Lessons from Ritz-Carlton, Starbucks, and Pike Place Fish Market

HOW DID a struggling fish market not only start thriving but become world famous? A big part of the turnaround was bringing in a young doctoral student, Joseph Michelli, to consult. Michelli not only helped the market’s owner, John Yokoyama, turn the enterprise from a near-bankrupt purveyor of “slimy dead things” to a shopping and entertainment experience worldwide, but he and Yokoyama also collaborated on a best-selling book, When Fish Fly: Lessons for Creating a Vital and Energized Workplace from the World Famous Pike Place Fish Market.

Later in his career, Michelli wrote a book about another Seattle company, a little coffee business you might just have heard of: Starbucks. He’s currently chronicling the success strategies of the Ritz-Carlton hospitality chain.

Michelli brought his expertise, and the strategies of these three world-class companies, to the Family Business Center’s December meeting at the Delaney House.

For Pike Place Fish Market, the strategy began by listening to employees—and it was an employee who said, “Boss, let’s become world famous.” As we listened more, it was not hiring Saatchi & Saatchi [a top advertising firm] but a simple customer-centric solution: let’s treat everyone as if they are world famous. Let’s not worry about selling fish, and worry about uplifting people, making people’s lives better and [making them] feel as if they matter. They engage people in a

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Joseph Michelli
VEN AT 55, I can recall most of my dozens of college roommates, and what I enjoyed or detested about our tenancies. It was a diverse group, but I hate to admit that a surprising degree of my satisfaction does correlate with what colleges claim are the only two telling factors of roommate fulfillment: neatness and noise level.

As I recall, even the rowdy slobs felt I was a wonderful roommate. (My wife notes that none of them married me, so she gets credit for putting her money where her mouth is.) Aside from me being born of neat freaks that know how to use inside voices, I think there are other qualities that contribute to one’s success with strange bedfellows, in dorms, hovels, or—you guessed it!—family boardrooms.

Here are seven select secrets of what I’ve noticed helps family business members sharing close quarters… enough to fill my allotted column inches. (For the full 613, buy me dinner.)

PLAYFULNESS
As Timothy Leary noted, the Yanks and Sox each desperately want victory, but if they kill each other, the game is over. When helping business families in conflict, I find if they can keep a semblance of humor, they have the perspective that prevents them from drowning each other. They can agree to count to 10 Mississippi, allowing their brain time to catch up. If you have a fun contest of who can better admit fault, and take responsibility, you will prevent many a bankruptcy and heart attack. If not, see your insurance agent, ASAP, to fund your buy/sell.

APPRECIATION
If you were running a sole proprietorship on a desert island, you could take all the credit, but there would be nobody there to applaud except you. Though the Lennon/McCartney partnership was often described as “dynamic tension” they were right in noting that the love you take is equal to the love you make. Marriage authority John Gottman observes that a couple that has less than a 5 positive to 1 negative ratio in their comments is at risk of failure. What will it cost you to look harder for the pluses in your partners? How likely is it that they’ll absorb all your positivity, and reply only with cold pricklies? Get good enough at this that you can stop keeping score!

STRUCTURE
As a fan of authenticity, I surprise myself in believing in “fake it till you make it.” But ironically, the least dysfunctional business families that I’ve met have the least resistance to governance, accountability, and policies. The craziest business families push back hardest on structure, and suffer most from lack thereof.

There is no guarantee that by enacting best practices that you’ll reach perfection, but you could do worse than clarify the road map, the means of transport, the type of vehicle you’re dealing with, not to mention seat belts, back seat drivers, road rage, etc (to beat the metaphor to death).

LEGACY WITH A TWIST
What worked before may work again, but that doesn’t mean you should always be consulting the portrait of dear old dad. If he was so smart, why did he let you run the business? Your pondering may need some tinkering, i.e.: What would dad do, if he weren’t such a cheapskate? What in our past has some clue to how we can overcome today? What can we “benchmark” from the playbook of our historic competitors? Many smart business owners have mentioned that they are in the business of solving problems. Solving implies more than killing the same monster every day. As many have noted, take some time away from firefighting today to figure out fireproofing tomorrow.

DIG UP YOUR GARDEN
A while back, I ate lunch with a group of garden center owners at a conference I spoke at. I made up a game, which I recommend to you. We went in a circle, starting with me, who said “I’m in the Garden Center business.” The next guy couldn’t say “garden” or “center” so said “I’m in the Relaxation Business.” The next guy also couldn’t say Relaxation, so said “I’m in the Anti-Anxiety Business,” and so on. Then we brainstormed about how to be better purveyors of anti-anxiety, color, magic manure, etc.
FAMILY BUSINESSES contend with a map of three overlapping circles, says family business consultant Ivan Lansberg, speaking at the Family Business Center’s March meeting at the Log Cabin.

One circle is ownership, one is management of the business, and one is family. “Depending on where you stand on that map, the issues can be predicted. The challenge is learning to manage the diversity of people, as more and more of the territories become populated. We’re very used to thinking about how businesses work, but very few people stop to think that families are every bit as important and complicated.”

In the early days of a business, understanding the map is easy. One owner, or perhaps two spouses, stand in the narrow area where all three circles overlap: they are the family, the business owner, and the management team rolled into one. But that’s not sustainable as the business grows, and entrepreneurs who try to run the whole show are “...like Steve Jobs, you get booted out of your own company. Working in a structure that checks and balances your authority does not come naturally to entrepreneurs.” And as the business gets passed down a couple of generations, the field is much more complex.

The usual pattern is for the founders’ children to run the business in the second generation, and their children—cousins—to take the reins beyond that. Of course, there are exceptions. A one-child family or a buyout can let a company “recycle the single ownership,” as did the inheritance laws and customs of past cultures, where the eldest son typically inherited everything, and his siblings might have found careers as soldiers or clergy.

