

**PHCC of Nebraska**

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*Continued to from page 10*

Each child's salary is based upon job description and performance. Children have been active (alongside parents) in the business long enough to make each child comfortable with the role each plays within the business. Alternatively, the business must be large enough to be considered an investment (mature, solvent, stable, usually run by non-family managers as well as one or more children, and sufficient cash flow to handsomely reward the business-active child while providing an income stream to other children who are simply passive investors). Subsequent issues of The Exit Planning Review discuss all aspects of Exit Planning. The provider of this Newsletter (mmcguire@nebraska.nef.com) offer you unbiased information about what you most need to know - How To Run Your Business So You Can Leave It In Style.

*Disclaimer: The information contained in this article is general in nature and is not legal advice. For information regarding your particular situation, contact an attorney or tax advisor. This newsletter is believed to provide accurate and authoritative information related to the subject matter. The accuracy of the information is not guaranteed and is provided with the understanding that none of the providers of this newsletter, including Business Enterprise Institute, Inc., is rendering legal, accounting or tax advice. In specific cases, clients should consult their legal, accounting or tax advisors.*



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**Nebraska News**

**PHCC & YOU**



PLUMBING-HEATING-COOLING  
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**Senator Ben Nelson Supports Small Business Health Plans**

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**Doug's Dish...**

We just returned from Legislative and Leadership Conference in Washington, DC. It was a very informative and educational experience. We met personally with Senator Nelson, Congressman Fortenberry and three of Senator Hagel's top aids. We discussed Small Business Health Plans, a permanent repeal of the Death Tax, Immigration reform, and several other issues.

Our National PHCC organization has been instrumental in the ongoing effort of passing the Small Business Health Plan Bill. If it passes (it is out of committee) it would allow our Association to be able to offer much more affordable Health plans than we currently have available to us. This bill would put us on the same level as large corporations.

The Leadership Conference focused on generational differences when it comes to hiring and motivating different age groups as applicable to our work environment. The use of great speakers and round table discussion were very informative.

Be sure to mark your calendars for the SUMMER CONFERENCE (focusing on family time) July 21-22nd. See Stacy's calendar for more information. Also National Convention coming up in Chicago September 27-30th. Last but not least our next State Convention that will be held in 2007 jointly with Iowa and will be in Omaha.

I want to take this chance to wish a speedy recovery to both Steve Ormesher and Elda Reinhardt. On behalf of myself and the association we are thinking of you.

Here's wishing a great and prosperous year to all!  
Keep the Wheels of Fortune rolling,  
*Doug Biggerstaff*



**Calendar of Events**

**July 21 & 22, 2006**

**Summer Conference**

Kearney Country Club & Ramada Inn  
Kearney, Nebraska

**September 26-30, 2006**

**National Convention**

The Palmer House Hilton Hotel  
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All pictures on the cover were taken by Darrin Grewek.

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## One Child Shall Succeed In Business Ownership

### Family Business Transfers

Part Three: The Recipe For Success

Ingredient 2: One Child Shall Succeed In Business Ownership

In the last two issues of this newsletter, we looked at the obstacles unique to a family business transfer as well as the first ingredient in a six-ingredient recipe for successful family transfers. In this issue, we take a look at the second ingredient: limiting ownership to one child.

Second Ingredient: One child shall succeed in business ownership

It is easy to recognize those business owners who have dedicated their lives to

ensuring a successful transfer of a family-run business - they have but one child.

There are two possible ownership scenarios for families having more than one child. The first is that more than one child is active in the business. In that case, the predominant issue is to determine how multiple children are to share the control and ownership of the company. The second is having one business-active child and one or more children inactive. The primary concern in that case is to give the business to the active child while being fair to everyone else (Ingredient Two).

Owners in the first situation must ask themselves, "How can children who couldn't share a ninety-eight cent toy when they were younger now share the ownership, management, and control of a successful, multi-million dollar business enterprise?"

Forcing children to work together ordinarily creates an unnatural coalition of differing talents and desires, united only by bloodline. Contrast that situation with business partnerships that do work: two or more individuals enter voluntarily into a business arrangement for their mutual benefit, each contributing experience, talent, and perhaps money. In return they each receive an agreed upon, negotiated, ownership interest in the business - a proportion they agree upon, not a proportion given to them by someone else. Further, they are likely to have similar goals, aspirations, drive and ability. Desire for business success brings them together, not family ties.

Family ties of a different sort can also create dissension and discord. Adult children who, years before, found sharing a toy difficult (if not impossible) because of sibling rivalry now find another relative introduced into the mix: their spouses.

