

# Spotlight on All Assets and Aspects of a Business

By Stuart Kahan

Anheuser-Busch, Ford Motors, and Wal-Mart, have one paramount thing in common: each started out as a family business. In fact, the overwhelming majority of all U.S. companies are owned, operated, or otherwise managed by mothers and fathers, sisters and brothers, sons and daughters, according to a Mass Mutual Family Business Survey. In the U.S. alone, 60 percent of all public companies are family controlled.

In just the past five years, Americans have started more than three million family businesses, which account for half of the nation's gross domestic product. Today, two out of five Fortune 500 firms are family-controlled businesses. Clearly, family ties can make a business strong, but they can also make that business infinitely more complicated.

## NICHE THEY ENJOY SERVING

The accounting firm of Tauber & Balsler, P.C., based in Atlanta, decided to zero in on the family business area only three years ago. "During 2003, we contracted with Jean Caragher of Capstone Marketing to help us more effectively market our firm," says Scott Rittenberg, tax principal of the firm. "During her evaluation of T&B, she performed a marketing audit. The study revealed that the firm had a significant concentration of family-owned businesses. The shareholder group discussed her findings and determined that the reason for the concentration stemmed from the fact that we possessed the diversity of skills and knowledge necessary to effectively service family-owned businesses and more importantly, we enjoyed working with them. Therefore, we decided to expand

our expertise in areas that are of concern to family-owned businesses and to develop a niche practice."

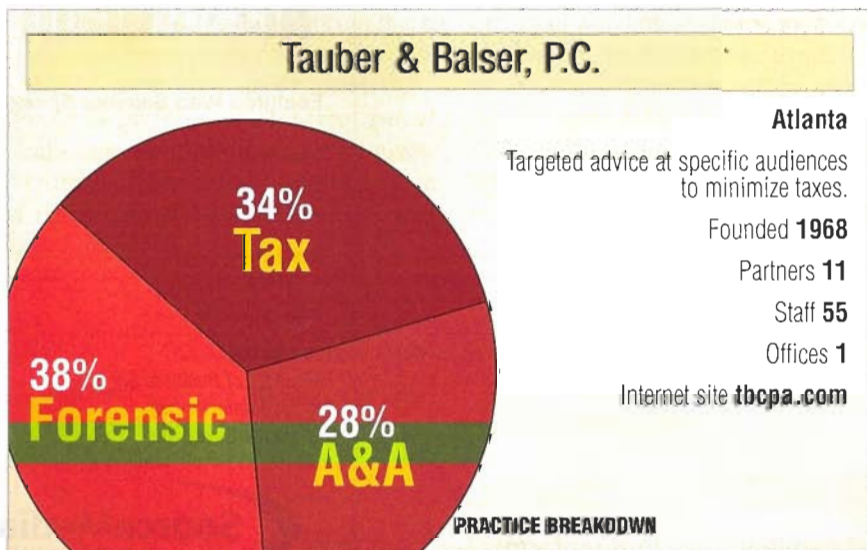
This year, the firm actually created the team. Rittenberg points out that the establishment of this family business sector at his firm was a logical step toward formalizing the firm's services in order to help family-owned businesses succeed. "Keep in mind that just 30 percent of family-owned businesses survive into the second generation. As a result, T&B offers a variety of services to that sector, which includes audit, review, compilation of financial statements, consulting services (including business valuation, estate planning, human resources issues), forensic accounting services, and tax planning, and compliance—all in one package."

## HELPING CRITICAL ISSUES

This past winter, T&B launched a newsletter, *Family Business Matters*. Rittenberg, who also heads the family business team, writes, "Through this quarterly publication, we will provide you with insights, trends, and new perspectives to help your family business prosper."

The premier issue of the newsletter highlights the many different aspects that are important to the family-owned business. Rittenberg points specifically to the cover story about the art and science of determining compensation in the family business. He says that compensation issues are usually two-pronged because they can arise between both family and non-family employees.

