

GOERING CENTER

FAMILY BUSINESS REPORT



Finding Solutions
Sharing Experiences



PROFESSIONALLY SPEAKING

A SUPPLEMENT TO THE BUSINESS COURIER APRIL 21, 2006



Dr. Sidney L. Barton
Founding Executive Director

Why Strategic Management?

Virtually every business person has heard the admonition that to be successful, a company needs to have a strategic plan. Numerous academic studies have supported the value of having a written strategic plan with respect to improved profitability. But my own experiences, both as vice president and general manager of a technical firm and as an academic researcher who has studied the field, suggest that not all strategic planning activities are equally beneficial.

In fact, I do not believe that strategic plans per se are necessarily that valuable. On the other hand, I do believe that a strategic management system can be extremely valuable. In order to develop my point, let me begin by defining the difference between strategic plans, and a strategic management system.

A strategic plan is a set of activities that a firm develops to achieve some objective. A strategic management system is a management system that continually manages a firm's resource allocation decisions to achieve an objective.

The problem with strategic plans is that once developed, they are almost immediately

Continued on Page 4

Father Knows Best.....or does he?

For those of us old enough to remember, there was once a TV program called "Father Knows Best." The program was popular in the late 50's and through the 60's, and it portrayed an all American family that faced difficult situations, but always had a happy ending because Father always seemed to know best. The program was not steeped in reality, but did provide for positive entertainment, as we all like happy and positive outcomes.

What does the statement "Father Knows Best" have to do with family businesses? Well, it's safe to say that people who start businesses and who head family businesses generally have domineering personalities, and they are consumed by their business. Business founders and heads of family businesses become so consumed by the business that it becomes their life, and many times family members are relegated to a status of lesser importance than the business. Absentee family members fail to develop meaningful relationships with children and spouses, and everyone knows that developing and maintaining meaningful relationships requires a significant amount of time and energy. It is possible to start and/or run a successful business and be a successful parent and spouse, as lots of people do it, but it's not possible to do it under the "Father Knows Best" syndrome, where the father is consumed by the business to the exclusion of everything else. In other words, the scales of priorities are totally out of balance.

Many times absentee fathers are often oblivious to their family's psychological needs which include parental approval or validation, emotional intimacy, or shar-

ing of a significant experience. Absentee fathers have the mistaken notion that they are providing these needs as long as they periodically show up for key events, but the truth is, the needs of their family are never fulfilled unless the father takes the time to get to know their family and make family interactions more than an entry in an appointment book. An absentee father's



W. Kent Lutz,
Director

perspective on these matters seems to say: "but I did it for you," when in fact they really did it for themselves-and that's ok, but it's better to be honest about the reasons why, than pretend it is otherwise.

Most of the time, individuals fully consumed by their businesses are meeting their own needs-whatever they may be. Perhaps there are deep seeded reasons for doing such. If there's a spouse that expects you to kill yourself working to provide her a certain lifestyle, you probably have married the wrong person. If your children expect the same, then why were they spoiled that way? The reality is that many times one's excuse is that someone else is forcing you to do what you do, when in fact the motivation is coming from deep within yourself. Disingenuous statements by absentee family members can cause great pain, because it's not just the fact that they are absent, but rather their insistence that other family members are more important to them than anything else, when their real actions and facts prove otherwise.

Most of the time, the effect of the behavior pattern of the absentee father is that they become alienated within the family system and resentment develops toward him for not being honest. If the absentee father is able to keep family members out of the business, the impact on the business system could be minimal. However, if

other family members do become involved with the business, their work will be tainted by these many negative emotions.

The "Father Know Best" syndrome usually has three manifestations: "Who Are You?" "Non-Persons"; and "It's MY Company." "Who Are You" can be described as business founders who are consumed with running their business at the exclusion of everything else, resulting in alienation and estrangement between founders and their families. "Non-Person" is where the business founder has a dominating personality and a strong need to control and interacts with family members in the same manner, which results in children growing into adults who are unable to assert themselves, and the business becoming solely dependent on the presence of the founder. "It's MY Company" is where the business founder views the company entirely as an extension of his own identity and founders become very possessive of "Their" company and undermine(either intentionally or not) family members who participate in the business and feel resentment toward inheritors.

