FOR BETTER OR FOR WORK

A Survival Guide for Entrepreneurs and Their Families

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Introduction

In the mid-1990s, my husband, Gary Hirshberg, led a business seminar at the Omega Institute in Rhinebeck, New York. Gary is the Cofounder and CEO of Stonyfield Yogurt, and he came to the session primed with dramatic war stories about what I refer to, not fondly, as "the bad old days." As he spoke about the struggle and privation of Stonyfield's early years, the entrepreneurs in the audience redirected their attention to me, sitting among them. Many had tears in their eyes. "How did you survive as a couple?" they wanted to know. Soon the tales of woe came spilling out. "My husband left me." "My wife divorced me." "My mother's not speaking to me." "My kids barely know who I am." "She's risk-averse; I'm a gambler." "He thinks I care more about the company than I do about him. Sometimes I worry that he's right."

Our stories had tapped into a gusher.

When people start companies, they research the competition, market data, SBA loans, and the cost of office space. But they generally give little thought to how a business will affect their personal lives. The entrepreneur and his spouse assume they'll muddle through for the "year or two" it takes the company to gain traction. Sure, they know a start-up requires lots of work. But they reassure themselves that at least the entrepreneur will be able to dictate his own schedule, which should make life easier. And they imagine that most of the burden will fall on the company founder—not on the family.

In short order, these early assumptions reveal themselves to be myths, particularly the idea that business ownership gives entrepreneurs more control over their lives (a rationale many cite for leaving their jobs). The reality is that businesses are like babies: they need you when they need you. And they *always* need you—your time, your attention, and your energy. Maybe that new freedom arrives at some point, when the business is financially stable and the entrepreneur has hired and trained a competent management team. But until that happens (*if* it happens, and often even *after* it happens) founders are first responders to an endless series of crises. Or they're chasing after shiny opportunities that must be seized now—this minute—or lost forever.

The catch is, entrepreneurs' families need them too. Neglect is a ubiquitous theme when the spouses and children of company founders talk about their lives. It's a pervasive problem because so many people try to build their businesses at the same time they're starting families. And because the financial survival of the latter depends on the success of the former, the entrepreneur feels justified—perhaps morally compelled—to prioritize the needs of the company.

Of course, long hours are not the exclusive bane of entrepreneurs. What makes marriage to an entrepreneur distinctively challenging is the uncertainty. Gary and I like to compare the experience to riding shotgun on a curvy stretch of road. Usually the driver—the one in control—is just fine. It's the passenger who feels sick.

I've met very few couples in which entrepreneur and spouse are equally comfortable with the high-wire financial risk that company founding requires. Both are aware that the odds are against them: most start-ups fail. But in his heart, the entrepreneur believes he will be the exception, the lucky one who thrives by dint of persistence and smarts. The spouse is not so sure. She torments herself: what if the company goes down and drags with it the money our family and friends invested because they trust us? What if we lose our home, our children's college funds, our retirement savings? We've invested years of our lives in this venture. That's time we'll never get back. What if, in the end, it was all for nothing?

Yet if the spouse hesitates to refinance the house to fund the fledgling business or asks the entrepreneur to reconsider signing a personal guarantee on a piece of equipment, then she runs a different risk: namely, the risk of seeming unsupportive and disloyal. And not just disloyal to the business but also to the business's founder—the person she loves most—whose identity is inextricably tied up with his creation.

So the reality is that entrepreneurial business sucks the entire family into its vortex. But while the challenges are often consuming, entrepreneurship can also be a boon to families, for reasons beyond the possibility of significant financial reward. A business can produce unexpected and delightful experiences for spouses, children, and even parents and siblings of entrepreneurs. For relatives who work together in a company—even just stocking shelves on the weekend—the business provides ample opportunity to bond over a common purpose. Family members form memories and learn to appreciate each other in different ways. And as the company grows, so does the sense that they are all involved in something important.

Norman Cousins could have been referring to business builders when he wrote, "We discover ourselves as human beings when we move in the direction of our dreams." That is what entrepreneurs do: they pair imagination with action and move boldly and often joyfully in the direction of a vision only they can see. In so doing, they model for their children and their communities the values of determination, individualism, and passion. And they make people like me fall in love with them.

