

THE FAMILY BUSINESS

# CONNECTION



FEATURED INSIDE:

## **7 multi-generational family business stories**

**South Dakota named America's No. 1 family business state**

**PFBA annual conference names award winners**



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An outreach center of the Beacom School of Business at the University of South Dakota

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# CONNECTION

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## Greetings!

Welcome to Prairie Family Business Association's second edition of Connections! Our goal is to connect with you through the stories of the families we serve as well as stories from the advisors who serve our families. Owning and/or working in a family business is a special, unique place to be. Our purpose is to help family businesses thrive through generations. We're here to be your resource network for family business success, just as we have for the last 31 years.

Inside, enjoy the stories and note how they apply to your family and business. Have you already accomplished some of what is being mentioned? Or, are you in the midst of working on family and business items? Whether those items are related to transition, business growth or internal culture, we are here to help along the way. Perhaps you are wondering – we have so much work to do, where do we even begin? We can help with that through our live case studies, affinity peer groups and additional programs.

Reach out any time for a conversation. Our team connects with our members regularly, and we are here as your trusted resource. Enjoy our second annual publishing of *The Family Business Connection!*

My best,  
Stephanie Larscheid  
*Executive Director*

P.S. Do you have a family business story to share? Let me know! Send a note to [fa@usd.edu](mailto:fa@usd.edu) or give our team a call at 605-274-9530.

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## South Dakota named America's No. 1 family business state

▲ Family businesses gather at the annual Passing the Torch Society donor event before the Family Business Conference.

**South Dakota is home to a greater percentage of family businesses than any state in the nation.**

That's according to a recent report from OnDeck, a global online small-business lending company.

Using data from 2022, it analyzed information from the U.S. Census Bureau's annual business survey to identify the states with the highest proportion of family- and spouse-owned companies.

More than two-fifths of South Dakota businesses – 43.4 percent – are family owned, it found.

"There's a lot of talk about how big business has crowded out mom-and-pop shops. Doing a state-by-state comparison reveals trends that get lost on a national level," said Jim Granat, senior vice president and co-head of OnDeck.

"The Midwest, for instance, has a higher percentage of family-owned businesses than many Eastern states. And the difference can be a big one. South Dakota's rate of family-owned companies is more than double that of New York."

The report quickly gained attention of the South Dakota business community.

"South Dakotans are excited and proud of the results of the study. The

graphic has gone viral in our world," said Stephanie Larscheid, executive director of the Prairie Family Business Association.

"We want people to know that family business and South Dakota go hand and hand. Plus, there are tremendous resources available through Prairie Family Business Association that help these businesses remain generational. Not every state has a family business association, let alone one that is as accessible and affordable as Prairie Family Business Association."

The Prairie Family Business Association counts 260 businesses in 21 states as members – a number that has grown steadily, especially over the past two years.

Most have fewer than 50 employees, and a large majority have fewer than 25.

"Many South Dakota businesses have their family name as part of the business name," Larscheid added. "You don't tend to think of large, publicly traded corporations like you would in other Midwest states. Many of the family businesses in South Dakota have a relationship with fellow family businesses. They do business together, and they

invest in projects together that are good for the communities."

Weisser Distributing has experienced that firsthand. Second-generation leader Eric Weisser is past board chair of the Prairie Family Business Association.

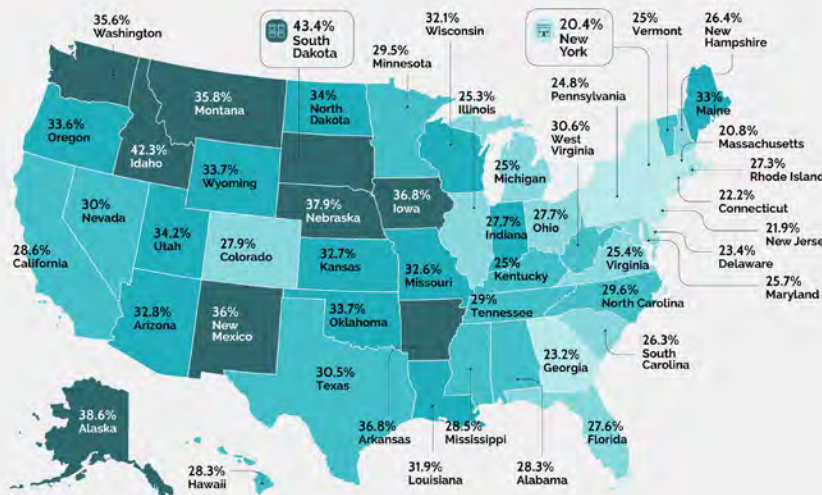
**"We have a really nice backbone in South Dakota with so many family businesses," Weisser said. "And we have a good community of people that want to support small businesses. They work together to get things done."**



▲ Stephanie Larscheid, Prairie Family Business Association Executive Director

## WHICH STATES HAVE THE Most & Least Family-Owned Businesses?

When it comes to running a business, **South Dakota** loves to keep it in the family, with **43.4%** of all companies being family-owned - including Norberg Paints, which was established in 1882 and is the oldest family-owned business in the state. South Dakota has more than double the percentage found in the states of **New York (20.4%)** and **Massachusetts (20.8%)**.



Methodology: Data on family-owned and spouse-owned businesses in all U.S. states and Puerto Rico was taken from U.S. Census Bureau's Annual Business Survey, accessible via data.census.gov.

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◀ The state with the highest share of family-owned businesses is South Dakota (43%).

more than 130 individuals. New virtual groups have been added, and the virtual group offerings will continue to increase.

This year, the Association started a Board Bootcamp for families who operate with a board, either fiduciary or advisory, or want to explore operating with a board.

**“We know that structure and outside advisement can lead to greater opportunities and success for family businesses, so we’re supporting families through board development and creation,” Larscheid said.**

Weisser has found membership highly valuable.

“We’re getting world-class information at a family business price tag,” he said. “I’ve sat across the table from business leaders who are unbelievable for a business our size and at my age. And we have an amazing conference that now is in-person and virtual, so it brings in people from more than 25 states and multiple countries, which means we’re able to bring in even more high-caliber presenters.”

The resources of the association have been helpful especially as businesses transition through generations, Weisser said.

“Because Prairie Family has been around more than 30 years, if you’re a family business, you likely have a connection with the association,” he said. “You were active. You made a transition. And we think the value is staying within the association post-transition because of the connections you can make and the help you can get from others.”

The message seems to be resonating – and indicates South Dakota could continue to rank among the top in the nation for family businesses for years to come.

“We’re seeing an openness to innovate in the next generation, especially following the pandemic. Families have a desire for the next generation to develop the skills and leadership they need to succeed, which leads to generational success,” Larscheid said.

“Prairie Family Business Association hosted our largest Next Gen Retreat in our 31-year history last October. That says a lot about the bright future for family businesses in our region.”

“The friendly business climate in South Dakota helps family businesses survive and thrive,” Larscheid agreed. “Businesses in our region look out for each other and look for opportunities to do business with each other. This is good for everyone involved.”

In looking at the OnDeck research, agriculture operations also helped South Dakota rank first in the nation.

“Agriculture is a big part of the South Dakota economy, and a large percentage of farms in the state are family-owned,” Granat said. “From government initiatives to business associations, there’s a lot of support for that, and it shows.”

That’s also an increased area of emphasis for the Prairie Family Business Association.

“We want to help connect with family farmers. They’re traditionally very private, and too often what happens is Dad literally dies while farming, and all of a sudden the family has a mess.” Weisser said.

“We don’t want you keeling over on the tractor without a plan. And you can replace ‘tractor’ with anything. Don’t keel over at your desk and leave the kids a mess. People need to know that matters, and it’s a way to show you care about your employees. It’s a way to show you care by working through a succession plan and having a smooth transition. The family farm is a place we think we can tap into.”

Prairie Family Business Association continues to evolve its offerings to reflect the needs of family businesses.

“As we’ve grown, so have our programs,” Larscheid said.

