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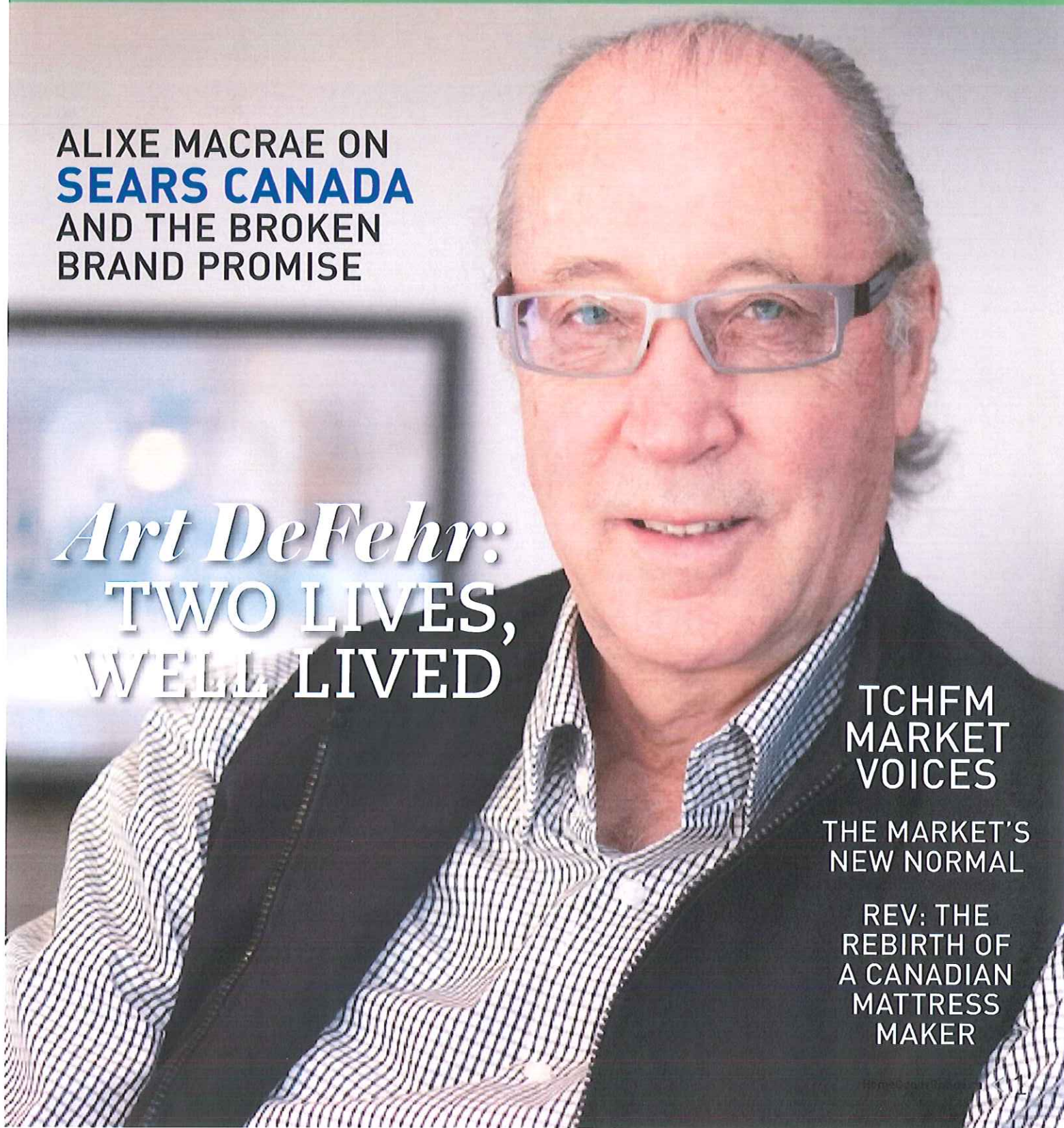
ALIXE MACRAE ON
SEARS CANADA
AND THE BROKEN
BRAND PROMISE

