

Succession Planning Done Right

JASON HAGEY

Jim Warjone retired this summer as CEO of Port Blakely Companies. His replacement, René Ancinas, started preparing to take over in 2005. It was an unusually long transition that demonstrated how seriously the company regards succession planning, something that many business leaders fail to adequately address.

René Ancinas never expected to work at the family business, much less run the company. He grew up in Northern California, far away from Port Blakely's Seattle base, and played classical clarinet before going to work in the e-commerce internet field during the heyday of the dot-com era.

He always knew he was a part owner of the forestry company. His grandmother spoke about the company that her father, James G. Eddy, one of the Eddy brothers, helped build in Washington, and The Institute of Forest Genetics that he started later in California. "She was proud of that," Ancinas recalled. "She would say, 'Someday, you're going to own units.'"

But Ancinas was just one of dozens of cousins and other relatives who made up the ownership of Port Blakely Companies, and there was no reason to think he would ever do much more than attend annual meetings. "I had no absolutely no inkling I would come to work here," he said. "It was the farthest thing from my mind."

The fact that he took over for Jim Warjone as CEO of Port Blakely Companies on July 1 following a long and unusually careful hand-off is testament not only to his abilities, but also



Port Blakely Companies' outgoing CEO Jim Warjone, left, started the planning process years ago to recruit its next leader, René Ancinas, a second cousin and part of the extended family that owns the Seattle-based timber and real estate development company.

AT A GLANCE

Making sure a company survives the transition from one generation of leader to the next begins with creation of a succession plan, a fundamental piece that many leaders nevertheless neglect.

One of the biggest questions facing anyone who addresses the issue of succession planning is whether to look for the next leader inside or outside the company.

Some 70 percent of businesses fail to make it to the next generation, according to the U.S. Small Business Administration. Fewer than one in 10 privately held companies makes it to the fourth generation.

Succession planning will become even more important over the next few years as the baby boom generation, whose members now occupy many executive offices, enters peak retirement years.



Port Blakely is a company that takes the long view, both in its forest management and executive leadership. (Photo: Port Blakely)

to lessons that Warjone, who remains as chairman of the board, learned about the importance of succession planning during his own, more awkward transition into the company in 1978.

HIGH FAILURE RATE

Making sure a company survives the transition from one generation of leader to the next begins with creation of a succession plan, a fundamental piece that many leaders nevertheless neglect. Some 70 percent of family-owned businesses fail to make it to the next generation, according to the U.S. Small Business Administration. Fewer than one in 10 privately held companies makes it to the fourth generation. It's something that will become even more important over the next few years as the baby boom generation, whose members now occupy many executive offices, enters peak retirement years.

One of the biggest questions facing anyone who addresses the issue of succession planning is whether to look for the next leader inside or outside the company. It's an issue not only for family businesses, but also for corporations big and small. A 2005 study by the consulting firm Booz Allen Hamilton found that new CEOs brought in from outside a company typically produced higher returns in the first few years, but declined in the second half of their tenures. Successors promoted from within a company produced lower returns at first, but improved over time.

As it happens, both Warjone and Ancinas are members of the extended family that owns Port Blakely, though neither worked for the company before they were chosen to run it. Warjone is the grandson of James G. Eddy, one of the brothers who, along with Ned Skinner, purchased the mill company in 1903. Ancinas' mother and Warjone are first cousins.

ENGAGING THE FAMILY

The process that led to this summer's transition began in earnest in the late 1990s when Warjone realized that he would eventually need to provide a successor. At the time, he did not believe there was a logical successor within the extended family ownership and began preparing the board of directors for the idea of using an outside recruiter.

At the same time, Warjone embarked on a strategy to increase the level of engagement from the extended family members who made up the company's ownership. By the time a family-owned company is as old as Port Blakely, family members are numerous and often scattered around the country, or even the globe. The family network at Port Blakely is a so-called "cousin consortium" made up entirely of members of the extended Eddy family.

