

ANNE EITING KLAMAR: BEING *ME* AS A FAMILY BUSINESS LEADER

Anne Eiting Klamar had not been groomed to succeed her father in the family business. In fact, she embarked on an entirely different career. But when it turned out she needed to run the family business, she stepped into her father's shoes. And she quickly found out they didn't fit her.

Anne Eiting Klamar:

While I practiced medicine, I was a board member and I really, really enjoyed it. A few things happened in that my father put in an outside CEO. The results were not good. The culture was destroyed, the company was losing money. The board demanded that my father come back in and lead, which he did for nine months. And during that time, we were doing a national search for a new CEO. I was asked to leave the boardroom in April of 2000. And I thought, "well, this usually means you're getting fired. I still have my medical license. I can still practice. My husband's working, this will turn out okay."

I was invited back into the boardroom. And the director at the time said, "congratulations, you're the new president of Midmark Corporation." I was stunned. I honestly didn't have the presence of mind to say no. I did say, "as a shareholder, this is very financially irresponsible. A doctor with no experience running a company that's losing money."

Esther Choy:

When you read a leader's bio, what do you usually get?

Their impressive credentials? Yes. Their deep expertise? Of course. And definitely a long list of accomplishments accompanied by a lot of superlatives. Such as, "he has one of the greatest investment acumens of his generation." Or maybe something like, "she is strategic, and bold, and relentless in taking her company from a meager start-up to an IPO sensation." These descriptions are all logical to include in a leader's bio. And yet these credentials and accomplishments added together do no give us a story yet.

A great leadership story isn't only about "she is successful BECAUSE..." A great leadership story is also about "she is successful DESPITE..."

Hi! I am Esther Choy, the executive producer and your host of John L. Ward Center for Family Enterprises' own podcast series: Family IN Business. A podcast that features stories of leaders, their families, and the family enterprises they transformed.

In this episode, you will meet a fourth generation former CEO and current chair of the board of a hundred and five-year old family enterprise. When Anne started out, she did not have any educational or professional training to prepare her to sit at the helm. In fact, her CEO father didn't groom her as a successor in the first place. And he never seemed to be happy with any of her accomplishments no matter how accomplished she was.

DESPITE.

Despite all of these obstacles and more, Anne succeeded as a leader in the transformation of her family enterprise.

By the way, who's Anne?

Anne Eiting Klamar:

My name is Anne Eiting Klamar, MD, Chair of the Board of Directors for Midmark Corporation.

Esther Choy:

Midmark is a medical device company headquartered in Dayton Ohio. When you read Anne's board bio, you will be impressed by what she accomplished. In the fifteen years when she served as President and CEO, she

- reduced product lead times from twelve weeks to three days and increased on-time product shipments from 65% to 98.5%.
- expanded Midmark's presence in the medical market and dental markets while entering the animal health market, now a \$100 million division.
- and, also acquired nine companies and integrated two digital acquisitions.

Now as if that's not enough, as chair of Midmark, Anne led the company through a C Corp to S Corp conversion while concomitantly executing a \$94 million share buyback, reducing the number of shareholders from 144 to 66 and establishing an Eiting family majority position for the company.

I feel exhausted and even a bit intimidated just by reading all her accomplishments!

But restricting ourselves to just knowing these accomplishments is almost like robbing ourselves from having the true treasure of Anne's story, the crux of which lies in the obstacles she overcame. And there were quite a few.

Number one – how did she lead the company with no business background whatsoever?

Anne Eiting Klamar:

I had a great board and they really, really, really gave me a lot of mentoring. And then I went to school, and went to school and went to school, and learned on the job in the School of Hard Knocks.

I did a three-year program at Harvard Business School. It's called the OPM, Owners and Presidents Management. Not an MBA, but a three-week program a year, every year for three years. It worked us really, really hard. But that was also a pivotal moment for me, walking across that stage at graduation when I realized how far I had come. I by far was not the smartest person in that class. But I could work harder than most, and that gave me great confidence in looking toward the future.

And I now have the Kellogg executive scholar experience.

Esther Choy:

Good for her! She might have started out with a deficit in business education, but boy did she more than make up for it. Still, education is one thing. Reality is another. This brings us to obstacle number two.

