

This book is dedicated to the
three individuals who make my
life rich in the truest sense: My
wife Renee and my two
children, Ben and Jessica.

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THE
Feel
OF THE
DEAL

How I Built a Company
through
Acquisitions

Robert Sher

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2007

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- | | |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Phil
Ginsburg | How lucky I am to have bought a business from such an interesting, intelligent, warm and loyal man. Our friendship continues long after our business together has passed. He even calls occasionally just to encourage me to have a drink of Dewar's! |
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| Harriet
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Paul Witkay My involvement in the Alliance of Chief Executives has transformed my attitude about myself and my capabilities, and Paul's continued faith in and trust of me as my role at the Alliance changes is and will be instrumental in my success.

My Team at Bentley Publishing Group Running an industry-leading company is never done alone. I must acknowledge the fantastic team that did the real work of getting us there. While the subtitle and the focus of the book is "How I Built a Company through Acquisitions," the truth is the company grew because of the excellent people on my team. Thank you.

Preface

In life, certain seminal events stand as important markers along our chosen path. Over a span of more than 20 years in business, acquisitions have been a significant force in my development, both as a person and as a CEO.

Through it, I gained a new level of self-confidence.

Acquisitions require such a breadth of talents and skills; each one presents an entire new world of unique challenges. And, as I have ventured in more than a few times, it is finally soaking in that I'm earning a new merit badge each time. Of course, I know I have many badges still to get, but every one gained takes me closer to the next one.

I'm a wiser, richer man for having seen up close how four other business leaders live their lives. Naturally, because I'm in business, I know many business leaders like me. But buying a business means diving in deep with another brave business owner like yourself, and being a part of their changing life as well as your own. It means baring your soul as much as you dare and seeing into theirs as much as they will allow.

Being a CEO isn't just my job or my career. It's a pathway through life that I have found to be full of stimulation, variety, challenges and gratification. My family and I have lived through one fascinating chapter after another. This book is one of those chapters.

Foreword

Few events create as many conflicting emotions as the sale of a closely held private company. Sellers feel they should be reimbursed for all the blood, sweat and tears that went into the building of their company, and can they be very emotional and irrational. Buyers are interested only in the future value of the company.

In this book, Robert Sher has shared the entertaining story of his acquisition of a key competitive firm in the art publishing industry. It offers us a rare opportunity to get inside the head of a CEO. Where most books about acquisition strategies stick to an in-depth discussion of the financial and strategic factors, Robert opens up his thoughts and feelings during the four-year journey that culminated in the acquisition. It makes for a good story, and a new kind of how-to guide—fun to read, and easy to follow.

The company that Robert acquires is not just a collection of products, customers and employees, but the life's work of a very passionate and talented individual. We get to “know” the seller quite well and find ourselves hoping for the best outcome for him as well as Robert. It is very important to the seller that his company is “adopted” by new owners that will respect his wishes.

What we have here is a wonderful story of how the emotional elements of an acquisition are intertwined with hard business analysis to result in a “win-win” result for both buyer and seller. But we also have the rigorous financial analysis used to determine the value of the company Robert is going to buy. His mastery then is the

integration of story and facts—to create the “negotiating dance” that must take place between buyer and seller. Any business owner will be better for reading it.

Paul Witkay, CEO and Founder

Alliance of Chief Executives, LLC

Introduction

Buying four businesses is one of the most formative and interesting turning points in my CEO career to date. An acquisition really puts all the CEO's skills to the test—both the soft ones involving people and the hard business skills as well.

Buying a business can be a fast track to growth, and I love growing businesses. The company I led would not have gotten where it is without acquisitions. Every CEO should understand the value of an acquisition strategy. But acquisitions are not easy and often they do not end well.

This book shares what I did and what I learned. Rather than just lay out a prescription, I've decided to tell the story of my third acquisition. The story is fun to read and presents the context and emotion of the deal—which is of massive importance.

In addition to letting you see how a deal *feels* to a CEO, I've added end-of-chapter notes spelling out why I did what I did. In the last section of the book, I've included fifteen essays delving further into my thinking on topics related to acquisitions.

The story you're about to read is REAL, not a fable or fiction. I've changed only the sale price and a few other numbers to protect confidentiality. The seller's name has *not* been changed. Immediately following the story are several chapters that contain details about how I analyzed

the business, what data-mining tools I used, and how I used them, as well as my report to my board to convince them to authorize the purchase.

Enjoy the 40-month-long view into my life as a CEO.

Chapter 1: Surviving Hello

Trade Show, Atlanta, Georgia, September 1997

Month 1

I pushed myself in. With hand extended and smile purposefully displayed, I stepped into my competitor's trade show booth. I offered, "Hello, I'm Robert Sher with Bentley, and I just wanted to introduce myself and meet you." (*For more on why this opening line works, read **A Great Opening Line** at chapter's end.*)

I could have done this at any of the past 15 years' trade shows, but hadn't. The Aaron Ashley booth had always been small, but very consistent. I knew their top sales guy by sight, but had never had any real conversation.

