THE CEO ADVANTAGE JOURNAL

2009

REFLECTIONS, JILL STEFANI WAGNER

SAMUEL JOHNSON ONCE OBSERVED that we "more frequently require to be reminded than informed."

The CEO Advantage Journal offers reminders of simple, practical disciplines to leaders who desire to build their organizations toward greatness. Rather than claim brilliant new methods, we aim to reinforce fundamental disciplines and suggest practical applications of them.

We firmly believe that the success of any organization begins with a strong executive team. The only way to achieve sustainable great results is to build a team of executives who are committed to the values, purpose, and envisioned future of the organization.

The CEO Advantage Journal is for these executives. It should be an aid in addressing some of the greatest challenges facing CEOs and executive teams:

- Our executive team is not performing.
- We lack strategic execution.
- Our business results are not optimal.
- Have I hit the ceiling as a leader?

As advisors who use The CEO Advantage™ process, our purpose is to work with CEOs and executive teams in their quest to build great and enduring organizations, and this publication is a natural extension of that purpose.

the CEO | advantage™

Translating Vision into Execution and Results.

The CEO Advantage Journal

PUBLISHER AND EDITOR
Troy Schrock
troy@theceoadvantage.com

MANAGING EDITOR
Scott Bahr
sbahr@theceoadvantage.com

COVER DESIGN
Kama Communications
www.kamacomm.com

CONTACT INFORMATION
CEO Advisors, LLC
30057 Orchard Lake Road
Suite 225
Farmington Hills, MI 48334
ceoadvisorsllc@theceoadvantage.com

PRINTER
Mel Printing
www.melprinting.com

Printed in the U.S.A.

Available online at www.tcajournal.com.

The CEO Advantage Journal is a publication of CEO Advisors, LLC.

The CEO Advantage™ unique process was developed and innovated by CEO Advisors, LLC. CEO Advisors, LLC holds the rights to the brand and manages the professional community of licensed CEO Advantage advisors.

To learn more about The CEO Advantage™ process and our professional community of advisors, please visit our website at www.theceoadvantage.com the CEO | advantage™

Dear Reader,

Most issues that CEOs and executive teams of middle market organizations wrestle with are common across industries, including social sector organizations as well as for-profit businesses. In organizations which have achieved greatness, we find disciplined implementation of certain fundamentals and key disciplines. The articles in this issue remind us of these fundamentals, including clarity of vision and organization-wide alignment in purpose and core values. These articles also suggest some practical methods for setting these building blocks of greatness in place.

It seems that 2009 will be a year in which the skills of organizational leaders will be tested, regardless of prior success. This is exciting, for it is in the crucible of adversity that leaders are forged. I'm reminded of Proverbs 24:10: "If you faint in the day of adversity, your strength is small." As such, this 2009 issue has several timely articles that encourage leaders to embrace the nature of true leadership – a servant heart.

We are delighted to include interviews with several accomplished CEOs. Whether in the business of home construction, human resources, or professional basketball, they demonstrate discipline to the same key fundamentals common to all great organizations. Furthermore, their comments reveal fervent passion for the success of their organizations and the people they lead.

This inaugural issue culminates from the diligent effort of a number of individuals. I would like to first thank all the contributors to this 2009 issue, both authors and interviewees. For the authors, drafting and refining articles requires time and commitment. The process is not for the faint of heart, especially when each piece is put through the editing blade. I'm thankful for everyone's open minds and positive attitudes which allowed for better articles in the end.

Our managing editor, Scott Bahr, deserves a large thank you. His skillful editing, graphic layout, and management of the entire project is largely responsible for the finished product you now see. This publication would have not been possible had it not been for his wide-ranging capabilities and tireless efforts.

As a final note, I would like to highlight a few unique aspects of *The CEO Advantage Journal*:

1. This publication is not for sale, and hard copy distribution is limited. However, the full publication, as well as each individual article, is available for pdf download at www.tcajournal.com.
2. This publication is intentionally void of any advertisements or promotional claims. Our desire is to educate and inform through good content set in a visually appealing publication.
3. We profile two artists whose work is used throughout the publication. Our objective is to provide a visually unique experience. We think you will enjoy, as we do, the beautiful artwork displayed throughout the publication.

I trust you will enjoy reading the 2009 issue of *The CEO Advantage Journal*.

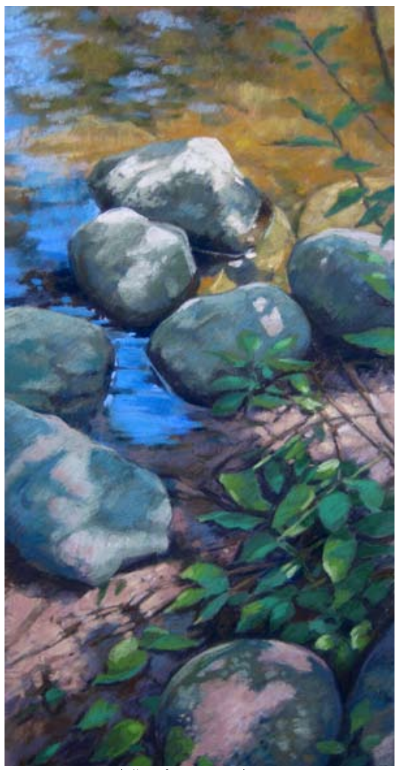
Troy Schrock
CEO Advisors, LLC
troy@theceoadvantage.com

Confidence > Comfort

by John D. Anderson

IT FIRST HIT ME while sitting on a plane.

Shortly after my 40th birthday, I was flying to Florida on a private jet for a weekend of boating and relaxation with friends. By most standards, I had earned the right to enjoy my life and take it easy. I owned a growing company with competent partners and customers. I was well-connected, having launched the Detroit Chapter of the Young Entrepreneurs Organization and served in several other influential business organizations. Many of my friends were entrepreneurs, so I was associated with high-achieving people. I was earning substantial income and could afford the material objects I wanted. I golfed at an elite country club, drove an expensive car, and flew on private jets for weekend getaways like this one. In short, I was living the good life, and I was ready to settle down and enjoy it.


Riverstones XXIII (Jill Stefani Wagner)

Or was I? Sitting on that plane, I suddenly realized that I was not satisfied. I was "comfortable," but ironically, that made me *uncomfortable*. I was missing something in my life of material success. I had reached my destination, only to find that it was the journey I craved. Life was good, but I felt empty. I wanted to feel alive again.

I know I'm not the only one who has felt this way. Many successful people dream, risk, and work hard to get there, but once they reach a certain point, they tend to coast. They stop reaching, and consequently, they and their organizations wither to insignificance. We all know people who retired to the "good life" and died shortly thereafter. Whether literal or figurative, we begin to die when we stop pushing for excellence. A target standing still will get shot.

Remember how, as a child, you would drive yourself crazy waiting for Christmas to come? When you actually opened your gifts, you realized that the anticipation was the best part of the gift. In many ways, our lives are similar. The goal of a "comfortable life" may drive us, but it's the process of getting there that is most exhilarating – so exhilarating, in fact, one might wonder if he ever wants to "get there" in the first place.

"Security and comfort are desirable byproducts of goal achievement," writes Dan Sullivan, "but when they become the goal itself, they quickly stop lifetime growth." Mountain climbers don't quit after reaching the first plateau. Sure, they might stop to enjoy the scenery, take a few pictures, eat some food, or even camp for the night, but then they set their sights higher and begin climbing again. It's as if they're saying, "That was great, but I know I can do better," and they continue pushing for higher levels, not because they *have* to achieve, but because they find fulfillment in the journey.

To keep climbing, to keep pushing, to be productive, one must continually push oneself to greater heights than he has gone before. We all like being in our "comfort zone," but growth occurs outside the comfort zone, so we must discipline ourselves to step out of it. Inside, there's no incentive to move.

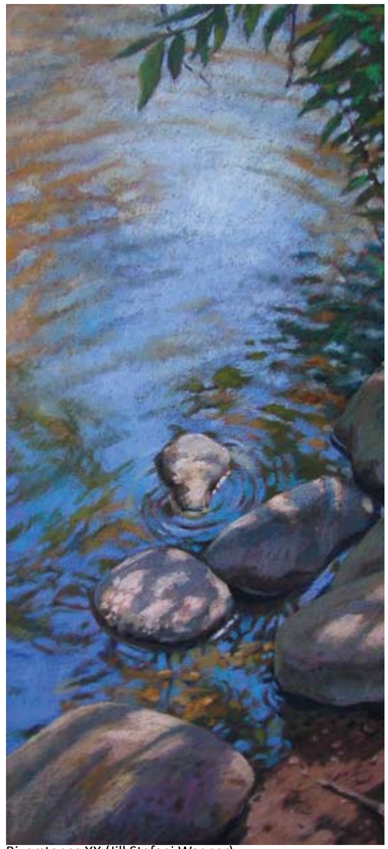
Think about the people you admire most. Whether they're statesmen, military heroes, professional athletes, religious figures, business leaders, or anyone else, they probably exhibit a unique internal drive that seems to give them joy and peace regardless of external rewards. They are not sitting still. They are always pushing to make themselves better, not because they need to, but because they want to. They are comfortable being uncomfortable, and it's from that state that true greatness arises.

Such comfort with discomfort can only be realized in a genuine state of humility. The truly great leaders never know how great they are, and not coincidentally, their organizations never concede their greatness, either. They're always trying to push to greater heights, to get better at doing what they do, enjoying the journey all the way.

Finding Greatness Outside the Comfort Zone

Stand before a classroom of organizational leaders and ask to see, by a show of hands, those who think they're great. Those who actually raise their hands are deceived, because the truly great leaders never realize they are. How can we make ourselves genuinely humble? By stepping out of our comfort zones. If you think you're great, then you're too comfortable. Step out of your comfort zone far enough and you'll quickly realize how weak or unprepared you truly are, which is the first step to greatness.

Humility in leadership is perhaps best characterized by complete transparency. Scot McNealy, co-founder and former CEO of Sun Microsystems, once commented that when you occupy highly paid, highly visible leadership roles, you must live "beyond yourself." In other words, a leader must willingly set aside individual desires and motives and act with transparent integrity – in public and in private.



Riverstones XX (Jill Stefani Wagner)

Key to this transparency is a willingness to be vulnerable before those who you lead. You're never going to get there if you have to be the smartest guy in the room. You must freely admit that you don't have all the answers and be willing to ask for help. You must also be able to stay quiet and let others speak up. These disciplines may feel unnatural, but that's right where you want to be. The discomfort will engender genuine humility that might not otherwise be there.

This is so important because organizational greatness must start with greatness in leadership. In his book, *My Grandfather's Son*, Supreme Court Justice Clarence Thomas tells how his grandfather, who reared him beginning at nine years old, instructed him to do not just what he said, but as he did. In doing so, Thomas's grandfather held himself to a high standard and level of accountability. Looking back, Thomas says, "…example is worth a thousand lectures."

If more CEOs would hold themselves to this standard, we would have more great companies. "I believe there is no more powerful leadership tool than your own personal example," wrote John Wooden in *Wooden on Leadership.* "In almost every way, the team ultimately becomes the reflection of their leader." This makes sense, so why don't more leaders do it? Because it's *uncomfortable* looking in the mirror. Unless they train themselves to be comfortable outside of their comfort zones, they and their organizations will die from mediocrity.

Have you ever noticed how great leaders tend to be physically fit? To meet intense expectations, physical and mental fitness is a necessity. However, it is also a reflection of their desire to be uncomfortable. I think that people who regularly exercise do it for more than external reasons. They like the feeling of pushing their body to new limits and the feeling of health and confidence that comes with that. The discomfort of exercise actually feels good, and so does the result.

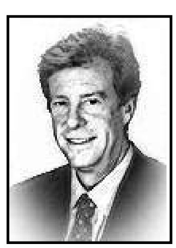
Getting Comfortable with Discomfort

So how does one get comfortable being uncomfortable? First, he must be willing to have a long-term view and act accordingly. This is difficult because it often means making decisions that seem unpopular at the time. Great leaders are rarely considered heroes in the short-term. The most important decisions take the longest to play out, so it's only after some time has passed that history heaps accolades on those who make them. The leader draws confidence from making the right decision rather than the popular decision. Popularity may offer external rewards, but greatness is measured in internal rewards, and this is where true comfort resides. Internal comfort coincides with external discomfort when one is comfortable being uncomfortable.

Second, start with a purpose. In *Built to Last,* Jim Collins defines purpose as the answer to the question, "Why do you exist beyond making money?" One might also ask, "Why do I get out of bed each morning?" Answer these questions, write down your answers, and take ownership of them, regardless of how uncomfortable it may feel at first. In fact, do it *because* you don't feel comfortable doing it! If you want to achieve things you've never achieved, you've got to do things you've never done.

Sullivan writes, "Treat any increase of comfort in your life as only a temporary stage for establishing bigger goals…and your confidence will always be greater than your comfort."

That's a great place to be.



John D. Anderson is a licensed CEO Advantage advisor and former co-owner and President of Gorman's Business Interiors. He has built, led, and advised companies in a wide range of public and private industries. He can be contacted at john@theceoadvantage.com.

For a complimentary reprint of this article, visit tcajournal.com.

Patrick Lencioni's Point of View

Humble Leaders *and* Organizational Humility

Maui Surf (Ilivia Yudkin)

PERHAPS ONE OF THE BIGGEST misconceptions that people have of great leaders is that they are the recipients of only wonderful benefits - fame, fortune, perks, attention - as a result of holding their position of power or influence. Often we focus on the accolades that leaders receive at the end of their career, in many cases even after they have died. The truth is, being a leader, at least a great one, is a largely sacrificial endeavor, one with far greater costs than benefits.

Part of the reason this misconception exists is that leaders are not encouraged, or even allowed, to acknowledge their pain and suffering. After all, in many organizations leaders earn a lot more money than the people they lead, and any discussion of their pain would elicit little sympathy.

This is fine, because sympathy is not what leaders need most. What they do need is an understanding that all great leaders suffer, and that important accomplishments cannot be

achieved without suffering. This has been true throughout history. What kind of suffering am I referring to?

Loneliness, rejection, unpopularity, blame and criticism. And while it is true that no one gets through life without experiencing all of these realities from time to time, great leaders put themselves in a position to get far more than their fair share, and with greater intensity.

Great leaders are often *lonely* because they do not give in to the temptation to vent their problems with others in the organization, deciding instead to carry those issues themselves. They experience *unpopularity* and *rejection* by making the difficult decisions that can temporarily alienate the people they lead. They invite *blame* and *criticism* by accepting responsibility for every failure in the organization while giving away credit for most successes.

In short, great leaders make the mission of the organization more important than their personal needs. It's called humility, and it's not just something great leaders choose to do; it's who they are and what makes them great leaders in the first place.

THE GREATEST LEADER? YOU'VE NEVER HEARD OF HIM.

I have been asked on a number of occasions, by journalists and curious clients, whom I believe to be the greatest leader in America. And I usually respond with my own question. "Are you asking for the name of a famous leader?" This usually leads to a fair amount of confusion, until I explain that the best leader in the world is probably relatively obscure.

You see, I believe that the best leader out there is probably running a small or medium-sized company in a small or medium-sized town. Or maybe they're running an elementary school or a church. Moreover, that leader's obscurity is not a function of mediocrity, but rather a disdain for unnecessary attention and adulation. He or she would certainly prefer to have a stable home life, motivated employees, and happy customers—in that order—over public recognition.

A skeptic might well respond, "But if this person really were the greatest leader, wouldn't his or her company eventually grow in size and stature, and become known for being great?" And the answer to that fine question would be, "Not necessarily."

A great company should achieve its potential and grow to the size and scale that suits its founders' and owners' and employees' desires, not to mention the potential of its market. It may very well wildly exceed customer expectations and earn a healthy profit by doing so, but not necessarily grow for the sake of growing.

Unfortunately, we live in a world where bigger is often equated with better and where fame and infamy are all too often considered to be one and the same. And so we mistakenly come to believe that if we haven't seen a person's picture on the cover of *BusinessWeek* or in a dot-matrixed image in *The Wall Street Journal*, then they can't possibly be the best.

Consider for a moment those high profile leaders we do read about in the newspaper and see on television. Most, but not all, of them share an overwhelming desire and need for attention. You'll find them in all kinds of industries, but most prevalently in politics, media, and big business. Look hard enough at them, and there is a decent chance you'll discover people who have long aspired to be known as great leaders. These are the same people who also value public recognition over real impact. And based on my experience, you might also find that they'll be more highly regarded by strangers and mere acquaintances than by the people who work and live with them most closely.

