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FAMILY BUSINESS newsletter

Aztec Rental Services: *45 Years of Keeping It in the Family*

By Stefani Crowe

Ray Sorsby (far right) with sons Kyle (middle) and Reid (far left), in front of one of Aztec Rental Services' trucks. With what Ray refers to as "45 years of name recognition," these trucks are the only form of advertising the company has needed to be successful for more than three decades.

Ray Sorsby began his career at just 8 years old by sweeping floors and loading equipment at the family business. Nearly 37 years and a few position changes later, Ray is leading the business into its 45th year, as president.

The business now spans across three generations and has grown from a company that rents "everything from baby beds to bulldozers" to a company that also manages portable restrooms, dumpsters and storage facilities. Ray has two sons: Kyle, 30, has worked at Aztec for 10 years and is "100 percent in." Reid, 20, is in college and unsure of whether or not he will follow in his brother's footsteps — but he is seriously considering hopping on board. "I've always encouraged my boys to do whatever they want to do," Ray says. "They know I will support them no matter what."

Strong Family Values Ensure Customer Loyalty

Back in 1966, Ray's parents, Eldon and Phyllis, opened A to Z Rental Center in Houston. Today, it is known as Aztec Rental Services, after a name change in 1970 in a push to expand the business. Essential to Aztec's success has been the strong backbone of Sorsby family values that has steered the company, and family, for decades.

"In order to have long-term viability as a family business, you have to maintain separation between work and family. There's business, and there's family," Ray says. "If you have a family business, you can't talk shop at Thanksgiving dinner … you have to just enjoy your family."

In addition to strong family values, Ray attributes their ability to keep the business in the family to a loyal and ever-growing customer base. "What makes us a family business isn't just these three generations of Sorsbys," he says. "It's all the customers who have been with us along the way — they are our family." The regulars return to the Sorsbys because they know they are an integral part of the business.

Forward-thinking Approach Important to Business Succession

Eldon and Phyllis planned ahead to ensure a smooth transition to the second generation. They set up a bypass trust and began transferring stock and other assets to their children 20 years ago. Ray inherited the company; and his sister, who opted out of the family business, was able to benefit in other financial ways.

