Competitive Intelligence on a Shoestring

QUICK: What are ten things you’d dearly love to know about your competitors? Chances are, you get many of the answers—easily, legally, and from public sources.

It’s called “competitive intelligence” (CI), and if you aren’t doing this, your business could probably be a lot more profitable without much effort.

The Family Business Center got to hear how to gain CI—and why we can benefit from it—from an expert: Fred Wergeles, a Connecticut-based CI professional and owner of IntelStrategy.com.

Although he’s an 18-year CIA veteran, Wergeles stays away from the cloak-and-dagger stuff. “We promote the legal and ethical CI. No espionage, no theft of trade secrets or violation of non-disclosure agreements (NDAs), not even any dumpster diving. Discussing recent scandals such as the Lockheed/Boeing corporate espionage, Wergeles noted, “there are a couple of people who will be going to jail. Microsoft was bribing janitors at Oracle to give them the garbage bags. We stay away from this. Thou shalt not get thy client in legal trouble or on the front page of the Wall Street Journal with a hand in the cookie jar.”

The good news: there’s no reason to go out in a trenchcoat or attach a hidden microphone. “Almost all the information is public. It may not be published, but it’s public. It’s there for the taking. The Internet has radically affected the amount of information that’s out there. There are a lot of things you can do on the cheap that help you understand your market better.”
From the Director’s Desk:

Get Off The Same Page!

In 1923, George Mallory prepared his extraordinary, ambitious climb up Mount Everest, and wittily understated his reasoning: “Because it is there.”

When his frozen body was discovered in 1999, it wasn’t clear he reached the top. Nonetheless, it was not a success, if judged by the criteria of his son, John: “The only way you achieve a summit is to come back alive. The job is half done if you don’t get down again.”

Likewise, a certain pilot expressed that his preoccupation throughout the flight is a great landing. The best takeoff, the smoothest flight, is ruined by a fiery crash. Again: “Begin with the end in mind.”

Should this dissuade the business venturers, who fail at an astounding rate? 2/3 of family businesses fail into the second generation (85% into the 3rd); most businesses fail after 24 years, on average; almost none past 40, etc.

Depressing news, but entrepreneurs are optimists, sure they’ll beat Death. And not to begin with “Going Out of Business” in mind, but there may be a benefit to considering the big causes of death, to build one’s immunity, to make one’s risk less risky.

A new book, The Wisdom of Crowds, describes a British agricultural fair that featured a contest involving guessing the weight of an ox. 800 speculators all bet wrong, but a passing statistician found that the mean of those guesses was only one pound off from the correct 1198 pounds. Hence, all of us are smarter than any of us.

So should we average the business playbooks of our human resource, and head down the middle of the business minefield?

Yes, if not for the fact that groups of even collective geniuses are prone to what social psychologist Irving Janis termed Group Think.

In a nutshell, there is a tendency of groups of us to become frozen by (1) imagining we’re invulnerable, ignoring danger and risk (2) collectively rationalizing our decisions, discrediting minority thinking (3) assuming we are morally correct, ignoring ethical consequences (4) stereotyping our rivals, ignoring their wisdom (5) viewing opposition as disloyalty (6) withholding our dissenting views (7) then perceiving falsely that everyone agrees (8) and protecting the group from adverse information that might threaten our complacency.

If you were to wish a flaming crash on a competitor, there would be no better threat to inflict than Group Think. And yet, that doomed company might describe themselves as “on the same page,” “a strong culture” or “one big happy family business.”

There is less risk in high interest, outsourcing, and even nepotism than there is in the fear of difficult conversations. The most pressing job of business owners is to construct a vessel propelled by group wisdom, not group think; so you can enjoy the ascent and the voyage; and that your landing not be the subject of a clever eulogy.

FBC Director Ira Bryck is available to visit with your family business members to discuss in what ways you can professionalize your company, improve planning and communication, create a healthier workplace environment, and improve the bottom line and Thanksgiving dinner.

Contact him at 413-545-1537 or bryck@contined.umass.edu to arrange a get-together. This will cost you an hour of your time and a cup of coffee.

By Ira Bryck
F.B.C. Membership Benefits

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

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

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

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

Shape Personality Traits and Become Better Leaders

FBC MEMBERS have heard it again and again: the right combination of personality traits can power an exponential increase in productivity and profitability.

And some of the people who’ve been strongest and most consistent in bringing this message are Rick Giombetti and Paul Alves, of FBC sponsor Giombetti Associates. But until now, their message has been abstract. This time, they let others prove the point.

At the December FBC gathering, held at the Clarion, Giombetti and Alves hosted a panel of FBC member companies who also happen to be their clients. Three businesses provided both a CEO and another top executive to discuss the specific improvements this approach can create:

Jeb Balise, third-generation President of Balise Motors (founded in 1927), and his CFO, Steve Mitus;

Tyler Young, fifth-generation President of W.F. Young, (established back in 1892), and his COO/GM, Adam Raczkowski;

Kenny Fontaine, second-generation CEO of Amgraph, a relatively recent arrival from 1984, and his sister Michelle, head of Continuous Systemic Improvement.

