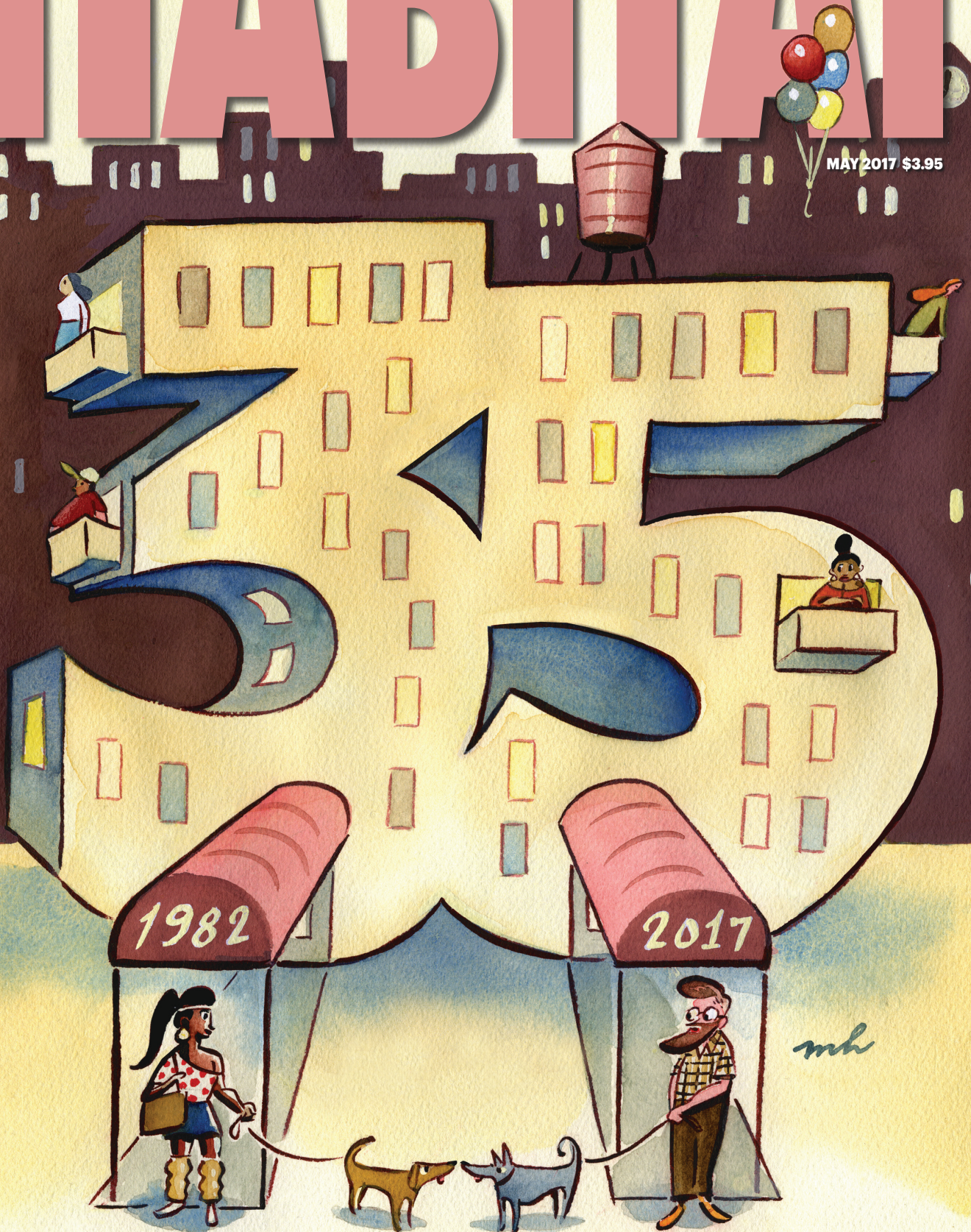


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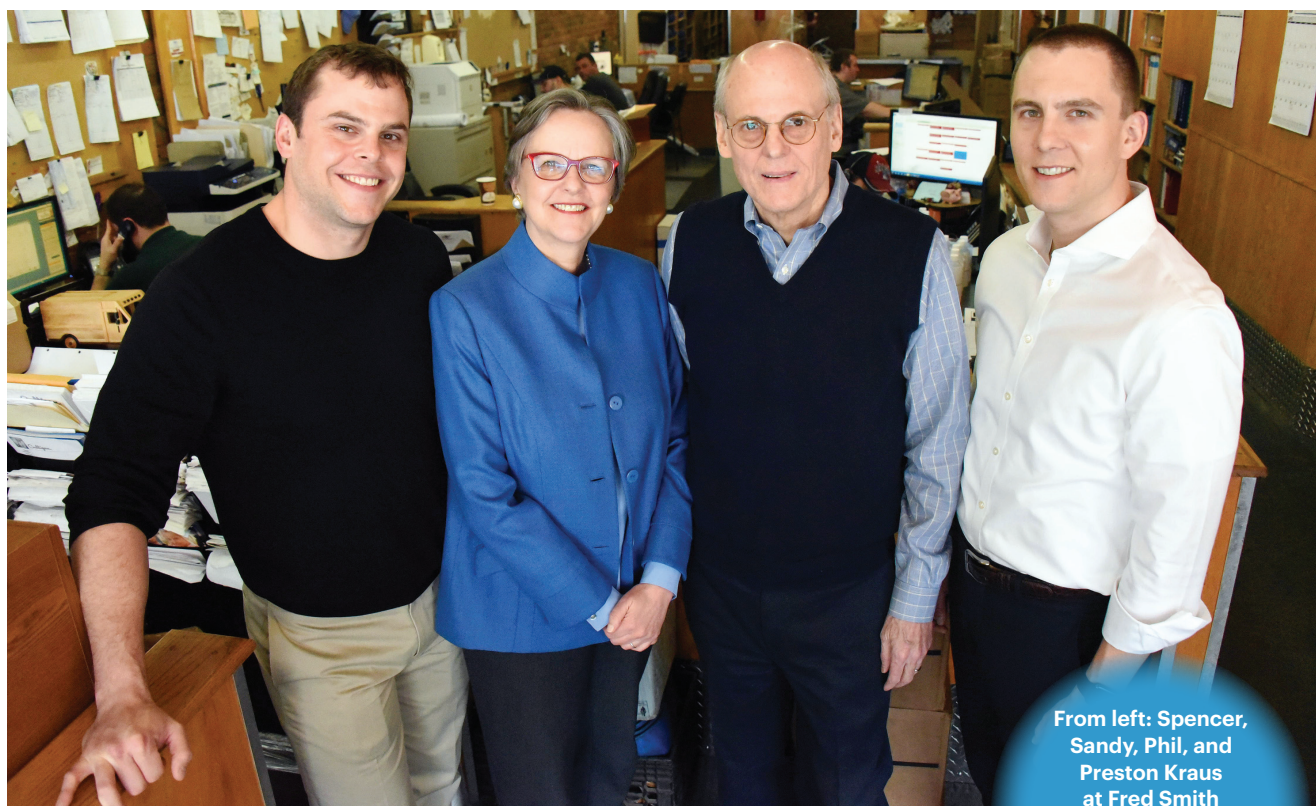
TRANSITIONING

*From one generation to the next,
looking forward is a family affair*

BY PAULA CHIN AND BILL MORRIS

The co-op and condo world has been fertile ground for many family businesses, including some that are now transitioning to the fourth generation. Here are the stories of four such businesses – how they grew, how they adapted to the city's changing real-estate landscape, and the ways they passed the baton from one generation to the next. It turns out that no two family businesses – even the happy and successful ones – are exactly alike.





