

# Managing the Future Of A Successful 150 Year Old Family Owned Business

**PAYCHEX**  
Business  
Series

Coronavirus



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President & CEO, Graeter's Ice Cream

## Full transcript

### **Gene Marks:**

Hey, everybody. I'm your host, Gene Marks, and this is season two of The Paychex Business Series podcast. I'm a certified public accountant, a regular business columnist for a bunch of publications you may know, like The Guardian, The Washington Times, and The Hill, but most importantly, I'm a small business owner of a financial and technology management services company. I teamed up with Paychex, the leading provider of human resources, payroll, benefits, and insurance services to bring you real-life stories and advice from real-life business owners and experts.

### **Gene Marks:**

Now, last season we talked about the challenges associated with COVID, and this season we're moving on forward. We are focusing on innovation and navigating the road to recovery. My special guest for this episode is Richard Graeter. He is the president and co-owner of Graeter's Ice Cream company, which is based in Cincinnati. Richard, first of all, I'm thrilled that you're on here and I understand that your company has been around for a couple years? Or did you just start it up this summer?

### **Richard Graeter:**

We have been around. We are celebrating our 150th birthday this year.

### **Gene Marks:**

That is insane. You know, it's funny. When I think of businesses that have been in business for as long as that, usually they're in Japan really. There's a predominance of family-owned businesses that have been around for ... I would also think if there's any business that could last that long, I think the ice cream business I would probably put up there. I mean how can you go wrong, right?

### **Richard Graeter:**

Everybody loves ice cream. But if you think about it, you go back 150 years, there was something missing back then that we have today and take for granted and that was freezers.

**Gene Marks:**

Yeah.

**Richard Graeter:**

My great-grandfather founded us in 1870 and back then, there was no refrigeration, no freezers. The only way you could make something cold was you had ice that you carved out of the lake from the winter before. That's how we got our start.

**Gene Marks:**

Is the business that much different than when you were a kid?

**Richard Graeter:**

In some ways yes, but many ways no. What I mean by that is we still make ice cream on something called a French pot freezer. That makes ice cream just two and a half gallons at a time per machine and it takes about 15 minutes. It's a very labor-intensive, slow process and it's the way everybody made ice cream back at the turn of the century. Turn of the last century, the 1890s, 1900. It was a very mom and pop kind of thing. We still make ice cream that way. In that regard, we're very much like we used to be. How we're different is we're doing this in the 21st century.

**Richard Graeter:**

When I was a kid, we had four machines in an old plant that my great-grandmother actually opened in the middle of the Great Depression. Today we have a modern plant of course for food safety and protocols. Even though we still use these French pot freezers, we have 37 of them running morning, noon, and night. Same old process, but in a 21st century context and making significantly more than we ever made back in those old days.

**Gene Marks:**

Sure. Where do you get the freezers? Do you build them yourself?

**Richard Graeter:**

We do. They are custom manufactured for us to order by a company here in Ohio. You can't go out and buy one anywhere. Not that anybody would want to. It's a crazy way to make ice cream because it's so inefficient and it takes so long to do it. When the ice cream comes out of the machine, it's actually ready to eat. What that means is it's really thick. Because it's so thick, every pint has to be packed by hand. Literally, a guy sits there with an ice cream ... It's called a spade, but it's a scoop that he uses to hand pack each pint. Nobody would make ice cream that way today, but we still do.

**Gene Marks:**

You know, it's funny. There are a lot of things our grandparents and great-grandparents did 150 years ago that although it sounds great in the good old days, let's face it. Today's technology is a little bit better, you know? I can name probably a thousand examples. You guys internally must have had conversations about ...just from a business, from a cost perspective, like, "Should we continue to do it this way?"

**Richard Graeter:**

Those conversations probably started back in the 20s.

**Gene Marks:**

Yes. Right.

**Richard Graeter:**

Because in 1926 is when the modern continuous process ice cream production ... That's when that machine was invented. Really, right after that, all through the 20s and the 30s is when ice cream got industrialized. I'm sure my great-grandmother was faced with that question. Do I adopt this new technology or not? She chose not to. Because of that, we're still here. I think everybody else were either driven out of business or they adopted this modern technology, but she stuck by it.

**Richard Graeter:**

Every generation since then has honored that decision of hers and stuck with the French pot freezer, but that doesn't mean we don't innovate. Things are very different today than they were back then in her era. I'm a big fan of Jim Collins. I don't know if you're familiar with him.

