It’s All About Relationships

HOW MANY PEOPLE are in your “Golden Rolodex”? David Rockefeller kept track of 150,000 people, on note cards. When he met with someone, he knew all the right questions to build the relationship.

Ronna Lichtenberg, president and owner of the management consulting firm Clear Peak Communications and owner of http://www.askronna.com, shared with FBC members at the May meeting the nine principles of business success she outlines in her new book, “It’s Not Business, It’s Personal”:

1. “It pays to be personal.” The genuine personal touch sets you apart from the crowd. What did David Rockefeller do with all those note cards? “His ability to get people to do something philanthropic or for his business, depended on his ability to say, ‘Jennifer must have gotten out of her braces by now.’”

2. “Observe the new rules of the role.” Just because someone has been cast in one way doesn’t mean you have to follow that characterization. When Lichtenberg was a guest of 60 Minutes’ Mike Wallace, defending her then-employer, she chose not to see him as “enemy” but as “Uncle Mike”– and this enabled her to maintain control of a difficult interview.

3. “Be fluent in both pink and blue.” And recognize that these characterizations cross actual gender lines. President Clinton was “pink” enough to compliment a woman on her shoes– and Lichtenberg knows a very “blue” female spa owner, completely task-focused.

4. Look for value in the most important relationships: those who can mentor you as part of your “personal Board of Directors.” Seek people of quality by watching how they treat those with low status. “If you see someone being mean to a waiter or a nanny or the person cleaning the bathroom, you don’t want them on your Board.”

continued on page 8
Warning: Too Much Bevel Will Cause The Point To Score Deeply Into The Wood Without Being Able To Crumble Out The Waste!

I have been SAID the only thing more overrated than natural childbirth is owning your own business. Proven by the shared howl of parent and owner/manager: “What was I thinking!!?”

Yet both would claim, like the old Peace Corps slogan, that theirs is “the hardest job you’ll ever love.”

In becoming a father, I hadn’t the vaguest clue what I was bargaining for. I held babies maybe twice before I held my own. And though I was “Uncle Ira” to many of my friends’ children, plus taught (K-6 all blended in a 70’s free school), navigating the unrelenting whitewater of parent-child challenges does seem like rocket science to me.

But I wouldn’t trade it for any other adventure, pleasure, or fortune. In no other situation do I feel more simultaneously tested, rewarded, appreciated, misunderstood, accepted, rejected, fine the way I am, and never good enough.

My mission is clear: absolute dedication to these beings, who are who they are from some mystical mixture of genetic programming and social influence, both of which are somewhat my doing and beyond my control. I am devoted to the task of providing all that (I hope) goes into the manufacture of responsible, productive, happy, ambitious, conscientious Adult Children of the Universe, if it’s not too much to ask.

Who among us is qualified to raise such an Even Greater Generation? We are the flawed offspring of flawed ancestors, no matter how loved and provided for. With loving gratitude to our own parents, we try to fall far enough from the tree, and roll a bit further, to be less crazed, and increase the brain and heart power of our successors.

What a job!! Mama said there’d be days it’s more relaxing to go to work. There I stand a better chance of getting my head around the tasks at hand. I’m no workaholic, but I can understand why some people would rather hang out at the office, avoiding the elusive goal of Earthly repopulation.

I know several who are less intimidated by millionth of an inch tolerances at the shop than helping with math, cleaning messes ranging from diapers to dented fenders and egos, and being guide before pal.

Especially when there is that favorite child, the one whose messes are somewhat more predictable, less noxious; that offshoot known as the family business. Which often gets the quantity time that yields quality time, the return on investment of blood, hopes, sweat, dreams and tears. Though studies disagree on the increased time spent with our children (somewhere between +20% over the 1980s and 15 minutes more per week than the 1950s) there’s widespread whining/bragging that our work week has inflated from 40 hours to reports of 60-100.

When I was a new initiate to fathering, I read books ranging from “How to Talk So Your Kids Will Listen and Listen So Your Kids Will Talk” to “Raising Your Child to Be a Mensch” (the highest praise in Yiddish: a decent, caring person). The first book prescribed exact techniques of dialogue that I have, after 16 years of on-the-job training, only sometimes accidentally stumbled on, in my attempts to be fair.

continued on page 7

By Ira Bryck
From Chainsaw Al to Six Sigma

How do you go from “Chainsaw Al” Dunlap as your CEO, standing in the rubble of slashed companies, to a corporate culture that values quality and customer service almost above all else? According to Rob Lindner of Sunbeam, embracing the idea of Six Sigma made all the difference.

Sigma is a measurement of the standard deviation in manufacturing processes: how much variability your organization tolerates. Sigma scores how much your products fall within customer requirements. And each number represents an exponential increase in defect prevention and standardization: going from three sigma to four sigma is an eleven-fold improvement— from four to five, 27 times, and from five to six, 97 times.

What does this translate to in real numbers? If the entire country was at four sigma, there would be 20,000 lost pieces of mail per month, unsafe drinking water for 15 minutes a day, and power outages for seven hours every month. Six sigma means “3.4 defects in a million opportunities.” In some industries, even six sigma isn’t enough: in the airline world, deaths per passenger mile are at seven sigma.

In perhaps the most rapid-fire delivery in the history of the Family Business Center, Lindner described the company’s evolution.