Art DeFehr:
TWO LIVES,
WELL LIVED

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MARKET
VOICES

THE MARKET'S
NEW NORMAL

REV: THE
REBIRTH OF
A CANADIAN
MATTRESS
MAKER



Art DeFehr: *two lives well lived*

HE BUILT CANADA'S LARGEST FURNITURE RESOURCE, BUT THAT WASN'T ENOUGH FOR ART DEFEHR. HE ALSO DEVOTED HIMSELF TO A WIDE RANGE OF HUMANITARIAN CAUSES, FROM LEADING THE FIGHT TO RESCUE A DEVASTATED SOMALIA TO BUILDING A UNIVERSITY IN RUSSIA.

BY MICHAEL J. KNELL



↑ Art DeFehr is seen here in Cambodia sometime in 1980 or 1981. At the time, he was part of the Landbridge Program, which brought relief supplies to the people of war-torn country at the end of the Khmer Rouge dictatorship. "This was probably the most difficult assignment," he recalls. "We were trying to help nearly a million refugees."

ART DEFEHR ESSENTIALLY HAS LIVED TWO PARALLEL lives, thanks in part to the Federal Bureau of Investigation. The U.S. law enforcement agency was not amused when, as a university student, DeFehr marched in support of the anti-Vietnam War movement and the civil rights efforts of the late Dr. Martin Luther King. The FBI gave him a poor security rating, effectively scuppering his plans to join Canada's Foreign Service as a diplomat. Instead, DeFehr spent the past 40-plus years leading Palliser Furniture, the family business founded by his father in 1944. Today, Palliser remains Canada's largest furniture resource, with factories in DeFehr's hometown of Winnipeg and in Mexico and Indonesia.

But DeFehr didn't let his dreams of public service die. While he never became a Canadian ambassador, he has led humanitarian efforts around the world, often in the midst of chaos and upheaval, spending as much time over the past several decades on these efforts as on running Palliser.

DeFehr, who recently celebrated his 70th birthday, has stepped away from day-to-day duties at Palliser to focus on his other interests and spend more time with his wife, Leona, at their new home in the historic San Miguel de Allende district of Mexico. They continue to maintain their family home in Winnipeg as well as a summer get-away on the shore of the nearby Lake of the Woods. Industry veteran Cary Benson has been named



← Art DeFehr in his Winnipeg office.



↑ Art and Leona DeFehr near their home in historic San Miguel de Allende district of Mexico.

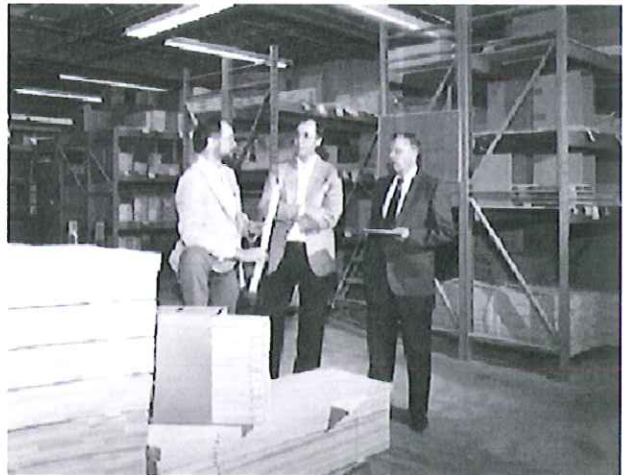
president of Palliser, although DeFehr remains chairman and CEO.

Being a successful furniture manufacturer gave him the freedom and the means to pursue his humanitarian interests, he says, while the latter probably made him a better business executive.

