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Family-Owned Businesses: The Backbone of the U.S. Economy

Multi-Generational Companies from Western States Lay Roots in the Inland Northwest


Smart Multimedia Gallery


Tapmatic Corporation owner Mark Johnson and his sister Valerie Johnson, director of marketing. The third generation family-owned tool manufacturing company relocated to the Inland Northwest region to lower operating costs and improve the quality of life for employees. (Photo: Business Wire)



SPOKANE, Wash.--(BUSINESS WIRE)--Long a cornerstone of the U.S. economy, family-owned businesses account for as much as 90 percent of all businesses in North America by some estimates.

Family-owned businesses also consistently outperform non-family businesses by emphasizing cost control and investing long-term in employees. According to Seattle wealth management firm Laird Norton Tye, an analysis of Standard & Poor's 500 index over a 10-year period revealed that total shareholder return, revenue growth, and income of family-owned businesses eclipsed that of non-family businesses.

Tapmatic Corporation, a recognized leader in the tool manufacturing industry, is one such family-owned business that has outstripped competition by lowering operating costs and investing in employees. For third-generation owner Mark Johnson and his father Allan Johnson, the opportunity to accomplish both priorities came with the decision to relocate headquarters from Irvine, Calif., to Post Falls in North Idaho.

"As we got closer to the move, more and more people expressed interest in relocating (with the company)," says Mark Johnson, explaining that the relocation gave many employees the opportunity to own a home for the first time. "Housing is more affordable here, the commute is shorter, outdoor activities abound. Post Falls is a great location for Tapmatic. All our support processes are nearby and the quality of life couldn't be better."

Tapmatic's story is not atypical in the Inland Northwest, a region spanning eastern Washington and northern Idaho. In fact, of the more than 70 companies that have moved to the region over the past 15 years, 66 are family-owned and the majority relocated from Western states to take advantage of lower operating costs and the Inland Northwest's quality of life.

Buck Knives, a fourth-generation family-owned knife manufacturer, also used Inland Northwest relocation as a business strategy. The company moved from El Cajon, Calif., to Post Falls, Idaho when rising operating expenses and increasing pressure from foreign competitors compelled the company to flee the state. The relocation proved more profitable than expected, reducing operational costs by 30 percent following the move.

"It's a new lease on life for our company, as well as our employees," says Chairman Chuck Buck.

Relocation is an effective business strategy for many family-owned businesses because they are faced with developing business plans that define survival and growth strategies in a bigger, faster and more competitive environment than ever before. At the same time, the ability to engage future generations is critical for family-owned businesses.

Given all these pressures, it's no surprise that only 50 percent of family-owned businesses survive into the second generation and only 50 percent of these survive into the third, Laird Norton Tyee reports.

Bob Potter, chief business recruiter for the Inland Northwest Economic Alliance – a regional consortium of 11 economic development organizations – says that often "family members of succeeding generations have different lifestyle interests and seek a quality of life different than that of their parents and grandparents. They not only seek bottom line dividends through relocating their business, but lifestyle dividends as well."

Lloyd Industries, a manufacturer of pizza and bakery equipment moved from southern California to Spokane, Wash., primarily so the Crow family could pursue a better quality of life.

"The difference between being in Spokane and southern California is that recreation is so far away (in California)," Rob Crow said. "Before, I had to take time off to enjoy the outdoors. In Spokane, it's all so close that you can do fun things and it doesn't take a whole lot of money."

By all indications family businesses will continue to survive and thrive as future generations become engaged and focus on long-term business growth. "Successful business families have tremendous respect for the challenge of combining family with business," says leading family business authority John L. Ward, Ph.D., in "Perpetuating the Family Business." "Members of these families say, '...we see the challenge of perpetuating a successful family business as one that strengthens us. We see it as something that makes us better. If it weren't difficult, it wouldn't be worthwhile.'"

For more information about the Inland Northwest and its communities, visit www.inlandnorthwestregion.com.

Sidebar:

FIVE TIPS FOR FAMILY-OWNED BUSINESSES

Bob Potter, chief business recruiter for the Inland Northwest Economic Alliance (INEA) suggests the following tips for family-owned businesses considering relocation:

- 1. **Assess your business situation.** Is your business location-dependent? Where are your customers? Quality transportation infrastructure is all you need to serve customers around the nation or world.*
- 2. **Compare business costs.** Evaluate workers' compensation and utility rates, real estate costs and tax structures. Have communities, states or regions prepare a confidential cost comparison study for your company.*
- 3. **Evaluate your succession plan.** Consider who will one day run the business and what his or her interests or needs may be.*
- 4. **Consider employees.** Think about your key employees and whether they would consider moving. What will be the impact on employees' lifestyles? How many own homes? How far do they commute?*

5. **Be proactive.** *Tour regions and talk to others who've made the decision to relocate. Invite an expert to speak with you and your family.*

Visit www.inlandnorthwestregion.com for more information.

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