The most telling responses were in response to Paul Alves’ question, “There are 20 personality traits leaders must manage effectively. Which do you use differently now than when you first got assessed?”

Interestingly, all the panelists concentrated on the improvement in their communication skills.

Acknowledging that he was somewhat resistant to working with Giombetti at first, Balise feels that the program has had a huge positive impact: “I was
Personality Traits
continued from previous page

the poster child for what leadership was not about; my people felt I didn’t care about them. Rick said, ‘you say you care, but if someone tries to talk with you, you say, ‘walk with me,’ and you walk twice as fast, and you’re answering cell phones and everything else.’

“I realized my high competition score was defeating my effectiveness with my own people. I came away knowing that my people have to believe I care. I can sure give someone that five or ten minutes of uninterrupted time, in my office with the door closed.

“Rick said, ‘communication means listening.’ I’m a terrible listener. I remind myself of that every time I walk into a meeting. It has improved my performance. The results were significant in getting the teamwork.” Alves added, “And now you know what cigars they smoke and what cars they drive, and that’s important.”

Like Balise, Tyler Young— as he transitioned his company from a hierarchically-organized manufacturing enterprise to a team-based logistics company, had to learn to go against his instincts, to stop being a “pile driver” and institute a collaborative approach. And yet that collaboration actually gets more of his agenda accomplished. “In the early stages of my career I had poor listening skills. I

How to Control Insurance Costs

INSURANCE ADJUSTERS certainly hear some bizarre things—like “The pedestrian had no idea which direction to go, so I ran over him.”

Michael Long and Mike Daggett of the FBC sponsor, Axia Insurance Group, sprinkled a few of these howlers through their presentation at the September gathering. But primarily, they focused on strategies to lower insurance costs over the long term. “Insurance underwriters have discretionary credits—0-40% of the premium. Meet your underwriter, in person, when possible” Or, at the very least, “have the agent get the underwriter on the phone.

“Get your corporate biography, co. philosophy, best practices on paper. They are looking at a pile of paper, they have no idea who you are, what makes your company special.

The first thing to do, according to Long, is to get to know the people you’re dealing with: not just your agent, but even the underwriter.

While it may not be intuitive, sharing the risk is often a good strategy. Said Daggett, “If you have a small claim, pay it and submit as ‘for information purposes only.’ You will increase your desirability to a carrier and over time, you will save money. If you self-pay claims under $500, you show fewer claims, and are a more attractive insured.” At the same time, by reporting the payout, you protect yourself if the incident turns into a larger claim.

Agents and underwriters have a lot of discretion in setting premiums. The better they know you, the more likely they will find you a better rate.

Also, take an active role in examining the details. Regarding workers’ compensation, for instance, Daggett reminds clients, “The base rates are set by the state, but there are other ways to manage the costs. There are 523 different classifications in the state of Massachusetts,” each for different types of employee classifications, and each with its own set of guidelines and rates; that number shifts up or down one or two every year. “If you’re incorrectly classified, you could be paying double for your workers comp.”

If you handle your own payroll, make sure to take all the deductions and delete overtime before reporting.

And most of all, examine your Loss Runs often enough to catch mistakes early—Daggett suggests at least four times a year. “You want to see what that carrier is charging back on your account. You can see exactly what’s been reported, and correct any mistakes. Two contractors had similar names, and claims showed up for the wrong one. One year, there were 20 major claims that showed up on the wrong account. I got a call from the underwriter, ‘we’re going to cancel them, they’re horrible.’ Every one of them belonged to the other company.

One more howler from the Axia collection:

“The guy was all over the road; I had to swerve a number of times before I hit him.”

By Shel Horowitz
**World’s Largest Free Resource of Family Business Wisdom**

[link to website](http://www.umass.edu/fambiz)

- Over 200 free articles for your improvement
- Family Business Advice Column
- FBC Schedule of Upcoming Dinner Forums
- All You Need to Know About the UMass Family Business Center

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**Want to Double Your Sales?**

**Hire Stars**

"STAR SALESPeople sell twice the average. If you’re trying to hire people, look at the characteristics of your stars. Look for people who’ve got the right stuff.”

The speaker is psychologist and entrepreneur Lyle Spencer, who shared his research with the Family Business Center at its December gathering at the Clarion. His talk was entitled, “Competence, Motivation, Emotional Intelligence Cross Cultural Predictors.”

The higher up the competency ladder—the more skilled the job—the more the stars excel compared with “average” workers. In jobs with low competency requirements, the best may be 19 percent better than the average, but in higher-skill positions such as sales and management, the difference—and this translates directly into dollars—may be much, much higher. Factoring in a company’s ability to leverage the productivity of its star workers, the revenue gain can reach as high as 8800 percent in some industries.