“A focus on the next generation has been rising to the top of our conversations with families. There is a desire for family members to come back to the family business, both through the senior generation and the next generation.”

Prairie Family’s affinity peer groups have grown to 20 active groups serving



## SUCCESS STORIES

# From high schoolers mowing lawns, brothers become multi-location family business owners

**Cole Weller acknowledges this is "the all-American story" of entrepreneurship.**

He and younger brother, Brent, started Weller Brothers Landscaping while they were students at Brandon Valley High School in the early 2000s.

"High school kids mowing lawns – that's how we started," he said. "We just are the ones who never quit, and now we're here."

"Here" is a business with two locations – Sioux Falls and Rochester, Minnesota – 120 employees, a new acquisition, a new office and a big vision for the future.

"It's been really, really good to us," Cole said. "No complaints."

### PLANTING ROOTS

For the first five years in business, the Weller brothers stuck to cutting grass. Then came the logical add-ons: fertilizing, power raking, sidewalk edging and snow removal.

By year seven, they'd added landscape architecture.

"I'm a sucker for good landscape architecture," Cole said. "So that's where the passion started. And, Brent and I were born and for the early part of our lives lived on a farm in central Minnesota, so there's always been a connection between the industry and our farm background, which taught us our work ethic."

Still, though, for the first 13 years of the business, "it was beer-drinking money," he acknowledged.

Then, in 2014, the brothers had what Brent termed their "come to Jesus meeting."

"We never really knew the possibilities until Cole was expecting his first child," he said. "He had an extra mouth to feed, so were we going to do this and grow

▲ Brent and Cole Weller with Landscape Production Manager, Tyler Nelson – the first employee to celebrate ten years with the company.

it and see what we could do? That was when we strapped down and educated ourselves and got involved in our national association and had meetings with peers to bounce ideas off each other."

That was the "leap of faith" moment, Cole agreed.

"In our business, that's adding office and accounting staff, and now marketing and HR," he said. "But that's how to take the business to the next level."

Today, about 60 percent of the business comes from landscape architecture and construction. The remainder is property maintenance, everything from snow removal to pruning roses, cutting grass and fertilizing.

"And on the landscape side, our projects are significant," Cole said. "That's not to say we don't do smaller projects, but it's just how we've evolved and what we've become known for."

### EXPANDED REACH

In 2019, Brent and his family made a big move. He led Weller's expansion into Rochester, Minnesota, a community carefully chosen because of the demographic similarities to Sioux Falls.

"We're able to tell how saturated a market is for our target audience," Cole said. "Because we take on big projects, there has to be some discretionary



▲ *Weller Brothers employees from Sioux Falls and Rochester gather each fall for the annual Weller Brothers Open golf tournament.*

income to build out a backyard. So that's a key metric."

But, unlike some companies, Weller didn't expand into its new market through acquisition. Brent and his project manager started from the ground up.

**"We did it the old-school way and the hard way," Brent said.**

"But it's gone very well. We just opened a new office and shop, and we've been adding a bunch of good team members. We have a licensed landscape architect here who does all our design and sales, and a couple great individuals who came from Mayo Clinic where they took care of historical properties, and they're doing a great job with our maintenance department."

Team members come to Sioux Falls to cross train and for an annual golf outing. Cole and Brent do an hourlong call together every Monday, and they're both part of weekly leadership calls.

"We communicate frequently," Brent said. "We have a good professional relationship, but we also try to keep the family stuff separate from the business. When we come into the office, we have our business hats on."

The brothers are 21 years into the business, "and we have never thrown a punch," Cole joked.

"Keep in mind, the first years we were 15 and 16 years old, so it's been really good. We agree most of the time, and when we don't, we have always been able to come to a resolution. The biggest pros of working with family is you have the ultimate trust. There's no one you trust more than family and that's been huge, particularly in the expansion to Rochester."

#### **FAMILY + FUTURE**

As it plans for the future, Weller Brothers has found value in becoming part of the Prairie Family Business Association.

"Prairie Family Business has been great for Brent and I, especially as we grow and start to navigate the more complex parts of being in business with family," Cole said. "It seems like everything is easy when you have five employees and two of you are family, and you blink your eyes and suddenly you've got 120 families depending on your business, and there are complexities that come with that."

Through the Prairie Family Business Association annual conference, the Wellers have met other families and experts.

"We've been able to ask different questions about specific situations we've gone through, and you realize nothing is unique," Cole said. "There are many

other family businesses that have gone through the same thing, and building that network has been super helpful for us."

The conference often serves as a welcoming entry point for the association, executive director Stephanie Larscheid said.

"And we'll be announcing details of our 2024 conference soon, so watch for that," she said. "For families like Weller Brothers, the conference is a great way to be around other families who are in business together. They talk with other families and learn that they are not alone. Other family businesses and advisers can help them plan and prepare for the future."

And while the oldest of the Wellers' own children are still in elementary school, "a lot of what we've learned through Prairie Family is making sure when they do come in, it starts young and starts with showing everyone respect and making sure no matter what their role they're paid like anyone else in the position," Brent said.

"So we've already had those conversations, even though we're a few years away from that happening."

In the meantime, Weller Brothers also continues to add to its services. At the Sioux Falls location, a recent merger with Action Lawn & Tree Service allows the business to expand into enhanced pest control and tree health, pruning and removal services.

"That's good for us because a lot of that work can happen in winter, so besides snow removal, we'll be able to offer other services," Brent said. "And the owner has a lot of knowledge in that area, which is newer for us, so it'll be nice for him to come here and help us get started with that as well."

"We're busy. We've been able to keep up, but we have an army of really, really good people that show up and work their tails off every day, which is humbling for us to see." 🇺🇸



▲ *Brent and Cole Weller lead a team of 120+ employees in Sioux Falls, Rochester, and – coming soon – Des Moines.*



▼ *Weller Brothers' new shop and office in Rochester, MN was completed in September 2022.*

# Family behind growing baked goods business works on recipe for multigenerational success

In between baking breads, buns, croissants and frying signature donuts, the owner of a premium bakery products provider realized he needed to find the recipe for something his own business needed: **a board of directors.**

“As our business continues to grow and perhaps my time horizon being active in it every day wanes, I felt like if something were to happen to me unplanned that a functioning board of directors would help our family continue to effectively operate,” said Guy Moos, CEO of Baker Boy, which is based in Dickinson, North Dakota.

Moos and his sister, Midgie, bought the business from their father, Marvin, in 1990. Since then, it has grown to become a national provider of baked products to food service, retail and convenience store distributors. While the pandemic first “kicked us in the teeth” because much of the products were sold to restaurants and schools, ultimately “we were able to add a lot of customers in the in-store bakery arena,” Moos said.

**“Prior to COVID, we were in 15 states, and today we’re in 37 states thanks to our colleagues who continued to work hard throughout it all.”**

The two siblings, Moos’ wife, Sandra, and Bob Larsen, the company’s chief operating officer, are its current board members. Moos, however, has committed



▲ Melissa, Guy, and Midgie Moos of Baker Boy

to growing the board following his attendance at the Prairie Family Business Association’s board school.

“It was extremely helpful. I think it’s normal for entrepreneurs to resist having a formal board. The school helped me understand the function of the board, whether it’s fiduciary or advisory,” he said. “I committed to my classmates that I plan to add one outside member a year for the next four years, so it’s going to be a transition.”

“I’m leaning toward creating a full fiduciary board. But we still have a great deal of work to do, creating an owner manual and plan, and at the Board Bootcamp our family can hear firsthand from the experts why this is really good for us,” Moos said.

His daughter and only child, Melissa, worked outside the business before joining it nearly four years ago as an entry-level production tech, working her way up to team leader on the donut line.

In 2022, she attended the Prairie Family

Business Association’s Next Gen Retreat.

“As an only child, I don’t really have anyone to lean on in regard to being the next generation,” she said. “So the biggest thing was just to meet some new people who are in a similar situation that I could make a lifelong connection to and reach out if I have questions.”

As the business has looked to hone its governance and transition planning, the association has been key, her father added.