Still, by the third generation, most businesses have evolved into “cousin consortiums” and fragmented ownership. “You’re into the world of coalitions, politics, branches—complex structures that allow the cousins to collaborate.”

For instance, someone might have an ownership interest in the business as a family member, but not be involved in actually running the enterprise; “you rely on other people to manage the money you’ll have to pay estate taxes on. It’s a difficult role. We work with systems with 400 cousins in the 7th generation, and only 3 are in management.”

The change can be quite disruptive, he says: a “discontinuous change” that shifts not only the players, but the rules. Dipping into sports analogies, Lansberg says, “You’re going from solo tennis to basketball, and then to the cousin generation, to a soccer club. During transition, you have a tennis superstar coaching a basketball team, and you have trouble. There’s very little in that individual’s success to influence success in the next stage.”
**To Rule or Govern?**
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“Human beings get imprisoned in the present. The entrepreneur says, ‘Let me look among my kids for the one most like me.’ That won’t work.” The skills and needs—and the players’ backgrounds—are too different, he says:

“It’s a very different proposition to have four siblings, who grew up in the same house, with a five-year age spread, to get along than 30 cousins 30 years apart, who grew up in different houses.”

But businesses can anticipate this, and learn and plan by watching those businesses that are a generation ahead—so solo entrepreneurs should study sibling partnerships, and sibling partners should study and talk to cousin-operated businesses, some of which can be quite large.

How large?

“Cargill is a cousin consortium, 60+ cousins, probably the largest privately held company in the world. The New York Times Company is over 70 cousins, publicly held but controlled by a family.

The Bancroft family was a cousin consortium that just sold the Wall Street Journal.”

As these enterprises get large, more complex, and more distant from their founders, there will be natural tendencies toward entropy. Apathy and a desire for quick profit can crowd out the values of stewardship and the business culture. Yet, when the family’s values are strong enough, these obstacles will be overcome. “If the sibling who went off to Wyoming to be a poet has been inculcated with the family culture, and she’s watching the trout and gets an e-mail on her laptop, she gets on a plane and goes to the family meeting, because someone put that degree of caring in her soul. They know and feel their family legacy.”

Some of the building blocks of long-term community, each of which Lansberg said really needs its own four-hour workshop, are:

- Shared Vision
- Structure
- Process
- Education
- Leadership

But none of these attributes exist in a vacuum. Leaders, even charismatic ones, die, are replaced, or lose the trust of those they lead.

“Structures are also not magical, they have an underbelly. You talk to a 6th-generation family business with a family council, portfolio manager, lots of meetings per year. Before you know it, you’ve got a lot of cousins burned out on meet-

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**Are You Your Brother’s Keeper?**

ESPITE beautiful weather, FBC sponsor Charlie Epstein of Epstein Financial Services sent chills through the hearts of many attenders of the April gathering in his presentation, “Legislation, Lawsuits, Litigation, and You.”

If you’re a fiduciary, you have legal responsibility for the financial safety of those who trust you with their money. And for your own protection, you need to make very sure that you understand who counts as a fiduciary, what those responsibilities are, and if you could be classified as one—or else!

Just exactly who is considered a fiduciary? Anyone who meets one or more of these standards:

- Possess or exercise authority over the plan
- Control assets
- Give investment advice for compensation
- Trustee, Plan Committee member, Board member, or corporate officer
- Investment advisor/manager, or even a participant (if the plan is not set up under the strictly regulated 404(c) exemption)

And if you do meet any of these tests, you are legally obligated to put loyalty to participants’ interests ahead of your own.

So, if you’d rather not face an unreasonable mental chill, now would be the time to get your ducks in a row. **RM**

*By Shel Horowitz*

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**Maybe!**

One of the key standards is whether a prudent investor could reasonably be expected to make the same choices. And one of the key strategies is to “focus on process, not results; documentation is everything: what you do, how you do, when you do—it in writing.”

Related to documentation is disclosure. Plan participants need to understand all the fees, for instance.

Otherwise, you could easily end up fighting an expensive and time-consuming lawsuit. Fidelity Investments alone is currently facing 12 class-action suits at the moment.

So, if you’d rather not face an unreasonable mental chill, now would be the time to get your ducks in a row. **RM**

*By Shel Horowitz*
LEADERSHIP is about poetry and plumbing: capturing people’s hearts, to want something different.” In other words, you have to inspire—and you have to design the organization to deliver.

With this provocative thought, Allan R. Cohen, Dean of the Graduate School/Distinguished Professor of Global Leadership at Babson College and author of several books, launched his talk at the Family Business Center’s May gathering.

Both those pieces are important, he believes. If your leadership doesn’t inspire your employees, you will fail. “If you really want to screw up an organization, just make sure everybody does exactly what they’re told. Labor unions could bring an organization to a halt with work-to-rule. A lot of things require judgment, and you need people who are in it because they want to be in it.”

Cohen grew up in a family business and speaks from personal experience. “In our family business, nothing was ever written down. My uncle was a very difficult man: ‘Bring me a rock, no, that’s not what I wanted, bring me another one.’ I was fired at least 30 times a day. Every time I got in a fight with my uncle, my mother would say, ‘you should respect him.’ My answer always was, ‘when he earns my respect, he gets it.’” This same attitude occasionally carries over into Cohen’s consulting practice. In one case, “my help as a consultant ended when I encouraged a son to tell the father” what he really felt—and it wasn’t what dad wanted to hear.

Family dynamics play a big part in his work, in fact. Nonparticipating family member stakeholders “complicate how you can talk to each other. And then all these things about family cultures. How do you deal with conflict? Or is the unspoken rule that you never embarrass other family members? Every family has some idea about that, it’s usually not written in a document.