The influence of a spouse on a child's business decisions is similar to the influence gasoline has on fire. Whether the son- or daughter-in-law becomes active in the business or simply offers observations, an already warm brew can begin to boil. For this reason, co-ownership among siblings is rarely permanent, especially once the parents are out of the picture.

Look at this issue another way. As a business owner, you know many other owners. How many of them share ownership equally with a brother or sister?

In many family-run businesses, a parent did once co-own the business with one or more brothers or sisters. Over the years, however, those siblings dropped out or were bought out of ownership. It would seem that co-ownership just doesn't work for most families. It's unlikely to work for yours.

This second ingredient - transferring the business to one child - must now be blended with the quest for the third: fairness to all children.

#### AFTERWORD

If at this point you still wish to attempt a transfer to more than one child there are several business characteristics that will increase your limited chances for success. Each child views business success through the eyes of the family, and each of its members, rather than through his or her own eyes.

One child has effective day-to-day control over the business operation. Usually control is granted to that child, not because of stock ownership, but because of the child's experience and leadership abilities.

The business is large (and profitable) enough to support all children and give each child a separate area of responsibility.

*Continued to page 12*

### SMALL BUSINESS INSURANCE BILL PROGRESSING

The Senate Health, Education, Labor and Pensions (HELP) Committee's consideration of the compromise Small Business Health Plan (SBHP) bill is progressing. A second day of markup is scheduled for Wednesday, March 15, immediately prior to the PHCC Legislative Conference. The committee began deliberating components of the bill on Wednesday, March 8.

Through a compromise offered by Senator Mike Enzi, associations will be able to offer a multitude of plans. In fact, Enzi's offering will allow associations to offer limited benefit plans (limited in that it is less than the state minimum benefit mandates) so long as the association offers a generous plan consistent with that offered by the five most populous states with the most generous benefit packages. Nearly 70 amendments have been offered during the first day of the markup; however,



L to R: Darrin Grewek, Executive Assistant; Doug, President & Conni Biggerstaff, PHCC Members pause for a picture with Senator Ben Nelson.

much of the concern of SBHPs has focused on its preempting of state minimums. Sens. Johnny Isakson (R-GA), Richard Burr (R-NC), Pat Roberts (R-KS) and Chairman Michael Enzi (R-WY) have argued points that the legislation does not preempt the states from establishing minimum benefit mandates, and that the compromise would require an association to offer plans modeled after the five most populous states with the most generous health plans available. The bill should go to the full Senate for vote soon after the committee passage.

### LEGISLATIVE AND LEADERSHIP CONFERENCE COMMENTS

Issue like the one above and many others were discussed with delegates from Nebraska. This marks the end another successful Legislative and Leadership Conference. This Conference was a first for the attendees from Nebraska; Doug, Conni and Darrin.

*Conni Biggerstaff . . .*

"We truly had a great time in DC. It being my first time, I saw and learned a lot. I was really impressed with how open each of the Senators and Congressman Fortenberry were to meet with us and spend a little time with us. They actually wanted to hear our concerns and listened to what we had to say. The best part was getting to ride on the subway that is for the Senators. Senator Nelson's office really took good care of us."

*Darrin Grewek . . .*

"We were impressed with the wonderful treatment we received from everyone. We really got to see it all, the Senate floor, oh and hearing the all the buzz about the Budget. It was just incredible to think I watch this on TV but to be here in person was just amazing, absolutely remarkable. A great opportunity that every one in this country should experience."

### Meaningful Meetings

By: Bill Harrison

**In working with a recent client it was obvious that communication was a disaster.**

**Meetings went on endlessly and most people left the meeting without a clue as to why the meeting was called. Rarely was any action taken after a meeting; at least actions that gained any positive result.**

**It was obvious that some meetings were called to discuss issues only one person was involved with. Usually focus was lost early on and irrelevant tangents explored again and again. Everyone, including the owner, was frustrated. They asked for help.**

- We developed an agenda for every meeting that was determined to be essential.
- Two meetings a month were abolished because they served no purpose.
- No meeting was permitted to exceed one hour.
- Everyone was required to come to the meeting prepared - especially the person heading the meeting.
- Only those who absolutely needed to attend were invited.
- Every meeting ended with a clear understanding of who was going to do what and by when.

And the result:  
**Net profits went up by 1% the next quarter.**

# 2006 Get Acquainted Party



PHCC donates \$100 in Oasis' name to Habitat for Humanity for donating their time.



