NSB
NEVADA STATE BANK

SPRING 2024

FAMILY BUSINESS
NEWSLETTER

Generational Success

Supporting Family-owned Furniture Business Through Thick and Thin

In 1997, husband-and-wife entrepreneurs Venancio and Rosa Macias noticed a hole in the furniture market in Phoenix: A store for Spanish speakers that also offered in-house credit. Using that business model, Del Sol Furniture transformed within five years from a single 2,000-square-foot store to multiple locations, a distribution center and the Plaza Del Sol shopping center anchored by Del Sol Furniture with several retailers leasing the remaining spaces. Their children, Alex Macias and Minerva Macias-Maestas, often helped their parents in the store on weekends as they were growing up. "Our business was strong, life was good," says Alex, now the company's vice president. "In July 2007, we bought a warehouse and opened our current distribution center. Then things started to crack with the recession."

Del Sol Furniture Director of Sales and Marketing Jose Macias, founders Venacio Macias and Rosa Macias, and Vice President Alex Macias.

At the time, Alex was graduating from Arizona State University's W.P. Carey School of Business with plans to attend law school. "My parents called me, not sure what was happening with the business," he says. "For a decade, whatever they'd put out on the floor, there was a lot of demand." Given Macias's background in computer information systems and accounting, his parents asked him to come in and help stabilize the situation — and everyone's business acumen was put to the test. Del Sol lost 50% of its revenue from 2007 to 2009.

"Coming in during the recession was a blessing for me because I didn't know the good times," he says. "We had to make a lot of tough decisions. Fortunately, we have a phenomenal team of people who stuck with us."

The recession forced the company to adapt and close several stores, but there was a bigger decision at hand. "I remember telling my parents we were pigeonholing ourselves when we could be bilingual and provide service to all kinds of customers," Macias recalls. "So, we started advertising in English and changed our Spanish name to Del Sol Furniture. We had an awesome website before most furniture stores realized that the internet was going to be important."

The payoff was steady 10% growth from 2009 to 2016, as they served customers who spoke Spanish, English, or both. "Since then, we've grown even faster, going from two to four stores," Macias says. "We upgraded our computer systems, including a state-of-the-art, point-of-sale system. Our website tells you exactly how much product we have available in a store or the warehouse, which some of the big stores still don't do."

Business Banker Santiago Astengo is a staunch supporter of the company — not only because they're a multigenerational, multicultural business that's fully dedicated to its community, but also for their business acumen.

"Rosa and Alex, along with their team, are very talented, intelligent and passionate people who know how to compete within their industry and are always finding ways to improve their business model and margins," Astengo says. "They are on top of furniture trends and client base changes. They truly understand the dynamics of their stores, and they don't hesitate to make changes when needed."

As Alex and Minerva, also a graduate of the W.P. Carey School of Business, take the reigns, they continue to drive the company's progress forward and live by the mission statement handed down by their parents: To furnish the dreams of their customers.

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.

How Does Your Family Measure Up? Using Assessments to Develop Effective Leaders

By Doug Gray and Kent B. Rhodes

In our consulting service to families and their enterprises, we often use assessments to clarify individual and organizational needs in ways that more deeply inform next steps for family leaders and company directors. We are also finding that businesses are using data-driven tools routinely to unlock insights and new assessments are coming on the market designed for specific use within the family enterprise. This is especially helpful for families to rely on unbiased data — rather than emotions — to make higher quality decisions, especially when it comes to navigating complexities of the family system.

Family enterprise leaders can use assessment analysis to consider a family member for promotion within the business, develop a next generation member's leadership capability or determine a family member's potential governance roles. Assessments can also be a way for families to identify and improve communication habits guided by the feedback data.

Business Assessments 101

Assessments take on various forms from simple surveys or interviews to complex statistically robust, multi-rater reporting. For example, the FBCG Client Services team conducts interviews with individual family members to evaluate what the family needs and how FBCG might best be helpful to them and their enterprise. Family members are asked key questions regarding their primary concerns and current challenges as well as the qualities they are looking for in a consultant. Our team then uses this data to confirm stated needs and goals before proposing a way forward. This process creates alignment and yields more engagement from the family for better, long-term outcomes.

