

FAMILY BUSINESS

newsletter

Bob's Crane Service: From First Generation to Next *Family Business Considers Future*

In the construction business nearly all his life, Bob Turner began Bob's Crane Service more than 30 years ago with just one crane. A client of California Bank & Trust for 18 years, he now runs one of San Diego's leading crane services.

Two of his children, Ryan and Angela, also work in the business, so Bob attended the Zions Bancorporation Family Business Conference in October 2013, where he learned more about the unique aspects of running a family business.

"The conference got me thinking," Bob explains. "I know it's time to get started on planning so we can get our affairs in order, consider tax issues and structure the corporation. We want to make sure our transition runs smoothly, so I know I'll be revisiting many of these topics."

Ryan began working in the family business nearly 25 years ago — with experience in nearly every aspect of the business. More recently in 2009, Angela began working in the company and gets more involved as she becomes familiar with the company's operations.

Staying Involved

Bob said he would like to remain in an advisory role even after his children take over the business. "It's a lot to handle, so I'd like to stay

involved as long as I can because I certainly don't want to set my children up for failure," he says.

As for discussing a transition, Ryan and Angela say the family talks about these issues from time to time. But Angela points out that it doesn't interfere with family life. "I enjoy working with my family," she says. "We're very close. Working together is just another aspect of our family life."

Resolving Conflicts

Bob notes there was once a little tension between his family and other employees. "When Ryan started out years ago, there was some conflict with my employees, but everyone now knows what's expected, and everyone seems to get along," Bob says.

Ryan agrees, explaining that it was a hard transition at first, but now that he's learned more about the business, there's not as much conflict.

A Third Generation?

Two of Bob's grandchildren — one of Ryan's sons and one of Angela's sons — now work in the business.



Bob Turner behind the wheel of one of the many cranes in his fleet, with his children, Angela Turner and Ryan Turner.

So while Bob's Crane Service could someday be owned by a third generation, Bob is careful to say that he doesn't want to force anything. "If my grandchildren want to get involved, I'm sure it will work out fine," he says.

For now, Bob knows the day to take action on the issues he learned at the conference is fast approaching.

Bob's advice for anyone running a family business? "It takes more than you think — and successfully running a business like this kind of depends a lot on what type of person you are," he says. "You're around your family a lot so you have to know how to keep family issues separate."

DEVELOPING TOMORROW'S LEADERS

by Craig E. Aronoff and Otis W. Baskin

What can members of the senior generation do to help young leaders emerge? Plenty.

The ideas we offer here are what you might call big-picture ideas. That is, they focus on creating a climate in which the notion of leadership excellence can flourish.

CREATING THE CLIMATE

One of the most important things you can do is create an environment in which young people come to embrace the concept that being a leader is a desirable goal. That may sound silly. You may be saying, “Of course being a leader is a good thing!”

However, how many times have you heard people in leadership roles disparage their positions? Probably fairly often. “I don’t know how they talked me into this,” they lament. “I

never have time for anything else.” In some family business cultures, leadership is avoided, not aspired to — a burden that an unlucky family member gets stuck with. This view may reduce conflict among otherwise competitive siblings. On the whole, however, such an atmosphere is undesirable.

To assure the emergence of future leaders, you must have young people who aspire to leadership. This requires a culture in which leadership is appreciated and honored. Acknowledging and praising the qualities that make different people in your family effective leaders go a long way toward building that kind of environment.

You can help next-generation family members, from the time they are young children, understand what leadership is all about. You can help them see that being a leader will enable them to use their gifts and talents to contribute to the world around them and will also bring many rewards — perhaps wealth and prestige but, more important, the joy and satisfaction that comes with helping others or building an enterprise.

It is important to instill in younger people that leadership begins with recognizing the opportunity to provide leadership. Teach them to keep their eyes open and take responsibility. While you can be helpful, the work of preparation is up to them.

It’s also essential that once they identify the opportunities, they ask not “What do I want to accomplish for myself?” but “What do I want to accomplish for all?” By consistently sharing that message and giving feedback on young people’s behavior, you can keep them focused on the principle that effective family business leadership aims to accomplish what is best both for the family and the business.

