

How to Keep The Campbell Kids Happy

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IF Bennett Dorrance was looking for advice, he had come to the right place. Dorrance is a real estate developer in Phoenix, but he was speaking to an audience at the Wyndham Paradise Valley Resort in October in his other role, as vice-chairman of the Campbell Soup Company. Campbell's is one of the biggest public companies still controlled by a family. But family shareholders of the \$6.6 billion, diversified food giant were feuding in the late 1980s, and a few dissident cousins favored its sale. Bennett Dorrance told his audience that stronger earnings in the '90s have had the effect of “calming us down.” But the grandson of John T. Dorrance, the inventor of condensed soups, was clearly worried about the future.

Bennett, 48, who described himself as the “default leader” of the family—“no one else can do it or is interested”—left his audience with some questions on his mind: What will happen if the company's economic performance falls off? Will the family's shaky unity be threatened? Is another battle inevitable? What can he do to draw family members closer together to maintain the company's independence and family control?

The questions are not uncommon in third- and fourth-generation companies controlled by several family branches with diverse interests and personalities. What was unusual was that a Dorrance was raising them, at the annual conference of the Family Firm Institute (FFI). Most of the 300 to 400 people in attendance were consultants or advisors to family businesses. They were only too eager to help.

Before hearing the advice they offered, it will be helpful to briefly review the history of the 125-year-old company, and update recent developments in the family as related by Bennett Dorrance.

Born as a canning and preserving business in Camden, New Jersey, after the Civil War, the company was run in its early years by founder Joseph Campbell and a partner, Arthur Dorrance. After Campbell's retirement, Arthur hired his nephew, Dr. John T. Dorrance, a young chemist. Bennett's grandfather was the real genius who built Campbell Soup. He not only developed the method of condensing soups that made low-cost distribution in cans possible, he created recipes for many of the famous soups and used modern advertising techniques to educate the consumer's taste for them.

John Dorrance rose to president of the company. After his retirement, the company was led by his younger brother, Arthur, and then by a series of non-family CEOs. But in the modern era, both the company and the family was dominated by Bennett's father, John T. “Jack” Dorrance, who became chairman in 1962.

Jack Dorrance served a 14-year apprenticeship with the company in executive positions but never ran Campbell. His father, John T. Sr., wanted it that way; he had seen too many sons fail in the role. Instead, Jack Dorrance devoted a lifetime to protecting the family fortune and legacy. He reigned at Campbell's for many years and was respected and feared by the family, according to Bennett.

He was determined to preserve the independence of the company, which first sold stock to the public in 1954. But the patriarch never wanted his three children, Bennett, John T. III, and Mary Alice, to be involved in the business. It is said that the oldest son, John "Ippy" Dorrance, aspired to a leadership role at one time, but according to a 1992 series in *The Philadelphia Inquirer*, was unacceptable to other branches of the family.

Bennett told the FFI conference that the three Dorrance siblings gravitated to the West, away from the Main Line Philadelphia family. All three attended the University of Arizona. Ippy Dorrance became a rancher in Wyoming, and Mary Alice Malone, an expert horsewoman in Pennsylvania. "We had very little contact with our East Coast cousins," Bennett recalled. "The company was being managed by professionals, with my father as chairman."

The *Philadelphia Inquirer* summed up just how far the cousins had drifted away from the company's affairs, and from one another:

"The members of the third generation are more distant owners than Jack Dorrance. They speak of Campbell pride and use the company's red-and-white colors for their jockey silks. But none has worked for the company, other than as a board member....They have scattered. Over the years, they have kept in touch through weddings and funerals. They have jotted notes to each other in Christmas cards, but some have never met each other's children."

During the mid-1980s, earnings were lackluster and family stockholders began to raise questions about Jack Dorrance's leadership. Bennett and his brother and sister hired an attorney to try to influence the company's leaders, their father, and a few cousin shareholders who were becoming increasingly restive. Jack Dorrance retired in 1984. With his support, family shareholders attempted to protect family control by forming a voting trust that gave them preferred voting stock.

After the patriarch died in 1989, however, the pot really began to boil. CEO R. Gordon McGovern had attempted to improve Campbell's earnings through an aggressive program of expansion in the 1980s. The campaign was not a notable success and McGovern resigned

when it became clear the family wanted him out. The family also scuttled a secret plan for a merger with Quaker Oats which would have diluted family ownership.

The voting trust agreement crumbled. Three dissident cousins, nieces of Jack Dorrance, filed papers with the SEC signaling they favored sale of the company and were ready to sell their stock. Two others took a neutral stance, indicating they would not oppose a sale. No strong inside leader was in sight, and investment bankers were circling in anticipation of a sale or takeover. There was a real question of whether Campbell's could survive as a family company.

Looking back on this period, Bennett recalled: "It was amazing to me. Here we were, a family that owned 60 percent, and we did not know one another or what was going on in the company. Family members were often frustrated by the compromises that were needed." (There were "a lot of emotional feelings" in the family from 1986 to 1990, added Dorrance in a bit of diplomatic understatement, adding—as an aside—"I can't talk about those, but they're fun.")

Nevertheless, the center of the family coalition held. The Dorrances persuaded the two neutral cousins not to sell. One of them was put on Campbell's board, along with Mary Alice Malone, Bennett's sister, and a representative of the two dissidents. (Ippy, Bennett, and another cousin are also board members.)

