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Century Furniture is beating the odds (and so can you!)

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Made in America. The phrase is starting to take on the same quaint, anachronistic feel as, say, "Mr. Smith received a gold watch from the company after 40 years of loyal service." It's simply another stark reality of our globalizing world. But to assume that American manufacturers have to padlock the factory doors and move overseas is to deny the innovative spirit – and bulldog determination – that birthed and nourished our nation's economy.

Just ask Century Furniture. This Hickory, N.C.-based maker of fine, high-end home furnishings is doing what many view as "the impossible." It is keeping its factories open.

Century, nestled in the foothills of the Appalachian Mountains, has seven manufacturing facilities and some 1,200 business partners. (The company doesn't call them employees because each one actually owns a stake in the business.) It is one of the last, lonely holdouts in the area that proudly calls itself "The Furniture Capital of America." About two-thirds of its wood manufacturing competitors have closed up shop and moved their manufacturing to China.

According to *Hardwood Review Weekly*, which keeps track of these statistics, between 2000 and 2006, 279 U.S. furniture factories closed in 29 states, totaling more than 64,000 lost jobs. Between 2000 and 2005, North Carolina lost 68 percent of its 32,000 furniture jobs.

"It's not hard to understand why so many manufacturers have made the choice to move overseas," says Robert J. Maricich, president and CEO of Century Furniture. "The average skilled American worker earns 28 times what his counterpart in China earns. Factor in our escalating healthcare costs and our far more stringent governmental restraints and you can see the depth of the challenge."

Fortunately, Maricich is a man who thrives on challenge.

When he arrived at Century in 2000, the company was enjoying a banner year. Business was growing, profits robust. A record number of employees showed up every day to craft the expensive, luxurious wood and upholstered furniture for which Century is known. But he barely had time to get his office set up when what he calls "the perfect storm" abruptly ended the sunny day in which his new company was basking. September 11 triggered a massive decline in consumer confidence, the stock market, and, consequently, consumer spending on big ticket purchases. Prices plunged. And simultaneously, Chinese imports shot through the roof.

In the wake of these dark days, Maricich and his leadership team made the decision to keep Century's manufacturing – the bulk of it, at least – on American soil.

"We had to honestly assess our strengths and weaknesses," says Maricich. "We had to identify

those niches in which we could effectively compete and focus our energies on adding value to our products and services. And yes, we did have to cut our workforce – 20 percent across the board. But here we are, still standing. We haven't closed a single factory."

So, how is Century pulling off such a feat? Maricich answered that question when he spoke – alongside the CEOs of Starbucks, Best Buy and other multi-billion dollar firms – at the 2006 Leadership Excellence Summit at the U.S. Naval Academy this summer. In a presentation titled "Leadership in the Global Economy: Tactical Principles for Success in a New World," he shared the following insights:

Principle 1: When You Find Yourself in a Hole, Stop Digging.

Take a long, hard, objective look at everything you're doing. If it doesn't add value or maximize efficiency, stop doing it. If the customer doesn't care about it, stop doing it. Rethink every process. When you hear the words, "But we've always done it this way," ignore them. "Change is hard and it does upset numerous apple carts," reflects Maricich.

Principle 2: Take Action. You Cannot Afford to Wait for All the Facts.

Knowing that uncertainty will always exist, be a confident decision maker. Don't fall prey to "analysis paralysis." Opportunities pass quickly and if you don't grab them quickly, someone else will. Once you've made a decision, don't fret over it. No one has ever figured out how to turn back time and undo anything. Even if 20/20 hindsight proves your decision was a mistake, well, mistakes are learning vehicles for all of us.

Principle 3: Get Comfortable with Ambiguity.

"The ambiguity I refer to here applies only to business decisions," says Maricich. "There is no ambiguity about integrity, honesty and the core values that provide a moral rudder. Those qualities must remain constant. However, when operating in a globalizing economy, there are few cut-and-dry rules; there is no clear right and wrong. Even if you don't make the wrong choice, you might not make the most "right" choice, either. Accept that fact."

Principle 4: Find Your Brilliance and Leverage It Relentlessly.

Every company must decide what it does best – indeed, what it does better than anyone else – and infuse that brilliance into its entire operation. Century is differentiating itself via a three-pronged approach:

- 1) It provides a luxury experience to consumers by offering top-of-the-line quality and mass customization;
- 2) It innovates relentlessly, in products, in design partnerships, in sales strategies;
- 3) In an industry known for moving at a snail's pace, Century gets furniture to its customers on an average of three short weeks after the order is placed.