The truth is, our greatest leaders usually don't aspire to positions of great fame or public awareness. They choose instead to lead in places where they can make a tangible, meaningful difference in the lives of the people they are called to serve. Not coincidentally, the humility that leads them to choose these places is exactly what makes them successful.

Humble leaders provoke levels of loyalty, commitment and performance that more ego-centric ones can't quite elicit or understand. Most importantly, their influence extends far beyond the executive team and defines the personality of their organizations. When combined with a clear sense of purpose and drive, humility can propel a seemingly ordinary company to achieve uncommon results, usually by creating an environment of teamwork and willingness to learn from mistakes.

THREE EXAMPLES OF SUCCESS WITH HUMILITY

Over the course of the past few years, I've been fortunate to have access to three very different world class organizations that impressed me with their humility and, frankly, surprised me. I was shocked because my observations seemed to contrast what their critics had led me to believe.

Wal-Mart

The first of these organizations is none other than Wal-Mart. Yes, Wal-Mart. Several years ago, I spent a day at their headquarters in Bentonville, Arkansas. I had no idea what I was in for.

Having heard again and again about how Wal-Mart was dominating and controlling the retail industry and mistreating employees, I was expecting to arrive at a main campus resembling one of the many high tech country clubs I've grown accustomed to seeing in the Silicon Valley. What I found in Bentonville was a collection of buildings that were neither uniform nor impressive, many of which seemed to be converted warehouses and strip-mall quality structures from the 1970s. I loved it! And there was no separate executive suite with a different set of standards.

These titans of industry were working in facilities that were no more comfortable or grand than those of the people who worked in their stores around the world. And inside those buildings, the stories were no different. Neat and clean, but more like a DMV than a palace. And the cafeteria where I had lunch reminded me of my junior high school.

But the humility at Wal-Mart went far beyond the physical environment. The people there were uniformly friendly, gracious and unpretentious. But don't misunderstand. They

Our greatest leaders don't aspire to positions of great fame; they choose to lead where they can make a tangible, meaningful difference in the lives of the people they serve.

were also very bright and had levels of experience, education and knowledge rivaling any other corporation I had seen. But you would never know it by the way they treated one another. And everyone, from senior executives to the people running the cash registers in the cafeteria, were treated with the same levels of respect and kindness, all of which seemed to create an environment of genuine enthusiasm and commitment among employees.

As for their reaction to the barrage of criticism leveled at them by competitors and the media, they were neither bitter nor angry. Instead, they seemed genuinely open to finding any truth in the accusations so they could address them, and then determined to calmly set the record straight in the many areas where they were being unfairly accused.

United States Military Academy at West Point

The second organization that impressed me with its humility is the United States Military Academy at West Point. I had a chance to visit the campus for two days with my father, and we were each overwhelmed by what we experienced.

From the general who ran the school itself and the officers and professors who taught the courses to the cadets and enlisted men who worked security at the front gate, humility was the dominant and undeniable trait shared by all. And this went far beyond the *yessirs* and *nosirs* that one would expect to find at a military institution.

Here were some of the very best and brightest young people in the nation, with outstanding academic, extracurricular and athletic backgrounds, and you would have thought that none of them had seen their own resumes.

And like Wal-Mart, people of every rank and age and gender were treated with uniform levels of respect and kindness. My father, who had served as an enlisted man in the army more than thirty years ago, was treated by three star generals as though he were their military peer.

So many people, who have never known a West Point cadet or visited the campus, assume that arrogance and macho must rule the day there. Nothing could be further from the truth. While there is certainly no lack of courage and character among the men and women who attend and run the institution, none of them seems to have a need to prove that to anyone other than to themselves. God bless them for what they're doing.

De La Salle High School Football

The final organization I want to cite for its humility is a high school football team. Actually, it's not a team so much as it is a school and a sports program. I live near De La Salle High School, an all-male Christian Brothers institution that has become known for having the best high school football team in the history of the sport, or for that matter, any sport. Over the course of fifteen years, the team won 151 consecutive games and traveled extensively to play the best teams they could find.

I had heard many stories about the De La Salle football factory over the years, and the allegations of recruiting great players from faraway places to stack the deck in their favor. All of which led to my astonishment at what I would find when I attended a few of their games and came to know something about their coach and program, in general.

First, walking into their "stadium" is both a let-down and a breath of fresh air. The facility itself is tiny. Tiny. After more than twenty years of unparalleled success, most schools would have been tempted to construct a monument to football. Not De La Salle. You can drive by the school and pass the field and mistake it for a junior high school.

On top of that, there is no mention anywhere of the exploits of the football team. No championship signs. No shrine to their coaches or players. Nothing. The only meaningful tribute I've ever seen there was a painting of a player who was tragically murdered. And that's the thing about De La Salle. It's not about football, or championships, or fame. It's about the way people treat people.

I had a chance to hear the team's head coach speak at an event, and I can honestly say that I've never been moved so much by a talk. Coach Ladouceur was not stylishly dressed and was, by no means, a particularly eloquent or fiery or demonstrative speaker. Keep in mind that this is a guy who has been profiled on ESPN and in *Sports Illustrated*, and has had many of the nation's finest coaches at every level seek his advice. I would have expected even a bad high school football coach to be a little brash. But Ladouceur oozed humility.

Every statement he made had meaning, and almost none of it was about him. He talked about the fact that he considers himself a religion teacher and character mentor first and foremost, and that he does not and never will actively recruit kids to come to his school. He said he admires his players for having skills and talents and potential that he could only dream of. And there was no doubt in my mind that he meant every word he said.

SHORT-TERM PAIN; LONG-TERM REWARDS

What did I learn from Wal-Mart, West Point and De La Salle? That humility is powerful, but cannot be attained out of desire for power. It is its own aim, and its own reward. I also learned that one of the costs of being humbly successful is that others will throw stones at you, and that humility requires that you throw none back. This takes a very real toll on any human being. It leads to restless nights of sleep, strain on their families and questions about self-worth that go above and beyond the regular doses of these maladies that non-leaders experience.

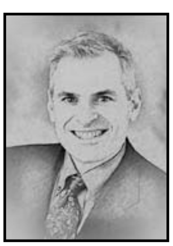
Now, when people assume positions of leadership without expecting all of this, they set themselves up for substantial disillusionment and disappointment. And once that disappointment kicks in, they often find themselves tempted to compensate themselves through excessive financial or ego-related rewards.

In fact, this failure to understand the inherently sacrificial nature of leadership may well lie at the heart of the scandals that have made their way onto the front pages of our newspapers. Disappointed with the relatively unsatisfying personal economics of their jobs, CEOs look for love in all the wrong places. Fame. Fortune. Perks. Attention.

Truly great leaders overcome these temptations. They know that the only real, lasting reward for being a leader is the accomplishment of goals that result in the betterment of others. Even when that involves suffering.

So, whether you're the CEO of a Fortune 500 company, the head of a department within that company, an entrepreneurial leader of a small business, the principal of an elementary school or the minister of a church, remember that suffering is part of your job. And the next time you're in the midst of it, know that you're probably doing something important.

"Pat's Point of View" is distributed electronically by Patrick Lencioni and The Table Group. This article is an adaptation of the following POVs: *The Greatest Leader* (March 2008), *Leaders Suffer* (Spring 2005), and *Three Profiles in Organizational Humility* (Summer 2005). Read more of Patrick's POVs or sign up to receive future POVS at *www.tablegroup.com/pat/povs*.



Patrick Lencioni is a sought-after speaker, best-selling author, and consultant to Fortune 500 companies, professional sports teams, universities, and nonprofits. His firm, The Table Group, provides organizations with ideas, products, and services that improve teamwork, clarity, and effectiveness. Visit them at www.tablegroup.com.

Treescape: Reach (Jill Stefani Wagner)

Reprinted by permission from *The CEO Advantage Journal*, a publication of CEO Advisors, LLC. Visit www.tcajournal.com.

Sometimes, agreement is the greatest obstacle to real progress. Generative thinking reveals opportunities for and enables the practice of constructive debate.

Would Someone Please *Dissent?*

by Jim Woods

In a meeting with one of his top committees, Alfred P. Sloan, legendary CEO of General Motors, led his team in a discussion of an issue that we can assume carried some significance. As the conversation wrapped up, Sloan said, "Gentlemen, I take it we are all in complete agreement on the decision here." Everyone nodded.

"Then," he continued, "I propose we postpone further discussion of this matter until our next meeting to give ourselves time to develop disagreement and perhaps gain some understanding of what the decision is all about."

Develop *disagreement*? It would seem that unanimous agreement would be the ultimate confirmation of a decision. Not so, said Peter Drucker in his 1966 book, *The Effective Executive*:

> *Decisions of the kind the executive has to make are not made well by acclamation. They are made well only if based on the clash of conflicting views, the dialogue between different points of view, the choice between different judgments. The first rule in decision-making is that one does not make a decision unless there is disagreement.*[1]

Organizational behavior experts, including Jim Collins, Patrick Lencioni, and others, have long claimed that constructive conflict is *essential* for gaining commitment to action, and most importantly, for arriving at the right decision. Encouraging vigorous debate, however difficult, is essential.

So why do we avoid debate? Is it surprising that a generation of people taught to "get along" finds it difficult to passionately disagree about ideas and concepts? Many leaders and team members try to protect the feelings of participants by cutting confrontation short. Team members are sometimes reluctant to voice strong opinions for fear that their supervisor or contemporaries will resent the challenge to their positions. Thus, to protect the feelings of others, confrontation is cut short.

In fact, this behavior increases tension because it keeps issues of conflict from coming to the surface for resolution. As a result, conflict plays out behind the scenes, often with very harmful repercussions to the organization. Furthermore, the team limits its ability to develop the best solutions when viable options are suppressed.

Ideological debate – debate around concepts and ideas – is different from personality-focused attacks on someone holding a different point of view. To the casual observer, both kinds of conflict are filled with passion, emotion, and frustration. However, healthy teams focus on what is being presented rather than who is presenting. These teams arrive at decisions more quickly and move forward more collaboratively than those who are unable to isolate personal feelings from the debate.

The leader's role in this process is to ensure that every team member has the opportunity to weigh in on the ideas being discussed and that personalities are taken out of the discussion. Again, the important thing is what, not who. Team members are obligated to passionately advocate their point of view while listening and trying to understand those who have a different perspective.

This takes time, and it can be challenging. Despite the difficulties, teams must have the discipline to refrain from charging into problem solving too quickly. Productive conflict must be given time to develop, and the key to understanding why lies in a process called generative thinking.

How We Are Wired

The first years of our lives are primarily spent absorbing information about our environment. Research has shown that by the time we are three years old, our brains haves formed 15,000 synaptic connections between each of the hundred billion neurons present. That's fifteen hundred trillion connections.

Once we start trying to organize this information, we shut down some of the noise in our heads to avoid sensory overload. Thus, during the next twelve years, approximately half of the neural network will atrophy. Since it is nearly impossible to rebuild lost connections, our mental network is mostly frozen by the time we are in our mid-teens.

This is not as bad as it sounds, however. Research indicates that intelligence and effectiveness are not a result of the number of neural networks, but rather the strength of the best neural connections. Our brains shut down billions of connections so we can focus on exploiting the strongest ones.

This is the physiological process behind what we see as unique perspectives among individuals. Our neural networks also act as filters, causing us to focus on some stimuli while ignoring others. This is why healthy teamwork is so powerful. Considering others' perspectives can help us break out of our own mold in the pursuit to understand reality as it is.

Adapted from *Now, Discover Your Strengths* (Chapter 2) by Marcus Buckingham

Generative Thinking

Generative thinking is described in *Governance as Leadership* (Chait, Ryan and Taylor) as the process that provides us with a sense of problems and opportunities. It precedes activities such as mission setting, strategy development and problem solving.[2]

Generative thinking consists of three steps: cues and clues collection, frame selection, and retrospective reflection. We tend to subconsciously make decisions this way already, but identifying and understanding the process helps to leverage our tendencies and create constructive conflict, leading to better decisions for our organizations.

Noticing the Cues and Clues

When faced with problems and opportunities, people make sense of the situation by seeing or emphasizing only some of the countless stimuli competing for their attention. Their choice of stimuli is influenced by their experience which conditions them to pay attention to certain variables while ignoring others. Research indicates that, to some extent, these tendencies are hardwired in us when we are young (see sidebar). At a very young age, we learn to ignore some stimuli and focus on what we deem important. Consequently, as adults, we are somewhat naturally restricted in the way we perceive the world.

It's this limited vision, as it were, that explains the power of a healthy team. Rather than operating individually, a team blends the perspectives of many to collectively widen the scope of vision. Eliciting a sense of reality from as many different perspectives as possible enhances the ability of the team to see the reality of their present situation and to confront the issue as it is.

Leaders of organizations must therefore encourage debate within the leadership team to ensure that the maximum number of cues and clues surface, providing as many possible versions of reality as possible. Truth, not consensus, is the goal. To get there, the question should not be, "Does everyone agree?", but "Who can give me disagreement?"

Team members must be open to differing view points, understanding that their personal biases and their professional training can inhibit their ability to see all the possibilities for their present reality. Alfred P. Sloan understood this. If nobody disagrees on a major decision, then teams must find a way to generate disagreement, whether that means deliberately defending the other side or bringing in new team members with different perspectives.

Before even discussing solutions, teams must be certain that they have considered all the cues and clues, because it is out of the cues and clues that the subject at hand is framed.

Choosing and Using Frames

To organize the raw cues and clues, we construct *frames*. Again, this process is somewhat inherent. We draw upon our experience and training to bring order to the chaos. For example, a lawyer looks at a problem from a legal perspective, while an engineer immediately begins to analyze the technical ramifications. Frames are often based on our temperament, as when one person sees an obstacle while another sees an opportunity. Most importantly, frames reorganize information into recognizable patterns, aiding our understanding and helping us to form a plan of action.

As an illustration, suppose an organization is facing high employee turnover. The human resources manager posits that employees feel frustrated by a perceived lack of opportunity for personal growth in their current positions. From this framework, he advocates a solution to the problem that includes increasing cross-training of jobs, offering incentives for employees to attend the local community college, and training all managers in employee development.

The CFO counters that the real reason employees are leaving is wages that are five percent lower, on average, than a cross-town competitor. He also claims the benefit package is uncompetitive within the industry. From this framework, she recommends an across-the-board wage increase and improved "cafeteria style" benefit package.

In both cases, professional training has highlighted different clues for each executive. These clues construct the frames through which they see the issue. Both plans, therefore, are logical outgrowths of the way their proponents framed the issue. So which is the right course of action? Is either plan the real solution? The other executives on the team almost certainly have their own view of what should be done. Can the organization afford to make a misstep here?

The first person to frame an issue is in a powerful position. By establishing the framework for the team, they're able to limit the ways others see the problem. We see this demonstrated in political campaigns, where each candidate rushes to be first to frame an issue, thereby forcing the other candidate to debate the issue from their preselected frame of reference. Organizational theorist Jeffery Pfeffer has noted that establishing "the framework within which issues will be viewed and decided is often tantamount to determining the result."[3]

With this in mind, establishing the correct frame at the outset is paramount to making good decisions. The CEO must mine for all cues and clues before a collective framework is established. Therefore, vigorous debate around the possible frames must ensue before this can happen. If the debate does not happen naturally, the leader must stir the pot, forcing dialogue and encouraging dissenting viewpoints to ensure that all possibilities are presented. Only after team members have considered perspectives outside of their own frame of reference can the group attempt to establish a cohesive framework that correlates to the reality of the situation at hand.

Probing assumptions, testing theories and passionately debating the frames are critical in leveraging the collective intelligence of the team and ultimately choosing the best possible course of action. If the leader feels that the team has bypassed this step too quickly, he must resist the urge to bask in the seeming efficiency of a quick consensus. Like Sloan, he must be willing to stop the process until productive conflict materializes.

Establishing the correct frame at the outset is paramount to making good decisions.

Once the frame is established, the team can finally develop a plan of action with confidence.

