

California Dreaming

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BY DEANNE STONE

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THEIR family businesses were hit hard by the recession that started in Southern California in 1988. The second blow was the Northridge earthquake in 1994, which caused \$4 million in damages to the Guthries' Redondo Beach properties. In between, founder Les Guthrie Jr., 69, was diagnosed as having leukemia and given six months to live, and a grandchild was born with a serious heart defect. As if this wasn't trouble enough, Les had to fire his son, Sean, because of continuing losses in the business he was running. He also had to fire a son-in-law, thereby angering his oldest daughter. After yet another dispute, his second daughter and her husband stopped talking to the rest of the family.

The Guthries, operators of Marina Cove Ltd., one of the largest privately owned marinas on the West Coast, have survived problems that surely would have sunk less courageous families. The family no longer creaks under the weight of old resentments. With help from professionals, the Guthries have made great strides in improving communication. Their businesses are still afloat, and Les Guthrie's cancer is in remission; he's said to be working harder now than he ever did. Grandchild Katarina has grown into a healthy 7 year old.

Les Guthrie, his second wife, Maryann, and Les's five children from his first marriage - which ended in divorce 20 years ago - have not only endured as a family, they have prevailed in their business activities. This year Les expects Marina Cove to earn almost \$5 million,

just 10 percent less than its annual revenues in the pre-recession years.

He and Maryann are using their hard-won lessons to teach others. They were recently interviewed for a case study by graduate students at UCLA, where they have been participants in the family business program since 1991. Last October Les and Maryann spoke at an annual conference of the Family Firm Institute in St. Louis, on the role that outside professionals have played in getting them back on an even keel.

Maryann, 46, worked in the business for seven years before marrying Les in 1985. Even though she is a second wife and only three years older than Les's first daughter, the soft spoken, engagingly candid Maryann is liked and respected by Les's children. For a family that has been through the wars, the Guthries haven't lost their sense of humor. Maryann laughs when recounting the saga of the family business, saying it sounds as if they spend all their time on the analyst's couch. Likewise, the oldest daughter, Gerel, 43, jokingly compares the family dramas to those of Falcon Crest on the television series, Dynasty.

Les, too, laughs when told that each of his children, in separate interviews, had expressed the same criticism of him: He does not run a democratic ship. "I've heard all that before," says the developer-entrepreneur, who has invested in a variety of waterfront ventures over the past 30 years. "There's a fair amount of truth to what they say, but not to the degree

they think. I've catered more to my kids' wishes and given them more freedom than they care to admit. They don't know what real patriarchal dictatorships are like."

A FATHER'S DREAM

Marina Cove Ltd. holds the master lease on 34 acres of palm tree studded waterfront property in Redondo Beach, located seven miles south of Los Angeles International Airport. The complex, called King Harbor, includes a marina with 860 boat slips, a 49-unit apartment building, a two-story office building, and a health and fitness facility, all owned outright by the company and staffed by 90 employees, half of them full time. The sports center, the boat repair and supply yard, two yacht clubs, and several restaurants are all subleased to tenants.

Les Guthrie is the sole general partner and major owner of Marina Cove Ltd. The company was founded by him with a group of partners in 1969. In 1987, after getting the support of each of his children, Les went out on a financial limb in 1987 and bought out his partners. Marina Cove became a family business, with Les' son and four daughters and Maryann as limited partners.

Maryann is now manager of the SportCenter health and fitness facility. All five children have been involved in the business at one time or another, to more or less degree. Gerel, 43, the oldest, has had the most responsibility and is the savviest about business; she managed the marina and apartment building for 15 years before resigning. Her sister, Danelle, 41, is an architect and teacher of architecture. She and her husband, Tom Buresch, also an architect, remodeled the SportCenter—and got into a disagreement with Les and Maryann over it.

Both Danelle and Gerel speak passionately about the problems encountered by the family. Gerel tends to be the more conciliatory of the two; Danelle appears to be more tough-minded.

