THE CEO ADVANTAGE JOURNAL

2011

CANVAS BACK IN BLUE-GREEN STRIPED WATER, PAUL CLARK

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™

Team. Strategy. Execution.

The CEO Advantage Journal

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the CEO | *advantage*™

Dear Reader,

Where would we be without leaders who rise to the challenge? Adversity galvanizes the desire, strengthens the core, and incites changes that lay the groundwork for future results. The work of innovation is hard, but the results are satisfying. Indeed, we reap what we sow.

Many organizations have begun realizing the benefits of some tough "sowing" over the last couple years. They will tell you that although the challenges may change over time, the fundamentals of leadership and organizational success have not changed. The messages in this year's edition of *The CEO Advantage Journal* reinforce these fundamentals. The wisdom shared by this year's contributors is the culmination (reaping) of decades of diligent effort and practical experience (sowing).

The 2010 edition of *The CEO Advantage Journal* won the APEX Award for Publication Excellence (Magazines & Journals Over 32 Pages). Naturally, we are gratified to receive this acknowledgment. There is, however, an even greater praise that motivates our effort: the positive comments we receive from our readers. Thank you for taking the time to submit feedback and download articles for reprinting and electronic distribution. We find the greatest satisfaction in knowing that our content is helping executives and leaders to increase their impact.

Putting together an award-winning publication requires excellent contributions from a broad range of talent and experience. I appreciate the generosity of the CEOs and thought leaders who agreed to be interviewed. I thank the advisors who wrote articles. Finally, I applaud those who provided the editing, design, and printing skills that bring this journal to life.

As you would expect, a project of this nature demands a skillful manager. I am blessed to have such a talent working with me in our managing editor, Scott Bahr. Any recognition this work receives is wholly due to his wide-ranging talents and energy. It is easy to say that without Scott, there would be no *CEO Advantage Journal.*

As a final note, I am thankful to have once again preserved several 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 advertisements and 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.

I trust you will enjoy reading the 2011 issue of *The CEO Advantage Journal.*

Troy Schrock
CEO Advisors, LLC

Winning Together

by Ellen Bryson

You work hard at getting the right people into your organization. Are you working just as hard to get the right people working together *within* your organization?

"Coming together is a beginning, keeping together is a process; working together is success." Henry Ford

Have you ever been part of a truly functional team? If so, you have tasted sweet success! You probably remember the pride you felt toward your work together. Despite long hours, your energy level was high, and you were excited about your work. Putting personal needs aside, you focused on the team's shared goal. When you achieved that goal, you had others with which to share it which only multiplied the elation of success.

If you cannot relate to what I'm describing, picture a football team onstage at center field after winning the Super Bowl. Whether we are sports fans or not, part of us longs to be up there with them. Even an Olympian in an individual sport does not celebrate alone; after leaving the podium, you'll see him embracing his coach, his parents, his training partner…his team.

Henry Ford was right: working together is success. Coming together and keeping together must come first, however, and those are easier said than done.

Two Sandhill Cranes (Paul Clark) Paul R. Clark, Copyright 2010

Coming together is a beginning...

In recent years, companies have found it harder and harder to differentiate themselves from their competition and create a true competitive advantage. Those that have pulled ahead have learned that putting the right people in the right jobs doing the right things creates an opportunity that would otherwise not exist. Perhaps we would find an even greater advantage if we applied this same philosophy to creating teams *within* the organization. Following are some tips for selecting the right people to work together on a particular issue:

1. Identify a capable team leader whose ability to manage people is at least as strong his technical knowledge.
2. Grant full responsibility and authority to the team leader for making decisions and removing obstacles in order to achieve the goal within the specified timeframe. Hold him accountable to this.
3. Ensure a good balance of communication and conflict styles among the team members.
4. Select team members with the appropriate knowledge and expertise to address the problem.
5. Choose individuals who are mature enough to lay aside personal desires in favor of what is best for the team.
6. If the team requires multiple levels of authority, demand that titles get checked at the door when addressing the issue at hand. Everyone must be an equal participant in solving the problem.

I had a client whose growth had rendered a key sales process ineffective. The president had personally developed the process in the company's early years, and he wanted to lead the effort to revise it. He included mid-level managers on the revision team as a reward for good performance and a developmental opportunity.

After a few meetings, the team identified numerous changes that needed to be made, but a difference of opinion arose about the depth of those changes and the speed of its implementation. When the president pushed back, the managers quickly conceded for fear of challenging upper management.

This team was unsuccessful because its composition was inappropriate for the issue it was formed to address. The president should never have been involved with such a deeply tactical issue. His attachment to the original process prevented him from effectively delegating responsibility. Since titles were not checked at the door, the mid-level managers felt compelled to submit to upper management's opinions. The results were an unresolved issue, a lot of frustration, and damaged morale.

Getting team composition right – the right people in the right roles – is paramount to team success. If you stumble in coming together, you have little chance of keeping together – much less winning together.

...keeping together is a process…

Entire books continue to be written about how to function as a team. Anytime you bring more than one person to the table, there will be challenges. The very things that make teams effective – multiple perspectives, skill sets, and strengths – can create crippling obstacles if not proactively managed. Here is a summary of common pitfalls with which I'm sure you are already familiar:

1. Silos develop when team members look out for the best interests of themselves or their departments rather than the best interest of the team. You simply must win together, or you will not win at all. Let go of your own objectives, feelings, and history long enough to reasonably discern what will help the team the most – even if that means your department giving something up.
2. Accountability. I love these words of wisdom from Bob Prosen: "Be hard on performance, but easy on people." Specify clear goals and agree to clear measurements of those goals, then monitor progress. If you don't hold people accountable, you will not get the results you desire. Period.
3. Rationalization is the art of justifying inferior performance. Excuses are easy (you were too busy doing your "real job," you ran out of time, etc.). A leader's job is to ensure that team members have the tools they need to be successful. Remove barriers and obstacles, provide assistance when needed, and holds people accountable for delivering results. One good way to discourage rationalization is to tie rewards to team results.
4. Controlling behavior must not be tolerated. Teamwork is not about kowtowing to one person's desires; it is a collective effort. Allowing one person to control the outcome defeats the purpose of the team and wastes valuable time and resources.
5. Glossing over issues is all too easy to do when conflict emerges. Vigorously avoid this temptation. Differences of opinion are exactly why you have a team. Surface the issues, consider the options, debate them, and then commit to a solution. If some team members refuse to get on board even after healthy debate, you have another issue to address.
6. Passive participation cannot be tolerated. Everyone on the team is there for a reason and must be totally invested in the process. Anything less negates the value of the team. Even if the issue falls under one team member's area of responsibility, everyone must have equal input in its resolution. That's why you check titles at the door.

...working together is success.

Trust is the most critical component to healthy conflict and effective teamwork. When fully engaged employees are willing to be vulnerable with each other, debate issues, and take the time necessary to determine the root cause of a problem, great things begin to happen. Teams who operate according to these guidelines will soon find themselves watching a Super Bowl celebration and saying, "I've been there."

Ellen Bryson is a certified 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.

Bromeliads II (Natalie Guess)

Leveraging Leadership

How are you allocating your time to ensure that the impact of your actions extends farther than you?

by Ben Anderson-Ray

Leverage is a familiar concept to any business leader. We talk about financial leverage in regard to capital structures and operational leverage when comparing revenue growth to earnings growth. However, we rarely talk about leadership leverage: the notion that some of the ways leaders choose to allocate their time, attention and ability, have greater impact on organization-wide performance than others.