Thinking Retrospectively

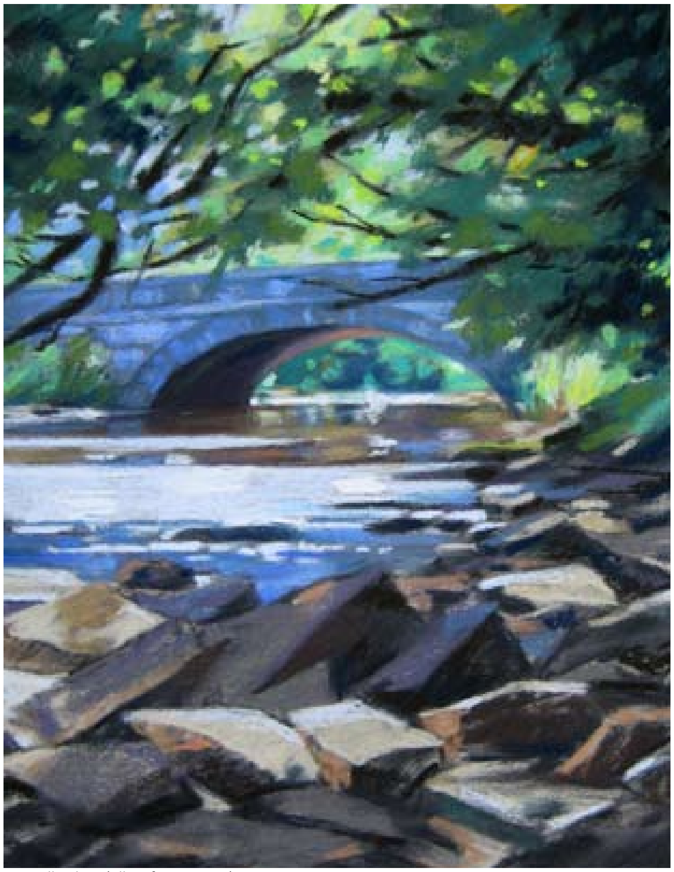
Paradoxically, people make sense of the future through the lens of the past. Our sense of what works, as manifested by our frames, reflects our experience.

In *The Change Masters: Innovation and Entrepreneurship in the American Corporation*, Rosabeth Kanter writes:

> *When innovators begin to define a project…they are not only seeing what is possible; they are learning about the past, and one of the prime uses of the past is in the construction of a story that makes the future grow naturally out of it in terms compatible with the organization's culture.*[4]

Once the new plan is established, it should be tested against a *future* narrative. Does the proposed action sound realistic when discussed as if it were a fait accompli at some point in the future? Does it fit with the organization's core values? Note that while we can interpret the past in different ways, we do not have license to revise history to fit the future narrative. Leadership teams must discuss their sense of organizational history – another opportunity for productive conflict – and construct a dominant narrative consistent with the organization's core ideology.

If the plan fails to meet this test, it must be reconsidered. Again, the temptation here is to move forward. After struggling through the dissension involved in clues collection and frame selection, teams are weary and prone to just make a decision and be done with it. However, too much hard work has been invested to be wasted on a decision inconsistent with the organization's values and purpose. A disciplined team will continue to provoke dissension until a comprehensive solution can be reached that works when tested against the envisioned future.



Louisville Blues (Jill Stefani Wagner)

A Real World Example

The danger of cutting off debate and allowing an issue to be framed too quickly and unchallenged was made clear to me during an annual offsite retreat for our senior management team.

We were discussing ways to increase revenue in our parts production business unit. This business unit had found a niche as a leader in powdered metal turning, but it was constrained from growing revenue by the size of that market and the technological advances being made in near net forging, which required reduced machining.

One team member proposed that by entering into more high-volume commodity parts production, the unit could grow the top line, improve cash flow, and cover the group's overhead, enabling the specialty machining projects to be more profitable.

Our team quickly accepted this vision of reality and began implementing the plan. We had moved on to potential products, customers, and economies of scale issues when our newly hired CFO voiced an objection. He shared how, earlier in his career, he worked for a manufacturer in a similar business that tried our approach. He pointed out that many of these types of jobs were constantly under price pressure from competitors and customers. One could be trapped into always meeting the lowest price, thereby eroding already thin margins, because not doing so could result in losing the job altogether and jeopardizing the capital investment already sunk into the job.

Furthermore, the likelihood of hiccups in delivery schedules, both in receiving raw material and in shipping finished product, presented significant dangers. Any quality mishaps would prove catastrophic to the razor thin margins associated with the job.

We debated each if these issues and attempted to square our perceptions to this new version of reality. Finally, we asked how entering this new type of market was consistent with the core competencies of the organization – one that drew success from innovation and finding unique solutions for challenges in manufacturing. We realized that this type of business did not fit the narrative of how our company became successful. A better approach for us was to focus on opportunities where we could provide innovative solutions for our customers' needs.

Our willingness, after prodding from the CFO, to rethink our frames and reengage in productive conflict was the trigger to a sounder decision. Alfred Sloan would have been proud!

Conclusion

Leveraging the natural process of generative thinking to make sound decisions requires a disciplined willingness to engage in productive conflict. In *The Five Dysfunctions of a Team*, Patrick Lencioni calls on organizational leaders to "mine for conflict" to bring all cues and frames to the forefront. Teams must continually question assumptions and probe the feasibility of differing plans. They must be comfortable passionately debating the correct sense of reality and the proper course of action, all the while remembering that the debate is about ideas, not the people espousing the ideas.

Organizations that diligently seek clarity around their current situation, rigorously debate all possible courses of action, and test their actions against the organization's culture and history stand a greater chance of making sound decisions.

Jim Woods is a licensed CEO Advantage advisor and the former President and CEO of Ann Arbor Machine Company. He lives in Dexter, Michigan with his wife and two children. Jim can be contacted at jwoods@theceoadvantage.com.

End Notes:

[1] Drucker, P. (1966) *The Effective Executive.* Harper and Row Publishing.

[2] Chait, R.; Ryan, W.; and Taylor B. (2005) *Governance as Leadership.* John Wiley and Sons.

[3] Pfeffer, J. (1992) *Managing with Power: Politics and Influence in Organizations.* Harvard Business School Press.

[4] Kanter, R. (1983) *The Change Masters: Innovation and Entrepreneurship in the American Corporation.* Simon and Shuster, Inc.

For a complimentary reprint of this article, visit tcajournal.com.

Paul Sancya / Associated Press

On the Same Page

A Conversation with **Joe Dumars**

The Detroit Pistons of the National Basketball Association have been to six straight Eastern Conference Finals from 2003-2008, including one NBA Championship. What's even more impressive is that they have done it with three different head coaches. In June 2008, they hired coach Michael Curry to continue this legacy of excellence. Even with records that most teams can only dream of, Joe Dumars, President of Basketball Operations, refuses to stand still. He has never been afraid to make a move that he feels will improve his organization.

Dumars's record is impressive. He burst on the sports scene as a guard for the Pistons in 1985. During his 14-year career, he was a six-time All-Star, won two NBA titles, and was named Finals MVP in 1989. He is also the namesake of the "Joe Dumars Trophy," which is awarded each year to the winner of the NBA Sportsmanship Award. As Pistons President, Dumars has developed a reputation as one of the league's top executives thanks to his many shrewd personnel moves, often capitalizing on players who are unwanted by other organizations. He was named Executive of the Year in 2003 and elected to the Basketball Hall of Fame in 2006.

Off the court, Dumars was the Founder and CEO of Detroit Technologies, an automotive supply company. He is also the Founder of the Joe Dumars Fieldhouse, and he serves on the Board of Directors for First Michigan Bank.

In this edited interview with Scott Bahr and CEO advisor Jim Woods, Dumars describes his strategies for organizational success. His humble leadership and disciplined commitment to core values provide a powerful model for success to any organization.

When you hired Michael Curry to be your head coach, you said that you were looking for someone who would be "on the same page." Why is that so important above all other considerations?

Simply because I don't think there can be any disconnect along the way. Michael and I see vision, discipline, and organization the same way. It doesn't mean we don't disagree on some methods of how to do things – I'm not really interested in someone agreeing on every method that I want to use – but the basic premise of how you're going to do things has to be the same.

When comparing talent with common vision, values, and goals, is one more important than the other? Are you willing to sacrifice organizational alignment for superior talent?

That's a good question, and a very timely question, as well. My staff and I were recently discussing a situation similar to what you're describing. I told them, "Listen, I'll go back to what I say to you guys when you go out and you're scouting a player: that guy has to be a great leader on the court or a great follower. If he's neither, we're going to run into issues."

My point is that you can't have twelve leaders (in basketball, there's a 12-man roster). It doesn't work. You can't have twelve followers, either. If the guy is a great leader and a great athlete, he's going to have success on the court, and people are going to follow him. There are also great players who just aren't leaders, but they will run through a wall for you and do whatever is necessary. When I played, the one guy who I thought was a great follower was Dennis Rodman. He wasn't the leader or the captain of the team, but the guy would do anything.

So I told my guys, "You tell me how you're going to win with somebody that's neither. If a guy's not a great leader, he'd better be a great follower. You have to be very careful with the guys who are neither."

That doesn't only apply to professional sports and athletics; I think it applies across the board. If that person is not leading or following the vision of your organization, you've got a problem because he's not pulling in the same direction as you.

What is the ideal balance of leaders and followers?

If I have eight great leaders and four great followers, I'm going to live with that. If I have eight great followers and four top-notch leaders, I'm going to live with that. I don't worry about the balance. As long as they're in one of those categories, you're not going to have any issues.

Is there ever a time when you would take someone with superior talent even if he didn't share your values and vision?

You're asking the same question that my scouts asked. We have a player who's a great talent, but he's not a leader, and he's not following what we're trying to do. He's a great talent, but what is that talent doing? He obviously has to be doing his own thing on the court. It's not our thing because he's not following it, and it's not our thing because he's not leading it. You have to be very careful.

This is not a theoretical question for me. I've turned down players with superior talent because I knew they were all about doing their own thing and would ruin what we were trying to do. There's no way we would have had this kind of success if I had brought those guys in.

Would you take a chance on a less talented player just because he fits your character mold, believing that you could develop enough talent in him to make him a contributor?

It's all relative what I'm talking about here. I'm not talking about passing on a supreme talent of '10' in favor or a talent of '2.' What I'm talking about is from '10' to '8.' It's a given in this league that the guys are talented, so you're never going to be turning down Kobe Bryant for a guy who's a 12th man. It just doesn't happen. I'm talking about a guy who's a '10,' and he's headache, and he's going to kill your culture, and a guy who's an '8', and he's a great teammate. I will get more out of that '8.'

During your playing career, you spoke of the physical and mental discipline required to be a professional basketball player. How does that discipline now apply to running your organization and how do you, as the leader, instill that discipline in your people?

First of all, discipline is on display by your actions, not by what you say. In my current position, they have to see me come in every day, never waver on what we believe in, and lead by example. If I take a risk, I need to take accountability for it. If it works, great. If it doesn't work, I need to say, "I made a mistake."

People want to see leadership, not excuses. Discipline comes from putting yourself out there, taking the risk, and taking the responsibility that comes with it. My players and coaches are looking to see how I react to things, and they're going to take their cue from me. If I'm filled with excuses and finger-pointing, I promise you that will ooze throughout the organization. I refused to do it as a player, and I refuse to do it now.

In your business, people are obsessed with "winning now." You've been successful with building an organization for the long-term that still has a chance to win now. How do you find that balance?

I say this all the time; I think my guys get sick of hearing me say it: you cannot be afraid to fail. That's what I believe every single day that I wake up. If you're not afraid to fail, you're going to make moves that give you a chance to win now *and* make moves that are good for you down the road. In this business, we're expected to do one or the other. I have refused to do that. But when you refuse to do that, you're bucking the system, and anytime you buck the system and go against the trend, there's a backlash. I think that's what stops people from doing it. It's not that they don't believe it's the right thing to do, but the 24-7 scrutiny that we live under in this business will stop people from doing what they know is right.

You guys have been at or near the top for a long time. Having achieved consistent success, how do you maintain an organizational hunger for greatness?

Expectations.

When we first had some success after ten years without it, everyone was excited about winning again. But at a certain point, you expect them to do it. It's a lot harder when it's expected. To be quite frank, I think it's honesty that maintains high expectations.

My players sell it more than I do at this point. When a new guy shows up, the veterans tell them right away, "Trust me, mediocre is not accepted here. Even if we get back to the conference finals for the 7th straight year, it's not going to be accepted." So they start laying that foundation of expectations.

We get used to the daily scrutiny of this business. We know the criticism that's coming, and we're motivated to succeed each year because this is a "right now" world. What we've done for the last six years is nice, but if we don't perform this year, we all know that the criticism will come. When you live in that world day-in and day-out, it becomes somewhat a part of your DNA and how you deal with things. So my guys know what's expected and what will happen if it doesn't work out, so we may as well gear up and go for it.

As an executive, does the scrutiny ever sow seeds of doubt in you, or are you really just immune to it?

It doesn't, and here's why. You get used to it. You know you're going to be questioned, second-guessed, criticized, and scrutinized. Ultimately, you don't even allow it to bother you because it just does no good. This is the world I've lived in for 20-some years, and I'm used to it.

Last year, (Pistons forward) Antonio McDyess said that after being a part of the Pistons organization, he does not want to play anywhere else. Other players have expressed similar sentiments. What is it about your organization that makes them feel that way?

People.

For me, the people aspect is first and foremost. I'm not really concerned how much basketball you know; I'm just concerned with how you deal with people. If you're not a good people person, I probably won't hire you. Our organization is filled with good people, so everywhere our players turn, they're dealing with good people. Guys like McDyess come here and tell stories of how bad it is in some other places, and I've heard those stories since I was drafted in 1985. I'm

I'm not really interested in someone agreeing on every method that I want to use, but the basic premise of how you're going to do things has to be the same.

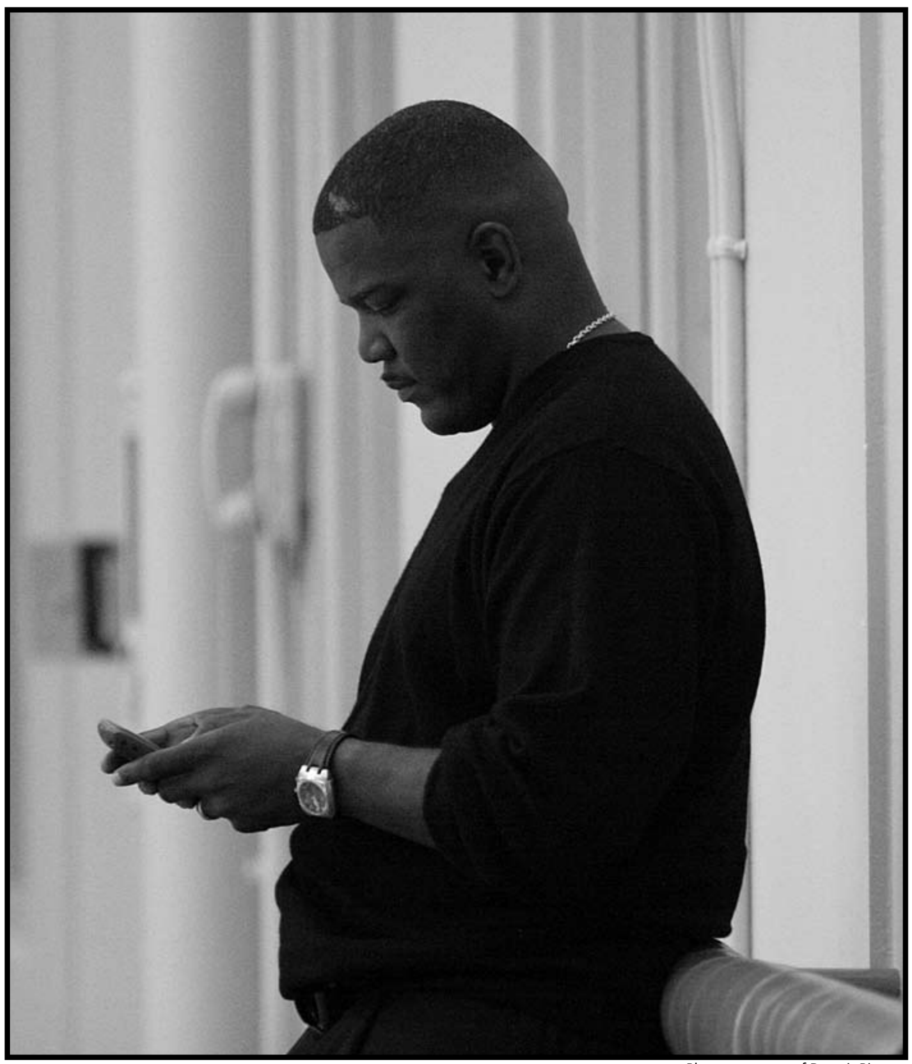


Photo courtesy of Detroit Pistons

You know you've built the right type of culture and environment when mistakes stick out like a sore thumb.

not here to question other teams, but I don't want anyone to ever say that about us. So I want to surround myself with the best people I can. They're smart, they're tough, and they know their jobs, but first and foremost, they're good people. It always comes back to people.