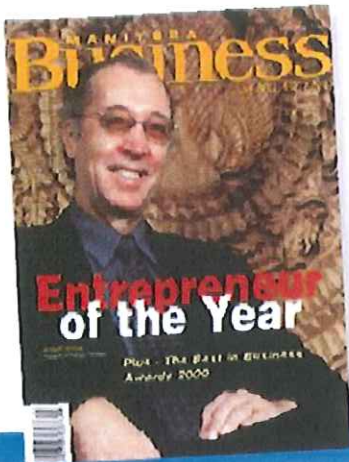
"Business gave me a sense of reality that my counterparts in humanitarian organizations often did not have," DeFehr said in an interview with Home Goods Online. "On the other hand, my work with people and places in difficulty always kept my values in perspective. Making money is essential to keeping a business alive, but it really served no other purpose for me. I doubt if that made me a better business person in the eyes of my colleagues and competitors.

"While the furniture business allowed for some self-expression, it was limited by the reality of the market and Palliser's position as a mid-market manufacturer," he says. "This is one of the reasons why I enjoyed spending about half my life outside the industry taking on assignments in places like Somalia or Cambodia. The furniture business was important in that it provided the financial stability that permitted me to be a free agent in the other half of my life. My friends in the international world cannot believe that I actually run a manufacturing business."

(continued on page 12)



↑ Art DeFehr (centre) is seen here with his brothers, Dave and Frank in one of the old Winnipeg production facilities sometime in the late 1970s.



◀ In 2000, Art DeFehr was named Entrepreneur of the Year by Manitoba Business magazine. Here, he is seen on the cover of the magazine's May 2000 edition.



↑ Palliser built its upholstery factory in Saltillo, Mexico, using the design ideas of well-known modern Mexican architect Luis Barragan. Today, the move to Mexico is studied by M.B.A. students across Canada.



↑ Here's an aerial view of the company's first-ever presentation at a furniture industry trade show in Winnipeg, circa 1966. At the time, the company was still called A.A. DeFehr Furniture.

THE CHALLENGES OF FURNITURE

Leading Palliser was never dull, DeFehr says. Challenges of all shapes and sizes presented themselves over the years. He sees furniture as more than a commodity to be made, marketed and sold like so many widgets. It's a creative process.

"I've always viewed business and furniture as a series of problems to be solved – I enjoyed that. Manufacturing allows for creativity in terms of technique, in applying new technologies, in using global connections to create something. It also allows you to be close to real people who are producing the product."

Although not a designer, he enjoys the design process. "I like to combine design ideas with technology to create solutions that are economical and practical," DeFehr says, recalling that Palliser pioneered the use of laminates in North America. "We also were the first to deliberately bring ideas and technology from Europe and apply them to the North American market."

"Our entry into the leather business is a good example. Most North American manufacturers were reticent to challenge the Italian modern leather when it began arriving in the 1980s and early 1990s. With our Canadian market foundation, which was generally more accepting of modern styling, we were early leaders in modern leather, and that helped us gain placements across North America. It's also the foundation of our current business."

Another source of pride is the 220 Elm showroom building in downtown High Point. "This was another opportunity to express design ideas in a different way," DeFehr says. "The building is one of the few that did not get into financial trouble during the recent recession. There is great loyalty to the building."

"We also built a factory in Saltillo, Mexico, using the design ideas of well-known modern Mexican architect Luis Barragan. That gives me great personal satisfaction."

BUILDING AND RESTRUCTURING A COMPANY

Since 1984, the year DeFehr was named president and CEO, Palliser has seen ups and downs but remained an industry leader. Today, Palliser Furniture Upholstery has annual sales of about \$140 million.

"To create and operate a financially successful business over time is always an achievement," he says. "Palliser, its predecessor and its spinoffs, represent a great deal of innovation and creativity in the industry."

In 2006, DeFehr did something that's practically unheard of in the modern corporate environment. He made Palliser itself smaller, turning what was five operating divisions into five independent companies that had to survive on their own. And surviving they are. Palliser Upholstery, Casana Furniture, DeFehr Furniture, EQ3 and Arconas are all doing well in [their niches].

Earlier, Palliser was the first North American furniture company to develop casual oak case goods (for a number of years, it was the category's largest producer), and the first to operate its own particleboard plant.

