

Missouri NEWS

Auto & Truck Recyclers

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August/September 2013

Super Legacy: Solving Family Business Issues Leaves a Strong Legacy

By Michelle Keadle-Taylor

May 1, 2013 - According to the Family Business Institute in Raleigh, North Carolina, approximately 30% of family businesses in the U.S. will survive into the second generation. Only 10-13% of all family businesses are successfully transferred to the third generation and for fourth generation the number drops even further to a mere 3%.

"Succession planning is a big issue in the industry right now as many business owners are nearing retirement and wanting to pass on the family business to the third generation," said Eric Schulz, co-owner of AAA Auto Salvage in Minnesota.

Published by popular web magazine Company Founder, www.companyfounder.com, their article "10 Key Family Business Issues" highlights some of the core family business concerns that also mirror ones those when it comes to succession planning.

Some of these issues include:

- Lack of well-trained and well-qualified future leaders.

- Poor communication between generations and branches of family members.
- No plan for exit and, if not for exit, for effective succession.
- Lack of interest in the family business from future generations.
- No clear-cut mission statement that is understood and bought in on by all family members.
- No representation from management outside of family.

The National Federation of Independent Business (NFIB) suggests that the earlier you start planning for your succession the more chance of success you will have. They recommend starting at least 10 years before you plan to retire.* They give the following tips for successful succession:

- **Decide on a Viable Successor.** Just because you want your son or daughter involved in the family business doesn't always mean it's the best

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MATR Annual Meeting

By Mark Baumgarten, Mack's Auto Parts

Well, it's that time of year again. It's time to plan to attend the MATR 2013 Annual Convention. Although most of you reading this article have not attended this event in years, this year would be a great opportunity to come back. You will be able to reunite with fellow recyclers and members you haven't seen in years and enjoy a yard tour of one of the most innovative recyclers in our state. We will be visiting J.C. Auto and Truck Parts for a behind the scenes tour and lunch.



Becky Thatcher's House

Joining us for this short, fun filled, weekend is also a great reminder of why we are and should remain members of MATR. During some recent research, I found that in Missouri there are over 1,500 registered salvage dealers but only 53 regular MATR members. Attending this convention would be a great opportunity to preview what our association means to all of us and give anyone interested in joining an opportunity to do that also.

In conclusion, I am planning ahead to attend the convention and looking forward to seeing old friends, meeting new ones, and having a great weekend. I have attended this event for the past 18 years with the same core group of people. Every year we have some different attendees and hopefully this year we will have even more. The dates of this year's convention are October 25-27, so don't delay and please plan on attending. Everyone, including our vendors, would be thrilled to see some fresh faces and I'm sure you will be glad you came.

I would like to wrap up by giving a special "Thank You" to our President, Brad Schwartz and all the board members for their work this past year and into the future and to Randy Scherr and his team for making MATR a great organization and one we are all proud to be a part of. See you in October, Mark

Some Facts About Hannibal, Missouri

Hannibal might well have been just another medium-sized river settlement, had not Samuel Langhorne Clemens spent his boyhood here (Clemens renamed himself Mark Twain). Although Hannibal does have other industries, downtown is little more than a Twain theme park of museums, period buildings, and wax displays.

Hannibal's riverside location and historical buildings make it almost disturbingly picturesque. Squeezed between two steep bluffs, the once-busy community is now quiet. Hannibal, known as America's Hometown, keeps the days of Mark Twain alive.

Tour Twain's home, cruise the Mighty Mississippi, explore the caves from Mark Twain's books, visit historic homes, or attend one of the many festivals and relive the magic of Tom and Huck.

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Super Legacy...continued from cover

option. They suggest you try to remain impartial and ask yourself if he or she is really interested in taking over the business and also if he or she is really qualified.

- **Mentor your next leader.**
- **Keep employees in the loop.** Make sure you communicate clearly your succession plans and even include some employees in the planning process where needed.
- **Create a clear timetable for succession.** Some dates to nail down include when you will retire and when you will transfer ownership shares.
- **Settle on a post-retirement role.**
- **Coordinate estate planning goals with the succession plan.**

Ladies of the Automotive Recyclers Association (LARA) Offers Platform to Discuss Family Issues

The reported figures may be a little depressing but ARA members have already shown that they are among those businesses that not only survive a succession but thrive following one. Many of ARA's members are second generation successful business owners, who have not only successfully taken over from their fathers, but increased and expanded the business in the process. In addition, LARA has taken an active role in forming a family network group that offers an informal platform at each convention to address family business issues.