“Every family has some taboo subjects. Are you allowed to talk about competence? Can you say to the next generation, ‘I don’t think you belong in the business?’ There are families that can talk like that, and others where you wouldn’t say that in a thousand years. In the Yankee tradition, you don’t talk about money. Ambition, what are you afraid of, what are you worried about—those things will shape how you can lead.”

“I’d argue that the more you can talk about anything, the more the chance of resolving it well. If not, you may have to skirt around the very heart of any conflicts.”

Still, Cohen is hopeful. “You can break the pattern from above or below, or from sibling to sibling. Either side can initiate it. It can break the problems when you’ve gotten very familiar with each other, and you can’t stand it but you can’t talk about it.”

And this can influence such issues as succession struggles. “I talk to a lot of family businesses where people say, ‘I never want to have the owner so mad at me that

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ings. So over time, the structures themselves are quite taxing; they take energy and time. If you don’t have a population of new cousins who can come into the structure, the structure begins to wane. There’s a dialectic: every force has a counterforce. So does leadership. There’s no silver bullet, either way, you have to manage the downside. Invest both in developing leaders and in developing structures. They create the means for their own demise.

“Sibling partnerships get into trouble when there’s a mechanism to hide your responsibility.

Anything you can do to bring transparency to what you and I are responsible for builds trust. Trust is the North Star. I keep coming back to the idea that you have to gauge the importance the siblings put on managing a business together. If they don’t want to invest in managing right, ultimately they end up in a bad place, and that’s not sustainable.

“Every solution in family enterprise is a temporary equilibrium. It’s really a gardening project. One day you say wow, and the next day you see it needs weeding and pruning.”

By Shel Horowitz

Fail to Plan, Plan to Fail...
Fail to Pay, Plan to Pay, Pay, Pay

NEW LAW imposing automatic treble damages for wage violations goes into effect in Massachusetts on July 13, 2008. The new law applies to civil actions for various state wage violations, including but not limited to:

• Non-payment of wages, including accrued vacation and earned commissions;
• Failure to pay wages timely, including at the time of an involuntary termination of employment;
• Failure to pay overtime, including situations when an employee was incorrectly classified as an exempt employee;
• Failure to calculate overtime wages correctly;
• Failure to pay minimum wage;
• Misclassification of a worker as an independent contractor; and
• Termination of employment in retaliation for a complaint of a wage violation.

The statute became law without the governor’s signature after the legislature rejected the governor’s proposed amendment to provide a good faith defense to a wage violation. Whether the new law will be applied retroactively will be determined by the courts.

The new law is in response to a 2005 Supreme Judicial Court decision, Wiedmann v. Bradford Group, in which the court declined to require mandatory treble damages in state wage violation cases, but held that the award of treble damages was discretionary. With the new law, judges will be required to award treble damages, even in situations where the employer was acting in good faith or the violation was an inadvertent mistake. The law continues to provide for the award of litigation costs and reasonable attorneys’ fees if an employee prevails in a wage violation case.

Wage and hour class actions are likely to increase significantly as the new law also applies to the filing of such class action suits. In light of the new law, employers should review their wage payment policies, meal break policies, and job classifications to ensure that they are in compliance with wage and hour laws.

Mary Jo Kennedy, is the Coordinator of the Employment Law Practice Group at Bulkley, Richardson and Gelinas, LLP and can be reached at (413) 272-6242 or mkennedy@bulkley.com.

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lifeless product by being a mirthful place. “And now, Yokoyama gets $50,000 to make a keynote speech.”

Also in Pike Place Market, a block and a half down the street, is the original Starbucks. When it opened, with no seats, it sold only ground coffee; you couldn’t get a cup to drink. And just as it took milkshake mixer salesman Ray Krok to recognize the possibilities in the McDonald’s concept, so it took Howard Schultz, who noticed that Starbucks bought a lot of the high-end coffee grinders he sold, to bring the company, kicking and screaming, well past grinding and bagging coffee:

“He sees that they’re passionate about the goods. He’s gone to Europe and he’s experienced the Europe coffee culture. He thinks, ‘I can elevate this and deliver a service of brewed coffee.’ But they don’t ever let him. Finally, they said, ‘OK, you can open an espresso line but don’t let it get in the way of our core business.’”

Schultz’s original café was too successful for the store’s owners, and they shut it down. But when Starbucks came up for sale a few years later, he organized the investors who bought it.

Schultz’s dream was to create a “third place, where people can come for things that are too formal for the home and too informal for work.” And a place where personal preferences matter; you can get 17,632 different varieties of coffee drink in a Starbucks.

Since then, Starbucks’ core offering has been “affordable luxury”—and that stretches to every detail. When the accountants pointed out that the company could save enormous amounts of money just by switching from two-ply to one-ply toilet paper, the company rejected it; one-ply toilet paper, the company rejected it; one-ply toilet paper sabotages the experience of affordable luxury that justifies a four-dollar cup of coffee.

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And like the fish market, Starbucks listens to its employees. Frappucino, accounting for half the chain’s profits, was invented by Dina Campion, a line employee in the Santa Monica store.

Michelli identified five strategies that contribute to Starbucks’ success:

• Make it your own
• Everything matters
• Surprise and delight

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At PRIL’S GATHERING at Delaney House was probably the first time that a champion racing car driver spoke to the Family Business Center. But that racer is also the highly successful entrepreneur who dropped out of college to race, returned to his 4th generation family after a 20-year racing career—and grew the Jiffy flour mill in Chelsea, Michigan (near Ann Arbor) from 225 employees and annual sales of $60 to $70 million to outselling such giants as Pillsbury and Duncan Hines, and claiming 57% market share.

