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FALL 2012

THE CHALLENGE OF BALANCE

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NAW-001

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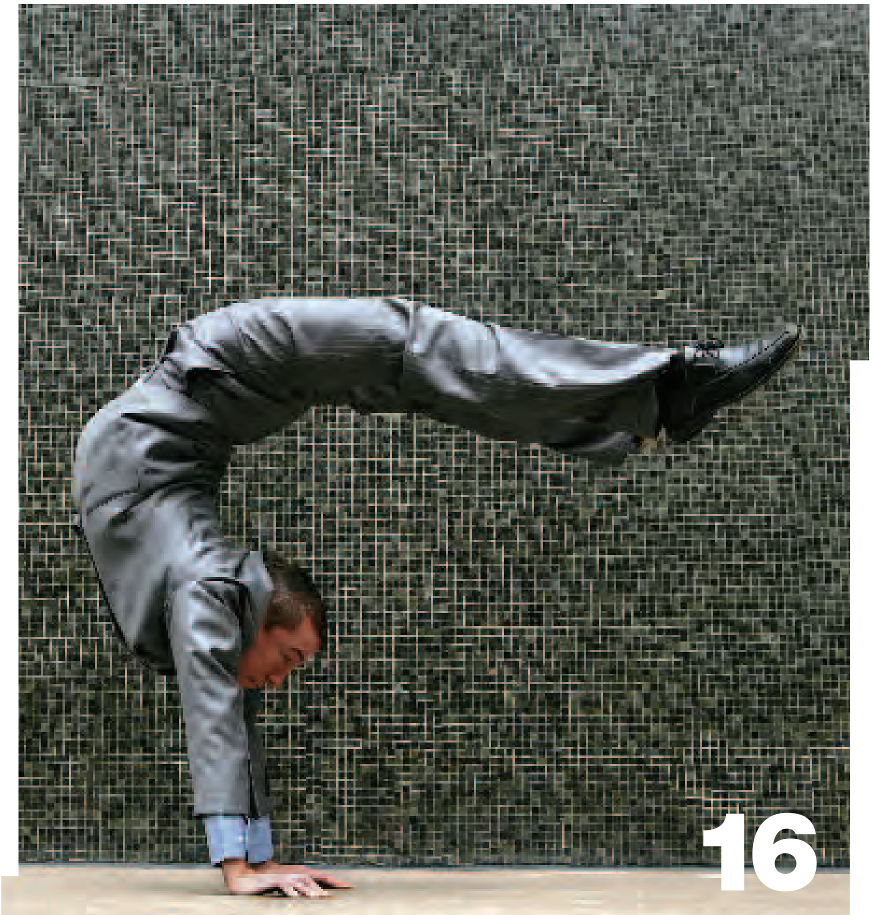
FALL 2012



THE CHALLENGE OF BALANCE

A push for daily harmony is changing the way we weigh in on life.
by Donna Shryer

“Our industry has had difficult times, and this program has helped our company put that in perspective and reach out to those in need of help and who are less fortunate.”

—Craig Johnston, Forest City Trading Group

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BY GARY VITALE, NAWLA PRESIDENT

Embracing Change

IN THESE UNCERTAIN economic times, we are all watching every penny we spend. If it doesn't affect the top line or the bottom line—and affect them now—we are not interested. That is why many companies have cut back on expenses that do not have an immediate impact on their bottom line.

We can all argue the merits of this thinking, but it is a reality that we all must face. In the association world, this reality is hitting home in a big way. Unfortunately, most companies tend to think all associations are the same and have either cut all association spending or reduced membership to the one with which they have the longest membership. Once again, we can argue the merits of this thinking, but it is a fact.

NAWLA has felt the impact of this thinking, and although we remain a financially healthy association, our membership has been reduced over the last several years. Our member companies have consolidated locations, merged with other companies, gone out of business or just stopped paying dues. I am sure we all wish we could go back in time to the "good old days," but we can't. So where do we go as an industry? And where do we go as an association?

First, let me say that our industry will survive, and those that embrace the changing face of the lumber supply chain will survive with it. Those who do not embrace this change will struggle and eventually fail. As an association, we want to embrace this change and feel it is healthy for current and future members of NAWLA. The debate over what this change will morph into is a topic we are researching and will place before our membership early next year. The question is: Are you ready to embrace whatever the research reveals and accept the reality of the situation? Are you ready to change along with us?

As a member of NAWLA, you will be asked this question early next year. We will present the results of our research and lay it all out in front of you. Our membership will decide our direction, as it should. There will be debate, disagreement and, I am sure, some heated discussions, but that is what we will need in order to move into the future. We will need some innovative thinkers to step forward. We will need the next generation to weigh in. We will need everyone to participate.

Finally, to those of you who feel all associations are the same—don't! NAWLA is committed to one thing: Helping you run a profitable business that remains viable as long as you want it to. We are interested in all the things that impact your top line, bottom line and every other aspect of running a business in the lumber supply chain. And we back it up with two of the industry's premier events, The NAWLA Traders Market and the NAWLA Leadership Conference, as well as the industry's premier educational program, the Wood Basics Course, and our newest offering, *Crosscut*, the magazine you're reading.

NAWLA. We have been here for 120 years and plan to be around for another 120 years!

Are you ready to embrace whatever the research reveals and accept the reality of the situation? Are you ready to change along with us?

Gary J Vitale

Reach Gary Vitale at gvitale@nawla.org.

THE BUZZ

BY DUCKING international and local regulations, conservation laws and ethical responsibilities, illegal logging operations around the globe rake in a reported $30 billion every year—stealing profits from above-board loggers and compromising the moral and legal standing of any company or customer that unwittingly does business with them.

Helpless victims no longer, the latter groups can now gain peace of mind and a (potentially) legal recourse against harvesters and sellers of illegal lumber by employing the services of DoubleHelix Tracking Technologies, a Singapore-based company that performs DNA testing of commonly traded timber species.

By mapping the unique genomic sequences of certain tree species, DoubleHelix scientists have pinpointed unique DNA "barcodes" that can be used to verify the purported type and origin of a given piece of lumber or lumber product. The company even offers prospective clients the ability to perform "DNA spot checks" of timber at various points throughout the supply chain, all the way back to the forest source.

As reported in *The Economist*, the company's customer list includes big-name retailers like Lowe's and the U.K.-based B&Q.

THE SCIENCE OF CHOICE

Are your customers overloaded with options?

THE AVERAGE PERSON is faced with hundreds of decisions that can eat away at productivity. At a recent Ted@Allianz Talk, behavioral finance expert Sheena Ivengar, a professor at Columbia Business School, shared her findings on the science of choice and outlined four tips to help business owners improve their customers' purchasing experience.

Cut and reduce. Getting rid of redundant options has a positive correlation with increased sales. "When Proctor & Gamble went from 26 different kinds of Head & Shoulders to 15, they saw an increase in sales by 10 percent," Ivengar said.

Concentrization. To help people understand the difference between choices, they have to understand the consequences. In a study of employee enrollment for a 401(k) plan, employees who were asked to think about the positive consequences of saving during the enrollment session were more likely to enroll than those who were not reminded of the benefits of savings.

Categorization. It's much easier for people to handle categories than a myriad of individual choices. In Ivengar's study of consumer behavior in magazine aisles, consumers who were presented with more categories but fewer choices believed that they were given a better choosing experience than those who were presented with more choices, but fewer categories to help make those choices.

Condition for complexity. Start off easy. Present your customer first and foremost with simple choices (such as choosing from four functionality options) and then gradually tier the presentation of more complex choices (such as choosing from 50 colors). Helping customers go from "low choice" to "high choice" prepares them to choose and increases their engagement and motivation about the product.

TAXMAGEDDON?

If the Bush-era tax cuts are allowed to expire, what will be the fate of small business?

PRESIDENT BARACK OBAMA has indicated he would let the Bush tax cuts expire only for the wealthiest 2 percent of people—couples earning more than $250,000 and individuals earning more than $200,000. If Republican presidential nominee Mitt Romney is elected, however, it's likely he will extend the tax cuts for all income levels.