"We were early participants in Asia, but took a different route in terms of our emphasis," DeFehr

A life without borders

Art DeFehr says his business accomplishments have been deeply satisfying, but the work that fired his soul and imagination sometimes has been found in remote corners of the world, and in the midst of conflict or disaster.

"I marched with Martin Luther King and I am very proud of that," he said in an interview several years ago.

A devout Mennonite, the 70-year-old DeFehr has been deeply involved in human rights issues most of his life. As a member of the Mennonite Central Committee, he was the first director of a still-ongoing agricultural restoration and innovation project in Bangladesh, launched immediately after that country's civil war and a devastating tsunami. DeFehr directed the project from 1972 to 1974.

In 1980 and 1981, he was part of the Landbridge Program, which brought relief supplies to the people of Cambodia at the end of the Khmer Rouge dictatorship. "This was probably the most difficult assignment," he recalls. "We were trying to help nearly a million refugees."

He then served as the United Nations High Commissioner for Refugees to Somalia in 1982 and 1983, directing aid to over 400,000 refugees in a very difficult political environment. During this mission he became friends with Kofi Annan, secretary general of the United Nations from 1997 to 2006.

After the fall of Eastern European communism in the early 1990s, DeFehr helped establish an independent business community in Russia, including starting a high-tech farm equipment plant and founding what is now known as LCC International University, a fully accredited English-speaking university in Klaipėda, Lithuania. Both DeFehr and his wife, Leona, serve on its board of directors.

For many years he was president of International Development Enterprises, a Canadian organization that provides market-oriented solutions to developmental problems. He continues

to serve on its board of directors. IDE has programs in Bangladesh, India, Nepal, Cambodia, Vietnam and southern Africa.

DeFehr also has been active in Habitat for Humanity since its founding, and counts former U.S. President Jimmy Carter among his numerous acquaintances.

His work around the world has had an impact on Palliser's evolution and growth, he says. "We've acted globally for the past 40 years," DeFehr says. Palliser's market focus always has been North America, but the company has researched ideas, sourced raw materials and manufactured as far afield as Indonesia and Mexico. "And Palliser always has seen itself as a bridge between North America and Europe in terms of styling," he adds.

He says his experiences have deeply affected him as a person, adding, "I believe it also made me sensitive to people issues." Palliser's 2,500 employees hail from 80 countries and speak some 40 languages.

DeFehr also has been active in the Canadian furniture industry and in the

others to discuss world problems and possible solutions.

These days, DeFehr is focused on improving Canada's immigration policy, and is a booster of the Provincial Nominee Program in Manitoba – "a program that has had dramatic results," he says. Developed as a co-operative effort by the provincial and federal governments – with strong input from industry – the program fast-tracks potential immigrants who have the skills, education and work experience needed to make an immediate economic contribution to the province or territory that nominates them.

Immigration and related issues are important to DeFehr.

"Early on, Palliser had programs that allowed a new refugee or immigrant to operate effectively without the English language and prior skills, and our ability to employ thousands of first-generation Canadians stands out as a signal achievement," he says. Palliser has received numerous awards for these efforts, including several for having the best English-in-the-workplace programs.

**"I believe it also made me sensitive to people issues."
Palliser's 2,500 employees hail from 80 countries and speak some 40 languages.**

business community at large. He was chairman of an initiative to establish a German-style technical university in Canada's wood products sector. The program was established at the University of British Columbia and is funded by both government and industry.

In addition to memberships in the Manitoba Business Council and the Canadian Council of Chief Executives, he has been a member of the World Economic Forum and is still a member of the Trilateral Commission, one of 18 Canadians in that 450-member organization. Founded by David Rockefeller, the commission brings together business people, academics, professionals, government officials and

"This allowed me to blend my international interests with the business, and is the achievement in which I take the greatest personal satisfaction," DeFehr says.

"My grandparents, parents, both daughters, one son-in-law, were all either refugees or immigrants. Of 19 members of my direct lineage – grandparents to grandchildren who live or lived in Canada – only three were born in Canada. The stories of loss, struggle and a new country were what I was raised on. I've also had the opportunity to experience it directly through my own children and my work with refugees and other people who did not win the 'lottery of birth'."



