Instant Persuasion: How to Change Your Words to Change Your Life

If I ASKED you to name someone you work with, who you’d be very happy not to work with ever again—would this person know you feel that way? You probably remember the first moment when that person said something and you thought, ‘I don’t like that person. That person has no respect for others.’ [But] that person has no idea that he or she turned you off with that comment or action. That person is oblivious to the way in which he or she affects others. The important question is, are we ever the person turning someone else off? Are we unaware of how we might be saying things that create mistrust, disrespect and antagonism? What kind of productivity might we be missing out on?”

The person asking is Laurie Puhn, lawyer, mediator, communication expert, and author of Instant Persuasion: How to Change Your Words to Change Your Life (Penguin, 2006). She delivered an information-packed seminar on persuasive communication to the UMass Family Business Center’s May 2006 gathering.

Her program had 3 segments: Persuasion, Dialogue Skills, and Mediation/Conflict Resolution Skills.

Segment #1: Persuasion
Persuasion has two main elements: factual persuasion, which consists of scarcity, social proof, and consistency/commitment.
“People want things they can’t have.

Laurie Puhn
How Can I Miss You if You Won’t Go Away?*

RESEARCH AND ANECDOTES indicate the senior generation of a family business typically has 90% of their assets and 150% of their self-esteem tied up in the company. And though there is great to-do about how to cash out, there is less plotting about how to diversify one’s fulfillment, allowing successors to progress without undue cramping of their style.

Despite golf, travel, and needlepoint, a senior’s momentum and character can lead to endless second-guessing and harumphing. Even if your kids have the social grace to thank you for your well-intentioned advice, plus the gumption to make their own decisions, you can’t help but grumble about what an ungrateful litter you raised.

But do not judge, lest you be judged. If your offspring could not grab the reins, what does that say about you? After a lifetime of teaching them how to take turns, to step up to the plate, to walk it off—all those great life lessons—you won’t teach them the one about knowing when to take your final bow? (This is a hard one, as you may be learning it and teaching it at the same time.)

How unfair, to have children who put you out to pasture, right in your prime! Why can’t they continue on as second fiddle, while you conduct and orchestrate, as always?

The Lebanese Bostonian poet, Kahlil Gibran, famously noted, “Your children are not your children…Though they are with you, they belong not to you…You may give them your love but not your thoughts, for they have their own thoughts…For life goes not backward nor tarries with yesterday…You are the bows from which your children as living arrows are sent forth.”

As a parent, I know that’s bull: my kids are mine, all mine! But they are my offspring, not my clones. There is something wrong if they don’t spring off, launch from the nest. Our parental warmth is needed to hatch them, but our weight will crush them. We are obliged to accept what we cannot change: that they’re free agents (even if they’ve sold themselves). Even if yours work in the next office, they thrive when they have their very own opportunity, success, even failure; and the chance to learn from you, but do it themselves. Plus, your business needs that regeneration. Very few companies do well under immortal leadership.

Journeys start with single steps, but best to ensure they’re in the right direction. Consider considering: What different challenges will the next generation face, that they will need to face when you aren’t there to guide them? What talents, changes, resources, conversations and perspectives will help navigate that strange terrain? What have you learned till now from your successes and failures that will allow you to face the future with wisdom and integrity? How can you fulfill your emotional and social needs, possibly using talents heretofore untapped? What do you need to do to maintain your lifestyle without imperiling the economic freedom and security of the company?

* thanks to Dan Hicks and his Hot Licks

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He explained this bit of heresy: in most succession planning, the consultant focuses on the senior generation; they’re the clients, they make the decisions about how to transition to the next generation. “But if all you do is effective estate planning, it’s likely that your business will fail in the next generation”; succession planning needs to focus on the successor, if that successor will succeed.

And that means looking not only at gifting strategies for estate planning but also developing liquidity strategies for the successors to buy out the parent generation. “In successful transitions, the successor generation buys voting control from the senior generation during their lifetime, rather than waiting for the second spouse to die.”

It also requires some focus on management style and strategy. Typically, from the first to the second generation, “It’s going from kingdoms to democracies.”

How do you transition and who needs to take the initiative? From Fowler’s perspective, successors need to be proactive in designing the transition plan and presenting their alternative to their parents.

You have to get clear on the boundaries of who’s going to do what where and when. As Fowler illustrated, “You need to know who’s the salesman and who’s the photographer. Vincent Van Gogh could not sell a painting but his brother was a fantastic marketer.”

Sibling and cousin teams have to develop a structure that lets them function differently in their roles as owners and as managers; the equity and control may be shared while operational authority resides in a board-elected president, for example. “In some of the most successful family businesses, none of the shareholders work in the business. They hire outside managers.” If the business forces owners to work there when they have no interest or competencies, “it promotes incompetence in the company.”