And if you set yourself an agenda of moving the curve forward, those high achievers can change the corporate culture and increase the efficiency the entire company. “Jack Welch gets rid of the bottom 10-15% every year.” This, of course, upshifts the overall performance curve.

What drives success, in Spencer’s view, are motivations toward achievement and toward power. And these drives are independent of culture and time; he has studied numerous societies from 900 BC to the present.

How can you determine the achievement motivation of some long-vanished civilization on another continent? “You score the speeches of the politicians. You code the funeral oration of Pericles for achievement motivation. You code the literature—ancient Greek playwrights or today’s rock lyricists. They are either setting or reflecting the motivation.”

You can also measure outcomes through such factors as radius of trade; Phoenician amphorar jugs have been found all the way to Scotland. “When achievement motivation is high, the radius is maximized. When the barbarians conquer, all you have is 18 inches of ashes in the capital city.”

Spencer defines achievement motivation as “doing better against self-imposed standards of excellence.” Those who are driven to achieve are “usually

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HAVE YOU HEARD? Massachusetts has “decoupled” from the federal estate tax law as of 12/31/02. This is not much of a surprise considering the widening gap between projected revenues and State spending. I will review some of the history of Massachusetts Estate tax law, why our elected officials have chosen to “decouple” and what impact this may have on Massachusetts decedents.

First, some recent history of the Massachusetts Estate Tax law. Massachusetts was one of the last states to adopt a “Pick-up” tax for assessing estate taxes to its resident decedents. Prior to this change, which was phased in between 1993 and 1997, there was an exodus of residents to other more tax-favorable states such as Florida. This “Pick-up” tax is equal to a federal tax credit allowed for payment of tax to the decedent’s resident state. This federal credit effectively shifts some of the estate tax revenue from the federal government to each of the states. So Massachusetts jumped on the band wagon to slow the exodus of taxpayers by changing its estate tax law to be in conformity with the majority of other states. This “pick-up” tax is applicable to decedents dying after December 31, 1996. This change in estate taxes along with other reductions in taxes had helped Massachusetts drop its moniker “Taxachusetts”.

With great fan fair in June 2001, the federal government passed a new tax law that began to phase out the federal estate tax. Under this new federal law, the estate value that can be excluded from tax is phased in from $1,000,000 beginning in 2002 to $3,500,000 in the year 2009. In 2010, the federal estate tax is to be completely repealed for just one year. It will return to the law in effect on 6/7/01 beginning in the year 2011 (sunset provision) if there are no further extensions or changes. Part of this new federal law is the elimination of the credits allowed for estate taxes paid by the decedent to individual states. This credit reduction is being phased in over a four year period to the detriment of most state taxing agencies.

The elimination of state credits is what caused Massachusetts to “decouple” from the federal estate tax. I would say that their action was a reaction to the federal government’s change in estate tax law. If there had not been a change to Massachusetts’ law, by the year 2005 Massachusetts would collect no estate tax dollars. The “Decoupling” will bring the Massachusetts estate tax law back to the federal law in effect as of December 31, 2000 and hold that law in place enabling Massachusetts to once again collect estate taxes.

Under this Massachusetts law change, the decedent’s estate is obligated to pay a tax once the taxable estate threshold has been exceeded. Below are tables that detail the taxable estate threshold and estimate of estate tax payable at various taxable levels. It should be noted that other states either have adopted or are consid-
When Small Companies Find a Niche

RUNNING an “edgy” ad agency has given Darby O’Brien a definite marketing advantage. “Normally in advertising, to win new business, you’re competing against 6 agencies. But people know who we are, know what we do. When we are called in, normally we’re not up against competition.” And Darby O’Brien Advertising, Inc., his 25-year-old South Hadley-based agency, gets another account.

Much of his high profile stems not from client work, but from some of his outrageous pro bono community oriented campaigns: the “Fishing Buddies” drive to open up reservoirs for recreational use, the “Mount Tom…I Don’t Dig It” effort to restrict quarrying.

“Most agencies don’t advertise. If they did, they’d play it safe, wouldn’t want to offend, wouldn’t take a stand. Wouldn’t take on the establishment. We’ve done exactly [the opposite] since the beginning. If something matters to us, we take it on. We took on the city of Springfield to beat back casino gambling, twice. As volunteers. We were told not to because clients were on the other side and we may lose the business. In Holyoke, we developed Fishing Buddies, where we tried to open closed reservoirs, with Bobby Kennedy, Jr. of River Keeper. The key was to get city kids outdoors and in some kind of mentoring program. “We did open a reservoir in Springfield.” O’Brien cited studies that only 2% of prisoners had significant outdoor experience as children. “If it mattered, we jumped in. Advertising has the potential to initiate change. We’re like the actor Tom Arnold, you love us or you hate us.”