For small businesses in the wholesale lumber industry, the effect in either case is unclear. The controversy centers on just how many small-business owners paying pass-through taxes—taxes stemming from reporting business income on their personal reports—would be affected by the rate increase.

The nonpartisan Joint Committee on Taxation recently estimated that only 3 percent of small-business owners pay taxes in the two highest income brackets, while the Center on Budget and Policy and the Tax Policy Center have estimated that as low as 1.5 percent do. It's figures like those Obama cites to support his position that the hike would affect a minimal percentage of small-business owners while raising billions of dollars in federal revenue, making program cuts less necessary.

Romney and fellow Republicans, however, argue that this view misses the point. They claim that when considering only businesses with workers, data from the Department of the Treasury suggests that 24 percent of small companies would be subject to the tax increase. Moreover, Romney says that of all small-business owners, this top percentage that's susceptible to higher taxes also is the most likely to hire new employees, so raising taxes could indirectly discourage them from creating new jobs.

So what should small-business owners do? They can turn to their accountants to verify which tax bracket they fall under. If they are indeed in this contested top 2 percent, it is crucial to plan ahead. In the short term, they must be prepared for potential rate hikes should Obama be re-elected, or enjoy lower rates but prepare for the onus of hiring should Romney win.

In the long run, which plan is better for all small businesses and the economy at large is and forever will be a matter for debate.

BY WADE CAMP

It Starts with Starts

What housing start figures can tell us about employment and wholesale building material sales.

MANY FACTORS DRIVE demand for housing: government policy, personal income, credit scores, unemployment, population growth, demographics and mobility, consumer preferences, family size, formation and even divorce. Throughout U.S. history, all of these factors have contributed to—positively or negatively—housing demand as well as subsequent demand for building materials.

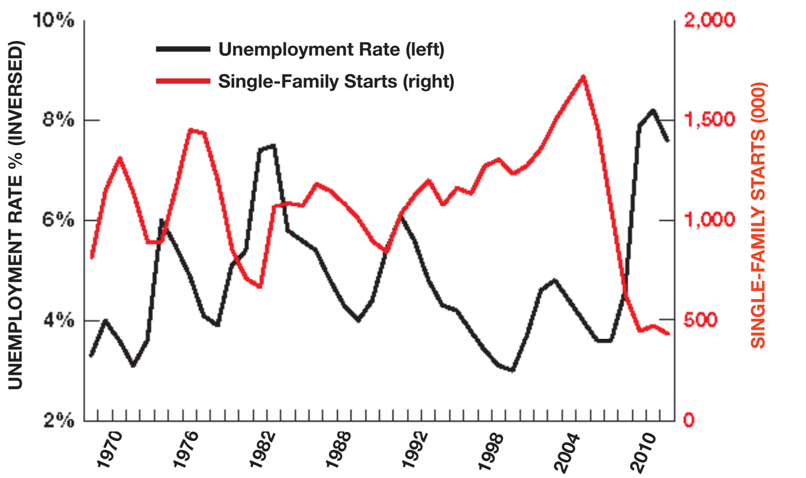
Recently, one of the more influential factors has been unemployment. Without consistent income, very few consumers can buy or build a house. Even low confidence in job prospects can thwart big-ticket, credit-based purchases, especially when lending standards are restrictive. For instance, since 1970 every time unemployment has reached 7 percent or higher, single-family starts have dropped below one million units within about 12 months (see Chart 1). Conversely, when unemployment has been less than 7 percent, starts have been greater than one million. The broader take-away: Consumers build exponentially more homes the lower the unemployment rate is.

In his Sept. 13, 2012 QEIII announcement, Chairmen of the Federal Reserve Ben Bernanke said, "We've seen not enough jobs growth to bring down the unemployment rate and what we need to see is more progress."[1] Chairman Bernanke was exactly right: This fragile recovery has created only 129,000 jobs per month since the recession ended, too few to boost housing.[2] At the current rate of job creation and holding the labor force fixed, 5 percent unemployment will not be achieved until August 2015. A full housing recovery, defined as 1.5 million or more total starts, is still three years away, based on employment trends. Moreover, such trends also predict a 12-month lag in starts after unemployment reaches 5 percent. This is the exact reason why the Federal Reserve announced it will maintain accommodative policy until 2015—a move that the Fed hopes also will boost confidence.

Given the current pace of job creation, unemployment during calendar year 2013 will be around 7.2 percent, which historically would equate to roughly 641,000 single-family unit starts. This figure would be about a 48 percent increase over comparable starts in 2011 and a 21 percent increase over the 2012 full-year estimate for unit starts. The 95 percent confidence interval estimate for 2013 is 588,000 to 723,000 single-family units.

1

SINGLE-FAMILY STARTS VS. UNEMPLOYMENT RATE



THE WHOLESALE CONNECTION

If 2013 provides a 21 percent housing increase, how will that affect the sale of wholesale lumber and other building material nationwide? There is some predictability between single-family starts and wholesale lumber and other building material sales.

Even a cursory review of NAWLA membership profiles shows that many members sell not only lumber, but also fencing, roofing, insulation, stone, siding, millwork and other building materials. These construction materials are included in the U.S. Census' monthly Wholesale Trade Report under code 4233.[3]

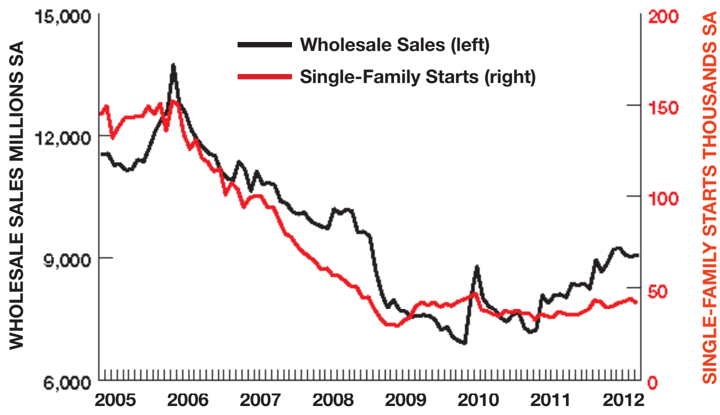
This report covers merchant wholesalers and distributors of lumber, plywood, millwork, brick, stone, siding, insulation and other building materials. Except for the first quarter of 2010, when supply-side shortages shattered inventories, starts and wholesales sales are co-integrated (see Chart 2 for the relationship between wholesale sales presented in the report and single-family starts from January 2005 to July 2012.) Co-integration means these two variables move together over time.

Sales of wholesale lumber and building material peaked in January 2006 at $13.7 billion and bottomed out in January 2010 at $6.8 billion. In between, the housing depression extracted $6.9 billion—or about 50 percent of wholesale value—in the form of wages, jobs, profits, investment returns and other value-added services. Since January 2010 through mid-2012, wholesalers have only recouped $2 billion in sales.

With 641,000 single-family unit starts estimated for 2013, the total nationwide sales of wholesale lumber and other building material should come in at $105.6 billion, which would be 8 percent higher than 2011 sales and 5 percent higher than the full-year sales estimate for 2012. Regionally, the Southwest, led by Texas, will grow well above average, driven by residential permits in Houston and Dallas. The Southeast, led by immigration-based population growth in Florida, Georgia, North Carolina and Tennessee, will be the second most fertile region for single-family unit starts next year. The Northeast, however, where homeownership has been declining for years, will experience subpar construction growth.

3

WHOLESALE BUILDING MATERIAL SALES AND SINGLE-FAMILY STARTS



ADJUST, REBALANCE

Another indicator of industry health provided by the Wholesale Trade Report is lumber and building materials inventories (measured in billions of current dollars). If wholesale inventories climb too high or for too long, sawmill order files drop. Typically, supply chain prices adjust downward until inventories rebalance.

