When Ross Shafer Talks, the Laughter has a Message

I T MAY HAVE had the most laughter of any event in the Family Business Center’s 11-year history—but there was a serious message, too.

Comedian Ross Shafer, author of such books as *Cook Like a Stud: 38 Recipes Men Can Prepare in the Garage…Using their Own Tools!* and *Nobody Moved Your Cheese! How to Ignore the “Experts” and Trust Your Gut*, regaled a packed house at the Clarion with a mix of stand-up, videos, and real-world business advice disguised as humor.

Much of his talk focused on understanding how different audiences perceive you—and how you should perceive them. Showing a video of a construction worker drilling through a wall to impale and spin the workman behind the wall, he noted, “Women identify with the victim in every joke, so the men are laughing and the women—‘Is he ok?’ They have empathy, they build relationships.” But women perhaps empathize too much at times: “That was a digital guy; there was no real guy spinning around on the drill.”

A little reality check on marketing: “That famous demographic of 18-44—they have no money to spend! 55+ has 21% discretionary, and in 55-64, 47%. 44-65 is the new consumer majority. By 2050 our life expectancy will be 95 years old according to the US Census and U.S. Dept. of Health. AARP is having workshops for 65 year olds on starting their next career. Boomers and geezers rule!”

The more reason to pay attention to “what you do with your hyphen” between the birth and death dates on your tombstone.

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Curiouser and Curiouser, at Least the Cat Isn’t Working for the Dog

ONE HERO of my youth was Ernst Bulova, founder of Buck’s Rock Camp, a high school employer of mine. There are many remarkable stories* about that maverick educator, who passed on at 98, with a piercing mind until the last.

At his 90th birthday party, he revealed the secret of his durability: Curiosity. “I need to know what will happen tomorrow, not by looking in my neighbor’s window, but by discovering how our world will solve its problems.”

Not genes, not lifestyle: Curiosity!

If you were ever described as “uncurious,” would you not think it also implied something (bad) about your intelligence, openness, enthusiasm and character?

And if you were a banker, would you lend money quicker to the Curious or Uncurious? If there were 2 family businesses, equivalent except that one was collectively more inquiring, who would get your check?

Curiosity by itself might not be a winning trait. I wouldn’t take a chance on someone who vaguely wondered about the next big thing, ensconced in his La-Z-Boy. But add a propensity to explore and implement, I’d bet my ROI on someone who compulsively poked at tomorrow’s mousetrap, overturned stones, and cleared them away from the newly beaten path to their door.

I am curious—but not surprised—that the obvious and cliché “Work on—not just in—the business” is much more said than done, especially on the family aspects of family business. It’s much simpler to reduce waste in your factory than reduce haste in paying family too much, too little, or all the same. It’s daunting to see your daughter’s salary as an investment with an anticipated return (meaning if you pay your relatives unequally, you’re investing in them based on disparate expectations). If you feel that curiosity killed the cat, you are unlikely to rock the boat.

It’s challenging to concede that you decide vital matters based on short term gain or obsolete tradition, rather than on what your company needs to compete long term. What prevents you from betting on your company’s future high-value competencies, rather than your staples of yesteryear, which are already commoditized? What is the greater risk: to constrain and frustrate family members based on archaic stereotypes, or generously confront and dare yourselves to bloom, even if late, and promote a renaissance in your family business, so that the family can maximally operate the business that is serving the family?

It’s just lazy to buy new equipment and not encourage new thinking; to strive for quality in processes and not in relationships; to invest in R&D and not in R&R. There is no better mousetrap to lure faithful customers and loyal help than to have a bit of loyalty and faith in your own family’s ability to improve.

If your family has enough curiosity to examine the likelihood of its company’s longevity, it will make you courageous enough to think it through and inspired enough to make it happen.

* i.e. among them his friendship with Albert Einstein, being a pupil of Maria Montessori, and his estrangement from his Bulova watch family due to his stand against their manufacture of time bomb mechanisms.
THOSE LITTLE EXTRA TOUCHES that make customers gasp with delight—what some businesses call the “Wow Factor,” Jack Mitchell calls them “Hugs.”

“A hug is a metaphor for any tiny caring gesture, deed or act that touches the customer, and the customer says ‘wow, these folks really care about me as a person. I think I’ll come back and shop here again,’” he told the FBC’s capacity-crowd October gathering. “We’re blessed to have the president of Pepsi; I wouldn’t offer her a Coke! We try to know their kids’ names, their grandchildren’s names, where they went to college; we want to get to know them as people in a way that makes them feel good.”

And as it continues the transition to the third generation, his business is built on those “hugs.”

It’s an extremely personalized approach, but one made possible by strong technology. But the customer never sees the CRM (customer relationship management) database that keeps sales reps informed of not only purchase history, but a wide range of personal data, extracted gradually over time: names of pets, anniversaries, birthdays, and much more.

Instead, the customer sees the power of relationships built over time, with sales staff that seem more friends than servers.

