



STEWARDSHIP CONNECTIONS

A Newsletter for Financial Connections

Mutual Aid: Are We Failing?

Part two of a series of articles addressing mutual aid.
by Tim Thomas

The first article in this series, "Mutual Aid: History and Principles," presented a clear case for the Biblical basis of mutual aid and how it has been historically practiced by the Anabaptist community. (See the November 2015 issue of *Stewardship Connections*.) In this article, we'll look at the state of our mutual aid plans today, consider what is behind some of the problems that are starting to arise, and look at practical steps toward a solution.

The first article gave the background and basis of mutual aid. To start this second article, I would like to give some background for insurance. While we rightfully point out the pitfalls of secular insurance, conservative Anabaptists sometimes make erroneous and uninformed statements about insurance.

The first recorded history of insurance goes back five thousand years (c. 3000 BC) to Chinese merchants who agreed to divide their cargo evenly among their ships. If there were ten merchants with ten different products to be shipped, an equal amount of each product was divided among the ten ships. If one ship was lost, rather than one merchant losing everything, they each would lose only ten percent of their product. It was just simple mathematics applied to risk management. The basis of insurance today is still just simple mathematics applied to risk management. Here are several progressive definitions for insurance.

Notice the words **possible eventuality**.

- A thing providing protection against a possible eventuality.
- A guarantee against a loss.
- Restores to the condition before the event that caused a loss. Based on statistics. Protects you from the abnormal.

Historically, insurance evolved because humans came to understand that there was the possibility of certain events to happen. Ships could be lost at sea, houses could burn down, and people could get sick.

Notice the words **based on statistics**. Secular insurance has progressed from the ancient Chinese merchants' simple shipping plan to a finely-tuned science based on an ever-growing body of statistics. Using these statistics and the law of large numbers, insurance companies know on average how much more likely it is that someone driving a red car will have an accident than someone who drives a white car (yes, there is a cause and effect between the color of car you drive and your chances of being in an accident). An insurance company uses these statistics to mathematically determine the premiums they charge for various coverages.

Notice the words **protects you from the abnormal**. Theoretically, if you are the average person buying secular Mutual Aid insurance,

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Investment Management Agreement (IMA) Program

Anabaptist Foundation operates the Investment Management Agreement (IMA) Program for the benefit of conservative Anabaptist churches and charities.

How Does the IMA Program Work?

Churches and nonprofit organizations (missions, schools, and other charities) sometimes have cash on hand which needs to be held for a period of time. A church might be setting aside money in a building fund to address future needs. A charitable organization may have a cash reserve or be working to accumulate funds for an upcoming project. Those funds need to be held somewhere for security.

Although funds can be placed at a financial institution into a certificate of deposit (CD), that choice puts the funds to work in the secular marketplace where our religious values are often violated and the rates of return are low. For the benefit of our constituency churches and charities, the Foundation accepts management of these funds, puts them to work within conservative Anabaptist church circles in the form of loans, and pays a reasonable rate of return. The current rate paid on funds committed for at least a year is 2.75%.

Who May Participate?

Participation is limited to churches and nonprofit organizations which meet AF constituency guidelines, meaning adherence to the principles of the *1963 Mennonite Confession of Faith* or to earlier Anabaptist confessions of faith such as the *Schleitheim Confession of 1527* and the *Dordrecht Confession of 1532*. If we determine that a church or organization no longer fully adheres to the constituency guidelines, they are no longer able to participate in the program and their funds are returned to them.

Currently, we hold IMA accounts for 159 churches or church districts, 17 schools, and 39 nonprofit organizations.

What Does the Foundation Do with the Funds?

Anabaptist Foundation does not invest funds in secular financial markets, choosing instead to invest within conservative Anabaptist groups. Our faith-based program offers loans only within the same church

groups that adhere to the *1963 Mennonite Confession of Faith* or earlier Anabaptist confessions. The first priority of the IMA loans program is to provide loans to other churches and nonprofit organizations for charitable purposes.

How does the IMA Program Benefit Churches and Charities?

The program fulfills the Foundation's mission of serving churches and charities by providing four important benefits that advance God's Kingdom:

Integration of faith and values with financial decisions

Money is a tool, and we are responsible for where we allow our tools to work. By using the program, participating churches and charities remove their funds from secular markets and invest them instead within conservative Anabaptist church circles.

Increased interest earnings for churches and charities

Without a profit motivation and by keeping overhead expenses modest, the Foundation is able to push higher interest earnings back to our churches and nonprofits, providing them with additional resources for doing God's work.