However, instead of simply reciting a laundry list of existing and potential problems, Rittenberg emphasizes that his team addresses what can be done and how to go about doing it. In effect, he specifically lists certain strategies. "For example, non-family workers recognize that their opportunities for advancement and ownership are more limited in a family business. So, a better salary is important to attract and retain top talent."



## Hallmarks of Success



## Nurturing the assets of family business

SCOTT RITTENBERG

In addition, Rittenberg includes in the newsletter some rather interesting articles that are slightly off the beaten trail. For one, there is the question of in-laws surrounded around the subject of marrying into a business. He delineates how one can win them over and narrows that to educating new family members, valuing family time, and creating a supportive environment. "Ask family employees to support each other's spouses and avoid making unfavorable remarks."

Governance for family business sits right there at the head of the list. The newsletter team delves into how committees work, how they are chosen, and what they really should be doing. Rittenberg cautions that one must be patient for it may take a few years before the committee is operating at full speed.

He says that nothing would be complete without a look at trying to run a business, especially a family-owned one, "by burning the candles at both

ends." The newsletter purposely sets forth solutions to a business replete with exhausted, overextended workers. "That will only translate into lost productivity and revenue. One way out is to help employees balance their lives."

Rittenberg says that the initial clients came pretty much from inside, from existing clients. "Many of our family businesses are in their second or even third generation. Our target market is small to medium size businesses with revenues from \$5,000,000 to \$200,000,000."

As an example, Rittenberg tells the story of how his team recently assisted a second generation family business in successfully dealing with a variety of issues—not the least of which was compensation. "The company employs three sibling owners, all with varying degrees of responsibility. As siblings distinguished themselves, it became apparent that equal pay was not equitable. We reasoned with the group and presented market studies of what certain responsibilities were worth in the marketplace. At the end of the day, all agreed that there was a difference between rights that come with ownership and fair compensation."

Leslie Balmforth, who serves as the chief operating officer of T&B and is a member of the family business services team, particularly notes that female business owners account for nearly half of all privately held firms in the U.S. "In fact, according to the Center for Women's Business Research, in 2004 there were an estimated 10.6 million businesses that were privately held and that had woman ownership of 50 percent or more, accounting for 47.7 percent of all privately held firms."

Balmforth maintains that one of the biggest challenges facing women today is the difficulty of achieving a manageable work-life balance. "The ability to control available time and to gain flexibility with demanding schedules is one of the primary reasons for the surge of female business owners." She says that is something her firm

addresses specifically with its family business services team.

## FAR-REACHING SERVICES

"Since 1968, we have developed and grown through reputation, acquisitions, and in bringing on new shareholders with established practices," says Rittenberg. He adds that the primary services offered through the family business niche are business valuation, estate planning, family business compensation issues, goal setting, succession planning, operational consulting, and human resource consulting in addition to traditional tax planning.

In particular, Rittenberg points out that the procedures mandated by the Sarbanes-Oxley Act of 2002 and an increasingly demanding cascade of new accounting pronouncements is prompting many CPA firms to discontinue auditing publicly held companies. This, he says, has become a prime opportunity for the Tauber & Balsler Public Company Team to demonstrate its expertise in working with publicly held companies to ensure their compliance with regulatory and financial reporting requirements. Its services, among others, include annual and quarterly filing requirements of the Securities Exchange Act of 1934; initial public offerings and registration statements of the Securities Act of 1933; reviewing annual reports to shareholders; providing comment to management regarding consistency with the audited financial statements; advising companies on the requirements of the Sarbanes-Oxley Act of 2002; communicating with the audit committee; tax planning and compliance; mergers; acquisitions; Investment Company Act of 1940 compliance; and offerings exempt from registration under Regulation D.

He concludes that besides family businesses, T&B has specific expertise in audit practice, real estate, forensics, not-for-profit, compliance, and estate planning, all of which can be focused on the family business owner. **PA**