**Gene Marks:**

Sure. Of course. From Good to Great.

**Richard Graeter:**

Good to Great and his book before that was Built to Last.

**Gene Marks:**

Built to Last. Sure.

**Richard Graeter:**

A little less famous, but I think equally inspiring for me because I think of Graeter's as a company that was built to last. His catchphrase from that book was, "You always want to preserve the core, and stimulate progress." The point of that is it is not a binary either/or decision. You can, and in fact those companies that are built to last, you must do both. Preserve that core that makes you different and special, but never hesitate to stimulate progress where you can. That's I think what we have done this last 15 years. The fourth generation's 10-year. We opened up that new ice cream plant, and we've brought modern pasteurization. We actually have a robot in our freezer that builds our pallets. My father never dreamed of having a robot build pallets in a freezer. Very modern, but at the heart is still that French pot freezer. That's our core that we've preserved. That's really what's I think carried us through every generation. Every generation has taken that legacy that was passed on to them, preserved it but made it better and passed it on to the next.

**Gene Marks:**

You know, one of the biggest things that stops family-owned businesses from continuing on through generations is the family.

**Richard Graeter:**

Yeah.

**Gene Marks:**

You guys have managed to do that so far and I'm curious to understand what you've done to manage family nepotism, co-owners, kids. What have you learned about that process?

**Richard Graeter:**

That it's really difficult.

**Gene Marks:**

Yeah.

**Richard Graeter:**

It's probably the hardest thing in a family business is that transition. Without question. We struggled with it and I ... To be perfectly honest, we struggled with it for years.

**Gene Marks:**

Yes.

**Richard Graeter:**

At some point, it's just my two cousins and I. How we resolved it is the three of us got together and figured out what we thought would work for a transition. Then went back to our parents. Two of my partners are brothers. They're my cousins. The three of us went to our parents and our aunt and said, "This is our proposal for transitioning the business." I think they were so happy that the three of us agreed on something that they said, "Okay." I think they were, gosh, in their 70s at that point and they were I think ready for us to pick up the reigns, but they never went far.

**Richard Graeter:**

Our aunt still ... She's in her 80s and she still comes to work every single day. We had a leadership meeting and she was on the call this morning. I think really what it boils down to is you just have to learn to trust one another. The real realization that is important is you're stronger together and that you can make more of the business working together, more for everyone than you ever could working apart. I think once you reach that realization, then you can focus on what's important, which is making a good product and serving your customers and building a great team.

**Gene Marks:**

Sure.

**Richard Graeter:**

That's what we've done these last 15 years.

**Gene Marks:**

You and your cousins certainly worked things out. That was a period of time, and that's a good thing. What about now though, Rich? What about the future? What are you doing now? What are the issues you have about succession and transitioning your business to the next generation? Have you guys taken some steps to address that?

**Richard Graeter:**

That is a timely question because my youngest just started college this year. She's a freshman in Miami. My one cousin's oldest is working in Washington D.C. in the realm of politics, but I don't know if that's a long-term career for him. My other cousin has a few kids, one of whom is interested. So they're just at the beginning of being ... We're at the beginning of thinking about the fifth generation. The mission to the kids or the vision to them was, "Go away, learn, go work somewhere else. Get experience working for another party and bring that back." That talent, that education, that experience back to the family. Then we will start working on the fifth generation.

**Richard Graeter:**

I think what we want to do differently than the prior generation is really define the expectations at the beginning. I mean my two cousins and I had been working here for years before we ever sat down to start talking about transition plans. We'd like to lay out how it's going to unfold at the beginning of their career with us. I think the vision is over time as they're working here while we're still here, they'll begin to earn equity in the business and then when we're ready to retire ... That's what's important is we can't retire until we get that fifth generation in here, so I'm kind of motivated to make that happen.

**Gene Marks:**

The question is whether or not, whether they are ... I don't know if you've found the same thing. I think you and I are pretty close in age, where you've got a generation that they say, "Yeah, I don't want to work in the family business in Cincinnati. I want to go to Washington."

**Richard Graeter:**

Yeah.

**Gene Marks:**

Do something in whatever. Then they get out in the big world and they do that for five or seven or even 10 years and then they start looking at saying, "You know what? Dad's got a pretty nice business back in Cincinnati. It's got its challenges, but I can have a nice life there." Then suddenly, there's interest. Do you see that happening? Do you see the next generation having an interest in coming back and running an ice cream company?