An excellent tracker of this balancing act is the inventory-to-sales ratio (I/S ratio). This ratio indicates the months needed to liquidate the on-hand inventory at the current sales rate. For example, if the ratio is 1.41—the preferred long-term I/S ratio for wholesale lumber—it will take slightly less than two weeks to liquidate unsold inventory.

Lumber prices and I/S ratios are negatively correlated. As I/S ratios move higher (a buildup of unwanted goods), prices move down. Studies show that if the wholesale inventory-to-sales ratio drops below 1.33, lumber prices experience inflation. If the I/S ratio is greater than 1.47, prices deflate. During peak demand (VIQ 2005), wholesale I/S ratios hovered around 1.10. During the trough (IQ 2009), wholesaler I/S reached 1.70. (See Chart 3 for the relationship between the lumber and plywood Producer Price Index and the wholesale I/S.[4])

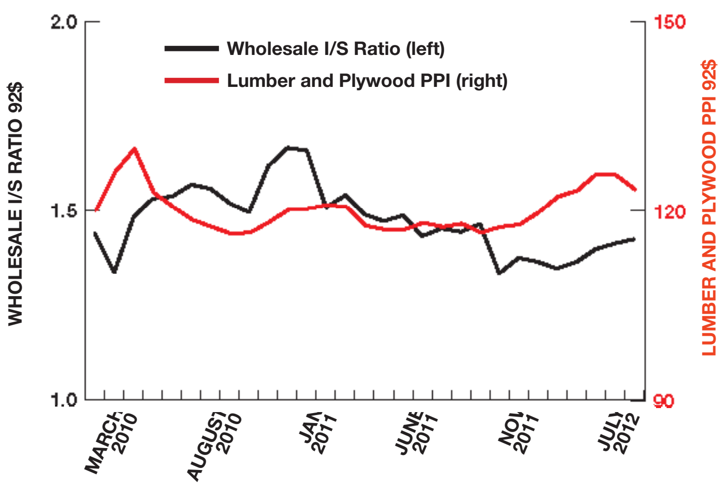
In summary, expect roughly 640,000 single-family units to be constructed in 2013 with a full-year average unemployment rate of 7.2 percent. Thus, the average unit starts per month would be 53,000, with a 10 percent rise in each month of the summer and a corresponding dip in January, November and December. Wholesale lumber/building material sales will increase 5 percent over 2012 figures (again, with higher sales in the summer and drops in winter). As demand increases seasonally and cyclically, wholesale inventories could be squeezed, thereby inflating prices. Be mindful when the wholesale I/S ratio nears 1.33, but overall, 2013 will not be a bad year compared to where the industry has been.

The assumption in this forecast, which may alter the results, concerns the jobs-growth rate. If jobs grow faster (or slower), the housing recovery could arrive earlier (or later). Considering the behavior of this recovery thus far, prepare for a later, rather than earlier, turnaround. In other words, adjust business to a slower-growing economy rather than hoping for a housing boom in the next few years.

Wade Camp is a freelance forester and wood products economist widely known throughout the industry. He earned a Bachelor of Science from Purdue University and a Master of Science in Forestry from Duke University.

2

LUMBER WHOLESALE INVENTORY-TO-SALES RATIO AND PRODUCER PRICES



FOR QUESTIONS or additional information, please contact Wade Camp at **CampWF@gmail.com**.

1 Read Bernanke's full transcript at www.federalreserve.gov.

2 Bureau of Labor Statistics, Average number of monthly job gains from Current Population Survey.

3 U.S. Census Bureau, Monthly Wholesale Trade: Sales and Inventories. Released second week each month.

4 Bureau of Labor Statistics, Lumber and Plywood PPI based on 1992 dollar.


iNN
The only way out
of the downturn
is forward.

OVATE OR DIE

BY MATT ALDERTON

THERE'S NOTHING INNOVATIVE about rubber ducks. Each identical to the next—daffodil yellow with beady eyes, an orange beak and slight, vestigial wings—they're a dime a dozen. At least, that's what most people think. But Craig Wolfe isn't most people. When he looks at rubber ducks, he doesn't see tchotchkes. He sees opportunity.

"The rubber duck industry, it will surprise you to know, is humongous," Wolfe says. "We're not General Motors, but think about it: Although you won't find a truck in every driveway in America, you'll probably find a rubber duck in virtually every home."

ILLUSTRATION BY KEITH NEGLEY/THEISPOT.COM

DO YOU KNOW TED?

Anyone who wants to innovate should start by plugging into the innovation community. And anyone who wants to plug into the innovation community should start with TED.

TED—which stands for Technology, Entertainment, Design—is a nonprofit that's dedicated to "ideas worth spreading." Founded in 1984, it began as an invitation-only gathering of the nation's greatest innovators. Today, the group hosts two such conferences every year, during which speakers are given a maximum of 18 minutes to give "the talk of their lives" in the most innovative and engaging ways possible. Past presenters have included Bill Clinton, Bono, Jane Goodall, Malcolm Gladwell, Google founders Larry Page and Sergey Brin, Al Gore, Bill Gates and Seth Godin (see more about Godin on page 22).

Today, you no longer have to attend a TED conference to be inspired by one. Along with its two annual events, the TED family now includes a TEDTalks video website featuring TED presentations and more than 750 TEDx events—mini TED conferences that are independently organized and open to the public—in more than 60 countries around the world. You can even download a free TED app and watch TED presentations on your smartphone or tablet.

GET INSPIRED
For more information, visit **ted.com**.

Wolfe began making rubber ducks in 1998 when he had the novel idea to design versions modeled after celebrities. What began as a "fun side project" quickly took off, and in 2002 he created CelebriDucks, which to date has created more than 200 collectible rubber ducks based on actors, athletes, musicians, cartoon characters and mascots, including Elvis Presley, Babe Ruth, Mr. T, Barack Obama, Betty Boop, William Shakespeare and James Brown, just to name a few.

"Rubber ducks are iconic," Wolfe says. "We're just taking them in a new direction."

That direction turned a new corner during the Great Recession. "When we saw the economy changing, we realized we had to retool the entire business," continues Wolfe, who differentiated his company during the downturn by investing in custom packaging and in new ducks for new markets, such as a "green" duck made out of 100 percent recycled rubber for environmentalists and food-themed gift ducks for foodies. "When other rubber duck companies were going into bankruptcy, we stood alone by deciding to be really good instead of really cheap."

In 2011, its new mantra led CelebriDucks to launch a line of "Hatched in the USA" rubber ducks made in the United States. "The original rubber duck was made in America; now, every single one is made overseas," Wolfe says. "We brought the rubber duck industry back here, and now we're the only ones making rubber ducks in America."

Although it costs five times as much to make a rubber duck in the United States as in China, the payoff has been huge. "We're making ducks for companies from Harley-Davidson to the Future Farmers of America. We can't keep up. Every client that wants a USA duck sells out," says Wolfe, who cites innovation as his company's saving grace. "If you do things no one else does, you distance yourself so far from your competition that even if they wanted to catch up, they couldn't. You're too far ahead."

Take it from Wolfe: The alternative to innovation is annihilation. Whether you sell rubber ducks or lumber, the only way out of the downturn is forward.

INNOVATION: (RE)INVENTION

Let's face it: You're not Steve Jobs, and your company isn't Apple Inc. And that's OK, because innovation is not the same as invention, according to Karl Stark, co-CEO and managing director of Avondale Strategic Partners, a Chicago-based management consultancy specializing in business growth. To be an innovator, he says, you don't have to change the world; you just have to change your business.

"Innovation in its truest form is offering a better product to the customer," Stark explains. "Companies fail by trying too hard to come up with the next big idea. The problem is, the company isn't the customer. A new idea doesn't represent innovation unless it's valuable to the customer."

Thomas Kuczmarski agrees. "Innovation is about problem solving," says Kuczmarski, senior partner and president of Kuczmarski & Associates, a Chicago-based innovation consultancy and co-founder of the Chicago Innovation Awards. "The whole process starts with understanding what your customers' concerns are and then looking at possible ways to address them."

In other words, you don't have to invent to innovate; you have to reinvent.