What was it like for her transitioning from working as a physician to the President and then CEO of a large business enterprise?

Anne Eiting Klamar:

This was one of the more challenging moments of my career. In 2014, we had a board meeting in June and my Chief Operating Officer assured the board and me, that our quality and regulatory are just fine. We're good with the FDA, everything's great.

Fast forward a month, we get an FDA inspection with 11 write-ups and the FDA went back and said, "you've had write-ups before that you never closed." That was unnerving. However, we involved a couple of consultants to come in and say, "what do we need to do? What's wrong?" And one of the consultants said, "I need to tell you, the FDA could build a case to shut you down. They'll lock your doors. Your teammates will have nothing, and they will not reopen until you're regulatory compliant, and they're going to run you basically during that period of time."

And I was literally sick to my stomach realizing that on my watch, I could have lost hundreds of millions of dollars of shareholder value, because of an oversight that I was unaware of. It was a very humbling moment, but also very motivating. Because we knew we had a lot of work to do, and we needed to do it fast. It's taken years on our quality and regulatory journey. But because we make medical devices like sterilizers, digital diagnostics, digital imaging, we have to be fully FDA compliant and now we are.

Esther Choy:

As devastating as it could be, to be shut down by the FDA, there was one bigger obstacle lurking in the background. This one was even harder to overcome.

Anne Eiting Klamar:

Coming from the medical side, from the physician side, was that when you practice medicine, people come to you. They ask you for advice about something physical or mental. You tell them

what you know or what you will find out if you don't know it, they pay you and that's how that cycle goes. And it's a fast cycle. It's every 10 minutes, 15 minutes, 20 minutes, depending on the patient.

When you go into business and you tell people what to do, it doesn't go very well especially when you have no credibility, because you are the boss's daughter as I was in that situation. And I just realized after a year or so that I wasn't a very effective leader, that I couldn't lead people through things, I didn't know how to build consensus. But I had a really great coach, that four years later sat me down and said, "I would like to interview your people. I'm trying to coach you on leadership, and there's something missing that I can't see here. Can I interview your people?" And I said, "absolutely, please. I am here because I want to be a more effective leader."

So, he took six weeks and interviewed all my teammates, my executive team and a few other people. And when we finally sat down, he said, "I'm just going to level with you. Your people don't like you. They don't trust you. They don't think you're kind. They don't think you have their backs." And I was horrified. I was stunned. I was shocked, shocked literally. That was the real beginning of my leadership journey in business. I went to all of my team members and apologized, not realizing the kind of leadership that I had brought to the office with me.

I did a lot of coaching, and training and reading, and about consensus building. And several years later, I felt as though it was all worth the investment, because when you have a high functioning team, there's that special feeling that you get when you have a really high functioning team. And during those few years, I learned what that felt like. And it's a great feeling. There's nothing more fun than leading an excellent team. We had each other's backs. We cared about one another. I became a consensus builder, maybe even too much to the other side because I like to build consensus, but it was a humbling and impactful moment in my journey that led me to be, I believe, the leader that I was for years.

Esther Choy:

We had a chance to speak a couple of times before, and you just strike me as someone who is so, so thoughtful, and so kind and compassionate. And I can't picture you not coming across as not getting someone's back, especially somebody who works for you.

Anne Eiting Klamar:

A lot of my leadership journey at Midmark boils down to a very personal issue with my father. He has some natural tendencies that make sure that you will never be good enough. And so, as you grow up with that, I thought, "well, if I go to medical school, I mean, how can he complain about that? Well, if I run his company, how can you complain about that?" So, I tried as hard as I could to be as forceful as I could to get good results, to prove to him that I could run his company, at a time when his coaching for me wasn't in line with the coaching that I knew I needed.

All those years under the coaching caused me to really change my perspective, because I recognized I don't want to be the leader my father was. I want to be me as a leader, not him. It also impacted the choice that I made to leave the CEO role in 2015. I had been the president and CEO for 15 years, ton of fun, chose it, was elected. I love my team. But I woke up one morning after I had an employment agreement, and looked in the mirror and said, "you don't have to do this anymore. You've done it for 15 years. You've given your best. And guess what? Your father still doesn't approve of you."

