The Most Successful Companies in the World: What Do They Have In Common?

THE MOST SUCCESSFUL COMPANIES in the world have some surprising things in common. For instance, their CEOs are all listed in the local phone directory—but none of those CEOs wears a tie to work. Or even has a private office.

Most of these are family-owned, privately held—and they have annual revenues ranging from $3,000,000,000 to $60,000,000,000.

In one of the most dynamic presentations in the Family Business Center’s history, Jason Jennings, author of Think Big, Act Small: How America’s Best Performing Companies Keep the Start-up Spirit Alive, described the process of researching 100,000 companies around the world to find the ten top performers. Nine are included in the book; the tenth is in India while all the others are American, so he’s saving that company for another book.

The criteria: at least ten percent growth in both profits and revenues, every year, for ten years. And of the fewer than 20 to meet both requirements, some were eliminated because management was in trouble: a big pile of product-liability lawsuits, a race discrimination consent decree, or an animal testing problem, for instance.

The nine who made the cut: SAS Institute (software, Cary, NC); Sonic Drive-In (fast food, Oklahoma City, OK); Cabela’s (hunting and fishing gear, Sidney, NE); Koch Industries (diversified companies, Wichita, KS);
I am still basking in the afterglow of the final performance of my third family business play, “Tough Nut to Crack,” gratified about viewers who related to the characters and their dilemmas, and who noted that it was “life-like,” which is comforting, as it was autobiographical.

One recent spectator mentioned that, knowing it was my personal story, I am proof that there is “life after family business.” Considering how many business family members differentiate between life in their family’s company, versus life in the “real world,” those who do “get out” might relate to Pinocchio, who left home with many strings attached, to explore a new life in the flesh.

Pinocchio’s freakish journey aside, mine has served me well. In my former life as hawker of childrenswear, I wondered (as did my namesake actor) “Would children go naked if not for me?” I wanted meaning from my work, just as Freud prescribed. Who is content turning a crank, even in return for a check? Even if your grandmother was OK with endless cranking (maybe a vast improvement over her parents’ churning), does legacy mean never falling too far from the family tree?

My post-family employment is personally meaningful, even invigorating, but it might not be for you. I know 100 family business center directors; we are not all equally fulfilled, not all similarly hearing our calling. And I know many heirs apparent who are yearning to hear their calling, even a still, small, voice saying, “you fit here.”

I contend there are few great reasons to join your family business: It’s your infatuation. For you, it’s over-brimming with relevance, and you are abundant with flair. You are unmistakably genetically linked to generations of inspired builders. Or your family was utterly effective in nurturing your reverence for healing the sick, or burying the dead, if your family isn’t healers.

Or there’s just no way you could ever do as well anywhere else. You all know it, why deny it? Your family is nobly employing you in a position superior to what you’d hope to achieve elsewhere. And you’re doing well enough, maybe really well. If honesty is good policy, don’t grovel, just be humble and grateful. Many of our families gave us a boost. It’s evolution, allowing us to achieve our highest and best use. Our families proclaim eminent domain, and as a result, our work is a solid homestead, where there may have been a shed.*

But ask yourself: Is my work-life as productive and healthy as I need it to be? Maybe you think you’d be as stressed and unfulfilled in any job. I’m certainly not suggesting you quit, but I’ve seen many people feel more valuable and satisfied doing even the exact same job without siblings and parents making everything so very complex.

No matter your circumstance, it helps for business families to invest in some cleansing, honest discussion. Your family business may be harboring talented, passionate people, but not for your product or service. Are you yearning to breath free, in a different huddle? Consider not leaving well enough alone, IF well enough is not good enough.

Though it may seem better to leave sleeping dogs lie, the conversation is often not as brutal as what everyone’s think-

* this does not constitute an endorsement of the recent Supreme Court ruling dealing with eminent domain
Three Marketing Experts Advise a Start-up

Amy Zuckerman, Sheldon Snodgrass, and Darby O’Brien had plenty of advice for Jeff Glaze—and for other FBC members—at the May meeting.

Glaze, a long-time FBC participant, has recently diversified. His original company sells strictly to manufacturers; a new venture with his son Justin goes after the consumer market: specifically, motorcycle decals for motocross riders. Glaze received specific suggestions from marketing consultant Zuckerman, of A-Z International in Amherst, sales trainer Snodgrass, of Steady Sales Group in Williamsburg, and O’Brien, of the South Hadley ad agency that bears his name. And all three framed their points in the larger context of general principles for any marketing effort.

Zuckerman started by debunking common marketing myths: that marketing is a one-shot effort, that news coverage automatically translates to success, that face-to-face is always the best way to market, and that advertising should be the core of a marketing strategy. All of these are appropriate some of the time, but every business, every situation, is different.

Snodgrass also roots his approach to sales in the fundamentals of marketing, as preached by Jay Conrad Levinson, author of Guerrilla Marketing:

The four time-honored ways to increase profits:

1. Decrease cost, increase efficiency. “Think about your cost structures; you’ll find some opportunities for savings.”

2. Increase the number of new customers (including referrals, which are much easier to obtain than starting from scratch).