"The Family Network Group was birthed after an ARA member suggested we address not just the women issues in recycling, but issues that affect the entire family; in particularly the generational issues that arise," said Fran Reitman, President of ARA's Educational Foundation. "There are always issues going on in the family business, especially with retirement and passing on to the kids.

The Family Network Group made their debut at ARA's 2012 Annual Convention in Orlando. Ginny Whelan and Fran and Randy Reitman facilitated the session, spiked with lively conversation about the challenges members were facing in their business.

Leading by Example

Fran and Randy Reitman are one of the examples of a family business that beat the odds and prospered in its third generation and now they are preparing for the future for a fourth generation transfer.

"Randy is the third generation of Reitman Auto Parts and one of the main reasons the business grew and prospered was due to his passion for the industry and his relentless hard work," said Fran. "We currently have two of our sons working in the business with us which gives us a lot to think about as we start early to prepare for passing the business to the fourth generation."

Reitman says that the Family Network Group aims to provide a networking system to provide support as future generations run into challenges.

"For us, during our transition time of taking over the business, one of the biggest hurdles we faced was the computerization of all of our business," said Reitman. "The electronic age really transformed this industry and we can run our business through our computers in areas we couldn't before – like buying and selling cars, parts, training, inventory and the list seems to go on and on. I wonder what the next hurdles will be for the next generation?"

"I feel that another reason this Family Network Group is important is because we need to keep our industry alive," said Reitman. "Many yards either close or sell to a large consolidator when they are ready to retire because their children are not interested in the business and there is no one to hand the baton to."

No-Heir Apparent

Cheryl Rash and her husband, Dan, have a long time until they plan to retire but this is one of the challenges facing them. They have two children, who, for the moment anyway, have chosen other careers.

Although the Rashs are first generation salvage owners, their business grew out of the business they purchased from Dan's father. Blue & Gold Auto Salvage, Goose Creek, SC, started as an auto storage facility providing long- and short-term storage to military



personnel, mainly Navy sailors. Dan ended up being the son who willingly stayed behind and ran the business for his Dad and other siblings while they were out golfing and doing other hobbies.

“My husband started tinkering with cars when business would slow down in between the time the ships would come in,” said Rash. “One day my father-in-law (lovingly) told my husband to either clean up all the cars he was fixing and get them out of there or buy the business. So, my husband bought the business from him and the salvage yard started to grow.

“Eventually, as the Navy presence in Charleston was reduced, the auto storage business wound down and the auto parts salvage business increased,” said Rash.

“Today, we have successfully grown to 25 acres and we have a business that we want see continue to future generations. However, we also want it to be something our children desire to do if they take the business over, not just because it’s their parents’ business.”

Communication Crisis

Besides a lack of interest in the business by future generations, another key family business issue is poor communication between family members or branches of the family. Often, this is accompanied by a lack of clearly defined job descriptions, no exit strategy, and

no communicated mission statement to speak of that is understood by all members of the family.

“Good communication is the starting point to all success in family business issues,” said Jim Counts. “The success of any business starts with clear and good communication that all family members and employees can clearly understand and also feel that they have been able to voice their opinions and be heard. This makes it much easier for everyone in the business to enthusiastically be on the same page when it comes to the direction of the business.”

Neil Nissenbaum, of Nissenbaum’s Auto Parts, Inc., in Somerville, Massachusetts admits that clear communication is something that their family business has to continually work on.

“I feel like our biggest challenge with the family business is getting everyone to talk together and resolve certain issues,” said Nissenbaum. “We can talk about anything else without problem, but when it comes to the business it seems like often we just can’t agree on anything.”

Nissenbaum’s Auto Parts, Inc., established in 1910, is currently in its fourth generation owned by Neil’s father and uncle. Neil represents the fifth generation to be passionately involved in the family business.

Nissenbaum says that clearly defined job roles would help the situation and that communication issues slow the overall growth of the business as the industry goes into the future.

“I think that if we had set job roles from the beginning that would make things a lot easier,” he said. “But, years ago when the business started, very few, if any, businesses had clear-cut plans with job descriptions. You just got in, rolled your sleeves up, and started doing whatever needed to be done. The business just kind of evolved around that.

