the subject because they don't want to pressure their children. The key is to present it as an opportunity, not as an obligation.

How? We encourage parents to tell 15- or 16-year-old children, Whatever you choose to do with your life, we will support and encourage you. It's probably too soon for you to know now what you want to do. If you should become interested in the family business, you will be very welcome. We have found it to be very rewarding and very fulfilling, but it's clearly not the easiest way to live or the only way to live. It's one of your many options and we will support and encourage you no matter what you decide.

That's a conversation that rarely, if ever, takes place in a family business. But we think it's very important to extend a nonconditional offer of support during the child's high school years because it is very healthy for the son or daughter to think in terms of options.

Speaking of sons and daughters, beware of making assumptions on the basis of your children's sex. In terms of interest and capabilities, both sons and daughters can contribute to your firm's success.

3. Get Outside Experience

Of the hundreds and hundreds of family business successors we've interviewed, all who have had outside experience said that they recommend it highly.

Why should your child work for someone else after finishing school? There are many good reasons why outside work experience is an advantage. Your children can build their own identity, get outside knowledge, increase their self-confidence, bring back knowledge to the business, grow up a little bit, make mistakes on someone else's time, find out what it is like to look for a job, discover what their market value is and learn how to take criticism. But the best reason is that this is how they will learn that the grass isn't greener on the other side of the fence. They will learn that there is no such thing as a perfect boss or a perfect business.

If we can make only one recommendation to young people, it is to work for someone else for three to five years.

But what if that isn't possible? What if the daughter is 32 years old and is now vice-president of marketing? Or, what if the business is small and they need a family member on sweat equity just to survive?

Then we try to find out other ways for that son or daughter to get the same sense of reality and outside perspective.

"Don't set your son or daughter up for failure by giving him or her an overwhelming but undefined job"

Sometimes that means getting involved with their trade association or with other sons or daughters of another family business or with a community service group.

For many parents, however, it's hard to believe that their children will want to come back, after working somewhere else. But the odds are better than two to one that they will come back, because magnetism to the family business generally increases with age.

4. Hire Into an Existing Job

It's very important to hire your son or daughter into an existing, meaningful, defined job. Why? You will know how much to pay and what to expect. The rest of your staff will know how your child fits into the office hierarchy and how to treat him or her.

Often family businesses hire their children into ill-defined jobs and say, "Because you're family, you can do anything that needs to be done around here. We wear a lot of hats and now you do, too." But then you open the door to resentment on the part of the rest of the staff. Sometimes, employees doubt that the second generation is qualified to lead the company. Don't set your son or daughter up for failure by giving him or her an overwhelming but undefined job. Instead, create a situation where progress can be measured.

5. Encourage the Development of Complementary Skills

After the next generation has entered the business, encourage the development of skills that are complementary to your own. Why? Your own skills are probably well ingrained into the business by now. If the parents are super salespeople, then the children are going to need to bring some operations or information system skills to the business. If the parent generation adhered to the philosophy of make it and invent it, then the next generation is probably going to have to know what the terms market segmentation and break-even analysis mean.

Is it easy to accept the fact that your child can improve or add to your business? No. You have to be a very secure person to be open to this type of action from your own child. But consider the alternative: Would your business be better off having a second generation who brings nothing and can only try to duplicate everything you have done?

There is a cartoon that shows a son saying, “Dad, sales are up 200%, production costs are down, and we’re on the cover of Business Week.” The father says, “Yes, and your shoelace is untied.” It’s hard to recognize and praise our children’s professional achievements.

6. Teach the Foundations

One of the most valuable things the parent generation can give the next generation is an understanding of the historical, cultural and strategic foundations of the business. It’s very useful for the children to be aware of the firm’s underpinnings of the underlying principles that hold the enterprise together.

Even though you, the business founder, have lived the business, you may not be able to take a step back and identify your strategies. You may be too close to it all. If that is the case, let your child learn from a key employee who is able to explain why you do the things you do, as well as how you do the things you do. For example, instead of just showing your son or daughter how to treat your customers, the key employee will explain how the customer service policy evolved and what advantages the current policy has.