Al Dunlap rolled up most of the significant small appliance companies in the country, including popular brands like Sunbeam, Mr. Coffee, Oster, and Coleman. “He was firing everyone, made no plans to transition. By the time he got fired in 1998, things were a mess.” The company entered Chapter 11 bankruptcy in February 2001, but emerged in December 2002 with $2 billion in revenue, and manageable debt.

Dunlap cut corners in manufacturing, and high warranty claims resulted—including the need to replace a few countertops after coffeemakers overflowed. Under current CEO Jerry Levin, the company started to “fix the mess.”

Six Sigma has delivered 1000% ROI to Sunbeam, and 400% to General Electric. By continuously improving every area—even the flow of internal memos—it helped these companies increase customer satisfaction, build employee morale and team skills, decrease warranty claims, and lower waste and associated costs.

Many of the improvements turned out to be surprisingly easy. “Cost of poor quality is the biggest place to improve.” And up to 40% of revenues

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Chainsaw Al

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may be saved by trimming hidden waste. GE “took so many defects out of their other plants and created free capacity” that the company saved $400 million it had budgeted for a new plant in their plastics business.

Lindner suggested that companies ask themselves questions that will start them on the road to six sigma defect levels. For example:

What does a defect in a work process— or a misrouted phone call, or misinformation given to a client—cost your company? Are some things higher impact than others; do we take the time to do the prioritization? Would an approach that drives consistently correct decisions be valuable in the company? Leadership skills are a big part of the success. Lindner noted the importance of celebrating success. “Create buzz. Run your victories up the flagpole…become a passionate lunatic” who inspires others and empowers them to act without permission. He also talked about “dialing leadership bandwidth up or down,” looking at the traits that surfaced during a meeting, and adjusting managers’ behavior to encourage an emotionally healthy workplace environment.

And ultimately, people have to make their own decisions, even if you feel they’re wrong. With FBC sponsor Rick Giombetti asking questions after his formal presentation, Lindner observed, “We have a plant manager who’s way behind on cost savings. If we have to close that plant in a few years, it will be because he didn’t follow through on his cost saving commitment.”

by Shel Horowitz

Keeping What’s Yours to the Bitter End

FEW THINGS ARE as un-straightforward as the tax laws involving death, long-term care, and inheritance. If you want to maintain and pass on as large a portion of your estate as possible, you’d better do some serious planning.

Financial planner Bill Bloom, of Westborough-based Bloom & Rosenfield— who happens to be FBC director Ira Bryck’s brother-in-law— discussed these issues at the May 21 gathering at the Delaney House in Holyoke.

Because every state is different, much of his talk applied only to Massachusetts residents— specifically, how to plan to deal with MassHealth, the state agency that administers medical care for those with few assets.

While many advisors recommend strategies that transfer assets away before you need long term care, Bloom emphasized that sometimes those plans can both cause ethical dilemmas and also have unintended consequences. For instance, if parents turn over their high-value house to their children while reserving a life estate (the right to live in the house,) and then one parent dies, the surviving spouse has lost the transfer exemption, while the child faces capital gains on the appreciation of the home’s value.

The good news: if you plan early and use competent help, you can set up systems that will actually work. “Start making decisions about asset disposal before you lose the opportunities. Plan early; you can’t do it at the last minute, when a parent is about to enter a nursing home.” For instance, you have the right to make outright gifts of up to $11,000 a year per beneficiary, which can lower your assets substantially over time, and thus enhance your eligibility for MassHealth. Other strategies include unified credit for tax-free growth, and various trust vehicles including Charitable Remainder Trusts, Grantor Retained Annuity Trusts, and Grantor Retained Unitrusts.

BUT when you apply for MassHealth, you have to report all gifts within the past three years, and all trust transfers for the last five years. Each of these transfers pushes back the effective date of coverage.

Right now, MassHealth allows a couple to retain assets of up to $90,660 and still be eligible for long term care assistance. When one spouse is receiving that assistance, the other spouse can keep all income. But all but $60 per month of the applicant’s income (plus any insurance premium for long term care) goes to the nursing home.

Therefore, spending down your assets can help you become eligible: make any house repairs and improvements, pay down your mortgage or other debts, pay funeral expenses in advance, and convert assets into income through such tools as income-only annuities.

by Shel Horowitz
Six Secrets of Sales Success

Two members of FBC sponsor Momentum Group, Ken Furst (familiar to FBC attendees) and recent addition Scott Farland, shared their six secrets of sales success with Family Business Center members at the June meeting, held at the Log Cabin.

1. Sharpen Your Saw

Remember the old story about the woodsman who was struggling to cut down a tree with a very dull saw? He was “too busy” to stop and prepare his tools properly, and so wasted enormous hours doing the job badly. Don’t be like that! Don’t get so caught up in the minutia of your day that you skip the time to step back and look at the big picture.

2. Manage Your Time and Turf

Whether you’re Bill Gates or Billy Goat Gruff, you have the same number of hours in a day. How well you use them makes all the difference. Categorize tasks as directly generating revenue, indirectly generating revenue, or non-revenue producing. And spend more time in the first category. Even the highest achievers in sales typically only spend a third of their time on direct revenue generation—so think what you can achieve if you can move that up a few percentage points. Quantify it: if you pay a rep $60,000 per year, that means each hour is worth $30.