The youngest daughter, Tera, 34, was trained as a chef. She and her brother, Sean, 39, were partners in the SportCenter Bar & Grill until it began draining Marina Cove of cash. Sean, a carpenter, worked on construction jobs before

managing the restaurant. The most subdued and guarded of the siblings, he, too, has been a critic of his father's management style. For his part, Les says Sean's "unbelievable perfectionism" in his work sometimes causes him to lose sight of budgets.

Only the third daughter, Deslie, has kept the family business at arm's length. Deslie, 38 years old, is an artist who also designs clothes. She has held odd jobs at Marina Cove from time to time, but only to support herself between art projects. She has no interest in the business and wants to stay away from family conflict.

The children were introduced to the business from the ground up, literally. As kids, they picked up litter from the property. As teenagers, they graduated to more responsible jobs, taking reservations for the tennis courts, handling slip rentals. So when they were older, the idea of a family business began to appeal to Les. "I like my kids," he says, "and I wanted to have them around. When they were growing up, I was busy working. I didn't see much of them, and at times I may have been a bit of a grouch. The business seemed like a natural place for us to come together, and it could incorporate their interests."

As his offspring took on greater managerial responsibilities, however, Les's dream of a family business took on nightmarish overtones. Whatever separate life they had as a family was quickly swallowed up by the demands of the business and the conflicts that ensued. Disagreements over philosophies and styles of management, and, most important, mixed messages about the extent of the children's authority to make decisions, caused turmoil in both the family and the business.

The recession aggravated the tensions. "When we had surplus cash," says Les, "we could weather mistakes in management and errors in judgment. But our business is particularly vulnerable to economic downturns, and for a time we were losing \$10,000 to 15,000 a month. The recession forced us to make some tough decisions, and they involved my kids."

The next setback was the birth of the grandchild with a heart defect; Katarina, the youngest daughter of Gerel and Tony Santiago, required a series of operations. Then, a few

months later, in December 1988, Les's life-threatening illness was diagnosed. While he underwent two years of treatment for his leukemia, Les turned over the day-to-day responsibilities for running the business to Glenn Ishihara, his longtime financial controller, whom he regards as a member of the family, and to Gerel and Tony.

During this period Les and Maryann were well aware of the trouble spots in their businesses. But their plans to run a tighter ship had to be placed on hold. They offered counsel whenever they could to family and nonfamily employees. But some business problems turned into family problems and could not be ignored.

Before the onset of his illness, Les had commissioned his daughter Danelle and her husband, Tom, to build an addition to the Sport Center. While Les and Maryann admired the design for the structure—it featured a stunning three story high glass wall overlooking the pool—they became impatient at the glacial pace of the construction work. "The club was completely torn apart, a new gym had opened down the street, and the recession was whittling away our business," explains Maryann. "To speed up the job, we made changes in Danelle's and Tom's original design, in one case putting a window in a place where they hadn't designated one. That decision was the straw that broke the camel's back. We had insulted their design and alienated them. Danelle and Tom didn't talk to us for a year."

Danelle remembers events differently. She and her husband were less offended by the alterations in their design, she says, as they were angered by the way it was done. "After a board meeting, I would leave thinking we had all agreed on the plan and what it would look like," Danelle recalls. "Then, two weeks later I'd learn it had been done differently, and that my father had made the changes without talking to me. That's the problem: My father believes he always has the right to make the final judgments. But as an architect and his daughter, that shows a lack of respect for me as a perfectly capable person."

Danelle's difficulties in working for her father were compounded by the fact that her

business partner was also her husband. As tensions built over the job, she was torn between her father and her husband. "My husband is a proud man whose work means everything to him, just as my father's does to him," she says. "I tried to mediate between the two, but they both have strong egos, and their egos were seriously wounded. It was a long time before my husband would have anything to do with my family."

ANGRY EMPLOYEES

In addition to their ongoing power struggles with the children, Les and Maryann were hearing rumblings from nonfamily employees. A continuing problem was how to handle disgruntled tenants and customers.

While in the Navy, Les had developed a fascination with psychological testing and techniques. For 25 years, he had regularly offered his employees training workshops, which he believed benefited them by providing opportunities to express feelings that might interfere with their work. To help his employees handle difficult customers more professionally, Les brought in a therapist who specialized in "anger management."

