Yes, It’s Written In Stone: The Customer Is Right

AT STEW LEONARD’S, it really IS written on a rock: “Rule 1: The customer is always right. Rule 2: If the customer is ever wrong, reread rule 1.” And the three-ton rock has a prominent place at each store entrance.

Priding itself both on low prices and extreme service, Stew Leonard’s is not the typical small grocery chain. Stew Leonard, Jr. told the Center about it at the May gathering.

A 100% commitment to the customer can lead to some interesting situations - like the time a security employee asked a woman not to stuff her pockets full of strawberries, and she told him to go read the rock!

Another customer presented a coupon for a free half-gallon of ice cream with any three-dollar purchase. The cashier accepted the coupon, but then went around afterward to the other staff, asking if anyone had ever seen it before. A veteran employee said it was something Stew, Sr. had done when the store was very new, to get the average sale up from two dollars.

The next time that customer came through, the cashier asked, “did you know that coupon was over 20 years old?”
From the Director’s Desk:

If You Have a Lot to Learn, You Have a Lot to Teach

Of the many formidable challenges facing any business (but more so the family company) a biggie is how to make significant decisions. A sole proprietor can make any seat of the pants proclamation he or she wishes, risking only profits, customer loyalty, obsolescence, and public ridicule; but relatives cannot bang out strategic maneuvers easily, besieged by imbalances of power, impoliteness of certain topics like death and incompetence, conflicting views about money and risk, not to mention that you may not have the stomach for being the very last wagon wheel manufacturer, though your father is overjoyed you’ve outlasted the competition.

And so you may be sitting around the conference or dinner table, blathering the usual “Mother, please; I’d rather do it myself” or “That’s all I can take, and I can’t take no more” or “Our brightest days are behind us.”

In my case, cast as fourth generation president of my family’s retail clothing store, the oldest childrenswear store in the nation, I saw no way out but to close. The neighborhood had declined, category killers were not going away, I wanted out of the nest. I tried to think outside the box, but being in a box, the thoughts increased the claustrophobia.

When I closed that business, I was not prepared for the flood of creative thoughts about what I coulda, shoulda done. Maybe some of them would have actually stemmed the bleeding, assuaged the ennui. No matter, there were more good reasons to go than stay, and I’m now so much more fulfilled.

But the point is, I needed to get out of town, needed some time and space, though not quite 40 days in the desert, to think better.

Think better, not more, is the point. I once heard that people think 85,000 thoughts per day (I never counted, so relying on that research). And that the vast majority of those daily thoughts are similar or identical to yesterday’s thoughts. Of course, I wouldn’t want to re-figure out each day how to make a left turn. But at best, yesterday’s thought solved yesterday’s problem. (They may have only put off yesterday’s problem, in which case the problem and the half vast thought are both making an encore.) Today’s problem, as Einstein noted, needs new thinking.

And though solutions are more plentiful than we think, they’re often hard to locate. So consider those that have made themselves very available, like the UMass Family Business Center. If I told you we have gathered the world’s greatest thinkers, all focused on your issues, it would not be the whole truth. If I claimed that this organization, comprised of rocket scientists, brain surgeons, and healers of the common cold, will help you grow your retail store or machine shop, you’d tell me there is only so much that geniuses know about shopping or welding, and I’d agree.

What we have here is a population of the generally curious, hungry, and adaptable. They are not huddled masses. They have come out of the closet, stating plainly that there is information they need to acquire. Add to that, our presenters: a mix of teachers, social scientists, technicians, philosophers, workaholics, all sorts of experts, those who have

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By Ira Bryck
F.B.C. Membership Benefits

Participation in the Full Series of Seven Dinner Forums through the year for all family members in the business. At the discretion of members, family not in the business is invited to the meeting. Other topics might be appropriate for a nonfamily, key employee. The maximum value of membership in the program is reached when all relevant parties partake of our interactive learning environment.

Roundtable Discussion Groups The UMass Family Business Center offers the opportunity for members to participate in peer roundtable discussions. Groups divided loosely along operational and generational lines meet regularly in an informal, facilitated “affinity group” with others in the same position in the family business. The groups, a member benefit at no extra charge, are confidential and intimate forums that you may view as your outside board of advisors on both family and business issues.

Opportunity to Network and Confer with intimacy and confidentiality with business owning family members, with speakers who are leaders in the field of family business consulting, and noncommercial contact with the center’s sponsors, representing the fields of law, insurance, banking, and accounting. This interaction will be invaluable in providing a sounding board, a second opinion, an empathic and experienced listener, and honest and direct feedback for the family business member.

A Subscription to our Educational Newsletter Related Matters: Treat Your Business Like a Business and Your Family Like a Family, featuring advice on the issues relevant to family business, such as succession planning, ownership and management, and family relationships, as well as coverage of the activities of the UMass Family Business Center and profiles of its members.

Emotional Intelligence—Stop Amygdala Hijackings

The human brain hasn’t had a hardware upgrade in about 100,000 years.” According to world-renowned emotional intelligence expert (and area resident) Daniel Goleman, most of us are still acting out of the ancient fight-or-flight response, and that upgrade is long-overdue.

Goleman battled illness to bring this message to FBC’s December gathering at the Clarion. “Emotions make us pay attention right now—this is urgent—and give us an immediate action plan without having to think twice. The emotional component evolved very early: Do I eat it, or does it eat me—you don’t sit around and Google it,” and that emotional response “can take over the rest of the brain in a millisecond if threatened. Today the threat is symbolic (“he’s not treating me fair”) but we respond with the same biological response.”

