COMMITTEE REPORT:
FAMILY BUSINESSES

By **Patricia N. Soldano** & **Dawn S. Markowitz**

An Inside Look at Seven Family-Owned Businesses

How each one handled the challenges posed by the pandemic

Mention the word "COVID-19" to a family business owner, and it's a sure way to elicit a variety of responses. For some, the pandemic brought new and innovative changes to their family businesses to adapt to the "new normal." For others, it meant painful actions such as shuttering an office or reducing their workforce. For all, the pandemic forced family-owned businesses to engage in soul searching, critical decision making and a re-evaluation of their future.

In 2020, Family Enterprise USA conducted a survey of 40 family-owned businesses.[1] Although 60% reported that they managed to retain all of their employees during the pandemic, 81% reported that their businesses lost revenue during that time. Fifty-three percent of respondents used the assistance provided by the government, mostly in the form of Paycheck Protection Program (PPP) loans. And, 69% percent supported their employees with paid leave and benefits; 66% of respondents supported their local or national charities.

Let's take a look at seven family-owned businesses. Each offers a unique perspective on how the pandemic affected its day-to-day operations, the creative solutions it employed and what it did to remain afloat—and for some, to thrive.

Loutech

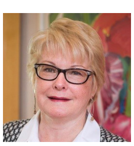
It's hard to imagine that when Lou Polic founded Loutech in 1987, he could have dreamed that his Southern California 30,000 square foot facility designed to produce high precision machine components would be forced to work at only 10% capacity because of a virus. Indeed, as second-generation owner Mariana Polic, expressed:

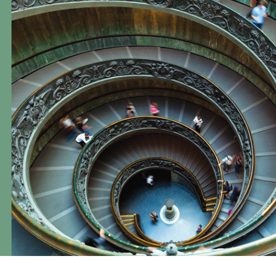
> The unraveling of the economy was not in the plans. We thought we would be bringing our machining capacity to at least 95% from the existing 75%, improving our quality system and building our 100+ strong workforce. Instead, we found ourselves reducing the number of machines running because of the lack of customers' orders, which consequently forced us to lay off several employees and reconsider rather quickly our near and distant future plans.

Considered by the federal government to be part of two critical infrastructures—transportation and defense—Loutech was mandated to continue its operations. It applied for and received PPP loans and directed that the proceeds first cover payroll and keep as many people employed for as long as possible. The remainder of the loan proceeds covered operating expenses. Because Loutech's 30+ employees had to continue in-person working, it created and invested in a task force to reduce the transmission of the virus, including tripling up on cleaning and sanitizing and educating its employees on how to protect themselves and their loved ones.

A silver lining. As Loutech continued to push through the pandemic, it used its own experiences to create a new business, the Systemic Approach Institute (the Institute). The Institute supports leaders in both personal and company crises, transitions and other pivotal moments in their careers. "As people who went through (and lived to tell about!) various changes in their business, we felt uniquely

(From left to right) **Patricia N. Soldano** is president of Family Enterprise USA in Washington, D.C., and **Dawn S. Markowitz** is a legal editor at *Trusts & Estates* magazine in New York City



equipped to help other leaders and executives live through theirs," Mariana shares.

Loutech's goal, like so many other family-owned businesses, is to prevent further decline of its business and be prepared for when it can return to full capacity. In the meantime, it's improving existing systems such as machining and quality and implementing new systems to improve tracking and reporting. Cross-departmental trainings are performed daily, and the company is looking forward to the day when the business can hit the ground running.

Colette's Catering & Events

One of the hardest hit by the pandemic was the hospitality industry, and Colette's Catering & Events was no exception. Opened by Colette Coffman in 1992 as a one-woman catering operation focused on cakes and small catering jobs, the company grew to a full-service catering company serving venues throughout Orange County, Calif. and Los Angeles. In 2004, business was thriving, and Colette took on Duane Greenleaf as co-owner.

Furloughs and cancellations. By late February-early March, many of the company's clients asked to cancel or postpone their events, and some requested full refunds of their deposits. Colette and Duane shifted gears to contact their vendors and marketing partners, asking them to defer, reduce, delay or stop services. The remainder of their time was tasked with completing the enormous paperwork to get assistance with loans and automobile payments. "To keep sane the first four to six weeks, my partner repainted the offices, and I inventoried and re-organized all the food storage areas, and we took our catering vans and locked them up inside a neighbor's fence to prevent vandalism," Colette shares.

Unfortunately, in response to California's stay-at-home order, on March 17, 2020, the company was forced to furlough all but five employees (leaving the two owners, one restaurant manager, one accounting/office manager and one assistant business manager). Initially, the company used the $700,000 proceeds from the Economic Injury and Disaster Loan program and PPP to pay health benefits to its workers but eventually, it had to permanently let go of 75 employees.

