ZIONS BANK®

WINTER 2024

FAMILY BUSINESS NEWSLETTER

Houston Family Exemplifies the Heart Behind Family Business

Based in Houston's up-and-coming East Downtown neighborhood referred to as "EaDo" by the locals, Carlos de Aldecoa Bueno is president and CEO of a myriad of coffee-related food and beverage companies. Family-owned Cadeco Industries, Eximius Coffee and Gulf Coast Distillers, to name a few, are the culmination of three generations dating back to 1920s Spain and 1940s Mexico.

De Aldecoa Bueno's roots can be traced back to Spain, where his grandfather, Carlos de Aldecoa Fernandez, started a small coffee roasting company. After establishing his business, the family's original entrepreneur ventured to Veracruz, Mexico, where fertile coffee-producing lands awaited. Once in Mexico, de Aldecoa Fernandez expanded his roasting business into coffee farming, retailing and decaffeination.

The founder's son, Carlos de Aldecoa Pereda, took over the reins in 1963 and eventually expanded in 1985 to Houston, Texas. De Aldecoa Pereda's son, Carlos de Aldecoa Bueno would eventually stretch his family's business to new heights through strategic business partnerships; lobby for legislation to make international coffee trading more accessible in Houston, creating huge boosts for the city and state economies; introduce cutting-edge decaffeination capabilities to the state of Texas; and more.

"My father explains that there are only '100 rules' you need to understand in order to be successful in the coffee business," de Aldecoa Bueno said. "However, you can only truly learn one rule per year, so it takes generations of family to completely learn the business."

Today, de Aldecoa Bueno leads his family's intergenerational coffee business with offices next door to his sisters, who also work for the family business and where each day they all greet their father and mother, who still maintain active roles in the companies. Together, they continue to expand into other lines of business to match the growing needs and development of the coffee, spirits and sweetener industries in the United States.

In the late 1990s, Cadeco Industries retrofitted and modernized Houston's iconic Uncle Ben's processing facility, converting it into the nation's largest and most diversified independent bulk coffee processing facility. On a daily basis, Cadeco often receives and processes over one million pounds of raw green coffee from around the world. Its sister coffee company, Eximius Coffee, roasts and packages coffee. De Aldecoa Bueno also launched a coffee product named after his daughter, Nina, for which he donates 100% of the profit to the Global Down Syndrome Foundation.

In 2014, de Aldecoa Bueno leveraged his coffee beverage production experience with an investment into the spirits industry by founding Gulf Coast Distillers and constructing a distillery with the largest installed capacity in the United States west of the Mississippi. He later added a brewery and tasting room, hosting events for organizations across the Houston region. The group now owns more than a dozen alcoholic beverage brands including Giant Texas Bourbon, Round Rock Vodka and Tejas Beer, in addition to producing and bottling private label brands for major companies distributing across the nation.

Young Carlos de Aldecoa Bueno (left) stands next to his grandfather, Carlos de Aldecoa Fernandez (right), outside of their family-owned coffee shop in Mexico circa 1980.

The featured family businesses are clients 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. All other images are stock photography.

During the COVID-19 pandemic, de Aldecoa Bueno quickly transformed his distillery into an enormous hand sanitizer production and bottling facility, donating millions of gallons to the community's health care workers and first responders.

Recently, de Aldecoa Bueno acquired and converted a facility in Paris, Texas, into a high-volume sweetener and sugar packaging facility named Ametsa Packaging.

De Aldecoa Bueno's companies now operate in over 1.5 million square feet of production and warehouse space. With a keen sense for quality, integrity, innovation and growth, de Aldecoa Bueno and his sisters continue to expand their family business together.

From Succession to Continuity: How a Non-family CEO and Effective Board Can Bridge the Gap

By Robert DeAngelis

In the lifespan of a family business, appointing a first non-family CEO could be a planned event, but is often required due to unforeseen events, as a bridge from one generation of family leaders to the next, or in response to the increased complexity of the business. Introducing a first non-family CEO marks the separation of the manager, owner, and family roles, potentially impacting owner-business alignment, introducing new board responsibilities, and influencing family communication dynamics.

This case study will address two scenarios highlighting challenges facing one family business system. The first scenario addresses the interaction of the new non-family CEO and the owners (via their board) in the budgeting process, and the second explores how the family system responds to the employment of a family member with aspirations of being a future CEO.