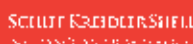
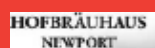
These are all serious issues that face successful entrepreneurs and family business owners, and there are no easy solutions. The starting point to deal with these matters may come about due to a serious conflict that arises and may require outside intervention. The good news is that help is available in a variety of ways, but you must seek it out and ask for assistance. "Father Does Not Always Know Best" and must step up to the plate and admit that-albeit not always easy to do, the end results may save both the family system and the business system. The Goering Center is here to help whenever you need us.

Until next time.....WKL

Goering Center Partners



GREATER CINCINNATI
CHAMBER OF COMMERCE



Building and Maintaining an Advisor Team



By Patrick Dolle, Fifth Third Bank

You don't get to choose your family members, but you do have the opportunity to choose your financial advisors. When you ask a successful business owner how they have been able to succeed from one generation to the next, they will usually give some credit to their advisor team. Building and maintaining a solid advisor team, one that is the best in its field with members that are complementary to each other, is one of the best investments of time that any business owner can make.



work well with each other. For example, your banker should be able to talk to your accountant or tax advisor and develop solutions that are specific to you, your business and your family.

Building an advisor team requires a big investment of time. Talk to friends or other business owners at networking events and ask them for referrals. Interview different specialists and prepare a list of questions that are built around the requirements that you feel are important to you and your business. Bring together new advisors with your current team. Invite your attorney to a meeting with your accountant.

Understand how your advisors get paid. It's easy to understand how your attorney or accountant gets paid when they send you a bill for taking your phone call. But do you really understand how your wealth advisor or financial planner gets paid? Always ask and clarify how they are compensated so that you know that both of your interests are aligned. A straight fee for service works well when you want objective advice, but depending on your situation, this could be cost prohibitive.

A wealth advisor that gets paid based on a percentage of your investments doesn't get an increase in compensation until your investments grow. Good advisors will never need to apologize for their fees.


Maintaining your advisor team is just as important as maintaining your customers. Plan on meeting individually with your advisors at least quarterly. They need to visit your business, but it's also important to develop a relationship away from your business. Advisors enjoy seeing your business grow, but they also want to see your family grow and prosper too. And if they get the opportunity to meet your family, they will be better suited to provide constructive recommendations that benefit your family over the long term. Spend the time to build your advisor team...its one of the few things you can control in your business.

Patrick Dolle has been with Fifth Third Bank for the last 17 years and is vice president and manager of the Wealth Management Advisors and Wealth Planning groups at Fifth Third Bank in Cincinnati.