3. Be a Pro, Not a Sales Jockey

Put yourself in your customers’ shoes, and approach them as they would like to be approached. Listen a lot, understand the objections and the “so whats”—understand that in order to become a customer, your prospect must internalize the benefits of your solution. Ask your best customers, who are certainly being wooed by other vendors, why they’ve chosen to stay with you.

4. Focus on the Meaning of Life

Why are you really in business? While you want to switch as many hours of your business time into the most productive areas, keep in perspective the things that really matter: time, community, loyalty—and love.

5. Slice the Bologna Backwards

Figure out where you want to be and reverse engineer the goal into a series of steps. If you know what you want as a profit, you can create a sales target based on that goal. It’s not about working hard, but about meeting those goals effectively. You can “create your own W-2” by visualizing the number you want on the income line of your tax return.

6. Follow the Principles of Demeanor

A good rep understands the goals and purposes of the organization... builds

continued on page 7
Sustaining the Family Business

JUST AFTER HE RETIRED and passed his car wash chain to his children, Marshall Paisner received a phone call from a business friend: “The good news is I’m a very wealthy man; the bad news— I sold my business.”

Paisner came to the UMass Family Business Center’s June meeting to emphasize strategies for keeping a family business viable generation after generation. He spent two years studying companies that had stayed family-owned and viable into the 3rd, 4th, or 5th generation.

One of Paisner’s key points: look very closely when you get “an offer that’s too good to refuse”; often, it’s not really as good as it looks. Especially when that offer comes from a consolidator “rolling up” smaller firms.

For example: “A competitor came to Jack, a trucker with a $15 million offer for a company valued at $9 million. His banker went to see if anyone else was interested, and found a foreign consolidator who offered $30 million. He took the money, but 50% was in stock. It was paper. The sons were kicked out, they were too friendly with the help, too involved in the community. Now they’re waiting for Jack to die” in order to inherit the money they expected to earn through the business. “Is that what we want for our kids?”

Paisner suggests a very different approach: Jack could have recapitalized his stock, converting 90% to nonvoting. His sons could have run the business, made their mistakes, and learned the necessary skills. “And Jack would have played a lot of golf. He would have given away the nonvoting stock over time, at discounted rates. Over ten years, he could have transferred a lot of the business and still controlled the vote. The boys could have borrowed the money to purchase the voting stock at market value when he was ready to quit. They would have insured him for the debt. Jack would have had real estate income, profit sharing revenue... he would have had just as much income per year as if he’d sold the business, paid the taxes, and reinvested the rest. His kids would eventually own the business free and clear and the family would have been very proud of what they’re doing.”

Paisner has tracked five businesses that sold to consolidators. “They received paper, very little cash.” The best performer dropped its stock price from $26 to $21.40. The worst of those still in business dropped from $37.12 down to 43 cents. “Eventually the consolidator has to return a profit to the stockholders. So they start to retrench, lose money, and the stock goes down. People think consolidators are a good deal; they’re absolutely terrible, and the paper turns out to be bad. The return on investment of after-tax dollars from the sale of a business is almost always less than the return of profits from the business.”

In researching the companies that do sustain themselves, Paisner identified some key commonalities.

- A culture that believes in resisting an offer that seems too good to refuse.
- Recognition of family value as more important than market value.
- Leaving their children a legacy of opportunity, not of wealth. “Warren Buffet is giving his kids just enough to enter a business, and giving the rest to charity. Parents take away a wonderful opportunity” if they merely pass on the wealth.
- A process to build family pride— that builds “eagles, not turkeys.” And part of that is the notion that a job in the family business is not an entitlement— even if a family member enters somewhat above the ground floor, the position should be earned, not granted. And pay, for family and nonfamily employees should be based on performance rather than longevity.
- A second generation that is allowed to make its own mistakes and creates a new management style that suits the changing company.
- Employees who are truly empowered to do what it takes to meet or exceed customer needs.

This cultural legacy, he says, has to be learned very early— at the family dinner table.

Paisner’s presentation went into far more areas, ranging from stories from his experience in the family car wash to discussing the kinds of investment vehicles that allow dynasties like the Rockefellers and Kennedys to pass their wealth down the generations. If you’d like the rest of the story, buy a copy of Paisner’s book, Sustaining The Family Business.

by Shel Horowitz

Ira Bryck captains a good ship and is always open to experiment with new methods to meet participant needs. Presentations are focused, stay within advertised time limits, and deliver what they promise. The tight rope between treating your business like a business and your family like a family is well walked as we listen and talk to each other and learn from the presenters and each other. This group is becoming to feel like a comfortable family in itself.

—Martha Johnson Gilburg, Growth Dynamics, Inc.
Can China Really Compete Effectively With American Manufacturers?

**FBC Member’s Eyewitness Report**

HOW CAN AMERICAN Family-owned manufacturers compete with low-wage workers in China? Longtime FBC member Jeff Glaze went to China to find out for himself.

“This year, we lost our biggest customer to China. They said we can get it for half as much, and by the way, we’re going to stick you with $80,000 in inventory” for orders already placed—knowing that Glaze couldn’t afford up to $300,000 to recoup the damages in court.

“I stated investigating whether I could source to China. A decent customer for us is $10-20,000 per year. They don’t have the volume to go to China directly,” but he might broker several company’s orders.

