

TO: Feliciano N. Tan, Sr.
FROM: Alex

29 November 2003

I have stated in my letter how Mae intentionally manipulated things for herself at the expense of the company and the family but your letter unquestionably shows your high regards for her. Your typical style of reasoning like problems cannot be solved over a cup of coffee betrays insincerity. I do not know how many cups of coffee we could have drunk from the time I resigned last March up to now for you to find an ambassadorial reason to appease her to agree for the transfer.

I would want to reiterate that my purpose for her transfer was mainly to allow other staff to learn her job which as I have explained she has this peculiar character of not wanting to teach to others. If I am being asked me to give instructions to Mae to go to Cebu to do something I have none. I know that following this statement we shall again will have a long unending discussion regarding my opinion on this matter.

To me, Mae has inflicted so much damage both in the company and my relationship with my parents, my brothers and sister. I demand no less than her resignation. It is impossible for me to be working with her in one company.

Last Tuesday afternoon Nelson forwarded to me the two sets of company resolutions signed by you and the rest of the family for the purchase and importation of a fastcraft from Malaysia. Both sets are exactly the same except that one set has a provision for my signature and the other one has none. If you remember the countless times I have to make these kind of company resolutions I have never omit any names of any of the family member even though I know three signatures would suffice. Even the many times you were against the acquisitions up to a time you refused one time to sign, I never showed bravado to even submit such resolution to Marina with three signatories. I had to appeal to you as many times that I have to in order for you to agree to sign. Once I even brought Mr. Noguchi-san to Zamboanga to help me court and get your consent to buy another vessel so that letting you sign later the company resolution would be much easier. How would you feel, mamang, or anyone in the family if you or any of them were insensitively presented the way the two sets company resolutions were presented to me?

Things like these, Jay Jay's contradicting me on office procedures, mamang's reasoning that Mae is the one checking my expenses, and many others are clear indications why I am sure nothing will come out positive in any dialogue. Actions speak louder than word is very appropriate to this situation.

For years I was confused why I thought you were not happy with what good things I did to the company. But somehow I found the answer in an article (a copy of which is attached) a friend of mine emailed to me entitled "Two Hats".

In it, the father-son relationship clearly shows that they are *not* in tandem with each other. *The success of one is the pain for the other.*

In a similar fashion it will also explain why Nelson, Bobong, and Jay Jay will rather have me out of the company than give in to my demand for Mae's resignation. Probably it pisses them off to whatever good things I can or will be able to deliver to the company. Mamang's reason of course is different. She is still in her anger of passion that to allow Mae's resignation would be a victory of the programmer!

Unlike in schools when the son makes good either in his academics or athletics, the father himself radios to the world of his son's proud achievements. But in a family business, the son should better keep his achievement to himself. Ugly it may be but it is a fact and the earlier it is recognize the more chance it can be resolved.

In order to solve a problem one has to admit it first. You must first admit that you felt pain and anger every time I succeeded. I will not have to relate incidences we had that showed this to be true. The important thing is for you to know that it is not only okay for you to admit it (because as statistic study shows it to be normal) but that you must do so in order that the problem can be properly addressed.

Take for example if I have tuberculosis. If I will not admit or accept that I have such, regardless of symptoms of blood in my saliva, then not only will I not be cured but my family and people close to me will also be affected.

If it hurts for you to let people know that I had done many good things for the company then you *must recognize it as a symptom* of such family business problem.

In a more simple way, if it hurts then say it hurts. Don't say it doesn't hurt even if it hurts.

Take for example if you will not admit that it hurts. You then have to support me in my plans and ideas for the company regardless of people agreeing with what I do. Surely if it hurts it will show, and the ugliness of your refusal to admit the obvious will eventually cause more pains and divisions.

In an another article it is noteworthy to note that only 30% of family business makes it to the second generation, 10 – 15% makes it to the third and 3 - 5% makes it to the fourth.

