

Second Quarter 2002



Betting The Ranch

"Change may cause a situation out of which profit will be made if it brings about ignorance of the future." Those words, spoken by economist Frank Knight in 1921, provide a clear incentive to businessmen today. Our world is certainly changing, and for most of us in the wood products universe the future is unpredictable. Following Knight's logic, the time is right to make a profit.

Implicit in Knight's reasoning is **risk**. Most executives understand that risk is a necessary prerequisite to making above-average profits. You make big profits by creating new markets and new ways to compete. Meeting the demands of your existing customers simply doesn't yield high growth or profits.

But when times are tough like today, investing in a risky new venture can be brutal on cash flow. Therein lies the quandary. The best opportunity of a lifetime may be staring you in the face. Assets are cheap. Talent is readily available. Can you make the bet more palatable? Yes, if you treat a new venture like something more

than a trip to Las Vegas:

- **Do your homework** – Make certain that the new venture rests on a solid marketing premise. Conduct lots of market research and talk with potential customers.
- **Discount your experience** – Today's know-how may not solve tomorrow's problems. Challenge everyone's thinking.
- **Staff the bet correctly** – The best managers for new ventures tend to be those who have experience winning and losing.
- **Stand on your own** – The processes, yardsticks, and values of the parent company may stifle innovation in the new venture. Know when to use existing resources and when to develop new ones.
- **Know when to hold 'em, know when to fold 'em** – Discover a workable plan for the new business quickly or close it down. But remember that most new ventures lose money at the outset, and new markets often take time to develop.

In 1964 IBM invested 2-1/2 times its annual revenues in R&D, plant, and equipment in the System/360, a technology that made most of their products obsolete. In three years the bet proved well placed. Annual revenues tripled to \$7 billion, and IBM buried their competition.

Big Blue managed its risks well. Great market research indicated that customers would highly value the 360's benefits. The project team knew how to convert research into commercial products. And they were fearless – convinced that their approach would get it right.

Bottom Line – Sticking to your knitting will not cut the mustard. Tomorrow's profits belong to the bold of today. Plan your bets, then bet your plan.

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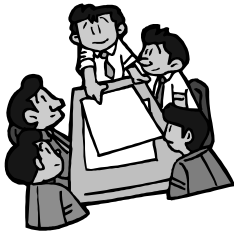
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“Between now and 2010 the 18 – 44 year old age group will decline by 1%.”

War For Talent

If your business depends on a steady flow of young workers, take heed. Between now and 2010 the 18-44 year old age group will decline by 1%. What is your future work force saying that can help you prepare a strong recruiting effort for these young people?

A Families and Work Institute survey of high schoolers found these attributes essential in a job...

- **Meaningful Work** – 84% of all high school students put “having a meaningful job” at the top of their list. Your response – show each worker how their job links to their success and that of your company.

- **Job Security** – 82% want a job “that I don’t have to worry about losing”. This group has experienced their parents losing a job and the worries about downsizing. Your response – explain to

every worker the longer-term prospects of their job and the company. Make clear your expectations of them in terms of skills and performance. Create an atmosphere where each worker has a chance to make mistakes and fix them without fear of job loss. Don’t be afraid to tell the truth.

- **Work/Life Balance** – 79% want a job that allows them time for their personal/family activities. Many have lived in families with two working parents or saw a single parent consumed by his/her job. Your response – consider a four-day work week, minimize the use of overtime, and provide some flexible time off for personal use.

When asked about the industries that attract them, only 10% of this age group listed manufacturing. Nearly 30% are attracted to

high technology. Your response – deploy high tech equipment and systems, push their usage down through your organization, and train workers constantly on their use.

While 82% of this age group expect to complete a four-year degree, recent statistics indicate that few will. Your response – identify local students with high expectations and create internships, scholarships, and other programs to support them.

Bottom Line – Young people have old-fashioned values about work. Be prepared to meet their needs with a program that makes common sense for both your business and your employees.

Data Source: optimizemag.com, February 2002



Business Quote...

“With few exceptions when a management with a reputation for brilliance tackles a business with a reputation for poor fundamental economics, it is the reputation of the business that remains intact.”