So he flew to Shanghai, the world’s largest city (20 million residents), visiting two companies per day, for 4-5 hours each. “The typical Chinese company was third world production technology at best; there’s no environmental or safety protection, a lot of people are poorly treated. We’re in the nameplate business, a very small niche in the printing world. In China, they put the whole niche on one street. All your competitors are lined up next to you. You have the managers and a few long-term employees. When you get orders, you go out into the street and hire hourly temporary workers. You don’t have to provide a health plan, there’s no OSHA, or EPA. And when you’re done with the order, you push the worker out on the street. It’s very difficult to maintain quality and long-term commitment.”

“The government owns all the land; you lease it for 50 years.” Managers are allowed to own their companies— but can’t get capital. “There’s only one bank in China. It’s very difficult to invest, even with a formal JV. The government will also invent barriers if you haven’t ingratiated all the right people.”

How about intellectual property? “Walk down any street and you can buy Polo shirts with the polo guy riding in the wrong direction— for under $5. They’re made in the same factories. There’s a different set of standards for business integrity. They don’t think they’re doing anything wrong. The people running these companies are very nice sincere people. But they are starving for the ability to pick our brains, to get our help to maximize, standardize work on methods and practices.”

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Can China Compete?

continued from previous page

“The Chinese government has absolute control. They turn the farmers into taxi drivers if they need taxi drivers that week. But they try to put a good face on it; they’re very sensitive about Tiananmen. Recently they’ve been admitted into WTO. They’ve tied their currency to the US dollar; they have stability in their whole economy. Their typical high school-educated worker probably makes 10 cents an hour. The best die-cutter I’ve ever seen, I met there, and he gets 50 cents an hour.

“China is extremely protectionist. They prevent companies from bringing in materials and processes to do a better job. If they need to bring in a material they don’t have— for instance, we use an aluminum alloy— the government marks it up 400%.

“I traveled to Labeltown. They have little shops with one die press each. There are billboards with pictures of printing presses, which is very different than the product/retail oriented mass advertising here. An entire community has grown up with this area of expertise. You can get the lowest price imaginable and a very free and open economy. Free from all the encumbrances we have.

“I traveled to Suiee, a small city, 750,000. My friend knew the mayor,” a former government spy. “We were met by a motorcade of police vehicles. They showed us their industrial park— 500 or 600 acres. The minimum lot is 5 acres. The 50-year commitment is 50 cents a square meter per year. They put in 133 factories last year, and plan 300 this year. So the growth in a rural area 1-1/2 hours from Shanghai is tremendous. The police chief gave us the tour. What does a police chief know about business? Nobody knows about business in China.

“There’s a lot of pressure from the US not to allow them to tie their currency to the dollar and not to charge these high tariffs. None of us know the role of our government in how we’re negotiating— but it’s extremely scary. For those of us who play by the rules in the US, there’s no way to be competitive.

“Larger companies can set up over there— Coke, Pepsi. But you know they have ingratiated an awful lot of people. How that works for the under $50 million company remains to be seen. You cannot predict what’s going to happen with government regulation. You can’t put together a business plan and predict costs. It’s very informal. And then of course you have the language issue. You have to have someone you trust. It’s almost an unlearnable language unless you have five years and a gift for linguistics.

“In Nanjing, the former capital (population 3-4 million), we’d be walking down the street and people had never seen Caucasians. I’d give the children my business card, try to be polite— but you are struck that these people can’t get out of China. You have an awful lot of hoops to jump through if you want to go to a trade show overseas. And the Communist Party is very much alive.”

“There are other cultural differences, too. “Chinese food in the US is not at all like Chinese food in China. You’ll eat things you’ve never known existed. Freshwater lobsters in exotic sauces. There was a large clear glass bowl filled with eels, 8 inches long. They were cold, in a vinegar. I had to pick one up with chopsticks and toss it down.

Despite the frustrations and surprises, the trip did lead to a deal. “I did form a relationship with a gentleman who had an English speaking assistant, and he actually visited. We’re going to start a couple of orders with him and see what we can forge.”

by Shel Horowitz
The UMass Family Business Center

Winter 2004 • Related Matters

5 Gremlins

continued from page 11

One proactive way to make sure you’re on schedule with your action items is to use prompts. If you know the date for a deliverable, mark your calendar. Some electronic calendars have “tasks lists” and using them can help you better schedule the time and work needed to make the deadline. Get into a discipline of scheduling both due dates and the time needed to do the work.

4) Supervision or tracking of action items. Granted some of these are self-serving and often readily accomplished by the one person assigned the given task. But what if the action item requires a measurement, some form of checking/verification? Have you ever gotten a quote because the specs were incorrect? Have you ever rendered a quote for the same reason? Does MIS really understand your request for data? There’s nothing as disheartening as getting the Big Data Report with incorrect metrics. First, be clear with what you want (or give) and second touch base with the work in process. Tying this to point #1 will avoid, “Funny, I don’t think this is what I asked for…?”

5) Avoid triangulation. Simply put, if A is responsible for a specific type of work and B is an associate in a similar if not the same department, don’t tell B about the work with the hope that A gets it. Does the phrase, “it got lost in the translation” ring a bell? Understand that some companies have discrete hierarchies or chains of command, but if your organizational culture is supportive and open-minded, you can be direct in assigning your tasks. Avoiding triangulation is especially true when dealing with problematic work styles and approaches. This is a tricky area which requires more detail beyond the scope of this article.

