

# Family Business

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## Communication and commitment

*The family owners of British Columbia's ABC Recycling took an emotional journey to address tough transitional issues.*

- Hillerich & Bradsby, makers of the Louisville Slugger
- An unusual approach to successor selection
- Cash is king... or is it?

*From left in front row: David Yochlowitz, Helen Alko, Amber Quiring. Back row: Melvyn Yochlowitz, Karen Bichin, Harold Yochlowitz, Mike Yochlowitz.*



# Communication and commitment

*The multicultural Yochlowitz family, who grew their business from its scrap-peddling roots into the largest recycling firm in British Columbia, took an emotional journey to address tough transitional issues.*

BY DEANNE STONE

**W**HAT THE SCRAP METAL BUSINESS lacks in glamour, it makes up for in excitement. At least that's the way the Yochlowitz family tells it. They should know. The family has been peddling, salvaging and recycling scrap metal for almost a century.

Today, their fourth-generation company, ABC Recycling Ltd. in Vancouver, which had revenues of \$185 million (Canadian dollars) in 2007, is one of the 100 largest private firms in British Columbia. But as the company prospered, family discontent about the fairness of some longstanding company policies percolated beneath the surface. The family recognized that if it wanted to ensure the continuity of the business, it would have to tend to these family matters.

ABC Recycling had its origins in the junk business. In 1912, Joseph Yochlowitz, who had immigrated to Canada from Poland, began peddling his wares in Vancouver from a horse-drawn wagon. By the 1930s, his son Daniel had turned to salvaging. In 1949, Daniel Yochlowitz opened the ABC Salvage and Metal Company. A short, sturdy man who relished the hard physical labor the business demanded as much as the deal making, Daniel hoped his sons would find an easier way to earn a living. It was too late; Harold and Melvyn were as smitten with the scrap business as their father. Melvyn joined the business in 1957. Harold followed four years later. "I loved working with the equipment and going to the auction sales with my father," says Harold, now 69. "It was exciting."

Proving his nose for the business, Harold persuaded his father that the company should switch from salvaging to recycling. "We'd been selling used beams and pipes, but the turnover could be long," explains Harold. "Scrap metal moves more quickly." To prepare for the transition, the Yochlowitzes bought a large scrap yard and equipped it for recycling operations; later they were able to connect the yard to a main railroad line and started selling to customers in the U.S.

In 1975, the company changed its name to ABC Recycling. Daniel, then in his 70s, remained active in the business although Harold was the *de facto* president. "My father and I talked about the business all the time," says Harold, "and always consulted each other before making decisions." Melvyn was in charge of the scales in the yard. He weighed incoming and outgoing material, graded its values and negotiated prices with the peddlers. Now 67, he is semi-retired, working three days a week at the company's Burnaby, B.C., facility.

The business had been growing steadily recycling ferrous metals, but it really took off when it added non-ferrous metals such as copper, brass and aluminum. Its upward swing, however, was brought to an abrupt halt in 1980 by prevailing market conditions. "We were highly leveraged and owed a lot of money to the bank," Harold recalls. "Interest rates had gone through the roof, commodity prices were rising, and aggressive competitors were driving prices even higher."



'A company that makes good on its word': Harold Yochlowitz (in orange jacket) with ABC Recycling employees and family members (front row, from left) Karen Bichin, Melvyn Yochlowitz, Helen Alko, David Yochlowitz, Mike Yochlowitz and Amber Quiring. Karen's husband, Mark Bichin, is third from left in the group of employees standing in front of the vehicle at right.



Harold's sister, Helen Alko, 70, remembers getting a call from her brother. "He was panicky and asking everyone in the family for help." Helen, married and a mother of two daughters, agreed to work four days a week on the condition that her brothers would take her ideas seriously. "They knew more about the business," she says, "but I had more common sense."

**F**AMILY MEMBERS variously describe Harold as "the idea man," "gutsy" "and a visionary," but no one says he was a strong manager. "He let a lot of things slide," says Helen. "The books were a mess, and we had a lot of bad employees we had to fire, including a trucker who was stealing from us."

The family was lucky to have a good banker and accountant to guide them through the financial morass. They stuck to the program outlined by their financial advisers and hired a professional bookkeeper. (He's still with the company.) Meanwhile, Harold began selling off the equipment and signing contracts with the buyers of the trucks and containers to pick up the company's scrap.

"It was a scary time," says Harold, "but I look back on it with pride. We raised a lot of money and paid off all of our customers. At the time, a lot of companies in the scrap business didn't have good reputations. We established ours as a company that makes good on its word."

