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Schupan & Sons: A West-Michigan Story of Family Business Resilience

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COVID-19 has hit us all hard, individuals and organizations alike but with very different implications. Family businesses are no exception, of course. A survey conducted by the advisory firm Banyan Global found that even though family businesses are as concerned and focused as everyone on the short-term, having working capital and facing revenue decreases, they are not concerned in the long run about the overall health of

their business (Liberti, 2020). This could be interpreted as arrogance, but it is not that at all. It is more confidence that, despite the uncertainty that the pandemic has brought to the world, family businesses have survived more than one crisis throughout their existence, and they have the resources and capabilities to manage and even thrive beyond the crisis. In other words, they are resilient.

Resilience is understood as “the reservoir of individual and family resources that cushions the family firm against disruptions and is characterized by individual and collective creativity used to solve problems and get work done” (Brewton et al. 2010, p.156). Family business resilience has three main characteristics: 1) adaptive capacity, which refers to the ability to minimize the impact of environmental shocks; 2) strategic renewal, i.e. the ability to find opportunities despite the circumstances and materialize them into innovative solutions, and 3) appropriation capacity, associated with the use of past experiences and tacit knowledge to handle the post-crisis period (Mzid et al., 2019).

At the Family Owned Business Institute (FOBI)¹, in the early weeks after the lockdown, we interviewed John Barry, President of the Aluminum and Plastic Sales Division at Schupan & Sons, a West Michigan family business to learn if the company had deployed any of these characteristics and to ask about his perspective on the future. Schupan & Sons operates in the recycling industry, though not exclusively collecting and disposal. The company is vertically integrated with manufacturing operations and trading divisions. With over 700 employees, the family business is led by a second generation member, Marc Schupan, and both second and third generations are active in the business. Barry is a third generation company leader.

Adaptive Capacity

When the lockdown started, Schupan remained open as it was considered essential, even though the largest revenue producing division was shut down by the governor -the Beverage Recycling Division - as a contagion preventive measure. They applied early to the Paycheck Protection Plan (PPP) program and received a loan to protect employee jobs, and everyone was sent home with pay. Even though they work in an independent and decentralized way across five states, the leadership team (CEO and division presidents) met weekly for updates and spoke daily, as needed, to support each other and more importantly, to support customers. Barry mentioned that engagement with customers occurred as never before. In his own words, *“We’re connecting customers with other customers. Sometimes we hear one customer saying I can only go 90%, but I don’t have the other 10%, and you’re able to connect them.”* When asked why they were doing that, his answer was blunt: *“If our customers don’t do well, neither do we.”* In synthesis, they supported each other and customers and looked for resources available to deal with the emergency. They were able to pivot without firing employees due to the pandemic nor did they have a COVID-19 outbreak.

Strategic Renewal

When asked if the pandemic has triggered new ventures, Barry proudly nodded. This is the story: *“A CRNA² came up with the idea of adding an additional layer of protection when intubating a patient. It’s a process that involves many aspirations, so the risks are higher for health professionals. The nurse contacted a mechanical engineer who’s also a friend of mine for help in the design, and my friend - the engineer - asked me if we could donate the material to build a few for the hospital. I said yes, then asked if they needed a hand manufacturing them, and he said, yes!”* Therefore, they reconfigured the machines, and Schupan manufactured the 20 units they asked for as a gift. Then Barry added, *“When they came to pick them up, only three could fit in his car.”* Thus, they redesigned a collapsible unit. Barry negotiated with the nurse and his friend to patent and add the product to Schupan’s portfolio³. This new product has significant sales potential since the demand for these types of supplies has only increased through the pandemic. Sales of the product were increasing at the time of the interview. Moreover, the product was recently referenced in the *Cleveland Clinic Journal of Medicine for intubation procedures* (Chahar, Dugar and Marciniaik, 2020). Having the flexibility to decide, reconfigure, and create is an example that illustrates a common family business strategic renewal capacity.

¹The Family Owned Business Institute (FOBI) is an academic center at Grand Valley State University Seidman College of Business that champions and serves family businesses through scholarship, education and advocacy. For more information visit gvsu.edu/fobi.

²Certified Registered Nurse Anesthetist

³For more information visit: <https://aero-guards.com/why-aeroguard/>

Appropriation capacity

Family businesses are known for their capacity to transfer not only the business across generations but also intangible resources, such as knowledge. This tacit knowledge refers to “the knowledge that is bound up in the activity and effort that produced it” (Horvath, 1999, p. ix). The transmission of this knowledge is very common in family businesses (Gonzalez et al., 2011), and its use provides evidence of appropriation capacity. At Schupan, Barry mentioned that they have learned over time that diversification is a “must-do”, and this pandemic was proof of that. When the Beverage Recycling unit was unable to operate, they knew they could rely on the other divisions for sustaining revenue. Barry added that he knew there was going to be a contraction in demand for his division at some point because of the economic downturn, but he had confidence that the other divisions could “hold the storm”.

In addition, Barry reflected on the company’s commitment to customer service, which has been a hallmark since its beginnings. Customer support in service of value creation without exception and diversification to reduce risk, have been key tenets of the business during both good and bad times. This commitment reflects Schupan’s appropriation capacity.

About the future after/with COVID-19

Regarding the future, Barry mentioned that there is still a lot of uncertainty to plan for both next quarter and beyond. He continues to foresee a contraction in demand, and the Schupan leadership team is preparing for a “very tough two following years”. He did not deny his concerns with this outlook but confirmed that they are ready to deal with the crisis. They are focusing on efficiency, working capital, and on taking care of customers and employees. These principles should keep the company solid and strong for the long run. In this particular case, Schupan is confident that it has the resources and capabilities necessary to face environmental shocks. While not the only example in the region, Schupan & Sons is a good testament to West Michigan’s family business resilience. ■

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