

A Trust Betrayed

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ED STOVALL, 62, owner of the Wheatality Baking Co. in St. Cloud, Minnesota, is seething over something he has just noticed in his son Gary's expense report. The bill lists restaurant and motel charges in Chicago, on a weekend when his 33-year-old son was supposed to be in New York City attending a marketing course. Ed suspects that his son visited a married woman he's been seeing in Chicago that weekend instead of going to New York.

"Please tell me that this is a mistake," he asks after bursting into his son's office. When Gary admits that he was in Chicago seeing Cynthia, and that he had put some expenses on the company card because his own had not been accepted in a few places, Ed Stovall can barely contain his anger.

"You lied to me," he says in forcibly hushed tones. "I asked you flat out whether you were going to see that woman, and you said no. Then you have the gall to charge the expenses for your affair to the company. How did you expect to get away with it?"

Obviously uncomfortable, Gary, too, tries to keep his cool. "You don't want to know about Cynthia, Dad, so I don't tell you. What's the big deal? So I charged a few things to the company; I'll pay it back. As for that marketing course, I can take that another weekend."

His father is not mollified. This time, he thinks, Gary has crossed the line. Returning home later in the day, Ed confides to his wife Marian that he is thinking of firing their son. "Once I've lost confidence in a person's integrity," Ed says, "I have no way of working with him—even if he is our son."

Ed's father was a fundamentalist Christian minister, and he learned at an early age to draw lines. He prides himself on running a moral company, which has strict rules for cleanliness and behavior in the plant. At the same time, he is a generous employer who offers his 120 employees exceptional benefits, including on-site day-care and health club memberships. Ed Stovall started out 30 years ago working for a grocery in St. Paul that was later bought by a supermarket chain. He built a career in the supermarket business, rising to vice president in charge of packaged baked goods for the company's stores. At age 40, Ed heard that one of the commercial baking companies that supplied pies, cakes, and rolls to the stores was up for sale. With his savings and a bank loan, he bought Wheatality Baking, which then had annual revenues of almost \$1 million.

Ed had never wanted his children—two daughters and two sons—to go into the business. His experience at the supermarket com-

pany, which had a lot of the owners' relatives working in it, had taught him that family and business were never meant to mix. "A lot of businesses put their kids on the payroll," he once told a friend. "it destroys the morale of the other employees and turns the kids into parasites."

The Stovall children grew up in St. Cloud, a small city about 40 miles northwest of the Twin Cities, in the heart of Garrison Keillor's fictional Lake Wobegon country. It was a town where the churches were filled on Sundays, and children were expected to attend Bible classes as well as services. Like most kids, the Stovall children sometimes balked at their parents' strict rules on things like dating and use of the family car. The oldest, Gary, a good athlete with better-than-average grades in school and lots of girlfriends, occasionally pushed the limits.

After getting a degree in education from the University of Minnesota, Gary became an administrator of a school district in a central Illinois town with a population of 11,000. Townspeople took an immediate liking to this friendly young educator and his attractive blonde wife, Ingrid, whom he had met in college. Gary was soon assistant superintendent, and in 1982 was elected mayor of the town, a part-time job, on the Democratic ticket.

Like Gary, the other Stovall children went their own ways. Nancy, two years younger than Gary, became a teacher. Bill, their younger brother, studied engineering and took a position with a manufacturing company in Chicago. The youngest daughter, Amy, wanted to be a filmmaker but dropped out of college and moved to Chicago.

OVER THE YEARS, Ed stood firm in his belief that it would be a bad idea for any of the kids to come into the company. That article of faith was tested for the first time one day in August, 1986, when Gary appeared at his father's office and asked whether there was an opening for him at Wheatality.

Gary and his wife had split in 1985. The messy divorce hurt him politically in the conservative, Illinois town, and Gary felt it might also set back his career in the school district.