As both a CEO and an advisor to CEOs, this has been a burning issue to me for some time. I know CEOs who pride themselves on being "hands on" and others who deliberately spend their time at a more strategic level. In general, I've found that those who work *on* rather than *in* the business have a greater organizational impact. By intentionally choosing roles with the most impact potential, they increase their leadership leverage on the performance of the company.

Roles of Leadership

The business press is full of ideas about how to define leadership. I like to think of leadership as the act of leading a group, and it consists of a series of roles. Some would broadly characterize these roles as management (planning and budgeting, organizing and staffing, controlling and problem solving) and leadership (visioning and strategizing, communicating and aligning). Peter Drucker espoused this view when he said, "Management is doing things right; leadership is doing the right things."* I would contend, however, that both "doing things right" and "doing the right things" are critical aspects of effective leadership.

In my judgment, the most effective CEOs are able to quickly switch roles as required of them. One minute they are setting and communicating vision, and the next minute they are coaching an employee who stops them with a question. Another time they will be conceiving a strategy before changing gears to direct the resolution of a specific customer issue. They are not locked into a theoretical ideal of what it means to be a leader; they just have the knack to understand what is required of them at any particular moment.

Transactional leadership roles are about "doing things right." Transformational leadership roles are about "doing the right things."

The leadership framework I find most compelling is that which distinguishes between transactional and transformational functions. Transactional leadership roles are about "doing things right." Transformational leadership roles are about "doing the right things."

Both transactional and transformational roles are required to drive sustained success, but transformational roles provide greater leadership leverage. For most transactional duties, the impact of the action stops with the action, whereas for

Bird of Paradise (Natalie Guess)

transformational duties, the action launches a ripple effect throughout the organization. Indeed, the transformational is what drives the transactional. Therefore, to fully leverage leadership, leaders must consciously allocate their time to the transformational role as much as it makes sense.

Leverage and Organizational Growth

Understanding leadership leverage is fundamental to managing organizational growth. When the founder initiates a start-up, he or she shoulders a great deal of the actual work of the organization – the transactional work. Often, this is because the founder is one of the few workers – perhaps the only worker – in the organization. As the growing organization adds people, the founder must steadily transfer functional responsibility to employees and the emerging leadership team as he or she assumes a more transformational role. If the founder fails to do this, he or she becomes a bottleneck (barrier to growth), but if he or she is able to do this, the founder eliminates this capacity constraint, releasing the organization to its growth potential.

Far too many organizations are constrained by the personal limits of the entrepreneur only because the entrepreneur fails to effectively leverage his or her leadership. It is the classic story of the founder who won't let go. Of the 96% of US companies that never grow beyond $1 million in revenue (and less than 0.1% that surpass $50 million),** I would contend that many of them are held back by a leader who fails to understand the evolving leadership model. Even large organizations, however, are subject to this challenge. At any level of a larger organization, functional or divisional leaders can just as easily become barriers. Nobody is immune.

Leverage and Delegation

Leadership leverage, therefore, is rooted in the leader's ability to delegate transactional responsibility in favor of higher leadership leverage roles. A leader's failure to do so usually indicates a lack of trust in his or her people. This can be for many reasons. Perhaps the skill level of employees is not up to par, in which case investment in training should be a top priority. Perhaps the organization just has the wrong people or people in wrong jobs; this is a tough situation to handle, but if it is indeed the problem, it must be confronted immediately. More often than not, however, such leaders simply prefer to do things themselves. They have always done it before, and it seems easiest to keep doing it now (or they just have a need to control). Understanding that this can diminish their leverage is critical.

A good example is the Vice President of Supply Chain Management at one of our clients. She is a very experienced executive. She knows that she needs to delegate more but freely admits that, as a former buyer, she loves the gratification of negotiating with suppliers and closing deals. Furthermore, she is very good at closing purchasing deals – maybe even the best in the company. However, she realizes that by clinging to this transactional role, she is limiting her leadership leverage. She must force herself to help others become as good as she is. The company's growth depends on it.

Refusal to delegate hurts more than leadership leverage; it also robs team members of the opportunity to gain experience. This has a compounding negative effect on the organization. Put simply, leaders must always seek to delegate to the lowest possible level of the organization.

In addition, they must remember to delegate outcomes, not tasks. When delegating an outcome, grant the responsible party the decision-making authority to achieve that outcome. In addition to fully leveraging leadership, this will encourage the team member to fully embrace the assignment. When everyone in the organization is tasked with real responsibility that aligns with the shared vision, the resulting passion and focus has a powerful impact.

Leverage and Time

Time is always a valuable resource, and its value increases with increasing levels of leadership. Since you cannot add hours to the day, the question is how to best leverage that available time.

Before making decisions on your use of time, first understand the actual worth of your time. The way that most people do this is to calculate an hourly rate based on salary. However, I encourage clients to calculate an hourly rate based on organizational revenue. After all, if your job is to lead and grow the organization, your worth should be measured relative to organizational goals.

This number will be much higher than a salary-based rate. It reflects the real impact – the leverage – you have on the organization, providing a tangible incentive to shift to more transformational roles. Simply stated, if you spend your time doing $20 per hour tasks, you will not achieve your growth targets. Further, as those earnings grow, your hourly rate also increases, so the work you do must continue to increase in value.

I know a CEO who decided to audit his time after hearing a conference speaker on time management. He has kept a time log ever since by jotting notes in 30-minute increments on his Outlook calendar. When he first started doing this, he was shocked to find that trivial matters consumed over 50% of his time. How much of your time is being consumed by low productivity activity?

A clear understanding of the value of your time will help you prioritize your time and that of your employees. Having been a CEO, I know that one of the hardest things for an organization is to set priorities and stick to them. Putting a real goal-based dollar value on your time is a strong motivator to do just that.

I have two more practical tips to help you leverage your leadership through time management. Neither is new, but both are well worth the effort. First, begin each day by jotting your 3-5 most important priorities for that day on a note card. One of our clients is the CEO of a $100M company who does this with great success. He told me, "Putting my top priorities on a simple card that I keep in my shirt pocket frees me from thinking about so many to-dos. I know that if I get these done today, I will have done the most important things to drive the company to its goals."

Second, after logging your time use each week, identify the least productive use of your time and delegate that responsibility to someone else. It sounds easy, but it takes a lot of dedication. Another client of ours has been working at this for a year now. Every week, he finds at least one more "normal" activity that should be delegated. His senior leadership team helps him. He routinely asks them what he is doing that they should be doing. The first time he asked, the number of activities he needed to delegate amazed him.

Conclusion

Shifting from working *in* the business to working *on* the business requires time, discipline, and patience, but it is well worth the effort. Indeed, it is crucial to growing the organization. Start by focusing on your own leadership leverage, and then challenge your team members to do the same. Before long, you will have much more than leveraged individuals; you will have a leveraged organization. The competition won't know what hit them.