Melissa has also joined a peer group of next generation family business leaders through the Association. The group meets every other month to discuss family business issues.





▲ Thousands of freshly-baked goods fill the production lines at Baker Boy every day.

**“Prairie Family Business has been really good for myself and I think good for my family to increase our involvement,” Moos said. “I would certainly encourage other family businesses that are family owned to get involved as well.”**

**BOARD BOOTCAMP**

The next Board Bootcamp will be held September 19th in Sioux Falls, South Dakota. Board Bootcamp is intended

for business owners considering establishing an advisory or fiduciary board as well as those who want to increase the effectiveness of a current board. It’s also a fit for board members and owners or family members who want to better understand the role of a board.

“We have a fantastic lineup of facilitators who are truly experts in their field,” Prairie Family Business executive director Stephanie Larscheid said. “We’re excited for our families to connect with them and leave with truly actionable plans. As the Moos family demonstrates, dedicating time to programs like these can lead to generational impact for a family business.”



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▲ Photo courtesy of Brooke Bobendrier



## SUCCESS STORIES

# From southeast S.D., family grows business into sheep equipment industry leader

**John and Doralee Lynch had decided to give it five years.**

"I told my wife, if we can't make this go in five years, I guess I'll have to do something different," Lynch said. "I always call it cutting the umbilical cord because we were on our own."

A self-described sheep industry lover born into a swine family, Lynch had grown up in a family farm business. The family

raised corn, alfalfa, soybeans, swine and sheep. In 1980, they incorporated as Sydell Inc. and began to manufacture swine equipment, and Lynch had the idea to add sheep and goat equipment.

"I always had a love of the sheep industry," said Lynch, who's also an Air Force veteran and credits that for helping

him in business. "And I was always dreaming of new products that might work for me to help our industry and with our flock, and from there, it more or less developed."

In 1987, after a lifetime of farming with family, John and Doralee Lynch made the bold decision to separate from the family farm. They purchased the manufacturing business from the rest of the family and decided to focus on sheep equipment manufacturing. At that moment, the five-year countdown began.

"It was hard," he said. "We hired a couple people to help with the manufacturing, and there were a lot of long weekends going to shows across the U.S. We had to plant the seeds for the name Sydell."

Those seeds have germinated into a business — located near Burbank in

southeast South Dakota — that has become a national leader for the sheep and goat industry.

“We serve not only farmers, ranchers and hobbyists, but we also associate with many ag universities throughout the United States, special research facilities that use sheep and goats, and there’s a real long list of companies and colleges and well-known sheep and goat producers we work with,” Lynch said.

**“I have had a special team in a small facility, people who work hard and several who have been there more than 20 years, and that’s been the key to keep our business going and our products going out the door.”**

Timing also has been on Sydell’s side. As Lynch was creating sheep equipment with unique features, the industry itself was taking off nationwide.

“Even though South Dakota was home, the bulk of the customer base was outside of South Dakota. The central location allowed us to get to shows out West and East where people were showcasing higher-end breeding stock,” said Stephanie Taylor, the eldest Lynch daughter, who grew up in the family business with her two sisters, Melissa and Krystal.

“My dad really is an engineer without an engineering degree, so it was about ideas meeting timing and market needs, and that really was what they perfected.”

The girls grew up in the business — “every vacation was to a sheep or goat show riding in the back seat of the pickup,” Taylor said, while they credit their mother with helping form the business into an extended family.

“I just did what I needed to do, between keeping the books and making a cake for the guys on their birthdays to learning how to drive a truck,” Doralee Lynch said. “We always prayed it would work, but John also was always figuring out we needed more eggs in the basket, different kinds of eggs, and I think that’s what helped. You can’t just do one thing.”

What began as a small metal building and trailer house now has grown to a 28,000-square-foot headquarters. There are fewer than 20 employees, and many range in service from 10 years up to 37 years. All the components, other than plastic wheels and nuts and bolts, are produced in-house.

“We cut all the steel products,” Lynch said. “A couple services are outsourced, but other than that, it’s soup to nuts, done in-house.”

## NEXT GENERATION

While there were offers to sell Sydell over the years, both Taylor and her sister Melissa Dalton recently returned to South Dakota to begin taking on roles in the business.

“When they said they’d love to come back and continue the business, that was a big weight off my shoulders,” Lynch said. “They have some great ideas and are bringing expertise in marketing and e-commerce, and it has really helped.”

Taylor, who is a music industry attorney, returned to South Dakota a year ago from Nashville, where she built a law practice representing artists, songwriters and music industry entrepreneurs.

**“The pandemic taught me I needed my phone and computer, and with that, I can continue to operate my law practice from anywhere,” she said. “I’m balancing essentially two full-time businesses now but small-town life has been a blessing.”**

With Sydell, the website has been revamped and optimized for e-commerce, and “We’re working really hard to implement a process for inventory management that is more streamlined,” Taylor said. “It’s not always easy to make change, but we know it has to happen. I’m learning every day, and everyone is bringing new ideas to the table.”

Taylor spent her first year back observing her father, “and you can only have one head of this monster taking over,” Dalton said. “With this transition, you can’t listen to too many voices at once. So Steph took the first year to watch Dad, and now we’re in the process of the team starting to implement the changes we want to see happen. Steph is the voice of the machine right now.”

While Lynch remains CEO, Taylor is COO and CFO, and it has gotten to the point where Lynch jokes that “if I show up, Steph says ‘Dad, what are you doing here?’”

Dalton and her family recently moved back from Boston after two decades of moving around for her husband’s career as an Army Colonel.



▲ Melissa with her 4-H lamb on the 5 head show rail, a product they still manufacture and sell.



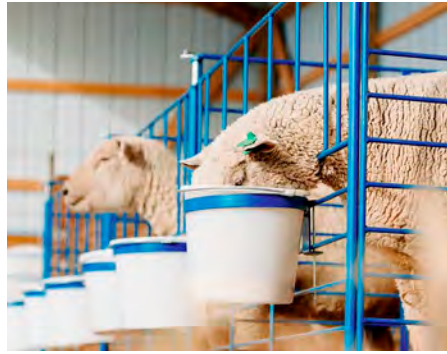
▲ John and his daughters hiking on one of their many sheep show adventures.

"My background is in marketing and advertising, and we always wanted to come back and be part of Sydell, and now it's the right time," she said. "I'm really starting over and excited to get back into the sales part of the industry and traveling to the shows and expos. So much has evolved, and there's so much to learn, so I'm trying to get updated as much as I can and bring that knowledge to Stephanie."

Her husband's managerial expertise is helpful as an adviser, and Taylor's husband is able to run his business in South Dakota.

**"We're a family company serving family companies," Dalton said. "I think we've been embraced by the industry because of it – we want to give families a safer way to do their work, and our equipment is all about making sheep producers' lives easier."**

After experiencing the Annual Family Business Conference, the family left with ideas for "how to take this into the next 20 years of operating, with other people to call on and connect with, so we're excited to use that as a resource," Dalton



▲ Sydell's lambing pens, their very first product which continues to serve its customers today.

said. "We're a unique company in what we make but not unique in the challenges we face, and it was good to see other companies going through that as well. We're fully aware more next generations don't make it, but we're up for the challenge and think we can operate it."

The Lynch family proved an immediate fit for the association and its resources, said Stephanie Larscheid, executive director of the Prairie Family Business Association. "Stephanie and Melissa have stepped fully into membership and all that Prairie Family Business Association can offer their family business," she said. "We look forward to being a part of their family business journey through growth and transition."

The big benefit of transitioning to the family business has been its effect on their families, the sisters said.

"What was important to me was letting the kids have the small-town life," Taylor said. "Nashville was growing too fast, and I didn't think the kids could do everything I wanted them to do in life, like have a farm and ride a four-wheeler, so that was a good motivator to come back."

Dalton's oldest child just graduated high school and is attending USD, "and I homeschooled my kids for nine years, so it's been a blessing to have the move happen at this time," she said.

