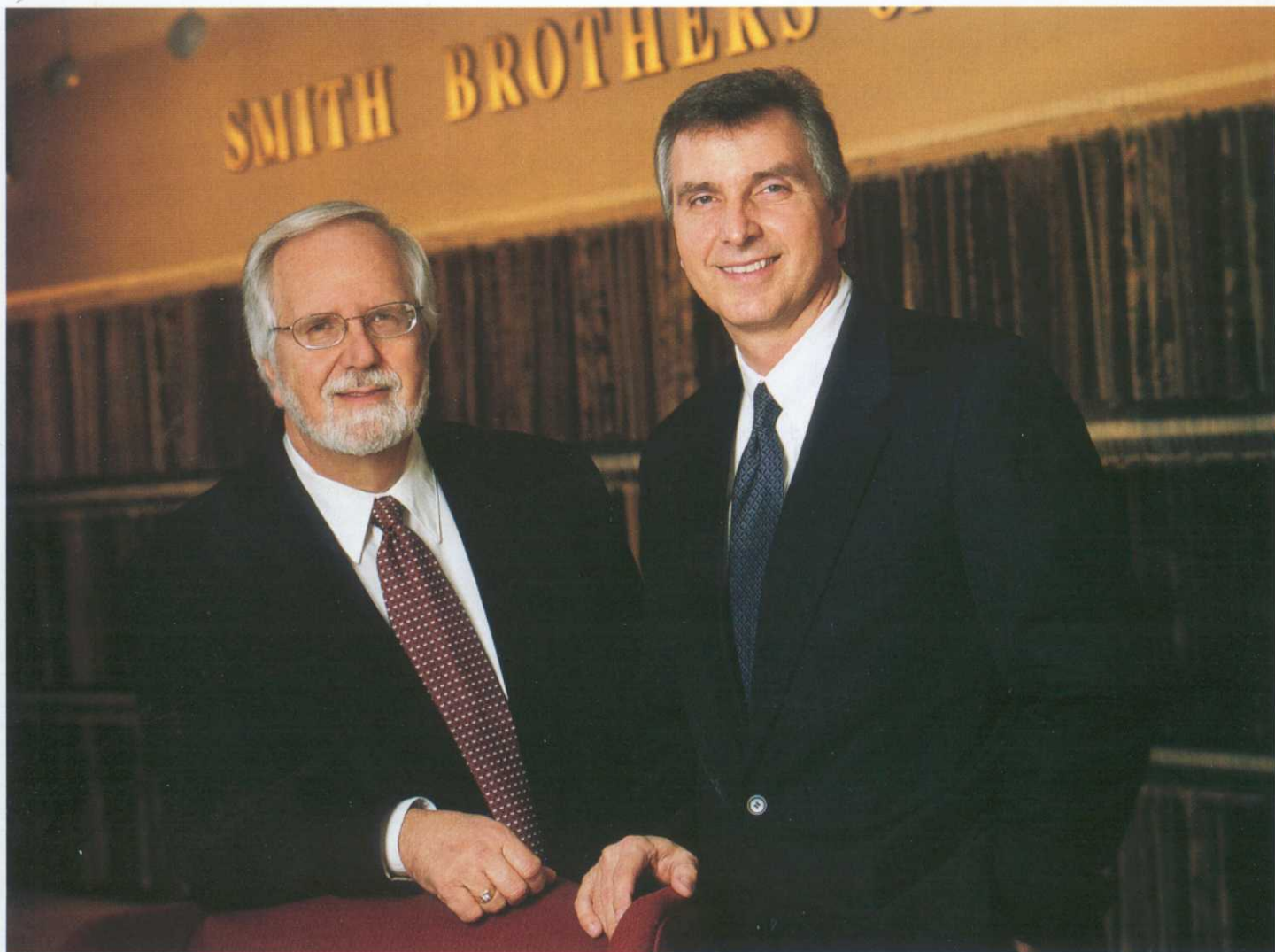


Business People

**Berne's
furniture
barons**

Fred & Steve Lehman
SMITH BROTHERS OF BERNE INC.