The older but self-assured man in the booth was polite and painfully concise. He replied, "Nice to meet you, I'm Phil." And that was it. No small talk offered. No clear path with which to carry on the greeting. Phil left it in my lap. He had that, "Why the heck is this guy here? What is he up to? He'll have to get there on his own," kind of look. Maybe he was wondering why, after 45 trade shows and 15 years, I decided to be friendly today, in September 1997.

I was there because our sales had slumped. Growth had been slowing, and now, two consecutive down quarters. We worried that our niche was going out of style, and one

way to solve the problem was to buy another company with a different product mix.

This trade show was for the wall décor industry. My business, like Phil's, was art publishing. Briefly, this means we find artists that paint marketable originals, then get a license from them to reproduce their art as posters or prints. Then we resell those posters to picture framers large and small. Those framers frame the posters and sell them to very large chain stores, furniture stores, or through small custom framers.

This show had 40 or 50 booths with publishers just like us, but also had suppliers of picture framing molding, framing equipment, matting suppliers and more. Most buyers at the show were picture framers, both large and small.

There's always an excuse to talk to customers, but trade shows are one of the few times when competitors are naturally in close quarters, hence my attempted conversation with Phil.

My role as the CEO had always been the inside guy, and our outside guy, the sales director and a partner in the business, didn't believe in "talking to the enemy," so we had no relationships with competitors. When we started our business, we were a bootstrapping new entrant to the industry, and no one knew us. I assumed they wouldn't give me the time of day. But we had grown and had a much larger presence. I was learning that the tables had turned. Now far too many people assumed that *we*

wouldn't give *them* the time of day, and so they were afraid to approach us.

But it was my turn to talk. I took the easy out. "So, how is the show going?" "Not bad." Phil responded, then clamped his jaw shut, looking me in the eye. Lovely. This was going really well. So I turned on a bit of monologue and detailed how the ebb and flow of customers had been at our booth over the past few days.

Then I decided to disclose something useful. Yes, to a competitor. I saw a key (but reclusive) buyer out of the corner of my eye.

I said, "Can you believe the Penney's buyer is here today? Has he stopped at your booth yet?" With visible interest, Phil said he didn't know him. I helped, "See that guy with the mini-recorder about 50 feet down the aisle coming this way? That's him. He was asking for some traditional botanicals, which we don't offer, but I think you do. Good luck: he's sort of an odd one. I'll swing back by later." As I scuttled out of the booth, I saw Phil's associate, who had been listening to us, move their collection of traditional botanicals to the front of the display bin. They beckoned to the big buyer as he approached. (*If you're wondering why I'd help a competitor, read **All about ME Doesn't Work Well** at chapter's end.*)

Having retreated to my own booth, six times the size of Phil Ginsberg's, I was distracted for several hours by customers. Truly I was distracted, because there are few things as exhilarating as the dynamic of selling—listening

carefully for interest, then pulling the interest towards my products while dodging the objections tossed at me. At about 4:30 the dreaded “end-of-the-day lull” set in where buyers were in short supply. As I asked myself, “What shall I do now?” the immediate answer came, “Go back to the Aaron Ashley booth.”

It’s so much easier when you have an excuse. I had made my own with the tip about the Penney’s buyer. (*Excuses aren’t always bad, even though your mother may have said so. For my thoughts on a great use of excuses, read **Find Reasons to Reach Out and Touch Them** at chapter’s end.*)

With good cheer displayed on my face, I rounded the corner, waved, and asked Phil, “So, how did it go? Did he actually talk to you? Usually he just mutters in his tape recorder as he sneaks by.” (This buyer had a reputation for avoiding conversation and only collecting his own mutterings in his tape recorder.) Phil smiled, which was a welcome sign. He said, “We did actually get a few words out of him, and he seemed to like some of our things. Thank you.” I could see in his eyes a visible shift from competitive suspicion to cautious warmth.

The conversation for the next few minutes was much more balanced, with Phil participating this time. It was useless show banter, just grabbing any topic available to hear each other talk, so we could size each other up. (*Chit-chat isn’t always a waste. Read **Doing Your Time—Face to Face** at chapter’s end.*)

I was feeling good that we had established enough rapport, so that six months from now at the next show, the stage would be set for deepening the relationship. (*I advocate having lots of shallow friendships. Read **Get to Know Them All** at chapter's end.*)

I was getting ready to exit, and then it happened. Phil said, "We should grab a bite to eat sometime." I was shocked, but hid it well. Clearly in such a short time, I had not done anything to justify being invited to share a meal. We were just in the early rites of getting to know one another, hardly having reached the "acquaintance" stage. Did he have some other agenda? Could it be that he was just a really social guy? My mind raced, but the half a second I had to think of the response was nearly over. I replied, "I'd like that. Have a good evening." Inside I wanted that meal to be *that* evening, but it would have been way too fast an approach. And that evening would be dominated by packing up our booths. The show was over.