A source of loans for conservative Anabaptist churches, missions, and schools

Funding loans for churches and charities is our first priority for use of the funds. Currently, the Foundation holds \$10 million in loans to 50 churches or church districts, 5 schools, and 12 charities and missions.

Funding of free services for our churches and charities

*The Foundation provides many free services to churches and charities, which range from giving advice to deacons and charitable boards of directors to helping new charities file state and federal applications for tax-exempt status. Free seminars, such as the **Seminar for Deacons, Financial Advisors, and Trustees** and the new **Young Family Finances Seminar**, promote stewardship education within our constituency.*

Anabaptist Foundation exists to serve, and the IMA Program is just one tool in our toolbox of services for churches and charities. To learn more, contact Anabaptist Foundation:

Write: Anabaptist Foundation, 1245 Old Route 15, New Columbia, PA 17856

Call: (800) 653-9817, ext. 209

Email: giftfund@afweb.org

LOANS FOR CHURCHES AND NONPROFIT ORGANIZATIONS

To inquire about a loan for a conservative Anabaptist church or nonprofit organization, please contact Floyd Miller at (800) 653-9817, ext. 217.

CHARITY HARDSHIP FUND

The Foundation's Charity Hardship Fund provides short-term low or no-interest loans to church alms or deacon funds in time of need. Funds are limited, but church deacons may inquire about this program by calling Richie Lauer at (800) 653-9817, ext. 209. This fund is supported by donors who care about alms fund needs and by Anabaptist Foundation. Contributions are tax deductible.

Young Family Finances Seminar

In January 2016, Anabaptist Foundation introduced a "**Young Family Finances**" seminar providing basic Bible teaching with topics on *Debt & Budgeting*, *Giving & Brotherhood*, and *Saving & Investing*. Identical one-evening seminars were offered in three locations in the Lancaster-Lebanon County area, attracting 580 participants.

One participant wrote:

"We were at the Meyerstown meeting last night and what a HUGE help that was! I needed to hear all three topics. I think we younger ones have so much to learn. It seems some of our highly successful business dads (who made their "hay" in the 60s and 70s) never took the time to explain the nuts and bolts of finances, leaving us very vulnerable in the economic landscape of the 21st century. Without the tools to properly manage our finances, we live in a state of worry—that's why the information in the meeting was so valuable to us. I told my wife it almost makes me wonder what else I'm missing that later I'll wish I would be doing now."

We are grateful to the following local groups who sponsored these meetings:

- Pequea Business Group
- Crosskeys Business Group
- Myerstown Area Amish Businessmen

If you would like to help host a "Young Family Finances" Seminar to benefit the youth and young married families in your community, contact Richie Lauer at (800) 653-9817 ext. 209 or richielauer@afweb.org.

you will pay the same amount in insurance premiums as you would pay out yourself in losses over the same time period, plus a reasonable profit for the insurance company. Just like those ancient Chinese merchants, when someone buys insurance, they are choosing to take a defined risk (paying an insurance premium) in exchange for protection in case “the abnormal” happens to them. The insurance industry is heavily regulated, including the rates they use to try to make a profit. Every insurance company must file their rates and get them approved by each individual state that they do business in. They cannot change those rates without refiling.

We know the dangers of insurance versus the benefits of mutual aid: individualism vs. community, and trust in man vs. trust in God. I assume that I’m preaching to the choir. But do we realize how much we benefit from insurance even when not personally participating in insurance ourselves? We may cast a disapproving eye on insurance, and even preach against it, but at the same time we gladly line our pockets with the

What percentage of our people would still support mutual aid if it were more expensive than secular insurance?

riches that insurance has made possible in the world in which we live. Insurance has been, and continues to be, the greatest single driver of economic growth—and thus our standard of living. You might think debt with its corresponding leverage would take the top spot, but you can’t have debt without some form of insurance or protection. Remember that statement.

What is the state of our mutual aid plans?

I see evidence that some Anabaptist mutual aid plans are starting to fail. If you live in a financially secure community and your mutual aid plan is doing well, you may think that this is not a concern to you. However, what happens to the mutual aid plans of our Anabaptist brothers around the country will greatly impact all of us in the future. Read on.

One evidence of faltering mutual aid plans is the number of loan applications we receive from people who are under financial strain due to past property or medical losses that have not been taken care of by their brotherhood mutual aid. The constituency which Anabaptist Financial serves has many different ways of structuring and administering their mutual aid plans, but hopefully the premise of all of them is to “bear one another’s burdens.” At Anabaptist Financial, we speak to

people every month who are struggling underneath financial burdens directly related to a mutual aid issue. If people within your brotherhood are sinking financially due to medical and other catastrophic events in their lives, your mutual aid plan is not working.

