

Maine Legacies

A Publication of the Richard E. Dyke Center for Family Business
"Working with Maine Families to Build a Better Tomorrow"

In this issue of *Legacies* Lois Nealley of the Maine firm Snow & Nealley addresses the complex topic of change in the family business.

Transitions *by Lois J. Nealley*

THOUGH SNOW & NEALLEY WAS FOUNDED over 130 years ago, much about the company has remained the same. When I married my husband in 1955, he took me through the Snow & Nealley factory and I firmly believed I had entered Dante's Inferno. It was dark, sparks flying, fires going, forges roaring -- scary. But I love it now. I absolutely love to hear that big hammer drop and to see those sparks fly. But it looks basically the same. Most of the equipment there is turn-of-the-century and it is still being used and used well.

A lot of other things about the company have changed, however. Over the years, high-tech automation has diminished the demand for hand logging and lumbering tools. And, after years and years of dealing directly with the loggers and ship-builders themselves, we had to learn to deal with the hardware stores and other retailers.

Though we knew that we wanted to stay in the manufacturing business, we had to do something to compensate for the fact that the logging and lumbering tools were no longer needed. The theme at the time was "diversify or die." That was when the idea of gardening tools came up.

As so often happens to entrepreneurs who are looking for new opportunities, we found ours in something we already knew how to do well. In looking back, we discovered that many years before we had sold a tool to area farmers called a "bushhook," which was used to clear land. They were made of wood and steel, and were very popular for a while. We put our experience with that implement together with the growing popularity of gardening and the idea hit us. Why not make very high quality gardening tools out of wood and steel? And it made a lot of sense. Our vendors were selling us steel and wood and our machinery was equipped to forge, cut and work on steel and wood. Our customers at that point were basically hardware stores - a great place to sell gardening tools. The idea really clicked.

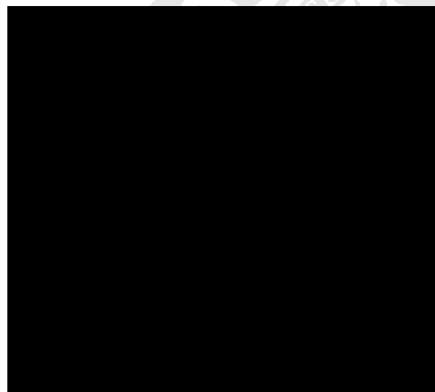
However, Snow & Nealley was known for unique tools and we wanted to continue that tra-

dition. So we did a lot of research before any designs or any tools were made. It was a day and age of ergonomics; consequently, it was important to design the right grip, the right leverage, and to take safety factors into consideration.

Our research indicated that 70% of lawn and garden customers were women, that more and more people were gardening, and that many people were gardening in containers due to condominium and apartment life-styles. Also, people were retiring at a younger age and taking up gardening because it was an inexpensive, healthy habit. Our tools were designed with all these considerations in mind.

This worked well until about 1989. Then I heard two shocking words from my manager - "Chapter 11."

Very distressed, I called my sons together, two of whom worked in the business at the time. The third was in another business. "We have a problem here," I told them. "This business has been in existence since 1864, and I think this is it." Well, perhaps youth made the difference in their attitudes, because they said, "No. We are not going to be the generation that lets this business go down the tubes."



Lois J. Nealley

So my son David took over the management of the company immediately. We pulled in our belts and went on an austerity program. We thought, "We can do it! We can do this as long as we have cooperation of the banks." Unfortunately, our timing couldn't have been worse. It was 1990, and if ever there was a tough time to work with the banks, it was then.

We had to make a fundamental decision about the direction of the company. One option was to just pull in our horns and tread water until the crisis passed. We decided emphatically against that course of action. Instead, we chose to be aggressive and to sell our company and our products. And that's exactly what we did.

So, for the first time in the history of our company, Snow & Nealley stopped being just a manufacturing company, stopped taking orders, and we got into marketing our own tools. We started with display racks. We'll bring our tools

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Helping Family Businesses Understand and Use Corporate Therapy

by Dr. Bruce A. Riegel.

Dr. Riegel's luncheon series will continue at the Center through July. For details call Kevin Casey at 941-7123.

Therapist--From the Greek meaning attendant; One who attends the healing.
Corporation--From the Latin meaning body; To live, act as, or become one body.
Healing--From the Greek meaning to bring or return to wholeness.