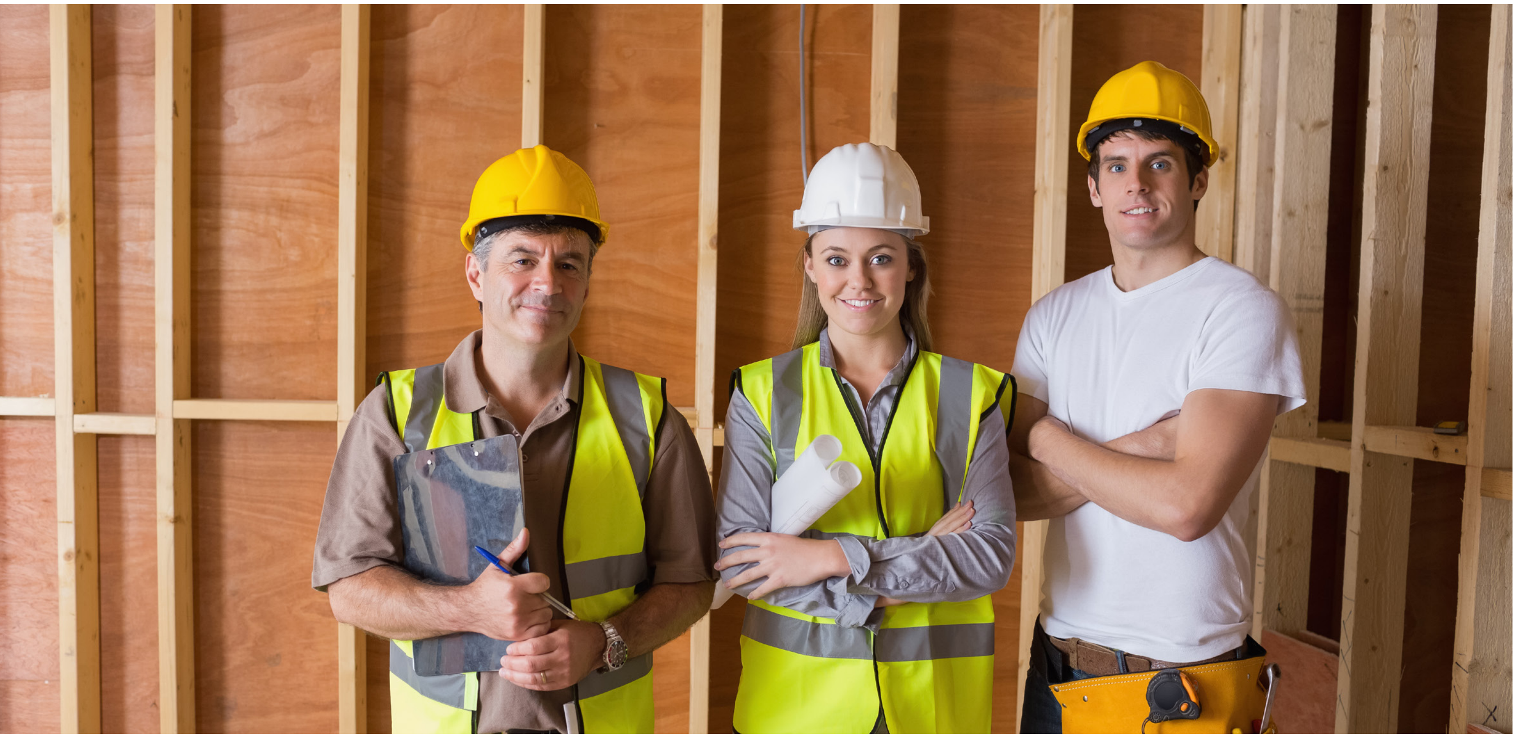
Ray has done his own financial planning over the last 15 years and has already passed on a lot of the business to Kyle and Reid. "I took my dad's lead in terms of transitioning assets to my sons," he says.

Aztec is entering its third generation of family ownership stronger than ever. "During our 45 years, Aztec Rental Services has become one of the largest independent equipment rental companies in south Texas," Ray says. "Hopefully, I'll live for a long time. But if I don't, the odds are good that the business will be sustainable for generations to come."

The featured family business is a client of one of Zions Bancorporation's collection of great banks: Amegy Bank; California Bank & Trust; The Commerce Bank of Oregon; The Commerce Bank of Washington; National Bank of Arizona; Nevada State Bank; Vectra Bank Colorado; and Zions Bank. Featured Family Business photos courtesy of the featured business. All other images are stock photography.

Family Business Leadership: *The Importance of Versatility*

By David P. Ransburg Jr.



Imagine you are the third generation owner of a road construction company. Your business has grown steadily since your grandparents opened the family's first operation — to the point where your family's business now includes a handful of family members helping you to run 12 facilities scattered across three neighboring states. Even though you spent years working your way up from ditch digger and then truck driver, you now spend most of your time overseeing all sites from a centralized corporate office. You are the company's CEO.

Early one morning you get a panicked call from the manager of your flagship location, the original operation that is situated just a short drive from your current office. You learn that all four of this site's drivers have called in sick, and their cement trucks are scheduled to be on the road in 20 minutes.

What would you do?

Running any business is hard, but the complexity of overlapping systems in a family business makes that environment particularly challenging. A family business leader's response to a challenge is influenced by all the roles he or she plays: CEO, owner, parent, spouse. If the manager in the case above is your son, and you are unhappy with his response to the crisis — are you reacting as his boss, as a concerned shareholder, or as a parent? You likely have all three of these perspectives swirling around in your head, adding to the emotional load of the situation.

In our work with family business leaders, we find that those who successfully manage this emotionally charged situation demonstrate versatility. Because these leaders so often find themselves playing more than one role at once (e.g., boss and mom), making decisions that cannot be neatly compartmentalized, they need to develop a real capacity to walk and chew gum at the same time.