A second evidence of faltering mutual aid plans is coming from the increasing number of providers who are complaining that they are not getting paid. These complaints are mainly coming from healthcare providers such as hospitals, clinics, and doctors. The “noise” from these providers is growing as they seek out help from the larger Anabaptist community to get their bills paid. This should alarm all of us, including those whose mutual aid plans are working well.

We have been blessed to come through the start-up of Obama Care relatively unscathed. Most Anabaptists are able to participate in mutual aid plans that have been granted an exemption by our government to continue to meet one another’s needs in accordance with our religious beliefs. These exemptions, however, are based on the fact that we have traditionally taken care of our own, and that we are not a burden to society or to our government. If the “noise” from unpaid providers attracts the attention of the government, and it becomes apparent that some of us are becoming a burden to society, then all of our mutual aid plans will be in jeopardy.

A third evidence that our mutual aid plans are faltering comes from loan requests from churches to Anabaptist Financial to cover mutual aid bills they are unable to pay. For years, Anabaptist Financial has supported our constituency’s conscience for mutual aid by making short term loans that allow churches to take advantage of early pay discounts and give them time to raise funds for a catastrophic need. More recently we are seeing a trend toward larger requests, and requests for longer-term paybacks. In the past three months alone, Anabaptist Financial has evaluated loan requests for over \$5 million for mutual aid needs that the church or mutual aid plan was unable to meet.

What is behind these problems?

I see several attitudes that are contributing to our mutual aid problems. Foremost is the **“We can do this cheaper”** attitude. Should we be able to provide mutual aid cheaper than secular insurance? Yes! Christian integrity, ethics, mindset, and lifestyle all contribute to making mutual aid less costly than secular insurance, and we gladly reap the benefits of living within the system. But we practice mutual aid because of conscience! Right? At least that is what we are telling the government. In my experience, far too many of our people just view mutual aid as a cheaper alternative to insurance.

For many, it's not really conscience—it is cost. What percentage of our people would still support mutual aid if it were more expensive than secular insurance?

At Anabaptist Financial, we relate with conservative Anabaptists every day in matters affecting their wallets. I am continually amazed (and disappointed) at how quickly things that should be a matter of conscience get thrown out the window when they become too costly. I've seen everything from cheating on taxes, to cheating credit card companies for debts incurred, to going to unethical lengths to escape onerous building codes.

We don't have to look any farther than Anabaptist

Proverbs 6:6-8 gives the wise saying, "Go to the ant, thou sluggard; consider her ways, and be wise."

Financial's annual client survey to document the extent of this attitude. In our last investor survey, when asked what their primary motivation is for investing at Anabaptist Financial, only one-third (34%) of respondents cite mutual aid and brotherhood. A full two-thirds (66%) cite other motivations for investing with us—37% because of the interest rate we pay, and 29% because of the level of security we provide. On the bright side, compared to previous surveys, we are seeing a slight upward trend in the mutual aid/brotherhood factor, and a decline in the interest rate factor.

A second attitude is the naïve **"It's not going to happen to me"** attitude. Remember the words, possible eventuality? "Oh, that wouldn't happen but once in a hundred years!" That's exactly the point—it will happen once in a hundred years. Ask someone who had the misfortune to lose everything in a hundred-year flood how it feels to be that "once in one hundred years" statistic.

It would be interesting if I had kept a record of how many of our people, including those who represent church mutual aid plans, have told me some variation of, "We were not expecting this; nothing like this has ever happened to us before." An auto aid plan with a six-figure bill they weren't prepared to handle recently approached me with exactly those words. And shortly thereafter they were facing the additional prospect of another million dollar liability.

Proverbs 6:6-8 gives the wise saying, "Go to the ant, thou sluggard; consider her ways, and be wise." Sometimes I'm left with the impression that some people think their Bible says to go be like the ostrich and stick your head in the sand.

There is a known cost (possible eventuality) of doing things. We know that if we drive vehicles, we will probably have an accident at some point in our lifetime. We know that while we live in these corruptible bodies, we will probably get sick at some point and incur medical expense. Proverbs 6 points out that even ants know to prepare for a known time of leanness (winter). Is it against the Bible's teachings that we should store up for known times of leanness—accident, sickness, old age, and so on?