In fact, if family business consultants were asked to distill the steps of their work with families and their enterprises into one sentence, that answer would very likely include 1) assessing, 2) recommending and 3) supporting. Our important work of coming alongside a family always involves assessing the strengths and needs of both family and business, followed by recommendations for individual and family support and organizational change — all based on the information gathered in the assessment process. This is challenging as there are only a few tools that expressly measure and assess the needs of families associated with multigenerational enterprises.

Collecting Data for Better Decision Making

While talking with stakeholders is always a good point of reference in decision making, there are a wide array of more formal tools business leaders can use to provide data that informs sound judgments. There is an assessment for just about everything that one might want to measure from financial goals to employee satisfaction. Business leaders can use assessment results to discover predictors of job success that include the skills needed to perform basic tasks but also less obvious aspects of work like learning agility and collaboration.

Measurement tools provide insight into individual and team performance success and identify the gaps that may be preventing that success. These assessments also produce accurate data that address the "softer," interpersonal elements of effective leadership and human interactions. This knowledge is essential in helping family businesses transition leadership and ownership to the next generation in increasingly complex environments. In continuity planning, the older generation may ask, "When is the best time to transfer ownership and control to these well-intentioned but naïve kids?" At the same time, the younger generation is asking, "What can I possibly do to demonstrate that I am capable of running this family business?"

While these kinds of decisions may typically be influenced by intuition, gut feeling or even bias, effective assessment of the next generations' leadership capacities provide data that not only informs intuition but helps form sound strategic decision making for the family enterprise. All while reducing the risk of family disagreements about those decisions.

Kinds of Assessments

There are many personality and behavior-oriented tools that can help individuals and teams better understand their unique traits and blind spots. Behavioral or personality related assessments like Myers-Briggs, DISC, Enneagram, Hogan, Strengths Finder, etc., are all designed to help assess or provide information about how an individual might typically respond or think in any given circumstance. The findings can help that person identify and manage less-desirable behaviors while deepening an understanding of how to increase their own effectiveness. Within teams, these assessment tools also help leverage individual differences in ways that increase team effectiveness while managing potential conflicts.

Qualitative or Quantitative Assessments

Other types of measurement tools are useful as well. Qualitative assessments use words, pictures or digital content to describe a behavior or performance while quantitative assessments use numbers to describe a behavior or performance. Both are helpful, in different ways. For example, when watching any sporting event there are often multiple commentators. One person provides the play-by-play and qualitative narrative. The second person provides the statistical comparisons and quantitative data.

Personal vs. Team Assessments

Individual assessments, like those previously mentioned, focus on an individual's behavior or performance outcomes. For example, when Mark is late to work or exceeds a sales goal, an individual self-report of personality assesses what Mark thinks, even though that may be inaccurate or inflated. Team assessments focus on the commonly shared behavioral or performance outcome of a group. An example would be Mark's team engagement scores or team retention score after 12 months, or a milestone related to Mark's family business continuity planning.

Multisource Assessments

Multi-rater or multisource assessments typically ask leaders to solicit feedback from their managers, peers and direct reports in the form of 360 feedback reviews. That data is then shared in confidence with the participant and a plan of action forward is created based on the feedback. For example, a fourth generation family member being considered for a management position within the family enterprise might engage in an anonymous 360 process to determine blind spots and perceptions to be addressed to ensure her success in the new position.

Values-based Assessments

Values based assessments help families identify signature strengths that everyone agrees describe how the family flourishes when at their best. With this assessment, a family determined their top signature strengths included "gratitude, fairness and spirituality" and were able to hone specific behavior practices by family members that were consistent with these strengths.