“Today, although we each have certain jobs we do, there is still overlap, due to the nature of the

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business. I think it would be helpful if we had regular meetings once per month instead of when issues come up. This climate makes change and moving forward in agreement difficult and I think that can slow the business going forward."

According to Jim Counts, having a third party mediator come in and mediate the discussions between family members can be extremely helpful.

"Selling or transferring the business to the next generation is something that needs considerable thought and planning," says Counts. "Most people will only do this once in their lifetime and have zero experience in how to accomplish it. This is one area where what may seem like costly advice may be cheap in the long run."

Doing it Right

Kristin Allen of Grassy Auto Parts, says she thinks that her great relationship with her father, and not having any other siblings involved in the business, helps their family business.

"I feel that my Dad and I have a great working relationship," said Allen. "I understand him. I do also have another sibling and she isn't in the business. I think that makes it easier because when you have siblings working together, no matter how close they are, the potential for fighting and power struggles increase greatly."

Allen says that even with a great relationship and good communication most of the time, sometimes other things can cause a lack of communication.

"I know when it is best to step back on certain issues and when to let my Dad know how I feel," said Allen. "Sometimes we have trouble with our communication because we get so comfortable with the things that we do that we don't always fill the other one in and that is just because of a lack of time. Although we work together, there are days when we really only speak in passing! We both have lots of work to be done!"

Weller Auto Parts, Inc. is in its 81st year of business and fourth generation. Skip Weller and his three brothers are co-owners of the business after purchasing the business from their father. Skip says there are several reasons for the success of their business and the fourth generation succession.

"I think there are several reasons our business has

experienced pretty aggressive growth and been successful," says Weller. "My brothers and I each head up different divisions of our business and, although they complement each other and are part of the same company, we work in different locations. I don't think it would work if we were all under one roof."

Weller says they have one common vision and each division of the business works towards that common vision. They meet every Monday to discuss issues, share insight with each other, share accomplishments, and give input to each other.

Another key reason for the success of the business has been the employees, says Weller.

"Our employees have played a big, big, part of building our business," said Weller. "It wasn't just the family members building the business, believe me, it's been the dedicated work of our employees!"

Perhaps one of the most important reasons the business has thrived is the attitude that Weller and his family possess.

"It's important to our family that we remain good friends and have fun together outside of work," said Weller. "I'd walk away from the business if it's going to jeopardize that relationship. My brothers and I are all about two years apart in age and we have a strong family relationship that our family feels is important to preserve. As we prepare the fifth generation, we are working with succession advisors to ensure that our children remain best friends and value that relationship more than the business, as well."

Weller says there are currently two of his sons and two of his brother's sons working fulltime in the business. To those in the business who are in the stages of preparing the next generation he suggests giving them some room to run with something, starting small then increasing the responsibility.

"I think that it is a good idea to delegate areas or tasks to your kids and let them learn how to handle those responsibilities," said Weller. "I'm not talking about giving them the whole enchilada all at once, just a few chips to start with, then take it from there."

For me, it's difficult to let go. If you give them a little bit at a time, it will help you to keep your sanity. It's also important to let him or her come to



you and ask for advice, before you give it. It's also important to listen to their ideas because when you have given them room to grow they might discover a different path for the business that just might make it more lucrative. If we don't stay open-minded, then we might miss a great opportunity for our business going forward."

Lessons from a Generational Co-Owner

Eric Schulz of AAA Auto Salvage, Inc. became a co-owner through his wife, Amy, when his father-in-law, Jerry sold the business to Amy, her brother, Pete Anderson, and her cousin, Chris Anderson.

Schulz says that hands down one of the best decisions they've made was to hire a General Manager from outside the family. Patrick McKinney is the General Manager of AAA Auto Salvage, Inc. and all of the co-owners report to him.

"Patrick keeps us on edge and moving forward – he has been a Godsend to our business," said Schulz. "We still have weekly manager meetings that Patrick runs. We also have owners meetings, that include Patrick and some other employees, where we discuss the direction of the business. We have found that by involving non-family members we keep the communication clear between all of us and the employees.

Schulz says that as with most family businesses, they too have had their share of challenges but working through it made them stronger.