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Strategic thinking is the heart and soul of any strategic plan. A strategic plan is really a misnomer. A strategic plan is not a plan, but rather a strategic thinking exercise to determining what your company should be doing. The plan aspect comes into play because you write that process down so you don't forget it and can communicate it to all the other stakeholders. Unfortunately, too many so-called strategic plans focus on operational issues instead of strategic issues. What these plans lack is strategic thinking!

In essence, the *what* involves determining your company's core strengths and finding a market niche where a high value is placed on those strengths. This is important because when you offer a service that your clients place a high value on, price becomes less of an issue.

Think of operational issues as things that revolve around your company, while strategic issues revolve around the client. Operational issues primarily focus on making your business run more efficiently in order to lower costs. These savings are either passed on to the client or allow the contractor to increase its profit margins. Increasing your profit margins doesn't give you any real benefit. The client doesn't care how much money you make. Therefore, the only competitive advantage you have with this approach is that you cost less, but this means you are competing on price. In the construction industry, this approach is probably the least profitable way to compete because someone is always willing to do it for less.

In contrast, strategic issues focus on differentiating your company from the competition. If you don't differentiate your business in a way the client places a value on it, the client will make its selection based on the default solution—price! However, if you differentiate your business to provide services the client values, price is no longer the driving factor. For example, the author has general contractor client whom he has had this discussion with. He told the client to go back and ask its clients the following question: "What could we be doing for you that we are not already doing?" The result was a long list of items. The contractor examined the list, went to its clients and said, we can do these tasks, but we will need to charge an additional 1 percent fee. The clients said, "Fine."

This contractor had a \$20 million annual volume at the time. Therefore, they increased their fee by \$200,000. The cost to perform those new extras was only \$18,000. How many of you get more than 1,000 percent back on your projects? And to top it all off, the clients were delighted. That company has now tripled in size, so they must be doing something right.

Therefore, it's imperative if you want to improve your company's bottom line that you start thinking strategically. The next few issues of *The Garrison Report* will explore ways that you can differentiate your company from your competitors. However, if you haven't already read the past three issues of *The Garrison Report*, the author suggests you visit [www.TedGarrison.com/garrison\\_report.cfm](http://www.TedGarrison.com/garrison_report.cfm) and review them because they will further prepare you for the reports that follow.

Someone has said that the construction industry needs to start hiring people for their brains, not just their brawn. Another thought is that maybe we need to hire CEOs for their strategic thinking ability, not just their construction knowledge.



### Why Your Company Needs Strategic Thinking!

**Why is strategic thinking so important**, if not essential? Strategic thinking expert, Michel Robert, provides the answer. "In our view, the difference between companies that succeed over the long term and those that fail and disappear is a process called Strategic Thinking." In other words, he continues, "The single most important element common to companies that attain long-term success as opposed to those that fail is this: They have a clear, coherent strategy that they pursue with singularity of purpose; they have total dedication to it and no deviation from it."

Successful companies must address two important aspects of their business in order to be truly successful: namely, develop a sound business strategy and create outstanding operational procedures. Unfortunately, too often companies fail to develop the necessary strategic skills. Michael Gerber explains part of the problem in his book, *The E-Myth*. He proposed that while most people think that people who start their own businesses are entrepreneurs, this isn't true. He says they are "technicians who have experienced an entrepreneurial seizure." The problem is that technicians focus on doing the work. No one would criticize anyone for working hard. Gerber explains they are merely working in their businesses instead of working *on* them.

The problem is worse than that because when someone finally convinces the technicians that he must work *on* his business, he steps back and works on *how* to work better on doing the work. In other words, he focuses on improving the operations of the business. Typically the technician is great at improving the efficiency and effectiveness of the operation. But this approach has a serious flaw.

In the author's seminars, he often asks the following question: Is it better to do things right, or to do the right thing? This causes some confusion because our society has taught us to do things right. However, this has created an atmosphere where many people would rather do something they can do well than do what really needs to be done because they can't do it very well. Ralph C. Stayer, the author of *Flight of the Buffalo*, has been quoted, "Anything *worth* [author emphasis] doing, is worth doing poorly." This causes some confusion because people think he is saying you don't have to do a good job. However, that's not his intention. Instead he is giving you permission to mess up while you learn how to do it. The key word in the sentence is *worth* because if it's worthwhile, it's worth the pain and even the embarrassment to mess up while learning.