"That's our brilliance and everything we do is based on being the best at bringing it to the customer," says Maricich. "We had T-shirts made that say, 'We have one standard: The Best.'

It's a simple concept that everyone at every level understands. Its simplicity gives it its power. If a worker sees a tiny flaw in the finish on a headboard, she will make sure the problem is corrected in order to live up to that standard."

Principle 5: Being All Things to All People Is the Golden Rule for Failure.

When Maricich took over Century, the company had strayed outside its traditional "fine home furnishings niche" and was making furniture for hotels and yachts.

"We had extraordinary competencies to make just about any kind of sofa, chair, bed, dresser or table," he says. "We let ourselves be lured into those arenas. But ultimately, we realized we couldn't really be competitive in these areas, so we cut them out. Trying to be all things to all people doesn't allow you to differentiate, it doesn't reward you for creativity, and it doesn't reward you for fashion leadership. In the end, we walked away from 15 percent of our business."

Principle 6: Cut the Fat. Leave the Muscle. Get LEAN!

In addition to the aforementioned 20 percent reduction in workforce – which hit management and workers alike – Century embraced **lean manufacturing** as a strategy. The company focused on getting rid of all waste, eliminating anything the customer wasn't willing to pay for. It streamlined and reconfigured its upholstery plants, reducing the distance an average piece of upholstery traveled from 908 feet to 522 feet.

"That's a 42 percent reduction that results in the elimination of 1,300 miles each year," says Maricich. "By the way, these items are pushed by hand. Not only does this save time, it reduces dirty upholstery skirts, fabric tears and broken furniture legs, not to mention employee fatigue."

Principle 7: Embrace Globalization.

Take advantage of what's best in the world, as long as it reinforces your strategy, says Maricich.

"You can and probably should use outsourcing on a selective basis," he says. "At Century, we stopped making chair frames, for instance, deciding it made sense to have those made overseas. We leveraged our brilliance in finishing, customizing and providing innovative design to the purchased frames . . . and our customers appreciate the value we create with that strategy."

Principle 8: Create a Culture of Trust.

A culture of trust centers on authenticity, says Maricich.

"Don't pretend you know all the answers and don't make promises you can't keep," he says. "I have had to look into my employees' eyes and say, 'Yes, the plant might have to close. Yes, you could lose your job. But the future is in our hands and that is a good thing. We are all going to pull together to do our best to keep this company going.' That was a difficult thing to do but it was also the right thing to do."

Principle 9: Foster a Sense of Ownership.

How do you instill an entrepreneurial mindset in your employees? First, says Maricich, ensure that your employees literally own a stake in their company. (Century does so via its ESOP.) But just as importantly, share your vision with your employees every chance you get.

"The only way to create organizational clarity is to communicate the same message at all levels of your company," he says. "Whether I am talking to upholsterers or board members, I make sure my message is the same: This is the vision. These are the initiatives. These are the action steps."

Principle 10: Hire and Retain the Very Best People.

You know the basic rules: Hire smart people, passionate people, people who fit your culture. They all still apply. But when you're hiring people who must do the near-impossible, i.e., keep your American factories running in a tough global economy, you've got your work cut out for you. You look like a big risk.

"Make it a priority to convince the best and brightest that you have an environment in which they can do their best work," advises Maricich. "Learn how to play up your strengths. For instance, we use the finest materials in our furniture – exotic woods, imported stone, hand-hammered wrought iron, exquisite fabrics – and that's a big draw for highly creative people. They appreciate having access to such beautiful materials with which they can practice their art."

On the other end of the employment spectrum, don't be afraid to cut people loose when the passion isn't there.

"This is not just for your benefit, but for theirs as well," he adds.

Principle 11: Reward People for a Job Well Done.

Yes, financial rewards are always welcome. But don't forget the power of recognition and praise. Maricich, an avid outdoorsman, gives outstanding employees his special Crystal Bear Award.

"I don't give them out indiscriminately so these awards mean a lot to people who receive them," he says. "We also look for fun ways to celebrate our successes at Century. There can be no success without celebration."

Principle 12: Innovate, Innovate, Innovate! Look Outside the Paradigm for New Ideas.

When you have an innovative culture, a culture filled with divergent thinkers who feel free to express their wildest ideas, you have something no competitor can steal. Century's innovative culture manifests in unusual products like the radial table from its Oscar de la Renta Home collection. The table, based on an 1835 design, has a patented mechanism that allows its round top to expand, making room for eight leaves that slide in between its pie-shaped swirl mahogany wedges. Retailing for \$25,000, it is Century's top-selling table in both units and dollars and the highest margin item in its line.