Creative solutions. The remaining five employees tried to get creative, introducing a new To-Go menu that offered catering, with limited stock and cooks. They marketed their Event Safety Measures documents with links to their offsite catering, restaurant and events websites for their two exclusive historic venues, showing their clients that they were still doing events while following CDC protocols.

In May, the team of five initiated a Great Plates (GP) program—a $35 three-meals-a-day delivery platform for senior citizens. The GP program ran from June 1 through Nov. 30, generating over $80,000 a month during most months. That, in turn, allowed the business to bring back some of its staff. "It was a lot of work, for not a lot of money, but it was a huge contributor to us being able to stay afloat," Colette remarks.

As of December, between the catering company and restaurant, the business is back up to 12 supervisors and 32 non-supervisory staff.

Slowly improving. Like most restaurants when California imposed rules prohibiting in-door dining, the business' Benchmark Restaurant in Santa Ana, Calif. struggled. Fortunately, the restaurant was primarily an outdoor venue, so it remained open through much of the shutdown. The company extended the restaurant's outdoor dining area into the parking lot and added portable outdoor heaters. In early September, the company was able to rehire its Executive Sous Chef and promote him to Executive Chef for both the catering company and the restaurant. The business gradually brought back its salaried sales team, one by one. And good news: As of December, between the catering company and restaurant, the business is back up to 12 supervisors and 32 non-supervisory staff.

Seneca Sawmill

"Our company was founded by my grandpa [Aaron Jones] in 1953 as Seneca Sawmill. We are now owned by my mother and my two aunts," shares Casey Roscoe, senior vice president, marketing and communications.

Started in Oregon as a small lumber operation with 25 employees, Seneca, owned by sisters Becky, Kathy and Jody Jones, now has 470 employees in three locations. The third-generation company sustainably manages 168,000 acres of timberland, four world-class sawmills and a biomass facility where it uses its scraps from the milling process to create enough green sustainable energy to power 13,000 local homes.

> Of utmost importance to Seneca was ensuring that its employees had enough provisions to keep their households running.

Addressing employees' needs. Seneca operates with the same values Aaron operated with for more than 60 years: Its employees are their most valued asset, to be protected and taken care of in bad times and to thrive together in good times.

When the fear of this pandemic started reaching Oregon, Casey spoke with the company's CEO to address their employees' anxieties and make sure they knew they would be provided for. Of utmost importance was ensuring that the employees had enough provisions to keep their households running. As items began to become difficult to procure, Seneca management sought out multiple sources and announced the following to their employees:

> We will be giving a bag of provisions to every one of you. In this crazy time, we wanted to make sure you had some basics at home. To that end, we are putting together a grocery bag for each of you with toilet paper, a frozen chicken, frozen ground beef, rice, tortillas, pasta, and a couple cans of food like tuna, soup, chicken, or chili. We are family, and we will get through this together. Thank you for being as incredible as you are and showing the tenacity and grit that you have so far. We'll get through this together, and we'll come through as a team even closer and stronger.

Casey recalls that on the day of the handouts, cars lined up as Seneca's executives, managers and human resource department members distributed bags to their employees. "It was awesome!" Casey recalls.

In April, May and June, Seneca paid all of its employees' health insurance, including covering the portion that the employees usually paid. Although it had to curtail hours of production in its mills because the market for lumber dropped, it brought employees in to do non-production tasks like power wash the buildings and paint.

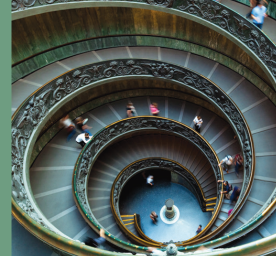
The joy of thanks. An unexpected outcome happened at Seneca. Employees and their spouses sent the company handwritten notes, letters and emails of gratitude. Employees who were typically known to be quiet and reserved in the workplace sent beautiful and heartfelt communications. Spouses of Seneca employees have described what it was like to sit at their dinner table with their family and enjoy the food Seneca provided. Many employees have shared that they're thankful and secure in the knowledge that the company will take care of them.

It's not surprising that Seneca responded to the pandemic in the way that it did. The business is proud to say that during the Great Recession, it was one of the only sawmills on the West Coast that didn't let one employee go. It's determined to do the same during this pandemic, even if it means operating at a loss at times. "We know the value of stability to our employees and our community," Casey remarks, and Seneca clearly makes good on its promises.

