Do Families and Big Business Mix?

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BRIAN L. ROBERTS stood out on his very first day at Comcast, and not just because he was 12 years old. His father, Ralph J. Roberts, who founded the company, took him along to a meeting nearly four decades ago, when Comcast was planning to go public. Around midnight, executives produced a new draft of the offering document and pored over it for accuracy. It was the boy, however, who noticed that one of the charts read backward, and excitedly told his father.

"That's a good point. Let's change it," Brian Roberts recalled his father saying.

"Right from the start, he gave me confidence," he added. "There are a million fathers who would say, 'Sit still and don't open your mouth.' "

The younger Mr. Roberts, of course, went on to become chief executive and chairman of Comcast, which he and his father, who remains a director, have turned into the nation's largest cable company. But while theirs is an example of a corporate dynasty that seems to be working, the headlines these days show that the relationship between fathers and their offspring at other family-dominated companies can be fraught with peril.

At Cablevision, James L. Dolan has been feuding publicly with his father, Charles F. Dolan, over the father's desire to start a satellite TV business. At Adelphia, the cable company that is now bankrupt, a son of the founder, John J. Rigas, shared his father's sense of entitlement, using the company coffers as a personal piggy bank. And at A.I.G., which is being investigated for accounting irregularities, the former chief executive, Maurice R. Greenberg, had a rocky relationship with his two sons during

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Vincent Laforet/The New York Times (James L. Dolan); Peter Foley/Bloomberg News (Charles F. Dolan); Everett Collection ("The Addams Family"); composite by The New York Times

James L. Dolan, foreground, and his father, Charles F. Dolan, right, run Cablevision together; their relationship has as many twists as "The Addams Family."

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their time at the insurer.

So is keeping control in the family good for business, not to mention good for the families, who, after all, have to talk about something over Thanksgiving dinner? The short answer, most experts agree, is that even the best-run family companies present a special, often daunting set of challenges.

A recent study suggests that the odds are clearly not in favor of corporate dynasties. David M. Reeb, associate professor of finance at Temple University in Philadelphia, and Ronald C. Anderson, associate professor of finance at American University in Washington, examined the performance of 403 family-controlled companies from 1992 to 1999. They found that in the first generation, when the founder is in control, these companies tend to outshine their peers. Companies where families bring in professional managers also do well.

The problems start when the baton is passed from one generation to the next. "When the company is turned over to a family member," Mr. Anderson said, "it is likely to underperform family firms run by the other two groups."

The explanation, he said, is simple: family-first companies are selecting from a tiny list of candidates. "There is no reason to think that you can look at one of your three or four kids and think that this is the best you can do," he said. "It is likely you could have found a more talented pool from a larger sample."

OBVIOUSLY, there are plenty of examples of family dynasties that get it right - from McGraw-Hill to International Speedway. In fact, Thomas Russo, a partner at Gardner Russo & Gardner, manages $2 billion for wealthy investors and seeks out well-managed family businesses. Mr. Russo has large positions in Heineken, the Dutch brewer (run by several generations of Heinekens until a few years ago), and in Brown-Forman (four generations of Browns), a liquor company whose brands include Jack Daniels and Southern Comfort, as well as in Comcast.

"Finding the right company is very labor intensive," Mr. Russo said. "But when you find them, their strategy is often far more long-term oriented than companies with professional management." Well-run family-controlled companies "want to preserve the franchise for future generations," he said, "and are less likely to risk long-term value for short-term gains."

One company that will undergo a closely watched generational change is Viacom, the media giant. Sumner M. Redstone, 81, its founder, chief executive and controlling shareholder, plans to turn over voting control eventually to his daughter, Shari. She is now president of National Amusements, the family's privately held movie theater business.

At her father's urging, Ms. Redstone, 51, has been spending more time at Viacom, learning the ins and outs. Her father says he expects to appoint her as vice chairman in the near future. "You should only put family in your company if you believe in their competence and commitment," he said in an interview.

Continued
1 | 2 | 3 | Next>>

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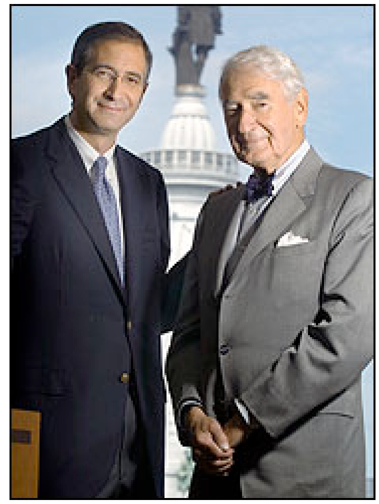
Tim Shaffer for The New York Times
Brian Roberts, left, took the reins of Comcast, the nation's largest cable company, from his father, Ralph, who is still a director.


Sumner M. Redstone, controlling shareholder of Viacom, plans to transfer voting control eventually to his daughter, Shari.