End Notes:

1. *Drucker, Peter F., The Practice of Management (1955)
2. **Harnish, Verne, Mastering the Rockefeller Habits (2002) p. 11

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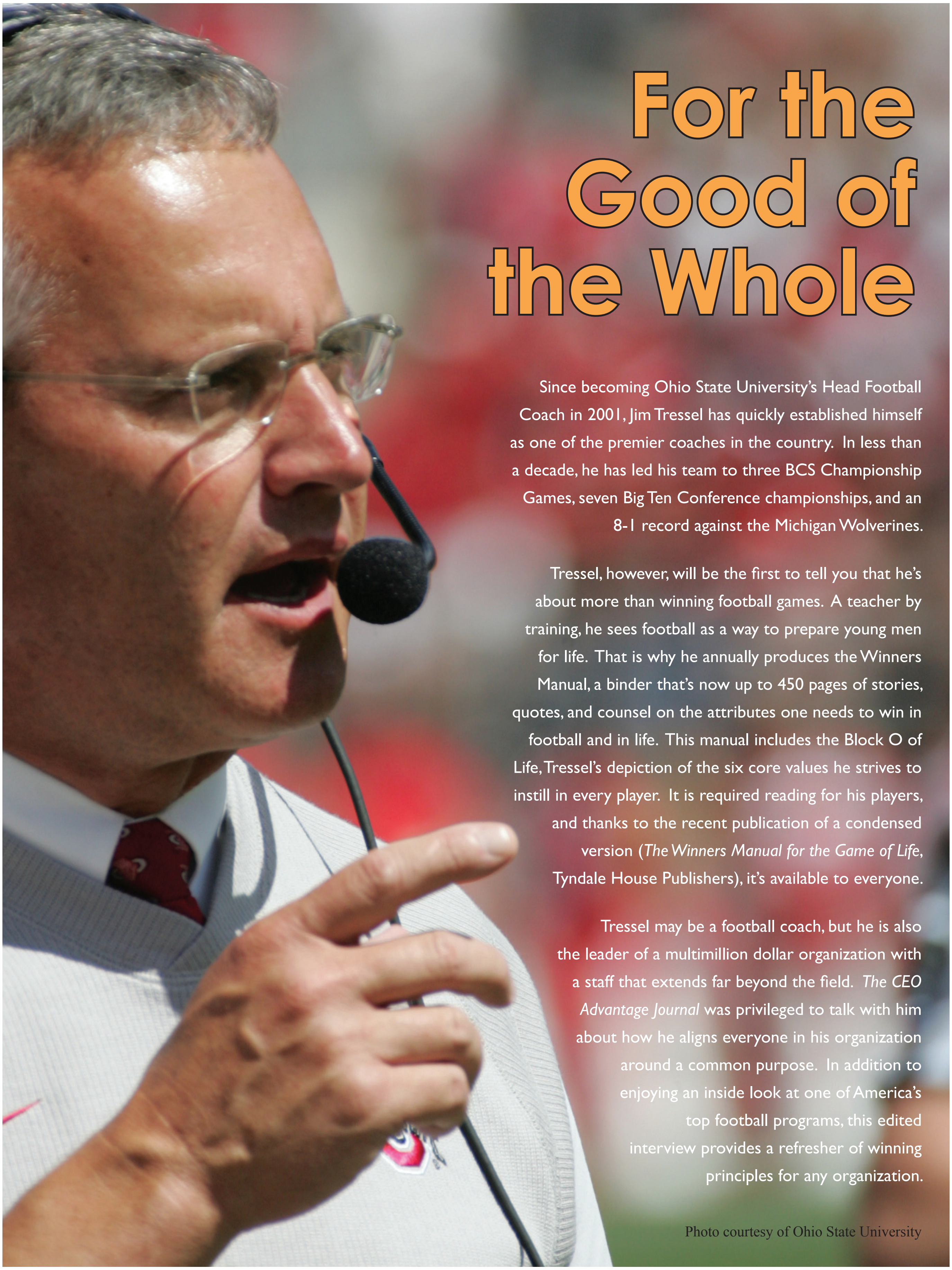
Santa Margarita, Liguria (Natalie Guess)



For the Good of the Whole

Since becoming Ohio State University's Head Football Coach in 2001, Jim Tressel has quickly established himself as one of the premier coaches in the country. In less than a decade, he has led his team to three BCS Championship Games, seven Big Ten Conference championships, and an 8-1 record against the Michigan Wolverines.

Tressel, however, will be the first to tell you that he's about more than winning football games. A teacher by training, he sees football as a way to prepare young men for life. That is why he annually produces the Winners Manual, a binder that's now up to 450 pages of stories, quotes, and counsel on the attributes one needs to win in football and in life. This manual includes the Block O of Life, Tressel's depiction of the six core values he strives to instill in every player. It is required reading for his players, and thanks to the recent publication of a condensed version (*The Winners Manual for the Game of Life*, Tyndale House Publishers), it's available to everyone.

Tressel may be a football coach, but he is also the leader of a multimillion dollar organization with a staff that extends far beyond the field. *The CEO Advantage Journal* was privileged to talk with him about how he aligns everyone in his organization around a common purpose. In addition to enjoying an inside look at one of America's top football programs, this edited interview provides a refresher of winning principles for any organization.

Photo courtesy of Ohio State University

How is your role as head coach of a major collegiate football program similar to that of a CEO? How is it different?

It is hard for me to draw comparisons because I have not been a CEO. The CEO of our organization is Ohio State University President, Gordon Gee. From what I see, he wants to make sure he has good people running the various areas of expertise that make up this grand university. He does not pretend to be the expert in the medical field, the athletic field, the alumni field, or the agriculture field; he just has good people working with him.

The same goes for us in the football program. I want good people working with us. Of course, they need their respective areas of expertise, but it all starts with having good people. And we do have good people. Most of us have worked together before at some point in our careers, so we know each other's character and philosophical approach to coaching.

My job is to make sure that we do everything in the right doses. That's where the Winners Manual and Block O of Life come in. We want our guys to learn more than football; we want them to know their purpose – who they are and what they are here to do. So my job, if it is indeed a CEO job, is to make sure that our guys are equipped to grow in all areas.

We are big believers in alignment being critical for leadership teams. How do you ensure that everyone in your organization is aligned around a common purpose?

I want everyone in this program to have ownership in the whole. Recruiting is a good example. By NCAA rule, our coaches are the only people allowed to recruit. So we'll sit in recruiting meetings for hours, and of course, the line coach wants to recruit four linemen and the linebacker coach wants to recruit four linebackers. We don't have enough spots for what everybody wants. We have to spend a lot of time crossing each other's boundaries to come to a solution.

We start every day in the same room talking about where we're going to invest the time and effort of the players that day. The coaches, the academic people, the community outreach people – they all want time with the players for various reasons, but we've decided as a group that we're going to be comprehensive in the complete development of our players. All of our guys would love to play in the NFL, but even those who do will only be there for 3-4 years. We're passionate about helping them reach that goal (no one has more people drafted than we do), but we want to prepare them for well beyond the NFL.

So yes, thanks to a lot of comingling and understanding, we're aligned around a common purpose, and that allows me to trust everyone with their responsibilities. Very seldom do we get into the intricate parts of each other's world. For example, I don't ask what blitzes we're going to use, but I'll spend a lot of time asking what we're capable of doing. If we blitz, can our guys handle man coverage? If my coach tells me we can do it, I take his word for it and trust him with the details.

This type of collaboration is good for our assistant coaches, too. They're hoping to become the CEO – the head coach – of their own team someday, so it's good for them to see what is needed in every area.

So you do a lot of coordinating, perhaps even buffering, among a

Photo courtesy of Ohio State University

lot of different interests as you ensure that resources are not being overplayed in one area versus another.

Yes. What do you need to get the job done? Why are you using this particular gameplan? Those are questions I ask of my coaches and we ask of each other.

We must get the most out of what we have. Some coaches say, "This is my system and the players have to fit into it." I say, "These are the players we have, so let's develop a system in which they can be successful." It's not like the NFL where you can cut one guy and sign another overnight.

Let's say you have a left tackle that really ought to be a defensive end, but the tackle coach refuses to give him up. How do you get your coaches to look beyond protecting their own territory?