For Howdy Holmes, the intense racing world where every second counts is an excellent training ground for the more laid back world of business; it requires a keen sense of timing, risk assessment, skills at forging joint ventures with sponsors, crew members, and others, and many other relevant skills. “Where I was coming from, doing risk analysis at 200 mph, you execute and you find out pretty quickly whether you made a good decision. I was like the AS-400 to their abacus.”

However, this impetuous instant decision-maker had to learn some hard lessons about the culture of his business. Entering this tightly controlled “stoic sole proprietorship” in 1987, with no fax machine, a telephone switchboard that closed an hour and half for lunch every day, and a punchcard-based dinosaur IBM System/32 computer system, he encountered resistance when he pushed too hard.

“Unfortunately, there were people with different points of view. I had several strikes against me. You can put people into categories like accountant, sales; people didn’t see ‘race car driver’ as intellectual capital. But anything you do that’s different is taken personally. And when it becomes personal, it’s over. The book on me is that I didn’t think things through.

“It took me a while to realize I had to reinvent myself from within. The only way you’re going to change thing is from the inside.” So Holmes spent a decade doing focus groups and therapy of various kinds (easy to tap into in the college community of Ann Arbor).

And with that perspective, coming at the idea of modernizing the business from a place of high personal integrity, communication was opened and change started to happen.

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Holmes led a role play of introducing ourselves without the first person: no "I," "my," "mine."—then commented, “When you’ve got to think about what you say before you say it, what a concept that is! We love to talk about ourselves. It’s like a competition, ‘my kid’s in 47 activities, how many is yours in?’ We can go a lot farther if we say what we mean and mean what we say.”

Just as he had to go through his own personal transformation before becoming an effective leader, Holmes sees business success as requiring several evolutions. He focused his talk on three in particular: organizational infrastructure, decision-making, and leadership for change.

Organizational Infrastructure

Sole proprietorship, the first stage, is “all about control; no decision is made without the proprietor. But my father worked 60-70 hours a week. You’re doing four or five different jobs, and you reach a critical mass where you’re affected. At that point, you have to delegate, give up control—it’s like ripping your heart out, it ought to be spelled ‘S-O-U-L proprietor.’”

Stage 2, hierarchy, is “about power and authority, mostly about the misuse. How we communicate gets very tangled in people’s perceptions of their own and others’ relative importance.

Finally, the most successful businesses reach the third stage: “Interdependence, a circle. No matter what your task or title, you can see everybody in the company. There’s no need to hide, no fear, and it’s based on trust and respect.”

Decision-Making

Stage 1, “telling: ‘Here’s the problem, here’s my solution.’”

Stage 2, “selling: A little more sophisticated. ‘Here’s the problem, my solution, why I chose this solution.’”

Stage 3, “testing: A little bit more open. ‘Here’s why I chose, I’m open to suggestions and would reverse my decision if a better solution is found.’”

Stage 4, “consulting: ‘Here’s the problem. The decision is not made. I don’t know the solution, I am seeking your input and ideas. Here are the options so far—are there others? It’s the early stages of interdependency.’”

And finally, Stage 5, “collaborating: ‘Here’s the problem. No decision has been made. I have not researched any solutions. We need to work together to determine the best solution.’”

Holmes sees a “significant difference” in the corporate climate between stages One and Five, but also recognizes the substantial barriers in moving through. “Ego, power, authority, and the lust for that position make it hard. If you’re already perceived as telling, usually a very serious event has to take place, something pretty disastrous. Until they realize what they’re doing to those around us, we never think about it.”

Absent such a cataclysm, “it would take years to move from telling to collaborating. And it has to be a group effort. Especially in hierarchy organizations, people are afraid to make a suggestion. They don’t want to appear stupid. If a VP or president says something, even if someone has a better idea, is anybody really going to suggest alternatives?”

“We judge ourselves by our intentions. But we judge others by their behavior. It’s what I call the reality gap. To be collaborative, you’ve got to give up being ‘the man.’”

“Ask someone else in a different discipline what they think, before you make up your mind. If we don’t invite input from other people, we don’t expand our horizons. When we invite other people, they do it for us.”

Leadership for Change

“Leadership is a condition of servitude. If you’re president of a company, you should be working in the company. A CEO should be working on the company. The chair of the board, with the company. There are significant differences.”

Change “has got to start from the top. Nothing’s going to change unless you demonstrate that change. People will follow what leaders do. ‘Do as I say, don’t do as I do’ doesn’t work.

“Corporations can and should have a redemptive purpose. Reaching your potential is more important than meeting your goals. Being faithful to beliefs, passionate and totally committed, is more important than being successful. Leaders are meant to be resources. If you’re the leader, say, ‘My door is always open, come to me when you need help to do your job. Don’t just tell me what you think I want to hear.’

“In our company, I ask people to set goals [for] volunteerism, family, personal growth, and task-related. I want them to know that I’m interested in the whole person. I want that whole person to come to work. If you’re a comedian, I want you—the comedian there all day long. When you’re happiest, when you’re best, don’t leave your personality in the car. If you’re hard to be around, frail, don’t like to talk—we’ll find a way to get you into the soft skills and develop you.

“You want your employees to know you believe in them. You set goals that you want to attain. If a guy wants to lose 45 pounds, that’s a lot of weight. It’s February, and he said he’d lose 45 pounds by December 1. I said, ‘If you could lose 10 pounds by March, 20 pounds by June, 30 by September, you might have a chance. If you don’t measure until the 45 pounds is completed, you’ll never have a chance.’”

“We worry too much about stuff that doesn’t really matter. What’s really important is not setting goals but your potential. If I can do 10 pushups and I set a goal of 25, by the time I can do 25, I could do 50. My potential has increased.