Goleman calls this eruption an “amygdala hijack.” The amygdala is the center of the brain that controls this response, and also controls empathy; when it feels threatened, it can respond not just irrationally, but destructively. “When Mike Tyson bit Evander Holyfield’s ear, it was a very bad business decision—it cost him $3 million. It was an amygdala hijack.”

Here are three signs of an amygdala hijack: strong emotional reaction, sudden onset, and “when you reflect later, you realize it was inappropriate”.

The opposite of an amygdala hijack is emotional intelligence: “the integration of the emotional center and the executive center.”

Interestingly, boredom also correlates poorly with emotional intelligence. “When your amygdala is hijacked, or when you’re bored, your performance is very poor, despite your abilities.” The emotionally intelligent person is engaged, focused, motivated and attentive, and matches these skills to the situation.

And one of the hallmarks of an emotionally intelligent leader is the ability to reshape the emotional landscape of a potentially troublesome situation. “When you realize that emotions are contagious, you understand a primal task of a leader. Your spleen, your lymphatic system couldn’t care less about the spleen or lymphatic system of the other person—but emotions are designed to be in tune.” Thus, humor and empathy are traits that can de-got

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Daniel Goleman

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Emotional Intelligence

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people to laugh three times more often. It’s a brain to brain link.”

Goleman studied core competencies at 500 organizations, and found that emotional intelligence—interacting with people in a way that makes them feel valued, and thus leads them to value their interactions with you—is twice as important in all jobs at distinguishing the best from the average. For top leaders, “emotional intelligence is 80–90% of the distinguishing competencies. The higher you go, the more it matters.” Too often, however, family businesses run on the Peter Principle of promoting people until they’ve gone past their ability to be effective. They got promoted because of their technical competence, but now that they have people reporting to them, they can’t make the transition.

The lesson for family businesses, of course, is to hire and promote people who display substantial emotional intelligence—and this can have a major positive impact on your business. “In a study of 4000 leaders and their direct reports, the style of leadership is the biggest driver of climate—70%. And climate affects 20–30% of business results.”

It starts very early. Goleman cited the “marshmallow test,” which measures the emotional intelligence skill of self-management: Four-year-olds were told, “You can have this marshmallow now if you want, but if you wait until I come back from my errand, you’ll have two.” About 1/3 can’t stand it and grab the marshmallow, another third wait the full 7 or 8 minutes. 14 years later, they’re tracked down by a professor at Smith, Phil Peake. The kids who grabbed fell apart under pressure, they couldn’t get along with friends. The kids who waited had a 210-point advantage on their SAT’s. The people in Princeton who make up the SAT were stunned, they said it’s the difference between a family with no college education and a parent with a master’s degree.”

Unfortunately, Goleman sees today’s patterns of child rearing as problematic. “Children are unintended victims of ratcheting up of competition. Their parents have to work longer and harder to maintain their parents’ standard of living. Kids are over-scheduled after school, you don’t have the down time. And there’s a technological experiment with the

Don’t Get Ripped Off by Check Fraud—A $20 Billion a Year Problem

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Philip Simons, of FBC sponsor Sovereign Bank, reported that technology has made it easy for check thieves. 1.2 million bad checks are passed each day, costing $20 billion per year. Worse, banks are not required to verify signatures, and banks match only on account number, not payee name. But the good news is that business owners can actively take steps to protect themselves. “Banks and customers must form strong partnership to prevent fraud” and here are some of the ways:

Positive pay (also called match pay) automatically sends copies to bank as checks are drawn. The bank match incoming checks against their records. For clients issuing 500 checks/month, this service costs about $1500 per year. And checks themselves have more security features now, for example:

- Background planographs that show “copy” when photocopied
- Microprinting, visible with magnifying glass; the line becomes solid if copied
- Watermarks
- Larger type fonts - tampering leaves more visible marks
- As much ink around the payee name as possible (asterisks, etc.), to make it harder to change the name.

Simons recommends including as many as possible. “A strong argument can be made for client negligence if you’re not using security features.”

Couple check features with sensible procedures, such as:

- Keep tight control on check stock and also any stored digital signatures
- Require two signatures
- Reconcile promptly (catch fraud quickly and report it). [Many banks allow you to download your statement a day after cycle closes - and some banks have shortened the period from 30 days, so promptness is key.
- Keep checks the same color whenever possible - easier to detect chemical wash
- Protect your account number and transit number. Staples sells check-printing kits and someone can go in and print checks with those two numbers.
- If your vendor wants debits, open a new account for the exact amount of purchase.

Discuss all this with your banker. Failure to implement means you may be liable for some or all of a check loss.  

By Shel Horowitz

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Turning Personal Conflict into Productive Teamwork

If you don’t have conflict, you might not have a business. That sounds pretty far-out, but consider these quotes from two giants of the 20th-century business world:

“Any time two of my managers agree completely, I can get rid of one.”
- William Wrigley, Jr. (of chewing gum and Chicago Cubs fame)

“I propose that we postpone discussion and gain time to create disagreement.”- Alfred P. Sloan.

Both of these quotes were supplied by Ken Kaye in his talk to the Family Business Center March 9 at the Delaney House. A Harvard-educated family therapist, family business consultant, author, and speaker, his many books include Workplace Wars and How to End Them: Turning Personal Conflicts into Productive Teamwork.

“If two people own a business together, and they both believe their goal is to get the Raytheon account, no problem. But what if one wants to get the account and the other wants to reduce the debt. Is that a problem? No. These are compatible goals. But if one wants to reduce the debt and the other’s goal is to acquire machinery, you might have an incompatible conflict.”