Successful family businesses establish a governance structure, such as a formal board of directors, which in turns oversees the president. Non-active stockholders can have a voice through the board but stay out of the way and do not meddle in day-to-day operations. Through effective governance structures, many successful family businesses keep the family invested in the company and consequently they have a competitive advantage, since their cost of capital is low.
Fowler: cont. from page 3

Successful transitions happen when the successor generation is ready emotionally, intellectually, and financially. The successors need self-esteem, independence, and the perspective that comes from having worked away from the family business for a few years—something that "trustifarians" hanging out on the ski slopes and whining don’t have.

But also, both generations need to make choices that benefit the business. "In the unsuccessful situations, entrepreneurs are often self-centered and have spouses who are over-accommodating, and the children tend to continue this split. In the unsuccessful families, parents tend to protect the most incompetent family member: 'We knew he’d never make it in the world, so we made him president.'"

"If there’s a disability, work around it. We had one business where the son had a severe reading disability. We got him a tape recorder. He could listen to instructions and make his reports. He became a successful contributor to the business."

The successor generation must be allowed to follow their own passions—which may or may not coincide with those of the previous generation. Often it’s hard for the senior generation to accept the passions of the successor generation.

"A theater major came back to a Wisconsin print advertising company. He took the initiative to propose that the business develop a new profit center in TV and radio advertising. When his father died unexpectedly, the son was now the 100% owner; he became the creative director and hired a non-family executive.

"Now they only provide advertising of retail products through TV and radio; they’ve given up print. Furthermore, this proactive successor has successfully grown the business to serve global markets. The family cooperated to reshape the business to meet the passions and interests of the successor.

"Successful successors do it their way. They don’t just keep accommodating to the rest of the family and the senior generation. Your parents will never change the way they relate to you. You’d see this 90-year-old saying, ‘Barbara, did you clean up your dishes?’ But Barbara can set limits on her parents’ micromanaging. She can say, ‘Dad, I can handle this on my own,’ or ‘Dad, I could really use your advice on this.’"

by Shel Horowitz

How to Protect Your Intellectual Property

IM DUDA, head of the intellectual property (IP) practice group at FBC sponsor Bulkley Richardson and Gelinas, came to the Center’s March meeting to brief members on copyright, trademarks, patents, trade secrets, and licensing.

Whenever you have a piece of IP created for use or sale by your firm—and that includes custom software—you need to be very clear about who owns it and who has what rights.

In many cases, the correct formula to address these questions will be a licensing agreement. Duda remarked that it’s "like a prenuptial agreement: it spells out who owns what, how income will be distributed, what happens if the license ends."

Licensing allows the licensor to maximize the value of the IP while maintaining ownership and control, and lets the user maximize the income from using it without having to develop products from scratch. For family businesses, there are some extra issues. For instance, “Frequently, family businesses are started by a founder who later incorporates—that creates a new entity under the law. Does the founder or the corporation own the mark?” That can become an issue if “the founder dies, or there’s a split up in the business, and you have a[n ownership] claim from someone else. That type of problem comes to us more than just once in a while. The founder never figured out what the IP was and who owns it.” And if the business is sold, these questions can have a big impact on the selling price.

by Shel Horowitz

Ira’s Column: cont. from page 2

What can you do now, new and different from ever before, that will leave you with less regret, and more contentment, that you did not accomplish in running your business? A fruitful and challenging thought process and conversation (my usual prescription) will increase the odds of enjoying competitive advantage and personal fulfillment, and averting business and life crises.

There are many fine examples, locally and in our membership, of transition done admirably and creatively. Seniors have scaled back to their favorite job ever (operating a crane, making deliveries) or serving as company scout into the future of the industry, or teaching what they’ve learned (to someone else’s kid), or getting into what thrilled them when they were 12 (à la Passages, by Gail Sheehy). It takes a certain faith in their future and lack of fear to let the next generation face their future with bravery and gratitude. But not as much as putting your own personal arrow in your own personal bow, taking aim, and letting go.

by Shel Horowitz
WHY DESIGN a pizza cutter with the handle directly on top of the blade? Because IDEO observed how inexperienced cooks with poor motor control—young children—tried to bear down on the blade of a traditional long-handled pizza cutter in order to control it better (ouch!).

By observing “extreme users and extreme non-users,” IDEO often develops innovations that are widely popular in the profitable middle.

IDEO is one of the most successful design consultancies in the world. When Business Week released its annual list of 20 most innovative companies, 16 were current IDEO clients—and one was IDEO itself, for the second year in a row.

IDEO’s Anand Vengurlekar, former brand manager of Lego Europe, survived the company’s grueling interview process—being grilled for an hour each by every employee at every corporate location in the US and Europe, even the receptionists—and presented examples of “Design Thinking” to the Family Business Center’s April meeting at Chez Josef in Agawam.

Design Thinking creates magic such as the Swiffer, which created a $1.2 million product niche without any noticeable impact on the sales of traditional brooms.

Why innovate? “Sometimes Shanghai feels like a suburb of Boston. The pressures are right next-door.