“Change happens when you’re willing to get uncomfortable, vulnerable. I’m getting into change. Every tiny positive change “is significant, because you can incorporate that behavior. Little, little steps. So here’s something to try. Tomorrow, when you get up, do something different. If you shower first, go and make coffee, use a different bathroom. You’re going to start noticing things around you. I guarantee that you don’t know you’ve passed three pictures, two tables. But when you change, you notice everything. And it stimulates you to think, because it makes you uncomfortable. And only when we’re uncomfortable can we learn new things.

“Hiring is the most important thing you can do. We do all sorts of psychological testing. You spend hundreds of thousands on an employee, why not spend 15 or 20 grand to sort them out before you take them on board? If someone says, ‘The personal stuff is not your concern,’ I say, ‘You don’t understand the way we operate.’ We never ask candidates about tasks. I want to know their character, their conscience, whether they’re courageous. I want to be able to predict what he or she’s going to do when I’m not looking.”

By Shel Horowitz

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**I’m this way because of my parents.**

**My parents are this way because of their parents.**

**My kids are this way because of my parents.**

—Roz Chast
When a Family Company embarks on significant change—a management or ownership transition, a major anniversary or a strategic business change, for instance—before charging into the future, it may be helpful to take a peek into the past.

Knowing the stories and struggles behind the company’s beginnings—the personalities of its founders and the many family and non-family employees, customers, vendors, competitors and community members whose lives have intersected with, affected and been affected by the company throughout the years—can provide a context for the current owners, managers and all the other stakeholders to move ahead. A family business history can also communicate the company’s values, culture, community involvement and charitable efforts to potential lenders, reporters who cover your industry and community, and to future venture partners.

What has made your company successful? What challenges, such as economic turmoil, natural disasters, family crises and financial struggles, did the company and its members encounter and overcome? What lessons can previous managers impart? Most important, what is their legacy, which the current owners and managers would be wise to remember and preserve for future generations?

What’s involved, and how can you get started?

Hire a pro. Someone on staff or a member of the family may be able to and like to write, but will they have the time, and the ability to stand back and look at the family and business with fresh perspective? A writer who has experience covering both business and family business and who has written books, can do so. Check references and ask for samples of their work. Be sure to set clear deadlines.

Many family business members enjoy sharing their stories with a writer. Some may be nervous or cagey, especially if there are sensitive family issues or secrets (which almost every family has!), which they feel the need to dance around. An experienced writer will know how to work with even the most cantankerous subjects, to put them at ease and assure them the purpose of the book is to shine a light on the most positive aspects of the company and the people, it is not to dredge up any family feuds or unsavory segments buried in the family’s past.

Budget the book. To wind up with a project you’ll feel proud of, you should expect to pay the writer between $25,000 and $75,000. It may not pay to scrimp. One business owner went through three writers, paying each an advance, hoping to have his book written “on the cheap.” The first writer was a recent journalism-school graduate with little experience. The second two had more experience but not in the business world. He ended up spending thousands of dollars before he finally found
Lessons: cont. from page 6

• Resistance
• Make your mark

At Ritz-Carlton (now a division of Marriott), the touchstone is “We are ladies and gentlemen serving ladies and gentlemen. We are obligated to serve. We are creating a guest experience much like the experience they had at their mother’s house—but I don’t have to get my own sheets out of the drier.”

The mission to create a personal touch extends a wide latitude to its employees, who are carefully screened and then thoroughly trained. Employees feel special, and they make customers feel special. Employees already have authorization to spend up to $2000 per guest to create this specialness. That astonishing figure is more understandable if you know that the Ritz quantifies the average lifetime customer value at $200,000!

And this leads to an experience like mentioning to the bus boy at dinner that the TV remote in your hotel room is broken, and getting this response: “I’m so sorry that happened to you. I will make sure that is taken care of” (while the guest is sitting at the table right now). The bus boy owns it to its satisfactory completion, and says to the dinner guest, “Your TV remote in your room is fixed, and by the way, I’d like to comp your dinner for you.” It’s a “wow moment” in a world where people blame you for breaking the TV turner in your room.

Or how’s this for a “wow moment”: if a staffer overhears you tell your child, “No, I don’t think they have Rice Dream here,” someone listens and goes out and buy some. And if you do that for a kid of mine, I’m loyal for life.

“If you empower people and treat them with the dignity of a customer experience, they tend to live up to that expectation.”

For Michelli, the idea that every person matters is deeply personal. He began his talk with a story of holding an abandoned girl in a Chinese orphanage. He closed by revisiting that incident through his own brush with abandonment: “I was an unwanted out-of-wedlock child, left in a trash can. And I held that Chinese girl in the orphanage, and I was more transformed than her.”

By Shel Horowitz

Taking Peek: cont. from page 9

a pricier, but professional, writer with just the right experience and a solid track record.

Layout by an experienced graphic designer will cost upwards of $1,000. Printing a paperback edition could run $5 to $15 per copy; a hardcover will cost between $10 and $20 per copy. A fancier coffee-table type book will cost significantly more.

Pick a designated driver. Who in the family business will be the main point person, the liaison between the writer, the family, the business and the publishing house?

This person will help the writer contact members of the family, the business, board, perhaps some key customers and vendors, and community members to interview. He or she can also help dig up important business documents, such as a deed to the first headquarters building, an early bill of sale, previous press articles in local newspapers and trade publications, copies of key speeches of company leaders and old and current photographs of key people and places.

The liaison will also oversee distribution of the first draft of the book to key family members for approval, and organize all their revision requests onto one copy of the draft so the writer can efficiently produce a second draft (the fee typically includes two drafts), and interact with the publisher (see below).