Versatility, as used here, means the ability to do many different things well. A family business leader who is truly versatile is able to be strategic and operational, forceful and enabling. Versatility is very difficult to achieve, but it is an investment that pays off handsomely.

The Benefits of Versatility

The most obvious benefit to versatile leadership of a family business is the ability to manage more effectively those various roles you might play at any given moment and the ability to switch back and forth between the roles quickly and easily.

There's another, more quantifiable benefit to versatility, and it's based on research conducted by Bob Kaplan and Rob Kaiser. These researchers examined nearly 1,500 senior leaders and rated them in terms of two measures: their overall effectiveness and their versatility. Results show that versatility accounts for 50 percent of what separates the most effective leaders from those who are least effective. To be clear, versatility is not the only characteristic that matters, but it is half of what matters.

While this research focused on business performance alone, it's not much of a leap to see how the principles of leadership versatility in business can be just as important in family situations. What family leader hasn't been confronted with longer term issues (e.g., "Do we start saving now for our children's education or do we have them learn the value of money by paying for it themselves later?") and shorter term ones (e.g., "How do we get our kids to stop bickering right now?!")?

Is there an owner who hasn't experienced moments when it was best to be forceful (e.g., "We've discussed the pros and cons of our new dividend policy long enough — we must make a decision now") and other moments when it made the most sense to be enabling (e.g., "I've served as board chair for a long time, and I think it's time for me to help prepare my successor.")?

Cultivating Versatility

If we see that versatility would be worth strengthening in family businesses, how do you improve your own versatility?

First, you must identify specific areas where you are lacking balance. We all have comfort zones, and it is natural to want to stick to what you do well, but that will make you less versatile. In order to develop versatility, you have to push outside your comfort zone. Start by simply asking yourself, "Where do I tend to use a skill too much, or maybe too little?"

If, like most people, you have trouble assessing yourself accurately, it may be helpful to ask a handful of people who see your behavior on a regular basis. The most accurate approach, though, would be submitting to a formal, 360-degree feedback instrument that will allow you to identify not only specific areas of imbalance, but also to the degree it's lopsided.

Once you have a good handle on your own areas of leadership imbalance, then you can begin to make focused changes to your behavior. While each individual's leadership versatility

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and the solutions to the individual lopsidedness are unique, some common areas of imbalance (with suggested remedies) are summarized in the graphic. This list is not rigid or exhaustive — it is merely intended to spark ideas of potential imbalances.

In Closing

Back to our sand and gravel business — what would you do as the CEO? If you are too strategic, you might tell the site manager that absent drivers do not trouble you — after all, you have "bigger fish to fry." Though, if you are too operational, you might decide that your site manager is obviously not qualified to run this particular operation and that you must take over the day-to-day management of this location in addition to all of your corporate responsibilities. Or, perhaps you are too forceful, and you'll tell that site manager to fire the drivers and then himself, as you are going to manage the site and personally handpick all of its employees from now on.

Maybe you are too enabling and you'll simply tell that site manager the same thing you tell him every time he calls with an issue: You trust him to make the right decision and you say this as you hang up the phone, not waiting for his reply. Maybe, though, you will embrace versatility and approach this situation in steps.

First, if there's no other option for drivers, then you'd likely head out the door as quick as you can to operate one of the site's trucks. Since it's been years since you last drove a truck, dug ditches and poured the concrete, you will certainly not be the company's best performer this day. You will, though, be a much better driver than no driver at all — and your presence pitching in can go a long way toward generating goodwill with your employees and customers.

After you get through the chaos of the day, you can then take the opportunity to meet with your site manager to discuss what happened and collaboratively figure out what can be done to minimize something like this from ever happening again ... and you'll have this important conversation armed with some very valuable knowledge you just gained from a day spent, literally, in the trenches.

