
Hiring to Firing Podcast* — Unique Challenges and Benefits of Family-Run Businesses, Inspired by *Modern Family
Hosts: Tracey Diamond and Evan Gibbs
Guests: Terri Gillespie

Evan Gibbs:

So Tracey, have you ever worked with any family members?

Tracey Diamond:

My father owned an insurance business called Arthur P. Kaplan Agency back in the day. And before my brother went into it, as a teenager, I used to spend the summers working for dad. And it was the best job ever as a kid in the summer because we would go in around 10, I would file for an hour, then we'd go to lunch, and then I would take a nap on his couch, and then around 3 o'clock we'd head home.

It was a great deal. How about you, Evan?

Evan Gibbs:

Wow, so, I'm glad to hear that because mine was the opposite experience. Mine was one of the hardest jobs ever that I've had. And I've had some hard jobs. I've worked in agriculture, but my dad and my uncle had a residential and commercial painting contracting company.

And so when I was a kid starting in like 10 and 11, all the way through my teenage years, I would help them on job sites. And it was - I think everybody universally hates painting and painters don't necessarily like it anymore. And it can be, you know, a physically demanding job, sometimes long hours.

And you know, I'm from the deep, deep South. And so it was, a lot of times, a million degrees and, you know, a thousand percent humidity doing jobs out in the sun. It was a hard job. It was a 7am to, you know, 4 or 5pm, five days a week during the summer. It was not fun and enjoyable.

But, I saved up money, bought a drum set and helped me get my first car and stuff like that. So, it paid dividends, but it was tough, and I did not get special treatment from them. I was treated just like, you know, one of the other guys. I really had to start at the very bottom. I remember scraping paint off of bricks with another brick at one point, for a couple of days. So, yes, very different.

Tracey Diamond:

I don't know what this says about family run businesses, but it certainly says something about going into insurance versus going into contracting.

Evan Gibbs:

That's right. And all of this brings us to the topic for today's episode, which is employment and other issues that come up in the context of family run businesses. We've got a great show we're using today, *Modern Family*, if you've ever seen it. It's one of my personal favorite shows. And we're using that to talk about these issues.

[INTRO]

Evan Gibbs:

Welcome to *Hiring to Firing*, the podcast. I'm Evan Gibbs. And with me, as always, is my lovely and talented co-host, Tracey Diamond. We're both partners at Troutman Pepper. And we've handled pretty much every employment issue under the sun. I think between us, everything from hiring to firing, all the crazy and fun stuff in between.

Tracey Diamond:

Today, we're happy to welcome our guest, Terri Gillespie, who's General Counsel at Stateside Brands, whose flagship brands are one of my favorite vodkas, Stateside Vodka, as well as Surfside Teas, which, of course, contain vodka.

Terri, it's great to have you here with us today. Thanks so much for joining us.

Terri Gillespie:

Thank you. It's great to be here.

Tracey Diamond:

Let's start by having you say hello. And tell us a little bit about Stateside Brands and your role at the company.

Terri Gillespie:

Sure. Happy to. So, as you said, I'm the General Counsel at Stateside Brands. And the company is about 10 years old. A little over 10 years old that we've been on the market. It was founded by two brothers, Matt and Bryan Quigley in Philadelphia. And they started in their parents' basement. Started distilling vodka in their parents' basement and eventually learned how to create a really great vodka product. And then partnered with two other brothers, Clement and Zach Pappas, who had a history and a family business in New Jersey. They were in the non-alcohol beverage space. And the two sets of brothers partnered together to join together and to form the Stateside Vodka brand.

And, initially, for the first five or six years of the company, it was just the vodka product that it's won numerous awards. And your favorite, everybody seems to really love it. And we're in the Fishtown section of Philadelphia where we have a distillery on premise.

And then in around 2021, they expanded their product line to form the Stateside Vodka Sodas. They launched the vodka soda products in 2021. And then in '22, they launched the Surfside Brands, which is a line of non-carbonated teas and lemonades. There's been tremendous growth in the company. And I came on a couple of months ago as the General Counsel. The first in-house attorney that the company had.

Evan Gibbs:

And what was your path to that role? What did you do before you came over and went in-house?