The crucial development that cleared the air and led to a family truce, however, was the hiring of David W. Johnson as chief executive. The Australian-born Johnson, who had previously engineered a turnaround at Gerber Products, inspired confidence, that he could do the same at Campbell Soup. The family was willing to give the new CEO time to show his stuff, and, by January 1990, the immediate crisis was over.

Johnson, now both chairman and president, has more than justified everyone's expectations. He has restructured the company, closing some non-strategic businesses, consolidating plants, and making acquisitions abroad. Since he arrived in Camden in 1990, according to Bennett, earnings have doubled and dividends have increased from 35 to 43 percent of earnings.

If the company's strong performance has "calmed the family down" for the moment,

however, it's unlikely that past rivalries and bitterness have been entirely forgotten. What concerns Bennett Dorrance most is the expected retirement of Johnson, now 62, in three years. Bennett, named to the newly created position of vice-chairman in 1993, says that when this happens, he may be asked to assume the role of chairman. "I have to make a lot of progress in uniting the family before I can think of that," he told the FFI audience.

The board now consists of four family and 10 non-family directors, several of them CEOs of other companies. The three Dorrances continue to hold 31 percent of the stock and the cousins a total of 25-26 percent. With a fourth generation of his grandfather's line coming of age, all potential inheritors, family unity will become even more difficult to achieve.

The only fourth-generation member working at Campbell's is the son of one of the dissident cousins, a young man whom Bennett described as "very talented and working his way up in the company." Does the family want more members of the new generation involved in the business? "We're not discouraging it and we're not encouraging it," Dorrance said. "It is difficult to push family members into a public company. If they can make it on their own, fine."

Is another family battle inevitable? A little sheepishly, as if asking for suggestions on controlling a prodigal child, Bennett Dorrance indicated any ideas would he'd welcome on how he could keep the various family factions together.

One person in the audience suggested that the family start by making a list of values that they share and could unite around. Another suggested that as a first step in learning to work together family members might set up a family foundation. A third proposed that family bonds might be strengthened by a seven-day raft trip down the Colorado River, a sort of Outward Bound adventure.

Dorrance said that family members, East and West, usually get together only twice a year for company meetings, to hear management's strategic plan and for an annual report on economic results. Social gatherings of family members are rare and not very productive, he said. Asked if there is resistance from family members to such get-togethers, Dorrance admitted:

"We really don't know how to do it. We don't know how to structure it and to make it positive. We don't want another disaster."

One attendee asked Dorrance whether he "sees a role for forgiveness." He indicated that the family consists of "very strong-minded individuals" who find it difficult to forgive. "When you are accustomed to having everything your way because of your family and wealth," he suggested, "you don't forgive easily."

In his low-key and remarkably candid talk, Dorrance came across as a thoughtful, articulate businessman, deeply concerned about the fate of the company built by his forbears—and deeply conflicted about his own role in its future. The most important question about the future may be the one he did not raise: Whether Bennett Dorrance has the fire in the belly needed to unite the family and maintain family control of Campbell.

To one lawyer present, John Hopkins of San Jose, California, Dorrance seemed to lack the passion necessary for the role. Hopkins, whose law firm has a large family business clientele, reflected on the poignant dilemma of heirs such as Dorrance who are caught in the family situation and don't want to be the one who caused the business to be sold.

"Many times," Hopkins observed, "heirs to family businesses feel the burden of maintaining the honor of the family. Like Hamlet, they wish they did not have to deal with the issue. But that is their lot in life."

M'M GOOD...A TUMMY-WARMING HISTORY

Apart from apple pie perhaps, there's nothing as American as Campbell Soup. A new coffee-table book traces the history of the company as well as its place as a cultural icon, with marvelous old photographs and recipes, pictures of the Campbell's kids, soup-can pop art (one eye-catcher: Queen Nefertiti with tomato soup headdress, sculpted in Hollywood).

America's Favorite Food: The Story of the Campbell Soup Company by Douglas Collins (Harry Abrams, New York. \$39.95) tells the story of how chemist John T. Dorrance invented condensed soup, developed the company's first

recipes by working with chefs in Paris and New York, then went out to educate the American public's taste for them through advertising. Also included is some fascinating lore on the history of soups and the tomato itself.

—H.M.

LESSONS FOR LATER GENERATIONS

To maintain family control in later generations—especially of a huge public enterprise such as Campbell—requires developing an environment in which family members want to stay involved. In a 1990 Family Business column (“Stock Wars: What's Behind the Feud at Campbell,” April), Peter Davis of the Wharton School emphasized the importance of finding ways to keep the family spirit and affection for the company alive. The lessons remain pertinent. An excerpt:

“If managers and key family shareholders don't make an effort to insure that all the family members feel a part of things, and are excited by family ownership in a venture they feel affection for, they run the risk of facing a forced sale or hostile takeover down the line.

Eventually, the time will come for the family to sell: Estate taxes alone will insure that outcome. In the interim, however, while the passion to keep a business in a family is still there, how can families like the Dorrances better manage the challenge of diversity? First, they need leaders who can rework and restate the family's commitment to ownership. Second, the family needs to set goals establishing the level of ownership it wants to maintain. Third, the family needs to develop a pool of capital to buy up the stock of those members wishing to sell out. Fourth, the family needs to develop an affirmative action campaign to enhance its involvement so that family ownership once again becomes a matter of pride and excitement.

Maintaining family ownership isn't easy. It takes a lot of work to sustain the consensus that is necessary. Once the consensus disappears and the champions of family involvement are gone, it takes courage to face up to the need to divest and have the family move on.” ■

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