Regular customers work with a particular sales associate, each of whom manages about 250 “clients” and the relationship goes much deeper than greeting the client by name. Sales associates will actually make appointments with their clients, so that the client is guaranteed to work with his or her associate. They call their clients when something new arrives that seems like a good fit.

Mitchell outlined a few keys:

Get All Employees Involved with Exceeding Expectations

“Everyone’s on the selling floor. We have 40 seamstresses and tailors. They’re right next to the selling floor, listening about what to buy. Our comptroller, our shipping and receiving, everybody focuses on the customers. We know their names, their nicknames, whether they like Pepsi or Coke. We walk them to their cars.

“I write longhand notes to our top 1400 customers, and I put the name of the sales associate that services the wife and the husband. This year we added 150 new clients. Would your comptroller want to invest $100 on top clients? Ours wants to because he’s on the selling floor.”

“You have to exceed their expectations every time they come into the store. And you have to dig in and find out what kind of service, what kind of hug they like. We actually go to their homes and do closet cleanings. Do you know how intimate that

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is? Those little things are personalizing the relationships every time they come in.”

Put The Customer Above Everything Else

“Most upper-end specialty stores that sell the best products in the world think product first. When I meet any of the big CEOs, they’re all about product. They grab my suit and start [asking tech questions]. Our mindset is first and foremost,

4. They have to be nice. You can tell nice people.”

Here’s just one among many examples of extraordinary service that Mitchell shared during his talk, and within the pages of his bestselling book, **Hug Your Customers** (already in its seventh printing after just two years): “Debra Gampel hangs out in the shirts and the ties. She told me about Jeff, who called from Danbury, panicked: ‘I just got a call from my big boss, I have to go get on a plane to Zurich tonight to speak on customer service to bankers.’ She said, ‘come on down.’ She went to our database and noticed he was a 42 regular, loved Hickey Freeman, his shoe size. She had everything laid out for him when he got there, and he bought every single thing. She had already alerted Domenic, our tailor. She’d noticed he liked cappuccino, so she had some waiting.”

The next time Jeff saw Jack on the selling floor, he asked, “Did she tell you the end of the story? Picture this: I’m in Zurich with these stuffy Swiss bankers, and I’m telling the story about extraordinary service and using Debbie as an example. I went to brag on your label and there was a card inside. It said, ‘Happy Birthday, love, Deborah.’ These Swiss bankers all stood up and applauded!”

Hug Your Huggers

“Phyllis sells $3.4 million [annually] in Westport, and has only 240 clients. I see what she’s sold, I can come up and give her a huge hug. You have to hug the huggers, the people that work with you. If we don’t hug them, they don’t hug the customers as well.”

“How many of you send birthday cards to your associates? Anniversary cards, they’ve worked for you for one year, five years? We do. I take the time to handwrite little notes in the card. People save these! And if you do it to your huggers, they understand how important it is that they do it to their customers.”

Use the Full Power of Your Database

“In 1988, a speaker said, ‘do you know as much about your customers as you do about your inventory?’ We did not. So we decided right then to SKU our customers. Since 1989, we know every sale, whether they bought by cash, plastic or in-store credit. And we know what they hadn’t bought. We can print the complete purchases, by SKU, every morning of those people who spent more than $2000 in one sale.”

“We have 150,000 people in our database, we organize them by households. Each record is organized: business, personal, and family. They all have birthdays, anniversary dates. You start filling in over a period of time; you don’t interrogate someone. But you start putting that information in, and all of a sudden, they become friends. And if you forget, you go to the back room, punch up the screen and look at it.”

These methods have grown the store from very humble beginnings—three suits in an 800 square-foot former plumbing shop when his dad first opened Mitchells in 1958—to three large retail stores in Westport and Greenwich, Connecticut, and just recently Huntington, New York.

Both expansions were by acquisition, and then integrating the Mitchells culture. In the case of Richards, the Greenwich store, the company already had a very customer-focused attitude, but no infrastructure to bring it up a notch. “They had no computer but they knew everybody by name. It was a fun place to shop but they couldn’t call you back. We doubled the business in five years. We started selling to the wives of the people we were already selling to.”

The New York location, across Long Island Sound, is much more of a distance from Westport, but Mitchell is confident. “We’re doing it much faster with Marshs on Long Island than we had with Richards. I believe we can export the model. You get into the habit, you know the name of Paula Zahn’s pet fish. It’s like brushing your teeth.”

RM

by Shel Horowitz

“Be the change you want to see.”

G A N D H I
Related Matters • Winter 2006

Usually, FBC members come to listen. On December 8, they came to talk. 25 members, staff, and friends of the center gave up to four minutes each of core wisdom that’s helped them succeed.

Ahead of the event, Center director Ira Bryck organized each presenter’s key points into slides—but most speakers went far beyond their slide, even in the brief window they had. (Ira was standing by with a hook if speakers ran over, but he never had to use it).