Terri Gillespie:

I actually did what you guys do. I was a management side employment attorney at two different law firms in Philadelphia. I was actively practicing in a labor and employment group. Two labor and employment groups. Sorry. And then about 5 years ago, I went in-house at a different alcohol brand in Trenton, New Jersey. I had the direct alcohol brand in-house experience before I came over to Stateside.

Tracey Diamond:

What would you say are the biggest differences in your day-to-day being outside counsel versus in your in-house roles?

Terri Gillespie:

In-house, you wear many more hats. Although, I know at times when you're advising all sorts of different clients on the management side of employment law, you feel like you probably are wearing mini hats all the time. But in an in-house role, you're doing a lot of different things. You're addressing HR issues and employee relations issues, but you're also managing contracts with that. Alcohol space is heavily regulated. We operate under 50 different state agency rules and regulations and statutes in the alcohol realm, because there's very specific alcohol laws that are not uniform in every state. That is a lot of the work that we do is advising our internal clients on how they can comport with all the laws across the country.

Evan Gibbs:

How big is the company at this point? How many employees do you all have?

Terri Gillespie:

At this point, we have 130. And we are growing. This time last year, we sold our products in 20 different states. And now launching into this summer of '24, we will be in 48 states by the end of the summer. It has been tremendous, tremendous growth. And the employee count, at last count, we have 29 states represented by our employees. And if you had looked at the employee census maybe two years ago, it would have been Pennsylvania, New Jersey, Delaware, Maryland. That was the stretch, the expanse. But with the rocket ship of the Surfside brand, it has really triggered a lot of growth within the company.

Tracey Diamond:

You know, I first met Matt, and Bryan and, Clem towards the beginning of their – when they started the company. And they were so excited and so passionate about the work. I remember going to the facility in Fishtown and Matt walked me through the whole distillery process. I got to see sort of closeup everything from the beginning through the bottling, which is all – at the time, I don't know if it's still this way, is all in one room.

And it's just so impressive to me how so much can be generated with 130 employees. I mean, that's a relatively small headcount for the massive size of the product that's being shipped out today. Very impressive. Can you tell us a little bit about how they came up with the idea in the first place?

Terri Gillespie:

Well, Matt and Bryan came up with this idea not necessarily with the intention to start a vodka brand. They wanted to start a business together, the two Quigley brothers. And they went through some different ideas and then they settled on vodka. And they learned how to do it. As I said earlier, they went to school at Michigan State for distilling. They also traveled throughout Europe learning different techniques for distilling. And they came together and crafted this amazing product that everybody loves today.

Tracey Diamond:

It's so nice that brothers get to work together, which kind of leads us to our topic for today's podcast. Evan, you want to kick us off?

Evan Gibbs:

Yeah. That's right. Yeah. The topic for today is just that. It's working with family. And so, to illustrate the issues that this can sometimes create, we are going to listen to and discuss some clips from ABC's multi-E Emmy-winning hit show *Modern Family*, which ran from 2009 to 2020. And if you haven't seen the show, I think you really should re-evaluate your priorities and start binging it as soon as possible. It's one of my personal favorite shows of all time. It is really hilarious from start to finish. Lots of quotable moments. And it's really a great show.

The way it's set up, in case you haven't seen it, in case you live under a rock and you haven't seen it, the show follows the lives of three different families that live in Suburban Los Angeles. And they're related to each other through the family patriarch Jay Pritchett.

Jay has a successful closet and blinds business called Pritchett's Closets & Blinds. Very creative name. His daughter Claire, she eventually comes to work at her dad's company in season five. She had an earlier career and then took time off to raise her kids and then came back to work at her dad's company.

And on her first day, she tries to get close to her new co-workers and convince them not to look at her as Jay Pritchett's daughter, but as Claire, a coworker and a friend. Let's listen to our first clip in which Claire is introducing herself to her new co-workers on her very first day on the job.

[CLIP]

Claire:

My dad thinks that he can motivate his workers by being a cold, distant authority figure. Well, if his style is so effective, riddle me this – why didn't I listen to him?

Hey! Hi, I'm Claire. It's my first day, so I thought I'd say hi.

Co-workers:

Hello. Hi.

Claire:

Amazing. You guys are actually hangin' out by the water cooler.

Co-worker 1:

I have zerostomia. It's chronic dry mouth.