The Balcar Manufacturing Family Business

Balcar Manufacturing* is a Midwestern B2B specialized manufacturing business. Jerry, now 64 and recently retired, was the second-generation CEO, having taken over from his father. Jerry had worked in the business for 28 years and holds the majority ownership. His two brothers pursued outside professions and are minority owners. No members of the third generation have expressed interest in working for the family business. Balcar's board recently selected Chet, age 49, as its first non-family CEO. Chet, a 15-year employee, has been leading Balcar's marketing and product development division.

Two years prior, in preparation for the family CEO's retirement, Balcar added two independent directors to its board, joining Jerry as board chair and his two brothers. The independent directors brought experience managing growth in family businesses. They strengthened the board's ability to act together on behalf of the owners and serve as a resource in specific situations.

Aligning Business and Owners

After his first year on the job, Chet presented the board with his first budget. The budget included a significant investment in equipment and technology that the management team recognized as necessary to keep Balcar competitive. In one-on-one discussions, Jerry would remind Chet that the company's purpose was not solely about making money. "Balcar's mission extends beyond making a profit," Jerry explained. "It is about doing good and balancing business success with a shared sense of purpose." Chet appreciated and understood those values; however, putting those words into action proved more challenging in practice than anticipated.

At the initial budget meeting, the board delved into how this significant investment would align with Balcar's closely held family values and nonfinancial and financial considerations.

Here are the financial considerations included:

- Evaluating the appropriate company cash position;
- Assessing the impact on future dividends;
- Exploring possible additional lines of credit or debt financing;
- Considering the risk/return considerations; and
- Establishing goals for the company's profitability and growth.

Here are the closely held family values and nonfinancial considerations included:

- Making decisions with an eye to Balcar's longevity;
- Embracing innovation, and therefore taking measured risks;
- Aligning with the owners' preference for a "long-term growth and income" approach; and
- Providing employees, customers, and suppliers with a trusted partner.

During Jerry's tenure as CEO, a budget decision like this would have been simply rubber-stamped by the board. The new board took a deliberate approach and weighed the impact of the potential investment against the risks to achieve a likely return. The board also considered other possible uses of cash and the impact of the taking on additional debt. Over several months, a working budget plan emerged, balancing business goals and maintaining alignment with the values and goals of the family owners.

This marked the beginning of a new culture for Balcar, creating process changes in decision-making, risk analysis, use of capital, and expectations for Balcar's future. The business plan aligned with the owners' financial and nonfinancial goals and matched the business capabilities as realistic and attainable. Chet may have been the catalyst, but the board meetings provided an environment for transformative change and growth.

Aligning the Business, Owners and Family

After three years of Chet as CEO, Jerry was pleased with Balcar's trajectory. Unexpectedly, over Thanksgiving, Jerry's 29-year-old daughter, Georgie, expressed interest in joining the family business. With an excellent seven-year track record at a large corporation, Georgie proposed pursuing an MBA and expressed a desire to contribute to the family business as a leader and perhaps as CEO someday.

Jerry called a special meeting of the board after the holidays. The independent board members took the lead in a thoughtful and measured conversation about the ramifications of Georgie joining the business. The independent directors undertook several actions intended to support everyone's success:

- Initiated discussions with Chet on his plans, reaching his own career goals, and his role as a possible bridge to Georgie's future.
- Formed a Next Generation Committee, led by the two independent directors, to prepare a job offer and build a mentoring plan and evaluation process for Georgie.
- Requested that Jerry initiate the creation of a family council to serve as the "family voice" concerning nonoperational topics such as family employment policy and family compensation guidelines.

The board and Chet worked together to refine his role and responsibilities with respect to running the company and preparing Georgie as his possible successor. This led to developing a 10-year plan for each Chet and Georgie.

As part of that plan, the board wanted to ensure that Chet's focus remained on running the company. Chet and the board would develop goals and a strategic plan to form the foundation for Chet's evaluation. At no point would Chet be put in the position of assessing Georgie's readiness. The board would do that. Initially, Georgie would not be one of Chet's direct reports; however, Chet and other senior managers would be part of Georgie's structured mentorship plan.

The board, after soliciting input from the family council on several options for Georgie's development plan, set the expectation that Georgie's personal and professional development was her responsibility. Georgie's progress would be merit-based, with the board overseeing her evaluation process. Georgie would be supported and monitored by the board's Next Generation Committee. Any changes the board made to her responsibilities or compensation would be consistent with family council policies. No single person would act as her mentor; instead, the Next Generation Committee would establish mentoring relationships that would be flexible and for specific time periods and purposes.