Some themes surfaced over and over:
• Healthy relationships (among employees, customers, vendors, and other stakeholders) are key to business success
• Integrity is a core value
• Take pride in being excellent (and give your employees the chance to take pride as well)
• Communicate clearly and often—and get written agreement if buy-in is mission-critical
• Plan for the long term
• Get advice from people you trust, both inside and outside of the business structure

Relationships
• “Listen for the yes, so you can ally with it.” (Martha Johnson-Gilburg, retired principal, Growth Dynamics, Inc.)
• “You can get huge ROI for appreciation. Sometimes it’s just noticing what someone has done. Tell them specifically what they did, and how it affected you. Spread compliments behind people’s backs; they may hear them better.” (Ingrid Bredenberg, Human Resource Innovations)
• “Take time to understand your people and what is important. Manage them based on their needs and understand them as a human being. Don’t let conflict or personality issues go unattended.” (Michael Francouer, Joining Technologies)

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Integrity

• “If you stand in shit, you’re gonna get some on you. If you compromise your integrity or associate with shady people…you will get dirty by association.” (Amy Scott, Wild Apple Design)

• “There are two key traits that I absolutely need: First, a mission of service ethic; it’s like worship for them, they live to make sure the customer, boss, co-workers are happy. Second, they have to be truthful.” (Joanne Goding, Moss Nutrition)

• “Abundance is freedom to be who you are, scarcity is resisting it. Carry the products that are in alignment with who you are, not what you think the market wants; the dollars will come, the market will follow you.” (Faye Omasta, Hickory Dell Farm and Village Pharmacy)

Pride/Excellence

• “Each year, choose one to three things to improve. It’s not overwhelming…These changes may seem small, but they have reaped big dividends.” (Nate Nourse, Nourse Farms)

• “I focus on excelling…it’s the small details, looking in the corners for dirt, going beyond the call of duty. We amaze our customers.” (Peter Rosskothen, Log Cabin/Delaney House)

Communication

• “Write it down and make it clear. That will translate to a long-lasting relationship…If someone orders a kitchen in August and we do it in November, they don’t even remember what they ordered…Everything that needs to be done is going to be listed, and on the side, we’ll put whose responsibility it is. And everything’s checked off…Ever since we did this, we’ve never had an issue with a dispute with a customer.” (Curio Nataloni, Kitchens by Curio)

• “Don’t ever hire on the basis of one interview. Take them out to lunch, watch how they behave when they’re talking down [to lower-status people], watch interactions with employees.” (Dianne Fuller Doherty, Small Business Development Center)

• “For anybody in our business, you’ve got 24 hours to deal with what you’re not OK about. If you come to me after that, it’s your problem. And if you interrupt, you pay a 25 cent fine. Chances are, if we’re interrupting each other, we’re interrupting customers.” (Cindy Johnson, Fran Johnson’s Golf and Tennis HQ)

Plan

• “In the 1300s there was a chapel built at Oxford. The current curator discovered cracks in these huge beams…the people who set that chapel up had planted a grove of trees that had been protected, for that purpose.” (Jeff Glaze, Decorated Products)

• “You can’t assume that the thing you did yesterday and the day before is simple. You have to think about it each time. The law could have changed, the people could have changed. If you find yourself pushing it out the door, stop for a second and look it over. You might find there’s a better way to do it.” (Scott Foster on behalf of Ron Weiss, Bulkley Richardson & Gelinas LLP)

Advice

• “There are a TON of really smart people glad to give advice (for free!” (Jason Mark, Gravity Switch)

• Coming to UM FBC has been a great place to not feel alone: dinners and roundtables. Roundtables are a safe place to share intimate details about the business and receive practical suggestions and advice.” (Peter Haas, Hillside Plastics) RM

by Shel Horowitz

Golden Handcuffs Makes it Unprofitable to Walk Away

T he question arises over and over again: how can a family business owner reward—and maintain the loyalty of—a key employee without opening up discrimination suits or other problems.

Family Business Center sponsor Charlie Epstein, of Epstein Financial Services, has the answer: there are a number of perfectly legal ways to not only let your key employees benefit, but make it financially unprofitable for them to walk away from your company. Typically, these involve deferred compensation such as stock options, that the employee receives after a period of years, or perhaps after retirement.

These kinds of packages are known as “golden handcuffs,” because they lock your employees into staying with you, otherwise they forfeit significant income—during retirement, in most cases, but of course, they can be structured to meet the particular goals you have (such as meeting performance goals).

Federal law prohibits the employee from actually collecting any deferred compensation until retirement. If the obligation is there, the company should set up a funding mechanism, if it’s privately held. And you want to create the smallest tax consequences possible for the money you’re putting aside, which often means using insurance as the primary funding mechanism. “You can even design them so the corporation gets all their money back” at payout, Epstein says.

As an example, Epstein showed a spreadsheet that showed how an investment of $400,000 can convert to a payout of $1,500,000.