O’Brien was one of three panelists at the Family Business Center’s September gathering, addressing the beauties of a niche approach. His co-panelists were Faith Williams, dairy farmer and CEO of the local dairy cooperative Our Family Farms, Inc., and Dave Williams (no relation), the back-office partner at Judie’s restaurant in Amherst.

For Faith Williams, a personal, hands-on approach and a willingness to make things personal are essential to her company’s success. She put on a cow suit to address the group, noting wryly, “If you look at the two major competing brands, you’ll never see the CEO in a cow costume!”

More to the point, she looks out her window at her own herd of 50 cows; those other CEOs are not working farmers. And in its marketing, including its well-known spotted-cow milk containers, the company consistently tells per-

No matter what your business, entertainment and hospitality are a part of it.

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Values and Value

Andy comes to his dad and says he wants a new bicycle. Dad thinking this is a good time to teach responsibility says that Andy is going to have to earn the money himself.

He suggests that Andy mow lawns as a way to earn money. The next morning, Andy is up at the crack of dawn and takes off with great enthusiasm. He doesn’t return until 8 that evening, and when he comes home he is exhausted as well as very discouraged.

Dad asks “Well Andy, how did it go?”

"Not so good, dad. I went to over 60 houses and all I ended up earning was three dollars and a nickel."

Dad looks lovingly at the boy and says "well, that’s all right son. These things take time". After a minute of thought he asks "By the way, who gave you the nickel?”

Andy looks a little astonished and replies "Why all of them, of course!"
Competitive Intelligence
continued from page 1

How can this information help you?
A few among many possibilities:
  • Be prepared when your competitor launches a new product or enters a new territory
  • Understand the opportunities and threats posed by your competitor’s strengths and weaknesses
  • Know when organizational shifts create power vacuums or new directions and centers of influence
  • Watch technology trends that could create an upheaval in your industry (“Look what Napster did to the recording industry - who could have predicted? The industry was caught by surprise and is still recovering after 5 years.”)
  • Know how to protect your company’s uniqueness: the “special sauce” or “crown jewels” that differentiate you from everyone else in the market

How do you gather the information?
Among many other techniques…
  • Examine the company’s own website
  • Collect information from trade shows, industry journals, etc.
  • Ask questions of former employees - that don’t violate their NDAs (for instance, “Who are the rising stars, what makes them tick? You’re not asking them to show you the blueprints, but the contextual info can help you understand what they’re going to do next.”)
  • Visit job websites such as Monster.com and see what kinds of positions they’re listing
  • Put their company names into news alert services and receive a notice when they get press
  • Ask journalists who’ve interviewed your competitors about the back story that didn’t make it into print
  • Look on business portal and information websites such as hoovers.com and cceoeexpress.com
  • Ask their customers, suppliers, and other stakeholders

Of course, to make best use of all this, it’s not enough to gather the data; you also have to analyze it and implement - at every level of your company - new strategies and tactics based on what you’ve learned.

To get you started, Wergeles provided a list of over 50 good websites for researching competitors, online at http://www.umass.edu/fambiz/competitive_intelligence.htm ■ By Shel Horowitz

Double Your Sales
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[trends] early, figure out what it means, decide to act before the competition knows.”

This, he says, is how Bill Gates wiped out the market share of then-leaders WordPerfect and Lotus 1-2-3, when he took the concepts of powerful word processing and spreadsheets running on Intel/IBM machines and joined them with the much friendlier user interface pioneered by Apple.

Spencer noted that the lag between the rise of achievement motivation and productivity has shrunk from about two generations down to ten years. Mass communication has helped spread innovation; when Jackie Kennedy wore a miniskirt and was photographed in Time and Newsweek, miniskirts were suddenly no longer seen as deviant.

Achievement motivation should be a key factor in hiring and training decisions. Spencer cited a 1979 study that compared a $287,500 program to train 100 minority entrepreneurs with a control group. Those who went through the training generated 32% more jobs, paid $1,067,300 in additional taxes within two years, and took less than ten months to generate a positive ROI.

While Spencer issues a caution not to train those who will take their new skills and found their own companies, he does note, “You can train a turkey to climb a tree, but it’s easier to hire a squirrel. Hire the people who are already good at achievement motivation and then train them in the technical skills.” ■

By Shel Horowitz

Personality Traits
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had to learn to pay attention to other people and let them share their vision. Ten years ago, I was somewhat unruly, now I have discipline. In the past I scored very

continued on next page
The UMass Family Business Center Winter 2005 • Related Matters

**Women Business Owners: What’s Different, What’s Not**

How do the challenges facing women family business owners differ from those of their male colleagues? Five female FBC members addressed this question at the Center’s June gathering:

- Cindy Johnson, Fran Johnson Golf and Tennis Headquarters
- Kate Putnam, Package Machinery
- Joanne Goding, Moss Nutrition
- Karen Randall, Randall Farms
- Kathy Selvia, New England Promotional Marketing

The panel was moderated by Linda Peters, Program Director of the Harold Grinspoon Foundation’s entrepreneurship initiative and an instructor in the UMass MBA program.

