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BY DEANNE STONE

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GROWING up, Myiti Sengstacke took for granted that The Chicago Defender, the newspaper that had been in her family for 93 years, would always be there. Myiti was the eldest of six grandchildren of John Sengstacke, the powerful publisher and second-generation leader of The Defender. From the time she was a girl, she had assumed she would one day succeed her grandfather as publisher of the paper that was a shining beacon in the civil rights movement for generations of African-Americans.

When her grandfather died last year at age 84, Myiti was in for a shock. John had put all the stock of Sengstacke Enterprises in trusts for the family. Some 70 percent of it was held in trust for the six grandchildren and the remaining 30 percent for nine other family members. John had left no other assets with which to pay generation-skipping and estate taxes, however. Because the estate owed \$4 million in taxes on the stock, his appointed trustee, Northern Trust Bank of Chicago, announced that it would have to sell The Defender and the three other papers published by Sengstacke Enterprises.

Nine family stockholders, including Robert Sengstacke, John's only surviving son and Myiti's father, voted in favor of the sale. Myiti alone resisted. Combing through the trust document with her grandfather's lawyers, she discovered a clause that allowed any two dissatisfied adult stockholders to seek a successor trustee. She

rallied to her side her two oldest brothers, Saief, 24, and Omhari, 20. Together, the three grandchildren notified Northern Trust of their intention to find a new trustee and, in effect, block the sale of the papers.

Just 26 years old, Myiti (my-E-tee) is determined to preserve the family legacy. It is an awesome challenge for someone of her years and business experience. Short-term, Myiti has to locate a new trustee or investor willing to put up the money to pay off the tax bill and leave the family in control of the company. Long-term, she has to put together a management team that can rebuild The Defender, which has suffered sharply declining circulation and influence in recent years, in part because of demographic trends.

One big question is the role to be played by Myiti's father, Robert. Like the sons of many famous men, Robert had a problematic relationship with his father over the years. He worked in various capacities for The Defender, and for a time was editor-in-chief of one of the company's other papers, The Tri-State Defender in Memphis. John Sengstacke was by all accounts a difficult man to work for, stubborn and overbearing. City editors came and went at The Defender. He repeatedly rebuffed his son's efforts to carve out a position of authority in the business. Robert became a photojournalist

and eventually went off to start his own business.

Robert has changed his mind about selling the paper and now supports his daughter's effort to keep Sengstacke Enterprises in family hands. Although he has his own career, his heart has always been with The Defender. "I see my role as preparing my daughter to be the paper's publisher as soon as possible," says Robert. "Myiti recognizes that she has a lot to learn, and no one knows as much about the business as I do."

Myiti, however, has already demonstrated exceptional leadership qualities. It has been her assertiveness and determination in the face of formidable odds that has given the family a chance to save the newspapers. Her position is strengthened by the fact she and her siblings own a majority of the stock in the business.

She is keenly aware of the delicacy of her situation, and maintaining a harmonious relationship with her father is important to her. She says she appreciates his support and regards his knowledge of The Defender's history and his contacts in the publishing world as potentially invaluable. At the same time, she has her own ideas about how the business should be run. This 26-year-old is in a difficult spot. Resolving the tax dilemma will be hard enough. Organizing the family to work together and get The Defender back on track looms as an even more formidable challenge.

PROUD HERITAGE

Founded in 1905 by Myiti's great-uncle, Robert Abbott, The Chicago Defender was the most influential black newspaper in the country in the '20s and '30s. Secretly distributed by Pullman car porters at stops along their Southern runs, the weekly paper was frequently read aloud in black churches and barber shops. It had much to do with stimulating the great migration of blacks to the North that helped end the South's sharecropping system and changed the face of Northern cities.

John Sengstacke (SEN-stack) joined The Defender staff in 1939. Three years later, he took over as owner and publisher, continuing his

uncle's advocacy of full civil rights for blacks. In the 1940s, Sengstacke started two more weekly papers circulated to African-Americans: The Tri-State Defender in Memphis and The Michigan Chronicle in Detroit. In 1956, he bought a third weekly, The New Pittsburgh Courier, and in the same year, turned The Defender into a daily.

