

Used to the Propagator Ferris Wheel? Get Ready for a Rocket Ride®

Mark Krautmann

Heritage Seedlings Inc., 4194 71st Ave SE, Salem, Oregon 97301

Email: mark@heritageseedlings.com

INTRODUCTION

Mike and Jim asked me to tee up this event and gave me lots of rope. They suggested that I might answer the question, “How did you do that?” from starting our Heritage Seedlings Nursery until today — asking me to tell our story. So my hope is to shine some light onto how we have done it. But after a generation in this business, I am convinced that success is not so much about what you *do* as it is about who you *are*.

Defining who we *are* will be an essential matter in the next 5–7 years because, in my own judgment, there will be more change in horticulture during this time than in the previous twenty. Just the matter of demographics — retiring current owners — will cause this. A big proportion of well-established wholesale growers and owners are in their late 50s and 60s.

Technological change will put enormous pressure on mid-sized family firms that may not have the profit in a maturing industry of price competition to invest in economies of scale, labor-saving equipment, and computer controls.

A slow-down in housing remodeling and construction and commercial building has a disproportionate effect on our industry.

There are 45-year-old college-educated managers in our firms who have never seen a major downturn in the nursery industry. It has been for 25 years, “the little engine that could.”

My sense is that the changes about to overtake our industry will come like a flood. Are you prepared for these risky, adventurous aspects of change? Will you be complacent in your position now as owner or employee, or will you help to define your future, being nimble on your feet with a flexible business plan that balances responsiveness to your clients’ needs with leadership in helping them to offer value to their clients?

Many of the decision makers in this industry seem complacent to operate this year, next, and beyond with a business plan that’s a generation old: its primary tactics can be summed up as follows:

- Produce more.
- Sell more of the same-old, same-old — even if it means selling at a loss to keep a client.
- Avoid taxes as a primary decision filter.
- Hire more entry-level labor.
- Cut costs.
- Leave us alone.

Whereas, would it be prudent to change established business tactics, to develop a carefully reasoned strategic plan for change in our firms? Might we:

- Diversify the product mix.
- Offer value, carefully communicated.

- Realize that taxes are a consequence of profit. Tax avoidance is not a business plan keystone, per se.
- Automate; reward innovative employees.
- Identify unprofitable lines, poor “fits.”
- Reach out energetically to collaborators.

During this discussion I'll make conclusions that have action points. Perhaps you will find a few suggestions have merit and want to apply them in your role as a key person in your own firm.

Let's get down to business now: I'll discuss some points about **you**, then the **industry**, then the **audience** for your product value delivery.

Finally, I'll hope for a bit of time to relate an inspiring example of collaboration in our own company. OK, so first off, let's have a good look:

WHO ARE YOU? VERSUS “WHAT DO YOU DO?”

Now, this may seem like a weird question in a propagator society meeting. I know this is bound to elicit some discomfort because the second question is a lot easier to answer. We don't meet people and ask the first question right off the bat, do we? But isn't that what we really want to know if we have a genuine interest in another person? We want to know what makes them tick, don't we?

So a thoughtful business plan, a strategic definition of where you fit in this maturing market requires you to answer the first question if you seek a great fit of who you are and what you do.

Work should dignify who we are, should reflect our values, our talents, and our sense of purpose in life.

How many of you know of the inspiring little book, *The Prophet*?

I'd just like to offer you a quote from it, a perspective on work. When the farmer asked, “Speak to us of work.” the Prophet answered: “...It is to charge all things you fashion with a breath of your own spirit...” Kahlil Gibran, Lebanese poet, 1923 <<http://www.poemhunter.com/kahlil-gibran/>>.

We're fortunate if we can identify our special talent — who we are, what drives our passion early in life — because that's what adds value to our work days. Then we simply line up the “TO DO” lists to match our special talents. And when that happens, our collaborators — our employees, friends, clients, and family — all benefit because we are doing inspired work. The planning is second nature — fun. The people with whom we work are also fun to be around. When we foul something up, we apologize and learn from our mistake: we innovate; we move forward, humbled and wiser.