PROVIDING DEVELOPMENT OPPORTUNITIES

Once you have created the proper climate, you can turn your attention to the development of leadership itself. The more opportunities young people have to be leaders, the more excited about leadership they will become. As you work with them, emphasize the fact that there are many leadership roles to which they can aspire. They may not be the top overseer and, in fact, they may ultimately be happier in a different leadership position. Whatever they do as leaders, they can make an important contribution.

Here are some ways to involve younger family members in the practice of effective leadership:

- ***Give them the opportunity to develop their skills by delegating small matters.*** You can begin as soon as they are young teenagers, or even earlier, and continue providing them with more difficult leadership challenges as they grow into adulthood. Put them in leadership situations where, if they fail, they can learn without being embarrassed and



turned off. Their assignments should also help them discover their growth capabilities, and they can come to informed decisions about how much and in what areas they want to lead.

- **Encourage young people to assume leadership positions at school and in community and religious organizations.** Youth organizations, sports and other extra-curricular activities offer superb opportunities for practicing and developing leadership. High school and college students can edit the campus newspaper, direct plays, lead a choir or be captain of the debate team.
- **Provide special leadership learning opportunities within the business and the family.** Some business-owning families create “junior boards” or “shadow boards” where older teenagers are allowed to observe and to interact with shareholders and others who are making decisions about the business. Or they might be brought into the deliberations of the family council in ways they can learn and contribute even before they’re expected to take over responsibility.
- **Help them set goals for themselves and others.** They’ll need to establish educational goals, career goals and leadership goals. And if they’re aiming to be leaders, they will

You can do the next generation a favor by leaving them with a challenge.

need to learn how to set goals for the organizations and individuals they lead. Use your experience to show how goal setting is done and encourage them to practice setting goals for others in their school or community organizations.

- **Look for leadership-education opportunities suited to their needs.** One program tailored especially for members of business families is the Next Generation Leadership Institute at Loyola University Chicago’s Family Business Center. It is an 18-month program specifically designed to prepare next-generation family members to lead their family business. Other programs are offered by the Center for Creative Leadership in Greensboro, NC.
- Another source of leadership training might be your industry or trade association. Many of their members are family businesses, and these associations want to see those members succeed into future generations.

PRACTICE WHAT YOU PREACH

Without a doubt, the most important contribution you can make to the leadership development of your sons, daughters, nieces, nephews or grandchildren is to be an exemplary leader yourself. When young people see in you the qualities of effective leadership, that example will do more to



"He's easing his son into the business..."

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teach and inspire them than you can imagine. Show them the need to adapt their leadership style to the situation. They will see by your example what true delegation is. They will begin to recognize opportunities for leadership and understand that it’s up to them to seize those opportunities.

There is one more unexpected way you can contribute to their learning process: Don’t try to solve all the company’s problems before the kids take over. Do the next generation a favor by leaving them with a challenge. Hopefully, they’ll deal with it successfully and that will give them a boost in credibility and provide them with a tremendous head start in instituting their own leadership. ■

Craig E. Aronoff, Ph.D., is a leading consultant, speaker, writer and educator in the family business field, lecturing at more than 100 universities and authoring, co-authoring or editing more than 30 books. Otis W. Baskin, Ph.D., is a former dean of Pepperdine University and an expert in helping business-owning families develop plans for leadership development and succession, as well as family ownership structures.

How Successful Business Families Get That Way

by Craig E. Aronoff and John L. Ward

Over the years, we've been blessed with the opportunity to meet and study many of the world's oldest and largest family firms. We're impressed with how often we find them practicing similar methods of achieving success.

We believe these highly successful models offer lessons valuable to even the smallest and youngest family firms. As one family in business told us, "We like to focus on what we hope to become and act that way now. That way, we're much more likely to get there!"

- **Selective family employment.**

The oldest firms have policies that seek to limit jobs to those family members who are very qualified. Over time, these families have found that to do otherwise chases away the most talented leaders in the family and erodes the effectiveness of the business.