But companies can put mechanisms in place to work toward resolution. “We need to make it known that it’s appropriate to address the conflict, that we have a mechanism where they will be heard. We have [as a country] a set of structures for resolving conflicts. We have the court system, and a legislative system, and as a result, compared to societies lack such institutions, we Americans settle the vast majority of our conflicts without resorting to violence. Our diverse groups coexist in amazing harmony. We need to have conflict resolving systems in our companies as well.”

Individuals can approach conflict situations with an eye to understanding, not defense of their own position. “Don’t anticipate what you think the other person is going to say. Listen. If I interrupt him, he doesn’t know that I’ve heard what he said. Thank them, appreciate them, for telling you. It’s not to be nice, but I have to make him know that I understood because I want him to listen to me! Otherwise, he’ll be thinking, that SOB interrupted me!”

“Salespeople are excellent listeners with prospective customers. Less good with existing customers, a lot worse with colleagues, and worst of all with their

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STRATEGIC QUESTIONS
FOR THE LONG AND SHORT TERM

MANY COMPANIES feel pretty good about their planning process if it stretches five years out. But oil giant Royal Dutch Shell has looked ahead 200 years! “They saw the end of oil, and began to plan for it. They also asked, ‘What are the distinguishing characteristics of companies that have been around 200 years or more, and how can we strengthen them in our company?’” The comment is from Paul Lipke, of Sustainable Step New England, who returned once again to get FBC members thinking about strategic questioning. Shell’s superb strategic questioning process, he noted, anticipated the end of apartheid in South Africa, the fall of the Berlin Wall and other global shifts and saved Shell millions of dollars.

Other companies also take the long view, including Toyota, the largest family business in the world, and Honda, which is looking 500 years down the road. “It’s about perspective. They’re looking at global trends, but also implementing small ideas to fully utilize employee creativity.”

But your goals may be more immediate. Walgreens asked what its customers really care about, and inquired into its own key profit ratio. With “convenience” and “profit per visit” (rather than profit per item) as key answers, it worked to make everything about the customer experience more convenient. Says Lipke: “They can have nine stores in a one-mile radius, and they invested in high margin areas like one-hour photo finishing and drive-through pharmacies.”

Lipke showed how strategic questioning moved both Shell’s long-term planning and Walgreens’s immediate responsiveness forward, then used a live case story from a Family Business Center member to demonstrate how to apply strategic questioning in local firms. Strategic questions open up new possibilities; they usually start with how, when, what, why: Examples might include:

• How might we think about this differently?
• Who might have a new perspective on this problem?

But Lipke cautioned against closed-ended questions that may look like strategic questions, but actually block new ideas; “What makes you think it will work?” is very different from “What are all the ways we could solve this problem?” “The first is an accusation, an offense/defense question. It’s negative, it’s closed, it’s yes/no, focused on one idea. It doesn’t open up your thinking.”

Other cautions: make sure your questions get asked by trusted people when listeners are ready to hear them. 5:30 on Friday afternoon, may not be the best time. Lipke suggests you’ll get the best insights when you “have either a sharply defined problem or one you need to understand better. You might need to be sensitive to people issues. Furthermore, don’t ask for ideas if you can’t listen well and implement them, otherwise you will create more problems than you solve. You won’t get a second or third chance.”

By Shel Horowitz

Personal Conflict
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families. The problem is, the people who matter the most to us are the ones we take for granted. We don’t feel we should have to explain ourselves. Don’t assume, just ask.”

“In de-escalation, ask an irate customer ‘what would you like me to do?’ Give the opportunity to tell you how upset they are, and to understand. We’re talking about resolving conflicts that will maintain and improve your relationships.

Kaye challenged the audience to remember three things:

• Conflict is good
• Avoidance guarantees worse conflict
• Succession does not equal success

Conflict, he says, is essential for a healthy business - especially a family business, where the personal stakes are higher.

What happens when you try to shove conflict under the rug? It gets worse.

Kaye outlined ten prime causes of conflict in family business. Number one on the list? Fear of conflict! “We see recurring cycles of conflict. The conflict builds, everybody’s yelling, pointing the finger. They don’t resolve it but they back off. It got too hot, too painful. And they say here we go again, or there she goes again. It happened because the whole group is collaborating to avoid the issue. They ‘solve’ it by failing to pursue it, but the issues are still there. It’s like two people in a rowboat; one leans to one side, the other leans to the other to counterbalance, and next thing you know, instead of working together to keep the boat balanced, they’re both swimming. People acknowledge problems slowly. It takes a while before the conflict becomes severe enough that people feel motivated to address it. They hoped it wouldn’t get worse. The problem is that your options to resolve decline as the problems worsen. The longer you wait, the fewer options.”
The other nine triggers of conflict in family business? In order of importance:

- Trust problems
- Fear of admitting weakness
- “Prisoners of the family business” (family members who come into the business reluctantly, lack the skills to perform, and are marginalized - but can’t go anywhere else because he or she could never match the salary and perks anywhere else)
- Addictive/difficult personalities
- Fear of expressing praise
- Conflict between business growth goals and family goals
- Poor communication practices
- Incompatible goals and expectations - different family executives have conflicting visions for the future
- Personality and culture differences

By Shel Horowitz

Centralize All Your Stuff

So... how much time do you spend looking for stuff - like real estate deeds, wills, securities, investment statements, passports, frequent flyer records, even pictures of your grandchildren?

UMass Family Business Center sponsor Charles Epstein says he can get that time down pretty close to zero. Not only that, but he can update all the information in your investment portfolio every day. Oh yes, and the report goes to your financial manager, complete with flags about when and how to readjust the portfolio to match your particular goals. In his words, it’s about “helping people find Simplicity, Focus, and Balance in their financial affairs.”