I don't know of any family business in Zamboanga that has successfully continued from even the first to the second generation. We have many examples which failed. SKT – the father, Mr. Sy Kok Tiong, to his last breadth was personally going to Varadero de Recodo everyday overseeing the futile task of trying to revived his burned M/V Lady Helen, while his two sons were reputed to have been sacked out of his company because of mismanagement, Thom Shipping – brothers infightings, Shoppers – brothers infightings, Varadero de Recodo – eldest son is in the chicken business now!

Of course they all have their own peculiar reasons for failures. One may say it's because sons were drug addicts, others incompetent, or dishonest.

The above mentioned family business generation-transfer failures and the recent retirement of a famous businessman clearly show that its success largely will depend on the father.

Above facts and “accusations” should be sincerely appreciated and taken in a positive manner in order things can be solve. I hope with this awareness, the family will act united in trying to achieve what many has failed.

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Two Hats

Mom: Caught in the Middle

by John L. Ward

Key executives in family businesses often wear "two hats." Decisions are more difficult because managerial and family perspectives overlap. Here is a typical scenario presenting the family business owner trying to balance business and family.

The transition of business leadership from father to son can present painful and seemingly insoluble family business problems. And when it does, the person who suffers most is often the mother of the son/wife of the father. The two most important men in her life are hurting each other.

As Mom

I'm so proud of my son; he is bringing so much to the business. He wants to do what he thinks is right for the business.

My son keeps complaining to me, and to my daughter-in-law, that he's frustrated – that his father can't "let go." I know he's right. How can he let go of what's been his whole adult life?

It seems I see less and less of my son and his family. The relationship between him and his father is getting very strained. They're avoiding each other.

They both complain to me about each other. Wise friends tell me not to get caught in the middle—don't make a communications "triangle," they say. My husband and son must learn to work it out between themselves...and I'm the one getting all the stress. They need to talk to each other, listen...

But my son has never learned to talk about how he feels.

We see this no-win emotional dilemma much too often. Rarely do business-building parents find new careers to rush to, leaving a competent heir to his or her own show. If that were the case, offspring would be begging for advice from "too busy" parents, rather than trying to push them out of the way.

We agree with the realization in this story that moms/wives can get themselves entrapped in triangles of ineffective communications. What to do? Some who are caught in the middle develop the personal strength to avoid being drawn in, and tell each of their men, "I'm sorry you feel you have this problem with the other. But you have to talk directly to each other about it!"

Some "moms" even successfully "conspire" with daughters-in-law so that the message comes through twice as strong. In this way, each can emphasize some tolerance and patience...and can coach her man on better expression of their feelings directly to one another.

As Wife

But his aggressiveness and eagerness to do his own thing are making him push my husband out of the business. My husband doesn't feel appreciated, needed.

And I don't want my husband feeling unimportant and lonely and moping around the house. That's not good for either of us.

I'm really torn. I know my husband still has so much to offer if he were only asked and respected. He has been in this business 30 years! And I think he has a right to hold onto most of his stock. After all, he built it all.

But my husband has never learned to talk about how he feels.

The Family Business AdvisorSM

The Monthly Guide to Successful Business Management, Family Relations and Asset Protection

Complimentary Issue

Family Business Survival: Understanding the Statistics

"Only 30%"

by Craig Aronoff

Perhaps the most quoted statistic in the world of family business is this one: 30% of family businesses make it to the second generation, 10-15% make it to the third and 3-5% make it to the fourth generation. Thousands of newspaper, magazine and journal articles report this statistic. The marketing materials used by the burgeoning family business consulting industry are rife with those numbers.

Indeed, we don't argue with the numbers. We just have a few quibbles with how they are presented. The meaning of the statistics is hard to fathom without defining family business (when we use the numbers it means family business leadership and control, therefore excluding such successful ways of "making it" as transfer of ownership to employee or cashing out to a com-

petitor's strategic acquisition). Another small quibble is that, in fact, 30% make it through the second generation, not to the second generation. We know these things because the original research leading to these conclusions was conducted about twenty years ago by our own John Ward on Illinois manufacturing companies. The numbers have been replicated globally.