In our case at Heritage, I've always been fascinated with seeds. They're like little miracles in a time capsule. I'm fascinated with their structure, their biology, dispersal, cleaning them, and especially with germinating them uniformly — propagating. So, of course, that has guided our business plan. We identified our niche early and have stuck with it, although we now propagate a lot more than just seeds.

Consider, as propagators, we are where all nursery production starts. We help decide what gets grown. That means us — you! How cool is that? But it is not so important what we decide, as how we decide. That guides our strategic choices, especially in times of radical change like we will soon see.

Back in the early 1980s I observed that many ornamental trees superior to red maple, Callery pear, and birch weren't available at wholesale. Simply put, no well-

established wholesale growers had made a commitment to propagating some of the more difficult ornamental trees and shrubs. So we just decided to begin to propagate these fine trees and shrubs, because there was essentially no competition.

We made our mark early growing items like katsuratree, Mike Dirr's favorite. We specialized in paperbark maple, Japanese stewartia, hornbeams, fringetree, Franklin tree, and snowbells — all now much more widely available landscape plants because of our leadership and persistence. In addition, we learned how to grow Japanese maples very well — disease-free and with amazing root systems.

So, a generation later, it makes the hair stand up on my neck when I visit Portland; Seattle; Vancouver, B.C.; Boston; or Washington; and Jolly and I see plants of an age and character that we know exactly who propagated them and about when. That's leaving the world a greener place. You all know the feeling I describe if your work inspires you.

Jolly was inspired with programming and systems analysis. We made a great business and personal combination because our talents are complementary. And we've put out a consistent, clear message of value delivery in unusual deciduous species for a generation now. It is one thing to produce a remarkable value item, but you must communicate that value as competently as you produce it or few will appreciate and pay for it.

So Mike and Jim, that's how we did it. But we started with what drove my passion as a propagator, who we are.

ACTION ITEMS

In summary, to be great at what you do, clarify with dedicated effort.

- What makes you tick, drives your passion, fires your imagination?
- Align your work with who you are. Be explicit about it.
- Don't change a well-thought-out logo. It becomes part of everyone's image of who you are. When you change it whimsically, that communicates a message of uncertainty. Project it with every written message you send out.
- If you have no company, your personal "presence" is your logo — your message. Do you communicate with passion, imagination, and energy? Risk being a leader.

So we have had a good look at who *you* are, and a few suggestions about how you can fold that into your business or professional plan. So now let's have a look now at the character of the industry in which we operate.

We're so blessed to be in an industry that blends nature, art, and science every day. In that sense the nursery business is more of a craft than a profession or trade. Propagators are craftsmen — experts in joinery, grafting. We're managers of complex plant physiology, soil chemistry, and microbiology. We challenge ourselves to identify and culturally control a whole range of pest and diseases to grow a healthy crop. And all the while we have to watch our business matters — our cash position and budgets. We are challenged to also supervise and coach people — to propagate skilled managers who will follow us. That is many hats to wear competently.

My personal sense is that as propagators, this nursery craft has shifted too much toward the science in our thinking, however. We've benefited enormously from scientific and technological advancements on every front. But in our head-

long rush to solve problems with science, have we forgotten what drew us into this craft to begin with? To have a “sustainable” business, we must have *balance* in our outlook going forward.

Let's just pause to ask ourselves:

- What drew us to this profession, this craft to begin with? In our workday routines, are we losing track of that?
- How many of us have taken a stroll through a garden in the past month, a place where there are no prices on the plants?
- How many have visited a garden center in the past month?
- Do you know a gifted garden writer or designer? If you don't, could you have an inspiring conversation with one?

We get so wrapped up in our work that we forget that this profession is finally, at retail, about art and experience, and entertainment, not just science and output. We are not employed in plant factories. Do we get that message too often in I.P.P.S. presentations, seminars, magazine articles, and production agriculture?