7. Start With Mentors

We always recommend that when the children enter the business, they should work for a mentor rather than with the parent.

The mentor should be the most valuable, loyal, secure and long-lasting employee. That person should be your alter ego, the one who does all of the things that you don’t like to do.

When you set this arrangement up, you should have a conversation with the mentor that goes something like this: “I would like Karen to work with you because she can learn a lot from you. But I know what will happen in three to five years. You two will clash. It won’t be anybody’s fault it’s just inevitable that she will want to do something on her own. The moment that happens, the mentoring relationship

will end, and I will move her into the next step of the plan that I have in mind for her.” It’s very important to clarify all of this and set it up right from the start.

We would like to add a word of caution here. Even if you have always made it clear that you intend to keep your business in the family, you may have an employee who believes that he or she is better and more qualified and rightfully deserves the opportunity to lead the company. Could it be that the employee may attempt to undermine your successor’s efforts? Be aware that this possibility exists. Be clear, keep your eyes open, and don’t let an unpleasant situation build up. You may have to offer the employee two options: Recognize the successor’s role, or leave the company.

8. Designate an Area of Responsibility

What is the next step of your plan? Give your son or daughter his or her own area of responsibility. It should be well defined. It could be a certain department. It could be handling the advertising. It could be managing personnel. As your child gains in experience and competency, increase the number of areas of responsibility. By giving pieces of the business, you will be working toward a smooth succession.

The model that we encourage you to have in mind when you think about succession is the track relay race. One runner has the baton, and the other runner has to catch up, take the baton, and continue the race. Your business will pass to the next generation much more smoothly if that second generation is running at full speed right next to you. It should be an exchange that is almost imperceptible.

9. Develop a Rationale

I’ve just described the ideal transfer. But what if somebody breaks stride or stumbles? Lots of things could happen.

As a matter of fact, the transfer zone is usually a very painful period. The parent may go through a grieving period as he or she says goodbye to the business. But the son or daughter has pain also. He or she may have the most pain.

Maybe there is a disagreement over money. Maybe it is over power. Maybe the founder is not entirely convinced that the successor is ready. How do you make it through this period?

You, the founder, and the successor could both benefit from forming a rationale or a statement that says why all this is

worth it to you. When things are particularly painful and you are wondering why you are going through this, you can tell yourself, “It’s difficult now, but it’s worth it.” For example, after thinking things through, you may conclude, “It’s worth it because we employ a lot of people, and I’m proud to be part of this business.” Sorting out your feelings will help you through this difficult time.

10. Recognize That You Are Not Alone

We have found that it often helps families to know that they are not alone. All families face the same difficult issues such as “How should we value the business?” and “Should the founder keep a title like chairman of the board?” Somehow, it helps to know that these issues are difficult for everyone who tries to settle them.

It can also help to know that the way in which family members respond to the issues is fairly predictable. In many cases, mothers are overprotective, and fathers think they are invincible. Rather than blaming your oldest son for being too hard driving and too achievement oriented, consider the fact that almost all first-born children are like that. Rather than blaming your youngest child for not taking the business seriously, consider the fact that the baby of the family almost never takes anything too seriously.

Rather than thinking that your family members have personality problems, recognize that it is very natural for the people involved to feel the way they do.

Because conflicts are universal, you can learn from other people who have gone through them. That’s why we

generally recommend joining family business forums or support groups. Not only will you be able to see how other people resolve their problems, but you will also see that you may not be as bad off as you had previously thought. There is almost always someone who is in a worse situation.

11. Have Family Meetings

Of course, good communication among your own family members is essential. Sometimes productive communication occurs spontaneously, and sometimes you need to plan for it.

At a family meeting, the whole family gets together to discuss an important matter. Sometimes it is best to hold these meetings at an outside neutral location, such as a resort or a restaurant; sometimes it is best to sit around the kitchen table.

How do you begin? You may wish to start by selecting a topic and moderator. We usually recommend, however, that you keep things informal and relaxed so that everyone can participate comfortably.

The benefits of these meetings typically include a greater feeling of unity (or team building), a clearer understanding of the issues, and a better understanding of the family’s range of perspectives.

