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## What's New in Princeton & Central New Jersey?

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### In Family Business, Love's Got Nothing To Do with It?

by Michele Alperin

**Bud D'Avella** had his first taste of family business at age 12 when he started working in his father's drugstore in Newark. Working there during summers and vacations until he left for law school at age 25, he absorbed the dynamics of running a family business and dealing with customers. "This is important to learn, whatever you do," says D'Avella. "It made me very effective through my years as a lawyer."

During most of his 25 years practicing law, D'Avella focused on the nitty-gritty of family businesses, especially potential solutions to their travails. One lesson he learned: Even if everyone wants to resolve outstanding issues, it is helpful to have a third party to foster the communication necessary to do so.

In 1998 D'Avella himself became the head of a family business — the greeting card manufacturer Prudent Publishing Company ( [www.gallerycollection.com](http://www.gallerycollection.com)) in Ridgefield Park.

D'Avella will present "Dealing with Human Resource Issues That Affect Family Firms" on Thursday, November 18, at 8 a.m. at the Rothman Institute of Entrepreneurship at Fairleigh Dickinson University. Call 973-443-8880 or E-mail [dennison@fdi.edu](mailto:dennison@fdi.edu).

For D'Avella, three human resources issues must be managed successfully to ensure the continued success of any family business:

**Compensating at market rates.** Families tend to run their businesses like they run their families. As a result, the first-generation entrepreneur/founder may decide to pay each of his children equally for their work. D'Avella, however, strongly emphasizes that compensation in a family business should be at market value.

When people feel they have been treated fairly and will be compensated for extra effort, they will be motivated to do more, says D'Avella. In his experience, when everyone is paid roughly the same, the strongest workers will slow down, thinking that it doesn't matter what they do, they will always make the same money — as will those who contribute almost nothing.

So what is the best way to keep "I love all my children equally and will therefore pay them the same amount" from undermining a business? In a sales organization, the numbers will tell the story and compensation should be based on sales volume.

But a manufacturing company must perform a full review of each person at least yearly. Following good human resources practice, the employee/family members first do self-examinations, outlining what they think they have done. The reviewer then shares his impressions, and the two compare notes. The reviewer helps the person see where improvement is needed, and then compensation is determined based on what the person has accomplished.

Especially for younger people, this process works better when a non-family member is performing the human resources function, with the owner passing on the decisions, says D'Avella.

**Successfully integrating non-family employees.** "Often, the perception is that family is more important," says D'Avella, "so you need to use good business practices to show family and non-family that performance is key — not the role you have in the family."

D'Avella emphasizes that families need to be careful about the degree of overlap between personal and business realms. On the one hand, customers may perceive a family company to



Bud D'Avella

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be more dependable. "You always hear about Johnson floor wax, a family company," he says. "It tells people, 'We're going to be around. We have an interest in more than the dollars; we have an interest in the reputation of our business.'"

But if the overlap is too complete, and the family and the business are one, the business opens itself up to problems. You may not, for example, be able to fire a family member who is not pulling his weight or behaving in an unacceptable way, and this can be very destructive. When non-family members see such shenanigans, they are taking careful note, and the business will suffer as a result. "You'll lose good non-family members if they feel the place has too much overlap," he says.

In addition to market compensation, communication is the key to making non-family employees feel like valued and equal members of the team. If the business encourages communication, non-family members will feel that they can trust the owners and will be willing to share important issues and expose problems.

**Conflict management.** Communication is important not just for establishing trust, but for managing conflict effectively. "One of the biggest problems in family businesses is that the owners/seniors appear not to have time to sort out a problem," says D'Avella. "But if you make a judgment based on history, knowledge of the family, and the fact that you have been boss for a long time, all that does is create more conflict."

The first thing that needs to happen when there is conflict is to interview all parties and learn each of their perspectives. If the owner is not comfortable in the role of interviewer, then someone else needs to thoroughly research the situation. "They have to ask questions about what is going on, put it together in a fleshed-out report of what the problem is, and then make a decision based on fact as opposed to innuendo," says D'Avella.

Even if the investigation does not have the desired result for a particular employee, all will be happier in an atmosphere of fairness. Says D'Avella: "Time after time, I've heard people say, 'You didn't do what I wanted you to, but you listened. I had your ear, and I said what I wanted to say, but you made the decision based on other things, and I accept that.'"

D'Avella earned a bachelor's in biology at Princeton University and his J.D. from the University of Pennsylvania in 1973. He accepted a position at Hanocho Weisman, where he counseled owner-managed, often family-held, businesses. For 11 years he was the firm's managing partner and was instrumental in completing its 1988 merger with Sterns, Herbert, Weinroth & Petrino.

In 1998 D'Avella left to become president and COO of Prudent Publishing Company, a family-owned business and one of the largest producers of personalized greeting cards in the United States.

The company, with an office in Ridgefield Park and a plant in Roxbury Landing, has close to 300 employees. It designs and manufactures both holiday and occasion cards for businesses to send to their employees and customers.

Under D'Avella's tutelage, what had been only a direct-mail business expanded to the Internet. "Lots of people prefer to order via the Internet, even if they have a catalog," he says. "And now we are also finding customers via the Internet."

In 2009 the company added [www.christmascardsdirect.com](http://www.christmascardsdirect.com), where customers can design their own cards by selecting pictures and messages or uploading their own. Prudent then prints the cards. D'Avella got this idea when he saw his son and daughter-in-law designing a birth announcement on the Web.

In D'Avella's experience, fairness is essential to success in a family business. So when a business owner finds himself turning to his son to say, "I remember when you were a high scorer in high school football, so I'll give you a good raise this year," he needs to resist this urge. Instead he should sit his son down with pencil and paper, and ask him to start writing about his business successes over the last year.

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