“I’ve seen so many CEOs stand up and say, ‘we’re going to increase profits, margins and employee morale.’” But if you can substitute any other company making the statement, “it’s a me-too strategy. From companies that don’t know their strengths.”

Illustrating his point with a Venn diagram showing a series of intersecting circles, Vengurlekar said that successful innovations are desirable to people, viable as a business, technologically feasible—and fit into existing systems.

Innovations have three phases: inspiration, ideation, and implementation.

Inspiration

For Design Thinking, the world has to provide “inspiration, not just validation”—and smaller, faster companies have an advantage. “You’ve got to go out of the office and discover, observe. Then you come up with concepts and immediately match them out to the world. It took Europe’s largest ice cream company much longer to bring out a new ice cream flavor than it took Toyota to come up with a new car. All these focus groups and managerial signoffs. So instead of having clinically white labs, they got a little hut on the beach. They made prototypes, walked out, said ‘Hi, what do you think of our ice cream?’ It knocked a heck of a long time off their development process.”

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At a hospital, IDEO put a camcorder by an emergency patient’s head; it showed the administrators what the patients were experiencing: staring at the ceiling with no idea what’s happening. “If they want to improve the customer experience, it begins by telling the patient what’s going on with that critical 15 minutes of their lives. If you can understand what your customers are thinking and feeling, no one can touch you.”

IDEO often uses the technique of exploring analogous situations. “We took the hospital emergency teams NASCAR racing: teams of people, high pressure, don’t know what problem they’ll face; it’s very similar. We let them absorb what they could observe.”

One difference: NASCAR crews, with their emphasis on extreme speed, may have more than one unit of expensive equipment, so that several people can address a problem at once.

“A leading motorcycle maker wanted extreme customer service. We took their people and swapped them into a world class hotel. And the hospitality people got to find out how the motorcycle people created a cult.”

Insights come from both extremes, but too many marketing people look only at Mr. & Mrs. Average. “Talking to extreme users can be fascinating. For a leading sneaker manufacturer, the extreme positive users were shoe fetishists. We also got insights from people who hate sneakers and would never wear them. For a gym, Curves focused on extreme non-users.”

**Ideation**

Vengurlekar suggests generating instant prototypes to expand your thinking.

Sinus surgeons wanted to improve on the drills they were using. “The previous product was pencil-like; it was very difficult to control, and that’s not what you want when you’re drilling someone’s nasal cavity. One of our designers came back with a highlighter, a film canister, and a clothespin, taped it together [in the shape of a gun], and said, ‘Do you mean something like this?’ It allowed us to get immediate feedback.

“New ideas are fragile. You don’t know which will survive. Go through hundreds of iterations of [quick and inexpensive] prototypes; little bits of each prototype survive into the product. From each one you learn something new. Procter & Gamble has multiple formal steps to validate a product, but they’re still willing to roll up their sleeves and get on the floor with us.

“Have prototype-driven specs, not spec-driven prototypes. You’ll know when you get this right, when you’ve gained empathy, and you’re ready for specs, and you’re terrified.”

McDonald’s prototypes new drive-in experiences by modeling it on a table with simple toy tools. “It’s very cheap, you can come up with hundreds of ideas, and people can give feedback without getting caught up in ego. You build something and think around it.”

Vengurlekar had a few questions to ask FBC members:

1. What could you prototype in one day that would give meaning to your stakeholders? In one week? One month?
2. What is the meaning that your stakeholders get? What tangible prototype would create that?
3. How will you find out what gives meaning?

**Implementation**

“You’re creating a story through your campaign for your clients. If you can’t tell a new story about your prototype, maybe you haven’t really come up with anything new. It’s very easy to seduce yourself that you’ve come up with something innovative because you’ve extended the reach of your existing machine or process. Stories allow stakeholders to use Design Thinking instead of specs.

“Apple understands how to talk to people about computers; Sony completely forgot, and now iPod has 75% market share,” dethroning Sony Walkman’s decades of portable music dominance.

“You can show the right story to your channel managers and they’ll get it, and use Design Thinking to come up with some innovative stuff.”

A closing thought: “Does your workspace encourage inspiration? Cubicles don’t. My office, with white boards, does. Who do you pull into your company to inspire?”

by Shel Horowitz
SECRETLY NOW, do you cringe when you hear people talk about missions, visions and values? Do you feel like the business world got lost in the semantic twilight zone years ago? Ever seen a company spend tons of time, energy and money trying to navigate the mumbo-jumbo of strategy development while the obvious was neglected?

I’ve felt it and I’ve seen it so I know just how you feel. Somehow, the entire process of developing a strategy, which is a completely natural process to many, has been derailed and obfuscated. There is more focus on the quality of the vision statement than the value of the vision it is meant to express. Your mission statement may be in limbo because it is said to be missing a critical required component even though your personal sense of mission may be strong and clear as can be. Books and speakers seem to differentiate themselves by promoting yet another set of definitions and process handcuffs. Bright people are silenced by their embarrassment at having to ask repeatedly for clarification.

