

GROWERTALKS

Cover Story

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A Successful Succession Story

Jennifer Zurko



We've all heard those family business stories: Junior has grown up in his dad's greenhouse operation. The assumption is that he's next in line to take over the operation. Dad has mentioned it casually over the years that it's his plan, but the talk never goes beyond chit-chat over lunch.

Finally, the day comes when Dad wants to actually discuss transitioning the business to Junior. This is when it can get hairy.

We know operations where Dad transitions the business over to Junior on paper, but never leaves, still doing his regular job and making all the decisions, keeping Junior perpetually frustrated and resentful.

Pictured left to right: Bill, Rob, Sr., Rob, Jr., and Sean.

Or Dad decides to leave the business to all of his children, despite the fact that Junior is the only one who's been spilling his blood, sweat and tears in the greenhouse for years. The other siblings have already said that when dear old dad dies, they want to sell the business, straining Junior's relationship with his brothers and sisters before Dad's even gone.

Or even worse: Dad never gets around to making a formal transition plan and he passes away suddenly, leaving Junior and his siblings to sift through the mess with attorneys and accountants.

The lesson you can take from what Kube-Pak has done with its succession plan is to not do any of those things.

The not-so-right way

In 1957, brothers Fred and Bernie Swanekamp started a growing operation in New Market, New Jersey. Then in 1963, Fred and Bernie bought Kube-Pak in Allentown from Art VanWingerden, selling that piece of land in 1967 to buy another about a mile down the road to what's been Kube-Pak's current location ever since.

Fred and Bernie's sons, Bill, Rob and John started working in the greenhouse when they were little kids.

"Well, it was a family business," said Rob. "We got home from school and we would work. And then in the

springtime at the height of shipping, nothing would really get done until we showed up. And we'd be out there working until the job got done. Most nights we were out there 9:00, 10:00 at night finishing up. It's a pretty common story in our industry, I think."

"Most of us didn't want to come into the business," explained Bill. "There were seven kids [total] in our family and all of us worked since we were 10. And all of us hated the business because we worked for free. We didn't get paid."

After high school, both Bill and Rob went away to college—Bill for Business and Chemistry, and Rob for Horticulture. Rob realized that college wasn't really his thing, so he started working full time at Kube-Pak in 1973. Bill said that, although he initially didn't have an interest in coming back to the family business, he eventually did come back in 1975. In 1980, Rob's brother John joined the business, so it was the three of them working alongside their fathers as the second generation.

The transition of the business from Fred and Bernie to Bill, Rob and John started in 1987 ... and the process was anything but smooth.

First, it was hard to get Fred and Bernie to even embrace new ideas for the business, let alone talk about transitioning the whole thing. The fathers were content with letting the business coast along, while the three sons were eager to pursue other avenues for growth.

"The business just wasn't going in a direction that the young 'uns were satisfied with," said Rob. "The business needed more revenue. We had other ideas for the direction we wanted to see it go in and there were just brick walls all the time."

One example, in 1972 Kube-Pak designed and built the first rotary drum seeder for plugs. A few years later, the second generation wanted to start selling plugs to other growers, but Fred and Bernie were totally against the idea—they felt that the business didn't need it. But Bill and Rob disagreed, so they trialed selling plugs without their fathers knowing.

"Rob would sow the seed at lunchtime when my father would go home for lunch," Bill said. "He'd sow the orders that we needed for customers that we were keeping track of in a paper book. And then we would tell them, 'If you come and get your plugs, you can only come at lunchtime.'"

Their plug side hustle lasted for over five years and it netted them about \$100,000 of extra sales per year.

"They would ask, 'How'd you guys do that? Where'd all the plugs go?' It had nothing to do with our own internal production," said Rob.

It was about 10 years of the sons approaching the dads with ideas to improve and upgrade the business, and the reaction was always the same. An example of this was Bill's attempt to bring Kube-Pak into the 21st century.

"I said to [my father], 'We cannot continue to run this business without a computer system.' And what do you think his response was? 'We don't need one,'" said Bill. "We had to add everything up in our heads. Everything—we had no calculators. He finally said alright. And his next words to me were, 'Go ahead and do it, but I want nothing to do with it.' So that's the atmosphere that was created."