Hydraflow

This year marks the 60^{th} anniversary of Hydraflow, which was founded in 1961 as an industrial hose distributor by Leonard Edward Ullrich in his converted two-car garage in Maywood, Calif. In 1968, the company developed its customer base as a distributorship and began designing and manufacturing its own parts. Leonard passed away in 2003, and today, Hydraflow remains a family-owned business and a recognized expert in the design and fabrication of low pressure fluid transfer components for aerospace and high technology applications.

On March 11, everything changed for Hydraflow, as news of the pandemic triggered its first memo to employees regarding COVID-19. As government



recommendations continued to change, Hydraflow's management embarked on a series of rapid emails to its employees to keep them informed. On March 27, the company divided its facilities into four sections, separating its employees and advising them to keep to their own sections, including only using eating areas and restrooms located within their designated areas.

Employee cuts. In June, the company hired an outside company to administer COVID-19 testing to its employees. Because the employees' insurance companies covered the cost of the testing, employees availed themselves of the tests. However, within a few months, the insurance companies stopped covering the cost of the testing, but the company continued to pay for them.

Prior to the pandemic, Hydraflow had grown to 300 employees. But by mid-September, it was forced to do something it had never done in the company's history: reduce its workforce. It terminated 46 people—over 10% of its workforce, with the hope that it could bring them back. Only time will tell.

Lee Company

In 1948, Leighton Lee II set up shop at his dining room table and started what was eventually to become the Lee Company in Westbrook, Conn.—a leading supplier of miniature, precision fluid control products serving aerospace, aircraft, automotive, oil exploration/production and medical/scientific industries, among others. In the early 1980s, he turned the company over to his eldest son Leighton Lee III, who now serves as the company's CEO. Nearly 40 years later, the company joined the efforts of other automotive companies to make ventilators for COVID-19 patients admitted into U.S. hospitals.

A shift to ventilators. Historically, the company's work with ventilator makers didn't really amount to a lot of business, and Lee Company didn't consider it as one of their major markets. That all changed in March when General Motors (GM) announced its decision to build critical-care ventilators. GM turned to Lee Company to increase its production of restrictors, a simple, small part, and after learning the details, Lee Company employees sprang into action. Within a day of being asked by GM to help out, about 13 employees started checking lead times and delivery options; two days later, the company was making parts and shipping against a promise of a purchase order, which came in later that week.

Operational adjustments. Lee Company's automotive unit typically ran three shifts, so its work for GM didn't stretch the company, capacity-wise. However, its medical operations unit typically ran only one shift, so to accommodate the extra work, the company increased that unit to three shifts virtually overnight. The company was able successfully to pivot to medical operations: Given that the automotive and aerospace industries weren't doing well financially, moving employees over to the medical side of its operations made sense.

Because employees needed to work in-person at the plant, the company adopted social distancing measures to protect its workers.

Because employees needed to work in-person at the plant, the company adopted social distancing measures to protect its workers. Logistically, that meant spacing employees out so that if an employee did become ill, an entire department wouldn't shut down. Inside the plant, machines were shut down for about 20 minutes between shifts, and each shift exited the building completely before the next shift entered. When an employee now comes to work, they stay in their car until somebody comes out and gives a sign that it's appropriate to enter. This procedure differs from how the company used to change shifts, which was an in-person handoff during which Shift 1 supervisors would advise their Shift 2 counterparts about machine glitches and other issues. Now, that information is exchanged online or through telephone calls, minimizing in-person contact.

Camaraderie and commitment. Lee Company prides itself on its strong sense of camaraderie, with its employees appreciating the work that others in the company are doing—whether making the ventilator parts or other components.

And, that sense of camaraderie and purpose extends beyond the company itself. Lee Company's employees have joined a local grass-roots initiative, with members of its engineering department using the

company's 3-D printers to make frames for face shields assembled and donated to local hospitals.

In appreciation of its 1,100 employees, Lee Company has given each one of them a $50 gift certificate to local restaurants. The endeavor is a win-win, as it supports restaurants as well as Lee Company employees. More recently, employees received two $50 gift cards to local restaurants paid for by Lee Company family members.

The company had to immediately address requests for rent forgiveness from most of its tenants, except for its national grocery chain tenant.

The Root Company

In 1901, Chapman Jay Root established Root Glass Co., a manufacturer of glass bottles. Fifteen years later, he designed and patented what was to become one of the most iconic items of all times: the ridged, bowed green glass Coca-Cola bottle.

Today, the 120-year-old family business has diversified into commercial real estate and auto racing, operating more than a million square feet of retail and office space in Ormond Beach, Fla. It felt the impact of the pandemic by way of its 50 tenants located throughout the state. The commercial real estate part of the company, with its staff of 13, had leased space to large grocery chains, big box retailers, restaurants, dry cleaners and hair salons, to name a few. "Our tenants employ thousands of people, from grocery baggers to Fortune 500 CEOs. To say that our customers were hit hard by the health crisis is an understatement," shares Preston Root, the family historian.