Another way of saying this is, it's more important to do the right thing than do things right. If you disagree, ask yourself the following question: Does it matter how well someone does something that doesn't need to be done? Of course, the answer is no! It's better to work on something that needs to be done. Of course, the home run is doing the right think correctly, but that often takes practice. So start practicing.

In the context of today's topic, this means you must start focusing on working *on* your business from a strategic perspective even if you aren't very good at it. But it's only a matter of practice before you improve this critical skill. Of course, you can always hire someone to help you through the process. In essence, get a coach. There is nothing wrong with that. After all, Tiger Woods, who is the best golfer in the world, has a golf coach. Therefore, you shouldn't feel embarrassed by obtaining a coach. The good coach helps you look at your business differently. What's probably more important is the good coach makes you stay focused on the strategic issues instead of allowing you to slip back and work on operational issues because they are more comfortable to you.

Keep in mind that if your company is working on the wrong the projects, it doesn't make sense to spend time improving how you run those projects. If you have hired the wrong people, it doesn't make sense to spend time attempting to improve their skills. If you have the wrong clients, there is no point in improving your marketing to get more of them. The process must start with strategic thinking—in essence, focus on what your company should be doing instead of how you do it.

Continued to page 9



**Memorials**

In memory of . . .

Charles "Chick" Kiner      Kiner Supply      Terry & Barb Kreifels

If you would like to send a memorial to the scholarship fund in memory of someone special . . .

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Doug Biggerstaff presents Dave Tinius with his Past President's Pin.

Thank you to PHCC's 2005 President's  
Congratulations to another Great Year!



Judy Everly presents Sharon Timperley with her Past President's Pin.



Keith & Heidi Everly were presented with the 20" LCD TV at this year's Trade Show.



SMILE, Inc. — Auxiliary's Philanthropic for this year.

**PHCC Members Represent the Industry At the 10<sup>th</sup> Annual Legislative Day**

"You represent the industry" was the message members of the Plumbing-Heating-Cooling Contractors—National Association heard during PHCC's 10<sup>th</sup> annual Legislative Day.

Before heading to Capitol Hill appointments, the 100 PHCC members attending Legislative Day were told they had the distinction that day of being the only group that would be speaking on behalf of the entire industry. The members were challenged to make the most of their day and not be timid in voicing concerns.

"Our members essentially were representing the 80,000+ p-h-c contractors in the U.S., and they took this role very seriously," said PHCC President Jim Stack. "I think it was very rewarding for them to know they were part of a very important process in American government."

During a March 16 breakfast, two keynote speakers discussed issues like Small Business Health Plan (SBHP) legislation, tort reform, the estate tax, tax relief and Medicaid/Medicare and Social Security reform. The speakers were Rep. Sue Kelly (R-NY) and Sen. Richard Burr (R-NC).

Rep. Kelly said she was optimistic that if the SBHP legislation is passed by the Senate, it will be passed by Congress because it is a passion of Speaker of the House Dennis Hastert (R-IL). She said a great appeal of SBHP's is that they will allow industries like construction to develop a plan that is specific to its needs. On tort reform, she encouraged PHCC contractors to ask for health studies by the Centers for Disease Control related to mold exposure so that more scientific information is available to fight frivolous

lawsuits. Kelly also talked about the need for tax relief for small businesses, like permanent repeal of the estate tax, and also discussed her efforts to reduce federal red tape.

Sen. Burr described the current political atmosphere in Washington as "divisive," which has caused an inability to consider big issues. He said the two areas of necessity in today's global economy are energy and health. Small business health plans will help ease health issues, although passage of the legislation could be a long process. Reforms in Medicaid, Medicare and Social Security also are needed, and all Americans need to engage in these debates.



Breakfast on Capitol Hill  
L to R: Darrin Grewek,  
Doug & Conni Biggerstaff

The PHCC-National Association, formed in 1883, provides legislative advocacy, education and training to more than 4,000 plumbing and HVACR businesses and 79,500 technicians. Members of PHCC have access to a wide variety of services designed to increase their professionalism, grow their business and improve profitability. Go to [www.phccweb.org](http://www.phccweb.org) for more information.

*"Our members essentially were representing the 80,000+ p-h-c contractors in the U.S., and they took this role very seriously," said PHCC President Jim Stack.*



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**Do you . . . ?**

Do you have something that you or your employee has done, that's noteworthy? Or do you want to send a special Thank you out to someone. Let us know! We can print it here. For example . . .

I recently volunteered to raise money for MDA and did it with the help of PHCC members.

**Thank You PHCC Members, for  
your Help in raising my bail for MDA Lock-Up!**

Stacy Grewek



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