It's an ongoing discussion. We have personnel meetings nearly every day to discuss what we currently have and what we need to recruit. For example, we have four defensive linemen committed, and there's another one that we'd really love to have but can't fit in. Just this morning, we went through each position to see if there was anywhere we could take one less. Of course, no coach wants to give up a slot in his area, but more than anything, my guys just like to know that we're going to talk about it together and have a clear rationale for the decisions we make.

Again, it goes back to your people. If you have someone that's only in it for himself, it's not going to work. We have people that really believe that team is the most important thing.

How do you recruit your team? I'm not talking about the players; I'm referring to your staff. What do you look for? How do you gauge their coaching talent and their fit within the culture of your organization?

When I was hired by OSU in 2001, I had to put together the best staff I could. I hired three guys from my previous staff at Youngstown State, kept three from the OSU staff, and three from other entities. I hadn't worked with all of them before, but someone on our staff had, so we were pretty clear on what we were getting. Since then, we have lost some guys to retirement, other head coaching jobs, and the NFL. Change is not always bad. We hate to lose someone, but when we do, we see it as an opportunity to get even better. We ask (1) "Is he the right kind of guy?" and (2) "Does he help us get better?"

Have you ever had a player or coach who was not the right fit? How did you deal with that?

That does happen, and when it does, we just keep working with him. This college football experience is about more than what happens on the field, and we want to do everything we can to help our guys be successful. Sometimes, that just isn't possible. A player might abuse the freedom that comes with college or maybe things aren't going as he had hoped on the field, so he starts seeking his self-image in the wrong places. Those guys usually weed themselves out.

As for coaches, in 25 years, I've only let one guy go, but only after working with him for four to five years to help him fit what we needed. It just didn't work out. I tried to make it work, but it came to a point where I had to make the call.

I worked with a long-time inner-city principal more than twenty years ago. I was really distraught that a couple of my kids weren't succeeding academically, s ocially, and athletically. I said, "I'm not connecting with these guys. I don't know what it is, but I can't seem to get them to understand." She said, "You know, you can't save them all." Being a Type A "I can save the world" kind of guy, that was very healthy for me to hear. Not everyone is going to fit into our scheme – coach or player. Sometimes I have to make those decisions for the good of the whole.

You said you try to develop a system that will help your players be successful, but are there ever times when you pass on a great talent for fear that he won't fit your program?

Certainly. Talent is obviously the first requirement, but once we verify a player's ability and that he fills a need for us, we thoroughly research the academic and character components. We talk to cafeteria workers, assistant coaches, other kids at his school, other coaches in the conference – whatever helps us find out everything we can about him.

So there's a lot of detail behind the scene.

A ton. We are still wrong sometimes. When that happens, we have to be tough enough to say, "We made a mistake, and we're not going to let that mistake compound." Then it's decision time.

College football is big business, but it's still education. As such, we probably err more on the side of patience. If someone is not working out, we will work with them a long time before we think about letting them go. We want to help our guys succeed.

Ohio State has a tradition of picking team captains. Talk about how that works and how it contributes to your players' development as leaders.

The team votes on the captains. We encourage seniors. Actually, we put a lot of responsibility on our seniors, in general, simply because they are experienced and feel a sense of urgency that "this is it." They help make various decisions, spend more time with the media, and get lots of opportunities to address the team. They've learned some lessons and often want to share those with the group.

The bottom line is for us to have a good team, we need a good group of seniors. That experience and internal mentoring is invaluable.

What is more difficult – achieving excellence or maintaining it once it has been achieved?

That's really a non-issue for us simply because we're always going to work hard. Each spring, the media asks, "What are you working on this year?" and I say, "Everything." If something is going well, it's going well because we worked on it, and it won't continue to go well unless we keep working on it.

So is complacency always a threat regardless of the level at which you're performing?

Complacency results from a few things. One is past experience. It's the guy who assumes that because we did something last year, we'll do it again. The second is immaturity – not understanding that success comes from things being done well; it doesn't just happen. The third is listening to people who have no idea what it takes. A young player says, "They said on TV we're going to be good this year." That's a nice thing to say, but it's not going to get it done.

Complacency is a natural human tendency. If you get punched in the nose, you instinctively react. But if things go well, you don't instinctively think, "This went well, but I'm afraid it won't go well again unless I work hard to ensure that it does." You have to discipline yourself to think that way. We fight complacency all the time.

How do you fight that complacency to get consistent execution from your coaches and players?

Evaluation. Constant evaluation.

Successes and failures?

Yes. We evaluate everything. We challenge our coaches to grade what they see on film the same whether we won or lost. When you win, it's easy to say, "Everything's fine, relax." If you lose, the attitude is "We're terrible, we didn't try." Neither is automatically true.

We do tend to evaluate based on the final outcome, don't we?

Right. Realistic, honest, constant evaluation is the only way you have a chance. You have to be real about the performance regardless of the outcome.

What first prompted you to put the Winner's Manual together, and how do you use it with the players?

When I first became a head coach, I thought we needed very specific organization to be efficient. I also thought we needed a plan for what we wanted to accomplish. Yes, we want to win games, but what is it we really want to do? That's what prompted the Block O, our litmus test for everything we do.

We start every morning with 15 minutes of quiet reading time followed by a discussion of what we read. I ask the kids to set goals in each area. Our job as teachers is to help them learn and achieve their goals, so we need to know what they want. Each player's thinking changes every year; their goals change as their maturity level grows.

The most fundamental things in that book have nothing to do with Xs and Os. We go through eighteen principles. (They're combined into the "big ten" principles for the published book.) The quotes, stories, etc. illustrate those principles, helping us live by the Latin phrase *Macte Virtute*, which means "increase in excellence."

Every year, we welcome submissions from the players for new material, so it's a little bigger every year. I got a text yesterday from (former player) James Laurinaitis that said, "When you get the Winners Manual printed, mail it to me." I've had a number of players do that.

People say, "Didn't it take forever to write that book?" and I say, "Yeah, 25 years!" It's what my staff and I have been teaching all along.

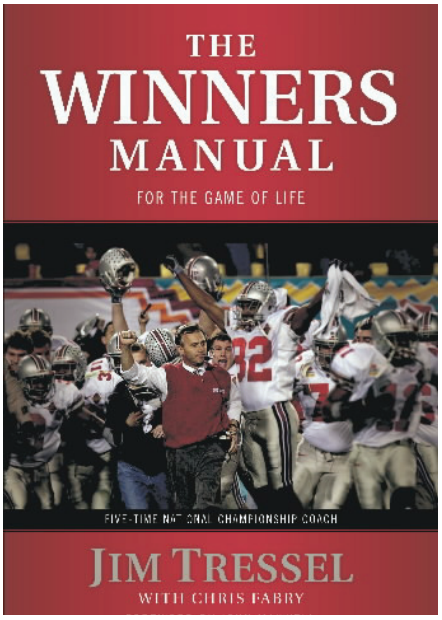
So these fundamental disciplines and attitudes are as important to you as a player's talent?

Oh yes. They're the characteristics of winners. We tell recruits that this is not just about football. We don't want you to come here, go to the NFL, then retire at 27, run out of money, and wonder what you're going to do with your life. We want to prepare you for that day when you're retired at 27 by giving you the tools to enjoy a happy, meaningful life.

Is that your purpose as an organization?

Yes, to prepare our players to succeed in life. We love to compete and we want to be the best, but we want to prepare our guys for when they leave and nobody remembers how many college games they won. Our players have been told "you're the man" since they were eight years old. Sooner than they think, someone faster and stronger will come along, and they won't be "the man" anymore.

In the book, you talk about how you used to take a week to study and learn from great



leaders and organizations. Do you still do that?