Tenants in need. The company had to immediately address requests for rent forgiveness from most of its tenants, except for its national grocery chain tenant. Even the big box retail locations closed. The family business, however, assured all of its clients that they were in this together, offering its own staff to assist clients with applying for government relief. It created a rent deferral program for those hit hardest. Working hand in hand with their clients, the Root Company installed "We're Open" signs in front of its tenants' stores, where applicable, to draw in business. "We are proud of our employees for stepping up in the midst of their own hardship to serve our customers and our community," Preston notes.

While the real estate company's revenue projections were down about 20% for fiscal year 2020, it was able to add two employees to help service their clients and add one accountant.

Community outreach. Beyond its real estate activities—the Root Company is known for its charitable endeavors and community outreach. When the shortage of personal protective gear hit Florida, one member of the Root family retooled their production facility to make personal protective devices for the local community health care providers. Over 2,000 plexiglass masks were produced for front line health care workers at community hospitals at no cost.

Pomerleau Real Estate

Ernest (Ernie) A. Pomerleau, president and CEO of Pomerleau Real Estate founded by his father, Antonio, in 1951, is proud of how his company stepped up to support Burlington, Vt. local businesses.

Helping the community. Striving to make a difference, the company donated $1,000 each to 20 small food pantries located in the Vermont towns where Pomerleau has offices. It donated $10,000 to one of the major food pantries and, to date, contributed over $100,000 to the COVID-19 United Way Response Fund. The company also supported Frontline Foods, a program that delivers meals from local restaurants to health care workers and first line responders. Pomerleau covered the cost of the meals, which not only supported local restaurants but also showed appreciation for those working on the front lines.

One of Pomerleau's creative initiatives during the pandemic was to launch an ad campaign to spread awareness of local businesses that were remaining open and needed customer patronage. In addition to its ads designed to show appreciation for those who continued to work during the pandemic, its "We Are One Community" ad highlighted almost 100 local businesses (restaurants, retail establishments, grocers, etc.) and provided their telephone numbers, websites

and ordering information so customers could keep those businesses alive. Placing ads in local newspapers had the added bonus of helping those local publications that were losing revenue from loss of advertising.

The company also used the media to profile nonprofits like the local theater, the Boys & Girls Club, the YMCA—all in an effort to get continued community support of those organizations. And, to recognize other local businesses that have been using their resources to help out during the health crisis, the company shared their stories with the community. One such Burlington, Vt. company, Burton Snowboards, used its supply chain to source and produce KN95 respirator masks, donating 500,000 free masks to healthcare workers across the Northeast. Another Vermont-based business, Concept2, pivoted from designing and selling indoor rowing equipment to helping with the mass manufacturing of plastic face shields.

As for the Pomerleau Real Estate business itself? "We are keeping ALL of our employees employed in our company," Ernie proudly shares.

Lessons Learned

The seven family businesses profiled above share one common denominator: The COVID-19 pandemic forced them to change the way they worked and think about their future in a different light. Below are valuable takeaways from their stories:

1. **Change the way the company works.** For many, remote working will become the way of the future. Evaluate the need for office space. Can outdoor spaces be used for employees to interact more safely? For those who need their employees to work in-person, focus on keeping them safe from infectious diseases. Examine the costs previously spent on in-person events, conferences and gatherings. Are they now worth the risks and costs, or can those meetings be done just as effectively remotely and with the use of technology?
2. **Have a plan in place.** Share that plan with employees and stakeholders. Communication and transparency are key.
3. **Consider new lines of products or services.** These should support the business in an effort to retain your employees.
4. **Involve the business in the community.** Giving back to the community can help boost employee morale.
5. **Stay abreast of state and federal legislative changes that affect the business, its owners and the employees.** Keep current on industry restrictions, loan/assistance eligibility and preventative health and safety measures, among others. To most business owners, it felt like the rules were changing daily and, in some instances, they were.

Endnote

1. "Family Business Owners COVID-19 Survey" (June 2020), Family Enterprise USA.

SPOT LIGHT

A Stone's Throw Away

Cascade Falls, Yosemite by Thomas Moran sold for $946,000 at Jackson Hole Art Auction's 2020 auction in Jackson Hole, Wyo. Moran's and photographer William Henry Jackson's documentation of the geysers, hot springs, canyons and cliffs of the Yellow Stone territory was monumental in persuading Congress to deem the grounds a National Park.