

SPOTLIGHT:

FAMILY BUSINESS

"We needed to empower the people that are here in a different way so that they were managing their piece of the pie." — Robert Santiago, Para-Plus Translations Inc.

Preventing bloodlines from becoming barriers

An organizational structure helps prevent family feuds from upending companies

BY MELINDA CALIENDO

Robert Santiago knew when he took over his mother's transcription and interpreting business in 2009 that he'd have to change things to grow the company. But implementing a governance system took changing the way **Para-Plus Translations Inc.** has operated since its founding 30 years ago.

Santiago said his mother, **Sonia Santiago**, formed the business after working in a law firm as a paralegal and being asked to translate for Spanish-speaking clients.

"She said maybe I can do this as a business, and she kicked my brother and I out of the den and that was her office for a long time," Santiago said. "My brother and I both now run the organization in tandem," with Robert serving as chief operating officer and his brother, **Carlos**, as vice president.

Para-Plus works with contractors that provide interpreting and translations for more than 100 languages, with 12 full-time project managers, coordinators and a billing staff. The Barrington-based firm has seen year-over-year growth since its inception in 1980.

Sonia Santiago "ran the organization very close to the vest — and she ran it very effectively that way — but that being said, all of the control lied with her and her decision making," Robert Santiago said. "In order for us to work on the business and not in the business, we needed to empower the people that are here in a different way so that they were managing their piece of the pie."

Titles like director of interpreting ser-



AARON HOUSTON

When brothers Carlos Santiago, left, vice president, and Robert Santiago, chief operating officer of Para-Plus Translation, took over the company from their mother in 2009, they decided to delegate more responsibility to allow themselves to work on growing the business and empower the other employees.

vices and director of translation services were installed, and the Santiago brothers started to take a more hands-off approach and distribute more responsibility. Santiago said, since the new levels of management were installed, there has been more feedback and a more inclusionary feel to the company.

"Developing, maintaining and adhering to a governance system within the

family firm is important for a lot of reasons," said **Kim Dennison**, administrator of family business programs for the Rothman Institute at Fairleigh Dickinson University. "An established and effective corporate governance structure can provide the guidance that can help prevent potential issues that call into question the company's liability, but it can also increase confidence in current company stakehold-

ers and future investors."

Edward Ahart, an attorney with **Schenck, Price, Smith & King LLP**, said there is no set point when established businesses should implement a governance structure, but it's easiest when done early. That way, family expectations are known up front and potentially emotional issues are avoided as the business grows.

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FAMILY BUSINESS by the numbers



\$3.37T

sales by U.S. family-owned firms in 2007

1.3 million

U.S. family-owned firms with paid employees

17.3 million

U.S. family-owned business employees



\$562.9B

U.S. family-owned business annual payroll

2.5 million

U.S. family-owned firms without paid employees

Source: 2007 U.S. Census Survey of Business Owners

GOVERN

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"Family businesses aren't necessarily small businesses — **Ford Motor Company** was a family business for many generations," Ahart said. "It's important to make that distinction in the conversation."

In New Jersey, all corporations have a statutory board of directors, and all limited liability corporations must have a board of managers, Ahart said. In family businesses, these boards are established informally in smaller companies, but larger private family businesses, like **Mars Inc.**, have formal boards.

With the Berger family, a governance system was formed more by geography than intent.

Miles Berger, CEO of The Berger Organization, said when he entered the real



Miles Berger

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Miles Berger,
The Berger Organization

estate business started by his father and his uncle, instead of trying to work in the same Bronx and Queens neighborhoods as his family, he struck out into New Jersey. Berger said not being "on top of each other" in the work setting helped the family stay connected while growing the business. Miles' cousin, **Solomon Berger**, operates New York-based **Berger & Berger Inc.**

"What has to happen is that the ability to lead and the ability to run the company have to overrule any other family involvement or family ties," Berger said. "If that doesn't occur, then the company can suffer, and ultimately lead to a breakup that starts with the business and goes also to the family. I've seen it many, many times."

Adding outside professionals to a level of governance can help focus a family-owned business on the business rather than the family. Santiago said he looks to a group of other business owners who participate in a Vistage peer group to help him see business issues from an outside-of-the-family perspective. He calls the chair of the group a "business psychiatrist" to talk about issues with.

"Sometimes, for your own organization, you can't see the forest for the trees," Santiago said. "We're not really big enough to have a board of directors or that kind of governance, so that allows us to ... make decisions that we think are going to be for the betterment for us."

Berger also seeks advice outside the family, but his advising comes from lawyers, accountants and other business professionals the company engages. The company also employs non-family managers at each of its hotel properties as a way to discourage nepotism.

Ahart said an advisory board can be an invaluable tool to family business owners looking to create a more professional company.

"An advisory board could be made up of folks who are not from the company who could bring experience in a variety of areas where the company doesn't have that expertise," Ahart said. "It could be a higher level of financial experience in significant contracts. It could be somebody who has brought contacts in the industry who could help with introductions. It could be someone who has marketing

expertise."

"A family business is often started by an entrepreneur," Ahart said. "Those particular areas of expertise don't necessarily mean somebody has had training in running an organization."

Ahart pointed to **Steve Jobs** and **Bill Gates**, who were garage tinkerers first. Where they started with their businesses "didn't have anything to do with what they did at the end of their careers. Every family-owned business has that same potential."

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