

Hartwick Systems & Equipment Ltd.

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***Abstract:** This case is a real-world teaching application regarding a second-generation family business' decision to hire the son of one of the two brothers who share ownership and management.*

KEY LEARNING OBJECTIVES

By the end of this experience a student should be able to:

- Understand the challenges family businesses face and be able to think critically about the issues and implications
- Draft criteria they feel should be considered when deciding whether to hire a family member
- Explain the Three-Circle model, organize individuals by role, and communicate about the challenges of overlapping roles

THE BUSINESS

Hartwick Systems & Equipment Ltd. (the company) was founded in the 1980s by Brian's father, Cliff Hartwick. The company marketed packaging equipment to agricultural processing companies. Hartwick was a small entrepreneurial company with a number of competitors. The company did about two to three million dollars (Canadian) in sales annually. The company had eight employees, five of whom were family members. It enjoyed steady growth.

In the late 1980s, Cliff transferred the family business to his sons Brian and Brian's older brother, Vaughn (see Exhibits #2 and #3). Today, they are an independent organization that provides objective analysis and helps companies create the ideal processing and packing systems for virtually any items including flour, sugar, spices, beans, fertilizer, topsoil, minerals, animal feed, grass seed, seaweed, and much more. The bagging systems range from full bag automation to a simple manual system. The company also focuses on developing palletizing technology that is very simple for the end-user to operate, yet handles all the complex calculations necessary to determining proper product placement.

The company's customer service includes the creation of equipment and system designs for a wide range of products. The organization is made up of only a few employees who pull resources together from a vast network of professional suppliers, depending on what is needed. Some examples of organizations and products include Fuji Robotics, Lewis M. Carter Manufacturing, Carter Day International, Fischbein and Taylor products, to name a few.

Competitors include such organizations as 4B Components Ltd, The Boone Group, Celco Controls, and Stockdales Electric Motor Corporation. What sets Hartwick Systems & Equipment

Ltd. apart from the competition is being a small agile firm that is completely focused on service. This philosophy of being personally committed to customer service and tailoring their equipment to fit the client's needs comes from the founder and has been carried on into the second generation. In addition, the company is generally more cost-efficient than the larger manufacturers.

When the business was transferred, Brian took the title as President and Vaughn's title was Vice President; although, Brian describes their roles as flexible and their titles as not overly important. Brian's focus is more external, "the outside guy" primarily in charge of the marketing efforts which include most of the travel. Vaughn's focus is more internal, "the inside guy" with more of the financial responsibilities, though he helps with marketing efforts. Prior to coming to the business, Brian and Vaughn both had brief experiences working outside the business.

In 2004, Brian hired Vaughn's son, Justin, who was eighteen at the time. Justin graduated from high school with a C+ grade point average. He started off with some regular supervision, but there was no formal training program at the start. Justin's earliest role was to look after existing clients and to start cross-training on the complete product line. In time, his specialization became the robotic palletizing unit of the business. To prepare him for these duties, Justin was sent to Japan for an intensive 14-day training course on robotics. With this successful training, he returned and began participating in palletizing projects with factory staff supervision. Over the course of eleven pallet projects, he has assumed greater and greater responsibility. Justin is now involved from the very beginning, with initial customer and sales department contact, through to the completion of a project. His next training objectives are in the areas of processing machinery and finance with no firm timelines established.

Brian has supervised Justin since his hiring. Justin's initial role had him in charge of repairs, which entailed fixing in-house equipment such as brackets, as well as working in shipping and receiving. Justin has completed his palletizing training under the eye of the factory staff. Though Brian gives Justin ongoing and informal feedback on his performance, there is no formal evaluation process.

OWNERSHIP OF THE BUSINESS

Currently, all the ownership in the business is shared between Brian and his brother, Vaughn. If they pass away before transferring the ownership, Brian's portion would transfer through his estate to his wife. He assumes it would be the same for his brother, Vaughn.