Rob's Reflections: Chapter 1

A Great Opening Line

I first heard this line, "I'd just like to meet you, and have you meet me" on a sales training tape some 20+ years ago. The notion is that most people find it very hard to reject a person directly. If you come up with a reason for your visit, it's much easier to reject your reason than to reject you as a human being. You'll find a full essay on this subject on page 193.

All about ME Doesn't Work Well

Too many people start the thinking about making a connection with another with, "What can I get out of it?" Truly we are all self-motivated, but the overtly selfish approach is worn out. Make guilt your friend, and take a two-stepped approach. **Give first, then ask.** In the story I did this to break the ice when I pointed out a key buyer to Phil. You'll find a full essay on this subject on page 197.

Find Reasons to Reach Out and Touch Them

If part of your plan is to get to know as many people in your industry as possible, then be on the lookout for "excuses" every day. Look for things you observe that might be useful to others. After a round of sales calls, think about what information you could pass along to someone in the industry. Then pick up the phone and use the excuse to introduce yourself, or to reconnect. One of the best excuses is being involved in industry organizations. You'll find

a full essay on the benefits of being in industry organizations on page 199.

Doing Your Time—Face to Face

This comment springs from the part of the story where I was chitchatting with Phil—just talking for the sake of getting to know each other. I continue to be surprised at how important this is. As I am writing this book, I am having a series of meals with several people, making little progress at each. What is really happening is that we are accumulating “face time” and getting to know one another better. My sense is that the other parties have plans that they are not yet ready to reveal to me, but it’s coming closer each time. A part of me would rather just discuss the opportunities, risks and rewards to see if there is even a chance at an immediate “deal.” But it’s not their way of working. Perhaps they have a string of possible opportunities in mind, and if there’s no fit now, there are many other possibilities down the road—if they feel comfortable with me. I continue to invest the time because my sense of each of them (and my independent knowledge of the circles in which they travel) is that they are solid people, not just talkers.

Get to Know Them All

Creating shallow friendships with many people including competitors sets the table for an acquisition and puts you at the front of the pack. People prefer to do business with those they know. Cold call approaches are usually more difficult, can be slower, and are less likely to succeed.

Chapter 2: Conversation in the Cafeteria

Month 6

Six months flew by, and I thought about Phil and Aaron Ashley only a few times. No wonder. Within weeks I was in the UK at our first-ever international show. It was a disaster. We ended up in the wrong section, our presentation was confusing to Europeans (we did it American style), and we took only one small order on a prepaid basis, but the money never arrived. Skunked! There was one interested party that was persistent, our only glimmer of hope. (This interested party turned into our European distributor, then into our national sales director as well as my brother-in-law. Quite a good show outcome, ultimately, but it's quite another story.)

The quarter ending December, 1997 was horrible, down 16% over the same quarter a year prior, down from all the year's previous quarters, and for the first time in years, we had a loss. I do suppose that if you're going to have a loss, doing it debt free, and with a quick ratio of over 2 is the best way to do it. Certainly more comfortable than if you had debt repayments looming.

But the notion of becoming a smaller company over time was unsettling. Staying healthy as the business shrinks is hard work. Laying off staff and slashing any and every possible expense was not my idea of fun and did not figure into my plans for the future. It just wasn't me. I love growth and achievement, not mere survival. (*See*

What Aspect of Business Do YOU Love? at chapter's end.)

As is always true in a downturn (ours was now three quarters long), you're never quite sure why. Is it the economy? Is it the industry? Is it our product category? Is it us? If it's us, is it pricing, product selection or our sales team? The biggest question is, "Is it permanent, or will it just go away?" (*For my perspective on dealing with soft sales, see **Why Are Sales Soft?** at chapter's end.*)

The top line in the first couple of months of 1998 was looking better—about even with the year prior. But of course, after 3 down quarters, I wondered if the good news was just temporary.

The upcoming show in New York was welcome. Although the days of getting a huge pile of show orders were long gone for our industry, it was still refreshing to get out of the office and meet with customers. Seemingly at every show, hope and opportunity arose, and some of those opportunities turned into real business in the months following. (*For my thoughts on how important it is to enjoy meeting your customers, see **Is It Refreshing to You?** at chapter's end.*)

Trade Show at Pier 98, New York City, March 1998

I used to hate uncertainty. It left me uncomfortable and unsure of what to do next. But some uncertainties are mysteries, waiting to be revealed. So it was with Aaron Ashley. During setup my memory was jogged about Phil's comments about having a meal some time.

Finally, in the early afternoon of the first day I found Phil in his booth. After some show chatter, I reminded him of his comment six months prior in Atlanta, and we agreed to meet the following day and walk over to the cafeteria together to share some overpriced food. We set the time for 12:30. I thought carefully about my objectives for this “meeting.” They were simple.