I struggle to find time anymore to go away for a week like I used to. I do it more now by bringing people in here. People want to come and see what we're doing, and we pick their brains whenever we can. I love to read about successful groups and successful people as much as possible.

In such an intensely competitive environment, I'm sure burnout is a struggle.

When the economy dipped a few years ago, I heard business people saying, "It was tough letting people go, but we're probably more efficient." I'm sure that's true, but my question is whether your people will be burned out five years from now. That's our struggle as coaches. But we love our work! It's a privilege to help contribute to the personal growth of young men – but no question, it is a demanding calling.

PEOPLE SAY, "DIDN'T IT TAKE FOREVER TO WRITE THAT BOOK?" AND I SAY, "YEAH, 25 YEARS!" IT'S WHAT MY STAFF AND I HAVE BEEN TEACHING ALL ALONG.

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What Is the Worst That Can Happen?

Spouting Horn, Hawaii (Paul Clark) Paul R. Clark, Copyright 2010

by Prafulla Pande and Tom Cox

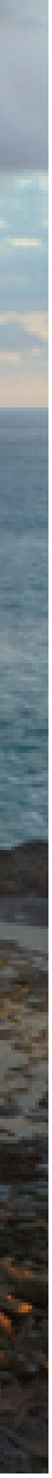
How business leaders can be proactive in overcoming their fears.

Have you ever made a cold call?

How did it feel? If you're like most of us, you were probably nervous. Perhaps you made the call only after putting it off for awhile. When you finally decided you had to get it done, you sat at your desk for several anxious minutes reviewing your pitch, practicing your delivery, and trying to anticipate the response. Finally, you wiped your sweaty hands and dialed the number, clearing your throat several times to remove any possibility of a voice crack that could betray your lack of confidence.

There is only one word to describe this feeling: fear. It makes us feel weak to admit it, but that's what it is. Emotions play an important role in our daily lives, and fear is one such emotion. It's an instinctive response to danger – not necessarily real danger, but perceived danger.

Think about the cold call. What is it exactly that you fear? You're calling someone you have never met and offering them something that you believe will benefit them and you. You know your product better than they do, so you're not going to look stupid. If they hang up on you, have you lost anything? They won't give you a second thought, and they wouldn't know



you if they passed you on the street. Is there really anything scary in this scenario? Not really.

That realization provides a clue for how to overcome our fears. We must learn to differentiate between perceived danger and real danger. When the danger is merely perceived but not real, we must train ourselves to act accordingly.

Fear is the most destructive force in the human mind. In the cold call example, you have the opportunity to make a sale or gain a client, but your fear – perhaps its fear of rejection or fear of looking stupid – threatens to eliminate this possibility. Other fears for business executives include fear of making decisions, fear of change, fear of confrontation, fear of public speaking, fear of loss, fear of failure, or even fear of success. The mere existence of these real or perceived fears creates indecisiveness and seriously affects the performance of executives. "Fear defeats more people than any other one thing in the world," wrote Ralph Waldo Emerson.

You and your business cannot afford to let these fears control you, so you must take proactive steps to confront and conquer your fears. Hesitation only magnifies fears and squelches your confidence. We know of someone who frequently makes cold calls to offer his advising services. Does he get a lot of rejections? Yes. Does he enjoy that? No. But does it shake his confidence? Absolutely not. "I'm offering something that I know can help their business," he says. "If they reject me, that's their loss."

The ability to FAIL BIG AND FAIL OFTEN has marked the resumes of spectacularly successful people throughout history.

That's the attitude we need to have in all situations, and it takes practice. We would like to share with you how some of our experiences have helped us conquer our fears in hopes that it will be helpful to you in your executive role.

A GAME-CHANGING QUESTION

Many years ago when I (Prafulla) was in 8th grade, my headmaster, Mr. Joseph, organized a debate contest. When he visited my class to urge us to participate, nobody volunteered. Everyone was afraid of getting onstage and speaking to an audience. Josie (as Mr. Joseph was popularly known) tried desperately to motivate us, but none of his arguments or threats prompted anyone to step forward. Finally, he yelled, "What's the worst that can happen to you when you are on the stage?" Something clicked in me when he said that, and I finally decided to join the contest.

Josie showed me how to conquer fear: confront the danger by walking right into it. To this day, I don't ever step to a podium without hearing Josie's words in my mind: *what's the worst that can happen to you when you are on the stage?* After years of asking that question, I can honestly say that I usually step on a stage with no fear at all.

FACING FEAR

A few years ago, I (Prafulla) purchased a small business. Despite never having a sales assignment at any point in my career, I decided to assume the sales responsibilities for this business. My first sales call was to a man named Waldo. On my way to his office, I was gripped with fear. This was something I had never done before, and just the thought of meeting Waldo was enough to raise my blood pressure and tighten my muscles. Rationally speaking, I had no reason to feel this way, but the fear of rejection was real for me.

Then I remembered Josie. "What's the worst that can happen when I face Waldo?" I thought. My fears began to subside, and the meeting with Waldo turned out to be a piece of cake. I had perceived a danger that was not real, and my willingness to walk into the perceived danger proved this out.

Early in my career, I worked as a project manager for a company in Florida. Life was good. I liked my job, and the company liked me. One morning, my boss asked me to transfer to Pittsburgh, an opportunity that offered a promotion and a raise. Despite the upside, I was afraid. I didn't know Pittsburgh, and I was comfortable in my job. I agonized for days before my boss called and demanded a response. With hardly a thought, I blurted, "I'll take the transfer!" I was amazed at how quickly my fear subsided after that. Once again, confronting the perceived danger head-on turned out to be a victory strategy for me.

Fear of making mistakes is especially dangerous for business leaders. Rather than make a decision, they procrastinate. One common coping strategy is insisting on more and more information that is supposedly necessary to make the decision. This is actually just a way of putting the decision off while appearing to be diligent. Most decisions need to be made without having all the information. You will never have all the answers, so the only way to be successful is to recognize when you have enough information to make the decision – then make the decision. You might fail, but you cannot be afraid of this. Indecision can be costly; it causes people and organizations to miss out on great opportunities. We have experienced this, and we have seen our clients go through it. Chances are that you have, too.

In an uncertain world and a delicate economy, it's easy to see why most people are inclined to play it safe. But playing it safe has its own risks. If you never dare to fail, your success has a low ceiling. Besides, most people underestimate their ability to recover from failure, causing them to pass up valuable opportunities. The ability – indeed, the willingness – to fail big and fail often has marked the resumes of spectacularly successful people throughout history. "There was never any fear for me, no fear of failure," said Michael Jordan. "If I miss a shot, so what?" It seems that the Weiden+Kennedy motto ("Fail Harder!") and the Nike tagline ("he who makes the most mistakes, wins") are on to something. Embracing the potential for failure often leads to outperforming more timid competitors.

Fear is usually a figment of one's imagination and can thus be overcome.

OVERCOMING FEAR

Fear is usually a figment of one's imagination and can thus be overcome. The next time you are faced with fear, ask yourself the Josie question: *what's the worst that can happen?* As you speculate on the outcome, you will begin thinking constructively and planning specific actions. As you enter the "danger zone" and confront the fear, you will quickly ascertain whether the danger is real or perceived. Either way, you will build the confidence and discipline to continue to confront fears in the future.

Another way to conquer fear is to create a safety zone, an unshakable sense of worth based on facts. Recall your past successes. Review the accomplishments on your resume or corporate bio. Hang your awards where you can see them. If you focus on your mistakes, they seem larger over time. If you remember your strengths and successes, you will see that you've done it before, and you can do it again. You might consider keeping a daily victory journal in which you record the positive accomplishments of each day. This victory journal can be a healthy source of confidence and perspective in times of fear.