Pictured from left to right: The Swanekamps—Sean, Bill, Rob, Jr. and Rob, Sr.—looking at some fall pansies.

It finally got to the point where Bill and Rob threatened to leave. When that happened, Fred and Bernie acquiesced, but told Bill, Rob and John to figure it out for themselves. So the three of them hired their own attorney and accountant.

During this time, they found out what the real crux of the problem was, and why Fred and Bernie were dragging their feet on transitioning the business.

“Both Fred and Bernie really didn’t have any kind of a retirement plan set up, so they were depending on whatever [the business] was worth to get them through their retirement years,” said Rob, Sr. “There were no 401(k)s; there was nothing other than Social Security. So that’s where I think a lot of the angst came in on their part, is making sure they weren’t getting shortchanged.”

“We made it very clear to them we did not want them to leave. We wanted to be able to make the day-to-day decisions so that we would have a future,” said Bill. “Truthfully, the business was not making a lot of money at that time. We saw the need to expand the business so it could support all of us. They had lost their—I don’t know if it was motivation—but their zeal to grow the business.”

“They had seen the growth that they wanted to see,” said Rob. “They transitioned from a small operation to this much larger operation with a product that was unique. They figured they’d climbed their mountain.”

Kube-Pak finally fully transitioned to Bill, Rob and John in 1988. Both Fred and Bernie stayed on to work at the greenhouse for another five years, with Bernie helping full time with the crops and Fred working part time, filling in to help in the office when he could. Fred moved to Florida and passed away in 2001; Bernie is now 94 years old and lives in North Carolina.

But even though there were contentious moments and the process didn’t go as smoothly as it could have, Bill and Rob made it very clear that at the end of the day, they’re all family. Fred, Bernie and their sons all continued to work together and maintained a positive relationship inside the greenhouse and out.

The better way

Bill and Rob were determined that if any of their children showed an interest in being in the business that the transition process wouldn’t be the same way they experienced it.

Rob’s son Rob, Jr. and Bill’s son Sean also grew up working at Kube-Pak, but they had a different experience. Instead of using them as free labor, Rob and Bill always paid their kids for the work they did.

"I saw the benefit of [paying them like employees]," explained Bill. "Rob, John and I all talked about this from way back, about our desire to make the next generation interested in coming into the business."

Both Rob, Jr. and Sean worked elsewhere before coming to work at Kube-Pak full time. Sean worked in snow removal and disaster relief; Rob, Jr. was a financial market consultant for a non-profit in New York City, eventually earning an MBA at the Wharton School of Business at the University of Pennsylvania.

Neither felt pressured to work in the family business—Bill and Rob wanted them to come back because they wanted to, not because they felt like they had to. But Rob, Jr. and Sean always knew the option was there.

"I get a phone call one night and it was Rob saying, 'I'm thinking about coming back and joining the business,'" said Rob, Sr. "I dropped the phone and fell on the floor because I never in a million years thought that was gonna happen. I thought he was very happy in his world of finance and that was that."

Sean said growing up, he always liked working in the greenhouse and knew that he never wanted a 9-to-5 office job. He started working full time at Kube-Pak when he was 20 years old, taking over most of his Uncle John's responsibilities about five years later when John started to step aside.

Now, 10 years later, Sean at the age of 30 and Rob, Jr. at 41, are co-owners of Kube-Pak, joining Rob, Sr. at the helm, with Bill and John stepping down. The transition was official January 2021.

Bill said it took about four years from the initial discussions to fully pass the business over to Rob, Jr. and Sean, and it was a very smooth process.

"It was always a topic," said Bill. "We had talked to the accountant and the same attorney, but there was no controversy. It wasn't like we were fighting over what we were going to do. We all worked together, figuring out the best way to do it."

"At least from my perspective, Sean and I never really pushed for it to happen," said Rob, Jr. "It was sort of, they told us when they were thinking it was the right time."

Bill said that he, Rob and John felt it was important that they passed along a business that was successful and didn't carry a lot of debt—pretty much the opposite of what they experienced.