These types of funding arrangements may be beneficial for family members as well as a way of accumulating wealth outside of their qualified 401k plans and as an alternative to generating retirement from the sale of the business. Children who are looking to purchase the business from their parents could even set up a deferred comp arrangement for mon or dad which could be used in the future to fund their retirement and not force the children to be “strapped” for cash or have to borrow from the bank to buyout their parents.

As with any arrangement of this kind you should always consult your legal and professional advisory team. RM

by Shel Horowitz

Charles Epstein, Epstein Financial Services
WESTERN MASSACHUSETTS has an abundance of banks in almost every town and city, so how do you know which one is the best for you and your business? Over the last several years the discussion has centered primarily on interest rates as they have been reduced to their lowest levels in decades. Although the cost of doing business with your bank has to be considered in the equation, it is just one of the items to consider. One of the most important things to think about is the relationship you have with your banker.

No doubt you see a lot of that banker when the bank is trying to establish the relationship, but what happens after the deal closes? Will you still have access to that individual, or will you be transferred to an inside person to handle the relationship so the originating banker can move on to the next deal? Do you find yourself needing to re-explain how your business works to the newly assigned bank representative? As a business owner you need to understand how the relationship will be managed if you change banks. Ask whether you will continue to work with the individual who has earned your trust enough for you to consider making a move to the new bank. Find out how often you can expect to hear from the bank. Your banker should be out to see you at least once per year, if not more, to obtain an update on your business and to see if there is anything else you need. At these meetings, the banker can share with you his or her thoughts on the local market's business conditions, the national economy, and other information that may impact your business. The banker should be asking questions to continually understand your business, your strategies, your market trends, etc. If your banker doesn't know where you are going, it is difficult for him or her to handle your future borrowing and other needs in order to support your growth.

What do you do if you find that you are in a relationship that is unresponsive to your needs? First, call your banker and ask for a meeting. During that meeting discuss your concerns about the bank and the way your account is being handled. Maybe your banker did not realize that you wanted more of an active relationship. In this age of technology, it is easy for your banker to mark the calendar to contact you at the times that you feel would be adequate, such as quarterly, semi-annually, etc. If the banker fails to live up to your requests after you have had these discussions, and you have a long-standing relationship with the bank, ask to be transferred to someone else. It is almost always more expensive to move your relationship to another bank due to the additional costs you could incur for legal fees, appraisals, etc.

Like most things in life, your relationship should be a two-way street, so make sure you get what you give. 

by Glenn Welch

How to Pick the Bank That’s Right for Your Business

Glenn Welch is senior vice president, business banking for Hampden Bank, and a sponsor of the UMass Family Business Center.
After Heavy Flooding and Just Before Halloween, Flood Insurance is Scary Stuff

MORE BAD NEWS: even if you have flood insurance, part of your home may not be insured—because property under the ground level (basements) have limited flood or water damage coverage.Torrential rain falling through a damaged roof, for instance, wouldn’t be covered by flood insurance (though it should be covered under a Building and Contents policy). Of the expected $200 billion in damage from Katrina, only about $40 billion will be covered by insurance.

Michael Long of Axia Insurance Services, an FBC sponsor, warns that though we’re not in the hurricane belt, Massachusetts is far from immune from catastrophic weather events, which are worsening lately:

Six of the ten most expensive hurricanes in history occurred in 2004 or 2005.
Massachusetts has been hit by only six hurricanes in the last 100 years, but just in the past nine years, FEMA has issued eight flood emergencies in the state. Westfield saw 18 inches of water in the streets following a 1955 storm.
Considering that flood insurance is not all that expensive, Long suggests looking into it. “$352 buys flood insurance for a $250,000 house.”

Long touched briefly on a few other insurance issues, too. He notes that you can buy supplemental coverage to protect against many types of claims, including worker’s compensation if a vendor gets injured at your residence, damage from a failed sump pump or backed up drain.
Still, it’s hard not to be aware these days of the human cost of inadequate coverage. “There’s not anybody in New England or down south who’s not saying, for $350 [flood insurance premium], I would have had a place to live.”

by Shel Horowitz

Older Mogi Kikkoman Creed

We have had the Creed of the Mogi Family (of Kikkoman Soy Sauce) on our Web site for several years (www.umass.edu/fambiz/kikkoman_creed.htm). Recently, a researcher from Japan let me know of a much older creed, plus a family creed poem, predating the one I had, written in an older Japanese, comparable to Shakespearean English, as he described it. I am told that the older one is similar in style to a commonly used Samurai creed.