Why all this attention on definitions, perfectly crafted statements, and aesthetically framed proclamations, rather than a clear sense of direction?

I can’t answer that question, but what I’d like to do is provide a simple example to show you just how natural is the process of developing a mission, vision, values, and strategy. I’m not saying that a good strategy is easy to come by. I am saying that one is much harder to come by if you focus so much energy on the process as opposed to the purpose.

All Natural Ingredients
Let’s start with a familiar itch: “The grass is greener on the other side of the fence. I wish we were over there.”

“Why?”

“Because if the grass is so green, think of the vegetables we could grow! I want to be the Pioneer Valley’s answer to the Jolly Green Giant, but without the steroids!” (Our Vision!)

“But wait a minute, is that all we care about? Growing vegetables?”

“Yes, we want to grow wonderful vegetables so people far and wide can eat well and be healthy.” (Our Mission!)

“But why do we have to move?”

“Because this yard is small, the soil poor, and the shade heavy.”

“OK. But if we are going to move, maybe the yard next door is not the best choice. What should we look for? What kinds of vegetables should we grow?

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April’s meeting started with three FBC members talking about their greatest mentors in business.

**Paul DiCarlo, Rice Oil**

“My current mentor is my boss, Tim Rice, the grandson of the founder, the only active family member.” DiCarlo is part of the 4-member non-family management team. “We meet twice a month, talk about sales, cash flow—but also about the things that challenge us every day. We spend a lot of time on team building, including Myers-Briggs.

“Tim guided us through strategic planning, and helped us develop a mission statement and corporate culture. We’re on local boards, such as YMCA, Greenfield Community College—Tim gives us the extra time that it takes to serve on those boards and raise money for the organizations.”

About that corporate culture: “We need to be responsible for our actions, honest, respectful of all individuals. He walks the talk on our core values of allowing change for continuous improvement and being supportive of our people. He challenges us to put ourselves in the customer’s shoes. He challenges us to develop our mid-management people, and he believes in new ideas and new technology. He knows we have a life after 5. His best advice: look at the biz from the hilltop, not from down in the weeds.”

**Chris Buendo, Reminder Publications**

“Mom and Dad taught me through their actions outside the business, which I have applied daily in the business. He was a gentle, persistent man. He studied a problem—and there would be no stopping until the goal was achieved: perseverance with a loving touch, with integrity. My mom Annie was its heart. She loved making people happy. The Reminder was her launch pad for community services. She offered a lot of covert assistance that no one knew about. You’d find her in the basement of a church, cooking for homeless people. She specialized in saying yes when someone asked for help.

“They taught me to use actions instead of words, care about people, give of your time even when no one is watching, make people laugh, have faith—practice spirituality seven days a week.

“I keep some of this alive. I send every employee a birthday card at home. You can run a business, make a profit, and do it in an honest gentle way. And our FB is alive and well.”

**Karen Randall, Randall’s Farm**

“It was hard to think of who my one mentor was; I have a little list.” After mentioning Shirley Temple, UMass education professor Masha Rudman, and an unnamed friend of her father, Randall settled on “my parents. They worked hard in a business that evolved from a small farm. I remember my mom picking eggs. That evolved into a roadside stand. We added a greenhouse. I think of my father as a visionary who saw an opportunity to sell what people asked for to the community, and it grew when there wasn’t a Cumberland Farms on every corner.

“I learned integrity, honesty. You pack the produce just as pretty and fancy on the bottom as the top—that I learned at age 11, packing squash. Be fair to your customers, your employees—all those values came from my mother and father.

“The favors my father did came back to me in ways I never expected. I went into the produce market on 4th of July and couldn’t buy corn. Another roadside stand owner said, ‘Karen, I’m gong to Connecticut to buy corn. When I started, I couldn’t get corn. Your dad came over to me and said ’how much do you need, take it off my truck.’ How much corn do you need?’ People say, ‘in 1962 your father gave me a bouquet of gladiolas for no special reason.’ The ways he helped people are only whispered about to me. Not a day goes by when someone doesn’t say, ‘this is how he helped me.’”

*RM by Shel Horowitz*
MICHAEL GRANDFIELD, Vice President for Commercial Loans at Family Business Center sponsor Hampden Bank gave banking advice at the May meeting, with the amusing title, “Do I Really Have to Pay My Bills? (Maybe nobody will notice).”

First, Grandfield responded to an inquiry as to whether companies should have more than one commercial banking relationship. He responded that yes, companies should have at least two banks. “Think of money as a raw material, you want to have more than one supplier.” While there may be restrictions allowing multiple relationships in loan documents, companies should at minimum establish a deposit relationship with another bank. Officer loan presentations for bank approval always include how long the company has been a bank customer.

Another inquiry wondered how to obtain the lowest credit card processing fees. Grandfield indicated that “fees are driven by volume and average ticket price.” If your current bank keeps processing limited to its own preferred vendor, you may not be able to negotiate your best price. Companies need to weigh the importance of this in relation to their entire bank relationship. There are plenty of processing companies available so it may be worthwhile to shop around if you are able.