← Art DeFehr receives the medal designating him an Officer of the Order of Canada from then Governor-General Adrienne Clarkson. He was admitted to the order in 2004.

A RICHLY REWARDED LIFE

The list of accolades and honors bestowed on Art DeFehr is indeed a lengthy one. From the North American furniture industry, he has received the following:

- 2012: Lifetime Achievement Award from the Canadian Home Furnishings Alliance.
- 2003: Spirit of Life Award from the National Home Furnishings Industry Chapter of the City of Hope, for contributions to the cancer treatment and research center's humanitarian goals.
- 2002: Pillar of the Industry Award from the Independent Home Furnishings Representatives Association.

OTHER HONORS INCLUDE:

- 2009: Named to the Canadian Manufacturers Hall of Fame.
- 2001: Lifetime Achievement Award from the Entrepreneur of the Year program of what was then Ernst & Young.
- 2001: Named Entrepreneur of the Year by Manitoba Business magazine.
- 2002: Honorary doctorate of laws from the University College of Cape Breton.
- 1998: Honorary doctorate of laws from his alma mater, the University of Manitoba.
- 2003: Honorary diploma from Manitoba's Red River College.
- 2011: Culture of Service Award from another alma mater, Goshen College.

Perhaps the most prestigious award DeFehr has received was his appointment as an Officer of the Order of Canada in 2004, the highest honor that can be bestowed on a Canadian citizen for service to his country and to society at large. In 2011, he was named an Officer of the Order of Manitoba.

recalls. "We built our own facility in Indonesia in 1997." That plant is still operating as a key supplier to EQ3.

"Our 1998 decision to go to Mexico to make upholstery rather than to China is now being studied by every MBA student in Canada," he says. "In light of everything that's happened in the world since the 2008 recession, it's a decision that stands up very well."

THE FUTURE OF PALLISER AND CANADA'S FURNITURE INDUSTRY

DeFehr was active in the discussions that resulted in the original Canada-U.S. Free Trade Agreement, and the North American Free Trade Agreement that followed. He believes free trade was a good idea, but no one could have foreseen what would happen a decade-and-a-half later.

"The real issue today is not free trade but globalization – a word that didn't exist in 1995, and a phenomenon that was not understood in advance and happened too quickly," he says.

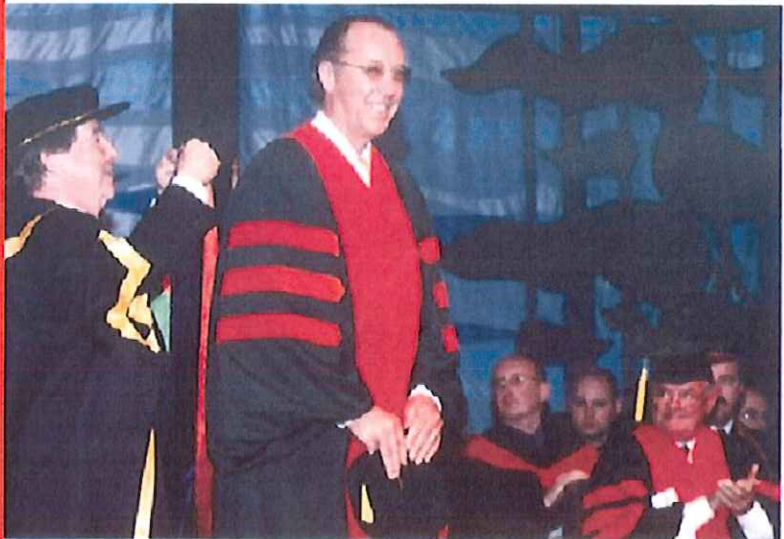
"The Canadian furniture industry today is in a difficult situation," DeFehr says, pointing out that whatever pools of capital existed to support furniture making have been largely exhausted, and there appears to be little interest in rebuilding the industry.

"A second problem is that the Canadian furniture industry does not have a stable international financial system or stable terms of trade," leaving the industry vulnerable to outside forces.