The sisters' kids are in 4-H – showing sheep, naturally. Two of them already work at Sydell.

"They see the hard work my dad put in to make this company something that allows our family to spend time together and gave us a way to come home and be safe and have fun and work hard," Dalton said. "The fact they want to go to work at Sydell is amazing. My middle daughter wanted to move here early because she wants to know how it works. I think that shows the success of what my parents have done. It's not the money or the fact the company is growing but the fact that the next generation already sees a place for them." 🇺🇸

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# Lessons learned on multigenerational farm lead founder to form firm that supports family businesses



▲ Agatha Johnson, Owner of WillKate

Johnson's brother Damian then led it, and now his daughter, Nicole Huber, and husband, Kirk, are taking over the operation while a partnership of siblings continues to own the land.

"Still to this day, my siblings and I gather together at least twice a year intentionally to keep in touch with each other and continue our strong relationships that go beyond the farm," Johnson said. "One of our values is 'strong relationships with family,' which was built on over time and helped all of us to align the group and the purpose of continuing forward."

Johnson's own company also centers around family businesses. She formed WillKate in 2013, originally as Prosperity Wealth Management and Generations to Generations, before rebranding with the new name in 2020 to honor her parents following her mother's passing.

The firm has offices in Aberdeen and Sioux Falls and offers a variety of services supporting family businesses, including transition planning, strategy and governance, leadership development, conflict resolution and wealth management.

***For Agatha Johnson, the roots of business ownership go deep – back to her great-grandfather Edward Kappenman, who immigrated from Germany and purchased farmland in north-central South Dakota in 1919. Edward's son, George, took over and grew the operation, and his son Wilfred continued it.***

"Over time, everyone is wondering what their purpose in life is," she said. "I have been extremely fortunate to have found mine while honoring my family history. I have had many opportunities to have successes and failures in life that have helped me to grow. Everyone must find theirs."

We learned more from her about how her experience with a family farm translates into how she helps other families today.

## **What were some of the biggest takeaways you learned as part of a family building on a farming operation?**

**Agatha Johnson (AJ):** The importance of having strength in relationships and the why for staying together. Those two are at the top of the takeaways. Other key takeaways were having clear communication channels, a purpose and vision, follow-through from each person and a clear strategic plan, which was to have the farming operation continue on for generations. With so many involved, there needed to be an understanding of what the succession was going to be. Not everyone wanted to work on the farm operation, and some did. One of my brothers stayed on the homeplace, and my father helped some of my other brothers begin additional farms in North Dakota, which are still operating today. The main products were grain and cattle along with dairy. Our parents taught us to navigate life's challenges through faith, resilience and perseverance.

I remember some trying times that could range from economic conditions, political conditions, weather conditions and even wars and their impact. Those

conditions resulted in conversations as to what was next and how to handle whatever the situation was. There were also great times, which opened the window to grow and make proper moves to continue into the future. The business of having a farming operation is no different than any other business. You must understand the industry, how to market your products and services, having proper cash flows, profit margins, operating equipment and taking time to complete annual planning in order to work towards your vision. There were many times I went to the bank with my father as he discussed the purchase of land or an operating line as the season began. In our one-on-one times, he would talk about the importance of diversification that is needed due to the uncertainty of markets at times.

## **What are some elements you keep in mind in your family partnership that might be helpful to other family businesses?**

**(AJ):** There are six elements we have intentionally studied on, experienced personally and see in all of our families that are important to work on in order to have a strong multigenerational family with shared business/wealth: financial, structural, family, human talent, community, beliefs and giving to others. Each one will be different for different families. For my family, relationships, faith and diligence in working has continued to show through. The owners of any shared asset also must discuss what it means to them to own, what is expected of each owner as well as what the owners expect in return and consider all when making

plans for the shared assets/business(es). If it isn't discussed, there will be unmet expectations, which will begin to erode relationships, business decisions and/or personal goals. Our family went through many of the same emotions and had the same hard conversations that all of our clients have and families need to have.

### **What made you decide to start WillKate?**

**(AJ):** I started my firm because I not only experienced what happens when important conversations are not taking place within the family, but also seeing it in clients when I worked with them while in the corporate world for over 20 years. I realized most found it difficult to communicate with their family members or business partners and not know how to work on their own wealth plan when they weren't sure what was going to happen with one of their largest shared investments: the business(es)/wealth. I found it to be more the norm than not when relationships were challenged or even destroyed due to the lack of communication, the lack of a meaningful shared purpose and vision, unmet expectations, no intentional leadership development, lack of trust or even the technical/literacy of the shared capital/business. The way things were handled also didn't allow for openness, sharing of ideas, continuing the entrepreneurial spirit that is so vital to families and business as well as our communities and country at large. There had to be a way to keep and grow strong relationships and have the opportunity to sustain and grow businesses and their wealth. This became my purpose and vision for WillKate.

### **What niche are you trying to fill in the industry?**

**(AJ):** We specialize in multigenerational family transformational development and transition planning. Our multidisciplinary approach to working with families that own together creates the platform that helps to bring out their best and have them live their best lives. We advocate for all generations and work with them to purposefully build an owner's mindset in all owners, levels of generation and prospective owners. We understand the challenge and the opportunity families have that own shared assets. We understand how important the relationships are, their leadership and service are, making sure to encourage family talent and specifically understanding family and family systems.



▲ Family farm in north-central South Dakota.

The work we do will have long-lasting effects for many generations.

### **WillKate is also a family business, with your son Justin Aman working alongside you. How have you defined your roles and what strategies do you employ working as your own multigenerational family business?**

**(AJ):** My son Justin started with the company at the onset almost 10 years ago in a support role as a senior in high school. He now has his master's degree in clinical psychology and is currently finishing up a research program at the University of Minnesota. Justin's role has evolved over the last 10 years, and he has grown into being a great consultant and advocate for our families.

Allowing Justin the opportunity to develop and thrive where he is best follows many of our values and most importantly the continuous development of individuals. My son and I respect each other as professionals and have a very open relationship that we can be vulnerable with each other. We have grown together in our working relationship and have learned the boundaries that are important to keep so lines don't get crossed when we are working.

### **What are some of the most common family business issues you experience with your clients, and how do you help guide them through those?**

**(AJ):** Some of the most common issues are lack of communication, lack of clarity of individual and shared purpose and vision, lack of a career path, hoarding of information, lack of trust, no time for



▲ Justin Aman and Agatha Johnson

relationship-building and personal unmet expectations. I have also found when there is no venue to have vulnerable conversations and voices heard, there is a tendency to have a culture of judging or shame and avoidance of the challenges. Many times, the judging and shame may stem from addiction issues, mental health concerns, in-laws not allowed to give voice, one person controlling or if next gen is disagreeing with the existing in charge generation. If the entrepreneurial spirit isn't developed along with leaders in each generation, then the business(es) will be at risk for becoming obsolete. We know this isn't for the faint at heart, yet if the dream is to have a multigenerational family business, then all must be discussed. If they do

the work, their dreams become a reality as they have cleared a path forward and for the future. All too often, it can be easier to continue to blame others and be a victim, which keeps everyone stuck. Forgiveness isn't about the other person; it is about yourself in order for you to move forward and fulfill the larger purpose. I have seen this restated in different ways and always felt it should be reiterated again and again. Forgiveness doesn't mean that you're saying that the other person is "right" or that what they did is/was "OK." Forgiveness is about choosing – and re-choosing – to let go so that you don't get stuck living in the past.

**Many business owners, especially families, are mindful of their legacy – both within the business and the community. What are the steps you've found most beneficial in ensuring they are able to leave the sort of legacy they desire?**

**(AJ):** Legacy can be described by way of financial wealth to family members as well as giving financially to communities. The processes we have built out help families uncover their deeper purpose through open and trusting conversations. It is about having deep clarity of their ideal life and beyond. We have found



▲ *The family farm where Agatha Johnson and her family re-connect every year to build 'strong relationships within the family.'*

when families begin to journal about deeper beliefs and their own passions and are comfortable to share collectively, they find a legacy that will live forward in generations. The family stories that are shared, hardships, opportunities and successes will honor the path and make way for continuous creation of the future. It is about finding Significance, Meaningful, Attracting, Rewarding and Timely family goals – SMART goals.