Many thanks to Aragorn Quinn, UMass graduate language student, for his fine translation, and to Irene Starr (www.starr.net/is/starrtech.html) for finding Aragorn; and to Machie Uemura for bringing this all to my attention. —Ira Bryck

Mogi Family (as in Kikkoman Soy Sauce) Rules to Live By:
1. Make strong morals your foundation, and focus on money last. Don’t forget your foundation.
2. Strive for harmony in your family.
3. Avoid luxury: a simple life is a virtuous life.
4. Do the job that you were born to do, and only that job.
5. Treat a loss and a big gain the same.
6. Competition can help you get ahead, but do not compete unfairly or to an extreme.
7. Make your main meal boiled rice and barley and one bowl of miso soup. Eat the same food as your servants.
8. Be strict with yourself, but be kind to your servants.
9. Keep your personal expenses low. Use the rest of your money for the good of the community to a level in keeping with your circumstances.
10. Keep track of your finances, and save money for the unexpected.
11. Have a family reunion twice a year. At these reunions, don’t judge your family members based on their income, but rather on their character.

Family Creed Poem by Tadataka

Tie this scroll up tightly and keep these words in your heart. Even if you work and it is not enough, it is your job. If you work hard, there will be happiness.
O WHAT if big business steals your best ideas; you can still come out ahead. This was the message of Darby O’Brien’s brief talk before the Family Business Center’s December meeting at the Clarion.

Always creative and always entertaining, O’Brien, as owner of the ad agency that bears his name, has to be a trendwatcher. So for the past 15 years, he’s not only been watching trends, but writing about them in his occasional newsletter, “The Gut.”

He describes the publication as “not old school, not new school, but expelled from school.”

Trends that he sees these days are encouraging for small business owners—because the advantage goes to those businesses who can build a personal relationship with their customers and prospects. “Corporate America steals what differentiates and makes independent businesses successful. Charles Schwab, now they’re getting friendly and personal. They’ve got a new campaign, ‘Talk to Chuck’; it’s been very successful. Now you’ve got the Bank of America as the official sponsor of Little League, minor league, and major league baseball all across the country.”

This means smaller businesses simply have to work harder and smarter. “You’ve got to out-run them, out-local the big boys. Burgerville, a local store, had been losing business to the chains. They decided that the way to win was to use all local products: organic beef, the berries in the milkshakes. They’re opening up locations all over their area, beating both Burger King and McDonald’s.” In other words, they differentiated themselves in a crowded marketplace.

Yet some small businesses just don’t get it, says O’Brien. Either they’re too risk-averse—a number of companies and organizations have commissioned edgy ads from O’Brien but then been afraid to run them—or they make dumb customer service moves.

An example of the latter: “A year ago, my son Jake was looking for a pair of Stardust Runner skates. Dick’s didn’t have them but a local sporting goods company had them. They advertise they’re open until 5. It was 4:40. I said I could be there in 15 minutes. She said, ‘if you’re not here, I’m locking up.’ If I’d been the business, I’d have said, ‘Where do you live? I’ll deliver them!’ I got there before she locked the door, but I wouldn’t go back.”

by Shel Horowitz

Darby O’Brien can also be found online at darbyobrien.com
Considering A Prenuptial Agreement? Watch for Unintended Consequences

GUESS WHAT: if you and your intended draw up an agreement as to how your assets will be divided if you later split, get married, and then sign it, Massachusetts courts won’t accept it. The agreement has to be signed before the marriage is official. Under the law as it now stands, after is too late. In Massachusetts, a judge can divide property any way he or she thinks is equitable, notes Ellen Randle of FBC sponsor Bulkley, Richardson and Gelinas, LLP. And that power may have unintended and unfortunate consequences for a spouse whose preexisting interest in the family business is one of the assets brought to the table.

For example, if the other spouse had no role in the business, the participating spouse will probably get that business interest—but the other spouse may get just about everything else!

In Massachusetts, she notes, an interest in a family business is a marital asset even if the other spouse had no contact with that business. It has to be valued, and the business will be required to produce financial records so that it can be valued by the other spouse. Buy-sells can be helpful in setting the value, especially if there wasn’t a prenuptial agreement—but only if they’re accurately tuned to the fair-market value of the business. If you want a prenuptial agreement to hold up in court: Both parties need separate legal counsel, there must be a clear and reasonable waiver of rights, and both parties must make full financial disclosure to the other. When two parties both represented by counsel agree and there has been full financial disclosure by both parties, even if the agreement is one-sided, the courts typically uphold it. But the court has the right to go back and look at any change in circumstances since the agreement was set. If enforcing the agreement means that one party will not be in a position to be self-sufficient after the divorce, the court will modify the agreement. And then there are the emotional issues. “Raising the desire for a prenuptial agreement can be a sensitive issue. Sometimes we do a limited prenuptial, just related to business assets. We cover not just existing business assets but also new and future business assets, but not alimony or non-business assets acquired jointly by the couple after they are married. The disadvantage is that the judge will know that a family business interest is being retained by one spouse, and may be inclined to favor the non-business spouse in other financial aspects of the divorce.”

Even so, the prenuptial agreement still will have protected your small business (and the family members in the business who are not parties to the divorce) from the annoyance and potential disruption of being scrutinized and fought over in one family member’s divorce case. by Shel Horowitz

Your Employees Need Non-Authoritarian Focus and Direction

IMAGINE A SYMPHONY orchestra where the conductor says, go out and just play, don’t rehearse. What would happen if the football quarterback said, who wants to go out with the pass, who wants to run with the ball?