In other areas of our lives, especially business (back to that wallet again), we have no problem in planning for *possible eventualities*. We would even chide and warn someone starting a business without planning ahead for possible negative events. Perhaps we would even remind him about "counting the cost" (Luke 14). That's why this article begins with a short tutorial on insurance. It seems some of our conservative Anabaptist people think insurance premiums are just hocus-pocus, pulled at random out of thin air. In reality, insurance companies are able to pay their claims and make a profit by accurately "counting the cost" of possible eventualities. It seems that some of our church mutual aid plans do not understand the true cost of what they are telling the federal government (healthcare), state regulators (auto), and lending institutions (fire & storm coverage for property) that they will be responsible to take care of.

A third attitude is, **"That's not my responsibility."** This attitude is heard frequently from the younger generation and also from those who see themselves as less fortunate than the wealthier members of their churches.

In the secular world, when someone borrows money to buy a house, one of the known expenses is the cost of property protection. Banks often demand that the annual insurance premium and property tax be prorated into the monthly payments. Our mutual aid plans sometimes do not have a set cost. There is just an expectation to share each other's burdens as actual costs are incurred.

On our loan applications, Anabaptist Financial asks potential borrowers to estimate their expected property aid cost. Some younger applicants leave this blank. When questioned, they indicate they don't feel responsible to participate in mutual aid offerings—yet they fully expect to receive a benefit if they would suffer a loss. It is reasonable to expect that those among us who have been blessed with this world's goods should shoulder a larger share of the financial burdens within a brotherhood. But if the younger generation, and those who feel they are less fortunate, do not feel any obligation to participate, our mutual aid plans will soon be facing a crisis when the older generation passes off the scene.

- Teach conscience of lifestyle—not just noble sounding platitudes, but practical, bold applications of what temperance means in everyday personal and business life.
- Teach why we have a conscience against insurance, why we believe in brotherhood mutual aid, and how it impacts other areas of our lives.
- Teach that conscience means we may have to sacrifice. Conscience is not just for when it benefits us.
- Teach that all members of the brotherhood—young and old, rich and poor—must take responsibility for the spiritual health and physical obligations of the brotherhood.
- Educate the brotherhood on the risks and true costs of living in this temporal world. Either we must better prepare for the obligations that our mutual aid plans are shouldering, or we must bring our lifestyles more in alignment with our conscience to avoid having obligations we can't fulfill.
- Teach the local brotherhood to look beyond themselves and to focus on the eternal picture of God's Kingdom.

My experience is pointing to the fact this has already started to happen.

What are practical steps toward a solution?

Anabaptist Financial was founded to help conservative Anabaptists stay true to their conscience before God. We respect the differing areas of conscience among all our constituency groups, including those who express a conscience against any form of organized mutual aid. We understand that with more structure and planning, a mutual aid plan starts to look and act more like secular insurance.

But the source of our challenges in this area comes from our inconsistency of conscience. We have a justified conscience against insurance, but in other areas our conscience has not kept up. Remember the earlier statement, *“You can't have debt without some form of insurance or protection”*? The foundation for a conscience against any form of organized mutual aid is based on our trust and faith in God. We believe God will

provide.

If we trust God to provide in this area, why don't we have faith He will provide the funds to purchase our home or start that business? Instead of waiting on God to provide (as we are telling that healthcare provider whose bill we can't pay), we run to the banker to provide because, of course, everyone knows we are entitled to a nice home! You know it's not a good testimony to rent while we save up for that purchase—it's poor stewardship! So, we borrow somebody else's money, making them take the risk for our conscience and lifestyle. After all, we are all entitled to live the Anabaptist dream (which is suspiciously close to the American dream with just enough Pennsylvania Dutch flavoring to make it more palatable).

Our matters of conscience are too easily swayed by what we can rationalize in our mind as okay for us, and too often that is determined by how it impacts our wallet and our lifestyle. As a result, our mutual aid plans are stretched to the point of breaking because we are adopting the world's habit of leveraging our lifestyles and finances to the max. We see this every day in loan applications.

Where is our teaching on temperance (Galatians 5:23)? I speak to myself as much as anyone when I encourage us to do the following:

You may assume these are simple truths everyone already knows. At AF, as we relate with brothers and sisters in your church on a practical level, we often find these principles weak or lacking. If we do not become more intentional and practical in teaching these principles, we will lose them in practice. Historically, our mutual aid plans have been a shining light of true brotherhood care and support. Let us rise to the challenge of providing a beacon to the world by responsibly operating our mutual aid plans and “bearing one another's burden.”

Have You Ever Wondered?