Claire:

I'm so sorry, I, I was just doing a thang, you know, and.... Anyway, um... my door is always open. To everyone.

Co-worker 2:

That's Pritchett's daughter.

Claire:

Yeah, but I don't want you to think of me like that. I'm, I'm a friend. I'm a colleague. I'm just like you. I'm Claire, you know, worker bee. Just... Bzzzzzzzzzz....

[CLIP END]

Tracey Diamond:

I have some personal experience in the pros and as well the great things and the challenging things about a family-run business, because my father and brother actually worked together in my father's insurance company before he eventually retired. And then eventually, eventually, my brother sold the business. From your perspective as in-house counsel, Terri, what are you seeing as some of the challenges that you encounter that are specific to a family-run business?

Terri Gillespie:

I think the biggest challenge that any family-run business would have is setting boundaries both with their family members and with employees. And making sure that they are putting the right

people in the right roles. And that they are setting the boundaries to navigate the employee relations with the family members as objectively as possible.

Because if they have internal employees who maybe sense favoritism among their co-workers, their peers, because they're family members, that just creates a whole host of issues. And if you are putting a family member in a role that they don't belong in, that's going to create business issues and not just employee morale issues.

Tracey Diamond:

Are there ways to mitigate that risk? Do you guys put in place ways to sort of acknowledge and mitigate that risk?

Terri Gillespie:

Right now, everyone who is related internally in the company really has a defined role. Matt is leading the charge on branding, and marketing, and product development. And Bryan heads up our sales team. They are interrelated functions, but they are working together and also independently, if that makes sense. They are teaming and partnering together, but they each run their own division of the organization. And then Clement is our CEO. He is managing the overall business operations of the company.

Tracey Diamond:

What was the relationship with Clement, and Matt, and Bryan, and Zach prior to this? Did they know each other before they all decided to partner up?

Terri Gillespie:

They were introduced by, a business colleague a mutual business colleague that they – and connection that they all had. They were connected by that person. And he just thought that there would be a lot of great synergies between the four of them, between the two sets of brothers. And there really have been.

Clement and had great experience in the non-alc beverage space with his family business, with the Pappas family business that had been run for three generations. There was an exit from that company. There was an acquisition by a Canadian firm of that company. And then the Pappas brothers were ready for a new adventure and happened to meet the Quigley brothers, which is I think a really great story of these two sets of brothers coming together to form this great business.

Tracey Diamond:

It really is. And I think that goes to one of – we were talking about the pros and cons before. One of the benefits of a family-run business that I've seen is the true passion that you see amongst the family in owning the company, owning their role in the company and really wanting with all of their heart to see the company be successful, which sometimes it's hard to motivate your rank and file employees to see their company that way. But when it's your family business, it affects every part of your life.

Terri Gillespie:

Absolutely. And I think that that is important that the passion is there with everybody for the business. Because if you have family members who are not passionate about the family business, that could be a recipe for disaster.

Tracey Diamond:

I guess that brings us to our next clip. Right, Evan?

Evan Gibbs:

Yeah. That's right. Yeah. This is our next clip from the show, which I think highlights some of the issues that we've talked about. And in this particular clip, Claire is speaking with her dad in his office when he chastises her for trying to buddy up with the other employees and tells her he's planning to fire one of the people to whom Claire introduced herself earlier that day. Let's take a listen to this next clip.

[CLIP]

Claire:

Hey, you wanted to see me?

Jay:

Thanks for bzzzz-ing by. I hope you weren't in the middle of a "thang."

Claire:

Okay, that did get a little away from me. But to be fair, I broke the ice.

Jay:

Everybody thinks you're a dummy.

Claire:

Not everybody. No, as a matter of fact, one of the guys in the break room asked me to lunch—

Jay:

Don't say Todd.

Claire: Oh, no.

Jay:

You cannot go to lunch with Todd.

Claire:

Why not?

Jay:

You can't be associated with him. Up until an hour ago, he was the office weirdo.

Claire:

But he was nice to me, and he helped me set up my computer.

Jay:

That's his job. For now.

Claire:

What does that mean?

Jay:

I'm firing him as soon as I can find an IT guy who shows up on time and doesn't creep out the office.

Claire:

I can't cancel on the one person who was nice to me.

Jay:

You can, but you won't. Because you're the type of person who brings cookies to the office.