He decided not to run for another term as mayor and, after the school year ended, left the state altogether. When asked to take his son on, Ed, as expected, was hesitant. Ed knew his son was a hard worker and a good organizer, but he had always doubted Gary had enough "financial moxie" to be CEO of the company. "I really want to make a go of this, Dad," Gary assured his father. "Many of my managerial skills are transferable, and I'm sure I can pick up the industry knowledge quickly. I'll do my darndest to make it work."

Though not convinced, Ed sympathized with Gary, who was rebounding from a crisis in his life. How could he deny his own son a place? He hired Gary to direct Wheatality's training program, but made it clear from the start that he was to serve a kind of apprenticeship. Gary would learn the business and, if all went well, after two years or so would move into the position of operations director. According to the father, it was understood that this might be as far as Gary could go at Wheatality.

IN THE FIRST SIX MONTHS, Gary tackled his new responsibilities with a zest and energy that seemed to make him forget the emotional turmoil of the previous year. He took courses in production at the American Baking Institute in Chicago. He wandered around the shop floor closely watching procedures at the mixing bowls, ovens, and packaging machines. He drafted a statement of company values that his father liked and the employees embraced.

Far from resenting the boss's son, the workers seemed to appreciate his easygoing style and interest in their work and their families. Before long, he was making suggestions for improving procedures. He recommended a method of measuring ingredient wastage at the end of the day that enabled Wheatality to streamline its ordering practices and cut costs.

Ed, watching his son's progress warily, seemed encouraged. They clashed only once, over what seemed at the time like a silly detail. For years a Wheatality favorite had been a large coffee ring with nuts and raisins that was sold by the slice in restaurants throughout the area. The recipe had been developed by a head chef who had retired. The new chef felt tastes

were changing and people did not want a cake with such a sweet, buttery taste. He prepared a few samples of a revised, lighter recipe, which Gary tasted while making his rounds on the night shift. He liked it and the next day urged his father to try a piece.

Ed felt there weren't enough raisins and nuts in the new recipe. Gary suggested a market test. Samples were prepared with more raisins, but still Ed felt the new recipe wasn't right. Gary thought a larger issue was involved: Wheatality should test market its recipes continually. Ed agreed in principle, but put his foot down on the coffee cake issue. "We've been making this cake for 20 years, and it's one of our biggest sellers," he said. "We've been using a cup and a half of raisins, and I see no reason to change," Only half joking, Gary suggested that this "let-them-eat-cake" attitude might hamper any effort to develop new and better products. Ed didn't like that comment at all, coming from a son who had been in the business less than a year.

Relations between father and son did not really begin to deteriorate, however, until Gary met Cynthia. Oddly enough, they met at a family gathering. Cynthia, married and the mother of a three-year-old boy, was visiting friends of the Stovalls in Minneapolis, who brought her along to a party thrown by Ed and Marian. She and Gary spent most of the afternoon talking.

Soon the whole family was aware that Gary was traveling to Chicago on weekends to see Cynthia, whose businessman husband took frequent trips. At the office, Gary's work began to pile up, and some Wheatality supervisors confided to Ed that Gary had been sloughing off. He had not yet implemented a training program for supervisors and another for new employees that he had been working on for months.

To Ed, it confirmed once again the risks of having family in the business. He spoke to Gary about the neglect of his work. After church one Sunday, he and Marian questioned him about his affair. They could tolerate some behavior not to their liking, they told Gary, but they could not abide a "home wrecker." The affair would lead to disaster and pain for everyone.

Even some workers at the plant knew about it and disapproved.

Gary resented this interference in his personal life, and denied that his relationship with Cynthia was hurting his work. "Sometimes people's lives are just not as neat and orderly as you and Mom would like," Gary said. "Cynthia and I will figure this out ourselves, but we need time."

