

Classic Dilemma

Alexandra Lebenthal sold her family's muni bond business to grow it. It worked—until a new buyer decided to close it.

Eighty-year-old New York financial services firm Lebenthal, known for its quirky radio ads declaiming the virtues of municipal bonds, shut its doors last December when Merrill Lynch acquired its parent company, Advest Group, and retired the storied Lebenthal name. "It's like losing the Brooklyn Dodgers," former New York Mayor David N. Dinkins, a client, told the New York Times. But Alexandra Lebenthal, the third generation scion to run the firm, does not see its demise as proof that midsize independent financial firms cannot thrive. She spoke to Worth features editor Emily DeNitto about managing up and moving on.

Lebenthal has a history of bucking trends, or creating new ones.

THE COMPANY WAS founded in 1925 by my grandparents, who decided to start this odd-lot firm focusing on individual investors. At the time, the municipal bond market wasn't very substantive. It was mostly really high-net-worth investors and institutions. So there would be little pieces left over when an estate was settled or a bank was selling something, and nobody wanted the pieces. They saw an opportunity to take those pieces and sell them to individual investors.

My grandmother went to Syracuse Law School and graduated in 1920, which was unusual for women at the time. So she was my grandfather's full partner in the business when they opened it. My grandfather died in the 1950s, and she just kept running the business until she was 93. So even though they started it together, she really was the matriarch of the family.

At what point did they know the company was hitting its stride?

IN THE 1970s, when my dad came in and created the advertising. My aunt had been working there from the early 1960s, as had her husband. Actually, she really wanted the business. But my grandmother wanted

my dad to have the business, which is interesting given what a powerful woman she was. My dad, Jim, has always been a very endearing person, and he's dynamic. So she let him go through his time in Hollywood.

His time in Hollywood?

AFTER HE GRADUATED from Princeton, he was *Life* magazine's Hollywood correspondent, which he still says was the most fun job he ever had. It was the heyday of Frank Sinatra and Tony Curtis and Grace Kelly. Then he became a filmmaker and even made a short-subject film that was nominated for an Academy Award in 1956 or '57. In the late '60s, he came to the family firm. That's when he starting creating the memorable ads—kind of [Roy] Lichtenstein cartoons, with the guys saying, "Hmm, 4 percent tax free. Why, that's worth 8 percent in the bank!"

But it wasn't until the [New York] city crisis in the '70s that we really became a force. My dad was very, very vocal about the need for New York to pay its debt, and that the bonds were still safe even though the city was on the verge of bankruptcy. The fact that things worked out for the city made us more and more known. The advertising during those times, especially on the radio, is really key to peoples'

memories of us. My dad has a really memorable voice, which *Forbes* referred to as "gratingly adenoidal." We imitated him growing up.

But because we were always so much smaller than people realized, I never really felt we were where we should have been, and I always had as my goal to build the business. My grandparents gave birth to it.

Did you always know you wanted to be part of your family's firm?

I WANTED TO BE AN ACTRESS until I was about 20. Then I realized maybe I just pictured myself accepting the Academy Award and not getting excited about doing summer stock in Des Moines.

I worked at Lebenthal during the summer and vacations, so in a way I fell into it. I started at Kidder Peabody, spent two years there and then went to Lebenthal. I didn't quite realize when I was getting my foot in the door that it was going to be quite difficult to get my foot out. In a way, this Merrill deal has enabled me to do that; it was the cleanest way to break. [It is] not what I would have wanted ultimately, but as much as I am deeply sad about the loss of Lebenthal, I also am strangely unfettered.

Often when a family business is successful, the children do not perceive a need to work. What drove you to want to work?

IN CERTAIN FAMILIES there is a work ethic, and we have that in our family. Look, my grandmother worked until she was 93, and my dad has basically worked seven days a week for most

of his career. I was thinking this week, “Gosh I’m not lounging around watching soap operas.” Not that I should be doing that, but why aren’t I? And then I realized it’s just part of the DNA, the way I’ve lived my life.