Centralizing all the important data is part of what Epstein calls “The Family CFO Process.” It’s part of a philosophy he has expressed consistently over the years: just as a business needs a Chief Financial Officer, so does a family - especially a family with significant assets.

Among the benefits:

“Every night the system goes out and pulls the value of all your accounts and creates one balance sheet. You don’t have to pull up a statement for each account. You can easily upload it to the bank every quarter. You can project out: what happens in the year 2015?” Epstein is particularly pleased with the program’s asset allocation capabilities. “This is probably the most difficult for people to manage. The system allows us to globally figure out what percentage should be invested in different asset classes. Here’s a recommended portfolio, here are the adjustments, and every day, the system goes and checks how you’re doing.”

“...just as a business needs a Chief Financial Officer, so does a family.”

“The hardest decision in investing is knowing when to sell. If you have a proper asset allocation strategy, we can alert the client as to the proper time to make adjustments. When to take some money out of your winners and reinvest in your losers. And we receive an alert when they are buying and selling and can notify them when to make the proper changes in their asset allocation strategy.”

Organizing and managing your finances and “stuff” is just one step in The Family CFO’s comprehensive six step process, designed to assist all members of a family business in achieving financial independence, with reduced financial anxiety and greater peace of mind.

By Shel Horowitz
“The woman said, ‘I was cleaning out my mom’s attic and found it in an old newspaper. I’m a reporter for the local paper and I just wanted to test the rock.’ She wrote her story, and then it was picked up by the Wall Street Journal.”

Better yet, the store attracted the attention of management guru Tom Peters. After Peters wrote about the store in two of his books, the store became a destination for visiting Japanese businesspeople - the only people who would buy the 5000 miniature engraved rocks that Leonard had ordered.

And how does that rock happen to be at the store entrance? It was Stew Leonard, Sr.’s daily reminder to himself, after losing a customer over a badly handled return. And Stew, Jr. firmly believes in the message on the rock. “Sometimes employees want to ‘protect’ us from the customers and not give money back. They have to realize each customer represents $60,000 in lifetime value. ‘We don’t want to lose that. We’ve had customers bring back a fresh-cut Christmas tree in February and say, my tree died. We give them back their money. We get abused a little but we make the customer happy.”

Leonard is the third generation family CEO. His grandfather started with a traditional dairy, delivering to homes with a fleet of small trucks. But as soon as Stew, Sr. got involved, things started to change. “He decided to jazz it up a little. He put cow heads on the front of all the trucks. And the horns went moo.”

When the state took the Leonard farm for a highway overpass, Stew, Sr. did some research - and he found that dairy delivery was a dying industry. But he talked to one extremely successful farmer on Long Island who had opened his bottling plant to public view. So in 1969, Leonard opened the first Stew Leonard’s in Norwalk, Connecticut, selling all of eight items in 17,000 square feet of space. And the public could watch the milk being bottled.

The original store has been added on 30 times; now there are three other locations. Although its stores only sell about 2000 different items (compared to over 30,000 in traditional grocery stores), in 1992, the Guinness Book of World Records included the store for “the greatest sales per unit area of any single food store in the United States.” For the past three years, Fortune magazine has named it one of the top 100 companies to work for.

All the more remarkable considering the company’s big troubles in the early 90s, “In 1991, just as we were opening in Danbury, the IRS raided our store. My father and two uncles ended up going to prison. That wiped the whole family out, just about. My brother had left, and one of my top buyers left for a great offer. We had no management left. The bank put us on COD. It was hairy. I didn’t know if we were going to make it. 

“I’d just lost my son [in a backyard drowning, making Stew, Jr. a crusader for water safety] which put it in perspective. It’s not death. But I felt a huge responsibility. The whole family’s paycheck was depending on this business. And then the state jumped in with weights and measures. We had auditors just piling in.”

Ironically, all this was going on just as Stew, Jr. was completing the mountain of paperwork as a finalist for the Malcolm Balridge excellence award; he withdrew the application.

But the weights and measures charges were dropped, and the company rebuilt. And developed a fiercely loyal following by providing customer service above and beyond what anyone could expect - and not just at the returns desk.

When a customer ordered too little food for a party, an employee jumped in his truck and drove a tray over, refusing payment.

Another employee opened the story an hour early, just so the customer could pick up the food for a co-worker’s birthday celebration on her way to work.

All of it—the customer service heroics, the tax trials, and of course, the rock stories - was delivered as upbeat entertainment. Leonard’s description of dealing with shadowy Yonkers and New York
How to Turn Ideas Into Profits

HOW'D YOU LIKE to jack up your company’s productivity, slash expenses, vastly improve employee morale…and not only make your company a whole lot more profitable, but get a significant leg up against your competitors?

What if you could accomplish all this by instituting one simple idea that has a capital cost of zero?

Too good to be true? Sounds that way, to be sure. But such industry success stories as Toyota, Lucent Technologies, Winnebago, and guerrilla magazine publisher Boardroom (best known for its Bottom Line series) are among those who’ve embraced this idea.

So what’s the big idea? It’s the idea that 80% of your best ideas will come from front-line employees. These ideas can drastically improve both small and large businesses – IF there’s a systemic way to collect, evaluate, and implement them.

UMass professor Alan G. Robinson came to the Family Business center’s April gathering to show the power of this strategy, and to explain exactly how to put an idea capture program in place.

Many companies have tried to put idea capture programs into place, but Robinson says a lot of them go about it all wrong. Two things are different in Robinson’s version: small ideas are valued at least as much as big ones, and the incentive for submitting ideas is not based on monetary rewards, but on a culture of respect.

