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Port Blakely saves its roots

How is historic company passing the family torch? Very Carefully

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Executives at Port Blakely Companies have settled with a group of dissident family shareholders, averting a more protracted financial dispute that could have broken apart one of the Northwest's founding firms.

Negotiators on both sides said they were satisfied with the deal, which comes as the 146-year-old timber and development company — generator of \$154 million in revenue last year — embarks on its next phase under a new CEO.

Port Blakely leaders attribute the company's ability to survive the recent dispute to groundwork laid over the past decade to boost the involvement of about 100 family shareholders who had been drifting away.

"I think there were plenty of people in the company who would say if it hadn't been for the establishment of the family council, and lines of communication, understanding and alignment, this could have broken up the company," said René Ancinas, a fourth-generation family member who has been president and CEO since July.

Port Blakely's challenges are similar to those of many private companies facing a transition into the third, fourth or fifth generation of family ownership, and its actions may offer lessons for keeping family companies intact.

Back in the 1890s, the company owned what was said to be the world's largest sawmill at Port Blakely on Bainbridge Island. In the early 20th century, the company ended up in the hands of John W. Eddy and his relatives. Under their heirs' ownership, the Seattle-based company today harvests timber in North America and New Zealand and is developing 3,250 homes at Issaquah Highlands in east King County.

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PHOTO | Dan Schlatter

SUCCESSION:

René Ancinas, right, replaces Jim Warjone, left, as CEO of Port Blakely Companies.

The pair worked together to execute a long-range plan to keep the company intact under family ownership.



Port Blakely's recent transition to a new CEO after 32 years under Jim Warjone was part of a continuation strategy that began more than a decade ago.

In the late 1990s, company annual meetings had dwindled to as few as eight participants out of about 100 family members. Warjone recognized the divisiveness that could fester with a far-flung family that seemed to be uninterested in the company.

"People would turn in proxies, nobody would come," Warjone said. "I began to realize, these annual meetings don't make any sense."

Warjone turned eastward for help to the Harvard Business School and to professor John Davis, an expert on family companies and founder of Cambridge Advisors to Family Enterprises.

Under Davis' tutelage, Port Blakely in 2002 created the Eddy Family Council. The council started conducting longer weekend meetings, retreats really, that included sharing of food and ways to get to know each other better.

The company paid the bill. Kids were

welcome. It was sort of like camp.

People started coming.

Warjone had been accurate, Davis said recently, in identifying the precipice that Port Blakely had teetered upon. Members were drifting away from company and family identity, and were starting to look at their holdings less as a legacy and more as an investment to be compared against others.

"When you see family companies turn sour," Davis said, "the family becomes apathetic and starts stripping assets out of the company."

Over the next years, with help from Davis, a family committee wrote a Constitution of the Eddy Family Assembly, which shareholding members approved in June 2006.

Davis said that the process brought family members forward and empowered them, helping them emotionally invest in the success of the company as a family entity again.

"This was a family that took to this process like ducks to water," Davis said.

Harvard prof helped with plan

“What they did was to understand and be able to leverage how to use committees on the council, to really get a lot more done.”

Ancinas’ leadership role in the process over time brought him to light as the obvious candidate for CEO.

Now 45, Ancinas didn’t imagine he’d be running his family company. He had helped put together and sold or closed three different Silicon Valley tech startups over several years: Andiamo, Cardstore.com, and Ofoto.

While Ancinas was aware of his family’s Port Blakely legacy and had benefited from it financially, he had no involvement until then-CEO Warjone asked for family volunteers to work on a company task force.

“I was curious,” Ancinas remembers about the call to help, adding that new steps kept unfolding before him. “What we really ended up doing, for the next five years, we established a family council.” And that wasn’t all. In late 2004, the company board asked Ancinas to start preparing to become president and CEO.

“It took me a while to get my head around what was the role of CEO, what was expected,” he said.

Ancinas also realized, during the ensuing six-year training and gestation period, that he was signing up for life.

“It’s not to be taken lightly,” he said. “Once you make this commitment, you need to be completely and totally committed.”

In an interview, former CEO Warjone and Ancinas tend to speak almost with one voice, reflecting what came to be a partnership during the transition.

It also was a period of testing for Ancinas, who was taking on more responsibility just as the company was being slammed by falling lumber and real estate prices, and the collapse of the housing market, a triad of industries that formed the base of its business model.

“It was a scary time, but very exciting to have (the transition) accomplished,” Ancinas said. “How many opportunities do you get to ride shotgun with an experienced CEO during all this stuff?”

During this period, Warjone and Ancinas made several strategic moves, including slowing timber harvest rates during a period of low log prices to conserve company assets, and increasing exports to the hot Chinese markets.

“We did export to China,” Ancinas said, “because nobody was doing anything here.”

And while home building in Issaquah had died, Port Blakely luckily had finished

most of its residential development on the site, and was turning to commercial development. These projects include a YWCA facility and a branch of Swedish Medical Center.

In 2009, the Seattle-based company generated \$154 million in revenues, down \$7.4 million from the year before, and significantly below a 10-year high of about \$220 million, Ancinas said.

The latest milestone is the settlement, on undisclosed terms, with a six-member family group that had sued the company in June 2008, seeking to cash out their shares. The dispute had pitted siblings and cousins against one another, and Breon Robertson, a leader of the dissident shareholders, said he was very happy to have it behind him.

“We have what my family and I view as a terrific settlement of this whole issue,” Robertson said from his property near Ennis, Mont. “We hope for the very best for the company going into the future, and we are really happy for the opportunity we’ve had to settle it.”

Ancinas expresses optimism about the company’s future.

“We’re very much a balance sheet, long-term, asset-heavy company,” he said.

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