How did you reinvent the business?

I JOINED IN 1988 and became president in 1995 at 31. I joked that dad made me president because he thought it would make a good ad—and it did.

I spent six years diversifying the business, cleaning it up. It had not been profitable for a number of years. I made it profitable in every year I ran it. I was really excited with what we were able to do. But there are a lot of frustrations in a family business, and my dad and I had different ideas about how we wanted it to grow. He was still chairman and majority shareholder. There were other family members who didn’t work in the business who were shareholders who wanted their money at some point, and so I came to the conclusion that I could build it by selling it.

That is a double-edged sword, no doubt about it. The years post-sale to Advest [in November 2001] were difficult; when you go from being in control and only having your dad to deal with to being part of a bigger structure and corporate politics, it’s a struggle.

How successful was the business when you sold it?

IT WAS ABOUT \$20 MILLION in [annual] revenues. The profitability varied, but we had about a 15 percent margin on the business. Each million-dollar increment over \$20 million would have had a very significant impact on the profitability. But when we sold, the valuation was in large part a function of the brand, not just its net earnings.

In the years after that, Leberthal went from one office to seven, from 40 employees to 80, from \$20 million in revenues to \$30 million. It was really in the

process of doing what I had wanted it to do. It was exciting—I loved the people who worked for me, I loved seeing it grow and being a part of building it piece by piece. But I had a really, really tough time with the people I worked for. Suffice it to say, it’s very difficult to go from running your own show to having other people to answer to.

You were known for creating a certain atmosphere at work. You would buy milkshakes for everyone. That’s not really a corporate approach.

NO, NOT AT ALL, or it’s done in a very frozen way. I always felt we were lucky to have those people working for us. A lot of our brokers could have gone elsewhere and made tons and tons of money. They were loyal to us, and I needed to be loyal to them.

And you personally liked to work in a certain kind of atmosphere.

DEFINITELY. AND THAT’S been part of my journey over the last few months. If I’m spending the majority of my time being unhappy, then maybe I need to think about the kind of atmosphere I need to be in. Because I don’t want to be somewhere where I’m not able to make changes, or where I’m not happy myself.

Is it still possible to be a quirky, smaller family business and be successful?

YES, DEFINITELY. And the number of people who’ve left big companies to start hedge funds or their own businesses shows that. A lot of people don’t want to be in big, corporate structures. They have realized how difficult the whole political aspect of it is.

So you believe that small entrepreneurs can still be financially successful over the long term?

YES. IN PRIVATE COMPANIES, perhaps,

there is more of a chance than in public companies, where you really are serving a different master. If I’m running my financial services company and I have a 15 percent margin and that makes me happy, that’s fine. But if my shareholders are saying, “Well, you have a 15 percent margin, but these other people have 20 percent; if you don’t get to 20 percent your business isn’t going to do well and the stock price is going to go down,” then I have to take my focus away from the business and the people and focus on the external more. In extreme cases, you have these corporate misdeeds where the stock price is served even in ways that are dishonest.

How did you juggle family and work?

MY HUSBAND HAS BEEN phenomenal. And we’ve had the same nanny for 12 years, so there’s been a continuity that’s been really important.

The balancing has worked as well as it could, which is not to say that once a year I don’t have a moment where I’m literally crying in the middle of the street not being able to get to where I’m supposed to be. Having friends who deal with the same issues is really important. So it’s all been OK.

I took Charlotte, my 9-year-old, with me when I had to go to the office to do the final cleanup. I said, “Charlotte, I want you to look around and always remember this. After 80 years, this is it. There’s Nana’s desk, which I’ll be taking with me.” I guess I got a little dramatic, because she started to cry. But I felt it was important, because this business has been a part of our family.

Can you give us a sense of what you’ll do next?

GIVEN THAT I LIKE being in control, one could assume I’ll be in some sort of entrepreneurial endeavor. I have the financial services industry in my blood, so I’ll continue to be a part of that. **W**