> **There is an assessment for just about everything that one might want to measure from financial goals to employee satisfaction.**

Conclusion

In our ongoing work with complex family enterprises, there are many things to consider in planning for succession, governance and leadership roles — particularly when family members are being considered for those positions. Assessing these softer interpersonal complexities of leadership within the family enterprise, alongside more traditional types benchmarking assessments, can provide data-driven evidence for the development and continuity of effective family leaders. Assessments can also increase the quality and objectivity of important decisions to ensure the success of the family's business, foundation, family office or family council.

As you can see, we believe that the benefits of assessments are immeasurable!

Doug Gray is the CEO of Assess Next Gen, specializing in 360 leadership assessment and development for rising family business leaders. Kent B. Rhodes is a senior consultant with The Family Business Consulting Group and a leading expert in the field of conflict management in family-owned businesses.

Having 'The Talk' — Navigating the Family Business Succession Conversation With Your Parents

By Lisa M. Morel, Oscar Paez

"We need to talk."

These simple words can send a shiver down our spines in any relationship. Similarly, the moment our parents address us by our full name, we brace ourselves for a potentially challenging dialogue. In family businesses, few conversations are as formidable and emotionally charged as discussing the transition of leadership. Just as these phrases evoke a mix of emotions, so does the prospect of initiating a succession conversation with your parents — the founders and custodians of the family business.

Family businesses transcend financial stability. They are legacies woven with generations of dreams and dedication. Yet, addressing the transition of leadership often involves navigating uncharted emotional terrain. Although broaching this subject with your father or mother may feel intimidating, it is an essential step toward ensuring a seamless evolution and the enduring success of the business.

In this article, we explore four easy steps in the art of approaching the topic of family business succession with your parents — a discourse vital for safeguarding the business's future while maintaining the unity of your family.

Step 1. Start With Preparation, Timing and Location

Initiating the conversation of family leadership continuity demands careful consideration. For many rising-gen family members, this topic has either come up reactively on the heels of some form of crisis, has been carefully avoided (often triangulated) or not addressed directly. To set the stage for success, it's essential to consider some foundational elements such as preparation, timing and location.

Shifting the focus of this conversation from reactive to proactive is crucial. To achieve this, many rising-gen family members are initiating discussions through educational means. Bringing parents to attend academic courses, webinars or family business conferences can prove to be incredibly effective. For many families, a pivotal moment arises after participating in educational conferences on family business, where key concepts take center stage. Families learning from other families is powerful. Often, listening to other family business leaders share their successful strategies for navigating similar transitions can be truly enlightening. Some rising-gens also choose to make a difference by sharing relevant articles or books on planning for family businesses continuity.

Keep in mind that fresh off the heels of a tense business meeting or after a crisis are never good moments for strategic conversations. Conversely, while family dinners are often cherished times of togetherness, there might be better venues for this vital discussion. The dinner table may create a casual atmosphere that doesn't match the seriousness of the topic. Instead, opt for a more private and neutral setting where everyone can be fully present and focused. It's essential to ensure that the chosen time and place allow for an uninterrupted and relaxed dialogue, emphasizing the importance of the topic.

Certainly, successful discussions about family business succession vary based on the dynamics of each family and the nature of their business. However, we can draw a few commonalities from successful catalysts such as Mary Johnson, a next-gen owner of a thriving timber business.

"I had recently earned my MBA and learned how crucial purposeful succession planning was for the success of our family and company," Mary explained. "I leaned into my 'oldest daughter' role and talked to each family member one-on-one, emphasizing the significance of this impending discussion. After gaining unanimous support, we intentionally selected a weekend at our family's tranquil lake house when everyone could participate free from the work pressures that often consume our lives. Being surrounded by the calming beauty of water and nature helped set the right mindset for our conversations."

The next-gen siblings of the Pereira family agreed that it was time to understand the future of their father's winery business. In this case, they decided to speak "with one voice" to Dad and agreed that their countryside vineyard would be the perfect place. One Sunday afternoon at the end of a successful harvest season, the family gathered around the outdoor deck. With wine glasses in hand, they sat down to "start dreaming about the future."