3. Increase customer transactions.

4. Increase the average revenue per transaction.

Darby O’Brien isn’t one to go by the book. His vision is the street-smart...
entrepreneur who goes with instinct, and his models include Bobby Kennedy and champion boxing trainer Angelo Dundee, the corner man for Muhammad Ali and Sugar Ray Leonard. "When [Kennedy] ran a political campaign, he didn’t run focus groups. He hit the street. He’d hang around in diners, baseball games, neighborhood bars, and he’d ask people. The best ideas are driven by the gut."

After these initial concepts, the three consultants focused on the case. Jeff Glaze outlined the situation:

“In the late 90s, we had 80 employees, we said, ‘hey, we’ve got the formula.’ Then the industrial economy started to slide. With China, we lost about 25% of our business, one large customer. The other 25% we lost through other factors. But I recognized from the mid-90s on that we should diversify into other markets. My son Justin started racing motocross, and we recognized a need for graphics on these bikes. It gave us retail, a completely different market.

“About a year ago, we found that some technology had come along to allow very small volume graphics, to do a run of five or even one. We bought a digital printer. About 8 or 9 months ago we started to have some success. We found the demand for our product was on the consumer side.

“We’re looking for other markets that are “china-proof,” and could be sustainable over time.”

Believing the motocross market will “tap out quickly,” Snodgrass advised the Glaze family to leverage the skills they’ve gained in that market and go after other vehicle graphics markets, such as horse trailers and RVs, and to explore partner relationships with those already in those markets.

Zuckerman agreed that other markets have good potential, but stressed the importance of understanding the differences.

“There’s a need for systematic market research. Don’t just do scattershot. You don’t know if the racing is the only niche. You can quickly and inexpensively survey the new customers: how shallow or deep are they? Will they keep coming back? Go to ten dealers in the region, interview them. Go to the track for market research, hand out some products, see where the interests lie.”

But she also told Glaze not to write off his original B-to-B markets. “There is disquiet around China and Asia. It’s extremely costly to have a company in China. There are payola issues, shipping issues. Go back to your old line customers and see if they’d look again at the U.S. Anything to do with coping with the China factor becomes a news story.”

O’Brien sees that the Glazes’ technology could work on pickup trucks, and sees football games as a place to sell them. “You’ve got a lot of avid fans who tailgate. Now [the graphics on fans’ trucks] is done by local sign shops. So we kicked around tailgating at a Patriots game. You find the stylemaker in the crowd, go to a few games. They’ve got a neat name: Go For It Graphics, and it’s ‘go for it, Patriots!’ You do the vehicle for free, and you hand out [stickers with contact information]. You could do that all across the country, because football fans are nuts and they want that identification on the vehicle.”

Make sure, he cautions, that any such campaign has its ducks in a row with regard to licensing, and the company’s relationship with the pro team.

Jeff Glaze sees the motocross market as far from exhausted: “We’ve designed unique materials that adhere to the specific types of plastic. We’ve done the shapes so that this niche will appreciate that we’re covering the entire fender. A local sign shop just looks terrible in comparison—but maybe we should sell through those shops. People come and say I want a custom graphic. ‘What do you want?’ ‘Well, I don’t know, show me what you have.’ I show them three and then they say, ‘yes, that’s exactly it!’ But the next year, we have to come back with something bigger and bolder.”

By Shel Horowitz
Change: It’s About Communication

F OUR LOCAL CONSULTANTS, most of them well known to the Family Business Center, gathered at the Center’s April meeting to address a crucial question: How do organizations face change? Laurie Breitner, Peter Zimmer, Ingrid Bredenberg, and Paul Lipke all took turns at bat, and these are all essentially excerpts of direct quotes. I’ve left the quote marks off for readability.

Zimmer: The dinosaur is either set in your ways, competent in your ways, or resistant to change. People don’t wake up one day and say hey, I’d like to change. They want to stay in that comfort zone.

First generation businesses are more adaptable. They’re not as well poised and not as sure of what they’re going to do to be successful. That gives them a bit of aggressiveness. As they get more successful, it’s a good time to look at family dynamics, as the next generation comes in.

One of the most significant things that helps business change is the need for technology: new phone, computer systems.

I’d rather think in terms of institutionalizing change, rather than saying how do we evaluate when it’s time to change. You have to incorporate the notion of continuous improvement. Rely on people within your business that you trust. Make that part of a process that’s expected, so people look forward to change.

• Before you contemplate change, evaluate where the problem is. don’t change for change’s sake.
• Consider the range of possible solutions, and consider the cost of implementation
• Before you engage in the change, determine the criteria to evaluate the change

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**Change**

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- Come out with something that’s logical and makes sense

Who’s afraid: if it’s the department head, then it just stops. If the person heading the change can’t convey it in a positive way, it makes the fear normal instead of abnormal. You want to present urgency in a positive way. If you’re too urgent, you’ll have too narrow a scope of choices. If you look at change as a regular form of business, you’re going to be less urgent.

Bredenberg: One of the resources that I use is storytelling: creating the future is about how a leader tells a story, or better yet, engages people in creating a new story.