Find a print-on-demand book publisher/package. Your book will probably not be sold to the general public; more likely, you will print a few dozen, hundred or thousand copies to give to family members, customers, employees, etc. You should compare deals from one of many reputable print-on-demand (POD) publishers or book packagers, such as Xlibris, Aventine and AuthorHouse. With digital publishing, you don’t need to lay out thousands of dollars in large print runs; you can print small quantities “on demand” as you need them. Most POD publishers offer to copyright and register your book, as well as provide the graphic design and layout.

The process as well as the end product can be a greatly enriching activity for everyone involved. It’s also an opportunity to thank the multitudes of people who have contributed to the company’s success over the years. You may want to have a book party and invite all your family business stakeholders and friends to celebrate the release of your family history book. 

Leadership: cont. from page 5

they’ll never let go of it.’ And that cuts you off from what is really going on. Nobody is going to tell you what you need to know.

“There are some people who have to fight with anybody who has power. That doesn’t usually lead to good results. There are some people who don’t dare say what’s on their minds because they’re sure they’re going to get the axe.

“Power is what people perceive it to be. Even if it isn’t true that the owner would fire people who talk straight, people will wonder, ‘who has the owner’s ear? I’d better stay on their good side.’ It may or may not be true, but if it’s perceived, that person’s got power.”

Meanwhile, subordinates are afraid to take initiative, leaving executives frustrated that they can’t get good people, and thus are even less willing to delegate.

And sometimes, the internal culture is at odds with the goals and/or perceptions of those powerful people. “Some owners want their kids to be toughened up,” even if the family operates from within a culture that assumes family members have to be protected. Changing the lens, successor generation members can get frustrated when they deal with “someone who thinks of him/herself as a benevolent, open, responsive person—and they’re not.”

Cohen once asked a client in India, “What should a son do if the father gives wrong advice?” But the father responded, ‘Fathers don’t give wrong advice.’ That’s extreme, but if you carry the beliefs, it shapes how you can react.” Yet, focusing on internal political intrigues takes a lot

continued on page 13
WHAT A PANEL of experts: Ron Weiss, of Bulkley, Richardson and Gelinas, LLP; Michael Long, from Axia Insurance; Kris Houghton, Meyers Brothers Kalicka; Charlie Epstein, Epstein Financial Services; and Rick Giombetti, from Giombetti Associates. A last-minute conflict prevented Hampden Bank from participating, but that left a lawyer, an insurance agent, an accountant, a financial planner, and a human resource expert to examine the ins and outs of buying an existing business.

All of these experts are sponsors of the Family Business Center, and all had important observations to make in looking at a hypothetical acquisition that had some serious issues.

The acquisition target had some environmental problems that could turn into serious liabilities later and employees who seemed less content than those at the acquiring company. Still, Weiss said, “this example is not at all atypical. These facts wouldn’t cause this to be considered a difficult transaction; this is what we find in the real world. A well structured transaction and a good transition team can protect against most risks and handle most problems if the deal makes sense otherwise.”

But Houghton wasn’t so sure. “When we got done picking this apart, we were wondering why they wanted to buy it. It’s going to come down to the economics: what ROI? You’ve got a lot of risk here. What would you be expecting for a return? 11, 12 percent? Are you able to obtain that?

Sellers, she noted, want to sell stock, while buyers prefer to purchase assets—but sometimes, for instance if that’s the only way to acquire patents, buyers will take over the stock. But Houghton will make sure the buyers are protected in other ways, such as insuring the liabilities, setting up escrow accounts, and extracting non-essential assets (such as real estate) from the deal.

Long concurred with the need to balance protection and profits: “We look at risk and how to avoid it. This company is importing products from China. If they buy the corporation, they could be open to product liability suits. They had layoffs. Are there going to be any employment practice or workers comp liability issues? We’d want to examine the prior history of workers comp. The pollution issue: perhaps we can insure it or pass the risk off to somebody else. Buying the stock is buying the old sins, hidden or not.”

Giombetti brought the HR perspective: “Leadership: who’s going to run the new entity, who has the competencies? Cultural issues: If that culture is totally different than their operating style and strategy, they are predisposing for headaches.”

Yet Weiss said he’d seen poor seller employee relations stall, but never kill, an acquisition—except where unionization was imminent and unavoidable. And in his
When to Buy: cont. from page 11

view, while projected ROI is an important determinant of whether a deal makes sense, immediate returns and some of the other immediate factors in some cases may be less important than longer-term benefits, including long-term multigenerational tax planning opportunities. “This should be looked at both as an acquisition and as an enormous estate planning opportunity. A company owned by the next generation could be buying that company, or the real estate, or some other, severable aspect of the seller’s business. For example, if the younger generation bought the company, over time production could shift over to the acquired company. That would cause a significant portion of the value of the family business to be in the company owned by the children, and could substantially reduce estate taxes at the older generation level. In terms of ultimate tax savings, that blows the socks off most traditional estate planning techniques.”

Epstein agreed that strategically, the way a deal looks on the surface may not have anything to do with buyers’ reasons. “You’ve got to lay out the reasons why you’re buying the business. ‘Capable-ism,’ capitalism, and ‘competitivism’—you’ve got to wrap those three up. Will I be more competitive by buying? We end with a final outcome—is that going to make us more strategically positioned? If it was three years from today, what has to happen to know you’ve made progress? “Sam Walton had two hardware stores and set up a family limited partnership. None of that company ended up in his estate”—and this was, Epstein believes, a visionary move that is reflected in the enormous success of Wal-Mart decades later.

All the panelists agreed on the need to involve your chosen expert advisors early and thoroughly. Weiss indicated that the attorney and accountant should be involved in helping the structure and draft the letter of intent. Also, as Long put it, “Whether you’re buying a company, developing a new territory, or a new product—involve your property and casualty agent. There are a lot of pitfalls.” RM

By Shel Horowitz

Organize, Optimize, Systematize...Go On Vacation

E _V _ERY _B _USINESS needs an organizing infrastructure of well-defined, informative systems that not only guide the ship, but also enable it to stay afloat in stormy seas. Most importantly, good organization banks on having good systems in place right from the get-go.