My sense is that the buyers of our plants at retail buy them for the *experience*, the enhanced outdoor living space, for how plants make us feel in our workplaces and homes. People at retail buy plants like they buy wine, not so much for some functional or physical need, but for how plants make them feel.

Current phenomena in gardening:

- Huge increase in showy new selections.
- The idea is relaxation, not “work in the garden.”
- Parallels with wine and pet industry growth.
- Many competing options for discretionary dollars — our real competition is not our nursery neighbor.
- Rapid change: A fixture of life.

Our business is entertainment. Can we compete with big screen TVs and iPhones?

ACTION ITEMS

Decide:

- How does your business plan fit the “entertainment” business?
- Will the plants you propagate inspire potential buyers at retail?
- How does your business take advantage of surge in demand for plants that require less maintenance, are native, and put greater consumer emphasis on environmental concerns?

We've looked at you and the industry you operate in, so now let's ask some provocative questions about the audience for your firm. We have to get paid a profit, so we must communicate well what value we offer, and to what carefully chosen audience. Like a sought-after, gifted musician, we ought to play for people who will appreciate us. We get to choose:

- Who is your ideal customer?
- What client mix and proportion matches your unique ability to add value in the market, based on who you are, what inspires you?

Answer these questions carefully and nurture that client base like you would plantlets fresh out of the tissue culture lab.

Not all clients are created equal; not all are right for you. How can you possibly be all things to all people? That's the exact opposite of defining your niche in a complex market.

Once you decide who you are, then you can review the industry and define who your ideal customer is — your audience. Sometimes a challenging client can be your best help in honest evaluation of where you can improve. Or, he may simply be a big pain in the butt. You get to decide, consistent with your market niche and values and value you offer in the market. We turned down a half-million dollar per year order several years ago, asked for cash up front, because the buyer was more into buying and selling nurseries than he was into buying and selling plants. It was an easy decision. We did not make value decisions off the same page. Sooner or later, he would not have paid us.

ACTION ITEMS

- Define your competitive advantage: Who you are, what value you offer your clients.
- Profile your ideal client(s) and what diverse mix of them.
- Diversification is key to surviving and growing your profits in the next 10 years.
- Actively read and seek out new sources of information so you can expose yourself to different perspectives. Challenge your assumptions about your market niche in a shrinking world.

Salman Rushdie spoke to a commencement crowd of 800 in Salem at Willamette University last summer. Of his educational experience, he said: “The thing I learned most at Cambridge was that you should be as brutal as possible toward ideas but as courteous as possible to the people who hold them.” That’s evidence of a critical thinker. We should all aspire to think about change issues critically like Salman Rushdie, but not be judgmental of others personally. How else can we learn the wisdom of others?

Main Point. Diversification is a time-honored feature of retirement portfolio management: Why would you manage your own business differently? Expose yourself to diverse sources of information; otherwise, you have no tools to ask the right questions.

ACTION ITEMS

To insulate your firm from rapid changes in the market, reasonably diversify your:

- Product line
- Staff
- Market region
- Client profile
- Shipping season

Subscribe to a diversity of publications and read actively. Consider Harvard Business Review, the New York Times, the Wall Street Journal, or the Economist. Listen to Pink Floyd, watch Saturday Night Live, read Rolling Stone. Visit the bookstore a lot. Educate yourself on current issues and trends. Never stop learning, especially from sources unfamiliar to you. “Life is what happens to you while you’re making other plans.” John Lennon (from his song “Beautiful Boy”).

TRENDS

The bigger a firm, the greater the temptation to slice profits in order to not lose a client, particularly if your competitive advantage is principally due to operational

efficiency. Two-thirds of retail plant sales are now by box stores. Wal-Mart will spend \$17 billion this year for capital expansion — 60 million new square feet of floor space — up 8.5% according to the *Wall Street Journal* (May 26–27, 2007).