Women may have a harder time asking for what they need, or settle for less than a man would. Several panelists cited a book called *Women Don’t Ask: Negotiation and the Gender Divide* by Linda Babcock and Sara Laschever.

Agreeing with the book’s premise, Joanne Goding noted, “I was originally willing to work for $250 a week.”

After reading the book, Kate Putnam “asked three friends to give introductions to three major prospects. I got three introductions. And be prepared—one of them had already crawled all over my website and had sharp questions.”

To Cindy Johnson, the book “suggests that women are less successful in negotiating for better pay and promotion. It’s not an instinct, it’s learned. I’ve gotten better over the years. Ten years ago, I took what was given to me. Guys tend to be better at it, but women are not taught to do that.”

But Karen Randall says gender is only one factor in negotiating skill. “Know your worth to the company and be able to articulate it. I learned to negotiate. That’s what makes my business run. My sisters are opposites. I have one sister who’s going to win a negotiation hands-down. The other has to be prodded to ask pricing. It’s gender, but it’s personality.”

Working in a particularly male-dominated industry, Kate Putnam has one unusual advantage: her height. “At an industry conference, someone asked me whose wife I was. It’s the surprise factor; they’re not used to dealing with a 6’2” blond woman. I live in the skin I’m in, and I go with the advantages I have. Most men have to look up. They can’t pat me on the head, and that helps.”

One clear difference in the panelists’ experiences is that the older panelists see the younger generation as having an easier time noticing the opportunities, and being taken seriously. Kate Putnam noted that her “mother was a great role model, but she didn’t have a job. My 26-year-old daughter has a different set of role models, and she’s light years ahead of where I was. But
Women’s Business
continued from previous page

she does place a high value on the community piece and works very hard to be involved in volunteer situations.”

Kathy Selvia agreed. “The younger generation of women are more enlightened. When they get married, they share responsibilities. I came from the old school, and the more I did, the more my husband liked it. He was a bachelor until 31, but all of a sudden he forgot how to operate a dishwasher or a vacuum. The younger women realize they can’t do it all, and they take time for themselves—and that’s a good thing. If I could do it over again, that’s what I’d do.”

But for Joanne Goding, role models of active, involved women stretched back generations. “My grandmother graduated from Mount Holyoke in 1918. That’s very unusual. The idea of doing something to better oneself impressed me. I got the idea that I’d make something of myself. But to have that realized, I had to have parents who supported the idea.”

Karen Randall found the issue was her own self-perception. “I would have grown more aggressively if I’d known that I had the power to do it. I was 32 when my father died at 54. I hadn’t aspired to run it, but all of a sudden he forgot how to operate a dishwasher or a vacuum. If a woman doesn’t play golf comes in, she can be not entirely bored while her husband or father shops.”

Find a Niche
continued from page 7

By Shel Horowitz

Our Family Farms milk is fresher because it’s local.

Our Family Farms milk is rBST-free because we care about the health of our families and friends.

For Judie’s, launching in 1977 in a local restaurant scene that consisted of “the Lord Jeffrey and a bunch of frat bars,” going for upscale nouvelle cuisine where none had existed was also a risk. But like O’Brien and Faith Williams, passion is a major driver of success. Dave Williams approached Judie Teraspulsky with a proposal, “I told her, ‘you could sell a dead man an insurance policy, let’s do a restaurant.’ Three months later, we were in the business.

And the restaurant has managed to grow by about 6% every year, even as the Amherst restaurant scene matured. Now, there are dozens of choices, but there’s usually a wait to get a table at Judie’s.

Yet, the restaurant evolves with the times, Williams’ motto: “be flexible, look at where you are and not be stuck there. In a small business, you can walk in every day and make changes. We gave up the folded white napkins and went for something more trendy.

When we started, Judie said, ‘there will never be a steak and there will never be a French fry.’ But now we sell both and steak is one of our top sellers.”

And the restaurant still reflects Judie’s personality. When TV’s Judge Judy came for the first of many visits, Judie not only came over and introduced herself (against her staff’s advice), but walked Judy around the restaurant to meet some of the regulars. Says Dave Williams, “No matter what your business, entertainment and hospitality are a part of it. We have ‘Judie’sisms,’ like ‘if you can’t smell the coffee, get off the pot.’ There’s a humor there. And people liking you as a person. If you see yourself as just changing tires or pumping gas or selling milk, you’ve missed the point. Cover a whole range of areas, love your customer and love what you do.”