Are you ready for the big times?

All too often, businesses flounder under the pressure of an unexpected event—a huge surge in demand for goods or services, a change in the marketplace, the loss of critical personnel—because the only systems they have in place are those that evolved over time to meet immediate needs, with no thought for what might come in the future. A business that is habitually reactive can only scramble to cope, while one driven by a proactive mindset will have systems in place that not only help it weather storms, but also make it possible to sail more confidently in new directions and take advantage of exciting opportunities.

Of course, it’s not always possible to identify all the parameters of systems your company may need in the future. However, you can prepare for the unknown with a foundation of systems that address the following basics:

• Measuring and ensuring the productivity of day-to-day operations
• Documenting and providing checks and balances on processes and procedures
• Planning and tracking projects and production
• Accounting for and evaluating both the short and long term financial health of the company
• Timely and thorough updating of documents and designations to reflect legal changes such as a change in name, ownership, type of business or the succession plan

Where’s that report?
The ability of a company to run smoothly also depends on the degree to which owners, managers, and employees are organized. On a day-to-day, functional level, how organized are your employees? How organized are you? Paper piles? Missed appointments? Memory overload? Where is that report? Does being individually organized really matter as long as the job (eventually) gets done? You bet it does! But, where to begin?

Start by presenting employees with clear goals and specific objectives to work toward. Here are three critical “get organized” goals generic to most businesses, along with some tried and true organizing strategies:

• Decrease the likelihood that errors, omissions and miscommunications will occur by instituting company-wide use of highly specific, traditional and tech-based forms, checklists, and calendar/reminder systems.

• Ensure that the right people have all the information they need to take appropriate action and make timely decisions by setting up well-defined, traditional and tech-based messaging and reporting systems.

• Increase the ease with which co-workers can share information and tasks, take up the slack when a colleague is out sick or on vacation, or teach new hires the ropes by creating logical and labeled centers for files, tools, and supplies, with built-in tracking and maintenance systems and readily available documentation of all procedures and systems.

An important footnote—Getting people to “get organized” is not a one-size-fits-all operation. Individual differences in work style, learning curves and openness to change need to be considered before asking workers to implement a new system.

Good organizational systems, whether on a company or individual level, make living on the edge a thing of the past. Good systems give you better control over your business, more time to focus on its current health, and the mind-space to plan for its future. Best of all, with good systems in place, you can, at last, go on that vacation you’ve been talking about for so long. RM

Leslie Arriola, owner of Systems and Solutions for Chaos Control, specializes in helping businesses and individuals organize for success. She can be reached at (413) 548-9865 or larriola@umassk12.net
Leadership: cont. from page 10

of energy, and raises the question of who’s getting the company’s actual work done.

“We saw a pattern: the assumption that leaders have to be heroes, are supposed to know everything, control everything. The problem is that drives behavior that actually gets in the way of getting the people below to do their best. We’ve just been through a presidency where Bush was asked whether he’d made mistakes, and there was a long silence. [Bush’s] model is familiar: you don’t show vulnerability or weaknesses. But as the world gets more complicated, bosses can’t know everything.”

Heroic leadership can be a kingmaker—or a deal breaker, sometimes embodied in the same person at the same company: “We know great leaders after the fact. If you turn out to be right despite resistance, they call you a visionary. If you’re wrong, you’re a pig-headed idiot. The hard stuff is that nobody tells you in advance. You can’t know, you might have a good idea. But you can’t wait till all the data’s in; the problem will have overrun you or the opportunity will have passed you.

“When Dr. Edwin Land invented the Polaroid camera, he thought Kodak or camera makers would be the obvious customers. But they all said ‘nobody needs pictures in a minute.’ So he went into business for himself and created a multibillion dollar company.” But his next idea was instant movies. “$300 million later, he turned out to be wrong. The same brilliant man, the same leadership. There are no guarantees.” And had he done the movies first, he never could have developed his instant camera.

A more effective model, he says, is not feeling responsible for everything, but getting your team to share the responsibility. And then you have a chance to excel: “You need to get the people excited, passionate. That’s what entrepreneurs are supposed to do, with minimal resources—preferably other people’s money. If everybody’s thinking that way, you get a lot further, faster.”

Ultimately, Cohen wants a more collaborative pattern. And he warns leaders not to come to meetings with their minds made up, not to pretend to solicit input when really all you want is acknowledgement that you’ve made the right choice. “I’ve come to think of heroic leadership as Dracula. Nobody can put a stake through its heart.” RM

By Shel Horowitz

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SEPTEMBER 16, 2008
Tuesday 5:00-8:30 p.m.
Clarion Hotel & Conference Center, Northampton, Mass.

Boundary Issues in Love and Work

Boundary Intelligence is a basic human capacity that exists in everyone. This innovative presentation explains how cultivating this ability improves relationships by resolving the paradox of two essential emotional needs—the desire for intimacy and the desire for personal autonomy and independence. Boundary issues are inevitable in every relationship; learning how to negotiate them without sacrificing the self on the altar of togetherness is the focus of Jane Adams’ most recent work, and in this program she offers techniques and tools that enable audiences to regulate their personal and professional relationships to get more of what they want and less of what they don’t in all their dealings with other people—families, partners, friends and colleagues. Program highlights include: • Boundary Basics: What they are and why you need them • Boundary Intelligence and how to use it in your relationships • Who’s In and who’s out and how to tell the difference • All in the family—Where faulty boundaries come from and how to fix them • What’s your Boundary Style and why does it matter? • In and out of bounds at the office • Do your boundaries fit your job? • Boundary crossings in balancing work and life • Presented by JANE ADAMS, author of Boundary Issues: Using Boundary Intelligence to Get the Intimacy You Need and the Independence You Want in Life, Love and Work and When Our Grown Kids Disappoint Us: Letting Go of Their Problems, Loving them Anyway and Getting on with Our Lives.