A young woman in business was frustrated: every time she would solve a problem, two more would emerge. Her mother took her into the kitchen, put on three pots: some carrots, an egg, some ground coffee. She sat at the table and waited 20 minutes while the water boiled. She took out the carrots and the egg, and poured her daughter a cup of coffee. The carrot had become wilted and soft. The interior of the egg was hard. And then the daughter took the coffee, and she smiled, and she drank it. Each of these faced the same adversity, boiling water. Which one are you? Do you become soft, hard, or release your fragrance and be transformed?

So stories can touch people in their emotions. At the emotional level is where people will change. They need to be touched there. So helping leaders tell their stories, transform at the emotional level, re-engage, is very important.

Three tools:
- Stories
- Assessments— help people look in the mirror and appreciate their strengths, understand their liabilities, and get strategic about how to make it happen.
- Large-group story telling, crafting conversations. Change is external, transformation is from within.

Once they understand the benefits of changing and the consequences of not changing, let them have ownership. Fear is an emotion, and people respond to it differently. Sometimes by helping them name their fears and getting creative about how to address these— you’ve got to begin any change by ending something. Before you can get to that new destination, you’re going to be wandering in the wilderness, and that is uncomfortable. Some will love the adventure, but others will have different feelings. Then start to tell the new stories.

Lipke: Next time you are pushing change and ask “have you thought of” or “why don’t you”— recognize those are truly an offense-defense questions, they say, “please justify yourself,” and they embed an implied answer, they limit response to “yes” or “no” and say, “do it my way.” Instead, try asking, “what are all the ways we can think of to make progress on this issue?” Try and reframe a challenge into a shared conversation with as many stakeholders as are relevant.

A concrete local example: the state cut uninsured healthcare funds, so Cooley Dickinson hospital needed a “retail” effort to make up the shortfall. They asked a diverse group, and paid attention to their values, and as a result, formed an alliance with Dean’s Beans to brand “Way Cooley Coffee.” the hospital’s profits fund uninsured healthcare. Dean’s Beans’ profits fund “people-centered development in the coffee lands”, and there are obvious marketing advantages to both. They’ve gotten national and local press. The hospital is lowering its costs, and you have this marriage. They’re closing the loop on the energy and materials cycle all the way around, cause the beans are roasted using energy from the hospital’s waste wood chip powered heating and cooling system, and the waste is composted on local farms.

When you go to the people you usually go to to solve the problem, you’re having the same conversations again and again. So we bring in those unconventional stakeholders who have a completely different perspective. Our larger mission is to help business and organizations deal with the larger problems, to bring in those other perspectives. It used to be we looked to government to solve those problems. But they’re too big for any one entity, and they happen faster than government can solve them, so you need a bigger conversation.

Ask “What are the community’s or company’s key larger social and environmental concerns, and how can I marry, in a deep way, a solution to those problems with our strengths and resources?”

We all have something called change logic, a way of thinking about change. If you practice management-style communication and they want “storytelling,” they’re not going to hear you.

The question you can always ask safely: “When you experienced change in...
the past, what did it take to make a success? Do that with a number of stakeholders, and you get a series of benchmarks of what they think they need.

Breitner: Often business owners look for help when efforts to make change falter or fail. Here are four common mistakes to avoid. First, be sure to communicate your vision—your company’s destination. Employees want to help, but don’t always understand your goal. Once you have a clearly communicated destination, make a plan, ideally with measurable goals and milestones.

Business owners sometimes fail to engage their employees. Listen to their ideas of how to achieve [the vision] and take action on them. People on the front lines have really good ideas of what can be done. When you involve employees, you get two benefits: you get their good ideas, and you reduce their resistance. People don’t resist their own ideas.

Finally, communicate your vision, plans and progress to every employee. [When leaders don’t communicate, employees] will create stories. I’ve never seen employees create too optimistic a story. [Instead, their worst fears dominate and] their stories focus on negative outcomes. As an example, she observed a situation where an employee incorrectly imagined that change would eliminate her position; negative self-talk was a serious roadblock to internal change, even though that perception wasn’t close to correct. [In situations when face-to-face communication isn’t possible.] find some method that is certain to reach all employees. For example, use pay stubs with a bulleted list printed on the stub. Put the information on a web page and send a company-wide e-mail directing people to the page.

When employees resist change, it’s possible that they’re not on board, because they don’t see the cost of inaction. Let them discuss and even experience the pain of what they’re doing now—the consequences of not acting. Change occurs when the pain of inaction outweighs the fear of change. ■

By Shel Horowitz

Fund Your Buy-Sell—In CURRENT Dollars

FAMILY BUSINESS CENTER sponsors Ron Weiss of Bulkley, Richardson and Gelinas, LLP and Charlie Epstein of Epstein Financial Services, teamed up to tell the FBC’s March gathering that it’s not enough to have a buy-sell agreement in place; it has to be properly funded, and that can be a moving target. Numbers that made sense years ago when the buy-sell was drawn up may be totally obsolete by now, so it’s a good idea to go through a thorough evaluation every couple of years.

And while you’re at it, review your life insurance, too. The term policy you bought at age 25 will be a lot more expensive to renew at age 55 or 65, and doesn’t build any equity. Say Epstein: “96% of term insurance never pays a death benefit. When you get out into your 60s and 70s, the cost of that premium is going through the roof. So they cancel, and then they die. Term insurance is like takeout food. Permanent insurance is dining in. Permanent insurance includes some sort of investment feature.