In the electronics business, Alex from the Wang family invited his relatives to a family governance conference at their local family business institute. After the meeting, Alex proposed having lunch at the hotel, where he felt that a neutral space fresh from shared learnings would ensure objective discussions.

The settings and timings vary, but the emphasis remains on a place where open dialogue can flourish, away from daily distractions. The critical aspect is recognizing the need for such a discussion and tailoring the approach based on the family and business dynamics.

Step 2. Begin by Acknowledging Legacy

As you move forward, consider how respect and gratitude are foundational for this delicate conversation.

Begin by expressing appreciation and reflecting on what your parents have built. There are many ways to express and honor the past:

- **The First Deal:** Reflect on the first significant deal or client the family business secured. A son might say, "Every time I negotiate a contract, I remember the story of the first major deal you closed. Your tenacity and dedication in those early days inspire me during every negotiation."
- **The Old Office Chair:** Perhaps the founder always used a well-worn chair in the office. A daughter might express her appreciation by saying, "Every time I see that old chair, I think of the countless hours you've spent making decisions that shaped our company. It reminds me of the dedication it took to build this legacy."
- **Lessons From Tough Times:** Every family business faces challenges. Reflecting on those, a family member could acknowledge, "When we faced that economic downturn, I saw how you navigated through it gracefully and resiliently. It's a lesson I carry with me every day."
- **Values and Ethics:** Many businesses have core values or guiding principles. A son might share, "You've always emphasized the importance of integrity in our dealings. Every decision I make, I try to uphold your high standard."

By sharing these tangible moments and memories, the younger generation can effectively convey their deep respect and gratitude. Doing so paves the way for discussing how cherished traditions coexist with innovative ideas, forming a balanced blend of heritage and progress.

Step 3. Foster an Open Dialogue – Tools for Effective Communication

Effective communication is paramount for emotional conversations. Empathetic listening that interprets emotions and intentions is crucial. Consider these techniques as you guide the narrative toward a constructive, open dialogue:

- **Reflecting:** Summarize or paraphrase to ensure understanding. For example, you might say, "So what you're saying is, you're worried about how the transition might affect the long-term reputation of our business?"
- **Validating:** Recognize emotions, even if you disagree. For example, you could say, "I can see why you'd feel that way given all the hard work you've put into building this."
- **Asking Open-ended Questions:** Encourage elaboration. For example, you could consider saying, "How do you envision the transition process?"
- Avoiding Interruptions: Allow the speaker to finish their thoughts without interrupting or finishing their sentences.
- **Showing Genuine Interest:** Making eye contact, nodding and leaning in all convey that you're fully engaged and care about what they're saying.
- **Acknowledging Their Feelings:** Recognize emotions to diffuse tension. Sometimes, just acknowledging someone's feelings can diffuse tension. Perhaps say something like, "I can see that this is making you upset. Let's take a moment."
- **Taking a Break:** Take a short break if emotions run too high. For example, say, "Let's take a few minutes apart and regroup. I value this conversation and want to ensure we're both in the right state to understand everything fully."

Empathy is the capacity to see the world from another's perspective. To feel what they might be feeling. It's vital when discussing the delicate topic of transitioning leadership within a family business. Understanding the potential anxieties, apprehensions and emotions the senior generation may be experiencing is pivotal for the rising generation:

- **Loss of Identity:** The identity of many founders or long-time leaders can be deeply intertwined with their businesses. Stepping back might feel like losing a part of themselves, a role that has defined them for decades.
- **Fear of Irrelevance:** There's often a concern about becoming obsolete or feeling out of touch with the day-to-day operations of the company they built. They might worry about being sidelined or ignored.
- **Financial Security Concerns:** Depending on the business's financial structure, there might be worries about the economic implications of transitioning out. Will their retirement be secure? Will the new generation make decisions that could jeopardize financial stability?
- **Concerns About the Future:** They've poured their heart and soul into the business. Naturally, there may be concerns about its direction under new leadership. Will the values they've instilled remain integral? Will the business's reputation be upheld?
- **Change in Daily Routine:** Transitioning out of an active role can significantly shift daily routines. The idea of not going to the office every day, not meeting with teams, or not being involved in decisions can be daunting.
- **Emotional Attachment:** Over the years, they would have developed emotional connections not just with the business but also with employees, clients and suppliers. The idea of not interacting with them can be heart-wrenching.
- **Legacy Concerns:** How will they be remembered? Will the next generation uphold the legacy and take the business to greater heights, or will there be a decline?