Goering Center Members

- | | |
|--|--|
| A C Nielsen BASES | Jeff Wyler Dealership Group |
| Acordia | Joseph Decosimo & Co., PLL |
| Aglamesis Brothers | John D. Dovich & Associates, LLC |
| Apollo Heating & Air Conditioning | John F. Dickey Co. |
| ASI Sign Systems/Cincinnati, Inc. | John R. Jurgensen Co. |
| Aurora Casket Company, Inc. | Johnson Investment Counsel |
| Aveda Fredric's, Inc. | Johnson Nash Metal Products |
| Bakery Crafts | Johnson ReSource Group |
| Baldwin Gilman, LLC | J.T.M. FoodGroup |
| Barcode Technologies & Services | J. W. Harris |
| Barnes, Dennig & Co., Ltd. | Kaiser Foods |
| Berghausen Corporation | KDM POP Solutions Group |
| Best Foot Forward | Keating, Muething, Klekamp, PLLC |
| Big Chief, Inc. | Ken Byers & Associates |
| Blaine Pharmaceuticals | KeyBank |
| Bracken Ridge, Inc. | Key Principal Partners |
| Bridge Advisors, Inc. | Kevin Alleman |
| Building Crafts, Inc. | King Bag & Manufacturing Co. |
| Burd Brothers | Krombholz Jewelers |
| Burke & Schindler, PLLC | LaRosa's Inc. |
| Caeser Creek/Turtle Creek Flea Markets | Len Riegler Blacktop, Inc. |
| Carstar Collision Center | Leonhardt Plating Co. |
| Casco Manufacturing Solutions | Ludlow Ward Capital Advisors |
| Cassady, Schiller & Associates | Lykins Companies |
| Charles F. Shiels and Company | Marketing Advisory Services |
| Cincinnati Growth Partners, LLC | Matlock Electric |
| CIP International | Mellott & Mellott, PLLC |
| Clarke Power Services, Inc. | Mercury Instruments |
| Clark, Schaefer, Hackett & Co. | Miami Rubber Company |
| Clark-Theders Insurance Agency | Modern Office Methods |
| Clawfoot Supply | Montessori Academy of Cincinnati |
| Cors & Bassett, LLC | Multi-Craft Litho, Inc. |
| CT Beach & Company, Inc. | Myers Y Cooper Co. |
| Dalton Roofing Company | National Band & Tag Co. |
| David Kihni | Natorp's, Inc. |
| Deloitte & Touche | Neal's Design Remodel |
| deStephano Custom Builders | Neiheisel Plumbing, Inc. |
| Derrick Company, Inc. | Northwestern Mutual Financial Network |
| Deutsch Realty Co. | OTS |
| Deye Enterprises | Overly Hautz Company |
| Donahue & Associates, Intl., Inc. | Patrick Nesbitt |
| Down Lite International | Paul Hemmer Companies |
| Dudley Construction Co. | Pembaur Homes and Remodeling |
| Dwyer Insurance Agency, Inc. | Pioneer Vending |
| Enterprise Vending | PNC Advisors |
| Family Wealth Advisory Group | Positrol, Inc. |
| Feilbauer's Machine Shop, Inc. | Precision Coil Spring |
| Ferno-Washington, Inc. | Prus Construction |
| Findlow Filtration, Inc. | Rim & Wheel Service, Inc. |
| Fifth Third Bank | Robert Lucke Homes |
| Flags, U.S.A. | Rolling Acres Mobile Homes |
| Florence Hardware | Roly Poly |
| Flottman Printing | Rosselot Financial Group, Inc. |
| Frank Catanzaro Sons & Daughters | Rough Brothers |
| Frankenberg Group | Rumpke Consolidated Companies |
| Funch Lumber Company | Scherzinger Corporation |
| Gardner Publications | Schiff, Kreidler-Shell |
| Gary Rains Body Shop | Sequent |
| Gateway Concrete | Singer Wallcovers |
| Goering & Goering | Star Moving and Storage |
| Gold Medal Products Co. | Steinhauser, Inc. |
| Golden Pond Resources | Sunbelt Business Brokers of N KY |
| Gradison McDonald Financial | Tapke Asset Management, LLC |
| Graeter's, Inc. | Tappan Properties, Inc. |
| Graydon Head & Ritchey, LLP | The Angus Group Ltd. |
| Greater Cincinnati Chamber of Commerce | The Bistro Group |
| Grote Industries | The Global Consulting Partnership |
| H & S Chemical Co., Inc. | The Greater Cincinnati Foundation |
| H. J. Benken Greenhouses | The Honey Baked Ham Co. of Ohio |
| Haberer Investment Advisors | The Lumley Group, Inc. |
| Hamilton Caster & Manufacturing Co. | The Malibu Group |
| Hart Productions | The Scheller Bradford Group |
| Hi-Tek Manufacturing | The Verdin Company |
| Hilltop Basic Resources, Inc. | The Walt Lunsford Financial Advisory Group of Advest, Inc. |
| Holland Communications | The Wolfe Practice, LPA |
| Home City Ice Company | Tranter Graphics, Inc. |
| Horan Associates Inc. | Trivaco - Tristate Valves & Controls |
| Howard Kaplan | Truitt Roofing Company |
| Huber Lumber Company | Tucker Homes |
| Huntington Bank | Unistrut Cincinnati |
| Indrolect Company | University of Cincinnati College of Business |
| Interlube Corporation | US Bank |
| Intrinsic Marketing & Design | USI Midwest |
| Invesmart, Inc. | Valcom Enterprises, Inc. |
| J. D. Cloud & Co. | Verst Group Logistics |
| Jack Niehaus | VonLehman & Company |
| Jackson, Rolfes & Spurgeon & Co. | Wardway Fuels, Inc. |
| JBM Envelope | Wm. Kramer & Son, Inc. |
| Janell, Inc. | |

Executive Breakfast Series



GOERING CENTER
for Family & Private Business



How do you Identify the Right People for the Right Position?