About Our Staff Writer

SHEL HOROWITZ is a professional writer, and the staff writer for Related Matters. He is the author of six books, and recently published his sixth book, Principled Profits. He can be reached at www.principledprofits.com
Which Fringe Benefits are Actually Deductible?

EVERYBODY’S LOOKING FOR IT: the item you can deduct at full value, but costs little or nothing. Unfortunately, those wonderful items are pretty hard to find.

Frequent presenter Kris Houghton, of FBC sponsor Myers Brothers Kalicka, began by offering the audience a lighthearted choice: “I can baffle you with brilliance or bury you with bullshit.”

But then she got serious—and her message has major implications for many businesses. “You and your employees are taxable on all your benefits, on trade in kind and if you get anything that’s non-cash.” Of course, you can deduct the full value of the gift, but your employees do have to pay tax on it.

Houghton described a real-life situation while she was auditing a client’s books. “I was looking through the trial balance, and I said what’s this $30,000 in L.L. Bean gift certificates?”

The answer: “We give them to our employees in $100 increments.” I said, you know you have to include those in your W-2. Unless the benefit is so small that it’s ‘de minimus’ [a legal term meaning too small to be of concern] and we don’t account for it—$25 or less. The next year, I went back, and there were $33,000 in gift certificates. They still weren’t on the W-2 but they bought them in $10 increments.” Needless to say, Houghton put the brakes on that little practice.

“Employers want benefits that they can deduct but don’t have to be counted in income, but the IRS has set very careful limits. Stock options need to be included; any time you get a deduction, it’s going into their W-2. If you make them a promise that you’ll give them something and you don’t provide it, then you can’t deduct it.

All is not lost, however. There are legitimate exclusions, most of them in the category of “working condition fringe”: stuff that’s necessary to do the job. “You can provide yourself with the nicest office, a secretary, a company car. You need to see what you can give them that might be considered a working condition fringe. It could be a laptop they have a need for, dues and publications; there’s some room for creativity.” And these items don’t have to be applied equally across the board, as long as they’re designed to aid in job performance.”

Company cars, however, are a special case, and you should check with your accountant. “To the extent that they drive it for personal use,” it needs to be counted as income.

Another category is “no additional cost benefits,” such as employee discounts. Employees can use your goods and services at cost, but not for free. Houghton wasn’t sure how to categorize clothing that serves a marketing purpose, e.g., branded shirts that you could wear outside—but uniforms are okay, as long as it’s non-discriminatory.

Athletic and dining facilities are also exempt, if offered to all employees. “You can locate it in the admin building, so that it’s inconvenient for the line workers—but you can’t discriminate.”

Pensions can’t discriminate, for the most part. But health insurance rules have a less strict test; you can discriminate, but not on the basis of who owns stock. “You can provide it as a 100% paid benefit for managers and a contributory benefit for the rank and file. The IRS would allow that; I don’t know about the insurance company. This is only for real insurance, not self-insured.”

And cafeteria plans can help. “If any one in this room does not have a pretax medical savings account, it’s something you should look into. If you establish a pretax plan and allow all of your employees to make an election, they can submit the bills and get the reimbursement tax free.”

By Shel Horowitz

“You know, Carlo, you’re out of the family business. That’s your punishment.”

-Michael Corleone
EVERYBODY’S BUSINESS

How to Avoid Living Like a Poor Student at Age 70

By Ben Stein

It is fine to have no money when you’re young. It is not fine to have no money when you’re old. It is even fun to be poor when you’re in college or right out of it. But to be retired and in your 70’s and not know how you are going to pay your bills—that is terrifying. In fact, it’s a grotesque nightmare.

What is life like if you are old, weak, tired, not in great health, lonely and have no money? You are miserable, and you are in fear and you are gaunt on the inside.

Unfortunately, this is not just a paranoid fantasy about my own life. This is going to be the reality of millions, maybe tens of millions of baby boomers unless they get their backsides into gear and make some serious changes in their lives.

You can look at it anecdotally, or you can look at it statistically.

Anecdotally: If you are a woman in your mid-50’s living on a salary of $150,000 a year, and if you wish to maintain your living standard when you retire at age 65, you will need about $200,000 a year to live on, assuming inflation raises prices by 3 percent a year. If you assume you will get about $15,000 a year from Social Security, you will need about another $185,000 a year. To have that much income with today’s interest rates, you will probably need about $4.6 million in the bank. Do you have it? Or, we can look at it statistically. About 77 million baby boomers are racing toward retirement. That’s people roughly between 40 and 60 years old.