When it came time to put a staff together, I recalled all the people I knew during my 14-year playing career, and I went back and started plucking people out that I knew were good people. Once you're in this position, people put on a great face for you, but for those 14 years, there was no motive. Either they were a good person or they were not. I recalled all those things, so it wasn't hard for me to find the right people.

Do you feel that you've built an organization whose principles will outlive you?

Only if the right people are here when I'm gone. It's not like it is just because of me, and it won't stay like this just because of one person. It has to be an organization full of the right people.

Is it important to you that the organization maintain this level of excellence even after you are gone?

It would be a shame if it didn't because it's taken years to build this culture and to have this good will throughout the NBA. It's taken a lot of hard work, sacrifice, and people going above and beyond to be the right type of people, and it would be a shame if it just went to the wayside because of the wrong people. I would love to see this legacy maintained, and I know this for a fact: it can remain like this because it's been built, but it's only going to happen with the right kind of people.

What if you find you have the wrong people? How do you resolve those situations?

I've made mistakes, whether it's been drafting a player, trading for a player, signing a player, or hiring someone to my staff. The good thing about it is when it's a mistake, it sticks out like a sore thumb. That's when you know you've built the right type of culture and environment. If you hire the wrong person and he doesn't stand out, then something is wrong.

Do you think that the wrong person sees it as clearly and quickly as you do?

Yes, because they become very uncomfortable. I want them to be uncomfortable in this environment. I'm not going to adjust the culture here for somebody who doesn't fit what we're trying to be. Either they're going to adjust to our culture or I'm going to have a polite conversation with them and invite them to find another place.

It sounds like you may not even have to have that conversation. They might figure it out all by themselves and go look for another place.

You know what? I've had that before. I've had players say, "Joe, I think I'd be better somewhere else," and I've said to them, "I think you're right; let me make that happen for you." I've had front-office people leave because they felt they had a better opportunity somewhere else. I knew it, they knew it, and we both accepted it.

What defines success in your position? Is there an end-goal that, if reached, will tell you that you're done?

Success is quantified by what's expected of you, internally and externally. Our people expect to vie for a championship, and we're expected to be one of the best. I think that's success in itself. Outsiders consider us one of the best organizations. Guys like McDyess say, "I don't ever want to play anywhere else." That's success because it means we've created the culture and environment of a championship status. In this business, that's where you want to be.

Does that translate to any organization in any business?

No question about it. In any business, if you've got bad people, selfishness, ulterior motives, whatever, it's going to affect your business in a negative way. I don't care what business you're in. We just happen to be talking about NBA basketball right now, but this applies across the board.

When/where/how did you develop your management philosophy?

Life lessons.

I grew up with working-class parents growing up in Louisiana. I had a father who drove an 18-wheeler all over Louisiana, and he had to deal with a lot of people. He taught us how to be comfortable with anyone. I'm the youngest of seven – five brothers and one sister – and we always said, "You can drop me off at the White House or by the house in the ghetto, and I'm going to be okay because I can get along with anybody."

With that outlook, it's really not about you; it's about you learning how to deal with other people. From a very young age, I've been hearing this and seeing it in my mother and father. Now, at 45, it's just part of my DNA. It's what I know. I don't have to think about it. It's just part of who I am and how I deal with people.

For a complimentary reprint of this article, visit tcajournal.com.

Hydrangea Reflection (Jill Stefani Wagner)

More than a TITLE

Reflections on Leadership

by Ellen Bryson

IN A RECENT CONVERSATION with a particular CEO, the evidence I found that he was a leader was the title on his business card. His company could be twice its current size, but its growth has stagnated in both revenues and profits. He is extremely frustrated with this, and he knows what is holding them back: a lack of trust throughout the organization.

Unfortunately, he fails to recognize that he is the source of this problem. He feels entitled to respect because of his rank in the company. He has little interest in developing himself because he thinks he already possesses the skills and knowledge needed for success by virtue of the fact that he is the CEO. He eschews spending on staff development, believing they just need to work harder. He seems to have no vision for the company and sets no goals to be achieved. He comes to the office when he feels like it, yet he expects his employees to work ten to fifteen hours of overtime each week in gratitude for their "great" salaries and benefits. In short, he rules with an iron fist and expects his employees to do as he says, not as he does. Ever met anyone like this?

This man has fallen victim to Patrick Lencioni's *Five Temptations of a CEO*. He rewards people who contribute to his ego rather than to the results of the company. He would rather have no goals than set goals that might not be achieved. He is concerned with preserving his comfortable lifestyle and status in the community rather than creating value for his stockholders. These temptations, left unchecked, will ultimately be this CEO's demise.

Organizational "leaders" who fit this description don't just fail to motivate and build trust in their people; they actually tear them down, and their organizations follow. Real leaders exist at all levels of an organization, and the attributes that identify them are unmistakable.

What does real leadership look like?

Leaders **listen**. More times than not, they don't have the answers, but they find them by asking lots of questions and weighing the responses. This can't be done in isolation; it requires that they surround themselves with people smarter than they are who are willing to challenge the status quo. In short, they are willing to be vulnerable for the good of the organization.

Lencioni identifies the "desire for invulnerability" as the fifth temptation a CEO must avoid. When direct reports do not feel safe expressing opinions counter to those of the CEO, they will rally around the inferred opinion of the leader and only challenge one another when it is politically expedient. In this environment, important issues never surface and hard decisions are not made because harmony trumps effectiveness as a goal.

CEOs must tolerate – even encourage – discord. Only after they have *listened* to all possible solutions can sound decisions be made.

Leaders **empower** their subordinates. Peter Drucker said, "Leadership is not about money, fame and power; it is about empowering others to lead." Leaders know that true greatness outlasts them, and it is achieved by moving people in the direction of a goal. Therefore, leaders expect great things from themselves and others, so they live their values and mentor their followers to higher levels of performance. A true leader finds his greatest satisfaction in the development of his people. He seeks their success, not their affection, and thus holds them accountable for what he expects of them.

Leaders **align** their organizations. They seek clarity around their mission, going to great lengths to ensure that all employees understand and embrace the mission. They set priorities and hold everyone accountable for achieving shared goals. They help each employee understand how his efforts directly contribute to the company's goals.

Their decisions may not always be accurate, but they are always clear. Decisive action often cannot wait for conclusive information, but with everyone committed to the action, the organization can appropriately and quickly respond to the consequences, good or bad.

Leaders **develop** people. They know that the right people doing the right things are their greatest assets, and when properly trained and motivated, provide a unique competitive advantage. Leaders always seek improvement for themselves and their employees, and they create an environment to enable and encourage this. Fundamental to this environment is empathy for the needed balance in peoples' professional and personal lives.

Leaders **engage** with others as an active team member. They don't just manage from the sidelines, but are intimately involved with the matters at hand. They don't micromanage, however, but trust their employees to adequately fill their given roles. One cannot lead by example without being part of the team.

Leaders **reach** for the stars. They purposely push outside their comfort zone to mine change and lead transformation. They believe their work is significant, so they passionately stretch beyond perceived limits to achieve their greatest potential. Most importantly, they connect with people in a way that inspires them to do the same.

Leaders **serve**. In *Servant Leadership,* former AT&T executive Robert Greenleaf calls service to others a leader's primary purpose. Greenleaf claims that if people feel you are genuinely interested in serving others, they will not only follow you; they will dedicate their efforts to the common cause. The leader who serves his employees will find his employees eager to serve their customers.

Bill George talks about 21st Century leadership in *Authentic Leadership*. "We need authentic leaders to run our organizations," he writes, "leaders committed to stewardship of their assets and to making a difference in the lives of the people they serve".

Leaders' dedication to service reaches beyond their office walls. Think of leaders you know, and you will likely find them engaged in volunteerism of some sort. I was recently privileged to hear a young woman named Catherine Rohr talk about a prison entrepreneurship program she started. "It's not about us, it's about others," she said.

That's leadership.

Ellen Bryson is a licensed CEO Advantage advisor and owner of Bryson Trails Consulting. She has 25 years of business leadership and management experience in the telecommunications industry. She can be contacted at ellen@brysontrails.com.

For a complimentary reprint of this article, visit tcajournal.com.

Listen

Empower their subordinates

Align their organizations

Develop people

Engage with others

Reach for the stars

Serve

Managing the FAMILY BUSINESS

Three Key Disciplines

by David Dudon

The best way to succeed with a family business is to sell it.

Ever heard that? If you're a family business owner, you've probably thought it. It's usually said in jest, but satire owes its humor to an element of truth.

The fact is that family businesses confront a unique set of challenges, and it's no secret why. After all, they are *family* businesses. The owner can never escape the office because family dinners inevitably turn into board meetings, holiday gatherings become offsite retreats, and personnel decisions threaten more than just professional relationships.

Families can be a challenge to manage in their own right, but when family issues become business issues and vice versa, the challenges in each institution multiply exponentially. When family issues rob the energy that should be focused on improving the business organization, the business suffers, affecting many livelihoods, including those of non-family employees.

I grew up in my father's machining and fabrication business, and I served as President and CEO of the family business for sixteen years. Overall, I found this experience to be very rewarding. It was a privilege to work with those I loved, and our personal ties to the business made it easier to rally everyone around a common cause. However, I also encountered many challenges, especially when needing the courage to make the right decisions in a family environment.

The challenges of running a family business are inherent; they cannot be eliminated, but they can be managed. Key to overcoming these challenges is three specific disciplines: ensuring the right people are in the right positions, planning for succession, and conducting an annual family meeting. These disciplines are common to all businesses, but they have unique applications for family businesses.

JOHNNY ON THE (RIGHT) SPOT

Jim Collins writes in *Good to Great*: "People are not your most important asset. The *right* people are." He goes on to say that with the right people, the need to manage and motivate people is almost nonexistent. With the wrong people, you don't have a chance at having a great company. This presents a unique challenge for the family business because it doesn't always have a choice in choosing its people.

Before going further, let's clarify that this is not all bad. Having family involved in the business offers some potential advantages. For one thing, the core values and work ethic of family members are likely to be closely aligned, and the fact that they share a personal stake in the company's success is a powerful motivator for performance.

Of course, this natural familiarity with one another can also be a curse. It's hard enough to disagree with those you don't know and love, but even harder with those you do. When unhealthy dissension occurs, the rift can run quite deep, especially when there's no "escaping to home" from the family business.

So is Collins's observation relevant to family businesses? Absolutely. You might not be able to choose your people, but you can – and must – ensure that the right people are in the right *positions*. It's not easy, but it must happen for long-term success. In running my own family business, I found several principles to be invaluable in this regard. Like anything else, they are simple to understand, but difficult to execute. Nonetheless, you must find a way.

First, never create a position for a family member. For that matter, not every leadership position needs to be filled by a family member, regardless of who is available and interested. The goal is to get the right people in the right positions, not the positions for the people. Family members must understand that bloodline does not guarantee a position in the company, much less the executive team. It is particularly difficult for the first generation to face this fact. They want their children to run the company, but genes don't automatically deliver the right stuff to manage effectively. Nobody benefits if the business suffers, so business health must supersede family desires.

That said, it may be appropriate to show favoritism toward a family member, but only after he has applied and proven his qualifications like anyone else. Setting clear rules ahead of time regarding the hiring of family members will lessen the headaches when that time comes.

OIA Greece (Ilivia Yudkin)

Second, it's important to understand that, contrary to common assumption, the oldest child is not always the right choice for a position. I was the second son in my family, and it was not easy for anyone when I took control of the business. The reality, however, was that the CEO role did not fit my older brother's strengths. He had an essential role to fill in our business, but it was not as CEO. When I took the CEO role, I was not "promoted" above him in the family; he was still my older brother and respected as such. To his credit, he recognized that our roles in the family and our roles in the business were separate vocations. I admire him for the humility he demonstrated, which is perhaps the rarest, yet most important, characteristic of a leader.

Many families try to compromise by allowing a family member to share a position with another person. This does not work. If all are accountable, none are accountable. Furthermore, if one of the people sharing the job is not a family member, the non-family member will feel less freedom to make independent judgments, no matter how much he's assured otherwise by his management. This is bad business.

Third, never have one generation report to its parent generation. The parent boss is usually either too hard or too easy on his son or daughter employee. In response, the child tends to mimic the parent and never branches out to develop new professional skills or insights. I strongly recommend that a non-family employee supervise later generations of family employees.

WHEN JUNIOR NEEDS TO MOVE

Inevitably, a time will come when a family member needs to be fired or moved to another position. Understandably, but destructively, most family CEOs don't have the courage to follow through. Rather, they deceive themselves into thinking that they can develop the family employee. When it becomes clear that this won't happen, the CEO must face the facts and act.

I know of one family restaurant owned by several brothers who tried to avoid this situation altogether by refusing to hire any children. Their business was very successful, but when they grew older and decided to get out of the business, they had a problem. As the entrepreneurs, they had never relinquished any control of the business to their employees. Worse, their "our way or the highway" approach had inhibited their ability to develop anyone to succeed them. The restaurant was so closely identified with them that would-be buyers were scared by what they perceived to be a dead end. With no buyers and no future leaders in the organization, they had to close the doors, left with nothing but their memories. In attempting to avoid one problem, these brothers later realized that even they could not escape the issue of succession planning.

Most family businesses do not mirror these brothers' restaurant with nobody waiting in the wings, but regardless of approach, every business needs a successful succession plan. Because of the unique personal issues involved in a family business, it's very difficult for the CEO to do this without an independent advisory board composed of non-family members.

Therefore, **I encourage all CEOs of family businesses to form an advisory board before developing a succession plan.** This is important for all CEOs, but it's *imperative* for a family business. My advisory board was a small group of experienced confidants who could offer the unique perspective and the independent viewpoint I needed to make all difficult decisions, especially those involving family. Their advice enabled me to cite multiple independent perspectives to reinforce my decisions, rendering them more readily acceptable to my family.

It's never too early to develop a succession plan. Ideally, it should be in place long before you need it. If it's thrown together out of necessity, emotion is much more likely to play a role both in its design and the family's level of support. In laying out the plan, it's also important that no person's name be filled in the boxes. Set the structure of the plan before assigning names. Again, this will limit the influence of emotion over rationale in securing the company's future. When the time comes to enact the plan, it then becomes a matter of principled execution instead of emotional reaction.

Typically, family members are supportive of this process. Ironically, it's the *spouses* of family members that tend to be dissatisfied. Whatever the reasons, I've seen it happen too many times to ignore, and CEOs of family businesses should be prepared for this dynamic.

FAMILY MEETING

The third fundamental discipline for family businesses is a family meeting *separate* from the business meetings. All family members have a personal and financial interest in the success of the business whether they work there or not. Perhaps they actually own stock through inheritance, or perhaps their interest is just in ensuring that Mom has enough money to live when Dad dies. Whatever the reason, they should be informed of the state of the business. Therefore, the family council should consist of *all* family members. This is not only fair and in good order, but it will also avoid future family conflicts stemming from ignorance and confusion.

Use these meetings to teach the entire family about the business itself and the roles of the family members in the business. Those outside the business often have the wrong concept of what benefits those inside the business receive. They might believe, for example, that the business members use the company

All CEOs should form an advisory board to ask tough questions, provide independent perspectives, and suggest solutions, but it's imperative for a family business.

Santorini Church (Ilivia Yudkin)

expense account to pay their personal bills or to buy personal cars. Debunking these myths will head off many problems. The non-business family members need to understand how hard the business family members work and the difficulties they face as they strive to preserve the business for the next generation. They should also understand the succession plan and how they get paid their inheritance when the founder dies.

These meetings should be annual. If more frequent, they just become a job…or a party. I suggest conducting them off-site for about three hours, followed by a family dinner at the company's expense. One year, our family met in Orlando for our meeting so we could spend time together while taking our children to Disney World. Though they serve an important business function, these meetings can also be the source of special family memories.