* * *

Today, Stonyfield Yogurt is thriving. With $370 million in annual sales, it is the fourth-largest yogurt company in the United States and the largest producer of organic yogurt in the world. In 2001, when sales were $94 million, Gary arranged for the sale of 40 percent of the company to Groupe Danone, which owns Dannon yogurt. (They bought an additional 40 percent in 2003.) The unusual deal gave our 297 shareholders a highly profitable exit, while allowing Gary to retain control of Stonyfield. It also provided us with financial security. Our children, all young adults now, are proud of their father and of the business, though none has chosen to work in it. The company has remained true to its mission of environmental activism and helping family-run organic farms.

So while there was nothing romantic about the early days of Stonyfield, we did manage to eke out something close to a fairy-tale ending. Still, we'd have been better off doing so with fewer headaches and heartaches. That's why I've written this book. It's the book I wish we'd had when we were starting out.

Over the last several years, I have talked to and corresponded with hundreds of entrepreneurs and their spouses. Some are old friends or people I met through Gary. But the vast majority reached out to me in response to my writing. In September 2008, I published in *Inc.* magazine an article about Stonyfield's prolonged, harrowing start-up and its effect on me and my still-young marriage to Gary. That story knocked loose such an avalanche of emotional—and occasionally intimate—letters that *Inc.* asked me to address the subject of entrepreneurs and family in a regular column called "Balancing Acts." Most of the men and women featured in the following pages wrote to me after reading the original article or the columns, or they introduced themselves at conferences and other events where I now speak.

I'm grateful that these people—some happy, some hopeless, all carrying scar tissue—were willing and even eager to share their experiences. Over the years, I've heard countless variations on our personal story and on the stories told at the business seminar that day in Rhinebeck. While these tales were not always easy for people to recount, or for me to hear, there was yet some comfort in the telling. We were all reminded that none of us trudges this hard trail alone.

Practically, this is a guide to navigating the emotional and logistical terrain of business building while simultaneously enjoying a fulfilling family life. I have tried to examine every major area where entrepreneurship and domestic life intersect, including the trials of cohabiting with a home-based business; the queasy necessity of borrowing money from family and friends; the power struggles of couples who run companies together; and the challenge of maintaining a cheerful front for the children during dark times.

I've also drawn examples from all stages of company development, from the wobbly start-up years to that grand and gratifying moment of intergenerational succession. Whether your business is just learning to crawl or has already hit its stride, you'll find relevant advice. For those unsure about whether or not to start a company, this is your chance to take a good hard look before leaping.

Finally, although my subject is entrepreneurs and their families, much of this material is relevant to anyone pursuing a mission-driven life. The families of political candidates and nonprofit directors, for example, will face similar concerns about financial insecurity and loneliness, and discover similar joys that come from being hitched to a dream.

This book is a collection of voices: those of entrepreneurs, their spouses, and their children. You will read the words of wise veterans sharing their hard-won wisdom and of nervous beginners expressing alarm while staring pop-eyed into oncoming headlights. Chances are you don't know any of these people personally. But unless you are surrounded by other entrepreneurs and their families, you may find you have more in common with these strangers than you do with many of your closest friends and relations.

Particularly in the opening chapter, I draw upon our experiences at Stonyfield. I don't expect the story of our start-up years to inspire you, exactly. But I hope that as you read it you'll take some comfort from the realization that you are (almost assuredly) not as badly off as we were back then.

Gary and I wish you the very best of luck.

Chapter 2

Brother, Can You Spare a Dime (or Twenty Grand)?

Relatives who invest in your business are making a profound gesture of love and faith. Then along come doubt, fear, and the complicated family gathering.

During the ’80s, our first years in business, I felt great relief each November as we left behind the ruts of our New Hampshire dirt road, glided onto the interstate, and headed south to Mom’s New York home for Thanksgiving. But around Hartford, my anxiety meter would start ticking up. My mother and three brothers had invested heavily in our company, and I knew that soon after our arrival, the conversation would turn to the fate of their cash. Their questions were sheathed in a kindness that barely covered a sharp blade of concern. *Profits?* Not even close. *Margins?* Come on. *Cash burn?* Lots of that. I would sympathize with the turkey as slivers of explanations and excuses were sliced from our tender hides. In those early days, our carcass of a business felt cooked too.