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Common Areas of Imbalance:

Trait	"Too Little"		"The Right Amount" looks like...	"Too Much"	
	Looks like...	Possible Remedy		Looks Like...	Possible Remedy
Strategic	• Caught up in details	• Ask yourself if the work you are doing is the "greatest & best" use of your time and when it is not, learn to delegate	• Sets long term strategy • Considers the Big Picture • Looks for growth opportunities	• Too many new projects • Pushes too much growth	• Stick to a limit of no more than 3 to 5 big, audacious goals at a time • Empower others to tell you when you are pushing too hard
Operational	• Misses short-term goals	• In addition to laying out longer term strategic goals, be sure to explicitly list the shorter term operational steps required to reach each long-term goal	• Gets short-term results • Understands how things work • Aware of a group's limitations	• Micromanages	• Give others ownership of projects small enough that you won't worry if they fail—and with every success increase the responsibility you give your team
Forceful	• Spineless	• Many leaders are afraid to fail and slow to make decisions, leading to real inertia. Remind yourself that failure comes with the job—the most successful leaders make the wrong decision more than 1/3 of the time.	• Takes charge • Gets input from the team • Articulates positions (theirs and others') clearly • Holds others accountable	• "Bulldozes" others' ideas	• Whether it's leading a business or a family, you cannot do it all by yourself—remember to include others for assistance
Enabling	• Doesn't develop others	• When guiding others, describe to them WHAT you want and WHY... but not HOW it should be done	• Empowers others • Delegates effectively • Listens to others' opinions	• Doesn't hold others accountable	• Remember feedback is the only way your team members can improve. You do them a disservice if you are not willing to hold them to account when they fail—as then they will be very unlikely to be able to succeed.

Emotional Ownership

By Kent Rhodes and Dana Telford

"Let's go to work!" Dad would call out through my bedroom door. I'd rub my sleepy eyes and tumble out of bed for another Saturday morning of work at our family owned resort.

Some might say this was demanding too much of an 8 year old like me, but looking back on it now I see that these weekend work sessions were more than chores leading to an allowance. My dad was instilling in me an ethic of hard work and helping me to understand how important it is to be a steward of the family business.

Fast-forward 20 years. As a result of dad's ambition, and my work and dedication, our family business has flourished. I've made sacrifices. I've held off on starting a family. I've turned down offers of executive positions in Fortune 500 companies. It's simple — I've given this family business my all and will someday be proud to call it my own. Even though I'm not yet an owner, I no longer see the business as "his" but as "ours."

These feelings, expressed by a second-generation family member in the hospitality business, provide a real-world glimpse into Emotional Ownership. In a 2008 study conducted by the London Business School, researchers looked at how emotional ownership in the family firm impacts both family and business. For the study, the authors defined emotional ownership as "a sense of closeness and belonging to the family business (attachment) and to what extent emotional ownership helps shape how family members' self-identities are tied to the family business (identification)."

What Is Emotional Ownership?

Professor Nigel Nicholson, who first coined the phrase "emotional ownership," believes it is a significant factor in motivating members of the next generation to continue in the family business. It's not just about being drawn to make a good living; it's about dedicating energy and time to an organization for which they feel a sense of pride.

"Emotional ownership is the golden thread that underwrites a family business's future existence. EO is a natural state of mind in a healthy family, but it needs to be nurtured from quite early on and can be easily disturbed by bad parenting and lack of engagement," Nicholson says.

Even though I'm not yet an owner, I no longer see the business as "his" but as "ours."

As a family business owner, you know how important hard work and sacrifice have been in making your business what it is today. You know the value of setting a goal and disciplining yourself toward reaching it. You've most likely pulled a child out of bed to help at the family business on an early Saturday morning. By so doing, you've created a sense of ownership — emotional ownership — in him or her.

Although emotional ownership is by and large a positive attribute associated with a family business, it does need to be managed. As the current generation business owner, it is your responsibility to openly communicate with the next generation about your expectations and commitments related to the future of the business. For example, does the next generation believe you have promised ownership as a reward for those early Saturday mornings and years of dedication? What if you decide to sell your share to the next generation or to someone else? If you have not yet asked these and other specific questions about future ownership and expectations, get to it. You owe it to your family to be specific about your plans and to listen and understand their feelings and hopes. Being open doesn't directly ensure that tension won't arise, but it will put the odds more in your favor.