The workshop, however, took an unexpected turn. Instead of focusing on problems with customers, the employees expressed dissatisfaction with management and vented their anger at certain family members.

With Les's and Maryann's approval, the therapist interviewed each employee individually and reported her findings to the family. "We've always encouraged open expression among our employees," Maryann recalls, "so we had heard many of their complaints before. What we didn't know was that they saw us as a dysfunctional family acting out our personal problems in the business. We realized we had work to do."

The therapist referred the Guthries to an organizational consultant, Dominick Cirincione. Over the next year, at intervals of two months, Cirincione met separately and in groups with Les and Maryann, the family, and the staff, focusing at each session on a specific issue such

as how to structure meetings so they could talk about common problems, how to draw clearer boundaries between their business and family lives, how they could improve relations with employees.

Les's health was a subject weighing on the minds of the other family members. Although he was responding well to treatment and had returned to the office, they took his illness as a warning signal to start preparing for succession. Marina Cove did not have a board of directors. In 1992, the family formed a board composed of five family members—Les, Maryann, Gerel, Danelle, and Tera—and controller Glenn Ishihara.

Les and Maryann meant the board to be a forum to educate family members about legal matters, keep them abreast of what was happening in the business, and prepare them for transition in the event of Les's death. It was not an invitation for the other board members to actively participate in major business decisions. Apparently, this was never clear to Les's daughters, who assumed they would have an equal voice in decision-making. Didn't the new board agree to abide to rule by consensus, to a rotating chair, and other democratic trappings?

When it became evident that Les and Maryann intended to be the key decision-makers, the perennial issue of whether they were willing to share authority equally once again reared its head. "This so-called board is just more of the same," says Danelle. "We're just figureheads. I was chair until this past fall, when I requested that someone else take over. I felt I was ineffective, but I wanted to make the point that anyone would be ineffective in that role because my father's still in charge of everything. It's frustrating because I realized I couldn't make an impact even if I wanted to. I only hang in [on the board] so that I'll be prepared to act if something happens to him."

Danelle had a practice run at taking charge in 1994 when the Northridge earthquake struck. In a freak occurrence, King Harbor was the only property in Redondo Beach to suffer serious damage from the quake. A walkway owned by the city collapsed, cracking the sea wall and demolishing the facilities used by slip-holders

living on their boats. The apartment building was also damaged. At the time, Les and Maryann were out of town. "I instantly knew which city officials to call," Danelle recalls. "My presence as a family member was important because it reassured them that things were under control."

To criticisms that he wanted to make all the decisions himself, Les replies that he did it to protect the rest of the family. "My kids don't understand that they're limited partners. Under California law, they can't have the say-so in running this place, because if we got sued, they could be enjoined and lose all their assets. So in lots of ways it's important that they're not the decision-makers."

SEAN'S DISMISSAL

Despite the daughters' criticisms of the board, the advantage of speaking with a unified voice was demonstrated in the agonizing decision to fire Sean from the business. Les had opened the SportCenter bar and grill in 1986. When Sean expressed an interest in managing the restaurant, with his youngest sister, Tera, as his partner, Les gave them the go-ahead. For three years, the bar and grill was one of the hottest clubs in town. But as the recession dragged on, the club started losing money. Tera argued for closing it, but Sean was convinced that if they hung on, business would pick up.

"At first, Sean and I got along well," says Tera. "I ran the kitchen and he managed the business end. I trusted him to take care of things, but when the business started to fail, I felt guilty about losing Dad's money."

Tera left the bar and grill and went to work in other food businesses. Sean eventually closed the restaurant and persuaded his father to let him undertake an expensive remodeling job, converting the facility into a banquet hall and cafe called BlueWaters. The new venture never recovered the initial investment. Worse, it began losing about \$10,000 a month. Les called Tera and asked her to try to revive the cafe business. She was put in charge, over her brother.

"I shouldn't have gotten involved, but at the time I didn't know how to say no," says Tera, a practical young woman who has a clear-eyed view of what went wrong. "The business was bombing, and I couldn't save it. I was put in a difficult spot, caught between my father, whose judgment I respect, and my brother, who resented his youngest sister being put in a position over him. That's caused a strain between him and me to this day."