Brian and his brother have talked with their attorneys about some long-term planning related to transferring ownership to the next generation and related tax considerations, but have not as of yet transferred any ownership, nor have they yet created any transfer plans.

Brian says that he and his brother have not yet assessed how the ownership might be transferred to the next generation.

THE FAMILY & ITS INVOLVEMENT

Brian is married to Tracy. They have two children, Brandon (18) and Taylor (15). Vaughn is married to Rosemary. They have two children, Justin (21) and Stephanie (18). For a summary of the family members, business employees, and ownership roles, please see Exhibits #2 and #3.

FAMILY VALUES THAT SHAPE THE BUSINESS

Brian says that the values of the business included thinking long-term. When planning for the future of the business, Brian says that he and his brother look at a timeframe of five to ten years. “I don’t have to look at every quarter and make it better,” says Brian.

Likewise, they value long-term relationships with their clients, and even their professional advisors (e.g., attorneys and accountants). Brian notes that he and his brother have had the same accountant firm and law firm since they took over the business in the late 1980s. He feels that good advisors will do a lot to keep any business out of trouble.

WHETHER TO HIRE BRANDON

Brian Hartwick, President of Hartwick Systems & Equipment Ltd. was considering hiring his son Brandon. Brian wanted to make a decision before his son graduated high school. This decision will be based upon Brandon meeting the following criteria:

- Mechanically inclined
- Strong work ethic
- Ethical person
- Values are in line with the family’s

In his junior year in secondary school, Brandon started working summers and after school in the family business. The service and shipping departments were a good fit for his part-time status. His attendance record is good and he is well-liked by the full-time staff in both departments. Although Brandon has struggled with the paperwork aspects of his shipping and receiving duties, this appears to be self-correcting as more and more of the processes become automated. Brandon has a strong mechanical aptitude that extends to the area of computer technology (the paperless digital environment). No formal training plans are in place, but all are aware of his impending graduation. Most employees feel that there are many opportunities to expand his duties.

CONCLUSION

Brian wants to carefully review the criteria and related implications of bringing his son Brandon into the family business. Additionally, Brian wonders if Vaughn or he should supervise Brandon, if hired. For additional information see Exhibit #1.

Additional issues to be considered:

- Should Brandon be hired to work for the family business?
- What criteria should be considered in making this decision?
- What are the implications to the business? The family? The employees? Brandon? The community?
- What role would Brandon play if hired? What should he be paid? Who should supervise him?
- What could the business do to prepare for when other family members want to join the business?
- What should the business do to continue to be successful into the future?
- How does the fact this is a family business change the way the decision is made?

Exhibit #1: BRANDON'S PROFILE

Brandon is eighteen, and a high school senior. His grades in high school are stronger in technical courses. Brandon has always had a talent for fixing things and dealing with mechanical issues. His hobbies include attending auto races and playing computer games. During high school, Brandon was in a co-op class and worked in an auto body shop. He turned down an auto repair job when he decided to work for Hartwick after school. His interest in autos continues, as he currently designs and builds custom car stereo systems in his spare time. Brandon's experience in Hartwick to date has included working in the business after school and for a month during the summer of his junior year.