Recognizing these five gremlins helps improve communications so project and account management runs smoother from start to finish.

Ethics AND Profits? Have Both!

“... HAVE GOOD NEWS FOR YOU,” Shel Horowitz told the UMass Family Business Center’s September meeting, “You can succeed and still be ethical.”

Noting that family businesses often maintain higher ethical standards and better customer relationships than larger, more impersonal companies, Horowitz, author of the new book, Principled Profit, outlined some of the reasons why ethical behavior, surpassing customer expectations, and cooperating with competitors all make good business sense:

• Customers prefer to buy from companies that treat them well and share their values
• Ethical companies will recover faster from a crisis
• Honesty, integrity, and quality are key to success

For Horowitz, ethics sometimes means telling clients they’re on the wrong track. And often, that honesty is rewarded. He told the story of meeting with a group of business owners who wanted to develop a website, taking a deep breath and telling them why the domain name they’d chosen wouldn’t work. While he’d been worried about losing the account, in fact, his willingness to steer the client away from unseen potholes led to a very juicy assignment from one of the business owners.

He cited Johnson & Johnson’s rapid recovery after the Tylenol poisoning scare of 1982, when seven people died after taking Extra-Strength Tylenol that had been tampered with. The company clearly took its own credo seriously: that customer interests are above all other stakeholders. Johnson & Johnson immediately and very publicly recalled and refunded all Tylenol products—not just the extra-strength version—and started a massive outreach campaign warning people not to take the product. The firm also voluntarily changed over to tamper-resistant packaging. This cost a huge amount of money: the recall alone took $100 million worth of product off the shelves—but cemented the company’s reputation as a trusted brand that really values its customers. So it wasn’t surprising that the company was able to rebound rapidly, because consumer confidence was extremely strong.

By contrast, Ford’s profits were down 26.8% after the company ducked responsibility and pointed fingers about the Explorer rollover problem. Horowitz says that while researching the book, he uncovered evidence that Ford knew about the problem before the Explorer was even released.

Shel Horowitz

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Ethics and Profits?

Encouraging family businesses to approach their competitors from an “abundance mentality,” Horowitz pointed out several ways that competing businesses can help each other. Citing well-known examples such as FedEx and the United States Postal Service—the USPS contracts with FedEx for intercity transport of Express Mail and Priority Mail—and IBM’s joint venture with Apple to develop the vastly powerful Power PC G5 computer chip, he showed that even fierce competitors can broaden the market for everyone, achieve greater technological success, and, most importantly, deliver higher satisfaction to customers by working together.

Horowitz noted that in his own business, offering writing and consulting services, the biggest challenge is not other writers but the perception prospects have that they can do the work themselves. By teaming up with some of his own competitors, he can spread the message that using a professional can make a huge difference in results.

This idea can work in any business sector. A local example: eleven florists joined up to put a large ad in local newspapers before Mother’s Day. The headline read: “You wouldn’t buy your groceries from a florist! So, why buy your plants from a Grocer?”

For more on the ideas in the book, please visit www.principledprofits.com

by Shel Horowitz

Lawsuit-Proof Your Hiring

Will YOUR HIRING PRACTICES pass the scrutiny of a disgruntled job applicant’s (or former employee’s) legal team? Can you afford to defend expensive discrimination lawsuits?

Thirty years ago, human resources was “anything goes.” But not anymore. Attorney Mary Jo Kennedy, from FBC sponsor Bulkley, Richardson and Gelas, LLP, shed light on what you can and cannot ask at a job interview and what legal issues you must consider before you hire your next employee— or write your next employee handbook or policy.

She cited the example of a large defense contractor that refused to take back a former employee who had had a history of alcohol abuse and had tested positive for substance abuse, but came back sober three years later and demanded to be rehired. The courts found for the employee. But in a different case and in a different court, a paper mill could terminate a jailed employee with a long history of alcohol abuse.

Alcoholism can be protected, as well as pregnancy, race, color, religion, national origin, sex, age, disability (physical or mental), sexual orientation, veteran status, and ancestry. Watch for more categories in the near future. Says Kennedy: “I’d bet my dollar on gender identity disorder” at the state level, within the next five years.

Another part of the hiring process is performing due diligence. It is important to verify the applicant’s history and check references. Credit reports and CORI (Criminal Offender Record Information) checks are also available but have limitations and should be done with caution.

Avoid hiring minors and do not hire illegal aliens. Make sure the candidate is not restricted by non-compete or confidentiality agreements.

Other no-no’s are using lie detectors, and mental, physical, or genetic testing. There’s a list of over 40 questions you’re not allowed to ask (examples: When are you planning on retiring? Can you work the scheduled hours of this position? Do you own your own home?). In certain situations it is permissible to require a physical abilities test— if the test is job related. But all applicants for the position must be held to the same standard.

And then there’s the whole can of worms involving oral promises and written job offers, contracts, policies, and employee handbooks. If, for instance, you specify a term of employment in your contract, or state verbally that workers have a job for a period of time, you could be stuck if an employee does not work out. You have much better protection if your employees are “at will.”

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Avoid These Five Gremlins of Communications Management

By Carlo Centeno,
Director of Client Services, Momentum Group

In no uncertain terms, lucid communication is paramount to the success of any business, large or small and everything in between. Advertising and marketing firms know all too well the importance of good communication between account services, the creative department and the client. But what if you don’t work with a marketing firm? What if you’re the go-to person at your company, the one who not only deals with company management (read: decision makers) but with outside vendors (read: artists, writers, photographers, designers, et al)? Review the following points and see if you’re guilty (or not) of falling into these traps.