But we have a very serious argument with how the statistics are used. A brochure we received recently from a family business consultant is typical: "Only 30% of all family businesses make it to the second generation. And a meager 5% make it to the fourth generation." Judgment implied in descriptors like "only" and "meager." Generally, people using these statistics imply, suggest or out-right say that the numbers indicate a sorry state of affairs.

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An Open Letter to the Non-Family Executive

If you're a new non-family executive in a family company, or if you're thinking about accepting a management position in a family firm, you may be wondering how to make the experience a successful one. It's a wise thing to think about, because family firms pose many challenges to executives that they don't encounter in other companies.

Based on our years of experience working with hundreds of family-owned businesses,

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"Only 30%"

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But how do we know whether a 30% "make it" rate is bad, good or just plain normal?

I was speaking at a family business conference in Monterey, CA over a decade ago. On the morning before the presentation I was visiting Monterey's magnificent aquarium, (supported largely by the Packard Family's foundation whose family business – Hewlett-Packard – arguably failed to "make it" to the second generation). There I learned that it takes 250,000 starfish eggs to produce one mature starfish. I wondered whether that was good, bad or just plain normal, and if there were starfish survival consultants bemoaning this horrible performance and offering their services to help fix the problem.

To put family business performance in perspective is to compare what we know about family businesses with other kinds of businesses. As we have often reported previously in *The Family Business Advisor*, most such comparisons give the edge to family firms. Maybe their survival rate is higher too? But how to compare? Because publicly-traded companies with dispersed ownership naturally turn over share ownership, one cannot speak of a directly compared "survival" rate. How can so many people use terms like "only" and "meager" when comparisons are impossible?

I found an opportunity for comparison by accident. In 1996, the Dow Jones Industrial Average (DJIA) celebrated its 100th anniversary. Its 30 companies represent the largest, best capitalized paragons of U.S. industry. And yet, only one company originally included remains on the list today.

I did some quick arithmetic. A hundred years at 25 years per generation represents four generations. About a third of family businesses survive in each generation. With 30 companies on the DJIA, and a one-third survival rate defined as continuing on the DJIA for four generations, we would predict that one would still be around. The survival rates of the companies comprising the DJIA and of the family businesses in general turns out to be the same!

The single company from the original list that survived the century is General Electric. GE is generally considered to be one of the best managed and capitalized companies in the world.

According to statistics, your family business has the same

chance of survival as General Electric. Does that suggest that a four-generation, 3-5% survival rate is "meager"? Rather than bemoaning family business survival rates, we should judge them as somewhere between normal and extraordinary.

Indeed, I'm wondering what strengths family businesses have that allow them the same survival rate of companies like GE. What do family businesses have that most of the DJIA component companies lack?

What distinguishes family businesses, of course, is family. Adding family values, loyalty, pride, cohesiveness, meaning and all the other strengths of family to business ownership and management seems to provide sustenance not available to other enterprises. Given an economy that chews up and spits out whole industries, technology evolving at unprecedented rates, Wall Street probing every niche to unlock financial value, global competition, instantaneous communication, the alternative opportunities open to well-educated offspring, competition that drains margins as distribution channels are re-engineered, and the social and cultural pressures that make successful family life increasingly challenging, I believe that a 30% generational survival rate among family businesses is incredible testimony to the positive power of family when applied to business. I believe that these oft-cited statistics offer yet another reason to celebrate family businesses.

And besides, few have taken on the specific task of improving overall survival rates for family businesses. Those of us who work with and for family businesses typically seek to help one family at a time to achieve its goals.

Which, oddly enough, takes me back to starfish. A story is told of a father and a daughter walking on an isolated beach at dawn. As the sun rose, they came upon a galaxy of starfish left by the tide and, for the most part, still alive. The young girl immediately began to throw the creatures back into the sea. "Don't bother with that," said her father. "There are too many. You can't save them all. It won't make any difference."

"But I can save some of them," she said without pausing. And she didn't even know that each starfish she saved took a quarter million eggs to produce.

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