The Power of Emotional Ownership

John Ward emphasizes a key mindset that makes or breaks emotional ownership. When owners feel their ownership as more than a transaction, they act in committed ways that translate into active stewardship of the entire enterprise. And in turn, good stewards show care for their assets, investing in them for their family and for the benefit of the broader community. They understand what "built to last" means and recognize that while financial value is important, it is only one of the values that provide a solid foundation. They appreciate that legacy is comprised not just of material goods but also of deeply held values — and they realize when material wealth has passed to future generations without values that all are in peril.

A great illustration comes from a client's story about her 10-year-old son. The boy asked for a bicycle. She bought him one, only to be disappointed when he lost it within a month. He asked for another one, and she bought him a similar bike. After he left it at school and it was stolen, she realized her mistake. When he asked for a third bicycle she said, "You save half the money, and I'll pay for the rest." Together they set a goal for him to earn $55 so that he could get the $100 bike (plus sales tax) he wanted. For two months, he did odd jobs around the house and saved his earnings and allowance to get the bike. "He's had that bike for three years," she said. "Why? Because it represents his work and savings."

According to researcher and consultant Annie Huff, M.A., when that sense of ownership among family members goes beyond financial ownership, a strong tie develops between the next generation and the family business. "Some members of business families describe this strong bond as something that always draws them back to the business. They feel that they are participating in and contributing to the success of the enterprise and their extended family, resulting in 'psychic income,' as an important and unique bonus of family business ownership."

Huff says, "Emotional ownership can come from two places: (1) A self-generated, positive feeling in a son or daughter that the family business does, or will, belong to them as a reward for their work and loyalty; or (2) the belief in the words of the current generation, who have consistently said, 'Someday this will be yours.' As a result, the child no longer sees the business as mom's or dad's, but as theirs together, further strengthening the psychic income that can be developed as a part of a robust continuity plan."

Clarifying Expectations

Be warned, however. There is a dark side to emotional ownership that surfaces when the business is sold to an outsider rather than given or sold to the next generation. Even if the sale of the business is necessary to settle a legal issue, provide income for the parent's retirement or because the next generation can't afford to buy it, those who have emotional ownership will not take it well. Some of the highest-conflict, worst-case scenarios we have seen as family business advisers come as a result of a surprise sale by parents to a nonfamily owner after the next generation has worked for many years in the business with only the promise of future ownership.

In order to reap the benefits of emotional ownership rather than sow seeds of discord and frustration, consider to the following keys:

- Identify your family's core values and how family members exhibit them.
- Clarify your vision for the future of the family and ownership of the business.
- Ask if this vision matches up with the next generation — and listen to their reply.
- Set specific goals for the passing of leadership and shares to the next generation.
- Capture goals and expectations in policies and, where appropriate, agreements.
- Meet at least twice each year to review the plan and hold each other accountable.
- Pay attention to verbal and nonverbal cues when discussing ownership.
- Talk openly about the benefits and burdens of family business.
- If conflict emerges and persists, seek out professional family business advice.
- Express gratitude consistently and focus on the positive steps achieved.

When the road between emotional ownership and actual ownership is clearly defined and understood by all family members, both generations greatly benefit. Current generation members will rest assured that their financial future is safe and their family business will be in good hands in the future. The next generation will have a greater promise of a tangible reward for years of dedication, like rolling out of bed on those early Saturday mornings and passing on other career opportunities.

By taking the time now to set the vision, clarifying expectations and mapping out a plan for achieving continuity, you will take important steps toward turning emotional ownership into a shared sense of trust that protects your family business.

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IN THIS ISSUE:

- Aztec Rental Services: 45 Years of Keeping It in the Family
- Family Business Leadership: The Importance of Versatility
- Emotional Ownership

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Thursday, December 10, 2015
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