Here are a couple of examples of the power of small ideas:

“A lot of people buy fridges that don’t fit in their house. They ding it up, bang up the doors, it gets marked down. This was costing Sears millions. One guy would measure the critical dimensions and staple the string to the receipt. ‘Walk through all your doorways. If it doesn’t go through, call me right away.’ This was adopted by word-of-mouth at a few other stores. What if we replicated it at 2000 stores nationwide?”

But Sears, only looking for “big” ideas, failed to capture and implement this one.

A more positive example: Monrovia, the largest grower in the country, covered the potting lines with tarps on the suggestion of a line worker whose hands hurt working in the rain. “Several months later, they realized the yield had gone from 61% to 92% because the wet dirt was not as good a growing medium. It saved them many millions per year. It didn’t show up as a big aha moment. It’s like a giant hairball with little strands, little problems that create

By Shel Horowitz

Emotional Intelligence

world’s youth. They spend more time alone, staring at a monitor than has been true ever in human history. There is relational poverty. They have less time with the people in their family. Fewer parents have the luxury of someone in the family to hang out with their kids. You don’t have time as a child with the adults who care the most about you and who can help you learn these lessons, and nor is there time for free play, where you work problems out yourself. Childhood has been impoverished in that regard, particularly in affluent families. It’s imperative that we put this in schools, so that at some point every day, you’re getting it. In the interest of society, we need to institute social emotional learning programs.”

By Shel Horowitz
Ideas into Profits

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little opportunities but any one could be a symptom of a larger problem.

Small ideas are also much harder to spot from the outside, so they stay proprietary. Your competitors have no clue how you've cut costs or increased satisfaction. Yet Robinson was told by the CEO of Lexmark, “we're not interested in the small ideas - we want the home runs.”

What this short-sighted comment ignores is that small ideas, implemented on a large scale, can have huge impact. Robinson offers three questions to determine the true scope of small ideas: Can this idea be used elsewhere? What other ideas does this one suggest? Are there any patterns in the ideas (that identify larger problems or opportunities)?

A secretary at a Japanese company started programming her fax (in the pre-email days) to transmit at night, when rates were about a third cheaper. While this change only saved about $320 a year for this secretary, replicated thousands of times, it saved over $70,000 per year.

Even bad ideas point out opportunities. When a janitorial employee suggested turning off the cooling fans on projectors after a presentation, management recognized that implementing this idea would burn a hole in the equipment budget—but the company saw the opportunity to train the custodians in audiovisual operation. Now they can help set up and take down the equipment, increasing productivity.

And what about the idea collection process? Why shouldn’t you offer cash rewards?

“Most companies pick the most dysfunctional reward scheme possible. They have a committee to evaluate and put a number on the idea, and give you a percentage. If you do that, you get into fraud and unethical behavior. The more you offer per idea, the fewer ideas you get.

“You have to have a significant bureaucracy and waste a lot of time calculating what the each idea is worth. If you’re the poor guy whose job it is to figure out how much money was saved with energy-efficient light bulbs... And the employee will disagree with your number. It averages four hours of a manager's time to calculate the worth - and once you finish, it’s useless information. It reflects a lack of trust and teamwork.”

So what should you do instead? Make idea capture part of the culture. Boardroom demands 26 new ideas from each employee every quarter. Miss the quota once and you lose a bonus worth several thousand dollars. Miss it twice and you’re asked to leave. people who are short of ideas in a particular week borrow them from others, and then pay them back. Everyone averages 26 ideas. And Boardroom’s sales are seven times the industry average.

Toyota, the world's largest family business, gets 15 ideas per employee per year. Its “market value is greater than the Big Three [domestic automakers] combined. It has nearly enough cash to buy all three. It has been improving faster and more consistently—improving labor productivity at 8-12% per year for 15 years. They have not laid off a single employee worldwide. If you were ever a supplier, you never went out of business. They make their suppliers do this too, and their supplier base is significantly stronger.”

If you do use monetary incentives, don’t assign them just to the individual; add them to a communal pool. But ultimately, make it the responsibility of every manager to collect ideas. At one company, managers who fail to get at least five ideas per employee are ineligible for promotion for three years.

Robinson’s latest book, Ideas Are Free (Berrett-Koehler, 2003), goes into far more detail. By Shel Horowitz

“The suggestions are supposed to go in the box.”
WOULD YOU BE SURPRISED to learn that a common cause of workplace dysfunction is lack of clearly defined roles and expectations? Ambiguity can cause a multitude of problems - owner frustration, poor employee performance, duplication of effort or omission of critical functions. Many times, by simply gaining agreement on roles and responsibilities, organizations operate more effectively. When expectations are clear, everyone works more harmoniously and productively.

Effective communication begins with an organization chart

A thoughtfully composed chart that accurately reflects all of an company’s functions clarifies reporting relationships, establishes high-level roles and responsibilities and better informs employees, customers, colleagues and vendors about who does what.

An organization chart is especially useful to:
- Understand and acknowledge all business functions
- Train new staff
- Inform customers, suppliers and staff of any new or changed roles, especially during times of significant transition

In the early years of a business, often there are few if any employees and everyone does whatever needs doing to survive. There is little recognition of time spent on the “hidden” functions like marketing, HR, and financial management. As companies grow, either those extra duties take an increasing amount of someone’s time or they get too little attention and are assigned only when deadlines loom.

By stepping back and acknowledging all of a company’s necessary functions, owners can choose do, assign or outsource these critical roles. Planning for all functions is especially important as founders contemplate stepping aside. Successors need to understand and prepare for all the duties of their new roles. Creating an organization chart with all the functions clearly spelled out and assigned is a great first step.