Anabaptist Financial sends out regular client surveys to evaluate how we are doing with customer service. We value the excellent feedback and suggestions for improvement we receive. Survey responses are reviewed by the officer team and by our office staff.

Occasionally we feature some of the survey comments in Stewardship Connections along with a response. By responding publicly to these representative comments and questions, we hope to answer questions you may have also. Thank you for participating at Anabaptist Financial.

I don't understand all the terms used in your audit reports.

Anabaptist Financial provides investors with an annual copy of its audited financial statements as specified in our Prospectus. Of course, our audited financial statements are also available to all clients upon request. Audited financial statements are prepared by an independent, external auditor in accordance with set accounting and financial reporting standards. As such, they disclose information that is specifically required by regulatory authorities and contain required language and terms not used in everyday language.

We will prepare an information sheet defining some of the harder-to-understand terms used in the statements, and will begin including it as a glossary in our annual mailing of the audited financial statement to investors.

Offer online statements, deposits, and transfers.

We understand the convenience that an online account would provide to our clients. Several years ago, we investigated this option and decided against online banking because of cost and security risk. We may revisit this decision in the future.

Make it possible to invest while living in any of the 50 states.

Anabaptist Financial does not have a federal securities registration, which would be extremely expensive to obtain. Instead, we register our investment option on a state by state basis. Because of this, we are limited in which states we may accept investments from. The process of registering in a state is often costly and lengthy, which is why we are operational in only a few states.

Anabaptist Financial is currently registered and licensed to receive investments in the states of Kansas, Maryland, Ohio, Pennsylvania, South Carolina, and Virginia. If you are interested in investing at Anabaptist Financial but live in a state we are not registered in, you may call our office and request to be added to our out of state mailing list. We will contact you if we become registered in your state.

Offer a shorter withdrawal period.

Anabaptist Financial has two investment options: the 60-Day Rate option is intended for long-term investments (longer than one year) and we have 60 days to honor withdrawal requests; the Demand Rate option is intended for short-term investments (less than one year) and we honor withdrawal requests immediately. Anabaptist Financial always seeks to honor withdrawals on the date they are requested; however, if you know your funds will be needed immediately when requested, it is best for you to choose the Demand Rate option.

How can you pay 3% rate of return on investments?

Anabaptist Financial is not a bank and is able to operate on a narrower spread between investor and borrower interest rates. Currently, the interest rate difference between investments and loans is roughly 1%. This margin is sufficient to cover our operating costs, and also allows us to build needed equity and increase our Loan Loss Reserve fund to build needed equity.

Send monthly statements instead of quarterly statements.

Interest is compounded quarterly for investment accounts and a quarterly statement fits well with this type of account. We print and process over 5,200 statements each statement cycle, and are able to significantly reduce cost by mailing statements once a quarter rather than each month. A borrower or investor may call any time to inquire about his account balance or to request a current statement.

Offer personal mortgage loans in my state.

Mortgage lending laws vary state by state, and in many states, Anabaptist Financial is not permitted to offer home mortgages without licensing and registration. Anabaptist Financial has an on-staff attorney who assists us with lending law compliance. As we become aware of ways to offer home mortgages in additional states, we take the needed steps to do so.

It would be nice to meet in person during the loan process.

We value the relationship we have with each borrower. We agree that in many ways it would be advantageous for one of our loan officers to sit down with each loan applicant. However, Anabaptist Financial differs greatly from a local bank in that we serve conservative Anabaptists in over 40 states from Alaska to Florida and from Maine to California. At any given time, we have 50 or more loan applications in process. Traveling to physically meet each borrower is not feasible. We are able to offer investment and loan services across such a broad geographical range without face-to-face meetings because of the common Anabaptist heritage we share.

The Road Less Traveled

by Elam Esh

Once upon a time, two ducks waddled down the road to the pond. "This is a good road," said the first duck, "but I think that, just for a change, we should find a new route."

The second duck disagreed. "This road has served us well," she said. "Why would we need a new way?"

One morning the ducks met a fox. "Good morning," said the fox, "On your way to the pond, I suppose?"

"Oh, yes," said the ducks. "We come here every day."

The next morning the first duck said, "We are sure to meet the fox today. We must find another road." "You are being silly!" said the second duck. "That fox was a gentleman."

So the two ducks waddled down the same road to the pond. There was the fox sitting beside the fence. "I was expecting you," said the fox with a grin, "and you have not disappointed me." And with that, he pounced. The ducks quacked and squawked, and finally escaped. The next morning the ducks began to search for a new and better way to get to the pond.

