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INTERVIEW WITH Meghan Juday
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Nick Santhanam: Welcome to the next podcast of the renaissance age for the industrials' tech sector. I'm your host, Nick Santhanam. As I mentioned in the previous edition, the pandemic has changed the world around us. We have seen and experienced its challenges in both our professional and personal lives.

But in the same period, it has been times of encouraging trends in the form of democratization of technology, as well as revitalization of manufacturing in the US. Through in-depth discussions with leading executives at the forefront of this revitalization, our aim is to understand the drivers behind this transition, as well as what it will take to sustain this transition for the US economy.

Today, I'm privileged to host one of the most enthusiastic and dedicated champions for family businesses, Meghan Juday. Meghan needs no introduction, but I'm gonna give it a try. Meghan is a visionary in the field of family-business management, and has been at IDEAL for quite some time.

As a family-business and corporate-governance expert, Meghan has been working in the family business since 2003. Working as a consultant to other family businesses, a director of a family business center, and now exclusively for IDEAL and IDEAL Family, Meghan has developed a deep knowledge of the issues, challenges, opportunities, and benefits of family businesses.

Meghan served as the IDEAL Family council chair for 14 years, and has served on the IDEAL board since 2008, where she served as the nominating and governance committee chair for 5 years. She was named vice chair in 2018 and became the chairman in 2020. With that, welcome, Meghan.

Meghan Juday: Nick, thank you so much for having me. This is a great opportunity and looking forward to our conversation.

Nick Santhanam: Thank you, Meghan. So, let's get started by getting to know about IDEAL Industries, so we would like to know the story behind IDEAL Industries. If I get it right, IDEAL Industries was founded in 1916, and there's a story behind the name. Can you just tell us a little bit about the story as well as more about the company and your journey to be chairman of the board?

Meghan Juday: Sure. So yes, you're right, the company was formed in 1916 by my great grandfather. His name is J. Walter Becker. And he was a man who was a problem solver. He serviced chimneys for really large facilities in downtown Chicago as a salesman, but he was also an engineer and a marketer. And he spent a lotta time talking with his end users in that job, really trying to understand: What are their issues? What are their problems? How are they trying to, you know, what are their pinch points? And found out that one of the biggest issues they had was servicing the elevators without taking them down for service. So, he actually came up with a product called a commutator stone, which nobody uses, but we basically manufactured them for 100 years. So, that's one product that we sold and manufactured for 100 years, which is a pretty great hallmark.

So, J. Walter Becker felt that a company was more than just the bottom line, that there had to be multiple bottom lines. And as you're talking and as we're talking today, I'm sure we'll talk more about this. But he really felt that relationships mattered and treating people well mattered. So, he came up with this name, IDEAL Industries, which was really indicating the relationships that he wanted to have with his employees, his customers, his communities, his suppliers. And if all were treated well and ideally, then the company would be successful. And here we are 104 years later, still going strong. Which is, still every day's a victory and every year's a celebration.

It's a challenge to stay in business this long. IDEAL is 100% family owned. We're into the fifth generation of ownership. I'm fourth generation. I started working with the company in 2003. and in fact, it was just kind of by chance that I ended up working for the company. I had worked as a consultant prior to having my son and wanting to stay home for a year with this cute little baby. My father called me. I think I had a 3-week old at the time and he proudly pronounced, "Now that you don't have anything to do why don't you come work on this transition?" Which at the time, a 3-week old's pretty easy. And I was like, "Yeah, I don't really have anything to do."

It was the beginning of a lifelong journey and passion for family business. IDEAL was something that we grew up with as children, we spent a lotta time talking about it. It was the other sibling at the table that we had to compete for attention. And in time, in growing up with my father, who was chairman for 35 years, was such a privilege in terms of really getting to understand the business just organically. So, in 2003, my job was to try to increase the engagement of the fourth generation, who were all in their 20s and 30s at the time, and kind of looking at the family-business landscape, I realized that we had such conflict and challenge with a few family members that I was fairly certain we had about a year or two before we were going to start seeing lawsuits or massive sellouts.

It was really then that we kind of dug in and, as a fourth-generation council, formed a family council and went on a serious journey of trying to address issues and build engagement amongst the whole family.