1) Not using a written meeting report. They go by various names like Conference Report, Meeting Report, Call Report, Post Meeting Memo among others, but the point is, here’s your way of acknowledging key points or details about your meeting with your boss and say, the creative consultant about the annual report. Meeting reports are NOT minutes of the meeting (as in Robert’s Rules of Order); these are typically summary reports detailing key decisions and action items that have relevance to a project, job or some identified activity.

2) Not being clear about who, when & what. This is a biggie. How many times have you left a project meeting not knowing who’s doing what? If someone is going to champion an action or activity, that someone has to have a name. “Yes, Peter will be in charge of gathering all the data (from internal MIS and/or external service agency) by such-and-such a date.” It’s easy to get excited, even at times lost, with the meeting process, but ultimately, someone will have to be in charge of answering to an action that renders some form of result. And remember that most assignments should be given a due or completion date.

3) Little follow up or follow-through on each action item. If the meeting report says you’ll have the proposal in seven working days, is it actually going to be there on that appointed day? Have you created milestones that everyone understands?

Lawsuit-Proof

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Even with “at will” employees, make sure you have a legitimate business reason for firing the employee.

Finally, do not forget to address ending the relationship in the initial documents. Does your contract address such issues as grounds for termination, non-solicitation, non-competition, protection of trade secrets, wooing away other employees, and severance pay? It is probably a good idea to have a lawyer specializing in employment law review all your pertinent documents. A small legal fee now may save a huge, expensive court case later on.

To view questions you may and may not ask in the pre hiring process, click on links at http://www.umass.edu/fambiz/legal_hiring.htm

by Shel Horowitz

“Twenty years from now you will be more disappointed by the things you didn’t do than by the things you did do. So throw off the bowlines. Sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream. Discover.”

- Mark Twain

continued on page 9
How to Find the Right Outside Manager

AFTER MANY YEARS at the helm, you’ve decided you need an outside manager. But bringing one in is a challenging task with major ramifications for your business. Harvey Wigder, of Fulcrum Resource Group, Inc., had some pointers for FBC’s October attendees.

Only 25% of CEOs who bring in an outside general manager are happy with the person they hire. There are many reasons for these failures. They boil down to the wrong person being hired or difficulties in working out relationships between two strong personalities with different kinds of experience. In some cases, owners who were committed did it again, and usually learned enough to succeed on the second try.

Wigder cited one success story: an entrepreneur who took over his father’s business at $200,000 in revenues and grew it to $8 million. “He knows everyone in the industry, purchased every machine in the shop, and controlled every aspect of operations. He was not trained in management or delegation. He was strong willed, self-reliant, impulsive and used to making immediate commitments for the business. For someone like that to hire a strong executive is more than hiring a machine and plugging it in. Although this search was very successful, this person continues to be challenged to learn a new set of management skills.

“When I started working with him, he asked why would someone want to work for a rinky-dink $8 million company like mine. Eventually, he hired a very well trained engineer and manufacturing manager from a $100 million plus public company who was looking for a job because he felt his company was unethical and undercutting. He was ready for a change. When you hire, don’t think that other people won’t see the challenges your business faces. You might be able to hire someone with excellent skills and background to go on that journey with you. Retaining the person is a new challenge. You have to talk the talk, walk the walk, accommodate” to the new manager’s methods.

“If you’re hiring an executive who’s an accomplished manager, has run a business, knows marketing, accounting— that person has invested their career in learning their profession, and in the results they’ve achieved. They come to your business because they see an opportunity for themselves. You and that person have to learn to work together to make the hire mutually beneficial.

Owners who hire successfully understood that their businesses would change as a result of hiring someone: with new skills and ways of doing things, and that accommodating someone new would be difficult for them. Because of that, some people stopped going into their office to give the new executive time to build relationships and to get staff used to going directly to them for answers and direction.

When somebody recruits, they never say ‘get me somebody weak who’s not effective; they say ‘get me someone who can get the job done.” But both parties have to work together. “A weak person wouldn’t want to hire a strong person; they’d have to give up control. A strong person will hire a strong person, but it has to be the right strong person. Sometimes you need someone who’s absolutely fearless,” and sometimes you need a good negotiator. “Either way, you have to know where you want to go.”

Examine your present situation, goals, and the kind of structure—and managers—that can take you there. Then conduct the search. Aim high. Nobody has ever regretted looking at a lot of candidate, having a fair and systematic process, looking very carefully, and vetting. If you hire the wrong person, you have an unending series of crises. Look at what the person you’re bringing in has changed, and talk about that in the hiring process. You’re preparing yourself for change and looking at how the person does those things.

“People go for character, for those who are philosophically aligned, as much as the specific technical skills. Character, honesty, believability— that’s what you build a company around.”

by Shel Horowitz
Dear Ira,

I’m in a very difficult situation. My son married his girlfriend of ten years, who all through those years was very possessive. My son has a 16 year old daughter from his first marriage, who always has been close to her dad, but as of late she is intimidated by her step-mom, and does not want to be in her company. She has the same feeling with the rest of our family. My son’s wife is a counselor at a middle school and is convincing our son he should estrange himself from getting together socially with any of us.