A 2012 survey by Citibank found that 53 percent of small businesses have "reinvented" their businesses to stay afloat or competitive. Of those, 47 percent did so by overhauling their products and services; 24 percent by adjusting their infrastructure, such as technology or staffing; and 18 percent by beefing up their sales and marketing efforts.

When he started his business, New York-based Katz Moving, CEO Jon Katz did all of the above. "The moving industry's been stagnant for the past 20 years," says Katz, who started his business in 2012 after nearly 10 years in the moving industry. "The only difference between companies is the length of time they've been operating and the price of the products and services they're offering. I wanted to stand out, and to stand out you have to be different."

Among Katz's innovations:

- Stuff Cam: Inspired by the surveillance cameras on school buses, Katz has rigged each of his moving trucks with cameras that stream live video to customers on their computer or smartphone. As a result, moving crews can be monitored to make sure they're not mishandling customers' things.
- Track My Truck: Most moving companies outfit their trucks with GPS trackers that allow them to locate and dispatch crews. However, when customers call on the day of their move to request an estimated arrival time, dispatchers—who are trained to appease—rarely give honest answers. In pursuit of full transparency, Katz makes trucks' GPS locations available to customers in real time via the Web, which also allows him to minimize customer calls—and, therefore, customer service staff.
- Eco-Friendly Moving: Because the industry's powered by diesel fuel, cardboard boxes, Styrofoam peanuts and petroleum-based packing tape, moving is a high-pollution business. Katz Moving has differentiated itself by making sustainability a strategic priority. For instance, it buys only the latest-model trucks, which are more fuel-efficient and produce fewer emissions than standard commercial trucks; packs in reusable heavy-duty plastic crates instead of cardboard boxes; uses biodegradable shrink wrap, foam and paper that's made of post-consumer recycled materials; and purchases renewable energy credits that offset its carbon footprint. The result is a better reputation externally and lower operating costs internally.

Whether you sell rubber ducks or lumber, the only way out of the downturn is forward.

"Our innovations have two objectives: to help the customer by making us as transparent as possible, and to lower our operating expenses by making us as efficient as possible," says Katz, whose company grew from two moves in its first month of business to 48 in its fourth. "It puts you above the rest if you're doing something different."

INNOVATE OR WAIT?

Whether it's with new products and processes—think CelebriDucks—or with new technologies—think Katz Moving—the best time to innovate is right now.

"Downturns are really fertile fields for innovation," Stark says. "In upturns, everybody invests because everybody has the cash. So, you're really just keeping up with the competition. During downturns, however, companies have the opportunity to get a leg up on the competition by investing in something that creates a competitive advantage."

In addition to first-mover advantage, companies that innovate sooner reap rewards sooner—and the rewards are substantial. "Over a five-year time period, a company that's doing innovation well should be looking at a 30 percent to 40 percent return on innovation," Kuczmarski says.

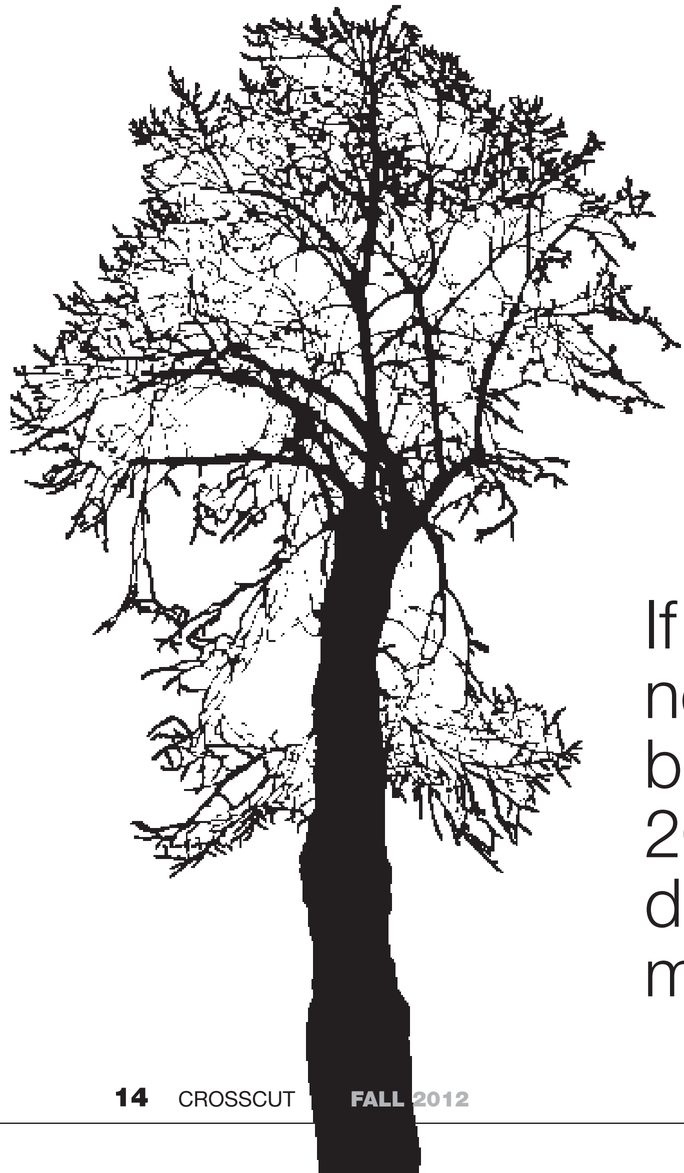
Two companies that didn't wait to innovate are lumber wholesalers Vanport International Inc. of Boring, Ore., and Boston Cedar of Mansfield, Mass. Because they've long embraced innovation, each has gotten a head start on post-recession growth.

"Since we started in 1967, the philosophy of our founder has been to adapt to change and be an agile competitor," says David Stallcop, global marketing manager at Vanport International, where innovation is geographical in nature. "Sometimes, supply is stronger out of the United States, or Canada, or Europe, or Russia. We're involved in all those markets so that when swings occur, we can adapt to changes."

Vanport specializes in exports to Japan, which imposes exacting standards on imported lumber. During the downturn, the company helped struggling sawmills duplicate its innovations by teaching them to cut and sort logs for foreign markets. "Innovation can be as simple as changing your mind-set," Stallcop says. "If you think you need to cut only 20-footers because you've always cut 20-footers, your mill will shut down because there's no market for 20-footers."

Boston Cedar's brand of innovation also is about diversification. Although it dealt exclusively in cedar when it began in 1985, it's since become a distributor of man-made building materials, as well.

"A slogan we employ is 'Out in Front,'" states Marketing Manager Scott Babbitt, who says its focus on



If you **think** you need to cut only 20-footers because you've always cut 20-footers, your mill will shut down because there's no market for 20-footers.

innovation helped Boston Cedar avoid layoffs during the downturn. “We try to be ahead of the curve, and that means taking chances, looking forward and not resting on our past successes. Had we clung to cedar as our only mechanism to pay our bills, we would have closed our doors a long time ago.”

More recently, Boston Cedar’s innovations have included social media—it introduced a blog, Facebook page and YouTube account in 2011—new delivery routing technology and a new state-of-the-art warehouse through which runs a railroad track, allowing the company to buy product by rail car instead of truck.

“We’re constantly looking to do things better,” Babbitt says. “We believe in using the latest technology to be as efficient as we can and to be as productive as we can with limited resources.”

BAG ‘THE BOX’

Forget “thinking outside the box.” If you want to innovate, you’ll need to throw the box out entirely.

That’s what the frozen-foods industry has done—literally—according to Kuczmarski, who describes the transition from cheap microwave dinners in a box to gourmet dinners in a bag. “If you went to the frozen-food category just 10 years ago you’d see a whole bunch of TV dinners with glommy food that was all mushed together,” he says. “The frozen-food industry has been radically innovated over the last decade, starting with Bertolli, which came out with a frozen dinner that was $8.99 instead of the TV dinner price of $2.99 or $3.99. It’s flash-frozen food that’s very flavorful; you dump it out in a frying pan, ‘cook’ it for 15 minutes, and you’ve got a very savory home-cooked meal.”