And so really, in that journey the fourth generation took over family governance/leadership about 15 years ago, and now the fourth generation has now taken over full family leadership, as well as board leadership, as well.

One thing, if anybody's dealing with any transitions as you're listening to this, is to recognize that transitions don't end the day that someone stops having the title. My father hasn't been chairman, for example, for 8 years and there's still a transitioning happening in the family. It takes time to allow the family to grow and absorb these changes as they evolve.

Nick Santhanam: Very interesting, Meghan. Now, let's talk about the fun times we live in—the COVID. You have navigated companies through multiple economic crisis. Fortunately or unfortunately, this is not the first one. How would you define COVID’s impact on family businesses? Being an optimist, I'll say what advantages do family businesses have to win in the post-COVID economy?

Meghan Juday: Well, I would say that this recession that we're in, or economic crisis, it is bad. And some sectors of business probably will not recover, or will not recover for a very long time. I would say the restaurant industry, for example. But one advantage that we did have was that I think that we learned a few lessons from the 2008 banking crisis. Because the banks walked into this economic crisis in a good position—and obviously they do have an issue with defaulting loans—but we're really not seeing dried up capital. We're not seeing impingement to growth, other than how to get to your customers now that your customers aren't coming to you.

So, I think that in family businesses, one of the advantages that we had in 2008—as well as now—is that many family businesses really don't carry debt. And so when an economic downturn cycle occurs, it's when they're able to compete with private-equity and publicly-traded companies for acquisitions and other growth opportunities, because that's when they stop investing. In really strong times, it's very difficult to be competitive with somebody who's willing to pay 12, 14, 16, 18 times EBITDA for an acquisition because they're so desperate to deploy their capital.

But in an economic downturn, that's when you'll see a lot of family businesses invest. So, you'll just see that family businesses will have a significant advantage for this. I know a lot of family businesses who are currently looking at acquisitions now that they would not have been competitive in this time last year.

I see that if these family businesses are in the industries where they can still access their customers, or if they can invest and buy their way into getting access to those customers—through acquisition or mergers, or partnerships, or however you wanna define it—I think that's where you're gonna see family businesses win.

Nick Santhanam: Makes sense. When you look at the positive side of COVID, you've seen a lot of rapid disruption—which people thought would take years—happening over days, weeks, and months, such as moving to Zoom and remote meetings, new employee onboarding, contactless sales, moving to digital sales, online sales, among others. What's your view, Meghan, on the impact of family-owned business from these disruptions? Meaning, how are family businesses positioned to go on the offensive relative to public companies to take advantage of this, especially in a world where the pace of these technology disruptions are accelerating.

Meghan Juday: I would say that many family businesses are going to be challenged or have been challenged with the technology disruptions. I don't know a family business that is not worried about Amazon or AirBnB, or some other type of disruption in industries that for so long they were able to win just based on those relationships and customer engagement.

So, I do think that a lot of family businesses have spent significant time trying to invest and think and pivot. Obviously, it was easier to win if you were further along on your journey during COVID, because—to your point—the disruption was so abrupt.

And so, I do think that it is a struggle given that family businesses don't have debt, and that where there's a lot of savings occurring right now. I mean, think about all of the air travel that's all just going straight to the bottom line.

So, I think that this is going to be a difficult journey. I know that a lot of family businesses have really pivoted strongly, even running up to this. But they are going to be very much focused on trying to build that customer engagement and customer loyalty, so that a customer will demand a specific product rather than just going to whatever generic brand that can occur. You see that a lot on Amazon. But it's a lotta work to win online and there has to be some compelling story that you tell that's more meaningful and more valuable than just selling just on price.

Nick Santhanam: So, related to that, Meghan, would you say when you compare a family-owned company to a public company, are we on par? Are we ahead or behind in taking advantage of these technology disruptions?

Meghan Juday: I mean, very generally speaking, I would say they're a little bit behind. When you look at the drivers of our technology disruptions, all of them really have been publicly traded companies. For example, IDEAL, our customers are largely in the trades. And those are industries where people still want to go to a distributor and buy their product. But, how do we get to our customer when the distributors are closed, like in these COVID times? So, I think that you are going to see consolidation in distributor market. And you are going to see people moving both to online, to big box, to Amazon, to your own website, and that a lot of companies are going to have to pivot to try to engage their end users—like through social media, through digital marketing, through just any possible way to engage them. That's what's going to have to happen.