“The offensive coordinator writes the game plan for everybody. A pro football team may use 100 plays, 11 people. Do you think any given player is going to understand the role of eleven people in 100 plays? The same holds true in business.”

The speaker is Paul Alves of Family Business Center sponsor Giombetti Associates, presenting with his partner Rick Giombetti. The two are known through their many presentations to the center as advocates of a collaborative, non-authoritarian management style.

But that collegiality, they make clear, doesn’t take away the need to steer the enterprise.

Old-school authority, they note, is the power to influence based on an authoritarian persona. And that has a negative perception. More modern, forward-thinking executives gain their authority through a structure that fosters participation and collaboration. But they need to walk the line between being too controlling and failing to give adequate direction.

“We must transition to collaborative, communicative leadership. If you just tell them, or expect them to do [a task], you’re going to be disappointed,” said Giombetti. To demonstrate their point, Giombetti and Alves passed out sheets of paper with numbers in a seemingly random order, and told us to circle the numbers in order, starting with 1, in a timed one-minute test. Then they passed out the same exercise again, but this time told us that there was an order that repeated from quadrant to quadrant, so that once you found one number, you knew which part of the page to look for the next number.

Many participants doubled and some tripled their scores, just by knowing where to look—even though the time was reduced from 60 to 45 seconds. Giombetti commented, “What is the number one answer as to why senior managers and executives use old school authority? ‘It’s faster.’ But how long did it take me to give you the focus, structure and direction?” by Shel Horowitz
I

OFTEN ASK business owners when they plan to retire. The most frequent answers are “never,” “I haven’t thought about it” or “I will never retire; I like to work.” Is your answer one of the above?

If it is, it’s a commendable answer. It shows your dedication to your business. And who wouldn’t want to do business with someone so dedicated?

Emotional Response
This response, however, is also emotional rather than rational. Many of us baby boomers have worked hard to build our dreams around our businesses. It is part of us. It is difficult to let go. But like it or not, there will come a time when you have to let go. Doesn’t it make sense to plan for that time now, so that you get the best value for your business and the best successor to continue your business?

Rational Assessment
If you still can’t embrace the idea of succession planning, ask yourself a few questions, and answer them from the perspective of someone 10 to 15 years older. What is the true nature of your business? Will demand for your products and services grow with time or decline due to changes in technology and socio-economic conditions? Can you survive competition from larger, more aggressive companies? What will be the real value of your business if you try to sell it? If you are perceived to be the value, how much is the business worth if you don’t come along with the sale?

Time to Let Go
The answers can be overwhelming. That is why you need to start planning for the future now. Your passion and experience are invaluable for the continuation of your business. You need to infuse another leader with your passions, strengths and goals so that the new leader can tackle future challenges and grow the business you are so proud of.

Steps for Grooming the Next Leader
So, how will you start this new chapter in your life? Here are a few simple suggestions.  
• Look for a successor in a timely manner. It could be a family member or a key employee.  
• Confirm the individual’s interests and motivations.  
• Share your vision for the company five years from now. Is it compatible with your prospective successor’s vision?

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His own journey from retail to comedy and training is colorful. “I had America’s only stereo and pet shop. There’s no market, it was a really bad idea, but it was fun—we got a lot of publicity. But I didn’t like taking care of a pet shop; they eat each other. You can’t make money when your inventory’s in a state of natural selection.

“I adopted my own philosophy: success is going to be my own fault. I wrote to Johnny Carson and said, ‘how do I get your job?’ He didn’t write back. I watched, and I entered some comedy competitions and started winning. Less than six years from the pet shop, I ended up competing against Carson on Fox.

“When you go up against Johnny Carson, you get…CANCELLED!” He became a game show host. “It’s the easiest work in the world, they tape five shows a day, you work four days a month. Your work is done in four hours.

“I taped a month’s worth of episodes and I was working a comedy club in Denver. A man taps me on the shoulder and says, ‘you’re the Match Game guy, ain’t you? Son [tapping his watch], you ain’t going to make it.’

“But when you get invited to be an entertainer, they’re spilling their guts to me like I’m not going to tell anybody, I go back to my hotel and take notes, and we have a customer service training business. The problems are the same in any industry.”

And service issues are at the core of his message to family businesses. “If we have trouble in our business, it’s because we get distracted from the things that put us there, the core competencies that we feel passionate about. You don’t need CRM, time management, software—you need a customer! Customers don’t want good customer service anymore. They want spectacular.”

As an example, when Maria Garcia from Room Service in a Florida hotel saw Shafer’s disappointment when she brought him a Diet Pepsi instead of the Diet Coke he’d ordered, she went from floor to floor, checking the vending machines to find him his Diet Coke, finding one four floors down. “I got so fired up I wrote a chapter in my book about her. I am now the unpaid spokesperson for Maria Garcia and the Orlando Marriott. I wrote a letter to the corporate HQ. I told the supervisor, I told the hotel manager, and I’m sure I wasn’t the only one. Now she’s the food and beverage manager [at the Marriott] in Boston. She’s going to end up running that company.