Grandfield then started to discuss the history and importance of credit scores. Credit ratings can be traced back to the 1800s when shopkeepers would track customers’ paying habits on “cuffs” which they wore on their wrist. Additionally vendors in a community would typically share information with other vendors, particularly if someone was behind on their bills. This expanded regionally and eventually most areas across the country had “credit bureaus.” The information was not always accurate and often included information that wasn’t pertinent to the reader (ex. divorces, etc.)

This changed drastically in the late 1970s with the advent of personal computing and the implementation of the Fair Credit Reporting Act. Credit reporting on a large scale started to be much more possible and was required to be accurate and confidential. The costs of complying with the new rules and the overall volume of information led to consolidation in the industry to the credit system we know today. Currently three companies maintain the majority of personal credit scores,
Credit: cont. from page 9

TransUnion, Equifax, and Experian.

The actual credit score “formula” is kept secret and each company varies to some degree but the fundamentals are essentially the same. There are basically five factors that impact your personal credit score: paying bills on time, total amounts owed, how long you’ve demonstrated that you can pay your bills on time, how much of your credit is “new,” and what type of credit you carry.

The fact is poor credit can cost you almost 1/3 more on financing. Think about that if you are trying to buy a house. It’s estimated that if you do miss a payment, don’t fret, your credit score is likely still good as one late payment shouldn’t have a big impact. If you have a credit history that has some blemishes, the best advice is to be aware of the points mentioned above and have patience. As your credit history ages, old credit is de-emphasized and hopefully your score will improve.

Be sure to get a copy of your credit report annually and review it particularly if you suspect ID theft. If there is a problem you can issue a fraud alert and stop all charges that don’t have your authorization—but don’t let it get that far. Also protect yourself: photocopy both sides of everything in your wallet. That way if it is lost or stolen, you’ll have quick access to the account and telephone numbers you’ll need to act quickly.

Grandfield’s response: “In our market, many banks use Dun and Bradstreet as a marketing tool but rely on the accountants and local references to provide the real data. I’ll pull a D&B on someone I have no information about as it will provide some company history but a third-party report isn’t going to provide the information we need to approve the loan anyway. A standard application package would include business tax returns or financial statements, A/R and A/P aging, personal tax returns, and a commercial customer can usually have an indication within a week or so.”

by Shel Horowitz

Persuasion: cont. from page 1

Scarcity makes something more desirable.” Marketers use the scarcity hook with phrases like limited quantity, limited-time offer, and so forth.

Social proof reinforces the correctness of a decision by showing that others agree with your choice. “For example, why do waiters seat people in the window seats first? To give social proof that others like the restaurant.”

As for consistency, “flip-flopping is considered to be a sign of lack of intelligence, lack of principle,” and marketers can exploit this. Marketers ask people to promise to see a movie, or commit to trying a new product before it is available.

Then, when the movie opens in the theater or the product is available, people often follow-through on their promise because having follow-through is a positive personality trait.

Some Examples of Consistency

• A website collects pledges to see Al Gore’s new movie, An Inconvenient Truth, on opening weekend. Marketers understand that getting people to make this pledge will actually up the percentage seeing it on opening weekend.

• Right before the 2004 Election Day, Oprah Winfrey created an “I pledge to vote” drive with a sign-up on her website. Many of these people voted simply because they made a pledge that they would do so.

• A magazine publisher asked potential advertisers, “If I were to have a new section on youth in the magazine, would you consider advertising in it?” The advertisers said they would consider this opportunity and when the magazine publisher called back after the new section was created, he received a very high percentage of yeses from these new advertisers.

The second main element: personal persuasion. This persuasive power lies in our “tremendous responsibility to be a person who can motivate and ethically lead…People look up to you because they respect and like you. This power supersedes any other power. Nobody with a label of boss is going to have lasting power unless his/her employees respect him.”

A Few Tips to Become Personally Persuasive:

1. Complain with Impact:

We avoid people who complain without offering solutions—but we flock to optimistic people who offer ideas, positive energy and solutions. Become a person that others like to be around:

take a moment to think of a possible solution before you present a problem or complaint. If you manage other people, encourage them to raise complaints, but say “I really appreciate your input, I’m glad your eyes are open. But I’d prefer that when you have a complaint, think of a possible solution first and present it to me at the same time.”

2. Be a Positive Gossiper:

“A compliment is the shortest distance between two people,” Puhn said. “During your day right now, you’ve missed key opportunities to pass on ‘positive gossip.’ Someone may have given a great presentation or landed a new client. That is an incredibly powerful piece of information. You can call up and say, ‘I was talking to Mary; she told me you gave a fabulous presentation this morning.’ By passing on a truthful and sincere compliment, you show that person, ‘I’m on your side, I’m not jealous.’ That creates instant teamwork.”