You can say to the insurance company, I’ll give you more money so the cost doesn’t go up.

“You can set up whole life policies that generate 10%, tax free, and they’ve got the cash. You don’t have to die to win.”

“You can’t do your business ownership planning separately from your estate plan. It’s your major asset,” Weiss pointed out. He noted that not only does a buy-sell have to adapt over time, but sometimes it’s harmful to even have one. “A buy-sell agreement isn’t appropriate for everybody. There are reasons not to have them, and reasons you should have them.

A key question is “Who should own and operate your business if you die or if you leave? That question is critical to the well being of your family and of your employees.

The usual suspects—spouse, children in the business—will call for a carefully drafted buy-sell and a well constructed estate plan. If you include children who do not work in the business as owners, there may well be family disputes over salaries, dividends, sale of the business, etc.

“Some decide to sell the business and divide the cash.

“Some people draft agreements with a set price, sometimes tied it to the amount of life insurance. Unless a set price is freshly determined, it’s not going

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to reflect reality. Also, a set price may not be honored for estate tax purposes. The IRS will want price to reflect fair market value in a sale to your children. In a sale to a third party, the IRS is generally willing to live with whatever arms-length price you set.

“We often see big fights when an agreement calls for a set price that is subject to review every few years. Almost no one has the discipline to come back and review it, and the price often does not reflect current value. Usually, the value of the company has gone up at least from inflation. You get arguments that the decedent agreed orally on a higher price. A set price subject to periodic review is generally a bad idea.

“A formula price is OK if it reflects fair market value.

“A valuation that utilizes an appraisal may work if the price you want is based on fair market value.”

According to Epstein, you need some good planning and hard answers:

“Could the business generate the extra cash? Typically, in a buy-sell, the payback will be over several years—but then there’s interest on it, and I have to generate the money for after tax. So if you need a million and a half, you must generate 2.5 million to cover the taxes. Are you in business for the short term or the long term? Are there additional purposes of this insurance?

And a buy-sell isn’t the only factor, says Weiss. “A lot of small companies put a right of first refusal into their charter. That ordinarily shouldn’t be there if there is a buy-sell agreement in place. If it’s there, make sure whatever buy-sell you put in place isn’t impeded. A right of first refusal may or not be part of any well thought-out arrangement. A buy-sell often deals with things other than death:

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CRM: A Needed Boost to Productivity and Profit

“IF YOU REMEMBER you had a conversation with Charlie and you don’t remember his last name, how do you retrieve that?” Will Ryan, of System Sales Support, believes the answer is using Customer Relationship Management (CRM) software.

It’s ironic, he says. Sales people “create a change in the recipient company. Yet the most resistant profession to change is sales; people are very attached to their Franklin Planners and their Day Timers.

“Most secretaries are gone; the gatekeeper is voicemail. But when people call back, it might be several days later. I have no idea” what the context is, or even what company the caller is from. “I say, ‘I really appreciate that you called’” (stalling for a moment while he brings up the computer record of all previous interactions—something that doesn’t work with a paper system).

Ryan sees other advantages to CRM, too. “Remember carbon paper? Today, you’ve got information that people in your network need to have. You’re not sure about a lot of them, but you send it to everybody. Is it all that useful? You’re changing the paradigm from supply-push to demand-pull. I meet with customers and prospects, I document all the interactions. We don’t do sales trip reports any longer because it’s all in the system. If you have a need to know, you go get it. It decreases the information overwhelm.

“Anybody who talks with a prospect or a customer is in sales, even if you don’t have that title. You represent your company to your customer.

“In traditional sales, I won’t pay any attention if there’s not going to be a sale for 90 days. So [the client] finds a new supplier, because you haven’t talked to him.

“CRM is the fastest-growing class of software in American business. You build a triage: very hot, moderately hot, and those that haven’t bought for a long time. This software will send love letters to your Class Three, so you’re in the clients’ minds when they’re ready to buy.

“When I started years ago, with IBM, the sales trainers used battlefield metaphors. Fortunately, we changed the game. We’re in relationship with our customers. We are managing the relationships and sharing that in our org so we sound like one voice to our customers. The seamless connection is high-quality service.

A good CRM system stores all information about customers and contacts in a single location; integrates communication—whether by postal mail, email, phone, fax—and makes it easy to collaborate and share information within your own organization. And the return on investment can be astounding; one of Ryan’s slides claims:

• 52% got 51 to 500% ROI
Old School vs. New School Authority:
Making the Case for Participation, Collaboration, and Teamwork

By Rick Giombetti, Giombetti Associates

Today's senior managers do a poor job of understanding and using authority. Although they're responsible for all operating areas of their organizations, they often fail to provide strong focus, structure, and direction: the three hallmarks of true authority.

Traditionally, authority was linked to a more punitive, dictatorial management style that focused on carrying a big stick and getting things done through others. Too often, this "I say, you do" mentality created feelings of anger and led to increased anxiety, rejection, fear, and lack of commitment among team members.