Esther Choy:

Growing up, Anne's father didn't groom her as his successor. Decades later, during a time when the family came to a forked road where the prospect of selling the company became a possibility, Anne and her husband had a decision to make.

Anne Eiting Klamar:

My dad in 1998 after the failed succession, thought that perhaps he would want to sell the company, and Rob and I, my husband and I went out to dinner with him and he said, "my back is against the wall. I don't want to come back and work full time and travel. I've retired. Probably the best option is to sell the company." That was a very hard statement for him to make. Rob and I took a deep breath.

We recognized that if we sold the company, we would financially be well to do. We had more than enough, why would we want more money? But most importantly was to raise our two boys with the concept of legacy; that it's not just your time on the planet and it's not just making a ton of money. It's about the community that we would lose if we sold the company. It was about raising boys that would be financially well off, and maybe not understanding scarcity or hard work.

And we didn't want the company to be sold. That would put teammates out of work and we live in the community, 2500 people. We're a part of the community. I see teammates at work. I see them in church. I see them at the grocery store. And to look those people in the eye, it was against my value set and Rob's too fortunately.

Esther Choy:

Approved by her father or not, with the support of her husband, Anne went about her decision-making, based on her own values. At the time, she might not have recognized this core trait herself. But her board did. And that was why Midmark's board of directors chose her as the new President DESPITE not having any business training.

Anne Eiting Klamar:

The board's explanation at the time was, "we know you and we trust you. We know your values. You're smart enough to learn and you're a family member, so we know that you are always going to have the best interest of the organization at heart and work toward that end."

Esther Choy:

Not only was the board was right about her, it also chose a leader that clearly delineated the difference between a family business versus a family IN business.

Anne Eiting Klamar:

Family business reminds me of an obligation, like the son has to take over for the father, and it feels like there's maybe a difficult set of choices or maybe not. It also feels like family members might be disempowered by the situation if they don't feel that they have a choice, whether they have the aptitude to be a leader. Families in business for me, the family exists to serve the business.

We are a part of the company. My two siblings are still employed there. I chair the Board of Directors. So we are in the business but more importantly, when we think about the next generation of teammates, or of shareholders or of family, it's our responsibility to do the best we can to build family governance, family values, storytelling for the next generation because it's not for us. It's building this incredible gift. We're stewards who have an incredible gift, and we need to be responsible for it and take good care of it, so that it can be passed to the next generation. That's the key difference that really hit me hard as I was thinking that question through.

I know a lot of family businesses that I would characterize as non-sustainable, because it's the other family governance, work and family work, and ability to want to put the good of the company first and foremost, which my siblings and I will tell you, that's the most important and that's a family in business. We recently had my generation and spouses, and our next generation, the oldest of which is 32, the youngest of which is 16. There are six of them. And we were on a Zoom together on a Sunday just right after this COVID thing came out, because we needed to hear how all of them were being impacted as well. And when I brought up the topic of, "we don't know what this is going to do to the dividends. I mean, we have to pay shareholder taxes enough for shareholders to pay taxes."

But we had also, in addition, paid a reasonable, but enough that it would make you sit up a little bit extra dividend, and it was the next generation, the oldest four that said, "let's give up the dividend right now. We have jobs. We don't need the money. That's our rainy-day money, we love it. But if it's going to be the thing that helps save the company and change it to the future, that's what we think is the right thing to do." I was humbled in a really positive way. Even my siblings weren't jumping in on that because of different lifestyles, but the next gens were. I was just very, very proud of them. So that felt to me like a family in business moment, where we exist to serve the company.

Esther Choy:

Thank you for tuning into Family IN Business, a podcast sponsored by the John L Ward Center for Family Enterprises. Thank you again, Dr. Anne Eiting Klamar, Chair of the Board, Midmark Corporation.

We have some good news of our own! Kellogg's Center for Family Enterprises has been RENAMED the John L. Ward Center for Family Enterprises, in recognition of a \$10 million gift from the Tanoto Foundation in Singapore. The gift honors Clinical Professor Emeritus John L. Ward, who served as co-director of the center for nearly two decades and was one of the first scholars to put science behind the field of family enterprise.