Fortunately, those discussions were supportive. My brothers (two physicians and a lawyer) were entertained and challenged by entrepreneurial problem solving. They enjoyed offering advice. Gary profited from talking things out and getting some fresh thinking. At the very least, it was a break from making yogurt. But there was a lack of ease in the air as our Thanksgiving reunion morphed into a literal kitchen-cabinet meeting. At times, I wished we could just hold a shareholders' Q and A beforehand and enjoy the pumpkin pie in peace.

In building Stonyfield, Gary was driven by a lofty vision. He dreamed of each little cup of yogurt serving as a billboard to educate consumers about the benefits of organic agriculture and the power of voting with our food dollars for a saner world. Starting with Gary's mother, Louise, many friends and family members bought into that dream. Most of them stepped forward on their own, without Gary's solicitation. They wanted to help but were also excited to get in on the ground floor of a new business they believed had potential. Gary toiled around the clock to make sure their money wasn't lost—a possibility that I found deeply chilling.

In those early discussions with my family, Gary painted Stonyfield's prospects in rosier hues than I felt were warranted. He wasn't misrepresenting, but I couldn't follow his logic through my own maze of doubts. If Gary didn't make sense to *me*, how was he making sense to all these people I respected and loved? I was torn by their eagerness to saddle up for this potentially quixotic quest. I feared for their cash. But as our financial situation grew increasingly perilous, I realized Gary and I had nowhere else to turn.


My mother, Doris Cadoux, and me.

As the company continued to rack up losses, Gary turned more frequently to my mother, Doris, our largest outside investor. We joke about it now, but it's true: on several occasions, Gary would tiptoe to his office on a Wednesday night, before Thursday payroll, to call Doris and discuss whether she could afford one more loan, one more investment. Wise to his late-night missions, I would dial her on another line and implore her to say no. In my view, this was money my mother could ill afford to lose. "It's good money after bad," I'd say to her. "The more yogurt we make, the more money we lose," I'd add, sensibly. But she would always say yes.

I became so distressed about the extent of my mother's risk with Stonyfield that, for years, Gary and I couldn't discuss the subject at all. As I mentioned in the previous chapter, Gary and I adopted—by mutual agreement—a "don't ask, don't tell" policy. Recently I asked Gary to reflect on the bargain we made. "It became a debt against our intimacy," he said. "It meant there were things we couldn't share. It was an unbearable load, and I couldn't talk with anyone about it. I couldn't turn to you for help and support." I do regret not sharing this burden with Gary. But that is a luxury of hindsight—safe to feel now that the company is successful. The truth is that even in retrospect, I think my mother gambled too much on Stonyfield.

Whenever I would try to convince my mother to *stop* giving us money, she would reply, "Meggie, I'm a big girl. Win or lose, I've made a choice." *They're both insane*, I'd think. *The two people I love the most are nuts.* I saw my family as financial innocents whom Gary and I were leading to slaughter. From my perspective, they may as well have been shoving quarters into a slot machine.

I saw my family as financial innocents whom Gary and I were leading to slaughter.

Still, begging my mother not to trust Gary with more money seemed a betrayal of him, a public profession of my doubt. It came down to this: I had been a Cadoux for 30 years, a Hirshberg for only a few. Concern for my mother was bred deep in my bones. If I hadn't brought Gary into her life, her money would have been safe. Suddenly, the roles of supportive spouse and protective daughter had become mutually exclusive. How could I be loyal to both of them?

TRUE BELIEVERS

The vulnerability of investors who care

When it comes to raising money, family and friends are the entrepreneur's low-hanging fruit. But the people who love and believe in us are also those whose fortunes we least want to imperil, and whose positive regard it hurts most to squander. Venture capitalists understand this, which is why they often prefer that the entrepreneur's friends and family invest before they consider a deal. As one CEO said to me, "Venture people know you don't care about them, but that you'll work hard to make sure not to lose the money of loved ones."

The decision to invest is about the business, but it's personal too. After all, businesses reflect the passion, dreams, energy, and vision of their founders. What could be more personal than that? Entrepreneurs strive to keep people *believing* in them. Indeed, my mother now says that she continued pouring money into Stonyfield because, more than believing in Gary's endlessly evolving business plans, she believed in Gary.