These so-called "old school" senior managers were typically fiercely independent, over confident, and highly competitive. Although they were usually bright and creative, they also tended to be impulsive, stubborn, and argumentative.

The problem with old school authority figures

This personality profile often fueled an independent nature. At younger ages, these senior managers rejected authority, resented being told what to do, and bucked the system; they liked flying by the seat of their pants. Their perspective was, "Well, I didn't need direction when I was coming up. I figured it out myself, so why can't others?" Consequently, they let reporting relationships function too independently, providing little in the way of guidance.

In the past, senior managers often hired individuals with the wrong skill sets to manage authority effectively. Most professional help wanted ads, for instance, usually include phrases such as: "independent self-starter", "fast-track, high-energy strategic thinker", and "highly competitive, goal-oriented, quick decision maker". Unfortunately, these ads ignore a critical aspect of authority—providing direction.

It's no surprise, then, that many old school senior managers did a poor job directing teams, citing these obstacles:

- 30% got over 500% ROI
- 58% got payback in a year or less
- 35% got it in one to three years

Comparing carrots and sticks, Ryan says sticks generally don’t work. If you try to mandate a CRM system, it won’t happen. Instead, show your sales force how they benefit: higher commissions, better relationships with customers, to support their role as a bridge between their own and their customers’ companies.

It’s also important to “pick a system that’s compatible with your infrastructure. If you have strong systems people, set up in-house. If your systems people are weak, get a hosted solution. If you do not look at your process, and you put in one of these elegant tools, you’ll make a bad process faster. Start with functions that provide leverage right now, add functions later as needed, based on user experience. It’s a very different paradigm. If you’re not ready, then don’t start.

“All the vendors will tell you they’re the best. We say, come in and show us a customized demonstration of your system running in my business. Interview them, get feedback, and pick the one you’re most comfortable with.

“Pick the sparkplugs [within your company] who are driving the change.

Let them beat it with a stick, try to break it.”

Finally, CRM may have benefits well outside the sales cycle, in such applications as shop floor loading predictions, trend spotting, metrics—and information sharing among service, sales and marketing. “The worst thing that can happen is the ‘surprise sales call,’ when the service person visits and everything is a mess, and the next day the sales person walks in [confidently expecting an easy sale, and gets dumped on]. With CRM, the sales person looks at the records, says, ‘Oh my God,’ and comes into the meeting saying, ‘we saw what happened yesterday and here's what we're doing about it.

By Shel Horowitz
Most Successful Companies

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Dot Foods (food redistribution, Mt. Sterling, IL); Medline Industries (hospital supplies, Mundelein, IL); Petco Animal Supplies (pet products, San Diego, CA); Strayer Education (private university, Arlington, VA); and O’Reilly Automotive (auto parts, Springfield, MO).

Jennings mentioned Commerce Bank, of New Jersey, in his talk, but not in the book. This was a single-location bank that so dissatisfied a key customer (owner of the local Burger King franchise) that he bought it, created a customer-focused culture, and has taken Manhattan by storm.

Note the geography of these companies: most are small towns in the Midwest and South; only Commerce is in the Northeast and only Petco is in the West. Only three are in major cities: San Diego, Oklahoma City, and Washington (which borders Arlington, VA).

Spending about two years researching, Jennings and his associates isolated five “secrets” of this phenomenal success.

1. They have a cause, not a wimpy, committee-driven “mission statement.” People who work there know they’re part of a big, bold, meaningful idea to fix a problem or make the world better.

Example: “The best-managed company in the world today is Golden West Financial; they have increased shareholder value by 20 percent a year for 42 years.” Founder Marion Sandler, one of two women in an executive position on Wall Street at the time, bought an S&L after she was told she had the wrong plumbing to ever be a Wall Street partner. “She said, ‘we’ve worked for nothing but bad role models. We’re going to build a meritocracy where it doesn’t matter your race, age, ethnicity, where the best idea wins, ego is out the door, and nobody gets stuck’” behind a deadbeat who gets promoted because of connections, not merit.

2. They let go of things that aren’t working—even entire companies. Let go of “yesterday’s breadwinners” and of doing things the way they’ve always been done.

Two negative examples: When Oldsmobile sales were moribund, General Motors upped its ad budget for the brand from $100 million to $500 million, and hired a new ad agency. The company “squandered $500 million of shareholder equity” before GM finally shut it down. Similarly, Montgomery Ward kept competing against itself. “The return on equity was negative,” he says. “So they closed all of their catalogues (like fancy offices and fancy suits), and pitch in whenever and wherever they’re needed. In general, they do this out of the public eye; they don’t seek publicity, and they don’t have an exit strategy, because they love what they do.

And why keep secrets when, Jennings points out, “A 15-year-old kid in Sri Lanka, with broadband, has access to the same information as a CEO.”

Example: Pat Tracy, CEO of Dot Foods, explained to Jennings why his home phone number is listed in the local directory. “There are only two kinds of people who want to talk to me: a customer, or someone who works for me.”

Says Jennings, “We never found one leader at one of these companies wearing a tie. They’re dressed crisp and clean, but casual—khakis and polo shirts. It tempts credulity to say ‘we all have a common purpose, but by the way, I dress better than you.’”