USUALLY WHEN WE THINK OF HEALING we use the medical notion of disease, but attending to wholeness does not necessarily assume disease. Wholeness is a dynamic process, one which is never static or complete. Attending to wholeness involves an enlightened participation in a dialogue where individual needs and concerns, often at odds with each other, are allowed to ebb and flow toward unity and productivity. All businesses are like a family in that they exhibit all of the psychological patterns and dynamics of a family. In biological language a business is a living, dynamic system.

Increasingly, families are turning to outside help, to a trained observer, an enlightened witness who can detect patterns and solutions which those who are most involved find it almost impossible to see.

When psychotherapy first began, and the medical model was firmly in place, fear of

being seen as sick, crazy, or incompetent prevented people from seeking counsel. But as therapy itself became more enlightened and began to drop the illness model for one centered in education and learning, both individuals and families came to therapists to encounter new ideas about themselves and the complex systems in which they lived.

Now corporations and their executives have begun turning to those skilled in the dynamics of both individuals and systems. Realizing that while they were busy learning about business and the so called bottom line, others were busy learning about the human psyche and interpersonal relationships. In a competitive search for efficiency, business and its leaders began to invite their psychologically oriented colleagues to visit their companies and offer suggestions. These consultant colleagues are called corporate therapists and executive coaches.

In Maine most businesses and especially family businesses, are reluctant to avail themselves to the insights of a corporate therapist. Their reluctance is sincere, but also well within the reluctance to therapy encountered at first by the profession of personal psychotherapy, and then by the family therapists who followed in their desire to

foster change and wholeness. Here are their most common concerns:

1. *If I ask for help that means I am sick, or crazy or weak.* Asking for help becomes embarrassing because it seems to indicate illness or instability rather than a philosophical search for new and creative insights into the complexity of life.
2. *Families should keep their problems to themselves.* Here the reluctance enters as pride. We all need authentic pride. But when pride serves as a way to support our fears of inadequacy, our possibilities for growth and development become limited. Asking for help requires authentic pride. A pride based on the knowledge and experience that independence and dependence are not opposites, rather intimate partners in wholeness.
3. *It costs too much.* How we spend our money and how we spend our time depends on our core values. Values change from culture to culture and from eon to eon. They differ from individual to individual-family to family-and from business to business. Values are products of internalized convictions. Some come from the collective -- the family, the geographic community, the state, nation and his-

Year 2000 Implications for Family Businesses

by Dr. Paul Young

PLANNING FOR THE HOLIDAYS IS AN IMPORTANT TASK IN ANY business. Many employees want to spend time with family and friends. Balancing these needs with possible increased customer demand, end-of-the-year inventories and other demands often creates a real management headache. In a family business, where many or all key employees are members of the same family, this problem can be especially acute. For some families, the demands of the season mean deferring or delaying family celebrations until after all the rest of us have finished-- usually sometime after January first.

As stressful as the unusual holiday season may be for family and small business people, they may look like fun times when New Year's Day 2000 rolls around. This is because of what is being called the "Year 2000 Problem."

These days, just about every company uses a computer for administrative work, utilizes equipment with embedded microchips, or depends on vendors, suppliers or others who do. Many small and family firms may not even know the extent to which they are dependent upon computer technology. It is not unusual, for example, for a small company to buy a personal computer complete with software to handle accounting or other tasks in the firm. Chances are things have worked fine ever since the computer was installed. The question everyone should be asking him or herself now is "What is going to happen on January 1, 2000?"

What's so special about that date, you ask? Well, years ago, when computers had very small memories, programmers coded dates as two

digits: two digits for the day, two digits for the month and two digits for the year, e.g. "97." This scheme has worked fine since the fifty's and sixty's when computers began to be used in business and industry. The problem is that when the date turns over on January 1, 2000 many computer programs will not know how to handle the year date of "00."

Imagine, for example, if your invoicing program figures out how past due some of your accounts are by subtracting the billing date from the current date. If the year portion of the program is working on just two digits, the computer will figure that a balance due sometime in 1997 is negative 97 years old. Will your accounting program then try to figure out the late charge on a debt that is negative 97 years old? If you don't know the answer to this question, it's time to start doing some checking.

Year 2000 problems are exacerbated by the fact that many of these businesses don't know how their computers run. It's not unusual for someone who bought a computer 5 or ten years ago to still be running software that came with the computer. These folks depend on their computer and assume it's going to keep doing the job it has always done.