The three other papers are financially stable, but the flagship Defender is a shadow of its former self. Until the mid-1960s, Chicago's black population was largely confined to the south and west sides, providing the paper with a secure market niche and easy access to its readers. But the paper's circulation gradually dwindled as doors opened for blacks, and the middle-class left their old neighborhoods behind. Eager to attract prosperous black readers, the city's two major dailies, The Chicago Tribune and The Sun-Times, increase coverage of African-American affairs and hired away talented reporters from The Defender.

From a peak of 250,000 subscribers during World War II, The Defender's circulation has fallen away to 20,000, most of whom are age 55 or older. Black newspapers across the country have suffered similar losses, but many observers believe John Sengstacke made matters worse by refusing to change with the times. A favorite motto of both John and founder Robert Abbott was, "Look out for the community and it will look out for you." Toward the end of John's long reign, however, the paper lost its crusading zeal on behalf of the community; it consistently backed the city's powerful Democratic political machine at the expense of progressive black leaders. Nonetheless, when word got out that Northern Trust intended to sell the paper, many in Chicago's black community expressed outrage, fearing this "sacred institution" might fall into white hands.

Not surprisingly, John, the undisputed leader of his newspaper company for 55 years, did not groom a successor. Often asked about his plans, he typically responded that he would deal with the issue when it was necessary. During his tenure, the patriarch employed several generations of family members. The current acting publisher is his brother, Frederick, age 79, who has also worked at The Defender for 55 years.

John's sisters, Ethel and Laurence, worked for the paper, as did his nieces and nephews. Currently, several great-nieces and nephews are employed at the four newspapers.

While John placed relatives in high positions, he never gave them much authority to make decisions and retained final say about how the business was run. Robert Sengstacke attributes much of the decline in The Defender's fortunes in recent years to his father's unwillingness to change his ways. "My father was once a brilliant businessman," he says, "but as he got older he resisted new ideas and dragged his feet in making crucial decisions. I used to plead with him to delegate some authority. I'd say, 'Look, Dad, no one's asking to sign checks. Just let us handle some of these things for you.' I'd put in writing what needed to be done so that later he wouldn't say that no one had told him. But he was locked in his own world."

Now 55, Robert was probably the individual most frustrated by the powerful publisher's management style. He tried several times to make a career in the business. "Whenever I left the paper," Robert says, "my father would ask me to come back. I'd tell him, 'Dad, if you're serious about giving me a role in the growth of this organization I'd love nothing better than to work there.' But it always turned out the same: I'd just sit there doing nothing."

John Sengstacke had three sons. In 1975, he had put Sengstacke Enterprises in trust for them. His eldest son, John Jr., died a year later, and in 1983, the youngest son, Lewis, also passed away. The trust was then amended to transfer most of the stock directly to the grandchildren. Robert agreed to the arrangement because the lawyers said it was a way to head off heavy estate taxes that would be due after John's death, which could force a sale of the business.

In 1986, however, the generation-skipping transfer tax was passed, which retroactively affected gifts such as John Sengstacke's that "skipped over" one or more generations. Under the new law, each donor could put a maximum of \$1 million tax-free in a trust for grandchildren; everything above the \$1 million exemption would be taxed at a rate of 55 percent. Robert says he and the company lawyer re-

peatedly urged John to amend the trust in order to avoid the tax, but he ignored their pleas. Robert says that leaders with personalities like his fathers can't relinquish control. They rationalize their behavior by convincing themselves that their children don't have what it takes to run the business. Six months before his father died, the two discussed Robert's returning to work at The Defender. "I thought I finally had found a way to be involved in the company without stepping on his toes," Robert says, "but his health failed before we could work out the details."