The moral of this story applies to many areas of life, including business. We resist change—sometimes even when we can see imminent danger—because finding a new approach or a new method is too much work, too hard on our pride, or too risky. In this article I will share areas where businesses should reconsider the path they are on. While the examples I share from our furniture business may not directly apply in your occupation, these principles will help you discover a new path of your own.

A Brief History

When we began our furniture manufacturing business, times were good. Our company flourished throughout the '90s. We understood what the customers wanted, and we grew into a large organization. By 2008, however, I was concerned about changes in the furniture landscape. Two things seemed to be contributing to the shift: 1) customers wanted lower prices with more options; and 2) competition from China.

Our method had been to build furniture by batches. We built a large batch of parts and then assembled and finished them in large batches that we stored in our warehouse until they sold. We would pull from that inventory as orders came in from our retailers. When the inventory got low, we would build another batch. But by 2008 the "fox" seemed to be lurking along our usual route, and I knew we were going to have to change to compete in a new economic environment.

I decided that we would continue to build batches, but instead of assembling the parts right away, we would store them

in racks as kits to pull from. This would allow us to offer a more customized product to our customers. I figured we would lose some efficiency, but hoped that in the long run it would pay off.

A Strange New Road

Before I implemented my new plan, I hired Art Raymond, a furniture consultant from North Carolina. He had published articles challenging how industries think and interact.

We gave Mr. Raymond a tour of our company. We showed him our batch process and explained the new "flow" process we were considering. I expected him to challenge our ideas, critique our efficiency, and tell us whether or not it was the right thing to do. I had paid a lot of money for his expert advice, but when he left, I had no clear answer.

I was disappointed. Mr. Raymond had asked unexpected questions such as, "Who are your Customers?" and "What do their stores look like?" and "How do they market themselves?" He challenged us to innovate the "soft stuff" (the things that relate to people) and let that drive innovations in the "hard stuff" (the things that relate to the product). While pondering Raymond's advice, I reread some of his articles. In one article titled, "Put Your Customer in Center Stage," he quotes Theodore Levitt, a professor at the Harvard Business School who is sometimes considered the father of modern marketing theory. Levitt said, "People don't want to buy a quarter-inch drill bit. What they really want is a quarter-inch hole."

"Put your customer in center stage."

-Theodore Levitt

I imagined how many drill bits have been sold to people who didn't really want a drill bit—they only wanted a hole. Yet a thriving business has been created around selling "hole-makers" to folks who want holes. Slowly I began to realize that furniture buyers don't want a table. They want the ambiance, the space, the look, and the feel that the table provides in their homes. But that did not apply to my customers, furniture stores throughout the U.S. I began to puzzle over what my furniture stores needed. What did they really want? In fact, these were the very questions Raymond had asked me to consider.

Learning to Know my Customers

I decided I needed to learn to know my customers so our company could meet their needs. I prepared a list of questions and over a couple of years, I visited all of the stores who sell our product. Some of them are as far away as Alaska. As I traveled, my list of questions to ask them grew. The stores told me ways in which it was easy to do business with us, and ways in which it was difficult. They told me why they buy from us instead of from the competition, and told me what to change and what not to change. I asked them how they advertise and market themselves and how we could assist them. And I always wrapped up my visit by asking what their biggest challenge was. I didn't want to help them with just their small challenges; I wanted to help solve their big ones.

Getting those questions answered was vital and was worth every effort we made. I came away with a deep understanding of what our customers wanted. That knowledge informed us as we

A company must view itself as a customer-satisfying process, not a goods-producing process.

made changes to the company. Truly, even though you may be providing only the drill bit, finding out as much as possible about the quarter-inch hole your customers want is essential.

A New Perspective on the Company

As our view of our customers changed, so did our view of the company. This is captured in another quote from Levitt: "In other words, your company shouldn't be about producing drill bits, but about making holes; not about manufacturing tables, but about creating space, ambiance, and feel. Your company should not be about your product, but about your customers. This is why Art Raymond hardly took note of my process, but emphasized innovation elsewhere.

We have tried to shift our thinking from selling what we make to providing what they want. Since our customers are retailers who resell our furniture to the end users, our customers want us to help them make a profit. So that's what our company is about. Since our businesses, whether building gazebos or selling bulk food, began by us doing what we love to do, at some point we must transition away from thinking of our company as primarily about building gazebos or selling food. This helps you become a company that not only knows gazebos, or knows food, but also knows and produces what the customer wants. We need to provide the whole package.