Claire:

Where are they?

Jay:

Okay, we're done here.

[END CLIP]

Evan Gibbs:

I think this is a really good example of one of the challenges of hiring family members. And this is something we sort of touched on a minute ago, but family members might tell their relatives about workplace issues that maybe should be kept confidential. I was wondering, Terri, how do you maintain confidentiality in an environment where you've got, in your case, multiple sets of

family members working together? Are there any type of formal policies, or procedures, or anything like that that you have in place for those issues?

Terri Gillespie:

Well, I think the family members themselves have to be cognizant that there's a level of trust that you have with your family. And you may share information with a family member that you wouldn't with a rank and file coworker or another employee that you work with. But in that clip, specifically, I almost blame Jay as much as I blame Claire for divulging that information.

I mean, he, as the CEO and the owner of the company, should know that certain information shouldn't be shared with an employee that doesn't need to have that information, because it puts pressure on the employee who now knows that someone may be fired from the job. It's important to keep the boundary between the inherent trust level that you have with your family members and what you would trust employees to share on a normal basis.

If it's confidential information, you have a policy that you are not to divulge certain pieces of information outside the chain of command. Then you really, as the leader of a company, should be conforming to that and following those rules that you're setting in place for everybody else.

Tracey Diamond:

I think that's a really important point, that confidentiality is confidentiality. And regardless of whether you're related to an employee, or friends with an employee, or just colleagues, work colleagues, it's important for the managers, the people that have the confidential information to really think twice before sharing it.

It's almost like telling someone, "Ooh, I have this really juicy secret, but I can't contain myself. So I'm going to tell you. But don't tell anybody." Well, that's not really fair to the person you're telling the secret to. Maybe you shouldn't be telling that person in the first place, right? I think that it just maybe magnifies in the case of a family-run business. But it's something that's probably at play regardless in terms of confidentiality in the workplace. Do you agree with that?

Terri Gillespie:

Absolutely. And I think it's important for other employees to see that family member employees who wouldn't otherwise be privy to that information based on their role don't have that information, right? That it's very clear that family members are not sharing confidential information during off-the-clock time or when they're meeting at work for any reason.

Tracey Diamond:

Around the family dinner table on a Sunday afternoon, right?

Terri Gillespie:

Right. Because I think that that could create a lot of insecurity or concern with other employees that, "Oh, well, if I say something to my coworker who is also the CEO's daughter, then at dinner on Sunday they're going to be talking about me. She knows things about my job, so I have to be

careful in how I interact with that person." It doesn't create for a relaxed collaborative work environment if the employees are looking over their shoulder.

Tracey Diamond:

How do you avoid the appearance of impropriety? Because even if the family members aren't sharing information, there may be an assumption on the part of all the other non-family members at the company that they are. And I think that kind of goes to the first clip a little bit where nothing had happened yet, but I think there was still this sort of concern of the employees that were sitting around the water cooler of, "Oh, I have this medical condition. That's why I'm drinking water. Don't tell dad." How do you avoid that appearance of impropriety and give your employees that sort of sense of we're treating everybody fairly?

Terri Gillespie:

Obviously, it's lead by example. And to show them that there's no communication that are out of bounds. And maybe I would recommend in that situation using Claire and Jay as an example. If Jay had had a discussion with employees before she came on board that, "My daughter's coming to work here. She is a talented person. And she's intelligent. She's a hard worker. And I think she's going to do great things here. And I want to address it head-on with all of you that there will be no favoritism. And I will be treating her the way I treat all of my employees." Rather than let people gossip behind her back or let thoughts fester in their head. If you face something head-on and discuss it with people, it creates that open environment of communication.

Tracey Diamond:

I think that's really good advice. Open communication certainly is key. We've talked about this in past episodes about sort of friends at work. And I think it's the same idea here of being open with all of your employees so that they understand where you're coming from and that they understand that they have an avenue of places to discuss where they have issues.