Job descriptions clarify responsibilities, priorities and expectations

Once all functions are clear, they need to be defined in more detail and performance expectations set. Job descriptions help companies:
- Establish specific roles, responsibilities and the soft-skill competencies necessary to succeed in the role
- Systematize the entire hiring process from employment ads and/or internal posting through selecting and orienting new employees
- Communicate the company’s career path
- Identify skill gaps to arrange needed training
- Form the basis for formal employee evaluations

To be valuable, review job descriptions annually to ensure that they are up-to-date and make needed changes. Here a list of things to get started:
- Describe the position, not the person.
- If formal job descriptions are new to your organization, get buy in from current staff.
- Include a position overview, main challenges, and essential functions with behavior-based, specific duties, as well as technical skills, educational and physical requirements and company values.
- Plan ahead! Think about your long-term needs.

When expectations are clear, everyone works more harmoniously and productively:

Hiring and retaining the right staff is essential for business success. It’s critical to think carefully about your company’s culture and values and include them in job descriptions. For example, if your company relies on teamwork or values employee participation in decision making, this should be clearly stated.

Formal performance evaluation is an opportunity to share and receive employee feedback

Job descriptions will carry little weight without a process to assess whether employees and owners are meeting expectations. The adage that you have to inspect what you expect is true. A formal evaluation process is a two-way street; this is

continued on next page
How to Collect from Delinquent Customers

FEW THINGS ARE AS HARD on a business as poor cash flow because your customers are late to pay. Fortunately, Mark Cress, of FBC sponsor Bulkley, Richardson and Gelinas, outlined some strategies to keep your receivables from swallowing your company.

First off, make a problem much less likely to begin with. Before extending credit, order credit reports, including Dun & Bradstreet. Examine financial statements and tax returns. Establish a credit limit and stick to it.

Next, monitor changes in a customer’s pay pattern; this could be a warning sign. Send “prompt, friendly reminders; do not underestimate the value of letting your customer know that you know they owe you money. Don’t let them feel it’s not important.” If you neglect it, the customer will feel you don’t care, and collecting will be much harder.

And if the problem persists, cut off the flow of goods or services.”It stops the bleeding and brings the issue to a head, especially if they need your product or service.” Of course, if you owe this company money, you’re in a position of strength; you can offset the money you owe against what the company owes you.

Cress is not a big fan of working out payment plans; he prefers to get the debtor company to settle the debt. If you do work out a catch-up plan, “I’d recommend a very significant initial payment” - and staying on top of payment schedule.

Keep good documentation, including records that show your product or service was properly delivered. If legal action is necessary, it’s “helpful to document that there was never any question about product/service quality, filling the spec.” And if the company ignores your communications or welshes on a deal, “race to the courthouse before other creditors, for pre-judgment remedies.” Once bankruptcy is filed, a separate lawsuit will do little, if any, good.

Still even if you get redress in court, if the company later goes bankrupt you may face what’s called “bankruptcy preferences: You not only don’t get paid what you’re owed, but you get sued by the trustee to recoup money you were paid just before the bankruptcy. Take the money anyway, 90% of preference actions are settled (usually for a lot less) and there are defenses to preferences.”

By Shel Horowitz
EXCUSES DON’T WORK for John Lombardi. He wants the job done, and done right.

Lombardi, Chancellor of the University of Massachusetts Amherst, leads with both his head and his heart. That makes him a perfect fit for the Amherst campus with its enormous diversity of programs. The chancellor combines a successful professional track record (among other positions, he held top posts at Johns Hopkins University and the University of Florida) with wide ranging personal interests. He teaches every semester, occasionally is recruited to play clarinet in the UMass Amherst Alumni band, is an automobile aficionado - and owns 20,000 books.

Sixteen months after his inauguration, Lombardi addressed the UMass Amherst Family Business Center in June at the Log Cabin in Holyoke. He noted that UMass Amherst faces many of the same challenges as do family businesses, especially the challenge of changing values. The founder of a family business holds certain ideas to be sacred, says Lombardi, but the children have different ideas, even amongst themselves.

“A university also goes through generations. We have groups, like faculty, who never leave for 20, 30, even 40 years. They believe their values are permanent,” said Lombardi. “So when a new generation comes in with new ideas, there is a culture clash.”

Lombardi said UMass Amherst is in the middle of such a generational transformation. At the heart of that process, said Lombardi, is redefining the university’s relationship to the state.

“The new generation says successful research institutions are in the marketplace, competing for contracts, for gifts, for every single dollar available. It’s not enough to be the ‘best public university in Western Massachusetts,’” said Lombardi. “To be successful, the university must compete for grants, for the best students, for the best faculty with every other world-class academic institution.”

Lombardi outlined four principles that define his stewardship, that represent a generational change in values for the university: Money Matters, Performance Counts, Time is the Enemy, and Integrity is a Core Value.

“Students say, ‘are you as good as Rutgers, UCLA, Michigan?’ This competition has forced us to make sure every part of the university is able to deliver the highest value at the best price and the highest quality possible,” said Lombardi. Money makes all the difference. “I’ve never had anyone say, ‘give me permission to think a great thought.’ Instead they say, ‘I have a great thought and if you give me $200,000, I can express that thought.’”

Performance counts, said Lombardi, in that you must show results. “If you say ‘I’m going to teach your kid well,’ then you must indeed teach the kid well.” The key challenge facing the university, said Lombardi, is time. “If we don’t fix a thing today, there will be a generation of students that loses out. If it takes one year, that is 25 percent of a person’s education that I didn’t fix. If there is a grant on the table and we didn’t apply for it today, we won’t get it tomorrow and we can’t spend it to buy equipment. Fix it, paint it, mow it, kill the weeds...mow the grass today.”