Presented by
William E. Miller, Performance Leadership

May 25, 2006 - 7:30 a.m. - 9:30 a.m.
Kenwood Country Club - 6501 Kenwood Road, Cincinnati, Ohio 45243

Members - FREE - Non-Members - \$30.00

Bad hires can cost your family business thousands of dollars. Hiring the right leaders can contribute big time to your bottom line. Bill Miller spent a lifetime at Cintas creating a hiring system that helped propel Cintas into a leading corporate American story. Bill is now devoting his life to helping family and private businesses develop hiring systems that can contribute enormous benefits to the Company.

It's simple to register by reply e mail!

Mail Check to:
Goering Center for Family and Private Business
University of Cincinnati
PO Box 210228
Cincinnati, Ohio 45221-0228

Due to catering contract, payment for reservations not cancelled by April 20, 2006, is due in full. Unpaid no-shows with reservations will be invoiced.

Goering Center
For Family & Private Business

Publisher's Note:
The Family Business Report is an advertising supplement to the Business Courier in cooperation with the Goering Center.

The Family Business Report
Sidney L. Barton, Ph.D. W. Kent Lutz M. B. Hammond
Executive Director Director Editor

(513) 556-7185 • E-mail: goering@uc.edu • Website: www.Goering.UC.edu

IRS Provides Guidance to Family S Corporations

By Michael Whittaker, Clark, Schaefer, Hackett & Company

The American Jobs Creation Act of 2004 liberalized the rules for adopting the S corporation form of doing business. For instance, the 2004 act enables more family owned business entities to elect to benefit from the S corporation rules. This can help pave the way for future expansion without forfeiting any tax breaks.

Now the IRS has released new guidance concerning the special S corporation election. The new Notice applies to elections beginning with the 2005 tax year.

Background: S corporations offer several tax advantages to small-business owners. Significantly, an owner is pro-

tected from personal liability while he or she avoids the double taxation that may plague a regular C corporation owner.

Income and losses from the S corporation are passed through to the owners and reported on their individual tax returns.

Under the 2004 tax act, some of the restrictions for choosing S corporation status were loosened. For instance, the maximum number of shareholders permitted for an S corporation was increased from 75 to 100. In addition, any family member may elect to treat all of the members of the family as a single shareholder for this purpose.



The new IRS Notice says that the election can include

- common ancestor;
- lineal descendants of the common ancestor;
- spouses or former spouses of lineal descendants or common ancestor; and
- certain beneficiaries of electing small-business trusts (ESBTs) who are members of the family.

Note that two or more elections can be made for the same S corporation. The members of one family for which the election has been made (the "inclusive family") may include the members of another family for which the election has also been made (the "subsumed family"). In this case, the members of the inclusive

family are counted as one shareholder as long as their election remains in effect. The members of the subsumed family are not counted as a separate shareholder.

The S corporation must be notified of the election. This notification should include

1. The name of the family member making the election;
2. The common ancestor of the family to which the election applies; and
3. The first tax year the election is effective.

The special S corporation election remains in effect until it is terminated. Forthcoming regulations are expected to address this issue.

Clark, Schaefer, Hackett & Co.

2006 TRI-STATE FAMILY BUSINESS OF THE YEAR AWARDS

Nomination Form: FBOY 2006

Simply fax this completed form to the Goering Center office at (513) 556-7090.

About the Nominee...

Company Name _____
 Address _____
 City/State/Zip _____
 Phone _____
 Fax _____ E-mail _____
 Principal Owner _____ # Employees _____
 Principal Product of Service _____

About the Nominator...