A Whole New Process

How do we provide that value package for our customers? For many businesses this may require reorganizing in ways that earlier would not have made sense. This was the case for us. We had started out filling a large warehouse with batches of finished inventory. Then we shifted to a warehouse of racks filled with kits to pull from to build furniture to order, giving the customer more options. Even this was simply a different version of the large batch process. In the end, we have completely shifted away from the batch process to what we call **single piece flow**, building one piece at a time.

These changes were not driven by a desire to improve efficiency. I and everyone I knew believed in the big batch. It seemed like the best way, and perhaps the only way, to deliver the goods in a timely, efficient manner. And we were fairly good at it. When a customer came to replenish his store, he simply backed his truck up to the warehouse and we loaded it up. Eighty-five percent of our customers went home with 100% of their order. That seemed like a satisfactory achievement.

As our thinking began to shift, so did our view of that 85% success rate. Instead of thinking we had satisfied 85% of the people, we realized that 15% were going away unhappy. We realized how frustrating it must be for Bob from Minnesota to drive all the way to our warehouse only to leave with less than a full order. It doesn't help him that the next big batch will be finished next Tuesday.

Special orders were a problem too. It would take us eight to ten weeks to fill those orders. Neither we nor our customers were happy with that. Once we changed the process to building batch kits and assembling to order, we saw immediate benefits, and special orders increased. Our customers liked the increased options and the reduced turnaround time. We noticed that we had more warehouse space and began to use it to pre-stage orders to make the pickup experience more efficient. Moving bulky items less meant less wear and tear on the building itself. Even the employees liked it better, but the process still fell short.

One of the most difficult customer wishes to fulfill was the customized pieces. By 2008 our culture was getting very accustomed to being able to order gadgets and cars exactly the way they wanted them, and they wanted to purchase furniture this way too. But special orders were always inefficient for us. The customer disliked the long wait and higher prices, and with the extra steps involved we could hardly make any profit. This led us to begin studying lean manufacturing.

This process promoted **single piece flow** where each piece is made individually shortly before it is needed. We were so accustomed to the well-traveled road of large batches that we thought it was impossible to manufacture furniture this way.

But our customers didn't want a batch of one hundred coffee tables. They wanted an end table, a coffee table, a dresser, and a china cabinet with their choice of colors, wood species, and hardware on each. And they didn't want to hear that we're out of the end tables. So we gave this process a closer look. We began to examine "value-added" steps and "non-value-added" steps in our process." Steps that add value are anything that transforms material toward the end product. Steps that are considered non-value, or waste, are machine setup, stacking and unstacking material, or even turning a piece upside-down. We had a lot of non-value work going on in the warehouse. In fact, we had a person whose full-time job was just moving things around, and in the process of moving things around we had an average of 300-500 units damaged per year.

As we dug deeper and engaged our employees in the discussion, we discovered that on a typical day nearly 50% of what an employee did was flip a board over, move a board from here to there, stack and unstack. I was stunned! One of the glaring weaknesses of **single piece flow** was the need to frequently reset a machine. This is non-value. But considering all the non-value we were doing with the large batch process, I realized that I could take those wages and invest them in machine setup.

We decided to do a test model in the most difficult department—the dovetail drawer boxes—and convert it to single piece flow. The conversion exceeded our expectations. We cut our average time per drawer by 30%, and we could make any size we wanted. As we expanded this to other departments, we discovered that we could also dramatically reduce machine setup time by investing the time to fine tune the procedure and practice doing it.

This led to more changes. We discovered that we could increase our production capacity by 30% and use 10,000 square feet less floor space than previously. We no longer needed our second location. The money and space tied up in inventory were reduced by 70%. We were now managing orders instead of inventory. Order fill rates went from 85% to 99%. And the lumber to loading dock time (the time from when you pick up a board until it is ready to be loaded on a customer's truck) went from eight weeks to three days!

A different take on employees

The final shift came in the way we viewed our employees. Generally we thought of them as arms and hands to build stuff. That is an old and well-traveled road where the fox sits as well. We discovered that employees got more satisfaction from spending their day building a whole piece of furniture rather than cutting five hundred boards someone else would assemble into a batch of mule chests. This is part of the "soft stuff" Art Raymond

encouraged us to pay attention to. Satisfied employees will work more efficiently, safely, and willingly than someone only seen as arms and hands.