Selective employment clarifies that working in the business is more an opportunity than an obligation. When family members feel obligated to work in the family business, they lose motivation.

Selective family employment also reinforces the importance of merit in compensation and promotions for everyone.

- **Freedom to sell the stock.**

Family shareholders who feel locked into their ownership can become mistrustful or turn into harsh critics of the business. Sometimes family members are told they are disloyal to the family if they exercise their ownership prerogatives. In time, these pressures can explode. The families we hold as models usually make everyone feel that selling shares back to the business or to other family members is acceptable.

- **Written family mission statement.**

Successful families are bound together more by strong values and purpose than by shared business ownership. Rather than letting the business run their lives, they identify how

business ownership helps strengthen and perpetuate important family values. Their family mission is to perpetuate those values, with or without the business. Some of the values that strengthen family and the business include integrity and mutual trust.

- **Open, coordinated estate planning.**

As families grow more complex, the advantages of sharing estate plans with all members become clear. Each benefits from the knowledge of everyone else. In addition, the business is better insulated from surprises that result from poor or secretive estate planning.

Just as important, open and coordinated estate planning reinforces trust among family members. It also demonstrates care for responsible ownership.

- **Family educational meetings.**

Successful families meet



It's important to remind the family that it doesn't live for the business.

regularly to learn together. They learn about the business together, including its heritage and how to interpret its financial performance.

They invest in learning skills together, often by hiring a consultant or by attending seminars. The most common topic they study is family communication — particularly good listening skills. They also learn about conflict resolution, behavior patterns and raising children of affluence.

- **Traditional times for fun.**

The strongest families establish regular occasions just to be together as an extended family and to have fun.

Most often, the tradition is an annual vacation — to a cabin, for example, or skiing, or camping. For others, it is a sailboat or weekend home frequented by everyone. Whatever the activity, everyone looks forward to the tradition, and business talk is off-limits.

- **Family leadership succession.**

It is important to separate family leadership from business leadership. Both jobs are important, demanding and different. Both need continuity.

At the beginning of the business family's history, we find that the parent whose time is not consumed in the business to often dedicated to the family's welfare. That person stresses the personal development of each person, teaches good family communication skills, and builds or maintains family traditions.

When the business founder and the original family leader die, both roles need to be filled. Successful families ensure there is a well-prepared successor to family leadership, whether it's one person or a family committee or council. The best solution is one that does not depend on the business' leader. It's important to remind the family that it doesn't live for the business.

- **Understated wealth.** The most successful, long-lasting families are not flashy with their money (or power), nor conspicuous in their spending. They realize that how they use their money sets important precedents and attitudes for future generations. They establish traditions within the younger generation of saving and charitable giving.

- **Independent business boards.**

The most prevalent advice to others from successful families in business is to recruit respected, objective, outside directors to their boards. Independent directors ensure a forum for

making difficult decisions with the highest of standards and the best of care. They also bring a freshness and creativity to help keep the company's strategy and culture current and flexible.

- **Eagerness to learn and improve.** The most successful families in business are active students of family business. They read and discuss newsletters, articles and books about family businesses. As a family, they attend family business seminars. Family members visit and study other successful family firms. The family invites other successful families to share their experiences at family meetings.

We hope these principles are helpful to you. We encourage you to discuss them at a family meeting. There is always a lot we can learn from the successful experience of others. ■

Craig E. Aronoff, Ph.D., and John L. Ward, Ph.D., are co-founders and principals of The Family Business Consulting Group, Inc. and co-authors of "The Family Business Leadership Series," a continuing collection of more than 20 booklets focused on specific issues family businesses face.

THE THREE FEARS OF RETIREMENT

by **Bernard Kliska**

Ideally, family businesses should experience a peaceful change of command — one that ensures continued success, harmony and profitability.

Instead, the process often takes a considerable toll on both the family and the business, with seemingly unwavering obstacles.

So, how do you move an immovable object? The answer is the same as moving a 700 pound gorilla — very, very carefully. It takes finesse rather than force and understanding rather than confrontation.