In addition to general updates and succession plans, families may find value in inviting various experts to their family meetings. For example, an attorney could discuss issues related to their rights as shareholders, or a CPA could discuss the present and expected future value of the business. Planning a different special topic each year will keep the meetings interesting and expand the family's knowledge of the business.

Finally, it's important to emphasize that these family meetings should be conducted separate from the company executive meetings, regardless of any overlap in participants. Executive meetings are about running the company; family meetings are about the company's relationship to the family. Their purposes must remain distinct, and both are important to the health of the business and the family.

David Dudon is CEO of Retro Solutions and a licensed CEO Advantage advisor in Dayton, Ohio. He was formerly a partner in The Mutual Group, where he was CEO and President of Mutual Tool & Die. He can be contacted at ddudon@rsolutionsllc.com.

For a complimentary reprint of this article, visit tcajournal.com.

www.jillwagnerart.com

Jill Stefani Wagner

Ann Arbor, MI

Jill Stefani Wagner's watercolor paintings and pastel drawings have been exhibited in solo and group exhibitions throughout the MidWest, and her work hangs in various public and private collections throughout the United States.

The Greater Michigan Art Exhibition awarded her the Excellence in Technique Award and she was recently selected as an exhibitor in the Great Lakes Pastel Society National Competition. For the last five years, Jill's work has been accepted into the Annual Michigan Water Color Society Exhibitions. Two of her pastel paintings received honorable mentions in The *Pastel Journal's* Pastel 100 show and will appear in the magazine's April, 2009 issue.

Ms. Wagner has mounted 3 solo exhibitions at The University of Michigan and recently exhibited 45 watercolor paintings of Tuscany at Pfizer headquarters in Ann Arbor.

Her work is represented in Michigan by the River Gallery, in Chelsea, The Button Gallery in Douglas, and the Coyote Woman Gallery in Harbor Springs. She is a member of the National Watercolor Society, the Michigan Water Color Society, the Great Lakes Pastel Society, the Ann Arbor Women Artists and the Ann Arbor Area Pastelists.

Jill Stefani Wagner was born in Port Huron, Michigan. She received a B.F.A. from the University of Michigan School of Art and is senior partner of a successful graphic design firm, Wagner Design Associates, in Southeast Michigan.

Treescape: Fire (Jill Stefani Wagner)

Last Geraniums (Jill Stefani Wagner)

Ilivia Yudkin

Chicago, IL

Ilivia Marin Yudkin grew up in Louisville, Kentucky, and was always creatively inclined. As a child, she spent a great deal of time drawing, painting and studying the piano. She received her BFA from the Rhode Island School of Design, and her MFA from The School of the Art Institute of Chicago.

Strongly influenced by her travels, Ilivia takes a multi-disciplinary approach to her work. As a painter, designer and photographer, her work explores the relationship between internal and external spaces, often revealing a visual equilibrium of both tranquility and anxiety.

Her work has exhibited throughout the Mid-West and East Coast, and acquired by several private collections. She is currently a freelance Art Director and resides in Chicago.

www.iliviayudkin.com

Bike Ice Dusk (Ilivia Yudkin)

Alley, Venice (Ilivia Yudkin)

North Pond Fog (Ilivia Yudkin)

The Achilles Heel of

Reprinted by permission from *The CEO Advantage Journal*,
a publication of CEO Advisors, LLC. Visit www.tcajournal.com.

To find and retain great personnel, nonprofits must appeal to their hearts.

by Chris Elias

Nonprofits

Rain Over Molokai (Ilivia Yudkin)

A KEY PLAYER in one of my non-profit client organizations recently resigned to go to another company. The reason? Money.

Finding and retaining great personnel is an issue for any organization, but it's especially difficult for non-profits. Funding at all levels is drying up. Government programs are shrinking, and corporations are being much more selective in choosing the recipients of their contributions. Even individual giving is declining as people have less available cash to donate.

In this environment, non-profits must compete more aggressively for a smaller available pool of dollars. It is essential that they provide services at the highest level of quality, a determining factor in granting and giving. Needless to say, the quality of programs is a direct function of the quality of the people in the organization.

Most non-profits focus only on funding and programming; hiring is treated only as a task that must be completed to ensure the job gets done. This is a big mistake. With the wrong staff, everything suffers – programming first, then funding, and ultimately the non-profit's ability to survive.

Non-profits tend to consist of only two types of people: those who are there for their heart, and those who are there just because they need a job. All non-profits begin with volunteers who are there for their heart. They work very hard, and if the cause is right, the organization attracts money and grows. Eventually, they are able to move from volunteer labor to paid staff.

At this juncture, budget limits the non-profit's ability to compete. Most non-profits cannot afford to compete with for-profit companies on position-by-position salaries. Though some people willingly accept a lower salary because they believe in the cause, many employees work only because they need a job. As soon as they're offered more money somewhere else, they leave.

This category of staff is the Achilles heel of every non-profit organization. If it's just a job, employees will be less motivated and less productive. They tend to think more about self than organization, so internal politics drastically affect decision making. In short, quality is severely impeded when these conditions exist.

So how do we solve these issues? Focus on hiring for heart. To do this, I have found four steps to be invaluable in helping non-profit organizations to attract and cultivate "heart" employees.

1. Hire and Fire for Core Values

We hear so much about core values for a reason: knowing and following them is essential to every organization's success. All relationships succeed or fail based on how well the core values of the two parties align.

Core values should not be confused with personality. Two people may have very different personalities but similar core values, and the relationship will work well. On the other hand, two people with similar personalities but different core values will struggle to succeed together. Good relationships are fundamental to cohesive teams, and cohesive teams are essential to the long-term health of any organization.

Core values are the heart of the organization. Once clarified and understood, they should drive everything the organization does, beginning with hiring systems. Prospective employees should be filtered according to core values before any other considerations. As for current employees, those who do not align with the organization's values will usually remove themselves. If not, the leader must do it for them. Misaligned business relationships are a disservice to both employer and employee, and the non-profit organization, especially, cannot afford to let them continue. This is sometimes painful in the short run, but beneficial for everyone in the long run. It will directly improve employee turnover, morale, and productivity.

> The purpose statement should tell the world not *what* you do, but *why* you do it. This will attract employees who *want* to be there.

One might ask, "If finding people is so difficult, how can we afford to be so selective in our hiring?" This is where patience is so very important. Yes, it takes longer to find and hire someone who shares your core values, but if it lowers turnover (and it does), it will save you considerable money in the long run. One of my clients has taken nearly two years to do this, and their turnover is now nearly zero. With the efficiency of aligned employees, they are exceeding their budget by nearly 20%, which is especially impressive in a down economy.

2. Instill the Purpose

Purpose answers the question, "Why do we exist?" Almost all non-profits have a mission statement (too often a paragraph or even a page) that explains what they are trying to do. This is fine for marketing purposes, but it rarely motivates people. A true purpose statement should be simple and clean, telling the world not *what* you do, but *why* you do it. It's easy to remember and can serve as a rallying cry.

For non-profits, this is essential. Consider the donor base. People typically donate money to a non-profit because the organization is fighting for a cause that resonates in their hearts. Most non-profits get this. What they don't get is that mission statements often fail to resonate because they sound like old clichés. A well-drafted purpose statement drives the point home much better. When done correctly, this statement will attract more than donors and volunteers; it will attract employees who *want* to be there.

Drawing from the core values, the purpose statement unites, excites, and motivates employees to higher productivity. In such a work environment, money alone won't be enough to pry workers away.

3. Capitalize on the Available Workforce

In tough economic times, the available workforce grows. It's not just undesirables, either; due to bankruptcies and mergers, many talented workers are looking for jobs. Furthermore, tough times spur more people to prioritize meaning in their work. This presents a unique opportunity for non-profits.

A proactive organization can capitalize on this available workforce and quickly improve the quality of its people. The first step is to evaluate the current workforce based on the following criteria:

- *Core Values.* Does he share the core values of the organization?
- *Attitude.* Does she enjoy working there? Does she want to grow? Is he a team player? Do they work

Cloudscape No. 1298 (Ilivia Yudkin)

beyond the minimum accepted practices of their positions?
- *Skills.* Is he able to do his job and excel?

The first two address the heart component. All are essential. If an employee meets all of these criteria, he's a keeper. If, on the other hand, he will never meet these criteria, then he must be replaced as soon as possible. I am continually amazed at how many leaders willingly tolerate poor attitudes and core value mismatches simply because an employee has the skills for the job. It is in this portion of the workforce that the highest turnover, lowest productivity, and biggest problems will occur.

The next step is simple: take action. Whereas necessary personnel changes should occur regardless of the economy, a struggling economy offers some conveniences. The need for restructuring justifies letting people go, and with more people available, hiring for core values and attitude becomes easier.

A new client of mine is in this process right now. After clarifying core values and purpose, they are reengineering their workforce. Even though it usually takes longer to hire people with the right core values, the large available workforce has made finding good people much easier, reducing average hiring time from 48 days to 22 days. The new hires' hearts are aligned with the organization's core values, so they *want* to be there.

4. Enhance the Workplace with "Non-Compensation" Benefits

When an organization has to cut expenses, these "perks" are typically the first to go. I contend that they should be the last. Many studies have shown that the turnover of one staff member costs at least three times the salary of that position after replacement costs, training, and interim productivity loss are considered.

Furthermore, those who leave on their own tend to be the good ones. Some will leave for more money, but studies have also shown that money is usually not the primary reason that people stay at an organization. If you have lost someone for money, the hard truth is that your organization offered them nothing else that enticed them to stay.

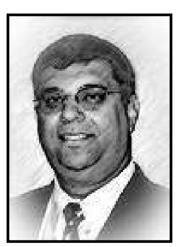
Given all of this, the non-compensation benefits usually sacrificed to save costs often pale in comparison to the costs incurred by the turnover that could have been avoided. Examples include employee recognition programs, internal newsletters, birthday parties, and others. These perks may seem insignificant, but to the staff, they help build a great place to work.

> If you lose someone for money, then you offered them nothing else that enticed them to stay.

Concluding Thoughts

Of all the great ideas to drive productivity, I believe these four concepts generate the greatest and most enduring results. They are simple concepts, but they require focus, time, effort, and guts. Organizations that fail to implement these disciplines inhibit their ability to grow long-term, and in depressed economic times, endanger their very survival.

More than any other sector, the non-profit world demonstrates the importance of having the right people on the bus. These organizations live off the hearts of donors, volunteers, and those who they serve, but without the hearts of their staff, their efforts will prove to be futile.



Chris Elias is a licensed CEO Advantage advisor who works with non-profits, government agencies, and high growth potential for-profit companies on strategic execution and growth. He can be contacted at chris@elias-assoc.com.

For a complimentary reprint of this article, visit tcajournal.com.

Dubrovnik (Ilivia Yudkin)

Timeless Concepts of Leadership & Management

Two great thought leaders, though separated by two millenia, teach the same time-tested principles.

by Prafulla Pande

Core values, purpose, mission, vision, and commitment form the foundation of every organization. Great organizations are built by great leaders and strong teams who work relentlessly to strengthen and preserve this foundation. For this to happen, executives must demonstrate strong leadership skills.

Experience is the best teacher, and history is full of experience from which we can learn. Our country has seen many great leaders in all walks of life, including politics, business, social work, education, religion, and others. Their experiences teach us valuable lessons. Beyond U.S. borders, we will find more great leaders with whom we may not be familiar. One of these great leaders lived 2,400 years ago and 10,000 miles away. He was responsible for the creation of one of the most successful empires in the history of India, and the principles he taught continue to resonate today.

Chanakya a.k.a. Kautilya (c. 350 - 283 B.C.) authored a management book called *Arthashastra*. It is one of the oldest management books available to the world and covers a wide range of topics, including statecraft, politics, military warfare, strategy, selection and training of employees, leadership skills, legal systems, accounting systems, taxation, fiscal policies, civil rules, domestic and foreign trade, and more.

Success is no accident; it results from well thought actions aligned with focused vision.

Through the centuries, scholars have repeatedly described Chanakya as a rare mastermind who was an expert in so many varied and specialized fields. Chanakya applied the principles and techniques of *Arthashastra* to help create India's Mauryan Empire, which spanned over one hundred years and is considered to be one of the brightest periods of Indian history.

Today, Jim Collins is recognized as a leading business thought leader. His books, *Good to Great* and *Built to Last*, have been national best-sellers, and his research findings are consulted by businesses around the world.

Separated by time and culture, Chanakya and Collins espouse astonishingly similar management philosophies. Chanakya helped build a great empire, and Collins helps build great organizations, but their principles know no boundaries of time, geography, or discipline.

Modern-day management begins with a leadership team committed to the organization's core values, purpose, mission, and vision. The same was true 2,400 years ago when Chanakya proceeded to help build an empire. He put vision, mission, and motivation ahead of everything else. He then identified the need to focus on leadership requirements, organizational strategies, and human dimensions.

According to Chanakya, the essence of leadership lies in justice and ethics. According to Collins, it lies in Level 5 leadership where leaders channel their energies away from their own egos and focus on the good of their organizations. Both exhort leaders to concern themselves less with power, rewards, and recognition and more on serving the needs of the people they lead.

Chanakya placed great emphasis on human resource development. He identified the basic non-technical qualities required for every effective executive: character, ability to concentrate, ability to think, ability to communicate, and ability to observe. He insisted that the king surround himself with people who possess these skills. Similarly, Collins emphasizes having the "right people on the bus" as the top priority for any executive. He summarizes the non-technical qualities required for leadership as attitude, knowledge, and skill.

The similarities between Chanakya and Collins continue in four key areas:

Leadership

Chanakya saw self-discipline, integrity, courage, decisiveness, sensitivity towards others, humility, and selflessness in great leaders. He said that great leaders are sensitive to the needs, feelings, and motivation of the people they lead. Today, we call this servant leadership. "Intense will and humility are the most important characteristics of leaders in the 21st century," writes Collins; "[Level 5 leaders] strive to "build enduring greatness through a paradoxical blend of personal humility and professional will." He says that until today's leaders make the transition to develop intense will and humility, their ethic deficiencies will negatively affect the performance and sustainability of their organizations.

Planning

Chanakya stressed the need for planning, saying that a failure to plan is a plan to fail. He also said that people should be firm about the goal but flexible with the process of achieving it. Likewise, Collins claims organizations are in desperate need of greater discipline: disciplined planning, disciplined people, disciplined governance, and disciplined allocation of resources. "Preserve the core, but stimulate progress," he writes.

Knowledge

Chanakya taught that knowledge is important and cumulative, and that small differences in ability can lead to enormous differences in results. Therefore, he encouraged people to focus on acquiring knowledge in their pursuit of superior results. Similarly, Collins claims the barrier to growth is not ignorance, but the illusion of knowledge. Level 5 leaders have the humility to admit what they don't know, and they do something about it. Recognizing the need for and diligently pursuing knowledge is supreme.

Results & Success

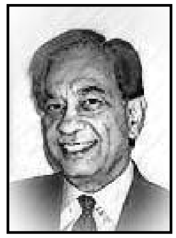
Chanakya says that success is no accident; it results from well thought actions aligned with focused vision. To sustain success, he says, organizations must implement a reliable system to collect real feedback and put corrective actions into place. Likewise, Collins writes that success comes through focus on the "Hedgehog Concept", the intersection of each organization's unique passion, best-in-the-world ability, and economic engine. Organizations that know their Hedgehog and operate within it are far more successful than those that don't.

* * * * *

* * * * *

Two great thought leaders, separated by 2,400 years and 10,000 miles, teach virtually the same management methodologies, even though their platforms are also quite different. What does this mean? It means these principles are timeless and universal. They apply to all organizations, regardless of industry, geographic location, or any other distinction.

Finally, leadership is impotent without followers. Many of today's followers belong to Generation Y (born between 1982 and 2001), which is very different from previous generations. To lead these people, one must earn respect and loyalty, not demand it. If today's workers don't see "intense will and humility" in their leaders, the best will leave the organization.



Prafulla Pande has years of experience as an executive in a large public corporation, entrepreneur, and small business owner. He is now a licensed CEO Advantage advisor and a public speaker on business and motivational topics. He can be contacted at ppande@pandeassociates.

For a complimentary reprint of this article, visit tcajournal.com.