"We went through some pretty serious growing pains and lack of direction that put us in financial difficulty for a time," said Schulz. "We were faced with difficult choices and I think having worked together as a family through it has made us stronger and now the sky is the limit! We've really done an amazing job to turn things around. We've had employees who have stuck around with us during the last nine years and played a huge part in the turn-around.

"I think that one of the things I have learned is when you are in a family business, it's really important to share the load that's weighing on your shoulders and not try to do it by yourself. I had a tendency to take on issues without sharing information. I felt like I had to

do it all by myself. Now I've learned to share information and the workload too."

Schulz says that the challenges they have faced has helped them learn on a business level too.

"The challenges we faced taught us to really monitor our short- and long-term Key Performance Indicators," he said. "We have learned that a little correction now can make a big difference later."

Schulz offers another piece of advice. "Work to live, don't live to work," he urges. "As owners of business or even as employees, there's a scary number of people who live to work. A lot of people are working too much and don't leave enough time for the things that really matter, like our families. When you work a lot of hours it's your family that suffers. Take time for yourself and your family and nurture what really matters."

Reprinted with permission from ARA. Michelle Keadle-Taylor is a freelance writer in Northern Virginia and a regular contributor to Automotive Recycling magazine.

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Criticism Need Not Be Critical

How to “Correct” Employees

By *Christine Corelli*

There are times when every manager must confront an employee who has been displaying negative behavior, made a costly error, or is simply not performing up to speed.

Dishing out criticism, (or for a better term, “correcting” performance,) can be challenging. If you handle it in the wrong way, however right you are - you can damage your relationship with the employee permanently as well as your ability to help them improve. So while you may get the behavior change you want, the cost will come high—a breakdown in your management/employee relationship and the employee may never give you their best effort.

The key is to correct negative behavior or poor performance and at the same time protect the ego of the person involved. The following tips will help you correct performance in a positive, non-threatening manner.

- **Privacy please!** No one likes to be corrected in front of others. While this might seem too obvious and unnecessary to point out, some managers confront people in front of others—making everyone uncomfortable. Some even direct critical comments while in a group setting such as a team meeting. Instead, arrange to see the employee alone and when it is not obvious to others.
- **Nip problems in the bud, but preface it with a positive statement first, unless the employee’s behavior is completely unacceptable.** If you’ve attended my “Are You a Boss or a LEADER” program, you may remember me stating that managers should always nip problems in the bud. If you don’t, problems fester. But if you begin a conversation with a negative statement, you immediately invite the person to put up their defenses. Talk to them

about what they are doing right. For instance, if you begin a conversation with, “Why the heck was that report late?” You will be intimidating. Instead, try this: “Tom, I can always rely on you and I appreciate your hard work. When a report comes to me with mistakes, I have to send it back for corrections. Can you tell me what happened on that last report?” (Listen) “Okay, can I rely on you to double check your work the next time? Thank you.”

- **Strive to make the criticism impersonal.** Criticize the act, not the person. Unless the




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person is damaging employee morale, or causing problems with customers, don't focus on a personality trait. This requires that you report what you see, rather than what you feel, or your interpretation of events. Since you're looking for a particular behavior change, focus the criticism there. Avoid saying, "Joe, your constant complaining is affecting everyone around you." Say something like, "Joe, we're all working hard in this department. We need to be supportive of each other. Can I rely on you to encourage those around you and not discourage them?" (Not your style to be so nice? People are fragile - even tough guys. You will get better results if you use tact and diplomacy.)

- **Supply positive feedback.** A person needs to see that if performance or inappropriate behavior

is corrected, you'll take notice. "Tom, great job. It was a tough situation," will give Tom positive motivation to perform well. If it doesn't you need to work harder to bring him around.

- **Ask for, don't demand it.** Even if the person you need to confront is a subordinate, it's never wise to demand that they change their behavior, unless of course, you have had to confront them more than twice for the same issue. "Beth, you took a two hour lunch when we're swamped! Don't ever do it again." You may be well within your authority to demand someone change a behavior, but by doing so, you will create more hostility than you need to. "Can I rely on you to..." is a phrase that works for most managers. For example, "Beth, you came in two hours late when we got really busy. Was there some reason?" Then, always follow it with, "Can I rely on you to be on-time from now on?"
- **One "correction" to any offense.** There may be multiple problems associated with a particular act, but if you bring them all up at one time, you're less likely to get the results you would like to see overall. Pick the most important behavior and work on that first.
- **Finish in a positive manner.** When you are finished talking with the person, strive to maintain a positive working relationship. The individual needs to be comfortable with you and hopefully, not take issues between you personally. End the confrontation with an expression of faith and confidence in the individual. Do everything possible to preserve the individual's self-esteem and self-image.