Name _____
 Company _____
 Address _____
 City/State/Zip _____
 Phone _____
 Fax _____ E-mail _____
 What is your association with the family business you are nominating? _____

Deadline for submitting nominations is April 30, 2006.

An application will be forwarded to the nominated business upon receipt of this completed nomination form.

Presented by:



August 29, 2006 • 6-9 pm • Music Hall

To honor the enormous positive contributions made by family companies, both large and small, the University of Cincinnati and the Goering Center for Family & Private Business are pleased to announce the 7th annual Tri-State Family Business of the Year Awards. The competition will work as follows: Nominees will be judged on the basis of positive family-business linkage, business success, multiple family member and/or multiple generation involvement, contributions to community and industry, and innovative business practices, products or strategies.

Awards will be granted in four categories:

- Under 100 employees
- Innovation (Products, Markets, Organizational)
- Over 100 employees
- Community Service

The nominations and judging will take place in two steps. Nominations may be submitted by anyone and businesses are encouraged to nominate themselves. Nominations are due by April 30, 2006. Once a nomination is received, a detailed application will be sent to the nominated businesses, which must be returned by June 30, 2006. All applications will be reviewed by a panel of independent judges from various professional disciplines.

Rules for Nominations

1. Businesses must be headquartered in Ohio, Kentucky or Indiana.
2. A business may be nominated by anyone, including employees or business associates, or by self-nomination.
3. All family businesses are eligible.
4. All nominations must be received by no later than April 30, 2006.

Goering Center Advisory Board

John B. Goering Chairman	Doug Bolton Business Courier	David Deye Deye Enterprises	Dean R. Gaudin OTS	Dan Heyd Graydon, Head & Ritchey	Ken Natorp Natorp's, Inc.	Kim Speed Kaiser Foods, Inc.
Sidney L. Barton Executive Director	Elroy E. Bourgraf Ferno Washington	Barry Elkus Roly Poly Rolled Sandwiches	Jamie Gerdson Apollo Heating & A/C	Bryan Holland Holland Communications	Tom Plaut Deloitte	John Steele, Jr. Hilltop Basic Resources, Inc.
W. Kent Lutz Director	Tom Cassidy USI Midwest	Louis Fender KeyBank	Mary Beth Hammond Goering Center	T.D. Hughes LaRosa's, Inc.	Chris Ramos Fifth Third	Molly Vollmer Modern Office Methods
Will McIntosh Dean	Doug Cleaves PNC Bank	Tom Flottman Flottman Company, Inc.	Michael Heaton Enterprise Vending	David Kihnl	Albert Reilly Rough Brothers, Inc.	Michael Whittaker Clark, Schaefer, Hackett & Co.
Kevin Alleman System4 of Southwest Ohio	Guy DeDiemar Schiff, Kreidler, Shell	James Foley Grote Enterprises, LLC.	Paul Hemmer, Jr. Paul Hemmer Companies	Steve Kline, Sr. Gardner Publications, Inc.	Ron Rosselot The Rosselot Financial Group, Inc.	
Keith Baldwin Baldwin Gilman LLC	Thom Deutsch Deutsch Realty	James Funch, Jr. Funch Lumber Company	Alan Hendy Neal's Design Remodel	Don Mellott, Jr. Mellott & Mellott	Mark Signorelli Cincinnati Growth Partners	

AVOIDING THE DOG HOUSE: When Private Meets Public Sector

By Bruce I. Petrie, Jr., Esq.*, Graydon, Head & Ritchey, LLP



Here's the scenario: a civic-minded private business owner decides to join a local public board. It's a good thing, of course, for private citizens to volunteer time and talents to the public sector. But, welcome to a different world, especially, in the area of board communications.



Let's take the example of e-mail, often the initiation rite of the uninitiated. (The points about e-mail generally apply to any retrievable electronic communication: e.g., voice mail messages, faxes, etc.) Private sector e-mail habits tend to carry over into the public sector, along with the illusion of e-mail privacy which is not justified by reality in either sector. General e-mail habits, especially in the public sector, should always include a mental "note to self:" what if this e-mail was public? More frequently than expected, the answer may be: "it is public." The e-mail activity of a public entity usually is (some exceptions) a "public record," subject to mandatory disclosure under state and federal public record and freedom of information laws.