More than 34 percent of the ones over 55 report having financial savings (not counting their home equity) of less than $50,000. Only 21 percent have more than $100,000. The average Social Security benefit as of 2003 was only $895 a month. Only roughly one in eight workers as of 2001 had a pension with a defined benefit (as opposed to a defined contribution). We can look at it another way. If you had to retire in 10 years with (now let’s be really generous here) twice the savings you now have, and would receive interest of 4 percent on it, how close would you be to having a living income, i.e. an income you could live on at your present style of life? Be honest. You can look at it still another way. The average family in the New York area earns roughly (and I mean really roughly) $50,000 a year. You would need to have at least $1.25 million in principal to yield that income at 4 percent. Do you have it? Or, let’s look at it yet another way: you’re a successful lawyer or executive living on $500,000 a year. A lot of people within the sound of my voice are at that level. To sustain that level of income at 4 percent, you will need about $12.5 million in principal. Are you even remotely close? Counting your pension and Social Security, are you even close?

Are you even halfway there? If not, what are you going to do? This is the bore of the gun pointed right between the eyes of the baby boomers. With the low interest rates of today and tomorrow, with the lavish way we have come to expect to live, with a stock market that is sluggish, let us say, what on earth are we going to do about retirement? By the way, all of my numbers assume you do not want to consume your capital, and believe me, you don’t. If you are a woman who retires at 65, you have a better than even chance of living to 85. If you are a man, your chances are still better than 4 in 10. In that 20 years, prices could easily double. You want to be adding to your savings in retirement, not depleting them. For a couple who reach 65, there is a 45 percent chance that one partner will live to 90. Prices will have risen spectacularly. You will need substantially more than you did at 65. (Plus, some of you might have kids you want to leave money to. It’s a thought, anyway.) What’s the solution? Major league retirement planning right here and now.

Right this second. Make a plan with an adviser you trust and for whom you have gotten superb references. Make it a plan with a lot of diversification of stocks, bonds, mutual funds, foreign, domestic, emerging, variable annuities (but study

continued on next page
them carefully—there are immense variations among them), real estate and even cash.

The plan has to allow for expensive, long-term medical care. It has to provide for the possibility of losing your job at some point before you reach retirement age. The plan cannot count on miracle cures from the federal government. The federal government is just a means of transferring money from wage earners to retirees—and the wage earners are not going to want to bankrupt themselves for the baby boomers (who got all of the good music anyway). There is a great Chinese proverb: no money, no life. It applies in spades to older people. In a free society we all make our own reality, and (as I am fond of saying) we can make a reality where we are secure or a reality where we are in terror.

It’s up to us, and the time to start is right now. Even if you are far behind, start now. Even if it takes sacrifice, start now. The alternative, poverty in old age, is just too grim to contemplate. There are no magic bullets. It is up to you. Now.

Ben Stein is a lawyer, writer, actor and economist. E-mail: ebiz@nytimes.com.

My listening and communication skills have also gone up. One-way communication is not a good thing; they have to be allowed to feedback, ask the questions. Knowing their kids’ names—it’s a tremendous thing.

Mitus found the process growthful, but discomforting. “The first time I took the assessment, the results could not have been further” from his own perception. That was “traumatic”—but “once you get past defending all you don’t want to hear, it becomes very productive.”

By Shel Horowitz

Our Corporate Sponsors are a Continuing Source of Great Hot Tips for Family Businesses—Here’s a Sample:

“Good fences make good neighbors, and written employment agreements make good employees.”

Even if you trust your non-family employee and think of him as a friend, your employee must know your expectations, his compensation and whether that includes an option to own part of your business. Do not discuss ownership with your employee unless you have vetted the idea with your family, your accountant and your attorney. If you mention it to your employee and do not follow through, you may have lost that employee’s trust and loyalty and gained a lawsuit.

- Scott Foster, Esq., Bulkley, Richardson & Gelinas

“Build High Performance/Profitable Companies with High Performance People”

Jack Welch, former CEO of General Electric said, “You can’t run a successful business with “C” Players. Hire “A” players. Brad Smart, Ph.D., author of “Topgrading” said, “hire the top 10% of potential employees available for every position in your company.” There is no substitute for critical core competencies, whether they be for leadership, management or as an individual contributor. Don’t settle for second best! Take the time to evaluate the competencies of potential employees through extensive interviewing, assessment tools, and reference checks. You owe yourself and the company the commitment to “best practices” of the recruitment and hiring process.

- Rick Giombetti, Giombetti Associates
AS YOU’re “still crazy after all these years”?

According to the American Psychological Association, Albert Ellis is the second-most influential psychotherapist of the last century (Carl Rogers was first; they both beat out Freud and Erickson). Now 90 years old, he still lectures most days at his namesake Institute in Manhattan. His therapeutic theory and practice—Rational Emotive Behavioral Therapy—helps people live more happily and rationally by questioning their own self-defeating beliefs and attitudes that are the actual sources of negative emotions such as depression, anxiety, guilt, and anger. You might recognize in yourself the beliefs, for instance, that your self respect is tied to winning approval from others; or that your poorly chosen behaviors make you a totally rotten person; or that you should be thoroughly competent, intelligent, and achieving in all possible respects, rather than accepting yourself as a quite imperfect creature, with human limitations and fallibilities. There are many ways you can upset yourself as well as sabotage your relationships and goals. Rational Emotive Behavior Therapy addresses them all.

