Passing the torch

In family succession sagas, one generation must learn how to take on responsibility, while the other generation must learn how to give it up

BY SHEENA HARRISON
CRAIN'S DETROIT BUSINESS

Although Elaine Fontana enjoyed being CEO of Michigan Box Co. in Detroit since 1994, she says it was time to take on a new role with the company.

Fontana handed the CEO title to her son, Joseph, in August, but she remains chairman. That decision has allowed her to pursue outside interests, such as spending time with her grandchildren and becoming a regional chairman for the Association of Independent Corrugated Converters, a national trade association.

It also has allowed her to remain involved in a business that has been a large part of her life.

“I have taken on some special projects, which are things that I wouldn’t have time to get involved with if I had been doing the day-to-day activities that a CEO has to do,” said Fontana, who is 69.

Michigan Box is an example of how family companies keep senior members involved after younger generations take control.

People are living longer, healthier lives and want to stay active as they age, said Jeff Smith, president of the Exit Management Institute in Grosse Pointe. His firm helps business owners develop exit and succession strategies for their companies.

Smith said the concept of getting “old” is different for each person and family, and more people are choosing to stay in the workforce for years after turning 65.

“I have clients who are 76 years old and are still highly active in their businesses,” Smith said.

That idea can sometimes cause conflict in families where a senior member is expected to hand over complete control of the company, but remains involved after retirement, said Donald Levitt, president of Levitt Consulting Inc. in Ann Arbor.

“For years, we’ve said the senior generation has to set a date for departure, but it never happens,” Levitt said. “What I see increasingly now is that the senior generation wants a continuing role, and the next generation finds a way to let that happen without conflict.”

The key to successfully keeping senior members involved in the company is to place them in a role that plays up a particular strength, Smith said. Since entrepreneurs are typically good at wearing many hats, that usually means having a conversation with them to find out what role they think would best suit them, he said.

“As you take away responsibility, you never want to take away what they’re best at, especially since that’s typically what they really love to do,” Smith said.

That can include helping in the development of new strategies for the company, or training younger employees who want to work in higher management positions. A senior family member also can be an ambassador for the company—a face that people associate with the business when it comes to public events and marketing, he said.

Fontana has started organizing publicity events for Michigan Box, such as an open house planned for Sept. 23. She said she also doesn’t look at daily reports about the business so she can avoid stepping on her son’s toes and become accustomed to her new role.

“It’s not just him learning how to take on some of the responsibility, but it’s also me learning to give up some of the responsibility,” Fontana said.

In any event, keeping senior family members involved can help a company maintain its history and perspective during tough times, Smith said.

“It’s so important to make sure the company keeps its culture and its heritage, and make sure it stays focused on what it knows best,” Smith said.

Ultimately, the new role can help family members ease into their new responsibilities as the company’s leadership changes.

“You want to make sure you keep moving forward and making progress toward that transition,” Smith said.

Fontana said she’s helping her son learn the ropes of being CEO, and she believes it has made the transition easier for her company.

“I think it’s a wonderful opportunity for me to be able to do this, and I’ve certainly enjoyed being CEO,” Fontana said. “I’m hoping my son enjoys it as much as I did.”

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