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# Loyalty: The Lost Concept in Business



By Jim Stavis

These are clearly challenging times. Companies find themselves forced to take any number of draconian actions in an effort to simply survive. Unfortunately, many companies find the challenges even more difficult to surmount because in the past, they failed to employ an important management ingredient that would prepare them for the worst of times. That missing ingredient is developing loyal employees and customers to help weather the storm.

Have you noticed that the concept of corporate loyalty is seldom mentioned anymore? Often lumped in

*(continued inside)*

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# Loyalty: The Lost Concept in Business

(continued from front)

with typewriters and carbon paper, corporate managers view notions of loyalty as obsolete. Because in a business world turned upside down with mergers, globalization and the need to enhance stock valuations, loyalty is no longer relevant.

I could not disagree more. From my perspective, offering and generating loyalty is the single most important element we can implant in our organization. Without it, we have nothing. Creating a corporate/employee/customer alliance gives our company the best opportunity to achieve and maintain success—and is utterly indispensable during these periods of slow business.

## Loyalty and Banking

When Paragon Steel started in business 21 years ago, we assembled our “Brain Trust.” This Brain Trust consisted of our two owners, our CPA, our attorney and our banker. We had our own vision for building our little steel company, but felt we needed added expertise and experience in these specific areas. Today, we still have the same CPA, attorney and banker. Through the years, we have had numerous opportunities to switch players, but we have remained loyal to those who stood by us.

The banker in this Brain Trust is the focus of this story. We used to compare being a steel service provider to being in the banking business. The only difference was we marketed and sold steel while banks marketed themselves and provided money. Our original banker, Dallas Haun, was a relationship banker. He knew us, understood what we were attempting to accomplish and was willing to help us achieve our goals. By today’s standards, this would be considered “old school” banking. As the years have gone by, we have remained loyal to Dallas as he has remained loyal to us. Even though other banks offered better

rates, even more services—we still remained loyal to Dallas. Dallas eventually moved up the corporate ladder as his bank was purchased by a larger one. We then became the proverbial small fish in a much bigger pond. We soon were shuffled from one loan officer to another. We were moved from Long Beach to Los Angeles—told that they had more horsepower there to service our needs. Since we sent our deposits through a courier, we no longer knew anyone at the bank branch. Even the inside staff became anonymous to us. For us, banking reached a new level of de-personalization. And yet we blindly stayed loyal to Dallas, our original banker.

Two years ago, Dallas decided it was finally time for him to move on. He was offered a CEO position with an out-of-state bank, a great

## Happy Anniversary Paragon Steel

It has become our rite of summer—the “Paragon Steel Anniversary.” It has now been 21 years. If we were a person, we would finally be legal, going out for a few drinks (not such a bad idea). We are proud to serve you, our customer, for we could not have made it without you. We have been through good and bad times and we are still around to grow the enterprise. To our vendors and our customers, we value our relationships. To our loyal employees, we thank you for your continued hard work and dedication. And now, how about that drink?



opportunity for him. We were suddenly left at our old bank without an advocate or significant contact. As the recession unfolded last year, it became apparent that our bank wanted to sever ties with accounts that could be adversely affected by residential or commercial real estate. Paragon Steel fell into that category as we sold to steel fabricators. Even though we were within compliance of all our bank covenants, we were now on thin ice. Finally, we were told after 21 years of loyal business, that our credit line would not be renewed in 2009. And unfortunately, with the incredible banking meltdown of 2009, banks were not lining up for our business. We learned a valuable lesson about loyalty, which was that loyalty must be a two-way affair; it must cut both ways. As important as it was that we remained loyal to our bank, it was equally essential that the bank was loyal to Paragon Steel.

But there is a happy ending to this story. We contacted Dallas at the out-of-state bank, told him our predicament and his bank offered us a new line of credit. So in the end, loyalty did matter. Banks complain that customer loyalty no longer exists today—that customers switch banks when rates are lowered a quarter of a point. Banks try to market themselves as high service providers, offering help and care for their customers. True or false? After our experience, I would simply say, “Beware of the big, bad bank” and always have a back-up plan, just in case.



## Quote of the Month

“You don’t earn loyalty in a day—You earn loyalty day-by-day.” —Anonymous