Once considered sad bachelor food, frozen dinners have become premium family suppers—all thanks to one company’s re-imagining of the TV dinner.

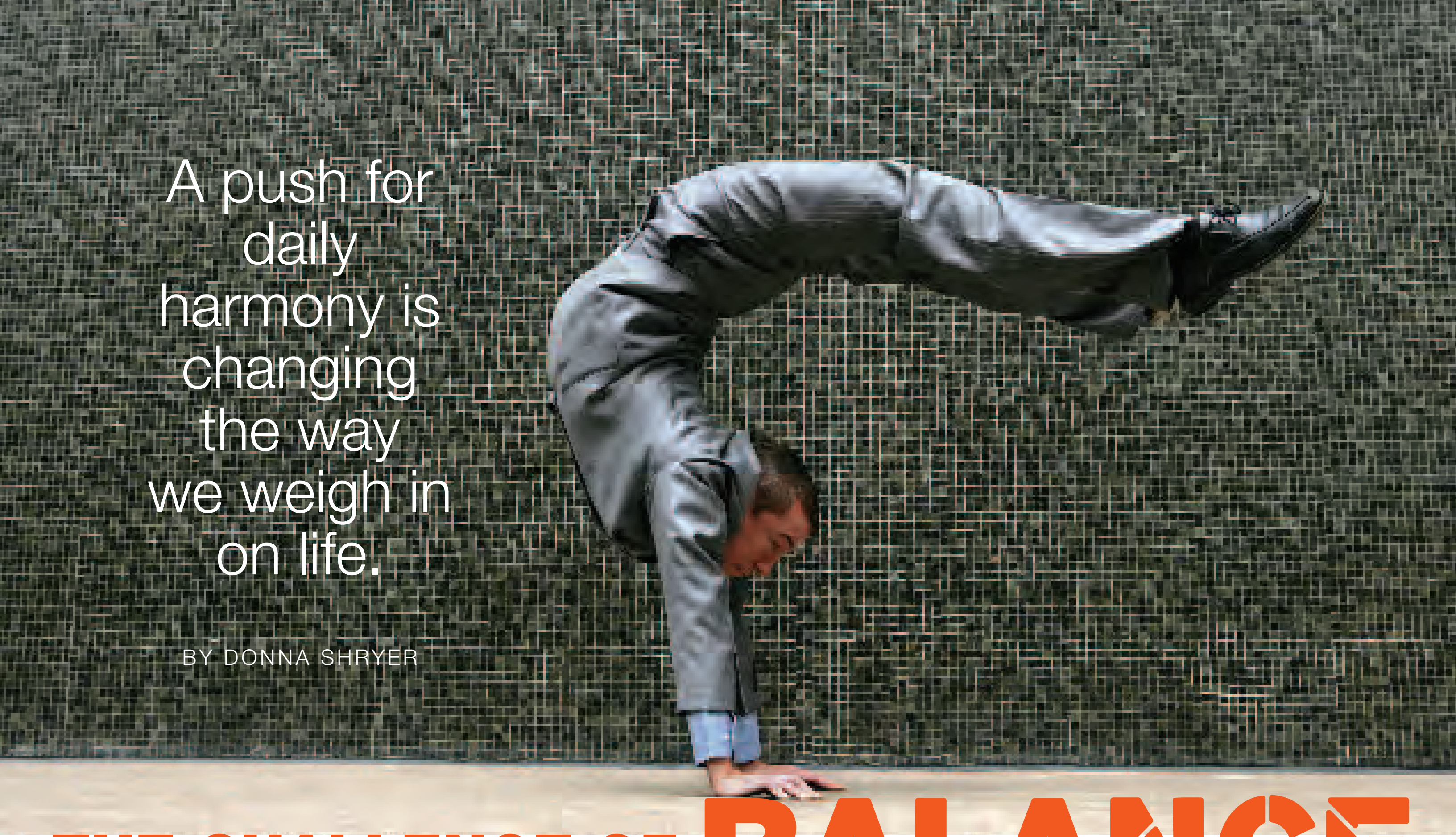
To stimulate similar re-imaginings in your own company, go straight to your customers. “The best way to understand where to innovate, how to innovate and what to innovate is to talk to customers,” says Stark, who recommends surveys, focus groups and informal chats with buyers. “Understand what their needs are and what your opportunities are to create more value for them. Next, develop a few basic hypotheses about what could drive growth in your business, and then look for ways to develop and test those innovations. Try something, take it to a few customers and see if it catches on. If it doesn’t, move on to the next hypothesis.”

You don’t have to have all the answers, but you have to at least ask the questions. “What we’re talking about is long-term survival,” Kuczmarski says. “A company that doesn’t view innovation as part of its core growth strategy might not be around 10 years from now.”

INNOVATION IDEAS

Looking for inspiration? Here are a few ways your company can innovate:

> Purchase new machinery and equipment.
> Envision new ways to order and deliver your product.
> Introduce new packaging.
> Improve the customer experience.
> Launch a new product line.
> Offer a new service.
> Leverage your expertise to provide education, training or consulting.
> Partner with businesses in adjacent industries.
> “Green” your operations.
> Streamline processes and procedures.
> Explore new sales channels.
> Target new customer segments.
> Expand to new markets.
> Launch a new division or department.
> Hire new staff.
> Try a new marketing vehicle.
> Upgrade your infrastructure.



A push for daily harmony is changing the way we weigh in on life.

BY DONNA SHRYER

THE CHALLENGE OF BALANCE

NIGEL MARSH, international raconteur and author of *Fit, Fifty and Fired-Up*, spoke about work-life balance during the February 2011 TED conference, and to inspire the packed audience, he offered his personal idea of balanced perfection:

Wake up well rested. Have sex. Walk the dog. Have breakfast with my wife and children. Have sex again. Drive the kids to school on the way to the office. Do three hours' work. Play a sport with a friend at lunchtime. Do another three hours' work. Meet some mates in the pub for an early evening drink. Drive home for dinner with my wife and kids. Meditate for half an hour. Have sex. Walk the dog. Have sex again. Go to bed.

With a straight face, Marsh closed by asking his audience, "How often do you think I have that day?"

REALITY CHECK

It turns out that Marsh wasn't looking to inspire balanced bliss but rather to drive home a two-pronged observation: You can't schedule balance, but you can grab moments and make the most of them. "Thinking work-life balance can be achieved on a daily basis is unrealistic. Most days you'll just work damn hard at your job—and that's fine, as long as you can look at the last month as a whole and honestly say you had a balanced life," he says.

Micro-managing balance is ridiculous, as Marsh's agenda proves, and it may very likely replace one problem with another, stresses Jim Bird, founder and CEO of WorkLifeBalance.com. "There are four quadrants in your life that need attention: work, family, friends and self. If you decide that your goal is to devote 25 percent of your time to each quadrant each day, all you'll achieve is 100 percent guilt. Life is dynamic—fluid—and you can't force life into a formula. Today's balance may mean working less. Tomorrow it means working more. What's important is that you get the most possible value out of the time you do invest in each quadrant."

MAKING IT WORK

Bird recalls one particular ladder-climbing corporate executive who participated in his work-life balance workshop and later reported back that her 7-year-old was thrilled with all the extra mother-daughter time. "The irony is that this woman was spending more time than usual at the office," Bird explains. "But when this woman was with her daughter, the Blackberry was off, the laptop was closed and the tablet was in its case. To the daughter, it felt like more time, and it proves that you can't measure work-life balance in literal minutes."

Making every moment count is a learned skill, Bird says, and his tool of choice is a focus strategy he dubbed Person of the Moment, or PM. To illustrate, Bird offers an all-too-common scenario.

A coworker walks up to your desk, where you're working on a report as your email dings and your phone beeps. How many persons are involved in this moment, Bird asks. The answer is five. There's you and the coworker, as well as the person who assigned the report, the person who sent the email and the person who made the phone call.