But when things go wrong, losing the confidence of professional investors is far less painful than losing the faith of one's family. As Gary put it, you're carrying not just their assets but also the burden of living up to their belief in you. "Every day is a test of your integrity," he said. "Are you up to it? Are you reliable? The darker side of this is that you're not. And if you fail, you're not only the shit who lost their money, but you are unworthy of their respect. It's high stakes poker—and there's a lot more at play than the money itself."

The situation becomes even riskier if family members invest alongside professional investors; it's akin to the lamb lying down with the lion and being devoured. When entrepreneurs are forced to raise money from multiple sources, relatives command their affection and loyalty. But the professionals command the fate of their businesses. The entrepreneur wants to do right by her loved ones, but she often loses the power to do. That is because professionals typically install controls that protect their interests, such as vetoes, voting rights, and the right to force the entrepreneur to buy back their shares at a premium if certain conditions are not met.

Richard Simtob was 24 when he started Talking Book World, a company that rented out books and CDs to consumers. Family and friends invested. Three years later the company was profitable, and a few years after that it was approaching 40 locations nationwide. At that point, Richard decided he needed another $5 million to open yet more stores. He raised $1.5 million from the friends and relatives who had invested earlier; $2 million from a bank; and $750,000 each from two different venture financiers. "That's when things started to go bad," he said. One of the VCs became chairman and soon clashed with Richard over finances. Eighteen months later, by mutual agreement, Richard was out. "All my friends and family had invested in *me,* but now they found themselves invested in this venture group," Richard said. "These venture guys ended up losing all the investors' money. But thankfully, none of my investors blamed me."

Sometimes when outside investors start turning the thumbscrews, entrepreneurs will turn to family for rescue, deepening their financial and emotional debt. In 1988, one of Stonyfield's large investors lost confidence in the business and agitated to replace Gary with a "professional" CEO. She demanded her $250K loan be paid back within five days. If Gary couldn't pay it (he couldn't), she would have had the right to transfer it to stock, making her a significant enough shareholder that she could have forced Gary out.

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My mother decided to buy this shareholder out, which brought her investment to well over a million dollars. This time Gary, who acknowledged things were not going well in the company, actually urged her not to do it. "In the end, she was persuasive and said she understood the consequences," he recalled. "But if I'd had any other option, I would have taken it." Doris saved the company—and Gary and me. As per my agreement with Gary, I didn't know about this while it was happening, and for that I'm grateful. It was only a couple of years ago that I learned exactly how much my mother put into Stonyfield.

STRAINED RELATIONS

Money places conditions on unconditional love

Building a business requires sacrifices. When relatives help fund the business, those sacrifices may include the relaxed family gathering, the casual lunch with a sibling, and the lighthearted phone chat with Mom and Dad. Anxious and exhausted, entrepreneurs yearn for the solace and support usually provided by families: a sheltered place to lay their weary heads. But relationships change whenever money enters the picture. After all, the adjectives traditionally paired with cash are *cold* and *hard*. If business problems also endanger the family treasure, the entrepreneur may find her weary head resting on cold, hard stone.

Sometimes the stress fractures are so severe that even close relationships can collapse. Around the same time we were building Stonyfield, a friend of mine, "Sally," and her husband started what became a hugely successful consumer goods company. They were desperate for money and too risky for a bank loan, so early on her parents bought 20 percent of the business at a reasonable valuation (any outsiders would have demanded a bigger chunk of the company for what they invested). Sally tried persuading her parents to sign a minority shareholder agreement, but they were offended at the mere suggestion. She was grateful, never imagining that they would eventually seek an enormous return.

But a few years later, Sally's parents tried to force a sale or an IPO. Her voice still shakes when she tells the tale:

> At one point they threatened to sell the shares to a third party, and we couldn't have stopped them. The strange

> thing is, we were doing *well* when they demanded their money back. The whole experience was probably the most painful thing I've been through.
>
> You look at it as a child being supported by loving parents. They look at it as a calculation. What—money is more important than *me*?

Sally, who had been close to her parents, eventually saw them only in the presence of both sides' attorneys. She didn't speak to them directly for years. "It was horrible for me. Resentment is like swallowing poison and expecting the other person to die," she said. "The bottom line is that this was my *life*, and to them, the business was nothing more than an asset."


Lisa Stahr with her dog, Cairo.