Exhibit #2: HARTWICK SUPPLY & EQUIPMENT GENOGRAM

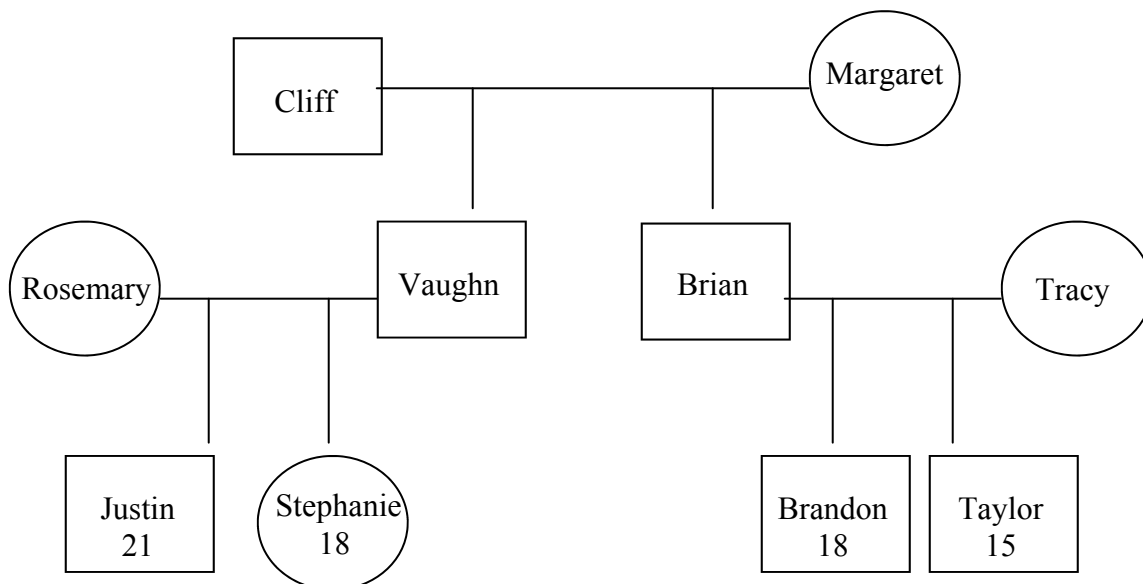
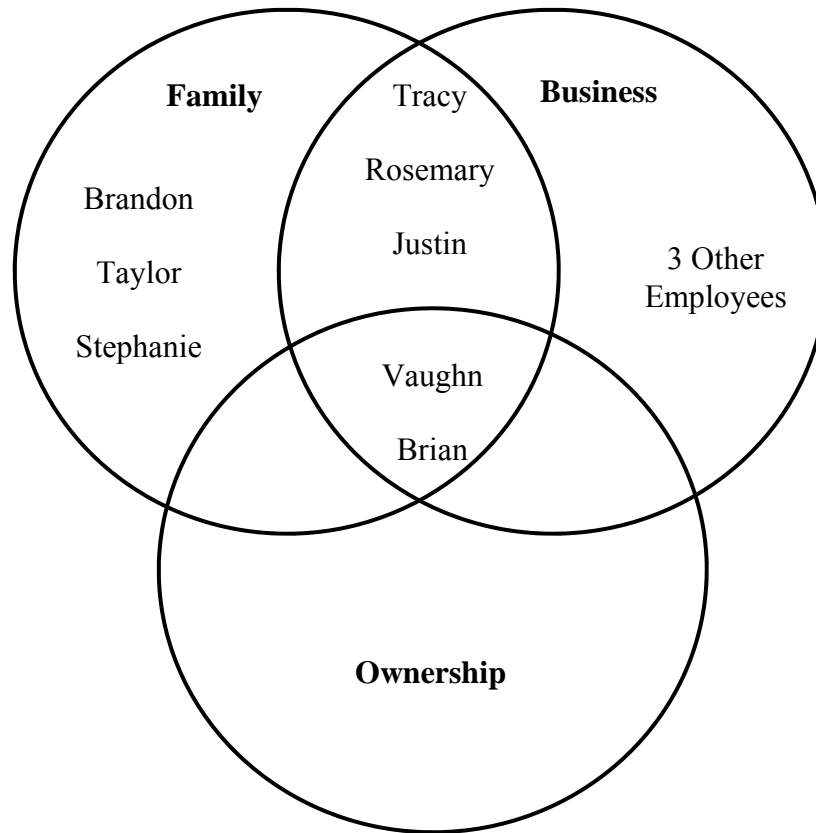


Exhibit #3: HARTWICK SUPPLY & EQUIPMENT THREE-CIRCLE MODEL



Teaching Note/Instructor Manual available from the Journal of Business Cases and Applications.