Bird asks and answers another question, "Who is your Person of the Moment? Nobody! When you're scattered all over, step back, pick a PM and give that person your undivided attention. You just balanced that moment. You made your Person of the Moment feel respected; you yourself likely enjoyed the moment; and I'll bet you achieved something. Balance enough moments and you'll eventually strike a balanced life where each quadrant gets valuable time. It won't be equal time, but it will be valuable time."

DUCKS IN A ROWE

One approach to work-life balance that's garnering attention from researchers and corporations alike is the Results Only Work Environment, aka ROWE. ROWE is a management strategy where employees are evaluated on results—only results—rather than physical presence behind a desk. The goal is to increase the company's performance by cultivating an environment where employees manage all demands in their lives, from workday to life obligations.

Jody Thompson, co-founder of CultureRx, co-creator of ROWE, and co-author of the book *Why Work Sucks and How to Fix It*, stresses that ROWE does not tell employees how to achieve a work-life balance but rather encourages employees to find that balance on their own. "This isn't a flexibility program that says you must work at a certain time, but I'm going to let you be flexible about where you work. ROWE is about telling an employee here are the measurable results you must achieve; now off you go," she says. "The manager's only concern is objective results, and your performance is no longer measured by time sitting in a chair. It's measured by how well you do your job."

A research study co-directed by University of Minnesota sociology professor Phyllis Moen found that a ROWE environment does indeed work. It is possible, she says, "to broaden access to schedule control and thereby relieve work-family conflicts and improve work-family fit for more workers."

As Moen delves deeper into the ROWE concept, one can't help but wonder which came first, a workplace environment that gives employees control over when and where they do their job or the Gen-X, Gen-Y and millennials' innate need for this environment. "The new workforce doesn't buy into the idea that work is the only form of success," Moen stresses. "For these generations, their identity is about work, hobbies, relationships with family…everything that makes them who they are. It's partially because they saw what happened to baby boomers, who traded their time and commitment for job security, pensions and guaranteed raises. That contract is destroyed. In its place, Gen-X, Gen-Y and millennials demand more time control, which allows them to fit work into life and life into work."

ME, MYSELF AND I

According to Marsh, Bird, Thompson and Moen, there are roughly 7 billion different ways to balance those four quadrants—work, family, friends and self—because the solution is unique for each person on planet earth. "Everyone lives on their own moving platform of multi-layered changes," Moen says. "There is no blueprint to follow, and every person has to make his or her own way."

Taking a purely pragmatic viewpoint, Marsh offers one final reason why we have to each figure out our own path toward balance: "If you don't design your own life, someone else will design it for you, and you may not like their idea of balance."

(TECHNOLOGY!)

Smartphones deliver life on steroids, plugging us into interminable data updates and 24/7 communication capabilities—all in a pocket-sized rectangle. For some uber-achievers, however, the very thing that makes them stronger, fiercer and faster has resulted in an unhealthy addiction.

In a study conducted by Helsinki Institute for Information Technology HIIT and Intel Labs, researchers found evidence that smartphones can be habit-forming, with many users suffering what's dubbed "checking habits"—repetitive checks of email, texts and social media applications. These checks, averaging 34 per day, are not necessary but compulsive, the report states, and they blur the line further between work and life. It's an iShame, isn't it?

FOR MORE INFO about Nigel Marsh, visit **nigelmarsh.com**.

beating the generational

odds

Succession planning is not about a tense faceoff; it's about scoring a smooth transition.

BY ELIZABETH ECKER

WHEN THE WIRTZ FAMILY made headlines in 2010 several years following the passing of its patriarch "Dollar Bill" Wirtz, owner of the Chicago Blackhawks ice hockey team, it wasn't just for the 'Hawks winning the Stanley Cup Finals that year. Despite the team's turnaround success, the family itself landed in a court feud over who would own and run the remaining arms of the empire's several businesses.

The team's management initially went to son Peter, who later passed the reins to brother Rocky, but a disagreement over the family's other businesses led to mainstream media outlets touting a concept all companies must address but few consider from day one: succession planning.

Large corporations, small ones and all sizes in between need to have a succession plan—even organizations like the Chicago Blackhawks. But grooming the incoming generation to take the executive reins is increasingly challenging today, as technology and the ideals of Generation X present a growing rift between themselves and their baby boomer counterparts. Especially in an industry like lumber, not known for its glamour or cutting-edge technology, the 20- to 30-year age gap can seem more like a century.

NEVER SATISFIED

Generational preferences dictate the direction in which a company takes its leadership. "Gen X are wanting to see a career path," says Tim Jackson, Ph.D., leadership consultant at Toronto-based Jackson Leadership Systems Inc. "They are impatient to some extent, and want to know where they can go inside a company. If they don't see opportunity, they are comfortable with leaving, and they don't have the same forces keeping them with a company that their parents did."

The impatience of "Gen X," those born between 1965 and 1980, is just one quality that distinguishes this generation from baby boomers in terms of career characteristics and leadership styles. Largely, they

THINKING OF TAKING OVER THE FAMILY BUSINESS?

Not without taking these three steps first.

1 **Work somewhere else.** Do it for several years, in a business you enjoy, says Orn Gudmundsson Jr., owner of Northland Corp. Go ahead and join that business if it's the one you find is your passion and if it makes sense.

2 **Be humble, be kind.** Approach management with this attitude, says Gudmundsson. Don't be Prince Joffrey from *Game of Thrones*, he advises.

3 **Listen to the older generation—to a degree.** Listen to older relatives, he says, but don't roll over. Often the child is the only one in management willing to stand up to a stronger business owner—and that's OK.

are the ones who will be the next company executives, family business or not.

A generation known for jumping from place to place and living by ideals rather than realities, a 2011 study by the Center for Work-Life Policy found 41 percent of these Gen Xers were unsatisfied with their current rate of advancement. Forty-nine percent also feel stalled in their careers, due in large part to the fact baby boomers can't afford to retire and feel threatened by the incoming generations.

In the lumber industry, dissatisfaction can play out to an extreme where the tried-and-true practices of current leadership sometimes stand in the way of new technology, innovation and advancement.

"This industry seldom figures in the career fantasies of young men and women," says Orn Gudmundsson Jr., 40, an owner of LaGrange, Kentucky-based Northland Corp., a full-service concentration yard. "The offices tend to be dusty; there aren't a lot of glamorous people around. On the other hand, in lumber we are dealing with one of the oldest products in the world… there is a real appeal to actually getting to touch the product, yet it is hard for many to get past the dust on the front steps."

NEW BLOOD, NEW RULES

For this reason, attracting new leaders, or even grooming the current crop, can be challenging. When comparing the manufacturing and distribution facilities of most lumber companies, the day-to-day is a far cry from the sleek, new offices of tech companies and startups that attract many members of the younger generations. The tools of the trade differ as well, which is why the future leaders in lumber stand to gain a competitive edge by spending time within the industry, while gradually introducing change.

"In our company, my father and I tend to look at [capital expenditures] differently. He has a marked preference for solid and permanent things, while I am more comfortable with lighter equipment and software," Gudmundsson says. "The important thing is that the synthesis of these views leads to a coordinated strategy that leaves both generations comfortable."

The introduction of technology, for example, while it may receive pushback from a business that historically has worked on paper and telephone, is also gaining recogni-

In **lumber** we are dealing with one of the oldest products in the world… there is a real appeal to actually getting to touch the product, yet it is hard for many to get past the dust on the front steps. —Orn Gudmundsson Jr., Northland Corp.

tion for what it can offer in the way of industry advancement.

"Tech has been later in this industry than any other one I know of," says 33-year-old Tyrone Konecny, vice president and sales manager for Konecny Brothers Lumber Co., Inc., based in Ogden, Utah. "A lot of us don't even use email to even scratch the surface of what it could do. There's a lot of resistance to going online and marketing there."

And for those in their 20s and 30s, who are accustomed to the technology that allows for a 24/7 work schedule as well as the responsibilities that come with it, it can be difficult to work alongside managers who simply don't operate under the same set of "rules."