Sally's rift with her parents occurred over a *successful* venture. More common are strains imposed by failure. Between 2005 and 2007, Lisa Stahr took investment money (around $150,000) from friends, coworkers, and her mother to start Scout's House, a Menlo Park, California–based company that offers physical rehabilitation therapy for pets. The company flirted with profitability until the recession of 2008. Then, as Scout's House struggled, Lisa agonized over whether to sell it, go nonprofit, or find some other way to keep it alive. The first two options guaranteed her investors would lose their money, an outcome she dreaded. Lisa recalled:

> I spent many sleepless nights trying to cope with the guilt of that. They all said they didn't need the money. Most of them told me they didn't mind, but a couple made comments that it would be nice to get their money back. I felt so responsible for those people who believed in my dream.

Uncomfortable conversations with professional investors are generally limited to business meetings. When people whom the entrepreneur sees everyday realize that their faith has been misplaced, their anxiety and disappointment—and the entrepreneur's guilt—taint even the most casual interactions. Lisa said:

> I became very conscious that they were not just friends. They were investors. In the back of my mind, I was always wondering: what and how much should I say? I didn't want to upset them. It affected my thought processes and feelings when I was with them. During the worst days I actually avoided a few of them a bit. I avoided the phone. Email was easier. With email they couldn't hear the anxiety and anguish in my voice.

Lisa did receive an offer for Scout's House, but at a price so low her investors would have lost everything. In the end, she couldn't stomach that. Instead, with the blessing of the majority of her shareholders, she struck a deal with a young veterinary surgeon, which should allow the business to ride out the downturn. "Almost every decision I made was influenced not only by how it could affect the future of the business but also how it would affect my shareholders," said Lisa.

DIDN'T SEE THAT COMING

What if your investors need it back?

Sometimes it's not the entrepreneur's circumstances that deteriorate, but his investors'. While founders dutifully calculate their own risk—usually underestimating it, in my experience—they rarely inquire too deeply about their investors' ability to withstand a financial hit. Nor should they, necessarily. Their investors are adults, after all. As my mother gently reminded me, she is capable of making her own decisions. Still, guilt is exacerbated when the people who could once afford to assist you fall on hard times and need that money back—and you are in no position to return it. It's as though you've accepted a blood relation's kidney and must now watch helplessly as his remaining one fails.

In 2003, David Issa launched a software company called XenLogic in Atlanta. Three years later he found himself in a tough place with cash flow. David's grandfather spontaneously offered him a loan of $15,000. Assuming that all would be well as long as David could make the minimum payments, the grandfather took an equity line of credit in his house.

Then, in 2009, the grandfather's health deteriorated suddenly and significantly. He had to sell his home and move into an assisted-living facility. The equity line of credit was deducted from the sale of his home. David explained:

> Neither of us had considered that this might happen. I have consistently been making the payments, but there is a possibility I may never be able to pay my grandfather back in his lifetime. This is a big burden to come crashing down on him this late in life. To the extent that I'm partially responsible for that, I feel guilty. To this day, I haven't been able to have an open discussion about this with my grandfather. These might be my last moments with him. Do I really want to be discussing the terms of our deal?

David's experience didn't teach him to refuse investment money from friends and family, just to consider the hidden costs to that money—emotional costs that may only become apparent with time. He reflected:

> In the beginning, everyone is excited about the possibilities. But what about a couple of years later when things haven't worked out as planned? The stress wears you thin, and wears thin some of those bonds of love and friendship.

> The truth is, I needed that money. It was a lifesaver. The best advice I have is to make sure friendly investors understand that they should expect to lose that money. The problem with that, of course, is that they invest on the premise that you're going to succeed, and the money is their vote of confidence.

David echoes many entrepreneurs who regret mixing business and family. "I probably would have been better off negotiating this as a bank loan," he said. "How much do I really care about the bank? I care about my credit score. But at least it wouldn't be a livelihood in my hands." Gary makes a similar case for venture capitalists. "They are big enough and smart enough to know better," he said. "There's no emotional burden that comes with them."

David Issa, center, with his grandparents, Francis and Charles Schiedel.

GUILT BY PROXY

Friendly money comes in; the spouse's chagrin

The entrepreneur is not the only person whose relationship with intimates becomes more complicated when they invest. Inevitably, the spouse feels the strain as well. A woman who works with her husband in a home-fitness start-up told me she became "furious" with him after finding out that he had borrowed money from his sister to keep the business afloat. "I didn't want her looking at me funny because we owed her money," she said. "Debt erodes healthy relationships. I wish he'd taken a loan from a bank."