12. Plan, Plan, Plan

Long before the succession should take place, we encourage the founder to write a business plan, an estate plan and a succession plan all at once. We always know that we’re



asking for the near-impossible, but we do it anyway because it works. You need to write these plans at the same time because they influence each other.

This is not, however, a do-it-yourself project. Help from your accountant, your attorney and someone who has knowledge of organizational development is critical. Your job is to bring these experts together and develop the plans that can guide you through the succession period.

We're not going to tell you that it will be easy. We're not going to tell you that you will be able to do it quickly. But the long-range benefits of this approach cannot be overstated.

13. Create an Advisory Board

We recommend advisory boards to all small businesses. Why? They are an extremely valuable sustaining resource. The board should include the type of people mentioned above (i.e., lawyer, accountant and organizational specialist) and at least one other person from your industry whom you respect. Often, the business owner will offer the board members an honorarium instead of a salary. If liability issues are a concern, you can call the board a council. In any case, you will benefit from group discussions of important issues.

14. Set a Date

As you go through the planning process you will be able to determine a realistic and financially advisable termination date. When your plans are concluded, you should know exactly when the leadership evolution process will be complete, and you should be ready to hand your business over to the next generation. It is essential that you are fully committed to that date, that your staff is aware of the plan, and that your successor can depend on you to follow through with it.

We have emphasized many times that succession is a process. Choosing a retirement date, preparing your successor, preparing your business for transition, and preparing yourself for a different sort of life are all important components of that process.

15. Let Go

Why do so many founders at the end of the transition process say, "Well, I was wrong. We are not going to be

able to complete the transition this year after all?" Or, even worse, why do so many decide that they want to come back to the business two or three years after they left if for good?

It is hard to let go of responsibility. It is hard to let go of authority. But it is even harder to let go of control.

A psychiatrist can give you a lot of explanations about why this is true. Letting go is a very complex and difficult process that should not be underestimated. We're sure you know many business founders who are in their 60s who do not want to leave the business because they are afraid of giving up their identity, they don't know what they're going to do with their time, and they know three people who died the day after they retired.

But we would like to offer an additional explanation for why letting go can be difficult for entrepreneurs. If you are tied financially to the business, it will be almost impossible for you to let go of it.

One of the central goals that you should have while writing your business plan, estate plan and succession plan is to create financial security that has no ties to the business. You need to be financially independent. And if you aren't, you won't be able to resist the temptation of interfering with the business.

Conclusion

Perpetuating a family business is the ultimate management challenge. We're convinced, however, that you can increase your chances for success if you believe that succession is a process that may take 15 or 20 years to complete. Fortunately, there has recently been a sharp increase in the number of resources (e.g., books, journals, support groups and conferences) that have been developed to help you. We hope that you will take advantage of the support, plan ahead, be candid with your family and staff, and successfully transfer your business to the next generation. Good luck!

John L. Ward, Ph.D., is a co-founder of The Family Business Consulting Group and author or co-author of leading books on family business, including "The Family Business Leadership Series." Stephen McClure, Ph.D., is a principal consultant of The Family Business Consulting Group assisting with family communications and decision-making, succession planning and implementation, and governance and management in family firms



FAMILY BUSINESS

— newsletter —

750 E Warm Springs Road
Las Vegas, NV 89119
www.nsbank.com

*For address change or other concerns,
call Nevada State Bank customer service at
(702) 383-0009*

IN THIS ISSUE:

- Strukmyer: Manufacturing a Family Legacy
- Family Business Succession: 15 Guidelines

Articles provided by The Family Business Consulting Group, Inc. and reprinted with permission from "The Family Business Advisor" newsletter. Copyright 2022. Chicago, IL. All rights reserved.

www.thefbcg.com or 773-604-5005

The Family Business Newsletter may contain trademarks or trade names owned by parties who are not affiliated with Nevada State Bank. Use of such marks does not imply any sponsorship by or affiliation with third parties, and Nevada State Bank does not claim any ownership of or make representations about products and services offered under or associated with such marks. Nevada State Bank is a division of Zions Bancorporation, N.A.

Articles are offered for informational purposes only and should not be construed as tax, legal, financial or business advice. Please contact a professional about your specific needs.