Embedded microchips in machines and equipment that you or your suppliers use may also be subject to breakdown because of this problem. The point is that even if you're pretty sure that YOU don't have any computers that will be affected by the date change, you need to be reasonably sure that no one you depend on will be affected either.

torical milieu. The deepest values ultimately are traced back to personal experience. When personal experience and collective opinion are allowed to enter a dialogue, new appreciations and values are born. This is called values clarification. Creative solutions, like much of our innovative tools and technology often demand an initial cost which amortizes in time. After remaining stuck in a reoccurring and sometimes unseen problem is far more expensive in the long term.

4. *There isn't enough time.* I hardly have time to do everything as it is. All of us have a limited supply of both physical and psychic energy. Energy being used for one task is not available for another. Problems consume energy which could be utilized somewhere else. Time and money share the same psychology. Both can be used wisely. Both can evaporate often without notice. ❖

Bruce A. Riegel is a Corporate Therapist who often counsels individuals dealing with the unique psychological and emotional challenges facing family businesses. Dr. Riegel's Luncheon Conversation series will continue at the Center through July. Contact Kevin Casey at 207-941-7123 for more information.

The best way to avoid the Year 2000 problem is to start planning now. There are six basic steps you should take:

1. Create awareness of this problem in your organization among managers and decision-makers.
2. Develop an inventory of all systems that may be affected -- including those that are not yours but upon which you depend.
3. On a system-by-system basis, determine whether there is going to be a problem. Most very new software will not be affected by this problem. Figure out now whether yours will or won't.
4. If you do find systems you predict will fail, contact the software/computer vendor immediately to determine if there is a fix available.
5. Implement and test vendor supplied fixes or replace software for which there is no fix.
6. Finally, monitor all systems closely in the early weeks of 2000 for unanticipated effects. ❖

Nealley *continued from page 1*

to your store, Mr. Hardware Man, but we've also made a display rack for them, and we'll bring them in and put them on the rack. We'll package them for you! We'll make it easier for you to sell. We'll put all the bulb planters in 12-packs with a nice label on them.

We took our three best gardening tools and made a gift pack. And the minute we did it, we took the seasonality out of garden tools and opened the market. Now they can go in gift catalogs, gift stores, lawn and garden centers, nurseries, little gift shops in hotel lobbies; Disney World gift shops and L.L. Bean took them, too. So gardening tools became a year round thing throughout the country and in France and Canada. The gift packs sold like crazy at Christmas and for Mother's Day.

We found that niche marketing, which also became popular in the 80's and 90's, was very important for us. For example, we have a split and kindle set with a neat little splitting maul and a Hudson Bay kindling ax in one box, and we've been selling them in hardware stores. They're a great little item for anyone with a wood stove or fireplace, at a camp or at home. Why not sell them in wood stove shops? Why shouldn't there be one of those sitting on top of every wood stove?

We also decided to get into woodworking tools. These are coming back in style because of the popularity of log cabins and making furniture by hand. It's tough to build a market for them, though. You have to go out and find out where the market is. We wooed the woodworking journals and made a rack - a beautiful birch, silk-screened rack to hang the drawknives on. Of course, not many people knew what "draw" knives were, so we had to get the word out.

I had a phone call from a dealer in Boulder, Colorado who had always bought drawknives from us. But once he put the rack up, his sales doubled. We were thrilled. I said, "Well, I really didn't realize they were used so much out there," to which he replied, "Well, they are and they aren't, but I want to tell you something about men in hardware stores," he said. "We all have our stories about women shoppers, but men will walk along in a hardware shop and they'll see something and say, 'I don't have one of those.' So they'll buy it and it's in their tool shop right now and it probably looks as good as it did the day they bought it." That helps sales too!

Then another challenge arose, and that was wholesale warehouse shopping. All of a sudden that trowel at the local national discount chain cost 99 cents. We couldn't make a trowel for 99 cents, nor did we want to. But how would we compete? Sam Walton was asked that same question once from a competitor and he said, "Don't even try! Just do what you do best." And that's what we decided we had to do. We couldn't compete, nor did we want to, so we didn't try. We stuck to what we did and tried to do it well.

However, now we had to convince our dealers that they should sell our \$9 trowel in spite of the

fact that down the street they can buy a trowel for 99 cents. How do you do that? Packaging helped. Displays helped. Convincing them that carrying a unique item which couldn't be bought in the discount chains would enhance their image helped too.

This wasn't easy, but that's exactly what has happened. And, some of the distributors that we work with have come to that same conclusion in their own companies. They have started developing a premium line and selling Snow & Nealley products, which is nice!