Get to know him. It would have been nice to have a more defined strategy, but the truth was that while I had initiated contact, I didn’t have full control over this. It was exploratory. I decided to be curious. I’d been in the business for only 12 years. Aaron Ashley had been in the business for 70 years—fertile ground for curiosity. (*For my thoughts on curiosity as a strategic tool during conversations, see **The Curiosity of a Child** at chapter’s end.*)

We had a great hour-long lunch. I knew I was doing well because I finished my monosodium-glutamate-saturated faux Chinese food way ahead of him. He was enjoying telling me about the founding of his company. “I know I look ancient, but I’m not THAT old,” he joked, reassuring me that he was “not dead yet.” I registered his self-perception of his age. We traded lots of information, none of which was useful for day-to-day competition, all of which was excellent for understanding the context of each of our businesses. We both blended humility with pride in our companies. I was delighted with the relationship progress as I drained my Diet Coke and prepared to wrap it up. Then he did it to me again!

He chose the fast forward button, and said, “It seems that companies are combining in our industry. That being bigger has its advantages.” “YEEHAAAA” screamed in my brain. The conversation was heading in a welcome direction, but the joy was dampened by the large decision tree I confronted as I looked for my next words. Singing the praises of largeness was what I wanted to do, but I needed to avoid insulting smaller firms, which I perceived (but didn’t know for sure) that Aaron Ashley was.

I said, “Being bigger is better if that means that it makes life easier for the customer. Bigger is not better if it means slow, impersonal and inflexible responses.” I continued, “But we have started to hear from our bigger customers a desire to reduce their vendor count, and as technology moves more deeply into our industry, some complex systems are easier to afford if you are a larger firm.” I rested and waited for his response. I had the solution for Phil at the tip of my tongue (*sell your business to me*), but given his penchant for surprise in our conversations, and given my sense that he was not a man to push, I stayed silent.

Finally, he replied, “I can’t disagree with that. But what is to be done? My sense is that you’re already a larger firm, but we’re not.” I said, “Our plan is to grow aggressively. It is true that we are one of the larger firms already and are very sophisticated from an operations and IT perspective. Our biggest challenge is from a product-diversity perspective. We’re known for a certain look and style. We are bringing out other styles of product, with only moderate acceptance. Frankly, we’re not sure if the product is as good as it should be, or if customers aren’t

used to buying such product from us. But we're publishing heavily. What's your plan to deal with the larger-may-be-better issue?" As I was speaking, I was toying with the idea of also saying that we were looking at acquiring companies to achieve that goal, which was sort of true (really we had only just talked about it but not pursued the idea actively—unless you call walking into Phil's booth "active pursuit"). But I didn't want him to feel pushed to the conclusion that I wanted to buy his business. It should have been obvious to him already, but I didn't know that for a fact. (*Read a critically important comment about keeping guesswork separate from fact: **It's Not a Fact Until It's Proven** at chapter's end.*)

Phil replied, "I have a young man in my office who is pushing me to do some product quite different than what we've always done. I like some of it. By and large, we are on a steady course forward. But I can feel the resistance in the marketplace, and on occasion, it's hard to get the attention of some of the new up-and-coming customers."

Whenever I've found myself trading information with a competitor, reading between the lines is critical. So far, it sounded like he was having a tough time, about twice as tough as the words would indicate. I decided to press on and be bold.

"Do you know much about New York Graphics Society? They bought several firms over the past five years. Do you think their strategy is working?" There it was. I had pulled the subject of acquisitions into the conversation,

but from a third-party perspective. I figured it was safe. It was.

I learned that Phil was friendly with the owner of that firm and that they kept in contact. Phil seemed to think that the strategy had worked fairly well, although he got only limited bits of information about it all. Then, thankfully, he brought the conversation home.

“I’m not ready to sell (my heart was sinking) my business *yet* (now rising again),” Phil said. “If my kids had any interest in the business, it would be theirs. But there is no hope for that. We are healthy and profitable, and I’ve had offers in the past few years, some of them quite nice, and a few suitors are persistent. But I’m not ready. It has got to feel right for me, and it hasn’t to date.”

What do you say to that? Always, in conversations such as these, the pressing question is what to say next. Every word counts, and there are a hundred paths one can take to get to the end of the conversation. Some of them lead your way, and some of them will blow up. Many times, the shortest way to your objective is laden with hidden traps. I was convinced that this was the case. I went with my instincts, and chose *empathy*. I put myself in his shoes. (*Conversational skill is everything. Read Show’Em You Have Ears and Are Willing to Use Them at chapter’s end.*)

“Phil, you’ve been running your business nearly three times as long as I’ve been running mine,” I said. “The thought of selling is a huge life decision, and I think

you're right to wait until you're certain. And since the business is healthy, you can afford to wait.”

I could see him reflect on his situation. I don't think he was wondering what to say to me, or what I meant. He was thinking about his company and his life, and about the choices that lay before him. Only a second or two passed, and lunch ended.