3. Show You Care.

If someone tells you something about his/her personal life, i.e. my daughter is getting married, my father is ill, I’m going on vacation, this creates a perfect opportunity for you to follow up and show that you listen to and care about the person. Call the person after the vacation and ask how it was, or call and ask “How was your daughter’s wedding?” You will stand out for the right reasons as you connect in a heart-to-heart personal way and build trust.

Segment 2: Four Ways to Make Dialogue Work so you can Achieve Mutual Understanding:

• “Give up the desire to win”, the self-defeating assumption. Otherwise, you collect the wrong information, ask the wrong questions, make assumptions, and end up in dangerous waters.”

• “Balance conversations, 50/50 talking/listening. When you’re talking too much, step back, do active listening, and ask questions. Otherwise, you’re missing the most important information.”

• “Focus on facts and not conclusions. Say, ‘John, Mary told me you’re discussing a new product line. Is there a reason you haven’t told me about it yet?’ That’s totally different from ‘John, I heard that you’re keeping the new product line a secret from me. Why?’ Naturally, the second line of questions instantly turns the dialogue into a conflict.”

• “When something goes wrong: use disclaimers and focus on the future. For example, I
WITH TAX TIME behind many of you for your 2005 income, you may be wondering if you can clean out some old staff files. This article will explain the importance of retaining the proper documentation to support your recent income tax filing.

Retention period
According to IRS regulations, books or records must be available for review or inspection by revenue officers for so long as they may be material in the administration of the Code. Whether records are material depends on the item for which the record is kept and the time period available for the Service to assess additional tax. Expense records, for example, must be kept throughout the entire limitations period, generally ending the later of three years after the filing date of the return to which the deduction applies or two years from the tax payment date. For returns filed early, the limitations period is counted from the due date of the return. These same rules generally follow for records of income and credits, although longer periods apply if the taxpayer agrees to an extension. When a taxpayer files a claim for refund, abatement, or credit, the retention period to at least four years after the date the claim is filed.

There are exceptions. Examples include a six-year limitations period for assessment when there has been a substantial omission of income. Alternatively, a seven-year period for filing a claim for credit or refund relating to bad debts or losses on securities. Employers required to withhold income tax on wages, including sick pay, must retain the associated records for four years after the tax due date. Even mutual agreements between the Service and the taxpayer (not atypical for larger business entities) extend the limitations period. Finally, there is no limitations period if either fraud or failure to file a return is established.

Basis. Records establishing asset basis may be needed for substantially longer periods. While the rules outlined above generally apply, records involving business assets against which depreciation, amortization, or depletion deductions are claimed must be retained for six years. In these situations, a taxpayer must be able to substantiate business-use percentages. Failure to do so can result in depreciation recapture.

Audits. Taxpayers contesting an audit assessment through litigation may begin the action in any of three courts: district court, Tax Court, or the Court of Federal Claims. In all three settings, the burden of proving that the Service’s assessment is incorrect is generally placed on the taxpayer. Furthermore, in refund suits, the taxpayer also must prove that any tax liability has been satisfied.
It is not always easy to ask all the right questions. Nor are the answers going to be obvious. However, the process need not be complicated. Energy wasted on semantics and the process itself reduce the energy available for asking the right questions and finding the best answers.

Keep it simple:
- “Remind me again, what make this business important to us?” (mission)
- “Given the market, the competition, and all the other external factors, what niche will allow our business to survive and thrive?” (strategic direction)
- “If we dream a little, how cool could it be?” (vision)
- “Yikes! Very cool! But what would this business have to look like to do that? What products and services, what processes, what knowledge, what skill, what infrastructure, and what kind of investment would make that possible?” (strategic framework)
- “What attitudes must we nurture if we are to succeed?” (values)

More than ever, this fast-paced, topsy-turvy world demands great vision, strong commitment to your mission, intentional support of values, and a quick, flexible approach to strategizing so that you can stay ahead of the curve. And if you don’t like the words, don’t use them. Ask the right questions and find good answers. RM

**Persuasion: cont. from page 10**

didn’t mean to suggest that you don’t work hard. You do work hard. What I meant to say was…” If someone feels disrespected, it’s important to clear the table and create a plan of action for the future. For example, ‘I didn’t mean to disrespect you, and that time when you gave the suggestion it made the project so much better. And I really want to keep working with you, so what processes can we set up so that the miscommunication won’t happen again?’

**Segment 3: Mediation/Conflict Resolution**

The difference between arbitration and mediation: “In arbitration, an independent third party makes the final decision for you.

“In mediation, the third party says, ‘I will manage the communication process so you can freely communicate with each other and develop your own settlement.’ Compliance is higher when the parties in the dispute create settlements, as opposed to when a decision is forced upon the parties by a judge or arbitrator. The goal of the mediator is to enable respectful communication—to turn the fight into a conversation, and that happens with effective communication skills. “When we try to resolve our fights without conflict resolution skills, we often use diminishing language like, ‘You’re overreacting, let it go. Go for a walk and you’ll feel better.’ But the issue is left unresolved and it pops up again on another day.”