"Part of it was that Rob, John and I were very conscious of funding the company pension," explained Bill. "We were able to put money away for ourselves over the past 30 years, so that need wasn't the same for us as it was for our parents. They didn't have much of a chance to do that because they hadn't made a lot of money. From 2020 to 2022, the company did very well and we saw that the right time to make the transition was in 2021. We all got together, looked at the situation and said, 'Here is the ideal time right now.' And that's when we went back to the attorney and said let's finish this up. Literally, it took about six months and that was it. The transition was very simple."

Then, now & in the future

Rob, Jr. and Sean's individual strengths and professional interests complement each other—Sean on the production side of things, working in the greenhouse, and Rob, Jr. on the financial side, working in the front office.

"It's a great fit," said Rob, Jr. "Sean and I work very well together. We talk constantly."

"[Rob, Jr.] is doing everything that I used to do, so he's taken over practically everything that I did before. So my role is very diminished compared to what it was, which is good! That's exactly what we wanted," said Bill. "John, because of personal reasons, backed away from the business and Sean had to step in. So we've helped Sean a little bit so he can make the transition and he's done very well."

“Both of them, I will tell you, have done excellent with the transition.”

It'll be a full two years in January that Rob, Jr. and Sean have helped run Kube-Pak with Rob, Sr. And, as we all know, the last couple of years have been ... interesting. Because of the unprecedented nature of the last few years, Rob, Jr. and Sean said that they've mostly been focused on getting through the seasons. But they do have future plans that include upgrades to the production and shipping areas, and adding on a couple of greenhouses.

“I think, the past three years have been a difficult time. Financially, it was good and it was a good time to do the transition. But no one's planning the next 20 years based on what happened in the last two or three,” said Rob, Jr. “It's a gradual, let's-take-it-slow type plan right now.”

And just as Rob, Jr. and Sean didn't feel pressured to be a part of the family business, they don't feel pressure to “fill their father's shoes.” This is especially true for Sean—Bill's years of speaking at industry events and writing a column here in GrowerTalks for almost 20 years has made him a household name in horticulture. Sean's own comfort level and introverted personality mean he's more than happy to stay under the radar and run Kube-Pak.

“I figured he could just keep speaking, and I'll just go and carry his stuff for him,” jokes Sean.

Although Bill is slowly transitioning completely away from the business and Rob, Sr. continues with his day-to-day responsibilities, Bill stressed that Kube-Pak is now also Rob, Jr. and Sean's business. He's sticking around to offer his support and advice whenever they need it, but, to Bill, one of the cardinal sins of transitioning a business is not being able to truly let it go. (See the sidebar for more of Bill's advice.)

“You can't hang on. You've got to let them do the job. And they're doing it,” said Bill. “I still give them advice—they don't always listen to me, which is okay.” (To which Rob, Jr. and Sean laugh.)

“But it's their business. That's how it has to be. You have to allow the business to move on.”

Bill Swanekamp's Advice for Transitioning a Business

- **Let it go.** Once your name is off the bank loan, make the switch in your heart and mind that the business is no longer yours.

“One of the things that [Rob, John and I] insisted on with the transition was that we were taken off of the loans. It's emotional, but the business has such a long track record of being successful, that [letting go] wasn't a big deal. The point is that when the responsibility to run the business is now theirs, that's part of it.”

- **Don't pass on the shares to all of your children**, including the ones not involved with the business.

“That's how you destroy a business. One of the things we told our parents is that we don't see it as our responsibility to provide the inheritance for our siblings. That's your responsibility. So whatever you get from the business, save it. And then when you die, you can pass it along to them. But to put that burden on us is not fair because they're not contributing toward the business. We're making the business successful, we're the ones working here. That thinking is not always popular, but it is the right decision.”

- **Get your kids interested in the business**—and that means paying them for any work they do, regardless of their age. “Let them be a part of it. Pay them well. Let them know that this is a future for them, that there's a future here.”

- **Make a plan. Don't procrastinate.** “Make a transition plan that looks at the future that says, ‘This is how we want to do it.’”

- **Get the next generation involved early.** “That's what we've tried to do with Rob, Jr. and Sean, let them

meet these vendors. Let them talk to the bank people, so they got to know them.”

- **Pass on a healthy, successful business.** “Don’t transition a business on the verge of bankruptcy—try to provide a business that’s good, lucrative and viable.” **GT**