Dubrovnik No. 7 (Ilivia Yudkin)

AWARDS ARE EVERYWHERE. Magazines, industry journals, chambers of commerce, newspapers, television networks, websites, community organizations, governments…all of them offer awards to be won by individuals or organizations.

What are the benefits of winning awards? Is it more than just personal satisfaction? Do awards offer any strategic advantages? Should they be actively pursued? How can organizations best capitalize on them – both internally and externally? What opportunities do they create?

Or are they just a waste of time, money, and energy?

The CEO Advantage Journal talked to three executives whose organizations have been very successful in winning awards. Beyond the obvious joys of public recognition, these leaders have learned to leverage awards for ongoing improvement in the health of their organizations. Indeed, pursuing awards has a rightful place in the strategic plans of many organizations.

The Benefits of Awards

Swiss Alps (Ilvia Yudkin)

Brian E. Fayak

Founder & Chief Visionary Officer

Nextep, Inc.

www.nextep.com

Company Information

Nextep provides Professional Employer Services for small and mid-sized companies such as payroll administration, benefits administration, HR consulting, and risk management in a single, bundled approach. Their objective is to make this essential part of a client's business very efficient through the use of cutting-edge technology and professional expertise. In doing so, the executives and staff are free to focus on running their business.

Nextep has been serving clients from a wide range of industries, focusing primarily in Oklahoma and Texas, since 1997.

Selected Awards

- Best Place to Work in Oklahoma (2006, 2007)
- Oklahoma Ethics Compass Award (2007): *For displaying a high level of ethical standards.*
- Character First Award (2008): *For displaying ethical leadership in the community.*
- Red Shoe Award (2007): *Given by Ronald McDonald House to Brian Fayak for volunteer efforts and charitable contributions.*

Your organization has a track record of winning different awards. Describe the key benefits to your organization of pursuing and winning awards.

The most important benefit we see is with our employee morale. We focus on hiring the best possible talent we can find. We also believe very strongly in the power of engagement – creating an environment where employees feel engaged and want to be productive.

One of our first major awards was *Best Places to Work in Oklahoma*. Our staff initiated that as a way to show pride in where they work. We work very hard on building a culture of ethics where employees have fun at work and have freedom to do what they need to do. Our employees like it, and they want to boast about it. Winning that contest began a snowball effect with other awards, and the morale and engagement of our employees has been very beneficial. Part of peoples' perceived success is the stature of the company for which they work.

In addition to helping us get the best employees, it helps us engage in the community, which is a real intangible benefit.

In your case, some may say that the big reason for winning awards is to attract new clients to your organization. How do you perceive that? Is that something you seek when applying for awards?

I think that's important. Good recognition can be helpful in putting potential clients at ease with our organization. Our focus, though, is on the employees and the community first because that forms the foundation of why we are successful. For the most part, you win awards because you do the right things, you're a good place to work, and you're a good corporate citizen.

Community service is big to us. Our people receive bonuses for doing a certain amount of community service hours. Our company certainly benefits from that.

It seems like there's a triangle of benefit. First, there's the culture of the organization. Second, there's the impact of the employees and the organization in the community. The recognition that comes with that feeds the third leg, which is the comfort level felt by your potential clients.

Yes, there's definitely a benefit there. My biggest point is that if you take care of the fundamentals, the benefits will be there. With a healthy culture and a commitment to the community, your business will do well regardless of what rewards you win.

Nextep is in a unique position since your clients are businesses themselves. You have the ability to influence them as they build their own organizational cultures. Do you encourage them to pursue awards as part of their strategy?

We do. Not only are we business-to-business, but we're in the business of human resources, and that includes stuff like employee benefit plans, payroll, and government compliance. Still, we believe strongly that culture is the #1 foundation of a company and how its employees perceive their workplace. If you do the basics, the awards will come, but there is real benefit in going after the right awards.

When my staff wanted to pursue *Best Places to Work,* I felt we had laid a good foundation for it. In fact, just pursuing the award made us better at running our company.

What did you specifically change in the process of trying to win that award?

Best Places to Work measured tangible things like benefit packages and average salary, so we were able to specifically address those. However, most of the criteria was based on employees' responses to a confidential survey on their perceptions of the workplace. Once judging was complete, we were given a copy of our own employees' responses and benchmarked against competing companies. Even though we won, this revealed areas where we could improve.

One thing we found was that today's young workers don't just want work-life balance; they want to work at all times of the day. This is particularly prevalent in our IT department (we have one IT guy who works from 8-noon and from 8p.m. - 4a.m.). We had to reconsider the flexibility in our work environment so our employees could have some of the freedom they wanted.

We ended up implementing an employee personal day once/month. Employees are able to take a day off to do anything they want, and it doesn't count against vacation time. Some were concerned about it, but we had a belief that the employees would not leave unless their work allowed it. That's exactly what we've seen. They have the freedom to make those decisions within the parameters that we give them. Obviously, some positions are not as free to improvise as an IT guy who can keep himself hooked in electronically at all times.

This can be difficult to manage, so many companies don't try it, but we have benefited from further empowering our employees. A strong culture allows us to do that.

Have you had any clients that have seen specific benefits from pursuing and winning awards?

Yes. One client manufactures seatbelts for cars and heavy machinery. Last year, they applied for *Best Places to Work* and used the process to increase their current employees' pride and attract new employees. Winning awards makes attracting talent much easier, and talent improves the organization.

Which of your company's awards was most meaningful to you?

Best Places to Work brought me a lot of pride because I founded the company and always wanted it to be a great place to work. The award that probably brought me the most pride, however, was the Compass Award from the Oklahoma Business Ethics Consortium. That award embodied the message we want to send as an organization. It's nice to be successful and a fun place to work, but it's important to be a company of character and ethics, always looking to do the right thing.

In the long run, the good guy doesn't finish last.

American Dream (Jill Stefani Wagner)

Vernon McKown

Co-Owner, President of Sales

Ideal Homes

www.ideal-homes.com

Company Information

Ideal Homes is a single-family production homebuilder and developer operating in the greater Oklahoma City area. The company is privately held and headquartered in Norman, OK. Since its founding in 1990, Ideal Homes has built more than 7,000 homes.

They have earned a reputation for high performance, and in 1997, they became the first builder in the nation to build affordable *Energy Star* homes.

Selected Awards

- America's Best Builder (2007)
- Gold National Housing Quality Award
- National Housing Quality Certification
- National Energy Value Housing Awards
- 5-Star Energy Rated
- Engineered for Life
- 5-Star Energy Value Builder

Your organization has a track record of winning different awards. Describe the key benefits to your organization of pursuing and winning awards.

We initially started pursuing awards for the public relations. We felt like free PR had more credibility than paid advertising, so our strategy was to leverage the PR from winning awards to create brand and company recognition and establish credibility in our marketplace. In particular, we thought that winning the *America's Best Builder* and *National Housing Quality* awards would really help us in the local media.

Do you remember your first award?

I think it was the local newspaper's "reader's choice" award. We won that quite a bit and made a big deal out of it. We later applied for *America's Best Builder* before we really understood what it would take to win it. After that first application in 1996, we had to face the facts that we weren't yet worthy of it and spend some time reengineering our company to be truly great. Greatness became our goal rather than the award itself. Several years later, we began to realize that we were a good company and worthy of some recognition. That's when we started seriously applying for the major awards. We felt we actually deserved them.

What ended up being the key benefit of pursuing and winning awards? Was it the PR?

Yes, it was – especially for the first one: the *National Housing Quality*. We won the silver, then the gold, and then we won *America's Best Builder*. Funny, by the time we got the *America's Best Builder* award, we didn't get as much media attention. We got a little attention out of the silver, a front page story out of the gold, but when we won *America's Best Builder,* the media didn't consider it much of a story anymore. We got a lot of industry coverage from it, but there's no value to industry coverage other than it makes you feel good about your company.

The other benefit – the #1 benefit, really – was employee morale, though that was not our original intention. Winning the silver made everybody proud and sparked the competitive juices to win gold, which made everyone more proud. We then won *America's Best Builder,* which galvanized the employees' belief that we really deserved the recognition we were receiving.

When we first applied for *America's Best Builder,* it opened our eyes to how far off base we really were. We said, "We want to be recognized as great, but let's *be* great first." If we had won *America's Best Builder* that first year, our employees would not have cared because they didn't think they worked for America's best builder. And we weren't. Even had we lucked into it, our employees would have said, "You have to be kidding." If you build a culture worthy of your employees' pride and then win an award, that's where you get the synergy that elevates the spirit because it's well deserved. They feel it, and they're proud of it. That was a big lesson for us.

What did you specifically change to fill the gaps and be worthy of those awards?

Our policies and procedures. We were selling lots of houses, but we were driving customers crazy with our high employee turnover rate. We realized that we had to address this first if we hoped to have happier customers, so we refined our hiring processes to focus on getting the right people on the bus. Prior to that, we'd fire somebody and the general commentary would be, "Why did we ever hire that guy? How did he ever get through our system?" In reality, we didn't have a system. We didn't have good training. When our customers would get mad at us, we'd throw around lots of blame internally when it wasn't really anyone's fault; it was because our human systems were inadequate.

So pursuing those awards provided a catalyst for improving the organization. Did you see improved results?

You bet. The catalyst was trying to answer questions for these awards, such as, "What's your employee turnover?" We were looking at the top and bottom lines, but employee turnover wasn't on our radar. The truth was eye-opening for us, and when we first started doing customer satisfaction surveys, it was pretty humbling. Today, it's much better. We have many reasons to be proud.

Where should organizations begin in their pursuit for awards?

There are tons of industry awards, but pursue those which play to your strengths. For example, we don't apply for any design awards; that's not our signature statement. Look inside your industry for what other companies have won and identify those which fit your company or embody what you want to be. That's the best place to start.

Which of your company's awards was most meaningful to you?

The *National Housing Quality Gold*. It's based off the Malcolm Baldridge criteria that really looks at your whole company – customer satisfaction, employee practices, employee hiring, company culture, systems and processes, overall metrics, profitability, business management, strategic planning, and long-range vision. To me, those criteria capture what it takes to be great. What's frustrating is that the general public requires explanation to understand the significance of it. The *America's Best Builder,* on the other hand, explains itself, even though its selection process if much less vigorous. The *National Housing Quality* is very in-depth, in my opinion. That's why it means so much to me. To win it, you really have to be doing it all.

Larry Weinberg

Owner & CEO

BOWA Builders, Inc.

www.bowa.com

Company Information

Named *National Remodeler of the Year*, BOWA Builders has been honored with more than 100 awards for excellence in high-end custom construction over the past 20 years. Specializing in additions/renovations, custom homes, and condominium remodels, BOWA serves clients in Northern Virginia, suburban Maryland, and Washington, DC.

Selected Awards

- Remodeler of the Year (2006): *Professional Remodeler* Magazine
- Contractor of the Year (1991-2008): *Natl. Assoc. of the Remodeling Ind.*
- Washingtonian Residential Design Awards (2005)
- Pacesetter Award – Production Process (2004): *Custom Home*
- NRS Award in Satisfaction - Excellence in Class (2003): *Professional Remodeler*
- 50 Great Places to Work (2003): *Washingtonian*
- America's Fastest Growing Companies (1994, 2001, 2003): *Inc. 500*
- Top 50 Fastest Growing Companies (2002): *Washington Business Journal*
- Top 500 Industry Leaders (1991-2008): *Qualified Remodeler*
- Best Bosses (2005): *FORTUNE Small Business* and *Winning Workplaces*
- Top 25 Remodelers to Work For (2005): *Professional Remodeler*

Your organization has a track record of winning different awards. Describe the key benefits to your organization of pursuing and winning awards.

There are three primary benefits. The first relates to marketing and public relations, especially if the press notices it. Whether it results in lead generations or just building the brand, there's a marketing benefit.

Second, it galvanizes corporate strategy. We had a goal to be one of the best places to work in Washington, D.C. It's one thing to set a goal and improve, but you never know if you've achieved it unless you measure it. To get an award for that is as good a measurement as we will find. In order to win it, we had to change some things in our company, and that effort was more important than the award itself.

Third, awards generate the pride and enthusiasm in the company. People like to be on a winning team. Not only does it help with the attitudes of our current employees, but it also helps recruiting. We now have people who seek to work for us because of our reputation, and I'm sure that much of that is due to the awards we've won.

I heard a great quote recently from Colin Powell: "Optimism is a force multiplier." A positive attitude multiplies your strengths. People will do a better job when they're proud of working for an award-winning company.

Is one of these benefits more important than the others?

It has changed over time. When we were a younger company, people didn't know who we were, so awards were important to build our resume and develop our brand. This year, we celebrated our 20th anniversary, and we've won 75 industry awards. We don't list them all as resume-builders anymore because we no longer need that.

When we initially put the *Best Places to Work* award in our company vision, we had a strategic need for that. We were a small company, and we had not yet built that great workplace as part of our core culture and corporate strength. Since then, we've won several of those types of awards, and our culture is strong, so we don't feel such a need to win those anymore.

Right now, a higher priority would be one of the "green" awards. That would be helpful from a marketing standpoint, but it also covers an area in which we want to develop more expertise. Striving to meet the criteria for those awards will force us to put more energy into becoming a greener company.

Did you consciously begin pursuing awards? Do you remember your first award?

Yes, it was a conscious decision. One of our first awards was *Contractor of the Year* for the Washington area. Shortly thereafter, we were named in *Remodeling Magazine* as one of the "Big 50," which is sort of the remodeling hall of fame. Josh, my business partner, and I were 24 when we started the company, so we needed those awards to build our credibility because we were newcomers to this marketplace.

Where should organizations begin in their pursuit of awards?

First, look for the right types of awards. Pursuing *Inc. 500* or another big national award might not make sense. If you look around in local trade associations and chambers of commerce, you're bound to find one that fits your current expertise. You should be able to win something. I remember going to awards ceremonies where there were only two entries for bathroom renovations from $10-$25K. Some awards may even have just one entry. Once you win a few, you become more recognizable and they begin to feed off each other. Don't just shoot for the moon; find something that's well within your sights and shoot for that. If you shoot for the moon and it takes a few years and you're not winning, you might lose the enthusiasm for trying to win.

Second, learn the rules of the game – written and unwritten – for any particular award. For some of our awards, we found that the most important factor – regardless of the project – was the quality of the photography. Pick up on those intangibles. How is it judged? What is going to tip the scales in your favor? For another award, the judges actually toured the project, so we made sure we had a tour guide there to point out some of the more impressive aspects of it. It's more than just understanding the rules; it's knowing how to win. Talk to past winners to get advice on how to win.

Golden Light (Jill Stefani Wagner)

Which of your company's awards was most meaningful to you?

We were in the *Inc. 500* twice. Those are special to me because I've always considered myself an entrepreneur. Remodeling happens to be the business we went into, but my passion has always been building a successful organization. *Best Places to Work* and *Best Bosses* speak to business acumen, so those are also special to me.

On the remodeling side, we won *Remodeler of the Year* in 2006. I can't think of a bigger industry award for us.

Many successful business people have been competitive all their lives, but in the business world, we don't have a Super Bowl. Awards fill that need for us.

Do you have any other comments about your experience winning awards?

It's been 20 years, and we now win several awards each year. I'm not trying to sound haughty, but we went through a stage where we didn't want to attend another ceremony and accept another award. Then we realized it could be a nice team building event. When we bring younger employees with us and see their enthusiasm, it gets us excited again. Sometimes, we'll bring the project manager and some of his guys from that project. They get to dress up, go to a nice dinner, and get recognized. It's a huge morale booster for those who may be getting an award for the first time in their professional lives.

For a complimentary reprint of this article, visit tcajournal.com.


Waikiki From Above (Ilivia Yudkin)

Releasing the Martyrs

Why people with whom you start your company are not typically the same people who help you grow the company.

by **Cyndi Gave**

Reprinted by permission from *The CEO Advantage Journal*, a publication of CEO Advisors, LLC. Visit www.tcajournal.com.

REMEMBER WHAT IT WAS LIKE in the early days of your company? Perhaps you started in your garage or basement with just a few friends, or maybe you were fortunate to have enough capital to share, own, or rent a small facility that was large enough to accommodate the work at hand.

Your staff was probably hand-picked from people you knew. They risked their careers and family income on you – not just your business concept, but *you*. They believed in your personal capacity to be successful, and they supported your dream.

They often worked twelve-hour days and six-day weeks, but the long hours did not feel difficult. You all shared the same dream, you thrived in each others' company, and you felt a contagious energy working side by side.