FULFILLING A DESTINY

John Sengstacke seems to have had a special bond with his oldest granddaughter. The two had an affectionate and playful relationship. From the time she was three, Myiti recalls, he called her "Boss" and she called him "Boss-Boss." Her grandfather often talked with her about the newspapers and, on occasion, even asked her opinion about what stories to put on the front pages. "The papers were his babies," she says, "and I know he would never have agreed to sell them." In fact, she gave him her word on his deathbed that they would remain in family hands.

Until her grandfather's death, she had followed the path her family laid out for her. Like her great-uncle and her grandfather, she attended Hampton University in Virginia, where she majored in marketing and entrepreneurship. She worked in the family business during summer vacations, and her formal apprenticeship began after graduation when she entered a management training program her grandfather set up at The Michigan Chronicle.

The plan, she says, was for her to spend several years working under the direction of The Chronicle's publisher and then take what she learned about running a newspaper to The Defender. After working there just one year, her grandfather died. Recognizing that it was senseless to stay at The Chronicle if the papers were going to be sold, she returned to Chicago "to save the entire institution of Sengstacke Enterprises."

Although Myiti had always been proud of her family, she hadn't fully grasped what the newspapers meant to her until she was threatened with losing them. Her grandfather's funeral brought home the importance of her family's contributions and the indelible mark they had left on black communities and the nation. President Clinton sent his condolences, and Jesse Jackson and U.S. Senator Carol Moseley-Braun were among more than 100 speakers who asked to pay tribute to him.

John did not formally name Myiti as his successor, but she says he intended for her to take over. Unlike her two oldest brothers who have not shown interest in working in the business, Myiti says she was born with the love of publishing in her blood. "From the time I was a little girl I talked about being the publisher of *The Defender*," she says. "My grandfather was preparing me to succeed him. He talked as if he'd be around forever to help me, and I believed him. Then I was presented with this situation, and I knew I had to sink or swim."

For the past year, Myiti has put her private life on hold while she works full-time to rescue the family business. She describes her crusade as her first marriage, and she is committed to doing whatever it takes to make sure it succeeds. Scrambling to educate herself, she has tapped her family's wide network for referrals to legal and financial advisers, leaders of the black community, and people in the publishing world.

Poised and articulate, Myiti has adapted easily to her role as family spokesperson. "I believe that taking on this role was my destiny," she says. "My grandfather started working at *The Chicago Defender* when he was my present age, and he had to go through a similar struggle with his uncle's widow to gain control of the paper. So, in a way, I'm repeating history."

Locating a successor trustee is only one hurdle Myiti has to overcome. Simultaneously, she must raise funds to pay off the trust's debts and recapitalize the business. Reviving *The Defender's* dwindling circulation will require an infusion of capital and considerable marketing ingenuity.

Following the patriarch's death, Northern Trust formed a new board of Sengstacke En-

terprises. Gearing up for a sale, the bank trustee installed three bank officers as directors, removed Robert from the board, and appointed Myiti and her grandfather's brother, Frederick, to represent stockholders. Frederick was kept on as acting publisher as a symbol of continuity for prospective buyers.

Robert says he was removed because he had initially opposed a sale. "They didn't want anyone involved who was adamant about keeping it in the family." He says now that he voted for the sale because the bank convinced him *The Defender* faced bleak prospects. "I didn't want to sell, but I didn't think the family was united enough to carry the struggle forward." He joined the effort to keep the company in the family only after Myiti took up the cause.

Myiti kept telling the family that they had to get a good law firm to represent them, but, she recalls, "Everyone said we couldn't afford one." She decided to fire her grandfather's lawyer, who she felt was working for the estate, and instead hired the Chicago law firm of McBride, Baker & Cole to represent the family's interest.

Unlike her grandfather, who ignored the advice of experts, Myiti seeks the views of people she considers the smartest in the publishing field. Her goal is to hire the best people in the country and to form a management team that will carry Sengstacke Enterprises into the 21st century. To date, her team includes a manager who has operated three of the Sengstacke papers, an editor, a business manager, an outside management consultant, and a family member she declined to name.