Integrity is at the core of Lombardi’s plan. “In universities as in any business, doing the right thing is a critical part of being successful. It has a practical application. If your actions have integrity, you don’t have to explain what you did. If you can’t explain your reasons for doing something in 25 words, it’s probably not the right thing to do.”

Lombardi pointed to the beautification of the campus as a metaphor for the transformational change happening at UMass Amherst. “First, we did the edges. You have to watch the edges, because if they’re done right, you’re probably doing a good job with everything else,” said Lombardi. “There’s no trash on campus anymore. We’re painting peeling buildings. The graffiti’s gone. We’re spending $500 million on renovation and new construction.” And that is only the beginning.

By Shel Horowitz
While most Fortune 1000 companies have at least some formalized competitive intelligence function in place, few small and mid-tier companies have embraced this valuable tool to support their business objectives. Many companies claim they know their markets and customers, and keep an eye on their competitors. But, unless they rigorously monitor and analyze industry trends, emerging technologies, and existing and new competitors, they may miss important early warning signals about the future developments and unexpected competitor activities. Using proven (and legal) collection and analysis techniques Competitive Intelligence can help answer important questions like: Who is winning in our market and why? What do we know about our competitors’ strengths and weaknesses? Will our strategy transform the nature of competition? What might our competitors do next?

Presented by FRED WERGELES, who has developed innovative methods and tools to quickly and effectively improve Strategic Planning, Product Development and Market Assessment. His expertise in Competitive Intelligence was honed in his 18-year service in the Central Intelligence Agency, analyzing worldwide science and technology developments and managing data collection and analysis in support of strategic decision making.

Wednesday, Sept. 22, 2004
5:00-8:30 p.m., Clarion Hotel & Conference Ctr., Northampton, Mass.

COMPETITIVE INTELLIGENCE: PLAYING TO WIN ISN’T JUST FOR THE BIG BOYS (AND GIRLS)

While most Fortune 1000 companies have at least some formalized competitive intelligence function in place, few small and mid-tier companies have embraced this valuable tool to support their business objectives. Many companies claim they know their markets and customers, and keep an eye on their competitors. But, unless they rigorously monitor and analyze industry trends, emerging technologies, and existing and new competitors, they may miss important early warning signals about the future developments and unexpected competitor activities. Using proven (and legal) collection and analysis techniques Competitive Intelligence can help answer important questions like: Who is winning in our market and why? What do we know about our competitors’ strengths and weaknesses? Will our strategy transform the nature of competition? What might our competitors do next?

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Wednesday, October 21, 2004
5:00-8:30 p.m., Log Cabin Banquet & Meeting House, Holyoke, Mass.

TENTH ANNIVERSARY CELEBRATION OF THE UMASS FAMILY BUSINESS CENTER!!

A perfect occasion to enjoy the company of our companies, and bask in the glow of ten years of UMass Family Business Center success. Come stuff yourself with a wonderful buffet feast, and hear what the Family Business Center has meant to our members. You will benefit, as always, from great conversations with a great variety of movers and shakers from Western Massachusetts.

It will also be an evening with great entertainment: We are proud to celebrate our ten years of success by presenting cultural icon FLOYD VIVINO, AKA “Uncle Floyd”, star of the namesake Uncle Floyd Show, which developed a following in the New York-New Jersey area in the 1970’s, and on New Jersey Cablevision for 25 years. He has played many Catskill and Pocono resorts, including Caesars, Fernwood, and Nevele; and opened for Melba Moore, Jerry Vale, Pat Cooper, Al Martino, Pete Seeger, Julius LaRosa, Tom Chapin, and many others. Floyd appears live about 300 nights a year in clubs and on-stage. Between the entertainment and good cheer, this will be an evening to celebrate.

Wednesday, December 8, 2004
5:00-8:30 p.m., Clarion Hotel & Conference Ctr., Northampton, Mass.

HOW TO SELECT EMPLOYEES WHO PERFORM 600% BETTER THAN AVERAGE (OR IMPROVE THE ONES YOU HAVE)

What hiring choices would a business owner make if s/he could predict the dollar value of a potential employee’s contribution? Given a choice between sales account representative who’ll bring in ten times the cost of his or her salary and benefits or one who will earn 88 times his or her cost, which one would you want to hire? The best employees may perform 600% better than average, and it is possible both to predict and perhaps even more importantly to train for extreme success. Research and teaching in 55 countries has demonstrated how to increase Achievement Motivation, and create a climate that rewards innovation. This session will tell you how to achieve staggering increases in your workforce’s interpersonal understanding, collaborativeness, ability to develop and empower others, concern for order and quality, initiative and innovation, analytic and conceptual thinking, self-confidence, flexibility, accurate self-assessment, and more!

Presented by DR. LYLE M. SPENCER, JR., President of Spencer Research & Technology, is an author and independent consultant on competency development, reengineering human resources, and HR return-on-investment analysis.

WHERE POINT ’A’ WAS

It has been said that everyone wants to be different, but nobody wants to change. But to complicate matters, how can we change, when we don’t know enough about ourselves to begin with? This session will be a panel of several owners and managers who have been through the Performance Dynamics assessment developed by Giombetti Associates; and with the increased self awareness provided by that process, have been able to make an important impact on themselves. Moderated by Rick Giombetti and Paul Alves, sponsors of the UMass Family Business Center.

ASK ABOUT OUR TRIAL RUN OFFER

or come as the guest of a Member Company or Corporate Partner.

For more information, contact Ira Bryck at (413) 545-1537, or bryck@contined.umass.edu
Behavior Therapy addresses them all.