A third way to conquer fear is to identify a goal that is greater than your fear. Most of us would hesitate to walk a high wire, but if you had to walk a high wire to save your child's life, nothing would stop you from trying. When the goal is important enough, fears become secondary – even forgotten.

When faced with fear, check your goal. Remind yourself why you do what you do. What is your higher purpose? As Apple CEO Steve Jobs asked an executive he was recruiting away from Pepsi, "Do you want to sell sugar water or do you want to change the world?" Not all goals are profound, but it can be very powerful and effective to invest some time thinking about why your goals are worth pursuing. That feeling of conviction can brush fear aside.

Practice conquering fear by using fear itself as a spur. Set a goal to do one scary thing each day. Anything that makes you hesitate counts. Log the results in your victory journal. This practice can help to rewire your brain over time.

I (Tom) had a client who was a lawyer. He experienced an almost paralyzing fear when confronting a complex case. To conquer this fear, I worked with him to develop a detailed process to follow every time he felt that fear creeping in. First, he committed to opening up a new case by simply looking at it but not doing anything else right away. That was a specific enough activity with no immediate requirements that he felt comfortable doing with any case of any size. Once he had done that, the case was no longer a mystery, so his fear of the unknown was gone. Second, he would outline a possible approach. That took care of his confusion. Third, he would list all of the expertise he would need for the case but that he himself did not possess. This prevented a lot of frustration. He's been using this system for four years now, and his fear is no longer an issue.

COMMITTING TO ACTION

"I learned that courage was not the absence of fear, but the triumph over it," said Nelson Mandela. "The brave man is not he who does not feel afraid, but he who conquers that fear." Spend some time listing your fears and determining how you will confront them. In the big picture, there is little to lose and much to gain. Besides, what is the worst that can happen?

Ideas for Overcoming Fear

- **Differentiate real danger from perceived danger.**
- **Ask the Josie question: *what is the worst that can happen?***
- **Confront your fear head-on. Whatever you fear, there is something you can do to eliminate it.**
- **Recall past successes. This will build your confidence that you can confront the fear.**
- **Develop a goal that is greater than your fear.**
- **Deliberately seek fears to confront on a daily basis.**
- **Create a system to take you through complex problems where fear might otherwise stop you.**

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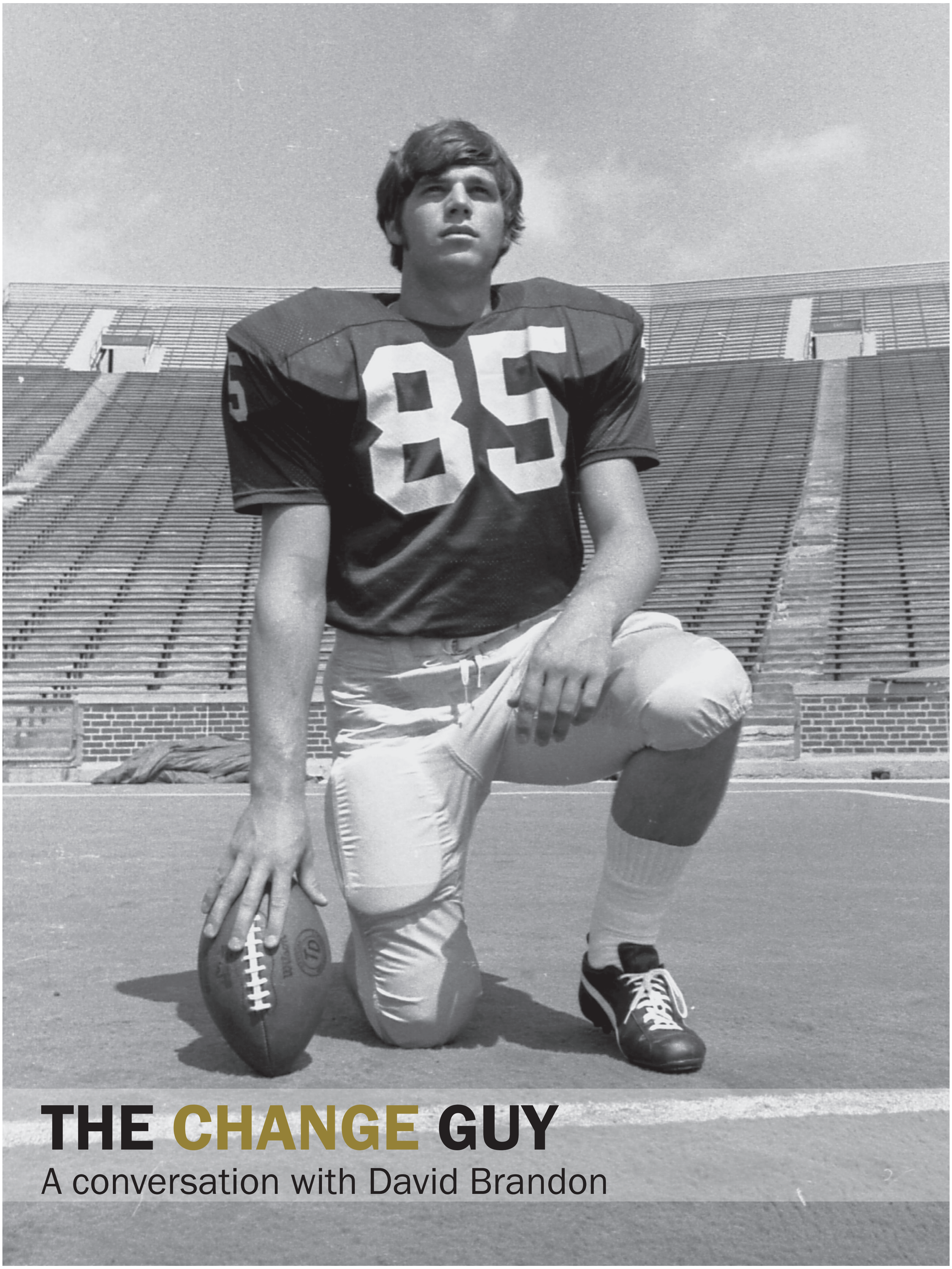
Pemaquid Lkghthouse, Maine (Paul Clark) Copyright Paul R. Clark, 2010



THE CHANGE GUY

A conversation with David Brandon

THE CEO ADVANTAGE JOURNAL SAT DOWN WITH DAVID BRANDON ABOUT FIVE MONTHS INTO HIS CURRENT JOB. IN THIS EDITED INTERVIEW, HE GENEROUSLY SHARES HIS EXPERIENCES, BUSINESS PHILOSOPHIES, AND PRACTICAL LEADERSHIP APPLICATIONS AS HE PURSUES POSITIVE CHANGE FOR AN INSTITUTION STILL DEEPLY EMBEDDED IN THE TRADITION OF HIS MENTOR.

Sports has always been a big part of David Brandon's life, and as long as he can remember, teammates have always looked to him to lead. His success as a high school quarterback led to a scholarship to play for the University of Michigan and its legendary coach, Bo Schembechler.

As a four-year backup, Brandon really didn't play much at all. And that turned out to be a good thing, for instead of focusing exclusively on opposing defenses, Brandon focused on Bo. He says he got a degree from the "Schembechler School of Leadership," and it launched him into a very successful business career.

