

The Family Business Advisor[®]

The Monthly Guide to Successful Business Management, Family Relations and Asset Protection

Article Reprint

[Then and Now]

Fernley & Fernley 10 Years Later

The latest chapter in the saga of fourth-generation Fernley & Fernley, a 120-year-old Philadelphia-based association management company, began to unfold a decade ago. That's when G.A. Taylor Fernley, now 58, president and CEO, had the foresight to buy out his first cousin, Thomas A. Fernley III, chairman. "We had different visions," says Taylor. "I wanted the business to grow. Thomas, who was 10 years my senior, wasn't interested in changing much of what was already in place."

Business winds were shifting. The proliferation and consolidation of wholesale associations in the latter part of the 20th century meant that Fernley & Fernley, founded in 1886, needed new niches. The firm was in one market—providing management services to volunteer-driven associations, mostly in the wholesale distribution field, such as the Aviation Distributors and Manufacturers Association, a client since 1944.

As long as the company's core business was status quo, there was a steady stream of work. The landscape changed, mostly because of technology and new distribution channels. Consumers could buy over the Internet or go directly to the source, bypassing wholesale distributors. As the wholesale distribution business waned, so did association membership ranks.

In fact, the effectiveness of association management came under scrutiny, says Taylor. "Our way of doing business was no longer sufficiently efficient for the company to move into the 21st century. We had to branch out, and the opportunities were limitless in terms of administrative and leadership services we could provide."

Many family firms get stuck at this juncture, when old ways of doing business no longer suffice. They may have too much family in the business or experience declining revenues and profits as leadership tries unsuccessfully to make necessary changes. Worse yet, some don't see the need to change, sticking to outmoded ways. As a result, they fail.

Enter Taylor, who was never groomed to enter the business, much less take over, in 1974. His degree was in psychology; he had worked in sales and marketing. "My father, Robert, never discussed business at home. That's why I was surprised when he asked me, one of five sons, to come on board," Taylor says.

Young Fernley agreed to give the job two years, and he rapidly hit his stride as an assistant to a non-family member. “My father gave me a mentor and got out of the way. If he didn’t like something I did, I found out, but someone else told me so,” he says.

Taylor moved forward. In 1997, when Thomas retired, he restructured the business based on industry trends. As the only family member and shareholder, he had the ability to put his plans in place without battling tradition or other family members. “I knew we had to move from a small family-owned and -managed firm to a professionally managed family-owned business. We didn’t have a set of well-defined job descriptions. We needed a fully functional management team of owners and non-owners to accept that majority rules, irrespective of one’s last name, and to ensure that no decisions were made or agendas created that were not in line with our strategic plan,” he says.

Fernley invested in people and technology. He bought state-of-the-art software and put a non-family professional management team in place with the horsepower to expand the company. Hires included an executive vice president, a CFO with a law degree, a human resources director, and account managers with advanced degrees in marketing and journalism. The staff grew from 38 to 52. Many earned Certified Association Executive (CAE) and Certified Meeting Planner (CMP) designations. Fernley & Fernley became one of the first association management firms to gain dual certification from the American Society of Association Executives and Association Management Company Institute, which the company now manages. The firm also doubled its space, occupying a 21,000-square-foot building in downtown Philadelphia.

A good team allowed Fernley to spend 80 percent of his time developing new business. He joined associations such as Vistage International. But his biggest step was last year’s acquisition of a Philadelphia management firm that represented medical and health care groups. Business exploded as the company took on a new market of associations and subspecialty groups. The concept of management association companies servicing more than one group under one roof, sharing resources at every level, has become a popular and cost-effective alternative to the tradition of one group managing one association.

Outsourcing costs an association 35 to 42 percent of its annual budget versus the national average of 50 percent for a stand-alone group. Fernley & Fernley steps in and takes over all administrative tasks, including website, membership, consulting, database, financial management, convention/meeting planning and contract negotiations, which gives volunteer leadership time to focus on strategic matters. “Most important, we play “Karnak”—get inside the heads of clients, find out where their pain is and what makes them tick,” he says. “We’re on the phone with clients 24/7, attend their annual meetings and learn from other organizations,” he says.

Since Fernley purchased the company 10 years ago, annual revenue has grown to almost \$4 million as of last year. He estimates it will go up another 10 to 15 percent this year and that sales will double by 2009, in part through acquisitions.

His company’s next chapter, he hopes, will involve acquiring more medical, health care, entertainment and environmental groups. He also hopes to develop generations of Fernleys into owners/managers rather than selling to a private equity firm or competitor. He’d like his two sons, now in their 20s, to join the business before he retires, but to first work elsewhere. He wants them to make their own decisions, as he did. In the meantime, he’s drafting a succession plan. “My wife will be gatekeeper. The boys will have the option of taking over. There will be a purchase agreement,” he says.

The company's future is "incredibly bright. Associations are valued as places to network," he says. "Our services are needed because volunteers' time is so stretched. We do the work for them. We're long-term players—just look at our history."

Others would agree. Of nearly 100 similar management companies nationwide, Fernley & Fernley ranks in the top 5 percent.

Lessons from Fernley & Fernley

- When bringing the next generation into the business, provide them with a non-family mentor to help guide and advise the young worker.
- Professionally manage your business. Invest in people and technology. Have well-defined job descriptions, and make sure that the team of owners and non-owners accepts the majority rules.
- Draft a succession plan well before you need one.

Fernley & Fernley was originally profiled in the September 1996 issue of the *Family Business Advisor*®.

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