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FAMILY BUSINESS NEWSLETTER

Steering the Future: Five Generations of Bernerts on the Columbia

For Eric Bernert, the allure of working in the family business isn't just the legacy — it's the office view.

"You're sitting 55 feet up in a glass office moving down a river surrounded by trees and mountains, snow in the winter and lush greenery in spring. You get to see sunrises and sunsets."

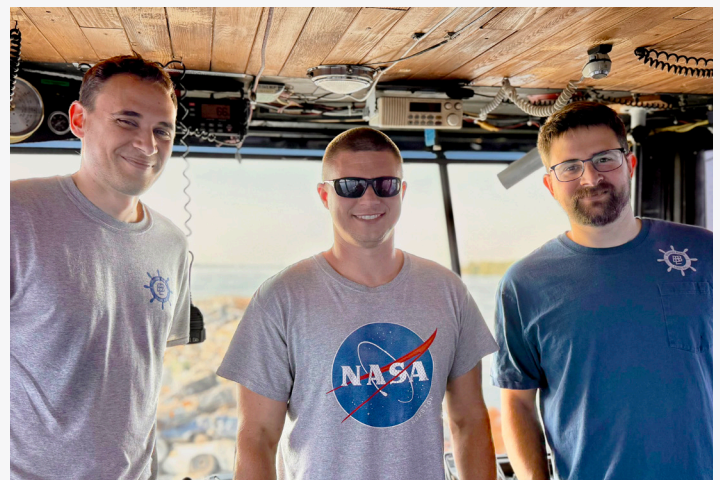
Hauling freight through the Pacific Northwest's Columbia River system, Eric's verdant views from the captain's wheelhouse match those enjoyed by his father, grandfather, great grandfather, great-great grandfather and many other relatives — five generations of Bernerts whose business has been rooted in the region's rivers for more than 175 years.

The story of Bernert Barge Lines began in 1847 when Joseph Bernert, a 19-year-old German immigrant came to America to work on the Mississippi River. Rejecting the sweltering heat, Joseph ventured west, settling near Oregon's Willamette River, where he pioneered a log salvage operation, first using his raft, then building rowboats, and eventually introducing the region's first motorized boat in 1907.

Though Joseph's life ended tragically in 1912 when he was swept over the falls near Oregon City, his sons Carl, Joe, and Albert kept the family enterprise afloat, expanding its fleet and incorporating the business as Albert Bernert Inc. in 1957.

By the mid-20th century, Albert's son Bob had steered the company into new waters, moving operations to the Columbia River and diversifying into wood chips, scrap steel, and aggregates. In 1981, the Oregon City-based company was renamed Bernert Barge Lines, and its reach extended from Astoria, Oregon to Lewiston, Idaho.

Today, the fourth and fifth generations of Bernerts are actively involved in day-to-day operations, with Eric Bernert serving as a boat captain.



From left to right: Bernert Barge Lines' fifth generation Scott Bernert, Robert Perlot and Eric Bernert.

Eric grew up exploring the boats and even accompanied his dad, Ken, on routes as a child. After eight years as a deckhand, Eric earned his captain's license and now pilots barges through the Columbia River system. His brother Scott works on deck, while his cousin Ron Hughes, second cousin Robert Perlot, and Robert's father, Gordon Perlot, also serve as captains. Eric's father Ken Bernert is the current CEO, while his mother, Diane, and aunt Lori Bernert are also involved in operations.

The company's fleet includes 15 barges and six line-haul tugboats, all named after women in the family — the Kathryn B., Mary B., Diane B., Jessica B., Lori B., and the newest addition, the Nora B.

"All these boats we have, they're not just our boats," Eric says. "Some of them have been in the family for 60 years. They're the same boats my grandpa, great-grandpa, aunts and cousins worked on."

Bernert Barge Lines hauls everything from logs and woodchips to rocks and scrap metal. A single barge can carry up to 8,000 tons — about 200 times a semi truck's capacity — and with far greater fuel efficiency.