The lean manufacturing process teaches that one of the worst forms of waste is using only your employee's muscles and not their brains or their creativity. Here is one line of reason: if the average human has fifty thousand to seventy thousand thoughts per day, that's sixteen thousand in an eight-hour shift. Imagine the benefit to your company if at least 1% of those thoughts went into ways to improve your process. What if just a couple of those thoughts turn into great ideas? With this in mind, we now have weekly suggestion meetings, and team trouble shooting. In every department there is a white board where an employee can go any time to write down suggestions. Most of our new ideas now are coming from our employees out on the floor rather than from management.

The worst form of waste is using only your employee's muscles and not their brains or their creativity.

Another part of this less traveled road was rewarding our employees for production, rather than punishing them. Employers are always happy to get more work done in less time, but not employees. They aren't there to get work done. They are there for the economic benefits. If efficiency goes up and they work less hours, their paycheck is down at the end of the week—but my profit is higher. So we have hypothesized that if we pay for hours, we will get hours from our employees, and if we pay for productivity, we will get productivity.

This was more complicated than you might imagine productivity goes up, so does the pay per hour for that project. Even if you work only 35 hours, you take home the same amount of money as long as the production equals what is expected in a 40-hour week.

Conclusion

We are still exploring this new road. Your new road may be different than ours, but what is the same for everyone is that the well-worn path is not necessarily the best one. We, like the ducks, become comfortable and accustomed to our routine. But the fox lurks in the form of competition, customer's changing desires, new regulations, increasing imports, and a slumping economy. Try the road less traveled. It involves a new view of your customers, your company, your production process, and your employees. And it leads to the pond!

Anabaptist Financial

BUSINESS SEMINAR

FROM AN ANABAPTIST PERSPECTIVE

Tuesday, March 22, 2016 · 8:30 am - 4:40 pm
Heritage Community Center
 3558 US Route 62 · Millersburg, Ohio 44654

From Prison to Palace - Exploring stewardship principles from the life of Joseph and learning how they affect our work. *Levi P. Miller*

Serving People through Salesmanship - This topic focuses on the need for Christian salespeople to present themselves and their products in a better way and to supply the solutions for their customers' needs. This involves using excellent salesmanship while maintaining ethical standards. This presentation is about turning sales opportunities into successful experiences for your company and satisfaction for your customers. *Rodney Martin*

The Marketing Toolbox - Are you using the best marketing tools to promote your small business? Learn how, when, and why to use various mediums to attract leads, convert them to customers, and keep them coming back. *Atlee Raber*

The Power of Proper Branding - What is the key difference between businesses that quickly gain loyal customers and those that struggle to survive? Learn what branding is, why it affects every aspect of your business, and how it builds value for customers, employees, and owners. We will start with the Biblical call to creativity and then discover how your vision, mission, and core value statements should express themselves through your brand. *Roy Herr*

Marketing Strategy and ROI (Return on Investment) - Is a marketing plan important for my business? How much should I budget for advertising? Which ads work best? How do I know if a particular advertisement is worth its cost? How do I know if my current strategy is working? Join this session to learn how to plan, execute, and track the return on your marketing investments. *Roy Herr*

Advanced Selling Techniques - This topic builds on "Serving People through Salesmanship" by going more in-depth about using proper phrasing, building rapport, and knowing what to say and when to say it. Learn what words always to avoid and how to bring the prospect to a decision that is best for them. Also learn ways to close the deal without making the customer feel pressured or intimidated. *Rodney Martin*

Creating and Negotiating Contracts and Memos of Understanding

- This session explains the importance of documented price proposals and project contracts, and writing clear MOUs (Memos of Understanding). Learn when verbal or written agreements are appropriate, and which documents need to be legal contracts. Any agreement contains the possibility for conflict. This session will evaluate principles and methods of negotiating effective business agreements, as well as resolving contractual conflicts peacefully. *Leonard Meador*

Sales Demonstrations, Role Play, and Q & A - This session will illustrate and model the principles taught in the previous two sessions, with demonstrations of proper sales techniques followed by Q & A. You are encouraged to offer ideas and comments in this practical, open discussion. *Rodney Martin*

Consistency: The Key to Effective Marketing - Now that you have fresh strategy and the proper tools in hand, you are ready to energize your advertising and marketing efforts. That energy is fruitless, however, if your message is inconsistent. We'll look at four simple components of every marketing piece, and how putting those to work day after day will make your message effective and memorable through good times and bad. *Dean Martin*

Managing Supply Chain Issues - Business vendor relationships are vulnerable to disappointment because of issues such as quality of products or services, failed expectations with flow of goods and services, and strained personal relationships. In this session you will learn how to manage the quality/quantity cycle of products and services, with practical guidance on how to maintain strong relationships with vendors. *Leonard Meador*

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BUSINESS ADVISING

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