As for me, I wasn't angry with Gary for soliciting and accepting money from my family. But I was haunted by the specter of possible damage, both profound and subtle, to my relationships with my mother and brothers should Stonyfield fail. How would my mother's financial loss affect her retirement? Would my brothers blame me for jeopardizing her future? Would they blame Gary?

Fortunately, Gary's and my relationship with my mother and brothers remained unaffected by their significant investment (though that might not have been the case had Stonyfield failed). My relationship with a couple of old high school chums, however, has grown more complicated. Neither of my friends is entrepreneurial by nature, but both regretted not investing in the yogurt company. So they jumped at the opportunity to put money into Gary's second venture: the restaurant O'Natural's (later renamed the Stonyfield Café).

Ten years later, the Café is still finding its way as a business, and its survival is not a sure bet. My friends have expressed anxiety about the fate of their cash, and all of us wish they had never invested. As a result, my relationship with one has grown more distant and prickly. I remain in frequent contact with the other, but finally I had to recuse myself from discussing the status of the Café with her, despite her frequent inquiries. I've known her most of my life, and this is the only subject we simply can't discuss.

A BUSINESS FOOTING

Layering a professional relationship onto a personal one

Entrepreneurs who opt for family money over more impersonal sources can mitigate some of the emotional risk by keeping the proceedings as businesslike as possible. Though entirely stripping sentiment from friend-and-family transactions is unrealistic, company founders should provide family investors with as much information as they would a loan officer. Likewise, they should discuss with them the same hard questions a professional investor would ask. For example, any investment, even of friendly money, puts the entrepreneur on a path to sell, sooner or later. She must be clear about her intentions and explain exactly why she is in business. Is it just to cash out? Or is it a lifestyle/identity choice? Ideally, the answer should help determine how much money she takes in, and from whom.

The information supplied may scare off friendly investors, which can put its own strain on relations. Usually it's the rejected entrepreneur who feels disappointed. But if the company goes on to thrive, thwarted investors may have their own reasons to feel frustrated. In 1985, my sister-in-law Nancy wanted to put money into Stonyfield. But the minimum investment was $5,000, and Nancy had just $12,000 in savings. Gary made it very clear that she had to be prepared to lose her money. "He was so convincing that I instead put that money into Calvert," said Nancy. "Ten years later my Calvert investment was still worth about $5K. Biggest financial mistake I ever made."


Nancy Hirshberg, Gary's sister.

Seth Goldman, Founder of Honest Tea, based in Bethesda, Maryland, actively discouraged a few early investors who were parents of his sons' baseball teammates. "I figured we were going to see these guys for a dozen more years," he told me, "so it would be awkward if I lost their money." But Seth wound up changing his mind. He explained:

> A couple of them persisted, and as the business—and my cash needs—grew, my resistance broke down. You don't want to insult someone by saying, "You can't invest." I came around to feeling, if this business goes under, I'm going to have a lot more problems than a few awkward moments with these guys—even though one of them was going to put in his son's college money. In the end, the baseball dads' network was lucrative—we raised more

> than a million dollars from that extended group. I'm glad to say that the one father will have no trouble paying for his son's education now.

It's important to remember that whoever invests will have a say over how you exit: the greater the investment, the greater the say. One benefit of bringing in friendly (versus institutional) investors is that you can usually retain a measure of control over your business, without promising a definite exit. But just because someone loves you doesn't mean they won't fight like hell for what they perceive to be their own self-interest. Money can reveal unexpected—and often unpleasant—sides of people we thought we knew well. Even when the business is prospering, relationships can sour, as happened with my friend whose parents tried to force a liquidity event. She advises that if you must take money from relatives, get them in and out quickly, with short-term debt. Whenever possible, structure the transaction as a loan rather than as equity so valuation does not become an issue. If you do give up equity, make sure to press for a shareholder agreement and get a right of first refusal on the stock.


The Goldman family in a tea garden in India.

Friends and family will also likely have opinions about how to run your business. As long as they have cash on the table, you need to listen. Gary avoided letting investors unduly influence his thinking about Stonyfield. Everyone had ideas, and often they conflicted: the yogurt's too sweet/it's not sweet enough; the cup shape or design needs to change/it's perfect the way it is; the company is too concerned/not concerned enough with environmental impacts. Gary listened respectfully, but he always trusted his instincts and never changed direction solely because of an investor's opinion.