But barge life isn't fast-paced. Traveling at eight-to-nine miles per hour, a round trip from Astoria, Oregon to Lewiston, Idaho can take up to six days. The crew may encounter weather challenges from strong winds and surging waters and also must navigate the interpersonal dynamics of being in close quarters over a long period.

"You have to learn to get along," Eric says.

As it turns out, camaraderie forged over thousands of miles has been a steadying force in the family business.

"My uncle Steve and my dad taught me to lead by example," Eric says. "If something needed fixing, they were the first to pick up a wrench."

Another lesson passed down to Eric is to separate family life from business life. It's a delicate balance, but one the Bernerts have managed for generations.

Bernert Barge Lines recently added another boat to its fleet — Nora B., named after Eric's daughter, symbolically bringing a sixth generation on deck. As its biggest boat to date, Nora B. will allow the company to take on more and bigger jobs.

"We've been moving materials for more than 100 years," Eric reflects. "And we'll still be doing it another 100 years from now."

Compensation Planning: The Unsung Hero Towards Strengthening the Business While Preserving Family Harmony

By Shawna Lecuyer

The process of designing a compensation plan has been described by many as "art rather than science." Arriving at a plan that blends the appropriate balance of motivation, recognition, and positive return on investment in the talented individuals who drive your business' success takes careful thought and consideration. It can be a daunting task in any organization to begin this process, but when family employees are added into the mix of business talent, the layers of complexity compound.

In business, the decisions surrounding pay and promotion are based on merit, and not all effort or contribution is the same. In the family system, elements of fairness are often drivers of decision making, with an emphasis on equality. How do family business owners reconcile with notions of fairness in an environment typically set up around merit? Some, understandably, avoid the topic altogether.

Compensation as a subject can be difficult and running the business as a family is already challenging on its own. Some families include the subject of compensation topically in their family employment guidelines. Perhaps they state that family employee compensation will be based on the "market rate." While this gives some direction and doesn't leave the subject untouched, it lacks clarity or the level of depth that will allow a potential family employee to feel empowered or make the most informed decision when it comes to the all too important decision around joining the family firm.

Clarity is Key

Adding specificity to employment guidelines in the form of a well-developed compensation philosophy and setting expectations for working together is key to bringing clarity and alignment. It means moving away from generalizations and embracing more structure, which can feel awkward, especially in a system where formalities may not be a norm. It helps to look at this process through a lens of making steady progress, rather than landing at a place of perfection. To get started, consider the following questions as you establish new or evaluate existing employment guidelines:



- Is the path to employment within the family business understood?
- Who sets goals for the family employee and who will be responsible for evaluating their performance?
- Are there circumstances where a family employee may be fired?
- Do we have clear job descriptions and are family employees expected to meet the criteria for the job? When might a family employee be treated differently or receive special consideration?
- How is pay determined? If it is based on “market,” have we defined what the market is for the family business? If so, is it clear in the guidelines?
- Is the family’s compensation philosophy articulated? Does the board of directors or Human Resources understand the philosophy and is it embedded in a compensation plan?
- Do we incentivize team contributions and if so, how will the family employee see their contribution to the team? Is it part of merit increase? Bonus? Profit Sharing?
- What factors determine a merit increase? Who will be responsible for determining the merit increase for the family employee?
- How will promotions be handled and who determines whether a promotion has been earned? How is pay impacted by a promotion?
- Does compensation differ for family vs. non-family employees? If so, in what ways? Does the family employee understand this difference?
- Has the family differentiated between compensation for performing the duties and functions of a role within the family business vs. remuneration for being a shareholder?
- Are there processes in place to ensure the guidelines are consistently administered?

Leveraging Governance

Board and family governance systems can play an important role in setting expectations, monitoring, educating, and ensuring consistency in family employment practices. Objectivity around sensitive topics such as family employment, career pathing and succession planning along with the compensation practices that support these elements of the family employee’s career is critical to a successful outcome.

Leveraging governance systems by having regular touch points with and reinforcement for compensation and employment practices allows the needs of the business and the interests of the family to converge in greater harmony. Following are just a few ways that board and family governance can be leveraged in support of consistency and transparency:

Objectivity around sensitive topics such as family employment, career pathing and succession planning along with the compensation practices that support these elements of the family employee’s career is critical to a successful outcome.