But I think to your point, the vast majority of disruptions have occurred through publicly-traded companies. And that family businesses have a disadvantage here in terms of achieving or meeting those disruptions. It's not just about getting your cheapest product out there. It's also around quality. It's around values. It's around great customer service. It's about made in the USA or made locally, wherever the customer is. And so you'll start seeing, I think, some shift in loyalty. So, there will be somebody who just can only really purchase on price. And then you will see other consumers really thinking about how do I use this product and what does this product really represent?

Nick Santhanam: Meghan, that's a great segue into my next question which is what is going to be the impact on the manufacturing supply chain, and the globalization because of this? As you know, in the short term this is a body blow to globalization—could be long term, too. But it's also a boon to certain sectors, like tech sectors, while pretty much every other sector is rethinking about their supply chain, their customer, their employee-engagement models. What effects, both near term and long term, do you see have on the manufacturing supply chain? Is it gonna be net positive or is it gonna be net negative?

Meghan Juday: I mean obviously, if I was really authorized to answer this question, I would not be chairman of IDEAL Industries. I'd be, you know, president or something.

It's really, really challenging, and obviously I think it depends on the sector that you're in. The way that I look at it is that if you are in an industry that's competitive value is chasing cheap labor, you will see those businesses really investing either in China or going to Vietnam or going to Africa. That is their specialty. That's what they're really good at.

And there are some businesses that will really look at how do you get closer to your customer? How do you get away from your supply-chain issues, or all of your product getting stopped at a border just because there's a strike at a port? How do you control your own destiny? And in the '80s, there was this big drain on US manufacturing because so much was chasing cheap labor, but that is not necessarily your destiny if you believe that you have IP that you wanna protect.

And then there's also a risk of commoditization, because then you're going to end up not being able to differentiate from your competitors. So, as I've seen—and I use China as an example. Obviously, there's a thousand other places to manufacture—but what I really see is that businesses that that believe firmly in quality have really focused on manufacturing, either where there is an expertise or where their customer is. So, for example, we have operations in New Zealand. We don't have a lot of customers there. Our customers are in the US for those products. But that's where the expertise is. And so okay, we're gonna manufacture there.

And same with China. We do have operations in China, but it's not to chase that cheap labor. The economy so swiftly changed with COVID, I think there was a lot of concern around supplier stability. Especially, if they were serving both industries that were essential and non-essential. Most companies will not allow themselves to just have one supplier of your most critical product or part. They'll always have a backup plan.

I do see this, there is going to be a change to globalization. I think, though, that the US particularly has some real advantages, because now that this concept around automation and manufacturing and getting the costs out of your business in other ways, I think makes it competitive. If you're willing to invest, it makes it competitive to allow you to stay where your customers are and not go and offshore.

Nick Santhanam: So, Meghan, let me ask you a related question. You're absolutely right. Pre-COVID—not any one industry, but in general—there was a lot of push to low-cost countries because of people who are chasing either the labor arbitrage or were chasing a lower cost.

But COVID has made it clear, low cost matters only when you have the product available. And so it became a supply-chain resiliency question, became a supply-chain availability question. And then when you layer on the geopolitical risk and the geopolitical tension, that's brought this whole question about manufacturing closer to home. And so, there is a belief that a lot of the manufacturing should come back to the US.

What is your thoughts on that? One, do you believe it's sustainable? And two, given you lived it, what needs to happen to maintain this manufacturing in the US, to have it on a sustainable basis?

Meghan Juday: We kinda shot ourselves in the foot in the '80s when we started offshoring everything, because manufacturing used to be a very good place to work. You could have a great life. You spend your whole day solving problems and making stuff, which is very satisfying.

But now, the businesses that exist in the US today are competing—not for people who are willing to work in the factory, but you need product engineers, you need manufacturing experts, you need operations experts. But I think that what we're looking at is an issue of not only being able to manufacture here, but also being able to attract the talent into these careers that we need for people to be successful. If we had 10 years to kinda ramp up manufacturing back in the US, we could probably develop those manufacturing engineers and experts that we need in order to run our factories.