"ABC Recycling is successful because the values of the family and the business are interlinked and public for all to see," says Lawrence Burns, CEO of the Canadian Association of

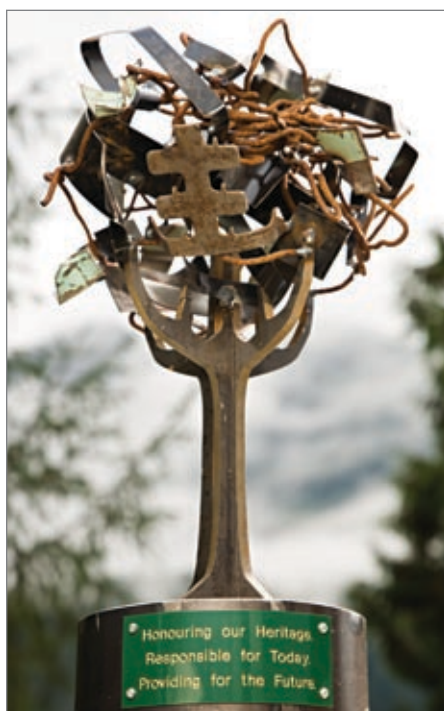
Family Enterprise, known as CAFE. (ABC Recycling won the organization's Family Enterprise of the Year award in 2007.)

In 1988 Harold's son David joined the company. Methodical, well organized and armed with a degree in management, he propped up the company in the area where it had been weakest. David hired a new CFO, brought in professional salespeople, identified good employees in the company to promote, and gave managers more autonomy to run their divisions. David acknowledges that his strong suits are managing and long-term planning, but he's quick to credit his father for growing the business. "He took the risks and put all the machinery in place for the business to take off," David says of Harold.

In 1999, David, then only 33, assumed leadership of the company, with the transfer of power flowing as smoothly between father and son as it had in the previous generation. Like Daniel, who came to work almost to the day he died in 1986 at age 84, Harold still comes to the office four days a week, but he's relieved to have David running the show. "I wish I had had someone like David to rely on when I was running the business," Harold says. "We'd have grown a lot faster."

"David's professional management has been instrumental to the company's growth," says Burns. "Often a company's weaknesses are exposed when it's expanding, but ABC has moved from strength to strength."

In the mid-1980s, a local church was sponsoring Vietnamese refugees who wanted to settle in Vancouver. Church officials asked Harold if he would hire some to work in the yard. Harold readily agreed, never suspecting that this gesture would lead to ABC Recycling's emergence as a global player in the Asian scrap metal market. Harold hired Van Xuong Do and his sons Ken and Henry. Besides speaking



Bottom left photo: Harold Yochlowitz, Karen Bichin and Amber Quiring.  
Bottom right photo: David Yochlowitz, Estelle Silver, Mark Bichin, Selina Alko.  
The family's ideas, presented at a 2006 retreat, inspired the sculpture at right.





The extended family on a cruise in January 2007. Back row (from left): Mark Bichin, Karen Bichin, Jennifer Simmons, Mike Yochlowitz, Gary Quiring, David Yochlowitz. Center row: Amber Quiring, Mel Yochlowitz, Helen Alko, Verna Yochlowitz, Selina Alko, Sean Qualls. Front row: Estelle Silver, Owen Quiring, Harold Yochlowitz, Chloe Yochlowitz, Isaiah Qualls.

Vietnamese, they were fluent in English, Mandarin and Cantonese.

In 1990, the company, which had started exporting to Japan in the '80s, was poised to enter the Vietnamese market. Recognizing Ken's potential, Harold moved him into the office to act as an interpreter. A hard worker with a quick intelligence, Ken was soon traveling with Harold to Asia to open new markets. In 1995, they set up a brokerage in China. By selling directly to the end user, ABC Recycling was able to get top prices and greatly increase the volume of scrap it moved.

Besides working as the company's trader, Ken Do was also the broker for metal scrap worldwide. He died suddenly in January 2009 while on business in China. His brother, Henry Do, and Mike Yochlowitz have taken over the running of the brokerage department and together will work on expanding the operation. "We can never replace Ken in the workplace or as part of our family," says David.

"In my opinion the proudest accomplishment in the 97-year history of ABC Recycling was the success of Ken. Ken led his life strictly adhering to his values, and although he is no longer alive, Ken's great legacy and huge impact on the people in his life will live on forever."

Harold says of the Do family, "We couldn't have had the success in Asia without them."

"Family businesses usually have glass ceilings that can't be penetrated without the right bloodlines," says CAFE's Burns. "It's one thing to spot talent in an outsider and another to empower it, as Harold and David did, and with great results for the company."