With a personal endorsement from Bo, he started his career at Procter & Gamble. After a quick succession of promotions, he left when he realized he had advanced as far as would be allowed for a man of his young age. Instead, he joined Valassis, a small coupon company in Livonia, Michigan. "The cultural shock was incredible," says Brandon, "but I knew I could go as fast and as far as my talents would take me." He did just that, becoming CEO in 1987 and leading the growing company to an IPO on the New York Stock Exchange.

In 1999, Brandon became CEO of Domino's Pizza in Ann Arbor, Michigan and served for eleven years, a period during which Domino's enjoyed enormous success. Domino's expects to cut the ribbon on their 10,000th store in a couple years, something that seemed impossible when Brandon first got there. "And I'll be there [when that happens]," says Brandon, "just as I promised I would be."

During his time at Domino's, Brandon was elected to the University of Michigan Board of Regents and joined multiple corporate boards on which he continues to serve, including Burger King, Kaydon Corporation, and TJX Companies.

From there, the story returns to sports. Early in 2010, Brandon declined requests to run for public office and became the Athletic Director at the University of Michigan. As could be expected, Michigan Athletics is a labor of love for Brandon, uniting his passions for business management and the maize and blue.

When you walk into a new situation as the CEO or leader, what do you do first?

I look at an org chart. Where do we have talent and what gaps need to be filled? It's been somebody else's team; I have to figure out how to make it my own team. While I'm doing that, I'm constantly assessing how we go to market and how we organize our talent to fit my model for getting our work done efficiently and effectively.

Do you use a specific tool for assessing people?

I've used different assessment tools, but a lot of it is meeting with them one on one. I basically conduct a job interview with each one. I want to understand where they've been, what they've done, their priorities, and their management style. I want to know if these are people that I would hire.

This is the third time I've done this. Every place I've been has had its own culture. [The University of Michigan] is a place that finds change really hard. Part of that is good because it's deep in tradition and loves its history. Universities, in general, are places where people want to eat at the same restaurants, tour at the same dorms, go to the same football stadium, and sit in the same seat. They want every trip to be a reunion – a return to a fun time in their lives.

But I'm a change guy, so I'm looking at my team to determine who likes change and responds well to change. The people who are only comfortable keeping things the way they've been probably won't be very happy because I did not come here to be a caretaker. I came to put my mark on this place, grow it faster than it's been growing, and achieve some things that I consider important.

And that is philosophically consistent with your career. Talk about how this current opportunity is similar and/or different to your roles at Valassis and Domino's.

Each of my three CEO roles have been unique. Valassis was an opportunity to create a culture. When I arrived, they were small and trying to find their identity. For the first five years, it was small enough for me to personally interview everyone we hired. Everything was created around the culture we wanted to build.

Then I went to Domino's, a 38-year-old company with a culture all its own. I was the new leader in a situation where they had been doing the same thing for decades. I had to convince that organization that there was a reason to break away from patterns of the past and embrace much higher expectations. At that time, there were already rumors of a big IPO on the New York Stock Exchange. I came in to say, "Listen, we've got to get ready for prime time. I've done that before. I know what that looks like. Follow me and I'll get you there." And that worked pretty well.

The University of Michigan Athletic Department is a not-for-profit organization – no IPO here. In this culture, they say, "Our revenue slightly exceeds our costs, so we're financially doing our jobs. We can reinvest in some facilities and a few other projects, and we're fine." That's the expectation. But I want to do more. My message is, "We're going to make some changes, but everything will be driven by a passion to build the best athletic department in the United States of America." I know how to get there, but we've got to change.

Is that a tough message to deliver?

Yes, it is – particularly when you parachute in from the outside. But change does not have to be a criticism of the past. It just means the future is going to be different.

The world of public university athletic departments is pretty transparent. We know our competitors' revenues, academic rankings, athletic rankings, ticket sales… As I look at those measures, there is absolutely no evidence that we are the biggest and best in the country. There are schools out there with more sports, more money, better facilties, and better academic performance than us. No matter how much we might want to think we're the best, we're not.

We have a great brand, a great department, a great history, and huge potential. We've won three championships in the short time I've been here, so we do some good work. But we're not as good as we can be, and that's why I'm excited to be here.

What is the role of a CEO?

The CEO role is both a leadership and an operating role. I've always felt that a COO makes the CEO nothing more than a hood ornament. In those cases, the CEO does things like investor relations, representing the company in the community, and giving lots of speeches while the COO runs the day-to-day business. That's not the kind of CEO I want to be. Sure, I'll do some of those things, but I also want to be very close to the daily operations of the organization. I've only been here five months, but I can discuss just about anything that's going on in this place because I like to dig in and understand the detailed mechanics of how this department works.

Was there a point when you knew you wanted to be a CEO, or did that role just naturally evolve for you?

Athletics hugely influenced me. While growing up, I was usually elected captain of the team in whatever sport I was playing. Eventually, I wanted to be captain of everything because that responsibility felt good to me. I wanted the authority, the visibility, and the accountability. Then I was president of the student council and began to emerge as someone who people looked to for leadership. I studied to be a teacher in hopes of being a coach because, to me, coaching is the ultimate in leadership. I wanted to be a coach of a big-time program.

Then my career got rerouted into business. I was probably at Procter & Gamble for three days when I started identifying how their corporate leaders' career path worked. I learned about their responsibilities, their authority, and their salaries, and I said, "I want to be one of those."

I had a great experience at P&G. I love the company to this day and still feed off the things I learned there. But I'll tell you why I left. I spent a day working with one of the corporate big shots who flew in on the company plane to "check me out." As we sat in a car at the end of the day waiting for the plane's engines to get going, he turned to me and said, "Dave, you're as good as anyone I've ever seen in this job. You're doing everything well. I know you're ready for the next job, but you're going to need a few gray hairs before you get it." That was big company code for, "You're ready, but you're going to have to wait in line because there are guys ahead of you."

So I sent out my resume. It was no longer about being the best for the job; it was about serving time, and serving time is not something that interests me.

From there, you went to Valassis.

That's right. With P&G, I had been living in Salt Lake City with eleven people working for me. I was responsible for five states, and I was commuting by air to a Colorado office. I was a hot shot 20-something who suddenly found himself working in an old warehouse in Livonia, Michigan at a small family business that people confused with a pickle company! The cultural shock was incredible, but I knew I could go as fast and as far as my talents would take me without having to wait in line.

So to answer your question, I've wanted to be a leader for as long as I can remember. I don't know if I was wired that way or if my experiences taught me to be that way, but that's what I've always wanted to be.

"I'VE ALWAYS FELT THAT A COO MAKES THE CEO NOTHING MORE THAN A HOOD ORNAMENT. THAT'S NOT THE KIND OF CEO I WANT TO BE."

You mentioned that some things from P&G still influence you today. Are you willing to share any examples?

They were very much into promotion from within. Domino's is now hiring dozens of people out of college because of a people pipeline program I implemented. That was a P&G thing, and we do the same thing here. I like hiring people who soak up learning like sponges and have something to prove. Never underestimate the power of someone who has something to prove. Bring those people in the organization and develop them; let them grow and grow with them.

P&G's whole performance review process – they gave very crisp and direct feedback to people and kept it separate from pay. Many organizations now give annual appraisals and your percent increase in pay is tied to your score. P&G had a salary administration program based on qualified assessments, but they also had a very separate tool that was not conducted under the pressure of negotiating pay; it was about a great exchange between you and your boss regarding what you were getting right, what you were getting wrong, your strengths and weaknesses, and your career prospects. It was truly geared toward personal development. We're in the process of implementing that here.