REALIZING THAT a family problem had become a business problem, Ed decided that it was time to deal with the long term future of Wheatality Baking. He and Marian own all of the company stock. Ed has always felt that when he retires or passes on, the family can either sell the company or hire a professional to manage it. But the situation with Gary has persuaded him that family members should learn something about the business so that, when the time comes, they'll make informed decisions on selling or hiring a manager. At the suggestion of a friend, he sets up an advisory board that includes Marian, their lawyer and their accountant, and two of their children—Nancy and Bill. Gary and his sister Amy are not invited to participate.

Before taking up the problem of Gary's trip to Chicago with the whole board, Ed and Marian ask Nancy and Bill to come to the Stovall home for a family discussion

As soon as they are seated, it becomes plain that there is some disagreement over how to deal with the problem:

ED: I've got to fire Gary. He hasn't been doing his job, and it's only going to get worse. He wants power without knowing what the hell he's doing. It's better to make the break now. I'd rather have a son than a disgruntled employee.

NANCY: Dad, you're letting your feelings hang out in this. He's having emotional problems right now, but he'll straighten out. Gary really likes the business and wants to help you. You yourself said he was doing a good job when he started. Why don't you give him some time off to think about what he really wants and to work things out with Cynthia?

ED: He lives too much in his emotions. He's always been that way. To run a business, you have to give 100 percent. Your life can't be in a constant uproar. Anyway, this is an integrity issue. In business, values are important and lying can't be tolerated.

NANCY: You and Mom approve of Bill and me because we share your strong views on right and wrong, and because we've always been pretty middle-of-the-road, stable people. You don't like Gary's lifestyle, so you're going to punish him!

MARIAN: Nancy, I'm shocked. I've never heard you talk this way. Dad felt sorry for Gary and gave him a chance to prove himself. This is strictly a business decision. He feels he and Gary just can't work together after this. What do you think, Bill?

BILL: I feel a little uncomfortable telling Dad what to do in this. It's his business, after all. [To Ed] I know how much it means to you and how depressed you've been about Gary. But maybe he'll settle down.

ED: He didn't ask me for a job until he was 33 and in trouble. If he was really committed to the company—and me—he wouldn't have blown it. He wouldn't have lied.

NANCY: We always looked up to you, Dad, but we also knew that you had strict standards. There were lots of things we wouldn't tell you because we knew you'd disapprove. Also, you made it pretty clear when we were young that you weren't keen on having any of us in the business.

ED: If all of this proves anything, it's that I was right all along. I am afraid that Gary has to go, and better now than later.

THE STOVALLS' DILEMMA raises questions about the terms under which a new generation enters the family firm. What standards of conduct, both in the business and outside of it, can and should be required of them? How im-

portant is agreement on values to the smooth functioning of the company?

On the next page, four family business authorities advise Ed Stovall on whether he should fire his son. They also offer opinions on what father and son could do to make their business relationship work if Ed doesn't fire Gary, and how other family members and the Wheatality board might support them.

HOW THE EXPERTS SEE IT

FATHER

DAVID MARSON

President, The Newcan Co., a fourth generation metal stamping company in Holbrook, Massachusetts.

Ed should move quickly to establish a board of directors that includes people experienced in strategic planning in closely held businesses. Only a dispassionate board can help him deal with Gary and the future of the business.

Ed's antipathy to hiring family members has become a self-fulfilling prophecy. He hired his son for the wrong reason — not because he wanted Gary but because the son was rebounding from an emotional crisis. Then, to make matters worse, Ed turned to totally unqualified children (plus his lawyer and accountant) to solve the problem with Gary and deal with the long-term future of the company.

Preparing family members to participate in a business can't be done overnight. Ed never tried to pass on his knowledge to family members and his children were not motivated to seek suitable training to work in the company.

Ed's rigid morality may have forced Gary into lying. It made forgiveness between father and son difficult, if not impossible. As for Gary, his enthusiasm when he first started at Wheatality faded when he became involved with Cynthia. That may say something about his resolve to meet the daily demands of running a business. His background in politics also suggests that his career interests may lie elsewhere.