From left: Spencer, Sandy, Phil, and Preston Kraus at Fred Smith Plumbing & Heating on First Avenue in Manhattan.

FRED SMITH PLUMBING & HEATING

Maybe it's in the genes. Phil Kraus's grandfather and father were master plumbers, and he followed them into the trade and the family business that was founded in 1908. But by the late 1970s, Phil, a graduate of Ithaca College, was growing restless. "I decided I had to find my own way," he says.

And so in 1980, he became the twelfth employee of Fred Smith Plumbing & Heating, another family-owned New York business that had been founded before the First World War. Soon after coming on board,

Phil bought the company from the founder's son. "Fred Smith Jr. and I had the same philosophy," Phil says. "It was real simple: if you take care of the business, it'll take care of you."

While vacationing in the Caribbean soon afterwards, he met a woman from Oklahoma named Sandy Plowman, who was working a fast-track finance job in Manhattan. They were married in 1982. They're still together – and they're still running the company, which now has 130 employees, including their sons and heirs apparent, Preston and Spencer.

Yes, it's definitely in the genes.

Preston, 32, and Spencer, 30, traveled different routes. Both started working for the company in the summers when they were boys, answering phones, carrying tools, cutting pipes, cleaning fittings. While Preston studied finance at Southern Methodist University and then went to work in investment banking and private equity for big firms, Spencer studied fine arts and literature at Carnegie Mellon University in Pittsburgh, then started climbing the ladder of the family business.

“The plumbers in the company had no doubt I was going to come back and take over for Dad,” says Spencer, who, after a seven-year apprenticeship, will take the exam this fall to become a master plumber. “We developed a plan of what I needed to be successful: a lot of experience, getting your hands dirty. Dad did me a great service by making me work. He also said I needed an MBA.”

So after full days of turning wrenches, Spencer attended New York University at night, earning his Master of Business Administration degree in 2015. Then the final piece of the puzzle fell into place. Spencer talked his brother into joining the fold in the summer of 2016.

“Spencer put the hard sell on me,” Preston recalls. “The big hook was the ability to work with my family and make a direct impact on a small organization. I see my actions reflected on a day-to-day basis. At a bigger organization, you’re more of a number.”

All four Krauses agree that it’s tougher to do business in New York City than it used to be, thanks to increasingly complex regulations, which put stress on the back office. “Another thing that’s different,” says Spencer, “is that consumers have different expectations because of all the information they have at their fingertips. Because they have more information, they think they don’t need a troubleshooter. In reality, you do need a troubleshooter. Also, people want to know what’s wrong and why. You used to just do the job and leave.”

Another big change is that the company has gone from a 9-to-5 operation to 24/7 full-service, growing tenfold and expanding into high-pressure steam work, fire suppression, HVAC piping, and water purification systems.

Sandy, as chief financial officer, helped bring the company into the computer age, streamlining its purchasing, billing, accounts receivable, payroll,



Phil Kraus



Sandy Kraus



Spencer (left) and Preston Kraus

DANIELLE FINKELSTEIN

benefits, and inventory management. “Technology now has to be integral if you want to stay competitive,” she says. “You need to be able to measure your performance with great granularity.” Since earning a law degree, she also handles legal and marketing duties. Preston, with his financial background, will take over many of her duties, while Spencer, the future master plumber, will try to fill his father’s shoes.

No one in the family can say precisely how the coming transition will unfold. “There’s going to be an organic process when it evolves so that

the customers don’t even know the difference,” says Sandy. Adds Phil: “The business is already in transition. The boys are picking up responsibilities, and nobody sees it. It’s a living thing. It’s not going to all of a sudden be, ‘OK, here’s the keys.’”

“When the transition does happen,” Preston says, “we want to make sure our Dad’s core values are passed on – respect for everyone he does business with, for his employees, the community, his family. It’s how he operates in the world.”

Definitely the genes. ■