From Succession to Continuity

In the old days, Jerry had worn "three hats" as the business leader, ownership leader and family leader. Jerry served as the glue throughout these systems. Owner, family and business topics had all been blended at board meetings, and Jerry was the "go-to" for everyone on any issue. In contrast, Chet wore just one hat as a business leader. Chet only provided leadership and governance within the business system. Absent the implementation of new governance structures, Jerry's previous roles as ownership leader and family leader might have been neglected. These new governance structures would facilitate healthy interactions within each group, prevent unreasonable expectations that Chet might have "all the answers," and offer necessary guidance to Chet and the board regarding business alignment with ownership and family objectives.

Before Jerry's retirement, his focus had been solely on succession planning for the Balcar business, finding a new CEO and strengthening the board. Looking forward, his goal became "continuity planning" for the entire Balcar family business system that would support processes for continued strong leadership, an evolving winning strategy, a voice for owners and family, and preserving the shared purpose of "doing good."

The board became the forum for Chet and the owners to engage in challenging and productive discussions and foster an environment for change and growth. The family council represented the family's voice and provided a forum for family members to be informed, have discussions and find unity. A new era of family involvement began to unfold at Balcar, marked by establishing the board's Next Generation Committee, the family council and Georgie's return. Georgie now had the support and opportunity to contribute to the family business legacy.

Conclusion

A first non-family CEO introduces challenges to a family business system. The leadership and governance structures will not initially exist in perfect working order. However, the ultimate goal of continuity for the family business system begins with (1) recognizing the need for leadership and governance in all three groups — business, ownership and family; (2) understanding why that is a necessity; and (3) taking the first steps to get started.

**The examples mentioned in this article are composites based on our client experiences.*

______

Robert DeAngelis is a consultant with The Family Business Consulting Group specializing in strategic planning, including leadership and ownership transitions.

The Learning Family: Building a Family's Capacity to Develop as a Team

By Aileen Miziolek

Learning how to develop together as a family is at the heart of family business continuity and longevity. However, for many families learning together as a team does not come naturally. Take for example, the Trojack Family (a fictitious name). Peter and Susan always dreamt that the business Peter inherited from his father would stay in the family. They hoped that their four children, despite their different personalities, would naturally form a strong sibling team, learning and growing together and building on the success of the previous two generations.

Thirty years later, after Peter's death and Susan's retirement, the siblings have become equal owners and are having difficulty being effective as an ownership team. When asked what is in the way of their working well together, they would say the difficulty lies in the fact that they are all so different and they just don't communicate well with one another. As children, they were taught to "keep the peace." Now, as adults, they see-saw between two communication patterns. First, a pattern of polite avoidance where they try not to "rock the boat" with one another. Where that is not possible, a secondary pattern shows up — blame and defensiveness, often followed by stonewalling, where they all shut down and retreat to their respective corners without aligning and making decisions on the matters before them.

Recent changes in the economy have spurred the necessity for the siblings to align on an altered business strategy. Since they aim to grow their business and believe there will be new opportunities to acquire other businesses in the near future, there was an urgent need for the siblings to have difficult discussions about how to shift their business strategy in response to the changed economic environment. The siblings recognized that they didn't want to fall into their usual "vortex" of unproductive communication patterns that tend to make them stuck. At this point, they were aligned on one thing — the need for help. They decided to work with a consultant to help them learn to improve how they functioned as a sibling ownership team.