In rare moments of respite, you would all share thoughts about what it would be like when this business really got off the ground. Everyone knew it would all be worth it someday, and whether you said it or not, you knew that you would reward these dedicated people who made it happen – the ones who made the personal and professional sacrifices. The martyrs.

Fast forward a few years.

You've added additional people and have the business operating at a reliable level. As the money comes in, you show your appreciation by paying everyone a little over market demand to make up for the years you could not pay what they were worth. The martyrs feel appreciated; they know their blood, sweat, and tears are being well compensated, and they know you understand their sacrifice.

Business is good. Life is good.

So business keeps growing, and staff keeps increasing. You're ready to work some "normal" hours, and you want to give those martyrs – those who sacrificed so much for you – a "normal" life again, too.

You have two choices: reassign some existing staff to work for those original few, or ask the original few to hire new staff, enabling them to delegate work and return to normal hours and stress levels.

In your mind, either of these is a great idea. You and your buddies can enjoy a "normal" life, and you may even be able to spend some social time together. At work, you can work closest with those you most enjoy since you no longer have everyone reporting to you. Furthermore, you can reward the martyrs even more because they are now supervising others. Finally, and most importantly, the company runs more efficiently.

To your surprise, however, your buddies don't like this idea. They don't want to supervise employees. That will require training (which they think "wastes" time), and they don't trust new employees to do things the way they should be done.

The reality is that you are trying to make them something they're not. They're the martyrs. They *love* the absurd hours tackling work that no one else wants. They have sacrificed their personal lives – maybe even their families and health – to get this company rolling, and now you're asking them to empower others to continue *their* work?

No way.

TOUGH DECISIONS

Two issues are at play here. First, you have always rewarded them for their individual contributions and personal sacrifice, so that's what they expect to do. Second, they enjoy following your lead. They believe in the cause, and they like digging in and making things happen. It doesn't feel like sacrifice. It's fulfilling.

These issues will arise each time your organization reaches another plateau. The skills that got your organization to this level are not necessarily the skills that will take you to the next one. It is rare to find an employee who has the skills and characteristics to be excellent at each level of organizational growth. It's even rarer to find an employee who feels fulfilled at each level.

At some point, you will need to assemble an executive team to help you with strategic matters, and this team may not include the original martyrs; they may be exceptionally good at the tactical activities, but they may not find fulfillment in strategic matters. If they're forced into that role, their dissatisfaction will be reflected in their work, behavior, and surrounding employees.

The pressure you feel is not from the employees, but from the obligation you feel to **reward them for their service**.

In forming an executive team, the pressure you feel is not from the employees who have served you so well for so long; it's from the obligation you feel to reward them for their service. By not promoting them to executive-level, you feel as though you are betraying or discrediting them, and this keeps you from doing what you need to do for the organization. Some of the thoughts going through your head include:

- I can't ask my key individuals to report to a new hire; that will appear as a demotion or a devaluing of their efforts.
- I can't replace these people with someone else. I need to take care of them after all they have done for me.
- Maybe they will eventually realize that I need them to lead and become strategic players. They've always helped me before, and they'll do it again.
- These guys are smart. They will rise to the challenge if I just ask them.
- We're doing just fine, so maybe we don't need to make these changes.
- Then again, "good is the enemy of great."

Actually, there are a variety of ways to recognize your best contributors for what they have done in the past without sacrificing the future performance of your organization. Yes, you may need to part ways, but this is not necessarily the only solution. If it is the best solution, you and your treasured employees can still find a positive outcome.

SOLUTIONS

First of all, you must come to terms with your own paradigms. In your heart, you want to do what is best for your employee, and you may believe that means you need to keep him employed. In reality, however, that employee might be more successful, more fulfilled, and happier when employed by someone else.

Most people really want to be successful and feel like they do great work. In all my years of facilitating learning sessions, no one has raised a hand when I ask, "Who got up this morning thinking, 'How can I be a loser today?'" So before deciding what to do next, you must first accept the fact that your employees could actually be better off elsewhere.

The next step will feel incredibly uncomfortable at first, but it will be a tremendous relief as soon as you start. You need to have a conversation with the employees of concern. Start with the following points:

- I want to talk about our future and how we can both be very happy.
- You have been an incredible contributor to this organization and my personal success, and I want only the best for you.
- Now that I'm in a much better place than when we first started, I want to explore what *you* want for your future. I realize it may not include me or this organization, but I want to help you achieve your personal goals.

The meat of the conversation is all about your treasured employee:

- If money were not a concern, what type of work would you do?
- What types of work have you enjoyed the most in the past?
- Tell me about the most satisfying situations or instances with which you've been involved in the last ten years.
- Is there anything you clearly do *not* want to do?
- Describe the type of people with whom you most enjoy working.

Remember, these are people who enjoy taking care of you, so the first part of the conversation should remind them that you are fine and it is your turn to take care of them. At the very least, you no longer need these employees to take care of you.

The second part of the conversation should explore what the employee finds fulfilling. If you feel ill-prepared to help in this matter, you might recommend a coach or employment specialist who could administer assessments and explore what careers would be best for your friend.

After the initial conversation, it's easy. You can help develop a plan to prepare the individual for his next role, whether it is inside or outside the organization. You might provide financial support, moral support, or just time to pursue these activities.

If both of you agree the employee is best suited as an individual contributor within your organization, it's time to discuss positioning him as a special internal consultant. It's even possible that your friend may, after the career exploration, be very content reporting to someone else and helping make that person very successful in supporting you.

Most importantly, you must determine at what this person excels and in what environment. The compensation part may require some creativity, but if you were prepared to pay him more to keep him in a position that was not ideal, why not do the same to put him in a better position for himself and the company?

These decisions are growing pains. They may hurt in the moment, but they hold promise of great things to come.

Cyndi Gave, President of HR Advantage, Inc., works with clients to align talent to business objectives using strategic selection processes and practical, results-oriented approaches to performance acceleration. She can be reached at cyndi@hradvan.com.

For a complimentary reprint of this article, visit tcajournal.com.

Reflection Spring Green (Ilivia Yudkin)

Whether or not you plan to sell your business, your organization may benefit from acting like it.

Preparing Your Business for Sale

Jeff & Tracey Wills

Always run your business as if you are going to sell it tomorrow.

For years, we owned and operated a successful mid-size home health care business. Though times were good, we knew that business circumstances can change quickly. If we ever found ourselves in a situation where we needed to sell quickly or had a suitable company interested, we needed to be ready for display.

Even if a sale was not in our future, this mantra provided good discipline for us. We always wanted to build and grow a sustainable organization of value, and the figurative prospect of a big national buyer provided the daily incentive to do so. Whether we or someone else were the owners, our business was going to be successful for the sake of us, our employees, and our community.

The day finally came when the specific conditions of our industry prompted us to approach a large national company to buy our business, and our discipline paid off. They were incredibly impressed with the strategic alignment of our organization, thus enabling a favorable sale price for us. Best of all, the post-sale transition of the company confirmed the value of our organization. One executive from the purchasing firm said they had never had a transition go so smoothly; such praise may have been worth more to us than anything. We felt good knowing we had built a foundation that allowed our employees to thrive regardless of their company's owner.

Three disciplines were fundamental to our successful sale: establishing a systematic process for doing business, staff and leadership development, and strategic positioning. They are called "disciplines" for a reason. They cannot be "turned on" immediately to impress a buyer; they must be an integral part of the organization's identity.

ESTABLISHING A SYSTEMATIC PROCESS

About four years prior to our sale, we began implementing a quarterly strategic meeting rhythm from which we had seen tremendous results in another local company. Over time, the results were positive and dramatic. Everyone in our organization clearly understood the company's objectives, and these objectives drove everything we did, from the executive boardroom to the shop floor. The process provided the framework from which we could consistently plan and execute, and our people followed through.

When the buyer first looked into our business, it was clear that we were not just another mom-and-pop operation. They were incredibly impressed with the strategic planning process we had in place. We were able to present them with four years worth of one-page plans that quickly brought them up to speed on our priorities, our motivators, and our results. First, they noticed ways that they could improve the organizations they already had. Second, they believed they could drop their own strategies into our system and allow our people to work their magic. With such a disciplined process in place, they didn't

Winter Woods (Jill Stefani Wagner)

have to do any work! As such, this process was the most significant contributor to the value of our company.

STAFF AND LEADERSHIP DEVELOPMENT

Our buyer did not just buy our company; they bought our people. Our goal from the beginning was to be the "best of the best," so we spent time making our people the best. This increased the company's value *and* increased the value of our people in the marketplace. We both won, which is just how we wanted it.

Like everything else, our strategic process drove our staff and leadership development. We identified early who would be in what role, and we expected leaders at every level of our organization to drive the same strategic objectives and meeting rhythms in their teams.

> A healthy organization is the best guarantee for a successful sale.

When the purchasing company first visited us, they were amazed at the alignment of objectives and processes at every level of the organization. As they interviewed key staff members from all levels, they repeatedly heard the same strategic messages, not because we had primed our people for these discussions, but because these messages were inherently who we were. Most importantly, our employees were producing measurable results at all levels. They were not dependent on us; *they* were the value of the company. Therefore, the purchaser had the confidence that they would continue to create value regardless of who owned the company.

STRATEGIC POSITIONING

Thanks to our process, we were able to proactively seek a strategic buyer when the time was right to sell our business. Rather than simply selling ourselves to the strategies of a purchaser, selecting the right purchaser became a strategic objective for us. Thus, our deeply-ingrained process was the best positioning for a sale we had.

By looking at our process, the purchaser was able to justify that they were getting what they were paying for. The purchase price negotiation was then based on this strategic justification.

POST-SALE TRANSITION

Following the sale, our focus shifted to a successful transition. Again, the process defined the plan: stick to the framework and *execute!* Our people were used to the process. They knew how to interact with each other, how to handle problems, how to prioritize – in short, how to run a business. In a time of increased unknowns, they simply stuck to the plan. Routine brings a certain level of calmness to times of uncertainty.

The process allowed our team to systematically integrate new people into a larger system. As expected, the new strategies and objectives of the parent organization dropped into the system nicely, and our organization worked its magic. The purchasing executives were impressed with the ability of our lower-level people to easily grasp their principles and be so disciplined in their execution. In fact, they later plucked people from our "little engine that could" and sent them to other locations to implement the same process and produce similar results.

Also key to the successful transition was total openness with everyone in our organization. When we chose to shop our company to a national buyer, we could have chosen not to tell anyone what we were doing, but that would not have allowed the buyer to see the full value of our team. Our strategic positioning became a company-wide objective, and our people were deeply involved in the process. Consistent with our culture, we wanted to be the best – in this case, the best transition our buyer had ever seen.

The goal was shared by everyone, and we promised our people a shared reward if we were successful. As owners, we could not have been in this position had it not been for their devotion and diligence, so they deserved a reward for their efforts. This aligned their personal objectives with ours, and everyone pulled together to prepare a truly excellent organization for the new owners.

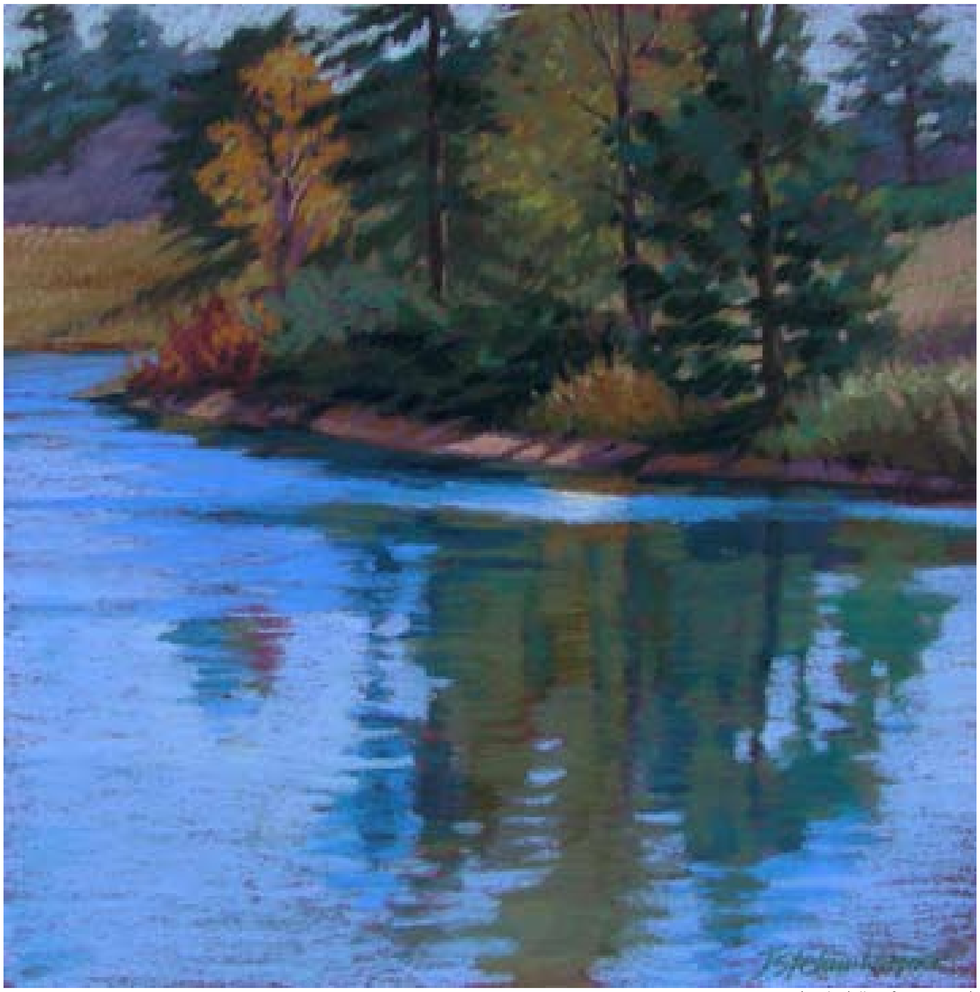
SEEKING COUNSEL

Our success in building an organization and positioning it for sale would have been much less had it not been for our willingness to seek an outside perspective. As entrepreneur CEOs, we could only take our organization so far alone. We needed an outside perspective to bring fresh ideas and experience, unhindered by the biases we had naturally developed. He helped us drive the process, held us accountable, and always brought us back to center when we were tempted to get off track.

Seek outside perspective, instill a framework, develop people, implement shared goals with shared rewards, and execute. This is the formula for a healthy organization, and a healthy organization is the best guarantee for a successful sale.

Jeff & Tracey Wills are licensed CEO Advantage advisors and the former co-owners of Canadian Valley Medical Solutions, Inc., a home medical equipment and specialty pharmacy services provider. Under their leadership, the company was consistently recognized among the fastest growing companies in Oklahoma City before being sold to a Fortune 50 public company in 2006. They have been married since 1984. Contact them at jwills@theceoadvantage.com and twills@theceoadvantage.com.

For a complimentary reprint of this article, visit tcajournal.com.


Craig's Lake (Jill Stefani Wagner)

How well-meaning advisors, consultants, and executives have hijacked a good framework for gaining clarity of vision.

By Troy Schrock

BHAG This, BHAG That…

MANY COMPANIES across a wide variety of industries have adopted a BHAG (Big Hairy Audacious Goal) since Jim Collins and Jerry Porras first published the term more than a decade ago (*Built to Last*, 1994; *Harvard Business Review*, "Building Your Company's Vision," September/October 1996, pp 65 – 77). Advisors, consultants and executives all jumped on this concept because of its tremendous power for helping organizations gain clarity of vision. Executives hailed the BHAG as the "sure thing" to catapult their organizations to the top, while advisors and consultants saw the BHAG as a tremendously useful "value added" tool to use with their clients.

But something went slightly askew with the BHAG concept. What began as a transformational business tool became just another process endured by executive teams.

Somewhere Along the Way, BHAG Got Hijacked!

With the tremendous growth and popularity of BHAG, its use and application has become muddied. More and more often, BHAG is used by organizations as a mish-mash term or a fill-in-the blank answer they feel obligated to include in their vision. A vision is simply not complete without a BHAG, or so goes the thinking. The problem is this is neither useful nor effective for achieving clarity of vision.