**Richard Graeter:**

I do. Maybe not every member of the fifth generation will. My sister in the fourth generation, she wasn't interested in this business and she still ... She lives in Cincinnati, but she pursued a different career. So that's okay. I've told both of my kids, "You don't have to do this. You can pursue whatever passion you have. And indeed, you should pursue your passions, but if this is something you want, then you must prepare yourself and get experience and bring something to the table." I'm not obligating you to come into the family business. It's not a privilege that you get just for the heck of it because your last name matches what's over the door.

**Richard Graeter:**

I've been very happy that both of my kids have expressed interest. They're pursuing different disciplines at college that will be ... It's different now, but back in the day, you made ice cream and you sold ice cream. It was very basic, but today we have social media, we have...

**Gene Marks:**

Yes. Finance, international transaction, supply chain management. Right? You have a whole bunch of things.

**Richard Graeter:**

You just mentioned several of the ... I'm pushing my son to look at supply chain management and my daughter's looking at emerging technologies in business. My cousin's son, his youngest has just started at University of Cincinnati last year. He's in the business program there. There's lots of different ways to contribute to the business. The other thing that's really different about our generation is we have a whole lot of non-family key leaders. Back in our parents' era, you were a ... The leaders were the Graeters. Our two fathers and our aunt. Then everybody else was a worker bee.

**Gene Marks:**

Yeah.

**Richard Graeter:**

Today, our team is actually predominantly non-family. Our CFO is non-family. Our chief of marketing, non-family. That is I think really the critical difference about our generation versus the prior one is we have brought talent from outside of the family into the business. We would not be where we are today, had we not done that.

**Gene Marks:**

Out of curiosity and then I'll leave this topic, but I just ... Because I know we only have limited time, but you mentioned about having outsiders working in the business, which is ... You're absolutely right. That is really a key differentiator between companies that are poised for the future versus companies that are still living in the past. Just out of curiosity, did you guys have ... Do you have any outsiders on your board or outside advisors to your company as well?

**Richard Graeter:**

We do not have a board of directors. Really the senior management team is my two cousins and I and then five other members of the team. We meet weekly and then we also have the quarterly and the annual meeting. That's really the board that runs the business and it's predominantly non-family members. We did, years ago had a board of advisors as we were on our first ... Our growth spurt, when we were going from a local business to a national business. That was more of an advisory role, but those guys were ... They were certainly instrumental in helping us make decisions back then.

**Gene Marks:**

Sure.

**Richard Graeter:**

I don't mean to say that a board of advisors isn't important. That's why we don't have one. It's just where we are now, we're in a place where we didn't need one, but I do envision as we bring in that fifth generation, I think at that point, a board of advisors will be back on the scene and be very important to helping them manage the future.

**Gene Marks:**

Got it.

**Richard Graeter:**

Board of advisors, definitely, but just our team now is just phenomenal. So they serve that role.

**Gene Marks:**

Let me wrap up our conversation with just you ... We started it talking about the age. Your ice cream shop has been around for 150 years. 150 years from now is the year 2171, to give you an example. There's been a lot of history. I'm hoping that there's been a lot of lessons learned from history. Rich, what do you think you've taken away? You've been in this business for a long time now and you're trying to position it for the future. What is the future?

**Richard Graeter:**

I look at Graeters as we're an indulgent dessert. I think indulgence is going to be around in the future. Now how we deliver it, that could change. How dairy is produced is certainly innovations that we'll be looking at, but at the end of the day, we are a family business making a product for families. I don't think that's going to change. I would like to think we'll be in our sixth or seventh generation, making ice cream the same old-fashioned way our great-grandmother Regina was making it, just for a new era of customers. That's really what we've been about these last four generations, and I see no reason for that to change for the next four.

**Gene Marks:**

Richard Graeter is the president and co-owner of Graeter's Ice Cream Company in Cincinnati. Richard, what is Graeter's website?

**Richard Graeter:**

Very simple, [www.graeters.com](http://www.graeters.com), but you have to spell it wrong to spell it right. It's G-R-A-E-T-E-R-S.

**Gene Marks:**

I think you've given that speech more than once before. Richard, great conversation. I'm glad to hear that you're doing your thing and you're moving towards the future. I wish you luck with your succession and the next generation of family members and children that take over this business. You've done a great job. Thank you so much.

**Richard Graeter:**

Thank you so much for having me. Take care.

**Gene Marks:**

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