Robert sees himself as Myiti's mentor. "If we're to be successful, I have to work full time at the paper," he says. "No one knows the paper as well as I do." As for Myiti's desire to be publisher, her father says, "She's not ready. I know that's what she wants to be, but if she gets herself out in public, she'll recognize she has a lot to learn and that she has to work with me."

Robert expects to work closely at *The Defender* with a cousin named Tom Picou, who he says is "like a brother." Tom came to live with the Sengstacke family after his mother died and, says Robert, also learned from John Sengstacke "at the breakfast and dinner table." He has served the three other Sengstacke pa-

pers as a consultant, having computerized their operations and redesigned all three. Currently, he is involved with training staff and preparing the family's business plan.

"I know what Tom can do, and he knows what I can do," Robert says. "We complement each other and together we can take this paper and put it where it should be."

UNANSWERED QUESTIONS

As of this writing, Myiti and her lawyers have identified three banks as potential successor trustees and submitted to them a business plan for increasing income and generating profits. To avoid the problems the family encountered with Northern Trust, Myiti wants to negotiate an agreement with the successor trustee that puts the family in charge of the business. That arrangement is contingent upon the family's ability to buy Sengstacke Enterprises from the trust and work out an equitable plan for redistributing stock to family members. In June, the stockholders held their first meeting to discuss options regarding retaining or selling company stock.

At the same time, Myiti and her lawyers are meeting with prospective investors and lenders to discuss ways to recapitalize Sengstacke Enterprises. The family has narrowed the offers to several prospects. Their first choice is a lender willing to accept interest payments on a straight loan basis. That way the family can retain control of the business, pay off the tax debt, and recapitalize the business. Another option is to issue nonvoting common or preferred stock to lenders in exchange for paying off the debt.

Myiti declined to talk about the family stockholders who oppose her actions, other than to say that she believes they will change their minds when she presents them with an alternative to selling. In fact, there is not much they can do. Myiti and her brothers are exercising their legal right under the trust agreement.

If Myiti achieves her goals of replacing Northern Trust and recapitalizing the business, the family stockholders will have the opportunity to recreate the business according to a

democratic model. Myiti and Robert will play active roles, but at this date, it is uncertain which other family members will continue to work in the business or in what capacities. Unlike when John was in control, they will have the chance to prove their ability to run the business. But several questions remain unanswered: Can family members unaccustomed to exercising power devise a viable plan for sharing it? And can older family members—all males—accept a young, impassioned woman carrying the flag for grandfather as their leader?

Working out the power arrangements during the transitional phase will be tricky at best. In this case, the traditional generational and gender roles in a family business are reversed: The granddaughter is the acknowledged successor to the position of power usually bestowed on the owner's son. And this situation is likely to exacerbate the classic conflict between the older and younger generation over who knows best.

Myiti admits that she sometimes feels overwhelmed by the task she has taken on. Initially she thought that all she had to do was remove Northern Trust. Instead, she has gotten a crash course in rescuing a business. "I spend my entire day, morning and night, talking to people," she says. "It's a lot to take in, so I have to go with my gut instinct. But I feel my grandfather's spirit guiding me, and sometimes when I'm in meetings I even feel like him and that keeps me going."

Assuming that Myiti can find a successor trustee or investor and the family retains control of Sengstacke Enterprises, how can they restructure the management and ownership to increase the odds of a successful turnaround at The Defender? What should Myiti's role be? Can an inexperienced young woman—even one who is smart, bold, and willing to listen to outside experts—really hope to lead the way in rebuilding the company? And what role should her father play? ■

Deanne Stone is a business writer and freelance contributor to Family Business Magazine, who specializes in writing about family foundations and family businesses.

WHAT THE EXPERTS SAY**John W. Ward**

Ralph Marotta Professor of Private Enterprise, Loyola University Chicago, and author of "Keeping the Family Business Healthy" (Business Owner Resources, Marietta, GA).