Likewise, when Century entered the Leisure category four years ago, it debuted a finishing process used on the outside of boat hulls to make furniture nearly impervious to weather. This innovation allowed the company to be the first to use woods other than the teak family and to

finish them to the same standards as indoor furniture.

Maricich is a big believer in the philosophy, "If you can't hire it, rent it." That's why Century collaborates with such diverse names as fashion giant Oscar de la Renta, British interior designer Kelly Hoppen and international designer Richard Frinier.

Principle 13: Choose Your Customers (or Those Who Influence Your Customers).

Century has fired a few retail partners who cannot meet the needs of affluent consumers. Simultaneously, it is aggressively increasing the segment of its business that sells directly to professional interior designers.

"I have never heard anyone say, 'You know, I finally used a designer to redo my living room and I really regret it,'" laughs Maricich. "People are always thrilled with the results when they hire a professional designer — and the kinds of people who do so are the same kinds of people we want as customers. It's a natural fit."

Principle 14: Give Customers What They Really Want.

Are you giving your customers what they really want, or are you giving them what you want them to want? Just because you are in love with your own products and services doesn't mean the customer will be. Do continuous market research. Ask the customer what he or she wants. Keep an eye on trends that are revealing themselves and be mindful of how your company might leverage opportunities that arise from them. This is no guarantee of success, of course, but it does make success more likely.

"The luxury niche is hot right now," says Maricich. "In 2005, Louis Vuitton, Lexus, Rolex, Manolo, Tiffany, Coach and Starbucks all had record years. That tells me that Century's target customer — the woman from the top 5 percent of all households earning more than \$150,000 a year — is in a spending mood. We just have to convince that woman to spend her money on us. How do we do that? By providing not just a luxury product but a luxury experience."

Principle 15: Practice Perpetual Optimism.

"Some psychologists believe there is a strong connection between a person's mood and his conception of the future," Maricich points out. "Just the simple act of saying, 'We have a plan' calms people and creates a positive mood in the organization — which, in turn, makes it more likely that the plan will be successful. To lead in an environment of ambiguity, you must defeat anxiety in yourself so that you don't risk infecting the people around you. Strive to manage your moods. Employees will follow your lead."

Principle 16: Never, Ever Be a Victim.

"I refuse to be a victim, and I refuse to have victims working for me," says Maricich. "I've read that Jack Welch fired the bottom 10 percent of his workforce every year. The people who comprised that 10 percent were 'victim types' who could no longer effect change and drive the business forward. Jack was right — victims and other low performers bring everyone else down with them."

The message is clear: Even as the world transforms itself, old-fashioned strong leadership, superb quality and uncompromising service still count.

"I do not believe outsourcing is an inevitability," concludes Maricich. "But more important than the final outcome is this lesson: don't give up without a fight. In the '80s, everyone thought Japan would take over the world. Well, clearly, it hasn't. China is the emerging powerhouse right now in manufacturing, but the key phrase is 'right now.' There will always be another China. We as an industry and as a nation will always face challenges, so we always need to be in fighting shape."

About Robert J. Maricich, president and CEO, Century Furniture Industries:

Robert J. Maricich understands the unprecedented challenges and rewards of leading a company through the changes necessary to thrive in a rapidly globalizing world. Appointed president and CEO of Century Furniture Industries in 2000, he has presided over its successful and ongoing transformation. He is responsible for the vision and leadership of this \$175 million company – renowned for its finely crafted luxury furniture – and the management of its 1,200 business associates. Prior to joining Century, Maricich was president of American Drew, president of American of Martinsville Contract, and vice president of Contract Sales for Flexsteel Industries. He began his career as an engineer with Texaco in 1973, where he was promoted through the ranks of plant management, and moved into sales prior to excelling in the general management arena. Maricich was appointed by the governor of North Carolina to be chairman of the North Carolina Furniture Export Council and serves on the American Furniture Manufacturers Association Board of Directors and is chairman of the Executive Committee.

About Century Furniture Industries:

Located in Hickory, N.C., Century Furniture Industries is among the world's largest privately owned manufacturers of high-end residential furniture. Its broad product line of both wood and upholstered furniture consists of bedroom, dining room, and occasional collections in traditional, transitional, and contemporary styling. Century is recognized in the industry as a design leader, ranked in the forefront for its expertise in finishing and the details of fine craftsmanship. For more information, visit www.centuryfurniture.com.

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