That kind of openness allows someone on the production floor to call out to Tracy as he walks through the plant. “Hey, Pat, that new machine you bought is a piece of crap.”

By Shel Horowitz
Old School vs. New

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- lack of time
- impatience
- lack of confidence
- lack of dominance
- poor interpersonal skills
- inability to manage conflict

Unfortunately, when senior managers fail to understand authority, they’re unable to provide concrete focus, structure, and direction. And then the entire organization suffers, through diminished potential, missed opportunities, and poor judgment. Teams flounder, opening the doors to bad decisions and costly errors.

The benefits of new school authority

It’s time to move from the old paradigm of authority to a new one that fosters participation, collaboration, and teamwork. Why? Because senior managers who truly understand the proper use of authority can:

- build teams by encouraging group interaction, the exchange of ideas, and effective decision making
- create a nurturing, supportive environment where individuals can ask tough questions, seek clarification, challenge each other, understand issues, and solve problems
- demonstrate solid social skills and good will, enabling teammates to take risks and contribute to greater results
- act as coaches and mentors who provide constructive feedback
- hold others accountable by setting clear, concise business objectives; providing open, honest feedback; giving rewards as necessary; and administering discipline as needed
- establish concrete business goals and create a measurable plan to achieve them

As the goals of leadership include results, and creating a productive environment

Yikes! Do I Really Have to Put My Landscaping Contractor on Payroll?

THERE’S A NEW LAW in Massachusetts that makes it much harder to claim independent contractor relationships. The state, apparently, wants a larger pot of unemployment insurance.

Kris Houghton of FBC sponsor Meyers Brothers Kalicka told the Family Business Center’s June gathering all about it.

For federal tax purposes, and— until the law passed July 19, 2004— for the state as well, a worker could be considered an independent contractor if either the duties are outside the company’s usual business, or the work is performed off-premises. The new amendment changes the requirement from either to both. And this law has teeth: combined civil and criminal penalties of up to $100,000 and two years in jail. Yikes!

At the federal level, the IRS examines 20 criteria to determine employee or contractor: level of instructions, training requirements, how integral the worker is to the business, whether the helper can delegate, who pays assistants, who sets the hours, whether the worker is paid by assignment or by time period, who invests in and supplies tools and equipment, the right to fire or quit, whether the worker markets the services to and performs them for others, who pays expenses, where the work is performed, whether it’s a long-term or full-time relationship, if a routine is mandated, profit potential, and reporting requirements. The federal government classifies certain occupations automatically as employees, even if they meet all the tests: food, beverage, or laundry route drivers, insurance sales agents, b-to-b salespeople. But direct sellers working form home, and real estate agents, are automatically treated as independent contractors. If you’ve got questions, it’s best to check with your business advisors— or ask the IRS for a determination, using Form SS-8.

Fortunately, you don’t have to start filling out W2s for your outside landscaper or cleaning service just yet, even though they’re working on your premises. There is a three-test alternative that’s much more reasonable. If your helper meets all three, you can still file that delicious 1099 with the state.

The service is performed without your control and direction, either oral or written.

It is outside your usual course of business.

The individual is customarily engaged in this business.

Oh, and even if your business relationship fails this test, you can still file the 1099 if you file one with the feds— as long as you pay the applicable worker’s compensation and unemployment insurance.

By Shel Horowitz

Kris Houghton
FUND YOUR BUY-SELL

The Family Business Center’s newest sponsor is Hampden Bank, with a strong small business profile. Bankers Glenn Welch and Nancy Mirkin introduced themselves at the FBC’s May gathering with a brief presentation focused on four questions people might want to ask their banker:

1. What’s a small business’s acceptable level of debt?

Welch: Banks generally want to see 20% down, but there are several factors that permit more borrowing: large cash reserves, “friendly debt” (subordinated borrower/seller debt), nonconventional financing such as an SBA loan or loan guarantee. Under those circumstances, a borrower may need as little as 10% down.

2. What is the banker’s advisory role, and where can people turn for impartial banking and investment advice?

Mirkin: The banker’s job is “to analyze and review the financing request, and either approve it, restructure it, or decline it. The bank is not an equity partner or owner, and can’t advise you to raise prices or to hire. We’re not permitted by regulators to make management decisions.” But banks can evaluate the soundness of purchasing a business.

3. Aren’t all banks really pretty much the same? How do you pick the right one?

Mirkin: Different banks prefer certain industries. “I have a cousin who wanted to buy a motel. The first bank was very rude, so she went across the street, and they were wonderful. You don’t know their strategy unless you interview them” and get references.

It also depends on your own priorities. “If you move to a new community, you need a mortgage. If you’re retiring, you want a deposit product. Each bank will define the requirements, the limits the fees.” Finally, consider hours of operation, ease of access, drive through, and other conveniences.

4. Why do banks only want to lend money when we don’t need it?

Welch: Don’t wait until you’re dissatisfied with your existing bank. Even if a banker has been wooing you, if the numbers don’t look good, getting a new loan will be tough. Be “in touch often with your banker, they know what’s going on, take an interest in your business and know the ins and outs. When you have that relationship, it’s a lot easier for them to work with you. It’s all about being comfortable, and knowing that if there’s a problem, something can be done.