Since professor Ward co-founded the center, thousands upon thousands of family members, leaders and non-family executives have attended our executive education programs. In addition to the immersive learning, our participants have also created a new community with one another. In fact, Anne was in one of our governance programs. And she made the following connection with a classmate of her at Kellogg.

Anne Eiting Klamar:

This is interesting. One of my classmates in the last course I took in Board Governance, is actually interviewing to be one of my directors. She was a rock star in class.

Esther Choy:

Check out our offerings at a new url: wardcenter.net

That's wardcenter.net

That wraps up our episode this month. Our show is supported and advised by Dr. Jennifer Pendergast. Kane Power is our audio engineer. And, I'm Esther Choy, the executive producer, your host, and author of the book *Let the Story Do the Work*.

Esther Choy is the President and Chief Story Facilitator at Leadership Story Lab, where she teaches storytelling to institutional and individual clients who are searching for more meaningful ways to connect with their audiences. Leaders, in turn, use their stories to communicate authentically, inspire others and create lasting impact that they previously considered out of reach. Since 2010, Esther has combined the science of persuasion and the art of storytelling to help her clients gain a competitive edge.

Since launching Leadership Story Lab, Esther and her team have served clients such as Allstate, BP, Eli Lilly, Northwestern Memorial Hospital, the Chicago Mercantile Exchange Group, Roosevelt University, Brookfield Investment Management, US Cellular, Kraft, SC Johnson, Roosevelt University and the Robert R. McCormick Foundation.

Esther is the author of the book *Let the Story Do the Work: The Art of Storytelling for Business Success* and her work can be seen regularly on forbes.com, virgin.com, entrepreneur.com and ama.org.

An alumna of Kellogg School of Management at Northwestern University as well as Texas A&M, Esther holds both an MBA and an MS in Higher Education. She is a lecturer with Northwestern Kellogg School of Management and the University of Zurich, and was recently a keynote speaker

for United Airlines. She spent nearly half of her life in Hong Kong, the other half in the US, and has relatives on three continents. She lives in Chicago with her husband and two daughters.

Established in 1999, the John L. Ward Center for Family Enterprises (CFE) pioneered much of what is known about the collective challenges family businesses and their leaders and owners face, making CFE synonymous with new ways of thinking about the ownership and leadership of family enterprises. Professor John Ward, along with founder Lloyd Shefsky and numerous faculty and staff aligned with CFE, developed CFE into a world-class teaching and research center that provides cutting-edge thinking and guidance for family business purpose, vision and strategy, governance, leadership, succession, entrepreneurship in family business, family engagement and cohesion and family business culture.

CFE has built a collaborative family business "community" among Kellogg students, faculty, alumni and family business scholars, and has developed a global network of successful business families who can learn from - and connect with - each other to generate innovative solutions to current and emerging challenges faced by family enterprises. CFE also creates unparalleled executive programs and conferences to drive strategic conversations about innovations and best practices in the field of family enterprise.

Renamed the John L. Ward Center for Family Enterprises in 2020, CFE today is in a unique position to transform the decision-making and strategic thinking of future generations of family enterprise leaders. CFE is dedicated to producing rigorous and relevant research into the unique demands, strengths and evolutionary paths of family enterprises. Results of this research are delivered in the classrooms to all ages of family business leaders.

In addition to our focus on the complexities of family enterprise leadership, governance and strategy, we integrate Northwestern University's and the Kellogg School of Management's authoritative expertise into our curriculum to create a world-class, comprehensive, cross-discipline family enterprise resource. Our fusion of this deep academic capability with knowledge gleaned from our global community of high-impact business-owning families helps create CFE's unique theory-driven, evidence-based frameworks.

CFE has a three-pronged approach:

- Providing MBA curriculum and programming for students who are part of a family business, as well as students interested in the fields of private equity and venture capital;
- Offering executive education courses such as "Leading Family Enterprises," "Governing Family Enterprises," and "Family Enterprise Boards: A Program for Current and Prospective Directors";
- Conducting groundbreaking research to better understand the challenges facing business families.