"You don't have to be in the office 7 a.m. to 7 p.m. anymore," says David Karofsky, president of Transition Consulting Group. "You can do business on the golf course or at the gym. Today's world has allowed greater flexibility as to when and how you work. But it's a challenge to the senior generation who thinks: If you are in the office you're working; if I don't see you in the office, I don't see you working."

One way to help combat the differences is to adopt the exact same technology, says Karofsky, who runs family-owned Transition Consulting Group, which specializes in family business issues, alongside his father, Paul, founder and CEO. They work on the same iPhones, same computers and try to align themselves accordingly.

"For the younger generation, the challenge is patience," Paul Karofsky says. "Don't be critical. If the younger leaders start putting dad down, all that will happen is dad is going to go deeper and deeper into his own argument. The advice to seniors is to use identical technology; if something goes wrong with it, you have someone to ask for help."

CRAFTING A PLAN

Especially for entrepreneurs who built their businesses from scratch and have a hard time handing them over, a formal succession plan may not be top of mind. Or it simply may not work effectively over the long term, as evidenced by the famous Chicago Blackhawks owners.

One particular challenge, Gudmundsson says, is distributing leadership.

"The worst thing you can do it to distribute control, and even ownership, equally," he says. "Equal partnerships are hard to manage, and they tend to work best when people join together in an arms-length partnership to match mutual strengths."

Perhaps for this reason, companies are increasingly opting to elect new, outside leadership in favor of family members who rise up through the ranks. A 2010/2011 family business survey by PwC indicates that while 72 percent of family business owners said in 2007 they intended to pass their business on to the next generation, that number fell to 55 percent in 2011.

Today, many consulting companies will coach businesses through the process, which can start as soon as the leadership reaches age 50, or even sooner.

"It's never too early to start talking about [succession planning]," David Karofsky says. "If a kid goes to school, graduates, comes back and is now 32 with an MBA, it's not too early to start talking about it. It doesn't mean you put a plan in place, but start having the conversation about how these things are going to go on."

Consulting experts can help with succession planning as it pertains to taxes, the financial impact on the company, continuity of leadership and transfer of assets. Sometimes, however, the personal issues need to be worked out on an individual basis above all else.

"Succession planning has only to do with personalities, and, specifically, the personality of the controlling manager or shareholder more than that of the next generation," says Gudmundsson, who at age 38 became president of the third-generation family owned company and today, at 40, awaits his turn as the next in line to fully run the business. "But, as the next generation, that will be my view until I'm on the other side with my children."

SECOND OPINION?

Some companies don't have the time or resources to handle succession planning themselves. A third-party expert can help by offering some of the following services to shape the transition for your business:

- **Assessing strengths and weaknesses.** Some consultants will conduct surveys and interviews to find out more about the leadership and management styles of the potential successor.
- **Setting goals.** Goals may be specific or general toward meeting leadership requirements.
- **Follow up coaching.** To help achieve those goals and the timing for achieving them.
- **Mentorship advising.** This should be someone one to two levels ahead in the company who can represent a career path for which to strive.
- **Talent reviews.** To drive the selection of quality leaders, to help direct new employees and to determine who has the "right stuff" for a given role.

Extending the Narrative

Master marketer and best-selling author explains why in order to succeed, something's got to give.

BY SETH GODIN

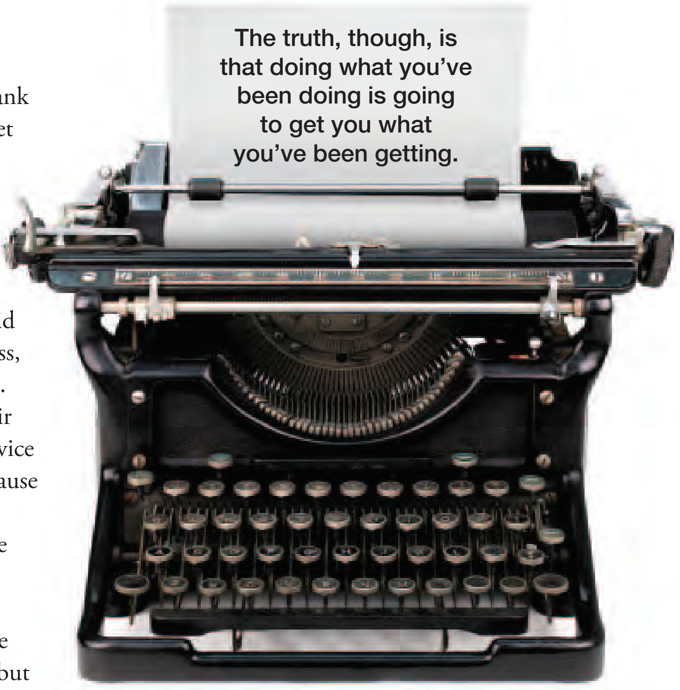
DID YOU WAKE UP fresh today, a new start, a blank slate with resources and opportunities…or is today yet another day of living out the narrative you've been engaged in for years?

For all of us, it's the latter. We maintain our worldview, our biases, our grudges and our affections. We nurse our grudges and see the very same person (and situation) in the mirror today that we did yesterday. We may have a tiny break, a bit of freshness, but no, there's no complete fresh start available to us.

Marketers have been using this persistence to their advantage forever. They sell us a car or a trip or a service that fits the story we tell ourselves. I don't buy it because it's the right thing for everyone, I buy it because it's right for me, the us I invented, the I that's part of the story I've been telling myself for a long time.

The socialite walks into the ski shop and buys a $3,000 ski jacket she'll wear once. Why? Not because she'll stay warmer in it more than a different jacket, but because that's what someone like her does. It's part of her story. In fact, it's easier for her to buy the jacket than it is to change her story.

If you went to bed as a loyal company man or an impatient entrepreneur or as the put-upon retiree or the lady who lunches, chances are you woke up that way as well. Which is certainly safe and easy and consistent and non-confusing. But is it helping?



VISIT **sethgodin.com** for more information.

We dismiss the mid-life crisis as an aberration to be avoided or ridiculed, as a dangerous blip in a consistent narrative. But what if we had them all the time? What if we took the resources and trust and momentum that helps us but decided to let the other stuff go?

It's painful to even consider giving up the narrative we use to navigate our life. We vividly remember the last

SETH GODIN has written 14 best-selling books, including *Permission Marketing*, which *Fortune* magazine named "The Best Business Book." Godin often uses the concepts discussed in his books to promote his books. For *Unleashing the Ideavirus*, Godin released the entire eBook on the Internet for free, which led to eventual publishing deals in 41 countries and a public speaking career. For *Purple Cow*, Godin created a milk carton container for the book which generated attention from work colleagues. For *Tribes*, Godin launched an exclusive online community for the first 3,000 people who pre-ordered the book.

time we made an investment that didn't match our self-story, or the last time we went to the 'wrong' restaurant or acted the 'wrong' way in a sales call. No, that's too risky, especially now, in this economy.

So we play it safe and go back to our story.

The truth, though, is that doing what you've been doing is going to get you what you've been getting. If the narrative is getting in the way, if the archetypes you've been modeling and the worldview you've been nursing no longer match the culture, the economy or your goals, something's got to give.

When decisions roll around—from what to have for breakfast, to whether or not to make that investment to what TV show (or none) to watch on TV tonight, the question to ask is: Is this a reflex that's part of my long-told story, or is this actually a good decision? When patterns in engagements with the people around you become well-worn and ineffective, are they persistent because they have to be, or because the story demands it?

Published with permission from Seth Godin. Find Seth's blog at ***sethgodin.typepad.com****.*

You won't build a successful business on a good idea or a good product, according to Godin. You'll build a successful business when you figure out how to spread your idea better than the competition.

For the first 15 years after Otto Rohwedder invented sliced bread, no one bought it. No one cared. No one gobbled it up. It wasn't until Wonder Bread figured out how to make sliced bread sexy that the idea actually spread.