The Family Council:

- Plays an important role in communicating the family’s expectations for family employees, thus reducing misunderstanding and disputes
- Serves the crucial function of educating the family on employment guidelines, compensation practices, stewardship and serving as a family ambassador in the business
- Ensures that all family voices are heard, and processes are in place to resolve disputes
- Crafts guidelines that align the family’s values with business objectives
- Serves as a forum to discuss matters openly, fostering transparency and trust

The Board of Directors:

- Has a critical oversight function, particularly with the design, implementation and ongoing administration of compensation programs that incent, attract and retain both family and non-family employees; may delegate portions of this responsibility to a Human Capital Committee that has a touch point with Human Resource leadership
- Can help blend familial expectations with merit-based compensation systems that will sustain the business
- Ensures objective criteria is in place for establishing salaries, bonus and incentives
- Mitigates risk to the organization by ensuring consistency in compensation practices
- Provides support and counsel to management when family expectations or challenges arise that lead to misalignment with established guidelines or protocols
- Validates appropriate career pathing and succession plans for key roles
- Ensures compensation practices continue to meet the emerging needs of the business and family

If you do not have a functioning board with some independent board members, this may be a time to consider building a high-functioning board that can help build objectivity around the oversight of compensation. The addition of a human capital or compensation committee can assist the board in fulfilling its oversight responsibility by evaluating CEO performance, recommending compensation structures for senior leadership, ensuring the implementation of the compensation philosophy along with policies and programs that support the business strategy. The combination of a functioning board with the diligence performed by a human capital committee supports objectivity and serves an important advisory role to management, making the topic of compensation far less difficult.

Preserving Family Harmony

Incorporating fairness and equality in a system where personal and professional lives are intertwined is no small feat. Disputes often arise around compensation when clear expectations have not been developed or communicated, causing misunderstanding and mistrust.

Family dynamics can further complicate matters when ideas of what is “fair” or “equitable” are at odds within the family system. Sometimes family complexity and assumptions of motive or intent cloud member judgment along the way. When the family is struggling to converge on key elements of their compensation philosophy, it may be helpful to ask the following questions:

Are we crafting guidelines that incentivize the right behaviors from the family employee?

Do our guidelines help us to be better stewards of the business?

Are we aligning family and non-family employees in terms of performance and expectations? If not, what gaps are we creating?

If we move forward with our guidelines, what are the implications on our family’s harmony? How will that impact the business and all its stakeholders?

Have we created enough clarity for the broader family through our guidelines and processes? Are they empowered to make a fully informed decision about joining the family business?

Did we include contingencies and methods for settling disputes in our systems and processes?

Did we endeavor to promote fairness and meritocracy while upholding important financial disciplines?

The work we do, and the compensation associated with it is so very personal and connected to our identity. It signals our worth within a system and assigns value to our contributions. Therefore, it isn’t a surprise that conflict naturally arises around the subject of compensation. Unfortunately (or fortunately) it may become the impetus for discussion around a complicated topic rife with emotion.

Proactively addressing this topic by including transparency around processes and providing clarity about expectations can make a tremendous difference. While it may not prevent all conflicts around compensation, it certainly allows a framework for productive dialogues that can safeguard relationships within the family .

Shawna Lecuyer is a consultant with The Family Business Consulting Group with 25 years of experience working with multiple generations of families in complex business settings.



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Perpetuating the Family Business: A 50-Point Health Check

By John Ward

Why do some family businesses thrive for generations while others struggle? The difference often lies not in business strategy, but in how the family itself navigates ownership, leadership, and succession. In his book, *Perpetuating the Family Business: 50 Lessons Learned from Long-Lasting, Successful Families in Business*, John L. Ward shares insights from multi-generational enterprises that have successfully balanced business success with family harmony. His research confirms that the most critical issues facing business-owning families are family-based issues more than they are business-based issues.