PLUS
What It Takes to Be a Good Follower

It is sometimes said that the one indispensable thing a leader cannot do without is...followers! But that word has such a negative connotation, of being conformist, a drone, compliant. But there are qualities of a great follower, and you want great followers, who may also be known by other names: key employee, vice president, brother, co-owner. This presentation by Rick Giombetti and Paul Alves of GIOM-BETTI ASSOCIATES will discuss how to recognize someone who can take your lead, pick up the ball and run, understand your vision and make it real, who can demonstrate great leadership in their follower-ship. And how you, as a leader, can develop your people to be those greater followers.

OCTOBER 14, 2008
Tuesday 5:00-9:00 p.m.
(Please Note Special Length Program)
Log Cabin Banquet & Meeting House, Holyoke, Mass.

You Can and Should Shape Your Own Future; Because If You Don’t, Someone Else Surely Will

says tonight’s presenter, renowned futur-ist, Joel Barker. This special length (2.5 hour) presentation will be a chance to hear the Latest Hits of the man who brought the concept of paradigm shifts to the corporate world. Dr. Barker will weave together his current thinking on what it takes to “Find the Future Faster.” You will be enthralled and improved by learning: • how the creation of new wealth in the world is driven dominantly by diversity. Simply put, without differences, you cannot have innovation; and without innovation you cannot enlarge the total amount of wealth in the world. This may be a reason to stop getting all your employees “on the same page.” • Darwin may have gotten it right about survival depending on small adaptations, but if you want to achieve the biggest breakthroughs and monopolies, go to the extremes (Apple went to the edge to revolutionize the music industry, leaving Sony behind); • how to create extreme partnerships to transform your company and product • how your senior leaders can continuously explore trends, innovations and paradigm shifts • how to better anticipate and deal with the effects of change, learning an efficient and powerful method of exploring the implications and unintended consequences of your strate-
gies and initiatives. We cannot promise you will learn how to look into the future by coming to this event, but there may not be a better way to learn to do so. Presented by JOEL BARKER, creator of Discovering the Future: The Business of Paradigms, the best selling business video in history, and author of Future Edge, one of the most influential business books according to the prestigious Library Journal.

DECEMBER 9, 2008
Tuesday 5:00-8:30 p.m.
Log Cabin Banquet & Meeting House, Holyoke, Mass.

Breaking Robert’s Rules: The New Way to Run Your Meeting, Build Consensus, and Get Results

If you’re ever in the position of getting people to agree, or at least discuss how they will ever decide, since they so vehemently disagree, you probably envy those with great parliamentary procedural skills, with powers to persuade the majority, and achieve great results. Tonight’s presenter, LAWRENCE SUSSKIND, contends that even masters of Robert’s Rules of Order will not arrive at a workable solution without truly reaching consensus, since the “victory” leaves so many people with their issues unresolved. Whether in your family business or any other organization you’re involved with, there is an alternative method to resolve disputes and conflicts, move forward with less tyranny, more solutions, less blame, more understanding, less sabotage, more adherence. Your ideas about how to get groups of people to work together will be challenged and enhanced, and your reputation as a problem solver will make you a much more popular and effective boss, and much less bossy. Dr. Susskind is Director of the MIT-Harvard Public Disputes Program, Ford Professor of Urban and Environmental Planning at MIT and President of the Consensus Building Institute. He is one of the country’s most experienced public and environmental dispute mediators.

Ira Bryck: cont. from page 2

GET HIGH AND ORDER THE LOBSTER

Recently I suggested a business family eat dinner on a monthly basis, and only discuss their most crucial, lofty, wonderful ideas, that can only be thought through when you stop making the donuts for a while. It’s not like they couldn’t come up with a decade’s worth of topics, but the lack of time, the stressors of partnership, the need to keep fingers in leaky dikes make the ultra practical role of big thinking and high perspectives seem frivolous. But if your company is not successful enough to spare you for 90 minutes and spend $30 on a creativity sparking crustacean, there’s always civil service!

NOBODY’S ALL SET

Whenever I hear someone say they or their company are “all set” I worry for them. Nobody’s all set. The world’s oldest family business, Japanese temple builder Kongo Gumi, founded in 578, succumbed to excess debt and a drop in demand for new Buddhist temples in 2006. So a family business that never retracts their antennae, not only to market threats, but to internal disputes in need of mediation, is my kind of company.

Figuring all this out is messy and noisy, even for the most compatible roommates among us; but it’s what you signed up for when you joined the family business. RM

“In times of profound change, the learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists.”

–Eric Hoffer

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About Our Staff Writer
Shel Horowitz is a professional writer, and the staff writer for Related Matters. He is the author of six books, and recently published his sixth book, Principled Profits. He can be reached at www.principledprofits.com.
BULKLEY, RICHARDSON AND GELINAS, LLP is a full service law firm with offices in Springfield and Boston, Massachusetts. The firm has extensive experience in advising family businesses and in planning for the transfer, management, and conservation of family wealth. Since its founding in the 1920s, the firm has grown to be the largest in western Massachusetts. However, with fewer than 50 lawyers, it remains a mid-sized, community-based law firm whose lawyers emphasize personal contact with clients. Ronald P. Weiss, David A. Parke, Mark D. Cress, Peter H. Barry, Scott W. Foster & Jenelle Dodds, are available at (413) 781-2820. www.bulkley.com

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