With all the family enterprises suffering from the recession, the board members agreed that the business could not continue subsidizing BlueWaters. Sean, however, was reluctant to give up on the cafe. After exploring the options with their advisor, Cirincione, however, the board informed Sean in a letter that he would have to cut back on his expenditures. When his son ignored their directives, Les, with the backing of the board, took on the difficult task of firing him. BlueWaters had to be closed and ended up costing Marina Cove a total of \$300,000 to \$400,000.

A CODE OF BEHAVIOR

At that point, Cirincione advised the Guthries to enter therapy. They began seeing a family therapist he recommended. Only Deslie, who was living in Northern California at the time, declined to participate.

One of the family goals that emerged from their work with the organizational consultant was to develop written policies and procedures that would hold family and nonfamily employees to the same standards. To that end, the family therapist suggested that the Guthries write a family code of conduct, covering behavior and situations not addressed in the employee manual. By unanimous decision, Maryann was elected to draft the code.

After Maryann wrote it, the family reworked the draft together; in 1993, all family members active in the business signed the new code. "The process became the solution," says Les. "It got us thinking and talking and relating in ways we had never done before. It's the best thing we could have done for our business." Glenn Ishihara concurs. "It was a key document,

because it forced family and nonfamily members to play by the same rules. We circulated it to all the employees to let them know the new terms under which family members would be working."

The code clearly was designed to address some of the family's problems in dealing with employees and customers—as well as with each other. For example, one provision warned: "The FM [family member] who is not willing to work as a team member for the betterment of the business destroys morale and breeds both resentment and cynicism."

Now, three years later, the children—perhaps predictably because it was aimed at them—give the code of conduct mixed reviews. While Tera has found it helpful to spell out expectations for family employees, Gerel thinks it came too late in the game to change anything. Sean dismisses the code as unnecessary, because, he says, "I always try to do my best," and Danelle is skeptical that, if push comes to shove, her father will really base decisions about his kids on the rules rather than on emotions.

GEREL'S BOMBSHELL

During their year in therapy, the family tried to make sense of the emotionally wrenching events of the past few years and why they had run into so many problems working together. They discovered their bruised feelings had deep roots, reaching back in the case of the children to buried anger at their father for divorcing their mother 20 years earlier.

The biggest bombshell was dropped by Gerel. She shocked the family by confessing that she hated working in the business. For 15 years Gerel had expertly managed the apartment building and marina. She was so conscientious about her work that when she went into labor with her fourth child at 11 at night, she was still auditing bills. "I bought into my father's dream of working in the business because I wanted to be close to him," Gerel says. "I met my husband there. I thought we would all work happily together for the rest of our lives."

But early on, Les and Tony clashed. The two men had very different backgrounds and personalities. Les, who is of German heritage, was raised by a very critical mother and comes across as analytical and methodical. Tony Santiago comes from a large, lively family and, according to Gerel, is very emotional.

The two men disagreed about how to run the business, and the role Tony would play in it. Tony made no bones about wanting to be a manager like his wife. As general manager of the apartment building and marina, Gerel was in the awkward position of being in charge of her husband. A natural diplomat, she took on the role of peacemaker, carrying messages back and forth between her husband and father. "My husband and I talked constantly about the business and his frustrations," says Gerel. "For a long time I held things together, but after my fourth child was born with a serious medical problem, I started asking myself whether working in the family business was worth all this anguish."

Gerel knew that if she stayed on at Marina Cove and Tony quit, their marriage would collapse under the strain. She decided to take a gamble and resign, hoping that without her standing between her husband and father, they would learn to get along, and Tony would step into her position.

It didn't work out that way. Tony applied for the position of general manager. Les and Maryann outlined the requirements for the position and presented them to Tony. Included were courses in accounting and computers, which Tony lacked. Six months later, when Les went over the checklist with Tony, he found that his son-in-law had made little headway. They came to a parting of the ways.