“Give me a call before Atlanta (the next show in six months), and let's grab a bite to eat.” We cleared our trays, and headed back to the show floor.

Rob's Reflections: Chapter 2

What Aspect of Business Do YOU Love?

I love building businesses. That's great for me, but the real value of this comment to you is that you **MUST** understand what you love to do, and then focus on it and become really good at it. For those things that you don't love, find a way to have someone else (who does love them) do them well. Certainly there are plenty of times when you will not be able to delegate it all, and you will have to discipline yourself to do work you don't love. Even with the best discipline, you won't do the greatest job, and you'll be stealing time away from the area where you really can "make the magic." Are you sure you can't find a way to delegate your weaknesses?

Why Are Sales Soft?

Figuring this out is truly hard and sometimes impossible. But sitting at your desk wondering about it is not an acceptable research methodology. Face-to-face meetings with lots of customers where you ask them for their opinion on the industry is a great start. If you're friendly with competitors, ask them! Many will lie, but some will be honest. Even better, look at the competitors that seem to be doing well and compare and contrast them with everything you do. Most of the time, it's those differences that will reveal clues about why you are falling behind them, if in fact that is the whole problem or the problem at all. A sales slump can result from a combination of factors.

Is It Refreshing To You?

I hope getting in front of customers feels good to you. If not, caution is indicated. While there are a number of quiet, more introverted CEOs, enjoying customer contact and sales is a big advantage. If it's just not fun for you, you'll need someone you trust very close to you who does love sales, who is able to report observations without distorting them, and whom you'll listen to carefully. You'll find a full essay on the benefits of getting out of the office on page 203.

The Curiosity of a Child

Having the curiosity of a child is an incredibly powerful tool. Children (and I have two of them) ask questions without a clear motive. They do it for the sake of learning—so they can better understand the world around them. We don't suspect ulterior motives for their questions. This is contrasted with interrogation—a string of focused questions designed to extract the truth. People hate this—or even the feeling of this, especially when the aim of the questioner is not revealed. Questions born of child-like curiosity get people talking about themselves, which everybody loves. They'll walk away from a conversation feeling good about you because they got to talk about themselves. Of course if they talked most of the time, they won't know much about you, but trust me, they'll still feel good about you. Some enlightened talkers will sense when they are talking a lot and will seek to

balance the conversation by asking you questions—the path to a great conversation for both parties.

It's Not a Fact Until It's Proven

I didn't want to act on the assumption that Phil knew I was looking to acquire competitors, because I didn't KNOW that this was in his mind. It was truly my assumption. It is critical to keep clear on what you know to be a FACT, versus what is a HYPOTHESIS (a smart, but unproven deduction), versus an ASSUMPTION (a complete hunch/guess). This is not only important in conversations and negotiations, but in all facets of business. A lot of money is lost because we treat an assumption as though it were a hypothesis, or worse yet, a fact. This is so important that I should write an article on this concept alone!

Show'Em You Have Ears and Are Willing to Use Them

Most people do not listen well and don't really hear what the other person is saying. But not you! So when you hear something deep and emotional, it's often good to reflect that back to the speaker. They'll feel closer to you since you've made it clear that you've understood them. In fact, you *will* be closer to them for having understood them.

One way of such paraphrasing is to state your reasons for agreeing with their position if you were in their place, which is what I did in this story. I said, "The thought of selling is a huge life decision, and I think you're right to wait until you're certain. And

since the business is healthy, you can afford to wait.”

Sometimes it means that you will validate a feeling they have, which is also an objection to the course of action you are pursuing. Although it feels counterproductive, such validation is the first step to neutralizing the objection with other facts or perspectives.

Chapter 3: Dinner, Ginsburg Style

It was crystal clear from our conversation that Phil was not about to hand me his business. But I wasn't in a huge rush either. Having never done an acquisition, I wasn't even sure that an acquisition was the right thing for the company. Intellectually, I couldn't justify spending time and energy on a competitor (as opposed to a customer) who had not made a clear decision to sell, or have any idea of his timeline.

But I liked him. He was a puzzle and was interesting. Most importantly, my gut told me that I should follow this thread and stay in touch. Why so much wisdom seems to reside in the gut is beyond me. But it seems to be true, so I often require my brain to listen to my gut.

Month 8

Off to conquer the European market we went. A new show was starting in Amsterdam, and we, along with lots of American competitors, were showing there. Our new relationship with a UK distributor allowed us to decrease our costs. My sales manager and I worked the show alongside our UK distributor. Or so was the plan.

The show organizers did almost everything right. They were gracious hosts, showing us the sights of Amsterdam on organized tours. (There most certainly are sights in Amsterdam: Prostitution and marijuana are legal, and in general, there is much less human inhibition in this city.) Our booths and the mechanics of setup were all in order.

They just utterly failed in marketing the show, so it was nearly devoid of buyers. We sat there, peering down empty aisles. This would be our second European show that could occupy the “complete waste” column on our show evaluation chart (if we actually had one).