This checklist distills 50 best practices that define enduring family businesses. Use it to assess your strengths, identify areas for improvement, and take intentional steps toward long-term success. Your goal should be to answer “yes” to these questions — each one representing a lesson for sustaining both a thriving business and a united family.

Of these 50 questions, which three or four do you feel are most important for discussion?

John Ward is a co-founder of The Family Business Consulting Group and consultant emeritus well-regarded for his expertise on continuity, ownership, governance and philanthropy. He is author or co-author of leading books on family business.

Questions	Yes	No	Discuss
1. Are the business's leaders committed to long-term continuity for societal and philosophic reasons?			
2. Does the business have an independent, outside board of directors?			
3. Is there a mandatory retirement age for all executives, directors and especially owners?			
4. Does the family get together regularly for fun, not just for business reasons?			
5. Are family owners actively learning about the field of family business?			
6. Do family members live modestly, beneath their financial means?			
7. Is the owning family comfortable with its position of wealth — neither letting wealth define the family nor fearing the consequences of wealth on the family?			
8. Are promotions and compensation of family members clearly based on merit?			
9. Is the business attracting the most business-competent children in the next generation?			
10. Does the business rely upon an important cadre of non-family executives?			
11. Are the non-family executives provided with opportunities to gain personal wealth — beyond compensation?			
12. Does the family openly share information about family member compensation and benefits? Do family members share information with one another about estate plans and gifts?			

Questions	Yes	No	Discuss
13. Are owners aggressively gifting or distributing shares to the youngest generations?			
14. Are there easy, graceful ways for family members to redeem their ownership if they wish to do so, thereby facilitating pruning of the ownership tree?			
15. Is the business strategy enhanced with special competitive advantages from being a private, family-owned company — such as long-term orientation, trusted relationships, etc.?			
16. Does the family generously “give back” to the community to build social goodwill?			
17. Does the family accept that the business must be run as an excellent business?			
18. Is the family selective about which family members are qualified to work in the business?			
19. Is the family providing business education and exposure to the youngest members of the family?			
20. Does the family have a “Code of Conduct” to strengthen interpersonal relations and expectations?			
21. Does the family study and practice communication skills?			
22. Do family members have independent security beyond their ownership shares in the family business?			
23. Do family members share information about investment opportunities outside the business?			
24. Does the family have a process to welcome and acculturate new in-laws to the family?			
25. Does the family have a statement of family values that it hopes to perpetuate?			
26. Does the family have identified family leadership?			
27. Are succession plans in place for executive, governance and family leadership continuity?			
28. Does the business’s culture encourage quick responsiveness and change?			
29. Is the family committed to being in the best businesses for the future — even if that means leaving its business of origin?			
30. Do family members feel heard, respected, and that decision-making processes are fair?			
31. Does the company have a formal dividend policy that pays out according to profitability?			

Questions	Yes	No	Discuss
32. Do the family owners have a commitment to each other for the long term?			
33. Do family members have opportunities to serve as cultural ambassadors on behalf of the business?			
34. Do the family owners feel they hold their stock for the purpose of passing it on to future generations?			
35. Does the owning family have regular family meetings?			
36. Does the owning family provide education to the next generation on the privileges and responsibilities of ownership?			
37. Are the family owners closely monitoring the business's strategy, culture, and board of directors?			
38. Do non-employed family owners avoid meddling in management's operating responsibilities?			
39. Does the owning family have respect for managers and the challenges of managing?			
40. Is the owning family active in educational programs on such topics as interpersonal relations and understanding business?			
41. Is the owning family committed to helping all family members in their professional development, regardless of their interests?			
42. Does the family have a policy on how best to address family members who may be in financial need?			
43. Are there many different roles family owners can play in the family council or other family interests?			
44. Does the family have a Family Constitution?			
45. Are family branch politics and representation avoided in favor of everyone seeing themselves as members of one extended family?			
46. Has the owning family articulated a mission and purpose for the family?			
47. Has the family articulated how its values are important to the family's business?			
48. Does the owning family feel that the family business has a social purpose?			
49. Does the owning family feel enthused and motivated by the family continuity planning process?			
50. Is the family active in promoting and supporting the concept of family business in its community?			



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