Digital Breakthrough

When looking for ways to boost productivity in the workplace and at home, the phrase “there’s an app for that” certainly rings true. Apple’s App Store and Android’s Marketplace boast thousands of applications to help simplify business burdens and allow for efficient and effective use of your time. There’s also a plethora of gadgets, gear, software and Web gimmicks from which to choose. By employing these useful tools, you can implement innovative solutions to maximize your productivity potential.

APPS FOR THAT

Look no further than Evernote, the ultimate organizational app, when you’re trying to organize all your scattered scraps of paper, screenshots, computer documents and voice memos. This app, available across all platforms, lets you combine your various means of note-taking and organize your thoughts all in one place. Whether you need a space to save that phone number you scribbled on the back of a napkin or simply want to organize similar thoughts into a “notebook,” this app makes remembering items big and small a cinch.

Price: Free
evernote.com

It’s about time to step into the 21st century and embrace the technology that can make work far easier than you could have ever imagined. With DocuSign, you can sign a contract without ever printing it. The app makes it easy to send—and more importantly, sign—documents electronically, facilitating faster and easier business. The fact that you can add tags for guided signing makes this contract delivery method practically foolproof.

Price: Varies by plan. Free 30-day trial available.
docusign.com

Don’t worry about ever forgetting your login and password information again with LastPass, a digital vault password manager. All you need to remember is one master password, and LastPass will do the rest, eliminating password fatigue and simplifying your digital life. The service will even generate unique and difficult-to-crack passwords for you, so rest assured your valued data will be safe and protected.

Price: Free
lastpass.com

SHIPPING SAVVY

Every penny counts, especially during an economic downturn. When affordable shipping is what you’re after, uShip, an online shipping marketplace, is there to help. The service connects customers and businesses to help them find the best deals possible when looking to move materials from point A to point B. Visit uship.com to compare and book upfront quotes, name your own price or receive auction-style bids from the over 225,000 customer-reviewed transportation service providers, which range from independent owner-operators to large freight carriers and brokers.

The site’s mission was to level the shipping playing field—and that’s what it has done. uShip’s feedback and rating system facilitates transparent pricing and open communication between customer and carrier, allowing small business and large carriers to compete for the same accounts. That way, you know you’re getting the best price.

uship.com

DIGITIZING DOODLES

With IRISNotes digital pens, you can do more than just put ink on paper—you can digitize your notes. IRISNotes high-tech writing instruments have the capability to turn handwritten notes into editable text that you can send to your personal computer, smartphone or tablet.

IRISNotes pens are small and portable, just like other pens, but by attaching a small receiver to the top of a standard sheet of paper they can digitally record penmanship, allowing you to write anything, anytime, anywhere. What’s more is that the manufacturer of this optical character recognition (OCR) software boasts that the pens can store up to 100 pages of written notes.

Price: IrisNotes Express 2, $99
IrisNotes Executive 2, $149
irislink.com

NAWLA EDUCATION FOUNDATION STARTS SECOND YEAR

The NAWLA Education Foundation is putting together its second year of programs for college students who are interested in a career in the forest products industry. In its first year, NEF had 50 students participate from three universities. The partner schools are Mississippi State University, University of Wisconsin-Stout and Saint Peter's College.

The NAWLA Education Foundation offers one-week workshops. The workshop provides a hands-on approach to learning about the lumber and wood products industry and about opportunities to pursue summer internships with companies in the lumber and building materials industry. Students completing the workshop are eligible to apply for paid internships with industry innovators throughout the United States.

The workshop uses field trips, tours of state-of-the-art labs and facilities, classroom time and a diverse team of instructors and presenters to introduce students to the principles and practice of forestry, the business of lumber and wood products, the environmental impacts associated with production and use of wood products and their role in green markets.

The NEF was founded by NAWLA to help identify and train the next generation of workers and leaders in the forest products industry. NEF is a 501(c)3 non-profit that is supported by the generous contributions of the industry.

>To learn more about the NEF, visit nawlaeducationfoundation.org.

NAWLA LEADERSHIP CONFERENCE TO RETURN IN 2013

The 2013 NAWLA Leadership Conference has been scheduled for April 28-30 at the Innisbrook Golf & Spa Resort in Palm Harbor, Fla. If you didn't attend 2012, you missed a spectacular three-day event filled with inspiring speakers and informative panels. One attendee noted, "The content for this conference was very good and the schedule was packed. I think that was the right agenda for this year and this market."

The 2012 Leadership Conference brought together leading executives and up-and-coming managers for three days of motivational speakers, educational seminars and hands-on workshops. Attendees had the chance to listen to and meet leaders such as Lt. Gen. Russel L. Honore (Ret.) and Billy Beane, attend panel sessions on current topics such as credit and buyers groups and participate in peer groups to improve generational communications in the workplace.

> Look for registration to open in early 2013.

Billy Beane, general manager of the Oakland Athletics, speaks to 2012 Leadership Conference attendees.

Wood Basics Course students visit Zip-O-Mill Logs in Eugene, Ore.

WOOD BASICS COURSE SEES 50 PERCENT INCREASE

The North American Wholesale Lumber Association graduated its most recent Wood Basics Course class on Sept. 13 in Corvallis, Ore. Thirty students had a chance to spend one week learning about how the industry operates, visiting field operations, and making new business connections.

"We are very happy to have a 50 percent increase in attendance over last year in the cornerstone education program of NAWLA," said Gary Vitale, NAWLA president. "Member companies have the chance to invest in their employees, and many graduates have become major players in the industry. The Course is one of NAWLA's most tangible member benefits."

The Wood Basics Course is a four-day immersion class that includes both classroom training and field operations. The curriculum encompasses the entire spectrum of the forest products industry: from seed to tree, from production to sales. Classes are taught by industry experts and cover all the topics relevant to success. One previous graduate said, "It turned me from a freshman to a professional lumber trader within one week."

These graduates join the ranks of over 1,500 others who have graduated since NAWLA first offered the class in 1981. The next Wood Basics Course is tentatively scheduled for September 2013 at Oregon State in Corvallis, Ore. Registration will open in the summer.

> Learn more about the Wood Basics Course and see photos from previous years at nawla.org/education/seminar.asp.

BY JANET LIAO KORNAS

Building Hope

Forest City Trading Group and Habitat for Humanity help homeowners in need.

Lynne Johnston pouring foundation for a Habitat home in Portland, Ore. (January 2012)

FCTG subsidiary Southern Mississippi Trading donated materials and roofed a new Habitat home in Petal, Miss. (April 2012)

WHEN CRAIG JOHNSTON realized the severity of the housing crisis in the Portland community, he put a plan in place for his Oregon-based firm, Forest City Trading Group (FCTG), to take action. Over the past year and a half, 400 Forest City employees have donated more than 4,000 work hours to take part in efforts to build and repair homes through local chapters of Habitat for Humanity, a non-profit organization focused on creating affordable housing opportunities.

From raising funds to participating in work crews, employees from 11 FCTG subsidiaries in North America have made a significant impact in supporting more than 280,000 Oregonians who are facing unaffordable housing, overcrowding in shelters and homelessness. In Portland, FCTG recently sponsored a new Habitat home by donating $55,000 for building materials. Additionally, employees donated hours of labor.

In Portland, FCTG recently sponsored a new Habitat home by donating $55,000 for building materials. Additionally, employees donated hours of labor.

Partnering with Habitat for Humanity was a natural move for FCTG, which is an employee-owned company. The company's employees have an ownership interest in the company. "One of the things about Habitat that we really like is that homeowners are buying the house and have to provide 500 hours of sweat equity, before they can move in," says Johnston, CEO and president of the 48-year-old forest products provider. "Our company statement is that we are an integral and preferred partner in the sales and supply chain, for suppliers, customers and service providers through long-term commitment to mutually beneficial outcomes in all dealings."

Today, there is a FCTG-built house in almost every community where it has a business presence. "Our industry has had difficult times, and this program has helped our company put that in perspective and reach out to those in need of help and who are less fortunate," Johnston says. "This program has built a sense of community and gives our employees knowledge that they are contributing to a valuable cause."

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