THE SECRETS OF CENTENNIAL FAMILY BUSINESSES

The Fremont Company: Preparing for the Next 100 Years

By Donald Levitt

“Our goal is to perpetuate the business as a family business,” says Richard Smith, president of The Fremont Company – which manufactures, markets and distributes food products to customers worldwide. “As we were approaching our hundredth anniversary, I was wondering what we needed to do differently to succeed for the next hundred years.”

The History of the Family Business
Allen Slessman founded The Fremont Kraut Company in 1905. In 1945, when Slessman was 65 years old, he was succeeded as president by his only child – Don Slessman Sr. Richard Smith, now 60 years old, became president in 1991 and his son Chris Smith – Allen Slessman’s great-grandson – entered the business in 1999. Chris Smith, now 37 years old, serves as vice president of marketing. One of Don Slessman Sr.’s two children – Don Slessman Jr. – is 64 years old and serves as executive vice president and secretary.

Secrets of Success

Secret #1: Have small families The founder of this family business had one child – a son. This son had two children, and of these two children, only one went on to have children. This family tree is very “narrow,” so this family business has not been challenged with issues regarding sibling rivalry or having many family members who are inactive owners.

Secret #2: Control ownership Shareholders in this family business own either voting or non-voting shares. Don Slessman Jr., Richard Smith and Chris Smith are the current controlling stockholders. Buy-sell agreements require that voting shares be sold to the other controlling partners upon retirement from management. “This is real important,” notes Richard Smith. “This gives new people real ownership and they can control their own destiny – and it liquidates stock for those who are leaving.”

Secret #3: Manage growth After 100 years, The Fremont Company has 100 employees split between two locations. There have been a number of acquisitions of related businesses over the years, but most have been sold in order to maintain focus on the core business. “We’re comfortable with modest growth,” says Richard Smith. Chris Smith adds “We don’t have to make rash decisions to meet quarterly forecasts. Being able to take a long-term view is a huge competitive advantage.”
Secret #4: Retire at age 65  The founder retired at age 65. His son retired at 65 and remained as chairman – but did not micromanage. Both members of the third generation intend to retire at age 66 or earlier. “We’re committed to retire when it’s time to retire,” says Richard Smith. “It’s someone else’s turn. We’ll pass the torch and stay on as board members.”

Secret #5: Utilize non-family leaders  “We’ve had very good non-family people employed in the business,” says Richard Smith. When the second generation president retired, a non-family manager was appointed president and served in that capacity for eight years. “I wasn’t disappointed at all,” notes Richard Smith. “I was in charge of sales, and I was not considered ready to be president.”

Secret #6: Don’t pressure the next generation  “I absolutely never thought I would enter the family business,” says Chris Smith. Only after he had worked for several different companies in sales and marketing did he consider entering the family business.

Secret #7: Innovate and change  “We were not the first to have kraut or ketchup in plastic, but we were always ready to invest the capital to stay in-tune with customer demand,” says Richard Smith. The Fremont Company recently introduced the very first single serving package of sauerkraut.

Secret #8: Share information  “It was a major cultural change for us to share profit and loss statements and other data with our management group,” says Richard Smith. “The management group develops the strategy,” says Chris Smith. “We all look at the statements and charts and manage it together.”

Secret 9: Seek outside guidance  An external member was added to the fiduciary board three years ago. Richard Smith also uses an informal advisory board.

Secret #10: Structure the planning process  In addition to strategic planning, The Fremont Company has become much more detailed in capital budgeting and sales forecasting.

Donald Levitt, president of Levitt Consulting, helps family businesses to succeed as both a business and a family. More information about this month’s topic, and other family business issues, can be found at LevittConsulting.com.