This rigid focus on determining a BHAG no matter what simply misses the mark. It blocks a broader understanding of the framework for helping executive teams and organizations craft their long-term vision. As a result, I have seen a good number of organizations struggle to establish a BHAG, gain organizational commitment to a BHAG, and/or achieve the results expected from a BHAG. Based on my experience, this seems to be a common occurrence; it appears with some consistency throughout the spectrum of mid-sized to large organizations in both the for-profit and social sectors.

But does it really matter? There is no "technical standard" for a BHAG, so is there really reason for concern? The answer to both questions is yes. It does matter a great deal, but not for the sake of the term itself. Rather, it matters for the critical executive work of getting people aligned and excited about the long-term vision of the organization. The outcome of achieving this organizational vision (or of failing to achieve it) has very real effects in terms of money and people. (This is vividly illustrated later in this article when we reference a well-known organization with a very public BHAG. Soon after it was set and publicized, the organization entered Chapter 11 bankruptcy. Many people lost their jobs and income, and investors lost money.)

The intent of this article, however, is not to reestablish all of the definitions and examples of BHAG originally set forth by Collins and Porras. If you are unfamiliar with the basic concepts or simply want to refresh your existing understanding, I highly recommend you begin with some initial reading at *www.jimcollins.com* and then obtain the original book and article.

What are some of the common ways BHAG has become hijacked, both as a term and as a concept? And how can the original intent of the BHAG concept be restored to usefulness for executive teams as part of a larger framework for honing and achieving the long-term visions of their organizations?

Organizations commonly hijack BHAG in three distinct ways:

1. When BHAG becomes just another general term for a "goal" of almost any sort.
2. When BHAG is set in a hurry without the benefit of good thought and refinement.
3. When BHAG is broadcast to the world indiscriminately as merely a public display.

Let's take a closer look at each of these in turn.

BHAG Just Another General Term for a Goal

This is the first and most common way organizations hijack BHAG. It occurs when executives apply the term BHAG to any (and sometimes all) organizational priorities, regardless of their bigness or immediacy. The telltale symptom of this problem is when executives make comments about a goal being "our BHAG for the year" or "our BHAG for next quarter." These comments usually don't become public because they are made during executive team planning sessions or meetings. Occasionally, though, evidence of this manner of hijacking does emerge publicly. For instance, here is a quote from the June 11, 2003 *San Jose Mercury News* article, "Crystal-clear vision," by Jon Wilner:

> *So each June, Leland stands before his highly decorated coaches and presents his BHAGs. He also reviews the BHAGs from the previous year, discussing both the successes and the shortcomings.*

Why is this use of BHAG a problem? Because it weakens the term BHAG until it becomes the same as any other goal rather than a very special type of goal. At first this might seem like a harmless issue of semantics, and in some cases that may be true; however, in the vast majority of cases it is not harmless at all. It creates an atmosphere where everything is important, so nothing is important. In other words, when everything is a BHAG, nothing is a BHAG. These watered-down goals are neither compelling nor audacious, often leaving executives and employees in the organization confused. Even worse, they also lead to wasted time, effort, and resources.

What is a BHAG?

"In Built to Last, we defined BHAGs as a key way to stimulate progress while preserving the core. A BHAG (pronounced bee-hag, short for "Big Hairy Audacious Goal") is a huge and daunting goal—like a big mountain to climb. It is clear, compelling, and people 'get it' right away. A BHAG serves as a unifying focal point of effort, galvanizing people and creating team spirit as people strive toward a finish line. Like the 1960s NASA moon mission, a BHAG captures the imagination and grabs people in the gut."

—Jim Collins in *Good to Great*

BHAG Set in a Hurry

This is the second way organizations hijack BHAG. Executives, and all too often advisors and consultants, push for a quick answer to fill in the BHAG box on their strategic planning form. Their rush to create a BHAG is usually followed by a similarly rushed announcement to the entire organization (with a great deal of fanfare, of course). BHAGs simply cannot be set too quickly or with too little thought; the real truth many organizations forget or overlook is that big goals require careful thought, rigorous challenge, and detailed refinement. There will always be good BHAGs and bad BHAGs, regardless of the amount of time taken to develop them; however, a BHAG set in a hurry is much more likely to be a bad BHAG. Why? Because it lacks the beneficial effects of time spent challenging it to ensure consistency with the organization's business model, core values and purpose.

The negative repercussions of adopting a hastily set BHAG can be numerous and significant. At the very least, an organization wastes resources pursuing an errant BHAG. Employees may also become disenfranchised and disengaged from an organization when the BHAG changes on an annual or quarterly basis. A far more serious repercussion from a hastily set BHAG, though, is this: the organization gets what it sets out to achieve.

How can this be a problem? A perfect example is the hurry-up BHAG set by Federal-Mogul, a large supplier to the automotive industry, in the late 1990s. A large part of the BHAG they publicly broadcast was growth – fast growth. Fast forward eight years, however, and we find this excerpt from a posting on *Crain's Detroit Business* website:

> www.crainsdetroit.com, November 8, 2007
>
> With judge's OK, Fed-Mogul would end 6 years in bankruptcy
>
> *By Robert Sherefkin*
>
> *Federal-Mogul Corp.,* involved in one of the longest-running bankruptcy cases in auto industry history, is poised to exit court protection…
>
> …Company lawyers have spent years sorting through claims involving billions of dollars in liabilities for asbestos-related afflictions. The claims arose from companies acquired by Federal-Mogul during its rapid consolidation starting in the late 1990s. Former Federal-Mogul CEO Richard Snell made that growth part of his "BHAG, or Big, Hairy Audacious Goal."
>
> From *Automotive News*

This is a revealing case of what happens when a BHAG is not seasoned with good critical thought and reflection. For Federal-Mogul, the raw pursuit of growth led to real-life negative consequences for employees and investors alike. Focusing on revenue and growth for the sake of revenue and growth alone rarely, if ever, produces a strong organization and financial results over the long-term. Yet all too often, these two items – revenue and growth – are the common default components of BHAGs set in haste.

Yes, a BHAG is a "bet the farm" type of goal, and these types of pursuits can put an organization at risk if they do not succeed. However, there are both wise and unwise goals to pursue "at any cost." An effective BHAG must be set only after gaining the necessary understanding of the business, which requires a good deal of time – sometimes even years of refinement and thought.

BHAG for Public Display

This is the third way organizations hijack BHAG. They make their BHAG public for the whole world to see, more as a catchy communication mantra than a legitimate, thoughtful target. It seems as if organizations doing this are only interested in impressing the widest possible audience.

> The primary purpose of BHAG is to inspire and motivate people *inside* the organization.

Let's assume for a moment, however, the BHAG is actually very good. Do executives actually think the outside world cares at all about their BHAG, or are they just anxious to publicize the BHAG for reasons of ego or bravado? A BHAG should be compelling, but compelling for whom?

Remember, the primary purpose of a BHAG is to inspire and motivate people *inside* the organization; therefore, it should be communicated *internally*. Employees are concerned about the organization, so they are more likely to be captivated by daring initiatives. In the broad scheme of things, customers and the general public do not care about your BHAG. Few, if any, customers will come knocking on the door wanting to spend their money so you can achieve your BHAG. No, they are merely concerned about your value proposition meeting their own needs.

Restoring BHAG

If BHAG is to be useful to an executive team, it must be restored to its original intent. It must be part of an overall framework for honing and achieving the long-term vision of the organization.

Let's take a very practical look at BHAG from three perspectives:

- The Right Context
- The Right Conversations
- The Right Communication

The Right Context

BHAG must be understood in the right context as one part of an organization's envisioned future. It does not stand alone. Rather, it stands alongside another important concept: the vivid description. According to Collins and Porras, a "well-conceived vision is about two major components: core ideology and envisioned future" ("Building Your Company's Vision," p 66). The envisioned future also has two components: BHAG (10 – 30 year Big Hairy Audacious Goal) and a vivid description.

Unfortunately, a large number of organizations have latched on to the concepts of core values, purpose and BHAG, but missed entirely the equally important concept of a vivid description.

I see this phenomenon across many different industries and organizations, both in situations where the concepts were implemented by the organizations on their own and when they were assisted by advisors or consultants.

As is highlighted in the article noted above, there are a few key items to bear in mind regarding vivid description (p 74 & 75):

- It is a vibrant, engaging and specific description of the future.
- As with BHAG, it is a creative process.
- Use "20-year" questions (what should this company look like 20 years from now? What would you love to see? What should it have accomplished? What does it feel like to employees?)
- Passion, emotion, and conviction are essential parts.
- It may utilize an analogy to describe the company such as a garden, an athletic team, or a race car pit crew.

The vivid description is an excellent first step for executive teams as they begin building their organization's envisioned future. A good practical exercise to get this started involves asking the executive team to write a business magazine article about the company from 15 or 20 years in the future. This process often spurs wonderful discussions among team members, bringing their creativity out into the open.

Even Collins and Porras admit in their article, "We find that executives often have a great deal of difficulty coming up with an exciting BHAG. We have found, therefore, that some executives make more progress by starting first with the vivid description and backing from there into the BHAG" (p 75).

The best results are produced when executive teams are encouraged to spend more of their time in the kind of dialogue required to cast a picture of what the company looks and feels like in 15 – 20 years. This increased focus on the vivid description, as a part of the broader envisioned future, shifts undue focus away from just setting the BHAG. Ironically, taking this initial step away from the BHAG ultimately helps the team make greater progress toward a clear, compelling BHAG.

The Right Conversations

Teams working toward a BHAG must have the right kind of conversations along the way. The key question in determining the nature of those right conversations is "what makes a good BHAG?" Jim Collins offers valuable perspective on this in his book, *Good to Great*, as well as offering more details on his website. According to Collins, a good BHAG:

- Is set with understanding, not bravado.
- Fits squarely in the three circles of the Hedgehog Concept.
- Has a long time frame — 10 to 30 years.
- Is clear, compelling, and easy to grasp.
- Directly reflects core values and core purpose.

Source: www.jimcollins.com/lab/buildingVision/p3.html

Putting a proposed BHAG up against these five criteria will force debate and rigorous challenges within the executive team. These are the right conversations to have for setting a good BHAG.

To illustrate this point further, see the story Collins shares about Starbucks at *www.jimcollins.com/lab/buildingVision/p4.html*.

When you read the Starbucks BHAG and listen to the story as told by Collins, you will quickly get a better feel for how the right conversations centered on debate and deeper thinking can produce a good BHAG.

The Right Communication

The purpose of a clear and compelling envisioned future, according to Collins and Porras, is to inspire and motivate employees. To fulfill this purpose, the organization must engage in the right communication about their envisioned future – the vivid description and BHAG. Messages about these items should be designed and composed specifically for internal audiences, not external audiences. In fact, communicating these messages outside the organization provides no clear benefit and could actually prove detrimental in the end.

Why is it so important to use the right communication with internal audiences? Because the real work of bringing the en-

Setting BHAGs in Middle Market Organizations

Rarely, in our experience, does the BHAG emerge quickly for middle market organizations. This does not mean they have not had a BHAG in the past. Early in the life of the organization there was likely one or more BHAGs established by the entrepreneur. Maybe it was a David vs. Goliath type BHAG as the organization set out to make its mark in an existing industry.

By the time the organization grows into the middle market the BHAG has probably run its course and the executive team is now faced with the prospect of setting a new BHAG. Careful thought and debate are required at this important juncture of resetting the BHAG. Working on a vivid description has proven to be an effective tool in helping the executive team craft the organization's long-term vision if they get "locked-up" when a BHAG doesn't quickly emerge.

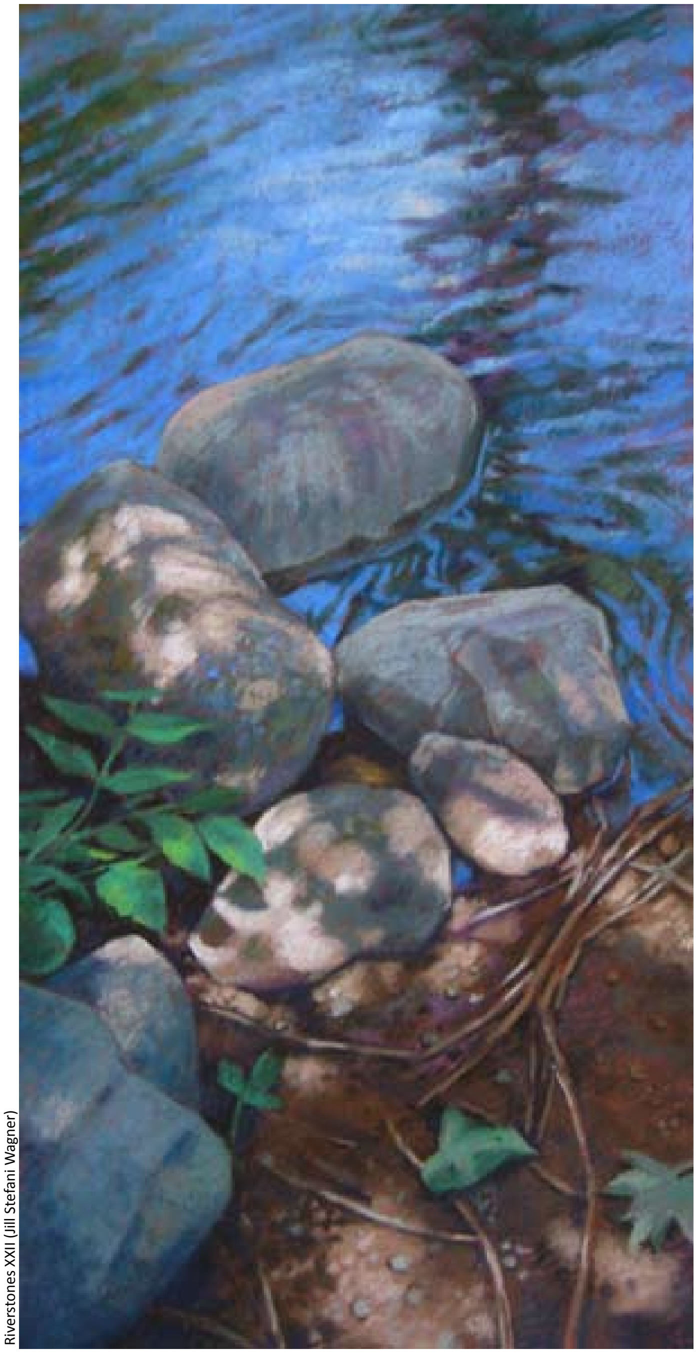
visioned future to life is accomplished by those internal audiences - the employees inside the organization. It is okay for misalignment issues to show up when the vivid description and BHAG are first communicated; in fact, this is to be expected. Put simply, this occurs because the internal reality does not match the internal communication of the future vision.

The best executive teams use these misalignments as opportunities to strengthen the mechanisms that will ultimately produce strong alignment, thus bringing the internal reality in line with the future vision. This is very important work for the executive team; the process of identifying and driving out misalignments is no light task. However, as the organization comes fully into alignment over time, the executive team and employees will notice external communications (such as articles and comments by those outside of the organization) beginning to reflect the reality of the BHAG coming to fruition years after the BHAG was set and communicated inside the organization.

When executives use BHAG in the right context, with the right conversations, and with the right communication, it becomes an extremely powerful tool. It is a critical part of the larger framework necessary to hone and achieve long-term vision.

Troy Schrock is a licensed CEO Advantage advisor, helping CEOs and executive teams in a wide range of industries with team effectiveness and strategy execution. He can be reached at troy@theceoadvantage.com.

For a complimentary reprint of this article, visit tcajournal.com.



Riverstones XXII (Jill Stefani Wagner)

Leaders are forged in the crucible of adversity.

If you faint in the day of adversity,
your strength is small.

(Proverbs 24:10)

MADERAS VOLCANO NO.3, ILIVIA MARIN YUDKIN

ABOUT THE ARTISTS:

Cover

Jill Stefani Wagner's watercolor paintings and pastel drawings have been exhibited in solo and group exhibitions throughout the Midwest, and her work hangs in various public and private collections throughout the United States. She is the senior partner of a successful graphic design firm in Southeast Michigan.

(SEE ARTIST PROFILE ON PAGE 26.)

Back Cover

Ilivia Marin Yudkin is a painter, designer, and photographer whose work is strongly influenced by her world travels. Her work has been exhibited throughout the Midwest and East Coast and acquired by several private collections. She is currently a freelance Art Director in Chicago.

(SEE ARTIST PROFILE ON PAGE 27.)