My sense, however, is that:

- Growers getting paid after the plant is sold will decrease.
- No grower can stay solvent long-term by financing his own operation and Wal-Mart's garden center also.
- Box stores may have maxed out their market share. They have love/hate relationships with suppliers and communities. Their business is utilitarian, based on price and dominating the price arena. Wal-Mart's relationship is equally with China as it is with America. When you sell to them you aren't a business partner or an applicant, you're a supplicant.
- New job creation in recent years has been disproportionately in the landscape trades and design area, in contrast to 25 years ago when it was in propagation and new nursery business formation.

At the CENTS Career Fair 2007 in Columbus, there were approximately 14 firms representing wholesale nursery employers; a dozen retail firms; and more than five dozen landscape design, construction, maintenance firms hiring new graduates.

Main point. Wholesale growers are realizing — hopefully! — that they must do many things well, not just sell in volume. We must operate efficiently, cultivate clients with care like we cultivate plants, and innovatively manage our staff and propagation. Moreover, we must pay for capable managers or lose them to other industries. Sales jobs pay more than propagation. Landscape and turf positions are more plentiful. It is not hard to imagine that there will be fewer of us in the future in propagation, so we may be pessimistic, right? On the other hand, for those who commit to propagation, the opportunities should be plentiful due to a shortage of qualified people.

ACTION ITEMS

- Don't be intimidated by competition from box stores in your business, or feel you have to sell to them. Help your clients see merit in choosing to compete on terms other than price.
- Compete on your strengths, not your competition's. Stay true to your pricing and profit targets and your business plan, even if you lose market share. Bet the farm on this logic: A profitable smaller business is less hassle, more fun, and less risky than a large business with marginal profits, always operating on borrowed funds and asset appreciation. Why end your career hobbled by some bank?
- Relentlessly pursue your core competencies. Watch your cash position like a hawk. If your profit margins lag, dig for reasons until you're satisfied that you understand why and be diligent in making corrections, with egos placed on the back burner. Business is about inspiration and returns on investment, not egos.

- If you're an owner, be prepared to hire and manage staff creatively, and pay them fairly. They are graduating in limited quantities now, especially those with a farm family background. If you know a capable university educator like Rich Regan, give the guy a big handshake of "Thanks." Guys like Rich are a rarity at Oregon State University campus now.

MENTORING

A subject I feel strongly about — at the core of the I.P.P.S. logo — "Seek and Share." Find a great mentor or two and then share the favor: Be one. The people who you mentor are the other important audience for your talent and leadership.

My own mentor has been former I.P.P.S. President, Oregon Association of Nurseries President, and consummate plantsman, Verl Holden. Verl embodies to this day all the great character of an inspiring mentor.

Verl is such an imaginative propagator. What inspired me originally about Verl was his pioneering work with mycorrhizae 30 years ago to propagate his kinnickinnick by adding the value of two organisms in one container. He's an innovative thinker and has the "Give back to the industry" ethic. Lastly, he, along with his delightful wife Florence, has great humor. Verl always has an engaging story; some of the more colorful ones involve considerable dynamite.

So if we are to be effective mentors to others and hold ourselves to that standard, we aim high.

ACTION ITEMS

- Find a mentor. Horticulture careers are not so much about what we do, but about who we are.
- Be a mentor. Identify who you can help out.

We've built nursery trailers together, traveled to Holland together, shared dinner, movies, and philosophy. Verl is still my mentor. How fortunate are we to all have Verl among us for all these years — still today out in front of all of us?

All this emphasizes things you can do, but in the end, my challenge to you remains the one we started with: "*What inspires you?*" That's the key to life, to fun and success in this business, not just making a living in it.

A couple of inspiring quotes to close:

"Intense desire not only creates its own possibilities, but its own talents. Don't be afraid to do something just because it's impossible." Kobi Yamada

Finally, I have always found my wife, Jolly, inspiring. Her favorite poem is Chinese, of course, and has been since she was a primary school student:

"When the sun rises, I go to work.

When the sun goes down, I take my rest.

I dig the well from which I drink.

I farm the soil that yields my food.

I share creation; kings can do no more."

Ancient Chinese (author unknown), 2,500 B.C.