“Customers don’t want voicemail, they want to talk to human beings. They don’t want a business relationship; they either like people or don’t like people. You’re not going to compete with Wal-Mart on price. Or China on cost. So the last great profit barrier is relationships.

“Even during the recession, women-owned companies grew—because they take a pop quiz every month in their magazines. We don’t have quizzes in our magazines, do we, guys? Women build relationships by showing interest. They ask follow-up questions. They play this trick: they listen. That’s how they remember what we said. We remember what we meant, it’s way different. Women can process four times faster. They go here and here and here and we’re just lugging up the first hill. They ask how are you doing, rather than how’s it going?

“A satisfied female customer recommends to 21 other people,” while men average only 2.6. “Women are the biggest complainers—because they buy everything. They’re responsible for 83% of consumer purchases, and those they don’t make directly, they’re influencing.

“25% make more money than their husbands and feel they have a right to spend it on themselves. In the nightclub business, there’s a rule, win the women first and the men will follow. If she’s laughing, he can relax.”

And 81% of those female customers say the quality of the buying experience wins out over price or product.

Conveying that experience successfully puts you in line to mentor others. Never assume you don’t have an impact, and never assume that nobody’s watching. “You influence somebody every single day. Somebody gave you encouragement at a crucial moment, and you will never forget that person’s name.”

As for the idea that you’re always in the spotlight, he showed a video clip of Peter Jennings, yawning and sneezing when he thought the camera was off. Ouch!

The idea of cooking with power tools is real, by the way; he showed a video of using a bench grinder to peel potatoes! RM

by Shel Horowitz

“Never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete.”

BUCKMINSTER FULLER
INDIVIDUALS AND BUSINESSES alike need to take care when assembling their tax information and need to be increasingly diligent in retaining all their receipts to document their income and deductions.

In early 2002, the IRS announced a compliance initiative. The IRS described it as a comprehensive effort to measure payment, filing and reporting compliance for different types of taxes and various sets of taxpayers. Initially, the program focused on individual income taxes. At that time, the IRS indicated that in the future, it will measure other taxes and other types of taxpayers.

The IRS said the no-change rate was going up for individual audits and the new data would help reduce the burden of unnecessary IRS contacts on compliant taxpayers, which will benefit both the IRS and taxpayers.

In March 2005, the IRS released preliminary results from this major research project assessing compliance with the tax laws. The study, which involved tax year 2001, reveals that the gross tax gap, i.e., the difference between what taxpayers should pay and what they actually pay on a timely basis, is more than $300 billion per year.

The IRS has received an increase in funding for enforcement and says it is moving aggressively to reduce the tax gap. The next stage will be to finish the data analysis and refine the tax gap data in late 2005. The IRS will use the data to update its statistical tools for selecting individual returns for audit.

In late July, the IRS announced the launch of a new study to assess the reporting compliance of S corporations, which have grown significantly in number in recent years. The study will examine 5,000 randomly selected S corporation returns from tax years 2003 and 2004.

In the past twenty years, the number of S corporations has risen rapidly. As a result, S corporations are now the most common corporate entity. In 2002, the latest year for which data is available, S corporation returns accounted for 59% of all corporate returns filed for the 2002 tax year.

The IRS is concerned about how this explosive growth in S corporations affects compliance. Thus, it has launched the new study, under which audits are to begin later this year. The new initiative will use a study approach designed to reach statistically valid conclusions regarding compliance behavior.

The IRS says the results of the study will be used to more accurately gauge the extent to which the income, deductions and credits from S corporations are properly reported on returns filed by S corporations and their shareholders. IRS expects that the information gleaned from the study will assist it in selecting and auditing.

Kristina Drzal Houghton, CPA, MST, tax partner for Meyers Brothers Kalicka, P.C. in Holyoke, Mass. and a sponsor of the UMass Family Business Center.
MARCH 8, 2006
Wednesday, 5:00-8:30 p.m.
Log Cabin Banquet &
Meeting House, Holyoke, Mass.

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

APRIL 19, 2006
Wednesday, 5:00-8:30 p.m.
Chez Josef, Agawam, Mass.

The Only Thing not Designed by Anybody is Nature noted Ted Koppel on a Night-
line special about Ideo, the most innovative industrial design firm in the world.
Ideo designs over 90 new products a year, including the first computer mouse, the
Palm V, Prada’s ultrahip Manhattan store. stand-up toothpaste tubes that don’t get
icky, etc etc. What they are superb at is fostering an environment for innovation -
not just about innovative products, but processes that meet needs now unsatis-
fied. So whether you’re pondering how to create that great new item, or simply how
to reinvent yourself and your processes, this talk will help you develop the most fab-
ulous and practical combination of form and function. The Ideo “secret” involves teams
composed of your people, your customers, plus social scientists, designers, architects,
and engineers all taking a deep, empathic look at the experience of how you currently,
and how you need to, deliver your product or service. Douglas Dayton, from Ideo’s
Boston office, is spearheading the company effort to help small and medium companies
design effective processes that reduce waste, improve innovation, deliver something
great, and are way cool.