**How have you connected with the Prairie Family Business Association, and what value have you found in it?**

**(AJ):** I have been a part of the Prairie Family Business Association almost 15 years and a sponsor almost 10 years. I believe in their vision and mission, which is near and dear to my heart. I have found they are a great connector of people, families, education and continue to build on their purpose. I meet great families and people who all have a reason for showing up. They want to continue to develop themselves, their families and their businesses. Stephanie Larscheid and her team continue to develop and carry the vision and mission of the organization, one that WillKate is proud to sponsor. 🇺🇸

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◀ *Lyn and Ann Tschetter celebrating the company's 50 year anniversary with Pete, Jessie, Liesl, Hazel, and Philip Halverson*

been the company's refrigerated rental fleet, which offers options both to consumers and businesses such as restaurants or grocery stores needing extra cold storage.

"It's everything from needing storage for Mother's Day flowers and Easter hams, weddings, fairs and weekend rentals," Halverson said. "We have restaurants who use our cold storage during times of high demand or when coolers go out."

He also sees growth opportunity in additional product lines that are complementary to the core business.

The business has 31 employees, including many longtime team members.

**"As far as culture goes, it's a family business," Halverson said. "We take care of our employees. One upcoming retiree is a 41-year employee, and we have a lot of 30-year technicians."**

While Jessie might transition into the business at some point, for now she's involved in customer relations while also raising their three young children.

The move to Sioux Falls has been nothing but positive, Halverson said.

"We looked at Sioux Falls as a good city for raising kids and family, and it's been a good fit for us," he said. "We've enjoyed the decision. No regrets."

Thermo King is a new member of the Prairie Family Business Association. "I have customers who have worked with them, so it's always been on the radar. I just hadn't joined," Halverson said. "We've had a positive experience with a group within our own industry when it comes to best practices, so I'm looking forward to the same with other family businesses."

The company is connecting at an optimal time, said Stephanie Larscheid, executive director of the Prairie Family Business Association.

"Transitioning to a third generation is a major milestone, while at the same time exploring growth opportunities within the business," she said. "We're excited to serve as a resource in many ways, including helping the company as it considers an outside advisory board. We look forward to seeing how this next generation continues to evolve the business." 🇺🇸

## SUCCESS STORIES

# Family business Thermo King of Sioux Falls enters third generation of leadership

**As the Thermo King motto goes: "If it heats or cools, we can fix it."**

The Sioux Falls authorized dealership offers the sales, service and parts needed to keep trucks, trailers, buses and rail cars moving crucial cargo.

"It's critical to our economy. We're moving food across the country. We're moving pharmaceuticals. So it's very important, and we've seen good, steady demand," president Pete Halverson said. "We've got great customers in this area and some of the best fleets in the country as partners."

Halverson and his wife, Jessie, represent the third generation of the privately owned family business. Her parents, Lyn and Ann Tschetter, retired from the company they'd built over 50 years at the end of 2022 and are transitioning ownership to the next generation.

Lyn's parents, Ken and Shirley Tschetter, purchased the business in 1973, and it transitioned to a second

generation from there. Halverson met his future wife in college in Minnesota, where they began building their careers.

"I was working for a large division of UnitedHealthcare, and this opportunity was always out there as an option," he said. "It got to the point where we had to try it or let them know we weren't going to pursue it and they would have to pursue other options."

That was more than eight years ago. They moved back to Sioux Falls, and Halverson began growing into a leadership role.

"I liked the ability to make changes more quickly than I was used to previously, and it felt like work that mattered more than in the big corporate world," he said. "I've grown into the position, first in charge of operational decisions and hiring and then strategic oversight."

Thermo King is the world leader in transport temperature control systems for trucks, trailers, buses and rail cars and also manufactures auxiliary power units, which dramatically reduce engine idling.

One growth area in Sioux Falls has

# South Dakota's Retailer of the Year finds right fit with family-owned shoe business



▲ Left to Right: Angelica (Burghart) Uthe, Tate Uthe, Lara Uthe, Sherri Uthe, Travas Uthe, Sheldon Uthe, Jennifer (Bach) Uthe.

**To find a 28,000-square-foot shoe store in a community of about 22,000 people tells you this isn't a typical shoe store.**

Actually, Trav's Outfitter is the South Dakota Retailer of the Year, honored in 2022 by the state retailers association, and with good reason.

It has all the classic ingredients of an entrepreneurial success story: a founder who got into the industry as a teenager and then went on to start his own business in his garage and grow it to impressive levels.

That's Travas Uthe, who grew up in Watertown and got a job as at age 15 at a local shoe store. He stayed there until he was 33.

"And they came to me in July of 2003 and said they were going to close their stores up," said Uthe, then a new single dad who wanted to make sure whatever he did next allowed enough time to spend with his sons.

"I looked at a lot of opportunities – working as a regional salesperson for a national footwear manufacturer and other things – but being a good dad was

really important to me, so I thought I'll just start this thing on my own," he said.

He started selling shoes from the garage of his home in late 2003 and moved into a 3,000-square-foot store in Watertown five months later.

He grew Trav's Outfitter from there for about 15 years until moving into his current space.

The business is one of the region's top sources for work and western wear and clothing, carrying leading footwear and apparel brands and drawing customers from a broad area.

"We pull from 100, 150 miles to the west, and we pull easily from Aberdeen, Huron and south of Brookings," he said. "We pull from west-central Minnesota really well."

And to make it more convenient, Trav's often goes directly to its customers. It uses mobile safety-shoe trucks to stop at workplaces regionwide where employees can buy safety footwear on-site.

"We help them satisfy that need for work, and then when that customer from Highmore or Onida or Groton comes to Watertown for a tournament or to shop, they seek us out and want to shop with us," Uthe said.

Sales have nearly doubled since moving into the larger store, he added.

But he doesn't take a lot of credit for that.

**"I believe that everything goes back to faith, and what this has enabled us to do is be a larger part of the community and give back in many ways," he said.**

That includes hiring staff for his 40-person team who might have struggled to find work elsewhere because of their history.

"My faith tells me they are here for a reason, and we have some miraculous stories of employees whose lives were



▼ *The first commercial location for Trav's Outfitter in Watertown.*



◀ *Ardis Rindels (former co-worker) and Travas Uthe in a newspaper article on Surplus Sales (former employer) when they entered the western footwear and apparel industry in the late 1980's.*



◀ *Sherri and Travas shortly after becoming new business owners.*

something, and that's a big part of what we offer, along with compassion. I think that's a big reason why we've seen growth and success."

**NEXT GENERATION**

Trav's Outfitters also is a family business. His wife, Sherri, serves as controller helping manage the finances.

His older son, Tate, is in management training at Trav's, and his younger son, Sheldon, runs one of the company's mobile boot trucks and eventually will enter management training.

"I have confidence they're going to want to carry it on, and I'm 52, so I have

broken when they came to Trav's, and we embraced them and showed them love, and it's really cool to watch their lives be changed because of their job."

His own recipe for success is one he learned growing up in the industry and is "simple but really hard to carry out," he said.

"We have to achieve a certain margin, or we won't stay in business. And it's tempting to look at market conditions, including now, and say you're going to eat a price increase or take less margin, but if you really love your customers and want to be there for them, you have to find a way to maintain your margin," Uthe said.

"I'm not saying overcharge, but our core value is to deliver value. It's a fair price but also what our team brings to the table. When someone comes in, I want staff who can explain the product and why they should or shouldn't buy

a few years of working left," he said. "But I'm also not one of those guys who wants to do a 90-day crash course on how to run a business and walk away, so we're putting the manager training program together, and we're working on the steps we need to take to eventually transition."

That includes membership in the Prairie Family Business Association, which the Uthe family joined a couple of years ago.