In serious need of a silver lining, I sat there thinking, “So what is the best use of this time?” My mind dragged up an odd call I’d gotten a month earlier from Bruce Lieberman, a good customer for many years and a large distributor for all my competitors too. Bruce is a really nice person. He’s an intellectual, who thinks about and analyzes everything that passes between his ears. This makes conversations with him particularly enjoyable. Of course, an unavoidable but positive side effect of being friends, or being friendly, or perhaps most importantly being respected by someone like Bruce, is that he is very well networked with the competition.

Sometimes it is a daunting task to know dozens or hundreds of people in an industry, especially if you are new. Befriending the ones who already know everyone, or better yet who influence many of them, is a great strategy.

He had suggested that I get to know Harriet Rinehart, owner of a small competitor I had not known much about but whose key product lines I was well aware of. When I pressed Bruce, he would say only that he thought I would like her and that our values were similar.

I pulled out the show guide and discovered that her firm was exhibiting at the show. Snidely, I told my sales manager to track me down if the booth got overwhelmed

with customers, and seeing absolutely no one in the hallways, I walked off and introduced myself to Harriet. She was nice and pleasant, and we whined together about the lack of buyers, yet at the same time admired the generous entertainment provided by the show organizers. It was a short visit, and I returned to my still-empty booth.

Thankfully offsetting those long, quiet contemplative moments tending an empty show booth, our sales were up nicely in the second quarter. Ultimately we would finish it with record high sales for any quarter, nearly 15% up from the year prior. So we'd have the money to pay for this waste of a show. Being able to pay for a waste didn't really make the waste any better—because all waste feels bad to me. But it wasn't as grim. Was it a waste? Surely. But was it avoidable waste? Maybe not. For businesses to grow and expand, new things must be tried. The process of trying new things is inherently wasteful. *(You'll find a full essay on this subject on page 206.)*

The third quarter quickly unfolded and sales set yet another record, as did profits. We were swamped keeping up. Before I knew it, August was slipping by.

Month 11

As I began to verify my travel details for the next show, my mind drifted back to my plan to meet up with Phil at every US trade show, twice a year. With only two weeks left until show time, I called.

To my dismay, all his evenings were already booked up, and he didn't offer any lunch opportunities or try to

stretch his schedule to accommodate a meeting. That might have been a bad sign—that he wasn't interested in continuing the conversation—or it might have meant that he was just busy. I quietly lambasted myself for being late to make the call. Phil suggested that I call him a bit earlier to set something up for the New York show six months away.

It is really easy to get swept away by all the *urgent* things in our day-to-day work, and forget about diligently, relentlessly pursuing the *important* things. Then we resentfully wonder how others around us with less skill and knowledge (in our opinion) seem to jump forward with big leaps of success. (*Why is this? You'll find a full essay on this subject on page 209.*)

Loathe to make the same mistake twice, I calendared my call to Phil for January, 1999, two months ahead of time.

Month 16

A dinner date was set. I was enthusiastic. It sounded like it was a one-on-one dinner. Since New York City was his turf, I left the details to him.

I had even more reason to be pumped up. Four consecutive quarters of sales growth were under our belt and all of them profitable. We had no debt, and although our liquidity ratios were slipping a bit, they were still way above anyone's definition of solid.

Statistics Show A Nice Upturn

	3 rd Qtr 1997	4 th Qtr 1997	1st Qtr 1998	2 nd Qtr 1998	3 rd Qtr 1998	4 th Qtr 1998
Sales*	-7%	-16%	+2%	+14%	+8%	+16%
Profits	Strong Gain	Moderate Loss	Medium Gain	Break- even	Very Strong Gain	Small Profit
Debt	Zero	Zero	Zero	Zero	Zero	Zero
Quick Ratio**	2.9	2.4	1.9	2.4	2.2	2.3

* This period compared to the same period last year.
 ** Higher is better. Anything over 1.0 is good.

Month 18

As noon approached on the first day of the show, I realized our dinner was that night. Just as I thought about finding the Aaron Ashley booth and asking for details, Phil rounded the corner of my booth, gazed in for a bit, saw me, and approached.

“Good afternoon,” he said, and continued without hesitation. “Let’s meet at my home at 7:30 pm,” and he handed me a slip of paper with an Upper East Side address. “Bring an appetite!” He extended his hand with a smile. “Nice booth,” he complimented. “And busy too—this is my third trip over trying to find an opening to talk with you. For your sake, I sure hope they are really writing business. See you tonight.” And he moved off.

He was in control of that conversation, and all I was able to do was say, “yes” “great” and “ok.” I was fine with that, and certainly being invited to his home for dinner

was fantastic. No objections from me at all! I also knew that Phil intended to be in control of that conversation and that he had the confidence to assert control. This dinner would be run on Phil's plan, not mine.