It's not easy to correct performance with enough firmness to elicit positive change and enough tact to protect egos. It requires "people skills." Here's a rule of thumb to follow.

Whenever you need to correct someone, leave them with the feeling that they have been helped."



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November 2013

6-9 ARA Annual Convention & Expo
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No Thaw Yet

The increased shredder population not only bites into flows but into profitability as well, a recycler in the southeastern U.S. contends.

By Recycling Today Staff

MAY 6, 2013 - As March turned to April, ferrous scrap recyclers hoping for renewed scrap generation or a heating up of bidding for scrap were disappointed with activity in the first half of the month.

“Scrap flows have been tight up until now—worse than in previous years,” says a scrap processor in the eastern U.S. “With prices falling in April, I don’t expect flows to improve much even with the spring season.”

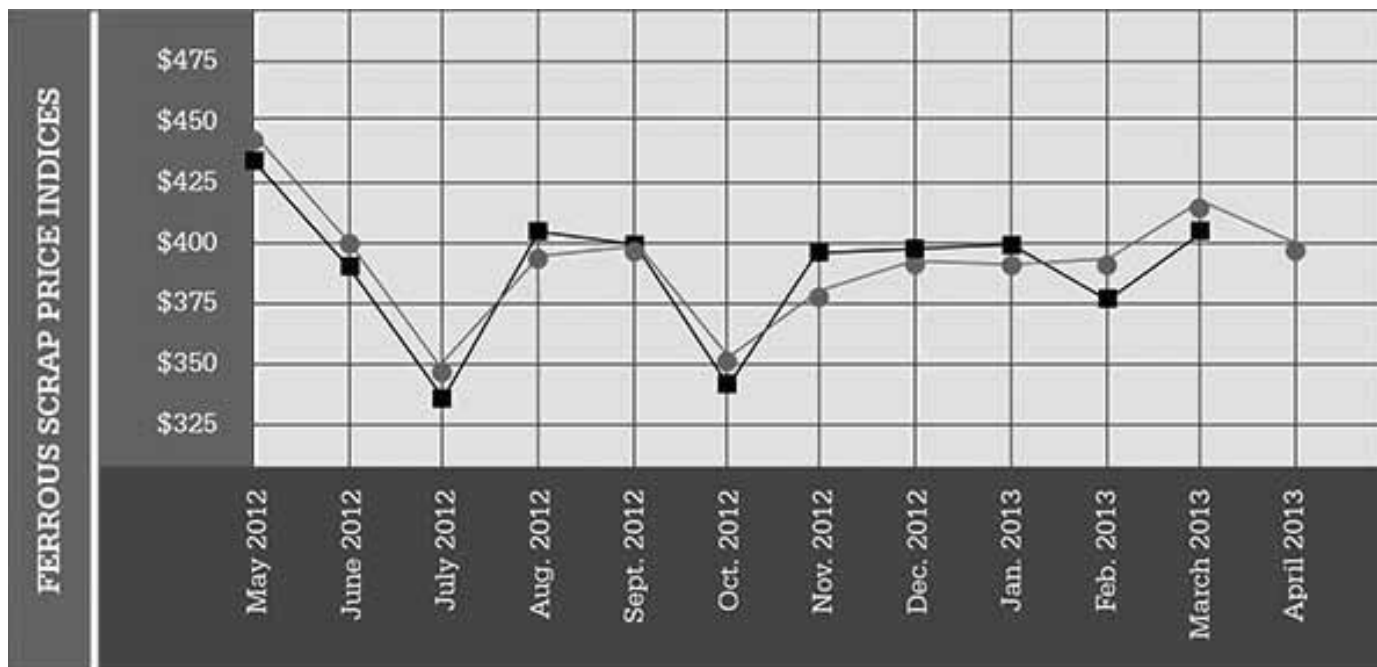
A ferrous scrap buyer in the Southeast paints a similar picture. “Scrap is extremely tight,” he comments. “Spring is not bringing forth additional scrap as we had hoped,” he says as of mid-April. “Obsolete scrap is in very short supply.”