You can upset yourself as well as sabotage your limitations and fallibilities. There are many ways of accepting yourself as a quite imperfect creature, with human limitations and fallibilities. There are many ways you can upset yourself as well as sabotage your relationships and goals. Rational Emotive Behavior Therapy addresses them all.

According to the American Psychological Association, Albert Ellis is the second-most influential psychotherapist of the last century (Carl Rogers was first; they both beat out Freud and Erickson). His therapeutic theory and practice - Rational Emotive Behavioral Therapy - helps people live more happily and rationally by questioning their own self-defeating beliefs and attitudes that are the actual sources of negative emotions such as depression, anxiety, guilt, and anger. You might recognize in yourself the beliefs, for instance, that your self-respect is tied to winning approval from others; that your poorly chosen behaviors make you a totally rotten person; or that you should be thoroughly competent, intelligent, and achieving in all possible respects, rather than accepting yourself as a quite imperfect creature, with human limitations and fallibilities. There are many ways you can upset yourself as well as sabotage your relationships and goals. Rational Emotive Behavior Therapy addresses them all.

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An evening with Jason Jennings, Author of Think Big, Act Small and It's Not the Big that Eat the Small, It's the Fast that Eat the Slow

We are proud to present as tonight's speaker JASON JENNINGS who will show you how to increase productivity for use as a competitive tool, more with common sense and truth telling than by adding employees or other overhead costs.

Wed, March 10, 2005
5:00-8:30 p.m.
Location to be announced

HOW CAN YOU "BE ALL THAT YOU CAN BE" WHEN YOU'RE "STILL CRAZY AFTER ALL THESE YEARS"?

How to get, grow and keep customers: Making CRM work for you

The session will give you actionable information for implementing Customer Relationship Management in your organization, valuable lessons learned from the CRM battlefield and a blueprint for increasing your sales revenue without adding staff.

What family business research reveals are the best attitudes and behaviors, and what simple steps you can take to be more like those most healthy family companies

Studies of the best performing and most communicative family companies have important relevance to you in figuring out the best way for your particular company to govern itself.

This talk will help you figure out: Who should have a voice? What are rights and responsibilities of shareholders? How to organize family participation in the business? How to transfer ownership to the next generation?

Wed, April 20, 2005
5:00-8:30 p.m.
Location to be announced

Tuesday, June 28, 2005
5:00-8:30 p.m.
Location to be announced

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Wed, May 25, 2005
5:00-8:30 p.m.
Location to be announced

When you’re “Still Crazy After All these Years”?

How can you “be all that you can be” when you’re “still crazy after all these years”?

For 30 years, the UMass Amherst Continuing Education has provided a pathway into the University for local and national businesses, for the general community, and for adult, nontraditional students in a variety of credit and degree programs and professional development courses.

With a strong commitment to lifelong learning and the belief that education is the key to keeping the local economy healthy, Continuing Education supports the UMass Family Business Center both in theory and in practice, continuing its tradition of bringing the University to the community. For information on Continuing Education programs and courses, please call: (413) 545-2414, fax: (413) 545-3351, e-mail: info@contined.umass.edu • www.umass.edu/contined

Name: ___________________________________________________________________

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☐ Yes, I want to take advantage of your $80.00 trial session. (Three from the same firm for $200)

Deducted from membership fee if company joins the Center within one month.

UMass Family Business Center, Continuing Education, University of Massachusetts, 358 N. Pleasant St., Amherst, MA 01003-9296 • phone: 413-545-1537 • fax: 413-545-3351 • email: bryck@contined.umass.edu
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EPSTEIN FINANCIAL SERVICES

With over 23 years of experience, Epstein Financial Services has provided family business owners proven tools, techniques and products to help retire with greater financial security, reduce income and inheritance taxes, and transition your business to the next generation. Our uniquely effective service, The Family CFO® Process, gives a clear picture of your financial future, with increased financial independence and reduced anxiety. Your personalized “Crystal Ball Experience®” provides you greater simplicity, focus and balance in your financial affairs. Charles D. Epstein, CLU, ChFC, is one the first certified Family Business Specialists in America; a member of the Top of The Table, representing the top family business owners in the world; and is one of the original founders of the UMass Family Business Center. Charles can be reached at 1-877-9FAM-CFO or 413-734-6418 or online at www.epsteinfinancial.com

GIOMBETTI ASSOCIATES

In business for 16 years with over 300 clients worldwide, GIOMBETTI ASSOCIATES is a management consulting firm known for increasing productivity and profit through people. Specialties include Pre-employment Assessment, Team Building, Management Training, Conflict Resolution, and Leadership Development. Hiring the “right” person is assured with the Giombetti’s trademarked assessment process, Performance Dynamics. Giombetti is resolute about its highest credo: “Within each individual lies untapped potential. Our job is to identify and develop this hidden talent. Once leaders emerge, effective teams evolve. Challenges become accomplishments and profitability grows.” Paul Alves, Rick Giombetti, and Rich Frigon are available at (413) 566-3863.

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SOVEREIGN BANCORP is a $40 billion plus financial institution with 273 community banking offices, and small business and middle market loan portfolios in New Hampshire, Massachusetts, Connecticut, and Rhode Island. Headquartered in Boston with regional offices in Hartford, Springfield, Worcester, and Providence, SBNE is the third largest bank in New England. Dave Hobert is the Senior Vice President for Connecticut and western Massachusetts. Dave can be reached at (413) 456-8909.

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BULKLEY, RICHARDSON AND GELINAS is a full service law firm located in Springfield, 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 40 lawyers, it remains a mid-sized, community-based law firm whose lawyers emphasize personal contact with clients. Ronald P. Weiss, Martin D. Turpie, David A. Parke, Scott Foster, and Mark D. Cress are available at (413) 781-2020.