We can use conflict resolution skills to help other people resolve their conflicts and to help us resolve our own conflicts.

**Tip #1: Invite someone to take a seat.** “Someone walks into your office, fuming. Ordinarily, we say, ‘Go take a break, you’re overreacting, he didn’t mean it.’ Instead we should say, ‘Take a seat. Tell me what happened.’ That says, ‘I have time for you, I’m ready to listen.’ Listening is healing. Once the person calms down, he or she can begin to think about how to logically solve the problem.”

**Tip #2: Articulate emotions without being judgmental.** “Say, ‘You seem upset (angry, insistent on this idea, frustrated). Tell me what happened. Is there something that you think I don’t understand? You will watch the shoulders relax once that person realizes he or she is being heard.”

**Tip #3: “Summarize what the other person has said.** You say, ‘You feel this way because’ (list the reasons the person just told you). When you’ve summarized the information correctly, you get a response like ‘Ah, you understand me!’ All you did was repeat the other person’s words—but all the person knows at that moment is that you were paying attention, he or she doesn’t have to keep going on, and can go on to something more productive.”

**Ending a Mediation:** “If you are mediating a dispute between two people, don’t let the mediation end without brainstorming about solutions: Say something like, ‘What do you think we can do about this so that it won’t happen again? Let’s throw out some ideas and then we’ll evaluate them and decide together which solution or combination of solutions will work best.’ This isn’t going to take 10 minutes; it’ll take more time. But you will get a lasting resolution because people feel heard and they’ve calmed down.
“Mediators facing uncooperative participants can say, ‘If you don’t know what would work for you, how can I be expected to? We suggested this and this and they didn’t work. Have any of your friends encountered this?’

“You could also take a delay tactic and say, ‘We’ve had tremendous progress, how about if we come back tomorrow after we each brainstorm three to five ideas?’

**Key Point: Confidentiality.** It’s important for a mediator to keep information in confidence. Say something like, “Everything said here is in confidence; it won’t leave this room, so let’s talk about [issue]. I will only share what you give me permission to share.”

**Key Point: Neutrality.** You might think lawyers would be good at these techniques. But Puhn, a lawyer herself, disagrees. “Lawyers are often the worst mediators. They have it trained out of them. They have opinions; they know who’s likely to win in court. If you are the mediator, you have to contain your own opinion. It’s very important to avoid taking any side. Maintain neutrality at all costs. This is the only way to get both sides to trust you.”

**How are Persuasion, Dialogue Skills and Mediation different from Manipulation?**

“In manipulation, there’s a winner and a loser, but the loser may not realize it right away. Eventually, the loser says, I got duped—and both sides have a long-term loss. With persuasion, effective dialogue and mediation, both sides will benefit from the outcome and so will you—and so will the company.”

Finally, Puhn offered a lesson from the world of sports: “I’ve heard many sports coaches say they have to intimidate and berate their players to get them to be their best, but I say, ‘Have you ever tried to influence them by inspiring and motivating them to want to succeed—for the first time in the Center’s 12-year existence—a snapshot of what kind of people attended one particular meeting.

Ira freely admits that his questions, written with wit rather than academic accuracy in mind, do not lead to “scientific” results—but they do create a fascinating picture of Center membership.

We won’t review all 39 here, but let’s look at 16 of the most interesting profiles. Each number represents the percentage of total participants, rounded up or down to the nearest whole number (including invalid or untabulated responses), based on 90 attendees—so numbers 7 and above represent slightly fewer participants than percentages. So, for instance, an answer of 39 percent means 36 people selected that choice.

- 77 percent are in the first or second generation; only one person claimed membership in a business that was five generations or longer.
- Unique among Family Business Centers, UMass encourages nonfamily executives to participate. 24 percent were in this category, including three nonfamily CEOs.
- FBC members tend toward small; only 5 percent did $15 million or better last year, and 77 percent have 70 or fewer employees.
- Yet FBC members are for the most part in reasonably good shape, financially; 68 percent show at least some profit, 64 percent expect to grow significantly—the largest proportion of that growth expected from finding new customers.
- Members are careful decision makers and risk evaluators: 67 percent weigh costs and benefits or strive for consensus, 59 percent describe their leadership style as either team-based or using the "servant-leader" model rather than the dictatorial one. When respondents look at their organizational charts, 46 percent use this lens: “How does this person inspire and manage those below them?” 52 percent describe their risk management style as "measure twice, cut once," and 12 percent are actively risk-averse.
- FBC companies see themselves as good employers; 71 percent found their best employees through word-of-mouth (print ads were a distant second, at 20 percent); 78 percent compensate nonfamily employees at least as well as comparable work as family members; 76 percent believe that employees choose to work with them because they provide honest wages, work/life balance, or the chance to use their skills; 47 percent
Schedule of Upcoming Events

Full Schedule Online at: www.umass.edu/fambiz

OCTOBER 18, 2006
Wednesday, 5:00-8:30 p.m.
Log Cabin Banquet & Meeting House, Holyoke, Mass.