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Berne's furniture barons

Since its inception in 1926, Smith Brothers of Berne Inc. has forged a remarkable heritage as a first-rate furniture company. In the process, the company has helped to propel Berne itself to the forefront of the Midwest's burgeoning furniture scene.

Smith Brothers of Berne Inc. has long been known as one of the Midwest's leading upholstery manufacturers. Ensclosed in the rich Swiss heritage of Berne, Indiana, the company is celebrating its 77th year of building and selling quality-crafted furniture to stores throughout the Midwest.

Snuggled in the center of town in its original location since 1926, Smith

Brothers realized the same growing pains most companies do over decades of being in business. The company originated in 1926 under the name of Adams Manufacturing Company, making it the third furniture manufacturing plant in the small Swiss immigrant town. Within a month of opening its doors, the company changed names and became Homer Mfg. Co. In 1936 Les Smith and his brother Orv

bought the business and once again the name was changed to Smith Brothers Furniture Mfg. Co. The brothers retired in 1960 and sold the business to two other brothers, Carl and Art Muselman and the name changed to Smith Brothers of Berne Inc. The Muselmans are still part owners in the business; however, the responsibility of hands-on operations and leadership fell to Fred Lehman in 1970. At that time

Bill Reiman, general manager at Smith Brothers, oversees the company's physical operations at its Berne facility.

Lehman, a former plant manager for competitor Berne Furniture Company, took over as president. The premise for involving Lehman in the business was to help turn the company around. The Muselmans realized that for Smith Brothers to grow bigger profits, they needed to revamp the company leadership as well as the way they ran the business. Putting Fred Lehman in control slowly began to yield positive results. However, the company was about to realize yet another brother-to-brother ownership change.

"The Muselmans were experiencing some serious problems with the business and asked me to come in and make the company profitable again," says Lehman. "However, my youngest brother Steve was attending Indiana University and I really wanted him to join me in the business. He majored in business, so when he graduated it was a natural fit for him to be my partner and continue to lead the company. He was only 21 when he came on board, but I soon began deferring serious issues to him, so after 10 years we swapped titles and I made Steve president of the company. I did not want him to follow in my shadow the rest of his working years. I stepped aside and he became president and I have been working for him ever since."

Spirited by the challenge, brother Steve took Smith Brothers to a new level,



and as a result the company has realized phenomenal growth. Neither Lehman brother will sensationalize on that growth, but consider the fact that when they took over, the company's revenues teetered right around \$1 million. Today, the company's sales are well over \$20 million and steadily growing.

"While attending college I worked for Smith Brothers during the summer months and got my feet wet in the business," says Steve. "I worked on the manufacturing floor and relished the idea of one day becoming an integral part of improving the company. I signed my life away with debt at the age of 21 when I

purchased 25 percent of the company and realized quickly that many basic components of the company needed a lot of fixing. It needed enthusiastic people, new technology and a renewed passion throughout. I believe that's truly what we have brought to it."

The Lehmans used some of the basic fundamentals they were taught from an early age — integrity, dedication and a strong work ethic — to turn the company around. The Lehmans are a large family raised in a strong faith, and parented by people who believed that hard work resulted in success.

"We were raised on a dairy farm and never ran out of work," Lehman says. "When we thought we were finished with our chores and could go swimming at Pine Lake, my dad would always say, 'Sure, but there's one more thing that I need you to do.' He never ran out of one more thing for us to do. It was incredible discipline and we had a good family. We just worked hard, because when you have dairy cows it's a 24/7, 365-days-a-year job. There is no break. So I learned all about commitment and sacrifice at a very early age. Those same good solid principles brought us to where we are today. We are now 20 times the size we were when I took on this challenge."

Did those deeply entrenched values help the Lehman brothers push the company into a new generation of doing business? According to Steve Lehman, their heritage is still contributing to the company's business practices.

Building Better Furniture

You may not realize it, but if the sofa or chair you're sitting on was built by Smith Brothers, be reassured that it's met irrefutable testing and quality control during construction. From the fabric to the frame, the furniture smiths at the company have built in quality that never meets the eye. For example, the frames are kiln-dried hardwood maple, which eliminates warping and adds longer life under home humidity changes. Exclusive coil spring suspension, with elevated front support edge, provides better sitting and adds life to the piece. Each section is individually supported and floated over the frame. The built-in legs are virtually indestructible and won't loosen, and all cushions are polyester-wrapped on both the back and the seat pieces, eliminating the covers from slipping around the foam core and adding an extra measure of plushness for seating comfort. Most importantly, Smith Brothers offers a lifetime construction warranty on every piece of furniture it makes.