The lesson is that you always have to be aware that your product line may have to change. We will see hand logging and lumbering tools continue to decrease. Great Northern used to be one of our greatest customers -- now it's True Value. Trends change. And if your company lasts for more than one generation, you know it's going to change. In fact, it can change in a ten-year period and you must be ready for that. It's the secret to staying alive. One of the worst and most common attitudes family business owners have is "Well, we've always done it this way."

We at Snow & Nealley are looking forward to growth. I'm not talking about Fortune 500 here, nor is that what we want. We're just looking forward to growth. As a family business, we don't just market tools. Maybe as a first-year business it would be that way, but for Snow & Nealley, we also market and promote ourselves, our name. We are promoting words like "old," "established," "5th generation," "made in Maine," and "Yankee craftsmanship." The romance and history is an added value to the product we are producing. And it's what makes us different and what makes us successful. We even made up product brochures that give a brief history of the Snow & Nealley Company with photos and brief anecdotes.

In 1992 Entrepreneur magazine had a special on fifty small businesses in the U.S. -- they chose one from each state. Snow & Nealley was chosen from the State of Maine and it was a real honor. Right after that someone called and asked how it felt to be a success. That was hard to answer because I don't think of success as one great big word, but rather as small incremental daily accomplishments. As long as we can continue this business and never compromise our tradition of quality, then I feel successful.

Over a period of 130 years there have been wars, depressions, recessions and inflation; management problems, fires, and urban renewal. Customer bases have changed, products have had to be changed, we've moved from manufacturing and distributing to manufacturing and marketing. The basic philosophy of high quality has remained, though. And, in spite of all that has happened over the past 130 years, you can still find Snow & Nealley doing well on the west bank of the Penobscot River. ❖

FAMILY MATTERS



Entrepreneurship Camp

If you know any young women between the ages of 12 and 15 who are interested in getting a head start in the world of business, be sure to let them know about the Center's Entrepreneurship Camp. The Camp will run from July 19 to July 24 and will feature presentations by prominent women from the world of business, as well as traditional summer camp activities. For more information, contact Kevin Casey at 207-941-7123.

Good-bye...

We at *Legacies* would like to extend a heartfelt thank you and wish the best of luck to Joyce Goodine, former Associate Director of the Center for Family Business. Joyce leaves us to become Director of Continuing Education here at Husson's main campus in Bangor, where her enthusiasm and years of experience in Human Resource Management will allow her to continue to serve as a valuable member of the Husson community

...and hello

We would also like to welcome Kevin Casey to the CFB. Kevin, the new Associate Director of the Center, has been at Husson for several years, acting as an instructor in the English Department and as Husson's Distance Learning Coordinator.

The Center Goes on the Road

In addition to ongoing programs at our new facility in Bangor, the Center went on the road to bring the inspiring message of three successful entrepreneurs to workers being phased out of the Maine Yankee facility in Wiscasset. Over forty former employees attended the program on November 6, which featured the Center's founder Richard Dyke as the lead speaker in a program focused on new venture start-up. Dyke was joined by Chet Jordan, co-owner of Designs by Lucinda of Scarborough, and Patti Alquist, owner of Jungle Woods of Maine from Bangor. All three panelists described the process of overcoming long odds to turn their dreams into successful and growing companies.

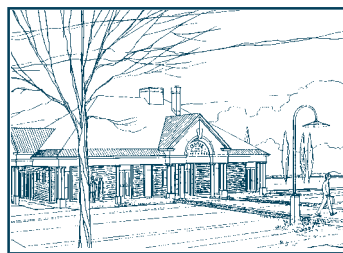
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Is a publication of
The Richard E. Dyke
Center for Family Business
One College Circle
Bangor Maine 04401-2999
207-973-1053
FAX: 207-973-1020
e-mail: fambus@husson.edu
<http://www.husson.edu/depts/CFB>

Publication Staff:
Editor: Paul R. Young
Managing Editor: Kevin Casey
Art Director: Lisa Hand

Advisory Council:
Richard E. Dyke, Chair
William H. Beardsley
Martha Dudman
Toby Hammond
Ralph Leonard
Hilda Hutchins McCollum
Robert Smith
Robert Umphrey

Published Quarterly
Printed in the USA



CFB

CENTER FOR FAMILY BUSINESS
ONE COLLEGE CIRCLE
BANGOR ME 04401-2999

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