On the business front: our son is 43 and worked in the company for 20+ years before and after college. He has recently put pressure on us to gift company stock and has always complained that he’s unhed of that he doesn’t have a share (we think it’s his wife’s idea). His wife comes into the workplace and never greets my husband and basically ignores our existence. There are many hurt feeling in the past, but I recently called and asked to meet and try to resolve our issues. I’ve been turned down, and my son tells me if I truly care about him, I should let things be at this time.

However, as close as we always have been and the fact that we are soon retiring, I’m uncomfortable with selling to him with a wife that is possessive and controlling. His wife hasn’t even made an attempt to reach out to his daughter. The last thing my son said to me is if he has to make a choice, it will have to be his wife. I asked why there has to be a choice. To his wife’s credit, she helped through some difficult times (like his gambling problem; he’s been recovered from that for five years). Basically my question, with all the family difficulty intertwined, is are we taking a big chance if we sell to our son? At this point, I don’t see a light at the end of our tunnel. Hope you can help.

On the Outs

Dear Outs,

Any advice columnist should remember, and remind readers: there are more sides to the story than there are characters involved; so it’s quite impossible to say who is right and who wrong. Add to this that your letter is the mother in law’s side of the popular story that I often hear from daughters in law (many online at umass.edu/fambiz/dear_ira_column.html).

I’m sure you and your daughter in law each have a long list of reasons justifying your anger and un-forgiveness. But what does it gain you to win that battle, and lose the war over your son and his family? I would advise making a fierce determination to make a list of all the good your daughter in law has done, and focus on that. And a list of all the reasons your son is the most likely successor of the family business. If you think he can successfully grow the business, eventually buying it from you so you can afford to retire (if you gift the whole thing, what will you live on?).

Draft a strong document that outlines the conditions of the sale, mutually beneficial for buyer and seller. If you feel the likelihood is as good that your son will make the payments as well as a non-family buyer, grin and bear it.

Either your son’s wife has a strong distaste for your family, has been offended, or feels threatened. To threaten her more will not likely win her over. I’d suggest small doses of kindness and appreciation, to allow her to let down her defenses. Your granddaughter might pick the certain occasions where she can see her father and his wife for manageable pleasant occasions. You and your husband might also see them in short bursts, parting company before the tension builds (if things usually go downhill after three hours, leave after two).

Do not make your son choose between his wife and his parents. There is no win in that at all. Time to be strategic, patient, and generous, using honey instead of vinegar. If there is any chance of success in this, do what is needed to improve your odds.

Good luck.

Ira
TURNING PERSONAL CONFLICT INTO PRODUCTIVE TEAMWORK

Every business has its share of conflict among employees, or between divisions, or with customers, suppliers, and governments. Who needs to add family conflict? In fact, almost all the reasons one frequently hears for not bringing family members into firms center on the fear of conflict. However, conflict is part of life. The more we try to sidestep around conflict in business relationships, the more it escalates destructively. Business owners need to become so skilled at addressing interpersonal problems productively, that they actually welcome the opportunity conflict offers for change. With a good conflict-resolving system, family business relationships become assets rather than liabilities, because they provide additional motivation for shared problem solving. Conflict well resolved is the lifeblood of growth and adaptation to change, in organizations of all kinds. The family business, however, has unique features that make conflict resolution more challenging.

Tonight’s presenter, KENNETH KAYE, will show you how to bring together all involved in a conflict into a constructive, focused discussion • practical tools to clear up misunderstandings and gain perspective • how to get conflicted parties to take responsibility and make commitments to change behaviors • how to improve communication even when others do their worst to obstruct it • rebuild mutual trust after people have acted dishonestly, incompetently or with bad intentions • how to build conflict resolution into your organization’s culture • what to do when one or more parties feel the conflicts are unresolvable and • how to end chronic conflict without destroying the family.

Dr. Kaye is author of Workplace Wars and How to End Them: Turning Personal Conflicts into Productive Teamwork and Family Rules: Raising Responsible Children (without slapping, yelling or nagging).

BUILDING TRUST AND INCREASING COORDINATION ACROSS CONSULTING DISCIPLINES: A DISCUSSION AND WORKSHOP FOR FRUSTRATED EXPERT ADVISORS

A unique and valuable opportunity for business consultants and expert advisors to increase their skills and understanding in working with business clients, especially when so much good work can be hindered by the non-coordination with other experts also working with the same company. This will be in part hearing from family business author and advisor Ken Kaye (see bio, above) and part super-roundtable moderated by him, but also hearing the collective wisdom of a large circle of very capable consultants, who are helping and being helped. $30 includes continental breakfast. Open to all interested business consultants, mental health professionals, expert advisors from banking, law, finance, HR, etc.

IDEAS ARE FREE (AND CLOSER AND MORE PLentiful THAN YOU IMAGINE!)

• A worker in one of Europe’s largest wireless communication companies stumbled across an error in his company’s billing software that was costing some $30 million per year in lost revenues. He pointed out a simple way to fix it.
• A secretary at Grapevine Canyon Ranch realized that, when potential customers searched on the internet for guest ranches in the Southwestern United States, the major search engines were returning her company’s website well down the list. She proposed a simple change that made it appear at the top.
• A prison guard at the Massachusetts Dept. of Correction sent in an idea to use digital cameras instead of film cameras to process new inmates. Across the Department’s sixteen correctional facilities, his suggestion saved $56,000 per year.