But what happens is you move your factory in and you need 12 of those people, but 17 other factories need those exact same 12 people. And it is difficult. We have had operations expert jobs open for more than a year before we could find the right person.

It is just so difficult to find that talent. So, I think that's going to be a very big impingement. I mean, obviously talent's a big impingement in a lot of what we're talking about here, but I would say talent is going to be one of the biggest impingements of trying to reshore a lot of these businesses.

Nick Santhanam: So Meghan, let me ask you this question, given you have been solving problems all your life. What can we do right as a sector? What can we do as a family-owned company sector to develop this talent? As you said, you do need the manufacturing talent. It's critical. We here in the US are at a shortage. What can we do to solve this problem?

Meghan Juday: I think it's this larger issue. And in fact, we're seeing this on another front as well, and I think this is going to actually end up being a very significant crisis going forward—just as people are not entering manufacturing jobs, they're also not entering the trades.

When you look at the average age of an electrician, it's 55. An average age of the of a plumber is 57, 58. And so when you think about all that talent and expertise that is going to be retiring in the next ten years, there is no way these new individuals who are coming up through the trade schools are going to be able to replace that talent. And that is true when you look at a manufacturing floor, as well. Your most talented individuals are probably right around that age, because they came in before the drain and were able to stay employed and to build that expertise.

So, I think it has to do with this dialogue around what does it take for a high school person to consider manufacturing, or to consider the trades, as a meaningful career? So, bringing back trade schools, stopping this dialogue of the only meaningful way you can get a career and make money is to go to college. You should go to college because you want to learn something or improve yourself, and I'm not saying don't do that. But that it's not your only journey. And so, I think some of it has to do with marketing. I do think that high schools are talking about trades and I know in talking with people, recruiters for particularly the electrical industry, they are offering apprenticeships to high school students, all paid. They're gonna pay 5 years of their education to become an apprentice. So, even in high school, you could be making $20,000-30,000. And then, as you get further along in your apprenticeship, it becomes very compelling and a meaningful career where you can raise a family.

And so, I really think that some of this has to do with this push to get everybody into college. The other thing is that we're not also then giving people an alternative. Hey, you don't have to go to school, but here's how you can improve yourself. That's not the other part of the conversation that we're having, which I think is gonna come back and bite us.

Nick Santhanam: Interesting. So, coming towards the final question, Meghan. If you were going to look into the crystal ball, what would be the two to three predictions for the future you would make with respect to family businesses in the US? What excites you the most and what's your biggest worry?

Meghan Juday: Well, I have a lotta worries. Honestly, I really think that family businesses will remain the backbone of our economy. It is a huge employer. It's a huge driver. We have a lot more tools and resources at our disposal now than we did even 50 years ago.

I really see family businesses continuing to be a meaningful contributor, because not only are they working to be a good employer and make money, they are also giving back to the communities. They're leading the way on environmental sustainability. They're thinking about that future generation. And they're making decisions that will allow people to be successful the next decade and the next, and the decade after that.

When you look at the challenges for family business, having them invest and think about disruptions and how that's happening in their various industries is a key challenge. But I would say the biggest risk to family businesses is the family themselves. It is the most immediate. It is way more immediate than your most successful competitor. That is the risk that will continue to challenge and impose just untold amount of hours is the family and family risk. And it's not something that's given a lot of thought. It's not something that oftentimes is very well invested in. But it's something that absolutely 100% has to be considered, addressed, and really look at various ways to not only mitigate those risks, but to increase the emotional return that family members feel.

It has to be more fun than looking at your quarterly stock market statements. It has to be more fun than paying bills. It has to be more fun than getting into arguments with your family. It has to be that compelling story that is really shared with your family and allows them to feel excited and enthusiastic. Not only about the business, but about the ways in which the company interacts with the communities, the employees, their suppliers, and the overall stewardship of the environment.

Nick Santhanam: Interesting. Very insightful. Thank you so much for your time, Meghan. We really appreciate your thoughts and candor. To all the listeners, stay tuned for the next episode of our podcast. Thank you.

Meghan Juday: Thank you, Nick.