On the home front, ABC Recycling currently employs 130 workers in its three scrap yards and two partnerships the company formed with customers who have similar values. "One reason we started partnerships," says David, "was because we didn't have enough family members to staff all the facilities."



**I**N 2004, the Yochlowitz family began attending CAFE meetings. After hearing cautionary tales of family businesses done in by conflicts, and aware that “family politics” was creeping into their own family shareholder meetings, they hired Francine Carlin, principal of Business Harmonizer in Vancouver, to facilitate discussions of controversial family issues.

“What sets apart the best family businesses from the others,” says Burns, “is their ability to take in information and turn it into action. What strikes me about the Yochlowitz family is their genuine joy in being in business together and their determination to work hard to keep it that way.”

Just as the business has become more international, the Yochlowitz family, too, has become more culturally and racially diverse. Melvyn’s wife is Vietnamese, David’s wife is Chinese, and Helen’s daughter Selina is married to an African American man. “Our family has always been non-judgmental about intermarriage,” says Selina. “Whatever

ing full-time in 2006, is general manager of the company’s newest yard, Surrey, in a suburb of Vancouver. David owns 50% of the shares and Mike 25%. The remaining 25% is divided about equally among Harold’s daughter Amber and Helen’s daughters Karen and Selina.

At David’s suggestion, the family reconsidered the agreement. “If we want future generations to join the business,” he says, “we have to give them incentives. We wanted a fair system and one that wouldn’t spoil kids by giving them big inheritances.” Through a series of meetings facilitated by Carlin, the family reached a new agreement: On the deaths of the third- and fourth-generation family members, their shares will revert to the business. Starting with the fifth generation, no shares will be inherited. Family members with a blood link to Daniel will earn shares based on their contributions to the business, and the number of shares awarded will be determined by a board composed of outsiders. “Animosity over the distribution of shares can poison

a family business,” says Mike. “We’re all in favor of the new agreement; it works for everyone.”

In 2007, the family celebrated the company’s 95th birthday. Helen and Karen put together a company history book and, at a family retreat that coincided with the celebration, the family participated in activities to strengthen family ties. Carlin had the family design a family sculpture, playing on the

words “family metal” and “family mettle.” They designed a family tree made of intertwined scraps of metal and imprinted with the family motto: “Honoring our heritage, responsibility for today, providing for the future.” Selina, an artist, turned the design into a 3-D sculpture, and the company had reproductions made for every family member.

Oddly, what has most tested the harmony of the family’s communication is the family vacation committee. In the past, the third generation chose the destination. Now, with the family grown to 21 members, Carlin suggested they form a committee representing the different family branches. But what was supposed to be an exercise in cooperation, says Carlin, turned into a struggle of competing interests between the third generation and the fourth generation traveling with young children. Carlin was called back to mediate and later brought in a corporate travel adviser to help select a destination.

“The family meetings have stirred up a lot of emotions,” says Harold’s daughter Amber. “In the past, we didn’t air our feelings, so there were a lot of misunderstandings. Working with Francine [Carlin] has made a big difference. We talk more honestly about what’s bothering us than we ever did before, and we’re doing it better and better.”

Her father agrees. “When I first started working in the business,” says Harold, “never in my wildest dreams did I think the family and the company would be where we are today. I hope it goes on forever.” **FB**

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## **The family renegotiated a delicate issue: the shareholders’ agreement. On the deaths of the third- and fourth-generation family members, their shares will revert to the business. Starting with the fifth generation, shares will be earned, not inherited.**

communication problems we’ve had haven’t come from cultural differences but from personality differences.”

Helen’s first husband had worked for ABC Recycling before their divorce. In the late 1980s, wary of problems that might arise from future divorces, the family decided to exclude family members’ spouses from working in the company. David wanted to revisit that decision because he believed Mark Bichin, husband of Helen’s daughter Karen, had the talent and expertise the company needed. Mark had been running his family’s business, an appliance retail and repair company, but they planned to sell it. Karen, who had started working full-time in the company in 1999, heads up the human resources department. After considering all the family’s concerns, Carlin helped them establish safeguards for hiring spouses. All the shareholders had to agree on hiring the spouse, and the hire had to be based on need and ability. With that settled, Mark started transitioning into the business; in 2007 he began working full-time as ferrous manager at one of the company’s facilities. “It was a huge step for the family,” says Carlin.

**M**ORE DELICATE was the discussion of the shareholders’ agreement. Daniel had passed 90% of his shares to Harold and Melvyn and 10% to Helen. “I inherited my parents’ house and my brothers got the business,” says Helen. “I thought it was fair, but it caused trouble in my marriage.”

Harold and Melvyn transferred most of their shares to Harold’s sons David and Mike. Mike, 24, who started work-