"My wife is in a peer group, and that's been really, really good for her to spend time with other family business leaders," he said. "Being a spouse and working with your spouse poses some unique challenges, so that group has been really good."

His sons attended the 2022 Prairie Family Business Association Next Gen Retreat in Deadwood.

"I'm excited for them with that," Uthe said. "It's important for them to build relationships with other next-generation family business members so they have someone else they can visit with who is in similar shoes."

At the same time, he's excited to give back to other family businesses.

"We believe Trav's has approaches and experiences that might benefit other businesspeople, so if we can help others, we definitely want to do that," he said.

While Uthe and his leadership team are growth focused, it's with strong consideration for the established brand, he said.

"We've identified multiple cities we think could support a store like ours, but we need to find the human resources to replicate what we're doing here," he said. "When people come to Trav's, they know what to expect, and we deliver it. When we get the 100 percent right people elsewhere, we'll be ready to grow." 🇺🇸



▲ *Watertown Chamber of Commerce ribbon cutting for Trav's new 28,000 sq foot store in 2018.*

31<sup>ST</sup> ANNUAL

# FAMILY BUSINESS

CONFERENCE

APRIL 28, 2023



## AWARDS

### New Lifetime Achievement Award among honors presented to family businesses

**A Sioux Falls family with a half-century history of business success has been named winners of the first Lifetime Achievement Award from the Prairie Family Business Association.**

For the first time in the organization's 31-year history, the Lifetime Achievement Award was presented to Craig and Pat Lloyd, owners of Lloyd Cos.

Second-generation owners include sisters Liz Lloyd, Christie Ernst and Mary Lloyd-Huber and their cousin Chris Thorkelson. Family leadership includes Craig Lloyd, board chair; Thorkelson, president and CEO; and Ernst, executive vice president of property management.

"This award is presented to a family who has made significant and meaningful contributions to our association and its members, and the Lloyd family

exemplifies that in every way," executive director Stephanie Larscheid said. "We were honored to present this to them and to create a new award in their name."

#### **THE LLOYD ALL IN AWARD: CRAIG AND KRISTIN SNYDER OF VIKOR TELECONSTRUCTION**

The new Lloyd All In Award will be awarded to a family who "leans all into their family business and to Prairie Family Business Association, just as the Lloyd family has done," Larscheid said.

"The All In recipient is willing to learn through PFBA programs, through

▲ A new Lifetime Achievement Award was named in honor of the Lloyd family at the 2023 Family Business Conference.



▲ Kristin and Craig Snyder, of VIKOR Teleconstruction, receive the inaugural Lloyd All In Award.

connecting with fellow families and for their willingness to show up and invest in their family and their business."

The inaugural Lloyd All In Award was presented to Craig and Kristin Snyder of VIKOR Teleconstruction.

The Snyders are the founders of VIKOR Teleconstruction. Their four children are involved in the business as well as Craig Snyder's sister, Emily Kennington. VIKOR family leadership includes Craig Snyder,



▲ CorTrust Bank and the Hopkins Family receive the 2023 Heritage Award.

founder and CEO; Jonah Snyder, vice president of operations; Emily Kennington, chief administrative officer; Gabe Messler, director of business intelligence and analytics; and Ammon Snyder, director of fleet and asset management.

“Since joining Prairie Family Business Association less than a year ago, the Snyder family has gone ‘all in,’” Larscheid said. “They attended the Next Gen Retreat, Board Bootcamp, have joined affinity peer groups and are investing time into the family aspect of their business and their lives.”

**HERITAGE AWARD: HOPKINS FAMILY OF CORTRUST BANK**

The Heritage Award is presented to a business that has thrived for multiple generations for at least 75 years. This year’s winner, CorTrust Bank, was founded in 1930, marking 93 years in business this year.

CorTrust ownership and leadership includes second generation Boyd and Dody Hopkins. Third generation includes president and CEO Jack Hopkins and CorTrust Mortgage president Todd Hopkins, both based in Sioux Falls.

Fourth-generation leadership includes McKinzie Hopkins, senior vice president, based in the Twin Cities.

“Our purpose at Prairie Family Business Association is to help family businesses thrive through generations, and this honor reflects the dedication and hard work it takes to achieve that,” Larscheid said. “We’ve enjoyed seeing the multigenerational success of CorTrust and know there is much more ahead.”

**VICKI CLARKE AWARD: STEFFES FAMILY OF STEFFES COMPANIES**

The Vicki Clarke Prairie Family Business of the Year Award honors a family business that:

- » Makes valuable contributions to the community through leadership roles, volunteer services and/or financial support.
- » Demonstrates pride in the family business and shows a nurturing caring spirit towards associates and employees.
- » Shows genuine caring for the personal well-being of employees, recognizing their contribution to the success of the business.

- » Is recognized for honesty and integrity in business relations with employees and customers in advertising and providing an honest value to all in the community.
- » Demonstrates proven success and growth of the family business since its founding.

This award has been presented since 2004, and this year’s winner is the Steffes family, owners of Dickinson, North Dakota-based Steffes Companies, a lean-operating original equipment manufacturer.

The owners include co-founders and second generation Paul and Laurie Steffes. Third-generation owners include Suzi Sobolik, Kyle Steffes and Katie Harrington.

“The Vicki Clarke Award is selected by peer family business owners, which speaks so highly to the work the Steffes family has done both to grow their business and to transition in ownership,” Larscheid said. “We’re excited to see how their next generation continues to evolve this business.”

The awards were presented at the 2023 Family Business Conference, which drew 500 participants from 25 states, three countries and as far as Portugal. 🇺🇸



▲ The 2023 Vicki Clarke Award was presented to the Steffes family of Steffes Companies.

**BOARD BOOTCAMP**

**NEXT BOOTCAMP: SEPTEMBER 19, 2023**

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**Invest in your Family Business + Structure Your Future**

➔ The Board Bootcamp, hosted in the heart of Sioux Falls at the Washington Pavillion, is intended for families who operate with a board, fiduciary or advisory, or for families who have interest in forming a board and want to learn more.



## SUCCESS STORIES

# Planning for the future proves priceless for family development company

## It started with a question to the team: What would you be nervous about if the CEO/owner were no longer around?

The answers gave Craig Lloyd the motivation needed to start thinking seriously about succession planning.

"The list they came up with was quite long," said Lloyd, who co-founded the Sioux Falls development, construction and property management firm Lloyd Cos. with his wife, Pat, in 1972.

**"We had talked and talked about succession planning. We were always going to do it 'next week' and, of course, 'next week' never comes."**

But, 15 years ago, the conversation started to be formalized. The Lloyd family went on a Prairie Family Business Association retreat at the Paul Nelson Farm, and daughter Christie Ernst presented her father with their team's list of concerns.

"I still have the document – it was a spreadsheet – and they were saying things Craig did as an owner or as a board member or as a manager, and that's how we determined what we needed to solve for," she said. "Do we need to hire, do we need to take it on as an ownership group, or is it something our board should be doing?"

At the time, a board still needed to be created. That happened a decade ago and was key to "holding us accountable and keeping our conversations at the right level," Ernst said. "And they've always pushed for succession planning – not just for Craig but for all our key leaders. That accountability has been really good for us."

It's also proving poignantly effective in this moment, as Lloyd earlier this year was diagnosed with a progressive lung condition.

"Selfishly, I want to be here as long as I can to help it along and make decisions," he said. "There's a way to have a semi-normal life with what I'm dealing with, but I'm still 75 no matter what."

The Lloyd family shared their experience executing a succession plan at a webinar organized by the Prairie Family Business Association, which is available to all members via their online membership information center.

"The Lloyd family has served as an example to other family businesses in the decades they've been involved with Prairie Family Business Association, and we're grateful they're willing to open up about their experience in succession planning at such an important time for them personally and professionally," said Stephanie Larscheid, executive director.

"We know other family businesses will benefit from hearing what they have to share."

◀ *Pat and Craig Lloyd sharing a moment with the future generation of grandchildren.*

## BEST PRACTICES

For the Lloyds, establishing and utilizing a family office has been a key development for the family business, designed to be especially helpful for future generations.