Frontline employees see a great many problems and opportunities that their managers don’t. Because they are the ones doing the day-to-day work, they are in the best positions to come up with many kinds of ideas–from simple ones on how to save time, effort, and money, to entirely new ways of doing business. Yet most people work in organizations that are far more effective at suppressing their ideas than promoting them. Every day, all over the world, frontline employees watch helplessly as their organizations waste incredible sums of money, needlessly disappoint and lose customers, and miss opportunity after opportunity that to them are all too apparent. Companies that recognize the huge potential in the frontline ideas, and know how to tap it, gain significant competitive advantage, and become much more pleasant places to work. It is increasingly harder to attain performance excellence without the ability to listen to, and act on employee ideas. For frontline employees, management’s responsiveness to their ideas gives them a real chance to address many of the problems and opportunities they see on a daily basis, and to have a personal impact on the performance of their organizations. Managers soon realize that frontline ideas can have a huge impact on the performance of their units, and free them from time-consuming “fire-fighting”. They can then focus on what they should be focusing on. There is a lot to know about how to manage ideas. Oddly enough, much of it is counterintuitive. Today, there is a huge gap between the state of the practice and the state of the art. The average company in the United States gets one idea from every employee every two years, of which more than half are not used. At the same time, current best practice companies average fifty, or even a hundred ideas per person per year, and implement over ninety percent of them. This talk will show you how they do it.

Presented by ALAN G. ROBINSON, whose 1998 book Corporate Creativity: How Innovation and Improvement Actually Happen, co-authored with Sam Stern, was a finalist in the...
Financial Times/Booz Allen & Hamilton Global Best Business Book Awards, and was named “Book of the Year” by the Academy of Human Resource Management. Alan has been a consultant to more than 100 companies in 11 countries, including Lucent Technologies, Heineken, the Federal Reserve Bank, Bose, Toyota, Blue Shield, the Defense Finance and Accounting Service (the largest financial services organization in the world), Interbrew (the second largest brewer in the world), Fanuc (the Japanese robotics company), DCM (one of the largest conglomerates in India), Leninetz (one of the largest companies in Russia), the Japan Industrial Training Association (responsible for the national training program required for millions of middle and upper managers in the country), and has served on the Board of Examiners of the United States’ Malcolm Baldrige National Quality Award. Dr. Robinson is on the faculty of the Isenberg School of Management at the University of Massachusetts.

**Wednesday, May 19, 2004**
5:00-8:30 p.m.,
Clarion Hotel and Conference Center, Northampton, Mass.

**GET YOUR CUSTOMERS TO SAY WOW**
From its humble beginnings as a small dairy store founded in 1969 with seven employees, Stew Leonard’s has grown to become—according to Ripley's *Believe It or Not*—the World’s Largest Dairy Store, with grocery stores in Norwalk and Danbury, CT and Yonkers, NY (and a fourth store planned for 2004). Weekly shoppers number 250,000–coming from as far as 50 miles away–creating a sales volume of nearly $300 million. Born out of Stew Sr.’s father’s dairy farm/milk delivery business founded in the 1920’s, Stew Leonard’s dream was to build a retail dairy store where children could watch milk being bottled, while mothers did their shopping in a farmer’s market atmosphere. In December 1969, Stew Leonard’s opened its doors—a 17,000 square foot store carrying just eight items, but after 30 store additions now also carries meat, fish, produce, bakery, cheese and wine. Unlike traditional grocery stores that sell an average 30,000 items, each Stew Leonard’s store carries only 2,000 items, chosen specifically for their freshness, quality and value.

Tonight we will hear from STEW LEONARD, JR., President and CEO since 1991, after a lifetime of cleaning out day old cream cans, stocking shelves, making ice cream and working the cash register. He will describe how the success of this family-owned business is largely due to their passionate approach to customer service: “Rule #1– The Customer is Always Right”, “Rule #2–If the Customer is Ever Wrong, Re-Read Rule #1.” This principle is so essential to the foundation of the company that it is etched in a three-ton granite rock at each store’s entrance.

**Tuesday, June 15, 2004**
5:00-8:30 p.m.,
Log Cabin Banquet & Meeting House, Holyoke, Mass.

**BEHIND EVERY GREAT WOMAN IS NOTHING COMPARED TO WHAT LIES AHEAD**
You’ve come a long way, baby! But some days it seems you’re on the road to nowhere!! Even if you’ve figured out how to stand your ground without being called a shrew, finally earning more than 76 cents for each dollar made by men, and your CEO status in family businesses is predicted to triple in the years ahead (now 9.5% of family businesses are headed by women, expected to soon be 34%), there is no end of frustration in getting to where you want to be. We will hear some very honest and frank discussion from a panel of women in business, which will be instructive to you, no matter what your genetic predisposition.

The panel will be moderated by Dr. Linda Peters, Program Director for the Harold Grinspoon Charitable Foundation’s Entrepreneurship Initiatives, uniting colleges and universities throughout Western Massachusetts for the purpose of promoting entrepreneurship as a respected profession.

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
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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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 of the first certified Family Business Specialists in America; is a member of the Top of The Table, representing the top one half of one percent of financial services professionals 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

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Sovereign Bank

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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) 781-2820.