"As long as our political masters believe that a resource-based economy should be allowed to find its own level, anyone wanting to build an export-focused Canadian furniture factory is probably being somewhat foolish," DeFehr says.

Canadian manufacturers also face a troubled domestic retail community.

"We have a very concentrated retail industry, where the dominate players all have a low-price strategy," DeFehr says. "That does not make them good candidates for a domestic supply strategy."



↑ Art DeFehr is seen here receiving his honorary doctorate of laws from the University College of Cape Breton in Sydney, Nova Scotia in 2002. The college also honored General Romeo Dallaire, (now Senator Romeo Dallaire) former commander of U.N. Forces in Rwanda. Both men were saluted as peacekeepers.

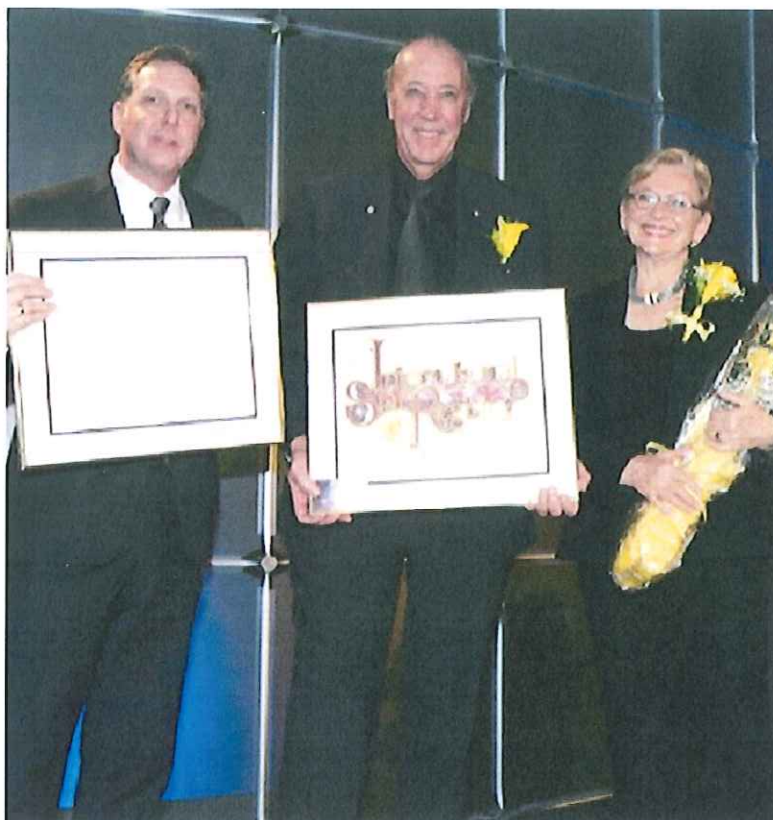
***"To create and operate a financially successful business over time is always an achievement. Palliser, its predecessor and its spinoffs, represent a great deal of innovation and creativity in the industry."** – ART DEFEHR*

Thus, DeFehr doesn't believe the Canadian furniture industry is likely to produce another mega-player, as it did in the year's following the initial free-trade agreement, when unfettered access to the U.S. market created a number of manufacturers with volumes over \$100 million.

Before Palliser restructured in 2006, the company averaged annual sales in the \$400 million to \$500 million range. In 2012, only two or three other Canadian furniture manufacturers are believed to have annual sales above \$100 million. With one or two exceptions, most Canadian furniture makers are either single-factory producers or specialists in a particular product category and are hemmed in by economic and monetary forces beyond their control, DeFehr says.

"Palliser is positioned to grow in the years ahead," he adds. "Our positioning in both Mexico and Canada is unique and allows us to develop different strategies from our competitors. I believe we have an excellent management team in place, and I have to leave it to them to decide what moves are best for the business.

"Many of the values important to me are imbedded in the company, and I believe those will survive and be honored by future management." **HGO**



Art DeFehr receiving the Lifetime Achievement Award.

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