Big Changes In Store: How We Decide That Something Must Be Done, and Go About Making It Happen

The membership/audience of the UMass Family Business Center is the source of what we claim is our main product: Wisdom, Experience, Honesty and Frankness. There are many stories to illustrate this, and tonight you will hear four of them. Presentations by several of our business-owning members will illustrate (a) an innovative growth strategy, or introduction of a new product or service they are undertaking (b) how and why they are doing it—what is the potential gain, what is the cost of doing nothing? (c) how they diagnosed the problem, prescribed a solution, decided to do it, did the research, garnered the resources, dealt with resistance, etc. You will get a great look inside the decision making process of other local companies, to see what you may adopt for yourselves (or avoid), and they will get the benefit of your friendly interrogation, where you get to throw a few thoughtful darts at their plan, to help make it sharper.

DECEMBER 2, 2006
Tuesday 5:00-8:30 p.m.
Clarion Hotel & Conference Center, Northampton, Mass.

Would George Washington Have Won the Civil War? Would Abraham Lincoln Have Won the Revolutionary War?

Two fantastic leaders, each in his own way rescued America. George Washington rescued it from colonial bondage, Abraham Lincoln from national dissolution. Other than a large measure of kindness and great physical strength these two men had nothing important in common, yet they both achieved the same end, earning our eternal gratitude, their faces adorning the heights of Mount Rushmore. What a fascinating opportunity for both of them to compare notes, and for us to interview them on their thoughts about leadership, their perspectives on modern theories of leadership, why there aren’t more leaders deserving of Mount Rushmore these days, and what they think it takes to be all that you can be.

FBC director Ira Bryck will lead a spectacular exploration of Presidents George Washington and Abraham Lincoln, that will not only thrill history buffs in the room, but also inspire you with ways in which the traits of a Washington or Lincoln may be the things to emulate in running your family business. Ira is honored and thrilled to share the stage with: a man who is hailed by historians and politicians as the definitive dramatic portraitry of George Washington, William Arthur Sommerfield, who fascinates audiences with the insights, warmth, and humor of our first president, stripping away the marble image of the ideal man and replaces it with a portrayal of George Washington, the intensely human being—a man of humor, anger, sorrow, failure, sacrifice, and love. He is the only man ever to interpret Washington at the general’s home, Mount Vernon in Virginia. Jim Getty, who’s portrayal of Abraham Lincoln has met with wide acclaim before audiences including the Library of Congress, Smithsonian Institution, Bush Inaugural Gala, National Archives, and the Reagan Presidential Library. Getty’s voice is that of Abraham Lincoln in two A&E programs, and he is greatly involved in leadership programs for the corporate world.

MARCH 8, 2007
Thursday 5:00-8:30 p.m.
Location TBA

If I Want Your Advice I’ll Not Ask for It

Who has all the smarts to run their business without any outside advice? Business owners agree that objective outsiders help identify the icebergs that might go unnoticed by owners and employees, but still,
Taxes: cont. from page 11

Conclusion
With the increased emphasis on verifying reported tax liabilities, recordkeeping is becoming an expensive and monumental task. Documentary evidence of expenditures, supplemented by contemporaneously compiled records, diaries, and logs, provide the best defense against additional assessments. Adequate care in the production and retention of substantiating evidence is key to defending against an adverse redetermination of tax liability. RM

by Kris Houghton, CPA, Meyers Brothers Kalicka, P.C. Meyers Brothers Kalicka, P.C. is a proud sponsor of the UMass Family Business Center
Full article at www.umass.edu/fambiz/record_retention.htm

Just Ask: cont. from page 13

pay most of their employee health premiums and another 33 percent have a plan with a major insurer, but let their employees pay a bigger chunk.

• 77 percent feel a satisfying work day lasts until the job is done; not one respondent chose “until the boss leaves.” (The only other zero in the whole survey was whether to make upgrades based on outgunning the competition.) And yet, 62 percent envy family members who don’t work in the business and get to choose their ideal career.

• There’s high trust of other family members, and of outside advisors. 68 percent generally feel they’re able to work out issues, or present a unified front to start with, while only 24 percent report that siblings or cousins are unproductive or cause problems due to unresolved childhood issues. 39 percent turn first to their trusted advisors when they feel stuck; another 24 percent bring in an outside change agent to stir things up. Interestingly, 13 percent look first to friendly competitors to get that creativity jolt.

• Perhaps the most surprising of all: when asked what famous person they’d want to be with on a desert island, it was a nearly even three-way split among spiritual leaders (28 percent, or 21 people), glamorous pop-culture “hottie” icons (26 percent, or 19 people) and “none of the above, I finally have some peace and quiet” (24 percent, or 18 respondents). Business leaders like Warren Buffett were low on the list (11 percent, 8 votes), barely beating out famous fictional castaways like Gilligan (8 percent, 6 votes). RM

by Shel Horowitz.
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