I did bring an appetite. The show had been really hectic, and a few bites of a sandwich was all there was time for at lunch. As an early riser, I tend to eat dinner much earlier than 7:30. I always found it odd (and still do) how much later Easterners eat dinner. Not to mention the fact that starting so late meant I'd be late getting back to the hotel, and after answering e-mails and reviewing show orders that day, I'd be in for a short night of sleep.

I stepped out of the cab just before 7:30. It was my first time in an Upper East Side neighborhood, with the stately, well-appointed buildings lining the street. Each had its awning with the doorman standing ready to help. Manhattan is expensive everywhere, but the Upper East Side is where the well-to-do live. Gripping my suburban mindset firmly, I thought about living in an apartment in a city—cramped, but energized. Would I want that?

The doorman showed me up, and Phil greeted me warmly, like a friend. After the jacket was off, and the tie removed (he insisted), he, as expected, offered me something to drink. It started like it does everywhere.

“What would you like to drink?”

Now I wanted to stay alert, and I'd never been much of a drinker (as in alcohol) and I didn't know where he stood

on drinking, so I asked for my usual. “I’d like a Diet Coke if you’ve got one.”

He started right at me, seriously, but with an expression displaying neither anger nor lightheartedness, and said, “What would you like to *drink*?”

I was clear to me that I had answered incorrectly. But it wasn’t obvious at all to me what the right answer was. Feeling all too much like an awkward 12-year-old boy, I struggled for the right reply. Worse yet, Phil could see that I was struggling and was patiently looking me right in the eyes, waiting for a drink order that he was willing to accept.

Maybe he didn’t have Diet Coke. I broadened the request. “Oh, I’ll take any soft drink you have in the house, or ice water is fine too.”

Phil’s head recoiled ever so slightly, still with no sign of anger, but more a sense of resoluteness to hear what he wanted to hear. He replied, “I said, what do you want to *drink*?” with even more emphasis on the word *drink*. Then I got it, finally. He wanted me to choose a drink with alcohol. Worried that I was too thickheaded to get his hint, he added, “We do serve alcohol here.”

The sense of relief in getting help to uncover the meaning of the riddle was quickly offset by having to make the *right* choice of alcoholic beverage. Being pretty close to a non-drinker (at that time), my knowledge of drinks was quite slim. Embarrassingly slim. Being embarrassed slows the mind. When my brain finally kick-started, I

pretty much had to say the first thing that came to mind—one of the first drinks I had imbibed as a teenager. “How about a rum and Coke?” I offered. Oops. A look of disgust, coupled with a look of paternal pity, crossed his face.

So the gig was over. I hadn’t measured up to this 70-year-old on the “manly drinking front” and would now be relegated to the “youngster-that-needs-to-be-trained” category. Not that this was a bad role to take when dealing with any person nearly double my age. (*For some thoughts on the value of role playing, see **In What Role Does This Act Cast You?** at the end of this chapter.*)

“How about a Scotch,” Phil guided. I was thankful now that he would point the way, so I wouldn’t have to suffer any more embarrassing guesswork. “Do you enjoy Scotch?” I knew now that Scotch was the right drink, and that I would be drinking it tonight. I scrambled for the right answer again. “My Chairman enjoys Scotch, and I’ll bet I will too. What would you recommend?”

“What Scotch does he drink?” Phil inquired. “Cutty Sark,” I replied. “I would NEVER even have Cutty Sark in my home,” Phil assured me. “I will pour you a Dewar’s on the rocks, which is what I am drinking. After that, I will switch you to Chivas Regal, my second favorite, so you can compare the two. Please sit down.” And down I went into the large chair in the living room. For a minute, I had the chance to think about what to do next. I was rattled, and decided to just go with the flow. The Dewar’s certainly would help that along!

With drink in hand, he gave me a tour of his home. Not an apartment at all, but a 2500+-square-foot duplex, nicely appointed. Phil introduced me to his two beloved Bichon Frise dogs and with great pride showed me how disciplined the fluffy white animals were to eat from only *one* of his hands.

He showed me his workshop where he cut figures from plywood with a scroll saw in the evenings, and told me that I would be choosing one of the dozens on the shelf to take home. I chose an eagle and keep it displayed in my office.

He showed me pictures of his grandson, whom he had dubbed, “The Prince,” and he showed me his photography hobby, mostly focused on his family. And then there was the dollhouse he was making for Gracie, his other grandchild. *(It is useful to note what is meaningful in life to someone. If everything is about how much money they can earn or save, your negotiation with them will be more difficult.)*

I also saw the gallon-size jug of Dewar’s from which my glass had been filled, and it became quite clear that drinking in this home was more than just occasional.

Of course, this didn’t all happen without a refill of Dewar’s. Phil was not showing a single sign of alcohol in his behavior. I was hoping that I too was acting sober, but I could feel the alcohol taking effect. As a nearly non-drinker, I had no physiological tolerance and was trying hard to slow down—especially when I realized that an

empty—or even partly empty—glass was not going to be tolerated.