This presentation, by Psychologist, DR. MICHAEL BRODER, Executive Director of the Albert Ellis Institute, will describe a way out of these common quandaries, with a special focus on the special issues of family business, where family dynamics meet business practices.

HOW TO GET, GROW AND KEEP CUSTOMERS: MAKING CRM WORK FOR YOU

Large companies have been using CRM (Customer Relationship Management) software for years to leverage information and create internal synergy. They coordinate their calendars, manage their tasks, stay on top of their contacts and handle e-mail with enterprise-wide CRM. It’s also how they predict future sales—by managing prospects in the pipeline. An efficient CRM system can be critical for business success—no matter what its size. Your company can stay in touch with customers efficiently, keep on top of critical tasks, manage information overload, retrieve data effectively, and control business ebbs and flows. At this interactive session, you’ll learn how businesses have experienced dramatic increases in revenue with CRM. The session will address the following questions: what is CRM? What’s in it for my company? Are we ready for CRM? How do we get started? and What are realistic expectations for CRM? You’ll receive: actionable information for implementing CRM in your organization, valuable lessons learned from the CRM battlefield and a blueprint for increasing your sales revenue without adding staff.

Presented by WILL RYAN, a seasoned sales and technology consultant with over 40 years’ business experience.

WHAT FAMILY BUSINESS RESEARCH REVEALS ARE THE BEST ATTITUDES AND BEHAVIORS, AND WHAT SIMPLE STEPS YOU CAN TAKE TO BE MORE LIKE THOSE MOST HEALTHY FAMILY COMPANIES.

What does family business research have to offer you in a very practical way? Studies of the best performing and most communicative family companies have important relevance to you in figuring out the best way for your particular company to govern itself and address your particular issues. This talk will decipher the work of academia to help you figure out: Who should have a voice? What are rights and responsibilities of shareholders? How to organize family meetings or councils really have higher rate of success in transitions between generations? What are ways to increase our luck and skill in promoting family values and beliefs, family leadership, planning process, boards of directors, shareholder assemblies, shareholder agreements, succession planning?

Presented by JOSEPH ASTRACHAN, Wachovia Chair of Family Business and director of the Family Business program at Kennesaw State University, Marietta, GA; as well as Editor of Family Business Review, a scholarly publication of the Family Firm Institute.

For more information, contact Ira Bryck at (413) 545-1537, or bryck@contined.umass.edu
Penny. The profiled companies, which range from finance, manufacturing, and industry, all share one secret: they operate at peak productivity. Jennings studied their methods and operations and will lay out their secrets to success in clear, easy-to-follow steps.

**Tuesday, June 28, 2005**
**5:00-8:30 p.m., The Delaney House, Holyoke, Mass.**

AN EVENING WITH JASON JENNINGS, AUTHOR OF THINK BIG, ACT SMALL AND IT’S NOT THE BIG THAT EAT THE SMALL, IT’S THE FAST THAT EAT THE SLOW

We are proud to present as tonight’s speaker JASON JENNINGS, author of It’s Not the Big That Eat the Small, It’s the Fast That Eat the Slow. As an author, researcher, and speaker, Mr. Jennings teaches companies how to increase their productivity for use as a competitive tool. Along with his research team of recent Princeton and Stanford grads, Jennings describes the relative handful of organizations that seem to defy reality with their unbelievably impressive profits, productivity and employee loyalty, often accomplished more with common sense and truth telling than by adding employees or other overhead costs. By examining the tested and successful programs from the ten great examples (out of 4000 companies he studied), Jennings will describe how you can achieve similar results as companies that have increased sales 300 percent without increasing head count, become 10 times more efficient, and keep track of every penny. The profiled companies, which range in clear, easy-to-follow steps.

**Tuesday, September 20, 2005**
**5:00-8:30 p.m., Clarion Hotel & Conference Ctr., 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 Nobody 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.

ROSS SHAFER’s comedy writing career includes 6 Emmys, but began with ad copy for desperate carpet companies. “3 Rooms for $399” was his writing peak. Investing his earnings in “the next big thing,” he was co-owner of America’s Only Stereo and Pet Shop. Business failures aside, his jokes still managed to get laughs. In fact, he won the 1983 Showtime Comedy Laugh Off...and virtually overnight (six grueling years) major nightclubs and corporations were duped into hiring Ross to open shows for Dionne Warwick, Eddie Rabbitt, Crystal Gayle, Neil Sedaka, and other famous people with good voices. 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.

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Glenn Welch is Senior Vice President, Business Banking and can be reached at 413-452-5144.

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