The Discovery

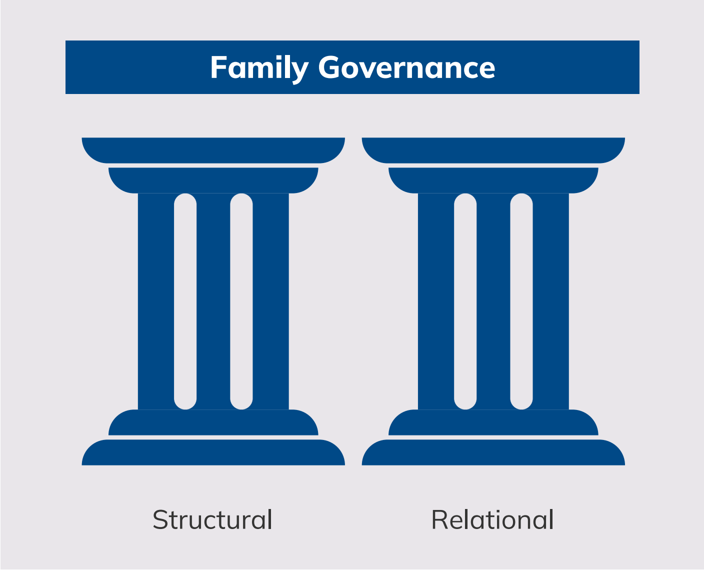
As typical during the discovery process, ownership agreements, organizational structure, and other important ownership and business documents were reviewed. There were deep discussions with each individual around family dynamics, the family's and the business's history, and the present state of each. Each sibling spoke of their desire for renewed closeness in their family relationships, and each also affirmed their commitment to the business and their eagerness to explore strategies for renewed growth in the business. These two goals surfaced as overarching themes on which they all aligned. All four agreed that both goals were equally important and although they could see how they were ultimately mutually supportive, based on their past communication patterns, they had little faith that they could learn to engage in difficult conversations without the usual frustration, the resulting hurt feelings and ultimate gridlock that always seem to emerge, despite their best efforts.

The Sibling Team Challenge

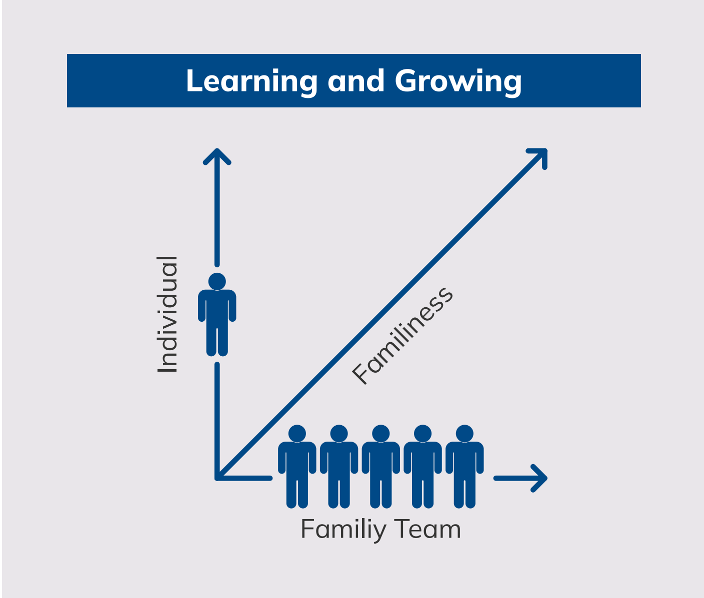
Although the siblings were all highly intelligent and accomplished in their own careers, and had individually participated in leadership training and communication workshops in the past, they didn't know where to start in forming an ownership team that would lead the company in a way that would work for them now that dad was no longer at the helm. What they realized was that even though they were a group of high-performing individuals that did not necessarily result in them working together as a high functioning team. This breakthrough reveals itself often with families and teams. As individuals achieve higher levels of education and individual success, they often become more entrenched in their own specific ways and focused on their own pursuits. This tendency can, at times, make it even more difficult to put aside their individual perspectives and be willing to "team" with others to achieve a collective purpose. This is especially prevalent in the sibling stage of family business, where there is a transition from one decision-maker to a family team that is required to collaborate and make decisions together.

Vertical and Horizontal Learning for Good Governance

As every founder knows, there is an often challenging, personal growth journey that accompanies the evolution of a successful business. Most entrepreneurs will agree that you can't grow a business without growing a business owner. In the same vein, when the business evolves into a *family* business, and the responsibilities and privileges of ownership transition to siblings or cousins. In addition, more complex systems of shared control and responsibility emerge, and the vertical learning and self-discovery for leaders needs to be augmented with more horizontal learning and relationship intelligence across the team. The sibling ownership stage is often the first that demands a truly collaborative approach to decision-making, and while supporting governance structures that allow for appropriate contributions and accountability are necessary, structure alone does not lead to good governance. Siblings and cousins need to learn advanced relationship and communication skills to work together as a team. Many point to this transition as the hardest and most critical of all in the life of a family-owned firm, and they are not mistaken. In this stage, the sage truth is that you can't *continue* to grow a *family* business without "growing" and developing the relationships within the family.