Phil's wife Rachel had responded orally to Phil's loud, bellowing call for her to come down and meet me, but she had not appeared yet. Finally, we made it back to the living room, where I sat down, grateful that I could not stagger while sitting. Phil left to get some appetizers and returned with them along with instructions about defending the appetizers from the two Bichons, who looked longingly at them.

I looked longingly at the food too—not only was I hungry, but I knew enough about drinking to know that food would help offset the effects of the alcohol, which were quickly growing. Trying not to look like a starving animal, I worked away at the nuts and cheese and crackers. Phil didn't touch them at all, even as he drained his third drink. He didn't look the least bit intoxicated.

I learned that we would be accompanied by Phil's Spanish distributor—a firm I'd heard about but had never done any business with. I thought it a sign of trust that he would mix me, a competitor, with a customer. At 8:15 the Spaniard arrived with his aide, who spoke English more fluently. Another round of drinks flowed. The Spaniard had been a guest many times before, so his preferences of *drink* were already known. He wasn't put to the test as I had been.

Then Phil remembered—he hadn't played us Beethoven's Ninth Symphony, which he had really been enjoying recently. He jumped up and moved over to where his

stereo system was hidden in a cabinet. “You’ve got to hear this,” he said, as he cranked up the volume and pressed play. As the full-bodied sound of the orchestra permeated the room, he faced us and closed his eyes, sinking into the music. His hands started moving as though he was conducting the orchestra. The moment lasted only 20 seconds, then he awoke from his trance, turned the music off and commented, “Isn’t that great!” He announced that it was time for dinner. We all rose.

Having neither smelled nor seen any cooking activity since my arrival, I had figured out that we were only meeting at his home. Well, that’s not true. There were two activities that night at his home—as there would be on every night over the years when I would dine with Phil. The first was always greetings and conversation, and the second was drinking.

That Phil is a unique character goes without saying. He is passionate about many things and is uninhibited about sharing them. Whether it’s his love of a good drink, his grandchildren, his music, or any of the other things I learned about him that night, he is not embarrassed to exhibit his joy for life. His business was just one of those things.

To conclude that Phil was a wild man, talking and showing off but not observing each person around him would be wrong. I suspect that people react quite differently when exposed to Phil’s strong presence, and that Phil monitors those reactions carefully on his path to deciding how well he likes and trusts each person. I was

clearly off balance, as the evening was proceeding in a fashion that was outside my experience to date.

So I did the only thing one can do when you're not sure what you *should* do. I was just going to be myself, but on the quiet side of normal. Just roll with it and see how it all turned out. There would be less chance of slurring my speech as well. (*What do you do when you are clueless about a conversation? Read **Should You Be Naive or Chicken?** at chapter's end.*)

After another yell from Phil for his wife Rachel, she descended down the main stairs. A lovely Southern woman, graceful and warm, she greeted us all. Phil hosted us at one of his favorite restaurants, and we conversed about a variety of light topics. He made a special effort to make the Spaniard comfortable and to include him in the conversation. It was interesting to see the obvious mutual friendship they felt for each other, despite what appeared to be a large language barrier.

Phil made another drink or two unavoidable at the restaurant, but the big juicy steak I ate (Phil strongly recommended one in particular, so I chose it) did its job of offsetting the strongest effects of those drinks.

At about 11, the dinner wound down. Having been worried that we would end up going back to his home for a round of after-dinner drinks, I was relieved to learn that we would all catch cabs outside the restaurant to head directly to our hotels. (*I had no way of knowing then, but Phil's drinking is carefully controlled by a self-imposed*

regimen. He never starts before 6 and never drinks late in the evening.)

As he succeeded in flagging one down for me, he thanked me for coming and told me that he thoroughly enjoyed my company. As he gave me a double-handed shake, he said, “Let’s do this again.” I concurred.

Rob's Reflections: Chapter 3

In What Role Does This Act Cast You?

In every relationship we take on a role. Figuring out what that role will be for you to create the best relationship is important. I don't mean that you should be "fake" or try to be someone that you aren't. Think about how differently you relate with a spouse versus a parent, versus a child. It's still all the same you, but in different roles. In this case, playing the role of top dog was not going to work, and that particular role is not one I play often. I would be playing the role of student in many respects with Phil, as I had many things to learn from him, and he enjoyed teaching them. Being a student in some areas had no negative effect on his level of respect for me in my areas of strength.

Should You Be Naive or Chicken?

Admittedly, there is a part of me that is uncomfortable appearing naïve. I would rather have experience in everything, so that I know what to do and how to act. But that's impossible. The question, then, is how to act when you don't know how to act. One option is to pretend to know what to do, but the likelihood of being called on it is high, and then it becomes obvious that you were too "chicken" to admit lack of knowledge. The best posture is to be both curious and interested in what you don't know. You learn more, and it makes the other person feel wise, as they get to be helpful. It is possible that they could look down their nose at you

for being so naive, and if they do, it portends a rocky relationship with little value anyway.