Non-family member Mitch Morrison became president of the family office in late 2020, reporting to a family council made up of Chris Thorkelson, Craig and Pat's nephew, who became CEO in 2016, and two family representatives.

"Primarily, I work closely with Pat and Craig to facilitate updates to their estate plans, advising Pat and Craig on certain aspects of the business, participating in investment and asset management meetings, negotiating transactions on behalf of the Lloyd family holding companies and assisting in sharing information with the family," Morrison said.

He works closely with the company's board of directors, its committees and the company leadership team. He spent three years supporting Lloyd Cos. as an attorney, so he said he has "been in the trenches with team and created a great rapport with key leaders."

"We have a great working relationship and have open lines of communication at all times regarding the business. It helps me to be plugged into the happenings of the business, which in turn allows me to communicate effectively with the family regarding the company. And if there are



▲ *Lloyd Companies chief operating officer Jake Quasney and Mitch Morrison, president of the family office.*

questions from the family that I can't answer, then I know who to talk to and where to get information."

Morrison and the family office also help serve as a conduit for the entire Lloyd family.

"So if I, or any family owner, has a request for something, it goes to the family council, and the council vets it, and it goes to Mitch with a yay or nay," Lloyd said. "Additionally, it serves as an intermediary for family members who

either aren't active in the business or who are active, but it provides a process for decision-making."

The broader benefit likely will be for the third generation and beyond, he added.

**"Not everybody is going to be as attuned to what we do, so this is a bridge," Lloyd said.**

For a long time, "I would hear about family offices and didn't see a need,"



▲ *The Lloyds, with their Board: L to R, Tyler Haahr, Chris Thorkelson, Bruce Webb, Pat Lloyd, Craig Lloyd, Sandra McNeely, Steve Schuler, Mike Tennyson*

Ernst added. "But what I realized is between the family and the business, people are going somewhere to get decisions made, and it's not always clear what the right process is. Especially if we didn't have Craig there, where do the questions ultimately go? And now the answer is it goes to the family office, and Mitch can make sure it's circulated the right way and things get tied together."

A family office "can be what you want it to be, and the vision the Lloyd family had was that while I would participate in many aspects of the business — such as asset management, investment committee and day-to-day operations — my role is to be a conduit for information for the family and to be a representative for the family," Morrison said.

In addition, Lloyd Cos. uses an eight-person board that meets three times a year, with committees meeting more often. Craig Lloyd became board chair when he was succeeded by Thorkelson. Pat Lloyd retired from her seat on the board at the end of 2022. Her position on the board is now held by Sonja Thiesen.

"The board started off as a sounding board for us, but over time we realized how much value they provide to the business and to the family. The board became a fiduciary board several years ago, and we've noticed a huge difference in our business," Lloyd said.

"The board pushes the team to be the

best they can be, but they also push our family to be the best we can be. The result has been a much more sophisticated management team set up for success and a board that has garnered a great deal of trust and confidence by our family."

The numbers back him up. Before focusing on succession planning, Lloyd Cos. was at about 60 employees. It has grown to almost 350 employees. Its apartment portfolio has surged from 2,000 to 8,000 units, with plans to be at 10,000 units soon based on the current multifamily pipeline.

The entire process of succession planning "is what has helped us grow to where we are," Ernst said. "I feel like we were holding ourselves back by not having this conversation about succession and growing our team and building things out. It's scary to do, it's an investment, but the more engaged team members you have in play, the more they wanted to build things. It left us thinking, 'How did we not do this earlier?'"

It's also left the family in a position where they can focus on Lloyd's health and the family's happiness instead of stressing about the business and its future.

"Sometimes, families come to us when they do have a health emergency and want to talk about how we've handled succession planning, and I can't imagine how stressful it would be to be starting

then," Ernst said.

"We've not done it perfectly, but we've had enough conversations and put enough plans in place that we could deal with it when my dad got his diagnosis. We knew he was not invincible and that something would happen at some point, but now we can say, 'Mom, help take care of Dad's health, and we'll take care of the business,' and enjoy the time we have together."

For Lloyd, the process of succession planning isn't over.

**"I want to improve," he said. "I want to get better and find out what we've missed. When are we going to know it's good? Well, it's kind of like insurance. You'll know when you need it."**

In the meantime, he already has gotten an early look. After his diagnosis, the family and company leadership met with key contacts: their employees, investors and lenders.

"That was a pretty good-sized list," Lloyd said. "And every one of them said: 'You set your business up for success. You aligned yourself with people that believe in your culture and your vision. We're super confident with your management staff.' You can't have a better compliment than that. But that made me realize, OK, we did good." 🇺🇸



▲ Lloyd Family Photo: Todd Ernst, Libby Ernst, Christie Ernst, Evan Ernst, Liz Lloyd, Pat Lloyd, Craig Lloyd, Chris Thorkelson, Oliver Thorkelson, Kristin Thorkelson, Harper Thorkelson, Mary Lloyd-Huber, Ari Huber, Wayne Huber, Ellie Huber





FEATURE

# Transition resources help family-owned banks prepare for succession

by JACQUELINE NASSEFF HILGERT

Within families that own banks, there can be a disconnect between parents who control the bank and children in line to take their place. Some parents struggle to see their grown children as fully-realized adults while members of the rising generation might view parents as out-of-touch and ready for pasture, having had enough time at the helm as primary shareholder or chief executive, or both. "I've seen a number of banks that had a great management team, but the dad was tired of dealing with the kids," said David Johnson, chair and CEO of Estelline, S.D.-based Reliabank.

When family members cannot navigate their way past their own drama to focus on the future of the institution, it's likely the bank gets sold, explained Johnson, who has called failed succession the greatest threat to the future of family-owned banks. Johnson and his family have been intentional about succession, planning to avoid selling Reliabank.

Likewise, the Larson family, owners of Bismarck, N.D.-based Starion Bank, has focused its attention on successfully transitioning leadership.

The succession issues at play in family businesses are multitudinous, and extend beyond personality conflicts or sibling grudges harbored since middle school. Succession at family-owned banks involves a change in ownership and quite possibly a change in leadership. It often unfolds against an elder's fierce resistance to change. Succession can impact employees, customers and the community, the latter especially when it

fails and leads to a sale.

Succession at a family bank forces to the table the same issues people have been cautioned to avoid at mealtimes: Money and death (and taxes!). To navigate the fraught landscape of succession within the family business, there exist non-profit organizations and university outreach programs, including the organization the Johnson and Larson families, among others, have turned to — the Prairie Family Business Association. Programs (PFBA) sponsored by the PFBA are helping upper-Midwest bankers, and other owners of family businesses, figure out how to beat odds that say only 40 percent of family-owned businesses turn into second-generation businesses, and only 13 percent are successfully passed to the third generation.



▲ Stephanie Larscheid

## FOSTERING DIALOGUE

Successful transitions at family banks start with communication, said Stephanie Larscheid, executive director of the PFBA, which boasts a membership of 260 family-owned businesses active in many sectors. "Families who struggle don't

◀ *The Johnson family, owners of Reliabank, Estelline, S.D., received the Prairie Family Business Association's Heritage Award in 2020. Pictured, from left, are Reid, David, Jan and Ethan.*

give themselves the space to talk about what the future looks like and how they're going to get there," Larscheid said.

The PFBA was formalized 31 years ago within the University of South Dakota's Beacom School of Business. It offers an outreach center, off-site retreats, annual programs, connections to outside professionals that specialize in helping families in transition, and a peer network. Its members own businesses in over 21 states, with a majority operating within a 350-mile radius of its office in Sioux Falls, S.D.

Similar resources are accessible through the Kellogg School at Northwestern University in Evanston, Ill., the New England-based Institute for Family-Owned Businesses, and the Ohio-based Conway Center for Family Business, to name a few.