To help you navigate this conversation, here are some questions the rising generation might ask their parents:

- What are your hopes for the future of the business?
- How do you envision your role as part of the transition?
- Are there particular challenges you foresee in this process?

What values or principles do you believe should guide the succession?

Step 4. Align Toward the Next Step

"So where do we go from here?" Getting outside help to plan and execute is crucial for many families facing their first transitions. Setting a regular meeting schedule, committing to a learning program and agreeing to speak to advisors are positive next steps.

One invaluable method to understand the complexities and emotions tied to family business succession is speaking to others who have traversed the same path. These seasoned individuals can provide firsthand insights into their experiences, pitfalls, successes and lessons learned.

For those families who find their conversations consistently leading to conflicts, unresolved issues or past grievances, it might be beneficial to involve a therapist. A family therapist can be instrumental in addressing deep-seated feelings and providing tools and strategies for healthy communication.

Final Thoughts

In conclusion, the transition of a family business is a journey filled with emotions, uncertainties, hope and aspirations. With proper guidance, families can ensure that their legacy remains intact, growing stronger and richer with each passing generation.

> **Families can ensure that their legacy remains intact, growing stronger and richer with each passing generation.**

A successful transition requires a multidisciplinary team that combines legal, financial and family business expertise. Make sure the business's success and your family's well-being are at the forefront of the plan. The road to succession is paved with empathy, respect and thoughtful dialogue, ensuring that the legacy you carry forward is one of collaboration.

Client identification has been protected. The names have been changed and examples have been recreated for purposes of illustration based on past client experiences.

Lisa M. Morel is a senior consultant with The Family Business Consulting Group focused on family and corporate governance. Oscar Paez is a consultant with The Family Business Consulting Group experienced in management, finance, succession planning, next generation development and corporate governance.

HOW BUSINESS BANKING SHOULD BE.

Your bank should care about your business as much as you do. When you bank with Nevada State Bank, our bankers build real relationships with clients that last for years to come. We provide businesses with useful banking resources and recommendations that help companies focus on what they do best.

Your bank should connect with you. Your bank should be NSB.
To learn more, call 866.728.0461 or visit nsbank.com/biz.

NSB NEVADA STATE BANK

IT MATTERS WHO YOU BANK WITH®

A division of Zions Bancorporation, N.A. Member FDIC

NSB
NEVADA STATE BANK

750 E Warm Springs Road
Las Vegas, NV 89119

nsbank.com

The Family Business Newsletter may contain trademarks or trade names owned by parties who are not affiliated with Nevada State Bank. Use of such marks does not imply any sponsorship by or affiliation with third parties, and Nevada State Bank does not claim any ownership of or make representations about products and services offered under or associated with such marks. Nevada State Bank is a division of Zions Bancorporation, N.A.

Articles are offered for informational purposes only and should not be construed as tax, legal, financial or business advice. Please contact a professional about your specific needs.

Articles provided by The Family Business Consulting Group, Inc. and reprinted with permission from "The Family Business Advisor" newsletter. Copyright 2024. Chicago, IL. All rights reserved.

www.thefbcg.com or 773.604.5005

IN THIS ISSUE:

- Generational Success
- How Does Your Family Measure Up? Using Assessments to Develop Effective Leaders
- Having 'The Talk' — Navigating the Family Business Succession Conversation With Your Parents

For questions or comments, we'd love to hear from you. Contact Nevada State Bank at (702) 383-0009.