Like other family companies, Port Blakely held annual meetings, but they were poorly attended mid-week affairs held at the Washington Athletic Club. In 1999, the annual meeting was

“Succession planning is an ongoing fact of life for all sustainable companies.” —Jim Warjone, chairman of the board and outgoing CEO, Port Blakely Companies

moved to Napa Valley, Calif. “Suddenly, we all showed up,” Ancinas said.

In addition to moving the meeting, Warjone tapped Ancinas and other family members to establish a family council around that time to serve in a leadership role for the larger family group. Ancinas was elected by the group to serve as its leader.

Creating the family council was an important step, Ancinas said, toward making sure that family members remained invested in the family business. “Without it, it becomes all about a financial investment with no attachment to legacy.”

NEXT LEADER EMERGES

Even with family members becoming more engaged with the running of Port Blakely, it took a while for

Warjone to recognize Ancinas as a potential successor. He was still preparing to begin a search outside the company when a member of the board of directors suggested that Ancinas, rather than an outsider, could be the company’s next CEO.

When Warjone flew to California and broached the idea of coming to work for Port Blakely and eventually taking over the family business, Ancinas was caught off guard. “I was completely surprised,” Ancinas said. One of the hardest parts of the offer was leaving his extended family in the Bay Area and moving to Seattle with his wife and son.

Ancinas made the move in July 2005 and began the hand-off. The lengthy transition allowed him to learn the company well, including its various business components and—perhaps more important—its values. He also used the time to earn an executive MBA at the University of Washington.

Selecting a new leader not only means choosing someone with talent, but also with a similar vision and values,

MAINTAIN A SAFE WORKPLACE

WHILE LOWERING THE COST OF DOING BUSINESS.



CompWise is offered by the Association of Washington Business, Washington state’s chamber of commerce and is approved by the Washington Department of Labor & Industries.

As you look at ways to make your business more profitable, trimming costs is a top priority.

AWB CompWise, a workers’ compensation retrospective rating program, has a proven track record of reducing workers’ comp costs for Washington employers. Not only does the program give you an opportunity to qualify for refunds, your company can also reduce the upfront premiums it pays to the Department of Labor & Industries.

Improve your bottom line. Sign up today.

For more information about CompWise and other member benefit programs, give us a call toll free at **1-800-521-9325** or visit **www.AWB.org**.



The “cousin consortium”—a group of extended family members who own Port Blakely—met this summer in Bellevue. The meeting included the completion of a CEO transition that was in the works for years. (Photo: Lobban Photography)

Warjone said. In the case of Port Blakely, that means placing an emphasis on stewardship. One of the advantages of being privately held, Warjone said, is that Port Blakely can take the long view on everything from forest management to choosing its next CEO. “We’re planting seeds that this generation probably won’t see harvested,” he said, referring to trees.

When it comes to people, though, the company is already bearing the fruits of its careful planning and stewardship.

“Succession planning,” Warjone said, “is an ongoing fact of life for all sustainable companies.” ^{WB}

The Eddy Arboretum (Institute of Forest Genetics):
www.fs.fed.us/psw/programs/ifg/arboretum.shtml

Port Blakely Companies:
www.portblakely.com

The Port Blakely Mill Company was founded in 1864 on Bainbridge Island. The Eddy family purchased it in 1903 and has owned it ever since.

The company features a unique family governance system, or “cousin consortium,” that was the subject of a case study by the Harvard Business School.

In 1986, The Port Blakely Mill Company was converted to a limited partnership and renamed Port Blakely Tree Farms, a reflection of the move into sustainable forestry from the milling era of the 19th Century.

In 1990, the company launched Port Blakely Communities, the real estate arm responsible for Issaquah Highlands, a sustainable, master-planned community.

In 1993, Port Blakely created Blakely Pacific, Ltd., a wholly-owned subsidiary that owns and manages forests in New Zealand.

In 2005, Port Blakely acquired one of its long time customers, Pacific Lumber and Shipping, and began increasing Asian market access for its own log exports, as well as other customers.