Let's use a hypothetical involving a Public Dog Pound. The e-mails between the Chief Dog Catcher and his Lieutenant containing the "monthly catch total" are clearly a public record given that the communication is between two "public"

employees. How about e-mails between the volunteer trustees of the Public Dog Pound Board or e-mails from Board members to employees? The answer is it depends upon what they're e-mailing. If the e-mails are about the public business of the Pound Board, they are probably considered a public record and therefore subject to state and/or federal public record and freedom of information laws.

Consider another twist. Most public boards are also subject to open meeting or "sunshine" requirements. Public meetings require public notice and openness, with certain exceptions for business legally permitted to be conducted in "executive session." What if the trustees on the Pound Board decide it would be easier on everyone's busy schedule (we're volunteers after all) to conduct business by e-mail instead of meetings? Efficient business practice, yes. Good idea for the Pound Board, no. Why? Because a prearranged deliberation of the board by e-mail, in lieu of a meeting, could be subject to public inspection.

Some private non-profit entities that receive a lot of public funding are legal "hybrids," so that even though their employees are not public employees, the entity is covered by the public records

and open meeting laws. So, Board members can't always assume messages are "private," even when the employees are not public employees.

Should dedicated private citizens continue to enter the public sector? Most certainly. But avoid the dog house with some due diligence about the board you're joining, some learning about its regulatory environment, and

some changed habits when you wear the public hat.

**Bruce I. Petrie, Jr., Esq. is a partner and Member of the Executive Committee of Graydon, Head & Ritchey LLP whose law practice and civic involvement includes both the private and public sectors.*



Be Sure to Watch Fifth Third Bank Hometown Business Weekly Sundays at 11am on WCPO.

Professionally Speaking, Continued from Page 1

obsolete. Especially today, circumstances are continually changing that render the plan invalid at worst and less than effective at best. In fact, many firms work long and hard to create a plan that sits on a shelf once completed, never to be referred to by management again. In contrast, a strategic management system has as its goal to develop a framework for decision making that allows for continuous changes and adaptation on the part of management. It views every opportunity the firm has and every resource allocation decision as being influenced by this framework. Strategy is therefore an ever evolving and changing thing. Thus it is a dynamic system

unlike the static nature of a "strategic plan", and is thus able to provide value in an ever changing environment.

In future articles, I will lay out the characteristics I believe are essential for a truly effective strategic management system and why such a system is particularly critical for family and private firms. In the meantime, no matter what the nature of your strategic management system may be currently, I strongly recommend dedicating at least some management time to working "on" the business as well as "in" the business. I think you will find it will be well worth the effort.

Goering Center Calendar of Events

April 2006

- 21st UC Showcase 2006
Tangeman University Center
7:30 a.m. – 5:30 p.m.
- 25th Executive Breakfast Series – Kenwood Country Club
7:30 – 9:30 am – William Miller, Performance Leadership. How to Identify the Right People for the Right Position
- 30th Family Business of the Year Nominations due
Fifth Third Bank Hometown Business Weekly,
11:00 a.m. WCPO Channel 9

May 2006

- 7th Fifth Third Bank Hometown Business Weekly,
11:00 a.m. WCPO Channel 9
- 9th Next Generation Institute – Session 8
Graduation and Luncheon

- 14th Fifth Third Bank Hometown Business Weekly,
11:00 a.m. WCPO Channel 9
- 21st Fifth Third Bank Hometown Business Weekly,
11:00 a.m. WCPO Channel 9
- 23rd Executive Luncheon
Kenwood Country Club – 11:30 – 1:30
- 28th Fifth Third Bank Hometown Business Weekly,
11:00 a.m. WCPO Channel 9

June 2006

- 4th Board of Advisors Meeting
Lindner Hall – 6th floor
7:00 – 9:30 a.m.
- 7th Fifth Third Bank Hometown Business Weekly,
11:00 a.m. WCPO Channel 9

Please call Mary Beth at the Goering Center 513.556.7185 if you would like additional information, or visit our web site at www.Goering.uc.edu.