"I was really angry with my father," Gerel says. "He fired my husband. Later I realized I was as much at fault as he was. I knew he had been making compromises for my sake, and I went along with it. He was afraid that if Tony left, I would leave, too. In hindsight, it would have been better if my father had taken a tougher stand with Tony from the start. That way, my father would have pushed him to find his own way sooner."

TOGETHER AGAIN

Despite the children's criticisms of Les's management style, they have begun gravitating back to the business. Gerel is working a few hours a week for Les while studying for her teaching credentials. Sean has been hired as a temporary contractor supervising the seismic retrofitting of the apartment building. Danelle is involved in occasional construction projects, and Deslie and Tera are living on the premises.

Although all the family members are now talking to one another, some wounded feelings have not entirely healed. Sean, though working at Marina Cove, has withdrawn emotionally from them, the other family members say; and there are some residual tensions between Les and his sons-in-law, Tony and Tom. But overall, the family considers itself healthier today than it was in the past. They are more candid in letting one another know their feelings. Instead of just making speeches and walking away, as they often did in the past, they deal more openly with conflicts in give-and-take in discussions. They no longer rely on go-betweens. And these days when the Guthries get together socially, they talk more about their personal and family lives and less about business.

"We're functioning as well as we are," says Gerel, "because of the example our parents set going through a long, emotional divorce. They always let us know they loved us and, as hard as it was, they kept on talking to each other and stayed friends. That taught us that we don't have to hate someone because the relationship hasn't worked out."

Much of the credit for helping the Guthries get through their ordeals belongs to Maryann, who enjoys an unusually favored place in the family. When asked the secret of her easy relationships with family members, she answers: "The kids believe I'm the best woman for their dad. It also helped that I had worked with the children and shared lots of good times with them. When I married Les, I understood that his kids played a major role in his life."

Professional consultants gave the family tools they needed to draw clearer lines between business and family. But what has held this family together is that they basically care for one another and want a close family. Danelle speaks most eloquently to the point. She wants her son, Ryan, who is 8 years old, to have a relationship with his grandfather outside the office; she hopes Les will spend time with the boy talking about “anything and everything.”

“Even when I was estranged from my family,” she says, “I couldn’t completely separate from them. I had to find a way to bring the family back together, and the answer was the birth of my son. The strength I have in myself comes from my family and the support we give one another. I want the same for my son.”

Les has accepted that he and his children make better family members than business partners. “I came from a culture that said you don’t give money to kids unless they work for it,” he says. “Now I think I just should have given it to them and told them to go do what they love. Sometimes putting kids on the company payroll is a more expensive way to give them money.”

After the sobering events of the past seven years, Les has put to rest his dream of passing on the business to his children. By next spring, the earthquake repairs will be completed, the worst of the recession will be behind them, and he will undertake what he calls his last hurrah—preparations to convert the business assets into passive investments.

The businesses all require active management and Les doesn’t think his children could successfully collaborate in managing Marina Cove. He is, however, confident that they will do a good job of overseeing the stake that the family will retain in the various businesses.

Approaching 70, Les looks back on his life with the usual mixture of satisfactions and regrets. While he didn’t succeed in giving the business to his children, he believes he gave them something more important. “Even through the worst of times, I was sustained by the belief that if you really love your kids, somehow it will all work out,” he says. “I’ve

made lots of mistakes but I’ve succeeded where it counts. I created a family that really loves one another. No matter what tensions may divide us, I can guarantee you that we’ll always be there for one another. And that’s something I feel very good about.” ■

Deanne stone is a business writer and freelance contributor to family business magazine, who specializes in writing about family foundations and family businesses.

MARINA COVE LTD.

Businesses: Marina with boat slips, apartment building, office building, sports fitness center, and other investment properties.

Location: Redondo Beach, CA.

Founded: 1969. Became a family business in 1987 when Les Guthrie Jr. bought out his partners.

Revenues: Almost \$5 million.

Employees: 90 (45 part-time).

Ownership: Fully owned by Les.

Family managers: Les Guthrie Jr., general partner; Maryann Guthrie, president and manager of SportCenter Fitness Inc.

Claim to fame: Bounced back after a series of family and economic crises between 1988 and 1994.

Source: Family Business Magazine, Winter 1996

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