Businesses that haven't already gone through a succession are likely to have the most difficult time of all. In my experience, if heads of family businesses haven't left by the age of 67, they're not likely to go quietly or smoothly. Their intransigence often proves more powerful than logic, threats or subtle manipulations. I remember working with one business to ease out the patriarch. We finally accomplished it by setting him up with an office in the heart of the city, miles away from the company plant. To ease the transition, we gave him his own fax and email so he could stay in touch. He ended up creating more electronic havoc, confusion and dissension than he'd ever done in person.

It helps to understand the reasons why an aging family member refuses to exit gracefully. It usually comes down to one of three fears.

Fear of Poverty. Many founders began their businesses on a shoestring, during tough or uncertain times, and their psychology of deprivation and anxiety endures long after they have achieved profitability or even riches. Financial security is often a subjective perception, not an economic reality. Those heads of businesses whose memory and fear of deprivation is strongest are the least likely to consider giving up their positions with sanguinity.

Fear of Loss of Power and Control. It's not just the real power and control they fear losing, often the trappings matter a great deal, too. The personal parking space right by the door is more than a convenience. When founders walk through the warehouse — their warehouse — and everyone knows who they are and what they mean to employees' jobs and families, it creates a feeling that is a potent elixir.

Fear of Mortality. Never underestimate the power of superstition. Few would dare say this aloud, but many founders fear that within a year of giving up their business, they'll be dead. This fearful fantasy takes several forms. If their life's work

is finished, then their life is finished; their business is their life. Since a person with no goals and no challenges could wither away, their fears might actually be true. You may have heard of self-fulfilling prophecies and stories of someone who hangs on until the next birthday or anniversary and then dies the next day. I knew a CEO who

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had taken over the company when her husband died. Ten years later, two of her children could have easily taken the reins from her now faltering hands. But to her, giving up the business was like losing her husband all over again.

Trying to disprove fears is like trying to wrestle with a ghost. Don't expect people who have held on to power and control for years to admit to their fears. They have found a very effective way to quell and even to forget their fears — by running a business. Expecting them to give it up for logical reasons usually does not work.

I find it useful to deal with fears not through ridicule or logic, but through reassurance. Perhaps the most common mistake is to confuse reassuring fears with talking someone out of them. Reassurance is acknowledging and accepting the intractability of the fear and

finding a solution that addresses the fear's reality.

Each fear, however, has reassuring solutions to accompany it.

For financial anxiety, help them find another source of income. The fear of poverty doesn't require a salary equal to the one being given up. It merely requires the reassurance of some money coming in, even irregularly. Consider a consulting job here and there (e.g., paid speeches), pension a buyout structured so that monthly checks come in, or get a job in the community or a new career as a coach.

For the fear of losing power and control, consider giving the retiree responsibility for organizing company events (events that don't interfere with strategic decision making, such as social events or other special projects) or perhaps building liaisons between the company and the community. Leave the coveted parking spot open. Put up a new sign or redesign the company logo to better highlight the person's name. Mark the transition with a company or family ceremony that honors the exit at least as much as it welcomes the new entrant. Give the recent retiree a section on the company website.

To ease the fear of mortality, I believe it's essential to find a new challenge, something that energizes the person and gives new meaning to his or her life. Help the retiree ease into philanthropic or volunteer work.

I see a long overdue change finally happening in our society. Perhaps we've become smarter or perhaps it's simpler because the average age in our country continues to rise. But more people are appreciating older citizens' ability to impart a lot of knowledge, experience and wisdom. I believe this trend is going to accelerate, and people who are giving up the

reins today are in a position to ride with the wave rather than struggle against the tide. ■

Bernard Kliska is a licensed family therapist and associate of The Family Business Consulting Group, Inc. Active in his family's 95-year-old plastic and glass container business for 21 years — eventually becoming president and CEO, he has personally experienced many of the joys and problems of family business involvement.

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SAVE THE DATE

for our next
Family Business Webcast:

FINANCING TRANSITIONS IN A FAMILY BUSINESS

Thursday, September 4, 2014
9 a.m.

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