After Stonyfield became successful, Gary endured a different kind

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of pressure. Several of his investors launched start-ups of their own, and they expected him to invest. After all, they'd dug into their own pockets and cast a vote of confidence during Stonyfield's bad old days. Shouldn't he reciprocate? Irrespective of the merits of what these people were attempting, Gary chafed at being guilt-tripped, and there were some awkward moments. (He wound up investing in one business—on its merits—but not in the others.)

EMOTIONAL RETURNS ON INVESTMENT

Financial commitment can pay off in closer ties

Occasionally an investment by friends or family not only works out financially but also changes personal relationships for the better. In 2003, Lisa Calhoun was languishing in a San Antonio advertising job. Then her younger brother and only sibling, Vince, offered her the $4,000 she would need to fulfill her dream of moving back to Georgia and starting a PR agency (Write2Market, in Atlanta, is now a thriving business with 14 employees.) Lisa described the unexpected changes in their family:

> Money is a big deal in my family because we never had much of it. Four thousand dollars should be slap-aroundable, but at that time it was very significant. My brother, who had been sleeping on a twin mattress on a friend's floor, also surprised me by buying his first house so that I'd have a place to move back to. He charged me a little rent, and I paid him back the full loan within a year.
>
> Vince had been someone I bossed around all my life: my adorable sidekick. This experience changed our

> dynamic. We're closer now. And he's easily an equal—I'm no longer patronizing. I'm glad he took the opportunity to step forward and take charge. When my parents saw him do that, they started treating him like a man, no longer a boy. Mom was very grateful—she cried. Dad felt like it was a family leadership baton passing to Vince. So in a way, Vince grew up too.

My personal story had a happy ending as well. The constant pressure from my family's investment lifted in 2001 with the sale of the non-employee stockholders' shares in Stonyfield to Groupe Danone. (Gary still runs the company and retains majority control of the board.) Gary recalled his relief when the deal was signed:

> I remember the lump in my throat melting away. Now I could once again be part of your family instead of the person who held their financial destiny. Money is this funny substance—it's fungible, liquid, a concept. But when it belongs to someone else, then it becomes personified. It's a presence in the room. The investment altered the DNA of my relationship with your family—before, I couldn't be totally honest about what I was going through. I don't remember the burden as much as I remember the relief I experienced from not having it anymore.

My mother is at ease in her retirement. Her risky investment in Stonyfield secured college educations for all her grandchildren. Our family is as close as ever and feels great collective satisfaction at having been part of building a thriving business. And Gary's success has spawned entrepreneurial dreams in other members of the clan. Some of what our family made on Stonyfield stock has been invested in my nephew Jon Cadoux's start-up, Peak Organic Brewing Company, based in Portland, Maine. These days when we all reunite for Thanksgiving, it is Jon's hide on the carving platter instead of ours.

Things to Talk About

- How much additional stress will you endure from putting loved ones' capital at risk along with your own? Is it worth it?
- You may be counting on relatives and friends for emotional support during the difficult start-up period. Will taking their money make that support harder to get? Can you handle it if relationships become strained?
- When an entrepreneur taps her spouse's family and friends, the spouse may find his loyalties hopelessly divided. How will such an act affect the marriage?
- Investors have a say in how the company is run and in when and how to exit. How willing are you to open yourselves up to such (usually non-expert) interference . . . I mean advice?

Things to Do

- The entrepreneur should clearly state the risks of the investment. Don't sugarcoat. Be transparent, and warn friends and family that future rounds of financing could dilute their investments or even change ownership of the company. Make sure they understand that this asset will be illiquid indefinitely.
- Get a good lawyer and document everything. Make sure even close family members sign a minority shareholder agreement; explain to them that this protects you both. Provide a mechanism to resolve disagreements. Make sure you have a right of first refusal on the stock so that investors are not able to sell it to whomever offers the most (which could wind up being a competitor).

- Be very reluctant to accept anyone's retirement or college-fund money.
- Identify the amount of money you can take from friends and family and still feel comfortable with the investment. As Gary put it: "You need to avoid being immobilized by fear, but able to look yourself in the mirror and not feel like a schmuck."