

## Family-Owned Business

# A two-generation generating business

BY CAPE & PLYMOUTH BUSINESS STAFF

### WOMEN & FAMILY OWNED BUSINESS AWARDS

Harry Clark started South Shore Generator in 1982 from the basement of his Wareham home. With only his last

paycheck from a former employer and a \$1,500 federal tax return, he would have to support his wife and two toddlers.

“Friends thought I was crazy,” he recalls. “But I wasn’t going anywhere at the company where I worked. I didn’t feel I had anything to lose and only lots to gain.”

His wife, Lois, a stay-at-home mom at the time, assumed responsibility for the books and used the family’s only phone exclusively for the business.

with a laugh. “I was the parts and service department, picking up the phone between changing diapers.”

But the sacrifice was worth it. From their first job, they never were in the red, earning \$49,000 in their first year.

South Shore Generator grew from a service-only business to a dealer for big brands, gaining recognition during the ‘90s as national sales leaders.

In 1989 – seven years after starting the business – they built their current headquarters in their hometown of Wareham.

“We grew constantly because we understood the relationship dimension to our business,” explains Harry. “When someone’s generator breaks, they want it repaired immediately.”

water treatment facilities that must maintain power during outages.

Currently, while sales of new and used generators, as well as rentals are flat to down, the service business remains strong, a powerful hedge against volatile economic cycles.

Eric – a graduate of UMass Dartmouth with a degree in business information services – sees customization as a key to his and sister Bernadette’s future, as they take over the company from their parents. “You may be able to purchase equipment cheaper elsewhere, but will they come to your house on a moment’s notice at 2 a.m.?” he says.

Bernadette, a UMass Amherst graduate in business and economics, focuses on sales. She sees specific opportunities developing ‘private client’ programs for distinct customers such as second-home owners.

The coming years will see the siblings assume total responsibility as South Shore Generator’s second generation. “We are very fortunate to be able to carry on a legacy. Not a lot of people get that opportunity,” says Eric.

As well as they get along and communicate, they realized they needed professional help to effect a formal transition. That is when they contracted Terence Shepherd, a partner in ROCG, an international succession and transition consultancy with local offices in Yarmouth, Worcester and Framingham.

“Terry has brought total professionalism to the process to help the family identify both short-term and long-term goals that will meet the personal needs of four family members as well as the unified future of the company.”

“A consultant can only take us to the water,” says Bernadette. “We will have to drink it. We’re committed to making South Shore Generator successful for our children someday.” ■

### The Clarks’ story highlights critical themes for a family-owned business:

- Despite constant growth over a quarter century, South Shore Generator has studiously avoided high debt, relying on cash flow as much as possible – investing it back into the business.
- Having experienced three economic downturns, it carefully controls the amount of inventory it has on hand.
- It has dedicated itself first and foremost to service, recognizing that intense competition in a commodity industry requires a “value added” business model.
- While the Clarks may not have used the term “brand” early on, they always understood that their company’s image in the market was critical to gain customer confidence. And they had to back up that image with performance.
- The company always emphasized customer relationships to differentiate itself from larger firms. “When someone needs a generator repaired, they want to know they have a friend on the other end of the line,” says Lois.
- It diversified to avoid an “all eggs in one basket” situation. While it has expanded its equipment sales over the years, it has always maintained and grown its service business. That has evened out economic shocks during downturns like the current recession.
- Early on, they viewed their market as extending across the South Shore and to Cape Cod. Their very first customer was the Dennis Fire Department, and remains so to this day, 27 years later.
- Providing strong service requires strong staff. Many of the Clark’s employees have been with the company more than 15 years, as they try hard to avoid turnover. They offer generous benefits including a profit sharing plan.
- With the accent on family, the Clarks recognized very early that the company’s long-term equity required an eye on the next generation. While fortunate that both children wanted to take over the company, the parents also understood the need for professional expertise to help them develop a successful succession strategy.

### About family-owned businesses

- Family businesses comprise 80 percent to 90 percent of all business enterprises in North America.
- Family owned businesses account for 60 percent of total U.S. employment, 78 percent of all new jobs, and 65 percent of wages paid.
- By 2050, virtually all closely held and family-owned businesses will lose their primary owner to death or retirement. Approximately \$10.4 trillion of net worth will be transferred by the year 2040, with \$4.8 trillion in the next 20 years.
- Only 40 percent of family owned businesses survive to the second generation, 12 percent to the third, and 3 percent to the fourth.
- Of CEOs due to retire within 5 years, 55 percent have not yet chosen their replacement.
- There are 1.2 million husband-and-wife teams running companies.
- The number of family businesses run by women has grown 37 percent.

Today, South Shore Generator operates from its own building on Cranberry Highway in Wareham, employing nearly two dozen employees and generating millions of dollars in annual revenue as it begins a carefully researched succession plan to turn the company over to the next generation – children Eric and Bernadette.

“From the first day that Harry opened up the business, we made sure that clients didn’t know we were working out of our basement,” recalls Lois

“Over the years, those expectations have expanded exponentially,” says son Eric, who manages customer relations. “Today, power is in high demand. No one wants to be interrupted, especially as technology and the Internet become so critical in business operations.”

Inevitably, South Shore Generator’s success has depended on institutional clients – police and fire departments, hospitals and nursing homes, schools and other operations such as waste-