Because he hasn't been properly prepared to run the business, some of Gary's actions at Wheatality seem arrogant. His expectation that his failure to attend the marketing course and his personal charges on the company credit card would go undetected were, to say the least, naive.

PSYCHOLOGIST

JOHN A. DAVIS

Executive Director, Owner Managed Business Institute, Santa Barbara, California.

The conflict in the Stovall family has little to do with Gary's affair and much to do with the natural, even predictable, differences between father and son, and with Ed's exaggerated fear of having family in the company.

Don't misinterpret my use of the word "exaggerated." I believe that a business ought to be run like a business and a family ought to be run like a family. I applaud Ed Stovall for having strict, clear rules in the company defining right and wrong. These build a strong organizational culture of fairness, which motivates employees to do their best.

But his belief that rewarding his son Gary will destroy morale is distorted. People who work in a family business understand that family members will enjoy certain advantages. If a family member performs as well as a nonfamily employee, he should get the job he needs to advance in the business. Ed's fear of family participation is hurting his relationship with Gary and driving away a potential leader. The evidence indicates that Gary is performing reasonably well and has leadership potential. He is innovative, comfortable with people, and respectful of the company culture - even though he doesn't fully agree with his father's moral code. Ed's daughter Nancy is right when she says that he is punishing Gary because he disapproves of his son's affair. Ed is using Gary's affair as an excuse to fire him and eliminate his own anxiety about bringing a family member into management.

As for the moral question of Gary's affair, that has to be isolated from the business and dealt with by the family.

I hope Nancy, who is clearly the mediator in the Stovall family, brings dad around to giving Gary another chance.

SON

GREGORY POOLE III

Board member, Gregory Poole Equipment Co., a Caterpillar dealer in Raleigh, North Carolina.

Don't fire Gary! To fire Gary is to avoid the underlying problem, which is a lack of communication in the family. The giveaway is where Gary says to his father: "You don't want to know about Cynthia, so I don't tell you."

Ed doesn't listen to Gary and, in my opinion, he isn't going to listen unless the family brings in a facilitator or mediator to lead discussions between family members.

Only a mediator can help level the playing field, providing the sense of equality that Gary and Amy need.

The so-called advisory board should be dismantled. At least in its present form, it cannot work. By ostracizing Gary and Amy from the board, Ed has set up yet another obstacle to improved family relations.

The board can do much to eliminate strife within the family. Perhaps the siblings would be allowed to elect one from their generation to sit on it. That would reinforce sibling ties and enhance the credibility of the group as a whole.

BUSINESS ADVISOR

W. GIBB DYER JR.

Associate Professor of Organizational Behavior, Marriott School of Management, Brigham Young University, Provo, Utah.

Charging personal expenses to the company credit card and lying to one's employer are clear violations of company rules and ethics. Instead of firing Gary, however, Ed should give him a formal reprimand, as he would any other employee, and warn him of the consequences of further violations, which might include termination. A reprimand is particularly important. It will set a bad precedent if a family

member is allowed to get away with such actions.

Gary's behavior is erratic; he would benefit from counseling. He has difficulty talking honestly with his father. The Stovalls should seek an impartial third party to serve as a mediator and to help them negotiate a set of expectations and standards for behavior.

Gary does appear to have ability. Employees respond well to him, and he's had a positive impact. Ed, however, does not seem to welcome input from Gary. Even if the son grows in competence, Ed may not be willing to share decision making power with him.

Ed's judgment of Gary is influenced by his feelings about his son's personal life. The father has certain biases; he has excluded not only Gary but Amy from the advisory board.

Managers should focus on performance when evaluating employees. It's unrealistic to believe that employers' feelings about an employee's personal life—especially when that employee is one's child—can be cleanly separated out from such judgments. ■

Howard Muson is a writer, editor and consultant, and former editor and co-publisher of Family Business Magazine.

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