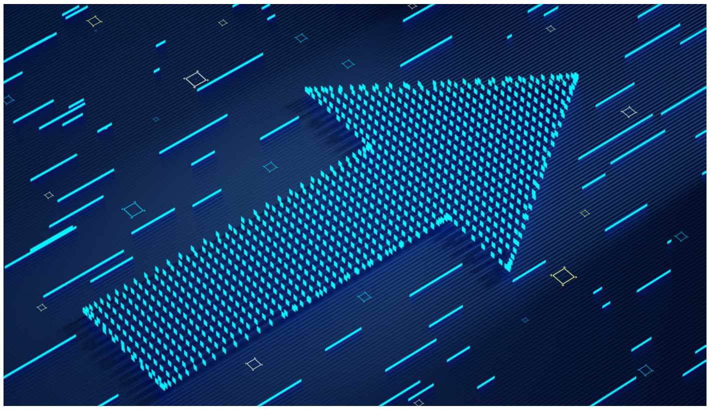


Research and publications have shown that in family business it is most often the "familiness" that makes or breaks the business. This is true in every family business, whether the business is in the second or seventh generation. To support positive familiness, learning and growing must be both vertical (individual) and horizontal (across the family system). This is the only way to sustainably increase the family's capacity to manage family dynamics and build the necessary trust to move forward together.



As a simple example, I am often asked to coach successors to sharpen their leadership skills in preparation for increased responsibility and influence in their family business. However, in most cases I need to explain to families that coaching the successor alone is only half the job. The more important half is developing the successor and incumbent leader's *relationship — as a team*— so that each can put down their proverbial armor and embrace the vulnerability of learning new roles together. Coaching the relationship builds the trust and open communication required for both leader and successor to open up and "dance together" as one learns to step up, at the same time, the other learns to step back.

All relationships are always in a state of change and emergence, and thus they are always in the process of creating something new. Individual learning and family learning form an interesting paradox, neither is more important than the other and both are mutually supportive. The more the individual learns and evolves, the more they require their family relationships to evolve to support them. The more the family relationships grow, the greater opportunity exists for individuals to learn from one another and grow as well.



Becoming a Learning Family

Tying all this together in a practical way, the first step for the Trojack siblings was to commit to engaging in regular meetings as an ownership team. They stopped getting together quarterly and instead, we began to meet biweekly in facilitated virtual meetings. The increased frequency of these meetings provided good structure and continuity and enabled them to stay engaged in the dialogues that needed to take place.

As the Trojack family embarked on the process of defining and trying to align on growth goals, it was not surprising to anyone that the same old predicable patterns began to emerge. This time, however, instead of the conversation ending with stonewalling, we slowed it right down and shifted our attention to what was happening in their relationship in the moment. We observed together how communication toxins were showing up and the impact these had on their relationship. We talked about where blame, criticism and defensiveness lived between them, and what they could do instead to have more positive and productive discussions.

The process was freeing and inspired them to be vulnerable with one another, creating a shared space filled with empathy. Each sibling reflected on their own triggers — what was happening in that moment within themselves, and how this emerged and impacted the communication between them. Their individual and collective awareness about what these communication toxins were doing to their relationships grew, as did their capacity to choose to respond to one another in a new way.

A group of high-performing individuals doesn't necessarily result in them working together as a high functioning team.

Learning together gave the Trojack siblings access to a new common language and a shared experience that brought new appreciation for one another and greater depth to their relationships. By slowing down, observing what is happening and learning new concepts and relationship skills together, they quickly raised their capacity to align around the growth goals for the company in a more productive and satisfying way. Any family can acquire the skills that the Trojack siblings learned together. Harmony and greater capacity for alignment are within reach for families that are able to raise their awareness and shift from being a family that's stuck to becoming a "Learning Family."

Aileen Miziolek is a consultant with The Family Business Consulting Group and co-author of "Inspired Wealth, Financial Leadership for the 21st Century."

ZIONS BANK®

One South Main
Salt Lake City, UT 84133

ZionsBank.com

www.thefbcg.com or 773.604.5005

IN THIS ISSUE:

- Houston Family Exemplifies the Heart Behind Family Business
- From Succession to Continuity: How a Non-family CEO and Effective Board Can Bridge the Gap
- The Learning Family: Building a Family's Capacity to Develop as a Team

For questions or comments, we'd love to hear from you. Contact Zions Bank at (800) 974-8800.