As a nearly lifelong resident of the Chicago area and a family business enthusiast, I have had pangs of sadness about the plight of The Defender and Sengstacke Enterprises. I don't know any of the folks involved, and I certainly don't know the financial statements. But my heart goes out to those who are genuinely trying to preserve such an important institution and legacy.

The focus of the family's effort, however, should be long-term. After all, saving the business and continuing family ownership for a few more years doesn't really serve the public's interest –especially if the family has to make economic sacrifices to do so. The short-term marketplace will find its own justice. I can relate more closely to the goals of preserving the best values infused by three generations of family, and of serving the business mission with the special devotion of family ownership.

Myiti follows an imperfect example. Her grandfather, John, was a committed entrepreneur who believed in his vision. Those qualities probably sustained an enterprise otherwise destined for a change in ownership. If he hadn't kept a steel grip on the business, who knows what would have happened? Maybe a new owner would have destroyed its mission. Or maybe a new owner would have revitalized and extended the mission. What does seem quite apparent is that this was a very personal enterprise for him. It was so personal that he wasn't able to care enough about the future to do proper estate planning and leadership-succession planning.

Herein lies the lesson for Myiti. Is her motivation mostly to fulfill a lifelong personal dream of succeeding her grandfather as publisher? If her purpose and vision are as personal as her grandfather's, the business won't last another generation. All the current struggles

will only deplete shareholder value, now divided among many family members. Much of the case emphasizes the depth and strength of her personal dream. While that is relevant, the future will be determined more by her vision for the family and her mission for the business.

First, Myiti needs to sharpen and promote a compelling mission for the business that will win the commitment of the community and other family shareholders to saving the company. If the community is inspired by the mission, she can turn around The Defender and legitimize its continued existence. By the same token, if the business mission embraces a social purpose that is reinforced by the community, the family shareholders will then make the personal sacrifices necessary to retain their shares, including supporting the very best management and expecting slight or few dividends.

Second, Myiti needs to be mindful that her role in the family is not the same as her grandfather's and requires a different leadership style. His style worked for a while when he was the controlling owner –doing things as he wanted to and being accountable to no one. But Myiti will have several family shareholders, particularly her two oldest brothers. Her best posture is to be the "servant leader" of her generation. She must sincerely champion and serve the best interests of her partners at the same time as she forcefully leads a troubled business. That's a rare –but essential– combination of qualities for a leader in Myiti's situation.

Third, the long-term continuity of this business will depend on what kind of financing Myiti can obtain to pay the tax bill and rebuild the company. If the family brings in an equity partner who expects a fair market return for the risk taken, that may eventually force the company to go public or to sell. Either alternative will compromise the family's vision and the newspaper's social purpose.

Perhaps a community group would invest in the business for social purposes and accept very modest returns. Or perhaps Sengstacke Enterprises can sell one or two of its other properties in order to save its heart –The Defender. Often I find that family firms need to

contract for a while in order to satisfy the inevitable claims of the IRS and the liquidity of departing shareholders.

To remain in family hands and be influenced by the family's values for years to come, this business must have a social purpose, Myiti must be perceived as a servant leader, and the family must hold all the equity. If these conditions are met, management and the community will be energized to preserve the very best elements of this special institution and its three-generation legacy.

James I. Herbert

Associate professor of management at Kennebec State University; director of the Urban Enterprise Initiative, a program that stimulates the creation and growth of urban family enterprises; and author of "Black Male Entrepreneurs and Adult Development" (Praeger, 1989).

I will assume Myiti can find a successor trustee or investor to resolve the tax situation. As for the viability of the company and its future prospects, some financial analysis and feasibility research needs to be done. Major consideration should be given to restructuring the organization to operate in the 21st century, including substantial capital investment. One alternative that should be considered is changing The Defender from a daily back to a weekly; currently it is not competitive with major dailies such as The Chicago Tribune.

Myiti should become visionary, chairperson, CEO, and spokesperson for the majority owners. Robert should be a Special Adviser to Myiti, assuming primary responsibility for mentoring her during the immediate transition. A family business consultant should be hired to facilitate this unique and special agreement and to help negotiate a timeline for Myiti's development and taking charge of the company.