Cognizant of ever-changing interior designs and concepts, the Lehmans shop the marketplace for the most desirable and popular upholstery fabric. Twice a year, Steve Lehman, president of Smith Brothers of Berne Inc. and his designers head to High Point, North Carolina (widely regarded as the nerve center of the furniture industry).

"There are 10 million square feet of showroom down there in a little town of 60,000 people," says Lehman. "We will look at approximately 30-40,000 different fabrics and come away selecting around 100. They introduce new products twice a year and we are there for our selections. We make the trip in January, and review the fabrics that are going to be in the April show and again in July when we review for the October introduction. We produce over 40,000 pieces of furniture every year, and styles change. We try to be in step with everything we know that our clientele wants." •



Fabric awaiting to be transformed

"Good principles are what brought us to where we are today," Steve says. "Dad had a wonderful sense of balance — hard work, loyalty and integrity. He gave us many words of wisdom and he had a lot of common sense. That's what Fred and I integrate into this business to this day. As a result we have a nice growth history: 175 employees, 11 sales representatives and more than 350 independent retailers within a 700-mile radius. The company needed a fresh direction and some new management and guidance in the 70s, and my brother and I provided that."

Keeping pace with their customers' demands and relying on the results of their performance over the years, the Lehmans continue to make changes to the business and plan to add a new twist to their line of quality-built furniture. Currently, Smith Brothers is under major construction. A 7,500 square foot addition is being constructed to provide space for administrative and executive offices, as well as space for research and development and engineering. In keeping with the Berne tradition, a Swiss façade will be added to the front of the building. Within the next five years the Lehmans also intend to build an additional manufacturing plant on a 20 acre piece of land the Lehmans purchased years ago. The focus of the new plant will be to manufacture entirely different types of furniture pieces aimed at a different generation of end buyer.

"We will build a completely different product line that does not exist for us today," Fred says. "We will produce an upholstery aimed at a different market. The furniture we plan to build at that future facility will hit a younger and less affluent audience. The style of this furniture will be more avant-garde, and focus on the needs of buyers who don't necessarily want their furniture to last a lifetime. Our research also tells us there are more people who buy sofas under \$1,000 than over \$1,000, so it's a larger market that we intend to capture. We also intend to expand our leather manufacturing facilities."

With so many successes under their belts, it begs the question why the Lehmans continue to focus on customers only in the Midwest and have not developed clientele on a national scale? "Our customer base is in approximately 15 states in the heart of the country," Lehman says. "The reason is that we deliver our product in our own trucks. You have to remember that our furniture pieces are not small parcels. These are large, bulky boxes, and it's very expensive to ship our merchandise any other way. We are a little bit more limited to delivery via our trucks, so we do realize geographical limitations."



A computerized fabric cutter prepares pieces of fabric to be placed.

for your information

Smith Brothers of Berne Inc.

ADDRESS:

P.O. Box 270
Berne, IN 46711

LEADERSHIP:

Steve Lehman, president
Fred Lehman, vice president

TELEPHONE:

(260) 589-2131

FACSIMILE:

(260) 589-2934

WEB SITE:

www.smithbrosfurn.com

NO. OF EMPLOYEES:

175

YEARS IN BUSINESS:

76

PRODUCTS/SERVICES:

Manufacturers of residential upholstered furniture in 170,000 square-foot facility in Berne.

It's highly probable that Smith Brothers will realize even more changes within the company in the near future. Fred Lehman will celebrate the magic retirement age of 65 this year. Although he still retains an important role in the leadership of the company, his intent is to retire sooner or later. "I will be 65 years old in four months," Lehman says. "I hope to spend a little less time here and take frequent vacations. However, when I am in Berne, I'm here from 9 a.m. until 6 p.m. when not doing civic duty for the Berne community." **BP**