“Make sure the banker’s calling on you a couple of times a year. The reason we ask questions is to understand your business. We hate to be surprised. If we get last year’s numbers five months in, and the numbers are bad—if we knew early that you’re having a bad year, we can work with you to fix that.”

**Fund Your Buy-Sell**

But that, both Epstein and Weiss agree, can be avoided with proper planning and expert advice. **By Shel Horowitz**

**Old School vs. New**

The true leader will be well served by casting off counter-productive old school authority.

**About the author**

Rick Giombetti, founder of Performance Dynamics Institute of Leadership, has helped 400 companies worldwide build high performance organizations through high performance people. Giombetti Associates (www.GiombettiAssoc.com) is a sponsor of the UMass Family Business Center.
Peak Experiences Are 6/7 of the Way to Sainthood

Albert Ellis is 91 years old and no longer travels even the short distance from New York. But Ira brought in the next-best thing: Dr. Michael Broder, a close disciple of Ellis, addressed the March meeting at the Log Cabin.

Ellis is considered the second-most influential psychologist of the 20th century (by the American Psychological Association), and he still lectures at his Institute in New York every Friday. His theories are based on “how to control your emotions by selecting your attitudes and challenging your beliefs.” For instance, if someone threw a glass of water at you, “Ellis would say it wasn’t the act of throwing the water, it was your belief about it that would cause you to feel anger: what an idiot, what a jerk, I didn’t deserve that.” But if it turned out you were on fire, the act hasn’t changed, but your belief about it has. “It could be reframed to ‘he saved my life.’” Instead of feeling anger, you would probably feel gratitude. For family businesses, the most useful part of Broder’s talk was his outline of seven stages of human motivation (the subject of his forthcoming book, Stage Climbing). “We all have hooks somewhere in every stage.”

Stage 1, Dependency: Family members in the business operating at this stage, expect only to be nurtured, not to necessarily give anything in return for their rewards. Normal for infants; problematic for adults in the family business.

Stage 2, Delinquency: B Motivation is to get what you can with no regard for others, as toddlers do. “Criminals are fixated in Stage 2. In a family business, they may be there simply to steal or to deceive. They fear no real consequences except getting caught.”

Stage 3, Kids Learn Rules: “To The extent you’re fixated in Stage 3, you become rigid, authoritarian. In prison, the inmates are at stage 2; the guards are at stage 3.” Stage 3 family members who waltz into managerial positions can be quite dictatorial.

Stage 4, Adolescence: “Love and approval, fitting in, focus on being something. You want to get respect, not for what you do but for who you are. If you’re fixated there, chances are, you’re doing this with the motivation of pleasing the family rather than developing and fulfilling your own goals. You may believe that in order to change that to any significant degree, you’ll lose the love and affiliation of the family.”

Stage 5, Normalcy: It’s about averages, not fulfillment. “80 percent of the people you pass on the highway don’t like their work. Does that make you cry? The normal adult in our society does not operate out of passion. They need the money or role, they generally don’t want to risk, or they may be burned out. That’s staggering. For most people, work is simply a role. Most normal adults are good at balancing roles. In therapy, we often see people who are losing a job, going through a divorce, or some other difficult role change that triggers anxiety or depression. As long as they can balance their roles, they’re fine. Normal is not necessarily to strive for; it just falls within the bell-shaped curve. For example, “If one partner wants sex daily, and the other once a month, they may have problems but, interestingly they’re both within normal range. “People who enter family businesses from stage 5 usually do it because it’s a job: perhaps secure, easy, doesn’t present conflict. Not bad, but not necessarily fulfilling. You can be operating out of one thing at work, another in a relationship, and still another as a parent.”

Stage 6, Fulfillment: Rising above your roles to achieve integrity. “Very few adults in our society truly live their lives that way, statistically. To the extent that you’re governed by passion, that you’d do it without the money, without any extrinsic rewards you are operating out of stage 6. To the extent that you’re operating there, you’re in good shape.” Passionate people stuck in Stage 5 will often be depressed, he warned. “At Stage 6, you don’t want to be something anymore, you want to do something. I don’t think there’s a better gift that you can give yourself than to find what brings you to stage 6.”

Stage 7, Sainthood: Focusing on the needs of the wider community, beyond yourself. “There are almost no pure 7s.” In many family business situations, a Stage 4 or 5 faces a Stage 1 or 2, but perhaps that person is just feeling stifled. “Is there some payoff you get for keeping that person down? Most people can rise to the higher stages, but many need to be somewhere else to reach their potential.”

By Shel Horowitz
body Moved Your Cheese!, Anthony Robbins Hasn’t Done a Damn Thing, Sweat the Small Stuff... Or Die!, Goal Setting Is Stupid, Stop Taking Credit for Your Phenomenal Success, Throw Out Your Business Plan, and Good Customer Service Can Bankrupt You.