MAY 23, 2006
Tuesday, 5:00-8:30 p.m.
Clarion Hotel & Conference Center,
Northampton, Mass.

An Evening with Laurie Puhn,
Author of “Instant Persuasion: How to Change Your Words to Change Your Life”
“We spend a lot of time walking along the supermarket aisle figuring out the carbs and the fat and what we are put-
ting into our mouths, and spend so little time figuring out what comes out of our mouths and the effect our words have on others” says our presenter, Laurie Puhn.
She will offer creative yet practical tools for activating one’s innate power of persuasion to help people quickly and easily reduce conflict and get what they want in their personal and professional lives. Mastering these skills can mean all the difference in trying to be less “boss” and more “leader.” Managers, administrators and executives cannot presume that their job titles give them authority. Instead, they must use their power of persuasion to win people over and earn the trust, confidence and respect of the people within and across their organiza-
tion. You will come out of this forum with improved abilities, whether apologizing,
complaining, criticizing, disagreeing, delivering a compliment, or asking for a favor.

JUNE 28, 2006
Wednesday, 5:00-8:30 p.m.
Log Cabin Banquet & Meeting House,
Holyoke, Mass.

Member Panel Discussion:
This is not our Father’s/Mother’s Family Business
No disrespect to mom and dad, but noth-
ing stays the same, including their famous 1962 Widget-O-Matic, or the way deci-
sions are made, or the way employees feel a bit like owners, or the way we think about what business we’re in. This will be a panel discussion of successors who’ve succeeded in going from “What would dad do?” to “What do we need to do to still be relevant in 10 years?”

SEPTEMBER 20, 2006
Wednesday, 5:00-8:30 p.m.
Clarion Hotel & Conference Center, Northampton, Mass.

The Family Business—from Beta to Version 2.0
Driven by the pressure of change in technology, markets and society, successful family companies have been evolving, toward a very different architecture and user interface. Not quite an abacus-to-Windows change in scope, it’s profound nevertheless, with major ramifications in management, strategy, governance and transition. Some “evolutions” we will explore are: From feudalism toward federalism (working closer with key publics, particularly knowledge-worker employees); From secrecy toward transparency (driven by the above); From plutocracy toward meritocracy (a natural result of 2); From stockholder toward stakeholder (widening the concept of who is an "investor" to include non-involved family, spouses, key employees; From business transition toward opportunity transition (with such rapid change, what’s worth preserving is less the specific business/products than the opportunities and options they have produced); From prognostication toward expectation (discarding strategic planning in favor of establishing financial return expectations, analyzing the ability to meet them, then positioning to close the gap between the two); From CEO to The Plan (more subtle and difficult to deal with, but refers to the increasing numbers of co-presidencies, offices of the president, etc., resulting from siblings resisting the classic management hierarchies—and how, with a board, the Operating Plan can become “the boss”).

Letting Go: cont. from page 11

• Create a business plan that is in alignment with the new vision.
• Groom your successor. Identify strengths, and focus on areas that need improvement.
• Insist on your successor having a financial stake in your business. Set in place a plan to progressively increase his or her financial stake and reduce yours over the years.
• Plan a retirement date, and be a consultant to your business after that date, if needed.

Steps for Finding a Buyer
What happens if you don’t find a successor?
• Plan on selling your business, but start the process now.
• Look for a financially sound buyer.
• Your competitors may be your best bet because they know the products and services, and they know they can use your customer base to increase their sales and profits. That makes for a great incentive.
• The key is to think of them now as partners. Cultivate friendly relations. Keep doors open for future alliances, and explore the possibilities of these alliances, mergers or partnerships at an appropriate time. Don’t wait until it’s too late.
• Initiate a progressive retirement plan.

Get it in Writing
One word of caution: Don’t plan your succession on a handshake. Find a sound legal consultant and financial advisor. Create a contract, and be clear on mutual expectations and the role each individual will play at different points in time.

A succession plan offers peace of mind now and for the future. It allows you to retire comfortably and to pursue other passions such as fishing, golfing, traveling, and sharing your business expertise with others. RM

by Ravi Kulkarni

IRS: cont. from page 13

S corporation returns with greater compliance risk.

Any S corporations selected in this new initiative should make every effort to locate all the documentation to support their tax returns.

Given the nature of these examinations, auditors will be required to take note of weaknesses and make adjustments so to reflect the most accurate selection results. Due to the serious nature of these audits, businesses are suggested to involve their tax advisors in this process. RM

by Kristina Drzal Houghton

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Treat Your Business Like a Business and Your Family Like a Family

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