Johnson, 70, began his career at Reliabank in the 1970s. He was 24 when his father died unexpectedly. Keeping the bank in the family required Johnson to keep the bank going, and it took him more than a decade to pay off the estate taxes. He eventually bought out his siblings to become sole owner. He and his wife, Jan, got involved with the PFBA to puzzle through how to keep their bank family-owned if neither of their two sons ever became CEO. Both sons work at Reliabank: Reid Johnson, 39, is director of marketing and Ethan Johnson, 32, works in finance and aspires to become CFO.

The Johnsons joined a PFBA-sponsored retreat at the Paul Nelson Farm, a pheasant-hunting lodge in Gettysburg, S.D., which offered them sweeping vistas, requisite detachment from work-a-day concerns, and the space to have meaningful inter-generational dialogue mediated by a counselor assigned to them by the PFBA. Johnson said the retreat was transformational for their family; in such space, "parents learn to treat children as adults," he said, and "children begin to think in more mature ways about their sibling relationships and about their parents. I think that's the key thing."

It was Craig Larson, executive chair of Starion who'd urged the Johnsons to engage with PFBA. Larson engaged with PFBA in the early 2000s and eventually served the association as chair.

"The families who are successful take time away from the business to talk," Larscheid said. The most fruitful



▲ *The Prairie Family Business Association provides family businesses the tools to grow and transition through networking and education.*

discussions occur, she added, when everyone is removed from distractions in order to focus on learning what matters in the context of a transition.

"Our ideal family in our membership is someone who is open-minded and willing to spend time working on their business," Larscheid said. "They show up saying, 'we don't know what we don't know, and we want to learn more.'"

The PFBA retreat at the Nelson farm was expensive, Johnson said, yet it yielded dramatic results at a pivotal point in their family's succession journey.

## WHO LEADS NEXT?

This past fall, PFBA held a Next-Gen Retreat to help family businesses tackle succession from the perspective of the rising generation. Thirty-year-old Samuel Domke, loan officer and part of the third generation to work at Heartland State Bank in Redfield, S.D., attended.

The retreat was motivating and inspirational, Domke said, with a program that included goal setting. "My goal is to get more involved in learning about the bank's day-to-day operations," he said. "I've been focused on lending. Now I want to get a broader picture of how things work," which includes looking at operations. He said he's especially interested in learning how the bank invests.

Like Johnson's sons, Domke works in a different branch from his father, yet unlike them, Domke is firmly intent on becoming president/CEO, a role currently held by 57-year-old Paul Domke. With the enthusiasm of youth, Samuel Domke proffered a five-year timeline for transition to leadership, complications notwithstanding.

And with family succession, there are always complications as familial ties can bind uncomfortably and can often snap. Lawyers are needed to draw boundaries, and ownership more often than not flows

inside bloodlines. Domke grew up one of five siblings, but only one sister and he are eligible to claim ownership when the opportunity presents. "My sister and I get along," he said. "I'd say neither one of us wants the other to struggle and she has no desire to be CEO."

Domke has two cousins, however, sons of his uncle Scott Domke, the bank's CFO and half-owner. While the youngest cousin is still in high school and the older one has heretofore shown no interest in the bank, either one could decide they want to work toward leadership. This third generation of Domkes is exactly the target market for the PFBA, people in their 20s to mid-40s who are figuring out how to be business owners.

## RULES OF OWNERSHIP

Transitions that fail do so largely because of a lack of preparation in the next generation, said Larry Hause, an attorney and principal at Hause Family Business Transitions in Minneapolis. Succession, he said, requires a plan to transition all three parts of the family business: The family, the ownership, and the management. Each transition opens the door to conflict about who's included (family), who controls the wealth (ownership), and who wields the power (management).

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"A lot of [decisions] will involve a family council," Larscheid said. "A lot of it involves some of the traditions and meanings. Teaching the next generation, 'This is why we're in business. This is our purpose. This is what we do. This is why we believe in our business and why we want it to live on.'"



▲ Larry Hause

Hause prefers an owners' council or ownership group be formed that is distinct from a family council in order to keep family issues from encroaching on ownership decision making. He also recommends that a manual be created that explains how the owner(s), board and management should work together.

Sometimes called "rules of ownership," such a document dictates key actions: How are decisions made? What type of board arrangement is appropriate? When might the bank consider selling? How are disagreements mediated? Who qualifies for stock? Who qualifies for compensation?

For instance, some families, such as Domke's, require that you work in the bank to qualify for ownership. "No one just gets to collect a check for doing nothing," Samuel Domke said.

When well-crafted, the document will address one of the stickiest issues facing owners in transition: Fairness (all things considered) versus equality (all things the same).

At their essence, rules of ownership are a tool to communicate intent. "Bankers are hugely community-focused, so when they sell, it hurts the town," Hause said. It's important that successors in both ownership and management buy into that ethos.

At Reliabank, management succession involves non-family. In 2019, the bank promoted Joshua Hogue, 41, to president and Jeremy Keiser to Sioux Falls market president. "We've been very lucky to recruit the people we've gotten," Johnson said. "They've bought into the family-owned community bank model."

At Starion, management also relies on non-family. Don Morgan was chosen



▲ In 2022, the Prairie Family Business Association offered a Next Gen Retreat for individuals who will be stepping into leadership roles at their respective organizations.

to lead after going through a deliberate vetting process. "Honestly, a lot of the things we're doing in our bank are things we were exposed to through the Prairie Family Business Association," Larson said in an article published by the PFBA.

In other cases, when the business was founded for other reasons, "maybe the exit strategy is to sell," Hause said. For those in the rising generation, "it's good to know that," he said.

But if it's not to sell, the rising generation needs a timeframe and ongoing discussions and plans to figure out how to keep the bank going. The conversation from the rising generation to the senior generation should go something like this, Hause said: "I think you built a really great business and I'd like to be a part of it... I'd like to work with you so you can be a part of it as long as you want to be, and I can be a part of it too. So we can accomplish what we both want.

"Put them in a bind where they realize they need help and the next generation is there to provide it," Hause advised.

### THE PIGEON ON THE LEDGE

In transition, there are situations that arise that one cannot anticipate, explained Jan Johnson, who also works at Reliabank. The network offered by PFBA is invaluable when facing a situation you hadn't considered, she said.

Members of the rising generation participating in a recent PFBA webinar talked of a parent who kept pushing transition timelines and a parent who left but then later returned. "One of our families describes it as a pigeon," Larscheid said. "It comes in when it wants and maybe when you don't want it to. What can be helpful in those situations is when you have a board of directors or a family board or an ownership group, and you have a way for that senior generation to contribute in a meaningful way."

The process demands so much of people, not the least of which is time.

A 60-year-old president/chair/owner could be working for 20 to 30 years more. And for the successor who faces an interminable wait (e.g., King Charles III), walking away is a viable, sometimes life-saving option. "If you don't have a walk-away plan, it's to your detriment," Hause said.

Research conducted at the Johnson College of Business at Cornell University in Ithaca, N.Y., reveals that almost one third (30.5 percent) of family business owners have no plans to retire. Ever. And, 29.2 percent of owners report that their retirement is more than 11 years away.

One of the worst ways to open a conversation about succession, Hause said, is to push retirement. Entrepreneurs, founders, banking leaders, "they aren't interested in retirement."

Johnson wholeheartedly agrees. "When you are in the banking business, you feel a part of the success of customers. There is a bonding that goes on there. It's hard to walk away from that." Johnson dubbed the effect "intoxicating."

But while he admits there's allure in staying, the perfectionist in him is resolute about stepping down in 2025. "I'm going to walk away; I have to," he said.

"There's a lot of, 'It's tough letting go when the business is your baby,'" Larscheid said. "You don't want to let it go. Maybe the next generation is ready. You may have your key executive leadership. But you love what you do. And so you're not ready to step away."

Larscheid recommends families start talking and planning 10 to 15 years ahead of a probable transition date.

Hause recommends the next generation broach the topic of succession with the right attitude. If the rising generation leads with "I know better," Hause said they will fail. "Ask mom and dad what they want to do about their business," he said. "Ask what they want their legacy to be. Invite them to dream. Listen, plan, and then be patient." ■

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