Myiti and her father have to develop a mentoring relationship that is different from the father-daughter dynamic and will allow her to mature in key positions in a timely manner. Hopefully, Robert learned some important les-

sons from the relationship with his dad and will not repeat this dynamic in the mentoring of his daughter. If so, the possibility of this relationship evolving successfully is tremendous.

The need for a consultant to work with Myiti and Robert is apparent. On the one hand, it seems Robert's primary motivation is to help Myiti achieve her goals as her mentor. He states, "I see my role as preparing my daughter to be the paper's publisher as soon as possible..." However, we must question Robert's motives when we hear statements from him such as, "If we're to be successful, I have to work full time at the paper. No one knows the paper as well as I do.... She's not ready. I know that's what she wants to be [publisher], but if she gets herself out in public, she'll recognize she has a lot to learn and that she has to work with me."

Does Robert see this as an opportunity to re-enter the business and pursue his own dream? Or is he really interested in facilitating Myiti's growth as the successor?

In addition, Robert expects to work closely with cousin Tom: "I know what Tom can do, and he knows what I can do. We complement each other and together we can take this paper and put it where it should be." Again, what is Robert's real motivation? If his dream is still alive, he may use this opportunity for his own personal gain. His public agenda would be mentoring his daughter; his private agenda, even in the short run, would be to become publisher.

Robert has a tremendous opportunity to step up and, in the role of mentor, prevent Myiti from having similar experiences to those he had with his father. The real concern here is whether or not he is capable of playing this special role, in which he must sacrifice his own desires and interests in order to facilitate Myiti's growth as a leader and her efforts to save the family enterprise.

Katherine Grady

Family business consultant with Lansberg Gersick & Associates, New Haven, CT, and associ-

ate professor of clinical psychology at Yale University.

Myiti has managed to postpone the sale of Sengstacke Enterprises long enough to see if the family can maintain control and run the business successfully. She has shown remarkable initiative in marshalling the legal, family, and business support for her vision, demonstrating strong leadership in a crisis. While applauding her success, everyone involved knows this is just the beginning of a tough fight.

A critical question facing Myiti concerns her relationship with her father. Robert Sengstacke obviously has nurtured a lifelong interest in managing the enterprise. Myiti, having boldly tackled the first set of issues regarding the transfer of the business, now must address the issues regarding her father with the same boldness. What are her options?

One option is for Myiti and the other shareholders to promote Robert's leadership. John Sengstacke, however, did not appear to support Robert's ambitions and, instead, left effective control of the business in his grandchildren's hands. Myiti has emerged as the natural leader of her generation, who control a majority of shares. To accept a subordinate role to her father, she would have to abdicate her own emerging leadership.

Robert doesn't appear to have enough support at this time to assert his leadership of the shareholder group. Nor can he assume leadership of the board as currently constituted (since he was removed), or the business (since he is not in management).

The second option is for Myiti to consolidate her role as head of the shareholders' group, assert a more active position on the board, and possibly move into top management as well. She lacks management and publishing experience, however. Nor does she appear to have full family and business support. If her father becomes resentful about his exclusion from the business, he could undermine her behind the scenes with the other shareholders (who include several of his children). A strained relationship could create difficulties with the business community, perhaps driving away much needed financial support.

The third option would be for Myiti to promote a father-daughter alliance. In this alliance, Robert would recognize her emerging leadership and support her continued development. He would accept with grace his role as consulting partner rather than leader. She would acknowledge and seek to benefit from Robert's knowledge and experience, without relinquishing any authority to him.

To succeed in this option, Myiti and Robert would have to be able to tolerate, and even embrace, an unusual configuration of power between parent and child. In effect, they would have to mimic some of the characteristics of successful sibling partnerships: commitment to a shared dream, the ability to appreciate and use each person's unique talents, constructive management of rivalries, supportive family members, and a sense of humor to lighten the inevitable.

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