Warren Buffett

“Wood is a friend of mine.
The best friend on earth of man is the tree.
When we use the tree respectfully and economically,
we have one of the greatest resources of the earth.
It is a beautiful material, friendly to man;
the supreme material for his dwelling purposes.
If man is going to live, he should live with wood.”

- Frank Lloyd Wright

“Paul Toms, Hooker’s chairman of the board, says, ‘Training is the best investment you can make.’”

Thinking Downstream at Hooker



Golf Quote...

“It’s what you learn when you think you know it all that’s important.”

Claude Harmon



The last *Wood World Monitor* suggested that manufacturers must look beyond chasing cheaper and cheaper product in search of a sustainable competitive advantage. One way to do so is to exert more control over how your resellers handle your product. Part of such strategy is improved training of the salespersons who interact with the final consumers of your product.

One example of such a sales training initiative is Hooker Furniture University, two-day training sessions run by the Martinsville, VA, furniture maker. This program visits dozens

of their retailers to teach sales people about Hooker’s product features, furniture construction, and wood technology.

Paul Toms, Hooker’s chairman of the board, says, “Training is the best investment you can make.” The company’s staff points out the ultimate goal – to create sales associates who are comfortable presenting Hooker product. Knowing about the features of a complicated item like an entertainment center or home office set enables the sales person to differentiate Hooker’s offering from lower-priced competition.

The program also evidences the importance Hooker places in the relationship with their retailers. At the end of the day those retailers will choose to work with a company that makes it easy to do business.

Bottom Line – The environment in which your product is offered is at least as important as the product itself. Part of that environment is the level of comfort a consumer has spending money. A knowledgeable salesperson who can differentiate your product and explain its value is a step in making the consumer comfortable.

A 21st Century Staffing Solution

In today’s fast-paced economy the smart manager matches his human resources with his needs on a flexible day-to-day basis. Temporary front line workers are a common response to seasonality or other volume fluctuations. But what about the needs for interim production management, engineering, or project leadership? Often a permanent employee is not the answer. A lengthy hiring process can delay solving your problem and exploiting profitable opportunities.

A better solution may be retaining a temporary plant manager or engineer who is

qualified to handle the job at hand quickly and requires minimal oversight. For many companies A. G. Raymond & Company’s associates have filled these temporary yet critical roles in needs ranging from running a plant to supervising equipment installation.

The benefits come in many forms:

- **Immediate Response** – We can have a specialist on site within days of your call.
- **Experience** – We understand the nuances of the wood products industry. You do not have to pay for our learning curve. And you gain the benefit of over

150 years of combined experience.

- **Cost** – Since you don’t pay recruiting or benefit costs, your cost will often be less than a full time employee.
- **Duration** – When the job is completed, your cost ends. There are no termination expenses.

Why miss opportunities to reduce your costs or increase your revenues for lack of the right people at the right time?

Call us now to discuss your short-term needs.

Philosophy Quote...

“You do not merely want to be considered the best of the best, you want to be considered the only ones who do what you do.”

Jerry Garcia



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This newsletter is made possible by earnings from the world's forest products - the only renewable natural resource.

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"You are at your wit's end trying to get a stuck nut free."

Maintenance Corner



All previous issues of The Wood World Monitor can be found at our web site:

<http://www.raymondnet.com>

Any issue may be downloaded in Adobe PDF format for easy printing.

Problem: You are at your wit's end trying to get a stuck nut free. You have tried brute force and all of those famous penetrating oils like "Liquid Wrench" but no luck. Short of using a cut-off grinder or a cutting torch is there another alternative?

Solution: The solution requires a visit to the nurse's station or the local pharmacy. Your prescription for success will be in the liquid form – Iodine or tincture of Iodine.

After thanking the nurse or pharmacist for their help, take the iodine and liberally coat both the nut and bolt. Wear rubber gloves when using the iodine as it will turn you several shades of orange. Likewise, place a catch can or towels around the bolt and nut to prevent spilling iodine everywhere.

The next step is waiting for the iodine to work its medicinal magic. So read that magazine you purchased at the pharmacy. After 30 to 60 minutes,

gather your best fitting socket or closed-end wrench and carefully remove the nut.

When trying to remove stubborn nuts and bolts, place your socket or wrench squarely on the nut and/or bolt head and apply force perpendicular to the bolt centerline. With a little luck and this doctor's prescription, the operation will be a success.