Evan Gibbs:

Yeah. Another issue I think about in the sort of family-run business context as well is communications with family members. And we talked about sort of dinner table conversations. But then, also, things like text messages and things like that. One thing I always think about is if you're communicating regularly with people about personal things and then there's some kind of litigation, I mean, it could be just some kind of commercial matter or an employment matter. Whatever the case may be, then, suddenly, all those communications, which may have otherwise been personal and not subject to discovery are suddenly sort of relevant to the case and maybe come out and have some potentially unfavorable ramifications. That's another thing that I was thinking about when I was watching the clip is something that I would want to think through in terms of the family members sort of recognizing that maybe should think about how they want to communicate about work stuff. Particularly, what medium do we want to communicate about this stuff? So that it's sort of kept as a business communication as opposed to a personal communication.

Tracey Diamond:

Probably best for the family relationship too to have some guardrails there so that they're not always talking business and their whole relationship revolves around business. Because I could see how that could really sort of take over the relationship within the family itself. And even perhaps leave other family members feeling like they're always outside the loop because they're not sharing this sort of special bond that the family members that are in the business are sharing.

Evan Gibbs:

Yeah. I really admire family members that are able to have a business like this or really work together in any capacity. Because I think, for me personally, I've thought about that before. And I would have a hard time with it. I think it would be tough.

Terri Gillespie:

Personally, when I first started out as an attorney, I worked with my older sister. She was a senior associate at the law firm and I was a junior associate.

Tracey Diamond:

Oh, really?

Terri Gillespie:

Yeah. And we were very, very careful to establish those boundaries early on that we would not talk about work outside of work. You know, specifics. It's a little easier when you're a lawyer and you can't really talk about specifics of your work when you're not at work with your family members. But just to make sure that we weren't leaving other people out and that we were maintaining our sisterly bond rather than letting our co-worker bond take over that.

Tracey Diamond:

Were you at the same practice group?

Terri Gillespie:

We were actually. And not necessarily planned. They needed help when I was a law student. They needed someone to do some extra paralegal work. And someone said, "Hey, don't you have a sister that's in law school?" My sister said, "I do." And they brought me on to do just sending out subpoenas and things like that. And it morphed into a 10-year stint at that particular law firm. It was great. She was not there the entire time I was there. But she was when I started. And we worked in the same practice group.

Tracey Diamond:

That's really a special time. I'm sure you look back on that as like a really special time in your relationship.

Terri Gillespie:

It was. And she taught me a lot and probably a lot in a way that only a big sister can for their younger sister, which I think could, for some people, create issues, because you bring those birth order and family relationships into a workplace. Making sure that you are treating your colleague as a colleague and not as a little sister or a big sister, and that you're working together professionally, is very important. And I think that would also be the case for –

Tracey Diamond:

That's got to be so hard.

Terri Gillespie:

Yeah. It was. But we navigated it and we're still very, very close. And we remained close and we were working together. She was the best mentor I could have had in a lot of ways. And it forced me to work harder, I think. Because I was trying to prove myself as Terri the attorney. Not my sister's younger sister.

Tracey Diamond:

I think we see that a little bit with Claire too of her feeling like she needs to really prove herself to get out from underneath Jay's shadow. That's sort of another interesting dynamic of a family-run business. Particularly, as you said, where there's a birth order or maybe a little bit of an unlevel playing field where it's like a father-daughter, parent-child type of situation. Very interesting.

Do you think that there's anything specific that needs to go into let's say like an anti-nepotism policy that's specific to family-run businesses? Or does the same sort of anti-nepotism language that businesses use in their employee handbooks applies?

Terri Gillespie:

Well, I think in a non-family-run business, the anti-nepotism policy can really be strong and clear in that you won't have direct reporting relationships with family members. And you could even prohibit C-level employees from having any family members that come in. But when you have a family business where you have multiple family members maybe in the C-suite or in managerial roles, it's harder to delineate between who can be in the chain of command if you can have an employee who is also relative reporting into you. Because if all of your C-level employees are family members, then it really would prohibit you from having any family come into the business if you were that strict about it.

Tracey Diamond:

And then that would change the whole face of the business. It would not be the business that you were planning to begin with.

Terri Gillespie:

Exactly. Family businesses gain strength from their family nature. And it can really impact the business and what everyone's trying to accomplish if you totally cut out the family. It changes the culture dramatically.

Tracey Diamond:

This has certainly been an interesting discussion. Terri, thank you so much for joining us today. Listeners, please don't forget to check out our blog, [HiringToFiring.Law](#). There's been a lot of legal changes in the past couple of months. And we try to keep you as up to date as possible by posting to that blog.

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