Tonight’s presenter, ROSS SHAFER has done stand up in major nightclubs, opening for Dionne Warwick, Eddie Rabbitt, Crystal Gayle, and Neil Sedaka; hosted a weekly comedy/talk show in Seattle called, “Almost Live with Ross Shafer” that collected almost 40 Emmy Awards; six going to Ross for his work as Host, Actor, and Writer; wrote the comedy cookbook, “Cook Like A Stud”... 38 recipes men can prepare in the garage using their own tools,” and a run as host of ABC-TV’s “Match Game.” All along, Ross has continued to perform for corporate audiences worldwide. Two new careers came from his corporate exposure. He found that many top company executives are plagued with stage fright. So, Ross is frequently asked to work one-on-one as an executive Public Speaking Coach. Secondly, he has taken a special interest in the decay of Customer Service in this country. With as much traveling as he has done, he found that good customer service was as rare as a five-legged chicken. So, rather than complain about it, he has written and produced a dozen funny HR Training Films, distributed globally. What about comedy? Besides his speaking schedule, Ross is a comedy and game show consultant for the USA network, Bravo, Comedy Central, Broadway Video, and TNN.

Tuesday, September 20, 2005
5:00-8:30 p.m., Clarion Hotel, Northampton, Mass.

NOBODY MOVED YOUR CHEESE: HOW TO IGNORE THE EXPERTS AND TRUST YOUR GUT
We are proud to present, and you are lucky to hear, Ross Shafer, champion of workplace accountability and responsibility. Ross brilliantly skewers the advice of so called “success experts” of our culture, daring to expose just how irrelevant much of their preaching is to your life. Challenging some of our most revered cultural icons, Ross will both shock and empower you with his message, including such topics as No-
Women's Merchant for Mitchells/Richards. Together they raised four sons, Russell, Bob, Todd and Andrew, who hold senior positions within the Mitchell family business.

**Thursday, December 8, 2005 5:00-8:30 p.m. Clarion Hotel, Northampton, Mass.**

ARE YOUR COMMAND AND CONTROL LEADERSHIP HEROICS CREATING WEAK EMPLOYEES?

"When the leader makes all important decisions, the members easily become interested observers and not committed partners, even when the leader makes decisions with which they agree" claims tonight's presenter, Allan Cohen. Would it not be better to put responsibility where the knowledge is?: at every level. In companies where all employees share leadership and responsibility, the buck stops everywhere, not just at the biggest desk. Productivity and performance become everyone's responsibility, and there is much less buck passing and following the-leader. Dr. Cohen sees this transformation to shared leadership— whether in a family business with multiple generations, or a large multinational— as an outgrowth of what we all want unlocked in us, and not working against human nature. The presentation will provide actionable advice and guidance, showing you how to create a dynamic, supercharged organizational culture of shared responsibility; and unveil the mind-traps that keep organizations locked into outdated concepts of leadership. You will see how "Post-Heroic" Leadership is "Not Your Father's Leadership." Dr. Cohen will also reveal to you his secret of life, summed up in 6 words, to make people more responsive and less likely to strike you as an insufferable jerk.

ALLAN COHEN is the Edward A. Madden Distinguished Professor of Global Leadership at Babson College, where he served for many years as Chief Academic Officer. He also consults to leading companies including General Electric and Polaroid. He is coauthor of the bestsellers Power Up: Transforming Organizations Through Shared Leadership, Managing for Excellence and Influence without Authority, and editor of The Portable MBA in Management.

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<td>Wednesday, March 8, 2006</td>
<td>5:00-8:30 p.m.</td>
<td>Clarion Hotel, Northampton, Mass.</td>
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SUCCESSION PLANNING FOR THE SUCCEEDING GENERATION

With life expectancy now approaching the mid-eighties, statistics reveal that the real challenge for family businesses is not ownership transition at death, but rather management succession before the senior generation retires. For successful transitions, the successors must take the initiative and assume a pro-active role in transition planning. In this seminar, Dean Fowler will use case examples to describe the habits of these pro-active successors based on his twenty years of leading round-table peer groups for successors in family businesses.

DEAN R. FOWLER, Ph.D, CMC, has been selected by the Family Firm Institute as a Family Business Advisor with Fellow Status. His recent book— Love, Power & Money: Family Business Between Generations— has won worldwide acclaim as one of the best books published on integrated family business planning and development. He is one of the world's leading family business advisors with expertise in the impact of emotional dynamics on business strategy and generational transitions.
The AXiA Group is the fastest growing Property & Casualty insurance agency in Western Mass. Our mission is to create continued value for our clients, by helping to navigate them through their insurance process. Providing professional, sound, cost effective alternatives to our clients’ insurance needs has proven to be the key to our success. We believe “There is always another Solution.” AXiA: from the Greek word meaning Value, Merit, Worth, Worthiness and Capable. Michael Long, CEO, and Michael Daggett, President, are available at (413) 205-AXiA (2942).

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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, are available at (413) 781-2820.

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Established in 1832, HAMPDEN BANK is a full service community bank serving the families and businesses in and around Western Mass. The bank currently has six branch office locations in Springfield, Agawam, Longmeadow, West Springfield and Wilbraham, and offers customers the latest in internet banking, including bill payment services. Hampden Financial, created through a strategic alliance with MassMutual and The Novak Charter Oak Financial Group, offers clients a full array of insurance and financial products and services at all Hampden Bank locations. Glenn Welch is Senior Vice-President, Business Banking and can be reached at 413-452-5144.

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