Making matters more difficult, he says, is an increasing number of shredding plants in his operating region. “Factoring in the new shredding capacity that has come

online since the fall of 2008, our average daily buy is off over 50 percent compared to five years ago.”

The increased shredder population not only bites into flows but into profitability as well, he contends. “Add to that the margin squeeze we are in because of that new competition, and we are finding it very difficult to turn a profit.”

Another ferrous scrap buyer with accounts spread throughout the southeastern and southwestern U.S. reports mixed results. “As far as the spring, the best description is mixed,” he comments. “There are some [generators] who are steady but not significantly ahead of average. There are other manufacturers who are at slightly below-average production and not expecting much improvement in the months ahead.”



● AMM Midwest Scrap Index, No. 1 Busheling; All prices are effective the 10th of the month or the following Monday if the 10th falls on the weekend.
 ■ RMDAS Ferrous Scrap Price Index: Per gross ton for No. 2 shredded scrap, defined as 0.17 percent or greater copper content, effective the 20th of each respective buy month.

The regions he serves with an active energy sector seem to be faring a bit better. "Oil and gas customers are among the exceptions, as they are quite busy," he says.

Another southern recycler, this one in the Carolinas, also is concerned about scrap flows. "Obsolete scrap flow is just about obsolete," he says. "It is very slow on the retail side, and we are starting to see a slow decline on the industrial side right now also," he reported as of mid-April.

As is typically the case in such a market, his company is going farther afield for scrap. "We are managing to stay busy with a lot more work and going out farther to get it. Margins are slimmer also because of the competition and everybody fighting for any tons they can get their hands on right now," he continues. "I'm glad I don't own a shredder in this part of the country," he adds, hinting that the pressure to keep a shredder fed is considerable.

North of the Mason-Dixon line, an Ohio ferrous scrap buyer chimes in with a similar report, but also a little bit of optimism as the Midwest tries to leave winter behind. "Scrap flow has been very slow—very," he reports in mid-April. "We see with the weather getting better that flows are picking up, so I'm very encouraged."

Early April pricing, unfortunately for processors, reflects a demand scenario that was as lackluster as the supply picture. *American Metal Market (AMM)* reports in April that export buying off the East Coast was "at a standstill" as "Turkish mill buyers failed to return to the docks," even after ferrous prices fell by some \$20 per ton.

Pacific Coast bulk exporters did have a few orders to fill, according to *AMM*, with one exporter sending a bulk load to South Korea and a second vessel to Malaysia. Each of those buyers reportedly paid more than \$400 per ton for mixed loads of No. 1 and No. 2 heavy melting scrap (HMS).

AMM's Midwest Ferrous Scrap Index pricing, reflecting domestic steel mill transactions, fell by about \$20 per ton for No. 1 busheling, shredded scrap and No. 1 HMS.

APRIL 2013 AMM MIDWEST SCRAP INDEX PRICING

No. 1 Heavy
Melting Scrap
\$359.59

No. 1 Busheling
\$397.15

Shredded
\$388.89

APRIL 2013 AMM U.S. FERROUS SCRAP EXPORT INDICES

HMS 1 & 2
East Coast*
\$375.58

HMS 1 & 2
West Coast**
\$374.83

Scrap shippers contacted by *AMM* described domestic mill demand as off by from 10 to 20 percent in early April compared with March. Those same shippers looked at soft export demand (caused in part by a strengthening U.S. dollar) and concluded that prices were not likely to improve because of the lack of bidding between export brokers and domestic mill buyers.

As ferrous scrap recyclers and steel mill buyers were negotiating in early April, figures from the American Iron and Steel Institute (AISI), Washington, D.C., showed that domestic steel output rose slightly in the first full week of April.

According to AISI, for the week ending April 6, 2013, domestic raw steel production was nearly 1.86 million net tons, representing a capability utilization (capacity) rate of 77.6 percent. That represented an increase of 2.1 percent from output in the previous week (ending March 30, 2013), when production was 1.82 million tons and the capacity rate was 75.9 percent.

While this ideally represents a positive trend, the 1.86 million tons produced the first full week of April 2013 are less than the 2.01 million net tons made in the comparable week (ending April 6) in 2012. That drop represents a 7.7 percent decrease year on year and a capacity rate drop from 80.9 percent in 2012 to 77.6 percent this year.

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