When I first got here, this didn't look like a sharp, disciplined enterprise where people are proud to come to work and focused on execution. It felt like a college atmosphere – piles of stuff everywhere. We had a day when I told everyone, "I'll buy pizza (and you all know what brand it will be), you can all wear jeans to work, and we're going to clean this place up." We took dump trucks full of stuff out of here to create an environment where we feel sharp. That was a P&G thing: you play like you look.

Speaking of cleaning this place up, your desk is immaculate. I understand that you diligently keep it that way and also return all of your own emails. Why is that so important to you?

I have always answered my own email – hundreds a day – and get them all done before I go to bed each day. I refuse to give up on that. It lets people know I'm open, available, and engaged. I think it's very important for me to stay in touch with my people. I'm like a blind dog in a meat house right now. I have 27 sports and 27 coaches – practices are going on everywhere and I'm running around because I want to meet people and let them know I'm interested and involved.

In my second week on the job, our hockey team won the CCHA Tournament and a spot in the NCAA Tournament. On Saturday morning, I drove down to Fort Wayne for their semifinal game which ended at midnight. Our women's basketball team was playing back in Ann Arbor in the women's NIT, so I left Fort Wayne the next morning and arrived ten minutes before tip-off. When that game was over, I sprinted to my car and got back to Fort Wayne fifteen minutes before the puck dropped in the championship game. Now maybe I'm nuts, but I want to be everywhere. I want to be seen. I want those coaches to know I care. I want the athletes to know I care about their big contests and how they represent our school.

As a leader, you really set the pace in the first few months. People are watching you to determine the standard for work ethic and ethics. I've been challenged a couple times with people who chose not to tell the truth. People were watching to see if the new guy would look the other way or set the tone.

I set high expectations for myself and everyone around me, and I take care of my people who live up to those expectations.

You also have a history here. That must have helped your transition into this role.

Yes, it did. It would be really challenging to parachute in here with no prior connection or credibility. But I played four years for Bo Schembechler. I've got three Big Ten championship rings. I got a degree here. I've been the CEO for the last 22 years of my life. I was elected regent of the university on a statewide ballot and served for eight years. My colleagues and I hired the current president of the university who's now my boss. So when I came here, few asked, "What does this guy know?" My background made this transition relatively easy. It's really a lot of the same stuff – just a different mission. Instead of being rewarded for creating shareholder value, I'm rewarded for maintaining strong financial posture, graduating student athletes, and winning championships.


Photo courtesy of University of Michigan

I'm sure that you hit some moments early in your career when you thought, "My goodness, what do I do now?" How did you handle those situations?

I'm not really that good at much except picking great people. Leaders get in trouble when they surround themselves with "yes men" or weak people. When you're in a difficult situation where you need unconditional advice, you need people who love to share the load and will have your back. With those kinds of people, you're fine in tough times. Without them, you're dead.

The only reason I survived 22 years as a CEO was by having terrific teams around me. That requires the courage to get rid of the ones that don't meet the test and find the ones who do. At Domino's, I inherited six people on my leadership team. Within 18 months, four of them were gone. Some of them were tough good-byes, but they were necessary good-byes.

Did you let them go or did they take themselves out?

For the most part, I picked my team. As a new leader, you must have people around who you can trust, so I have specific criteria for who will make it and who won't.

I was a quarterback in high school. When there's four minutes to go and you're ahead by three touchdowns, everyone in the huddle is happy, confident, and supportive. But when you're two touchdowns behind and you step into that huddle, you can look into your teammates' eyes and see who you want on your team. They're the ones looking back at you and saying, "We can do this and I will help you." The others are already thinking about the excuses they'll make in the locker room about why this didn't work. You can't win with those guys.

Once you get the right people around you, what is your role in disagreement and decision making?

I love debate. In fact, I probably sometimes keep it going longer than it needs to because I love the sparring back and forth and seeing who will come up with the next persuasive point. But it has to be respectful. If someone shouts down or demeans another, they are punished. I won't tolerate it. We're a team, so we're looking out for each other, not taking shots.

I have leadership team meetings every other week. I prepare an agenda with the issues on which I need help with a decision. If all nine of my teammates say, "Dave, we need to go north," that's an easy decision for me. It's extremely rare for me to say, "Well I'm smarter than all of you, and we're going south."

I get paid the big bucks for the decisions where it's 50-50. When I've got half the room arguing for one position and the other half vociferously fighting for another position, the rule is that I break the tie. And when I break the tie, I expect all of them to commit to the success of that position. When you leave the room, you pretend that it was your opinion even if it wasn't. I'll give everyone a fair shot to share their point of view, but if I ever hear that you went back and told your people, "I wanted something else, but this is what Dave says we're doing," that's disloyal, divisive, and I won't tolerate it.

When you must confront someone who has demeaned another team member, do you call it out right there with everyone in the room?

If it's subtle enough, I won't call you out in front of the group. In that case, we'll get together after the meeting and I'll say, "You know, when you said that, maybe you didn't intend it this way but it came across as pretty aggressive and somewhat hurtful. I think you owe them an apology and I never want to see it again." Usually, that's enough. I'm not looking to embarrass anyone.

There have only been a few instances when I've had to tell someone, "You are excused from this meeting. As it relates to you, this meeting is over." Then they go sit alone somewhere and wonder what comes next. Most people won't make that mistake twice, but if they do, they will be finding another place to work.

I'm not trying to sound like a tough guy, but I don't come to work to referee squabbling among my team. I won't do it. I know who the enemy is; it's the competition. I want to beat Ohio State. I want to beat Michigan State. I don't want to spend a lot of energy refereeing among factions within my department. That also went for the pizza business and the coupon business. I really coach that hard.

What other things have you found effective in preventing the development of silos in your organization?

One is to move people around. I frequently move people between departments because it helps them understand a bigger world than their specific functions. Hence, they don't develop the silo mentality.

Another example is how incentive plans are constructed. When I arrived at Domino's , there were four definite silos: the distribution business, the corporate store entity, the franchise entity, and the international business. Each had its own P&L and bonus program. The result was that each team would fight to meet its numbers, sometimes at each other's expense, and that required the CEO to spend time refereeing internal cost transfers and other nonsense. So the first thing I did was to put everybody on the same plan with the same target. To this day, Domino's has a corporate EBITDA target. Everyone is measured against the same bottom line, so people behave as if they're on the same team – because they are. Putting everyone on the same plan is a huge way to break down silos.

Finally, I have always used highly-centralized functional support – HR, IT, financial, corporate processes, etc. If you put everyone in the same world doing things the same way, you'll prevent the silo mentality from happening.

What is your approach to strategic planning?

Every organization needs an aspirational statement, a definition of what they are and what they want to be. I don't care what you call it as long as the words are carefully chosen and memorable. The aspirational statement at Domino's is "Exceptional team members and franchisees on a mission to be the best pizza delivery company in the world." Everyone gets it, and it portrays a sense of urgency.

Every organization needs long-range goals. At Domino's, it was $100 million EBITDA, then $200 million EBITDA, and now $300 million EBITDA. We wanted to be one of the hundred best companies to work for in America. We wanted to cut the ribbon on the opening of our 10,000th store. We wanted to gain market share on the pizza delivery segment every year. Those goals didn't have specific timetables, but they were out there and everyone knew the direction we were going. Domino's has 9,200 stores now. 10 years ago, 10,000 stores seemed like an impossible dream, but we expect to cut the ribbon on that 10,000th store in a couple years, and I'll be there, just as I promised I would be.

Every organization also needs a three-year outlook. Make the first year as accurate as you can make it, do the best you can in year two, and know that year three is going to be more guess than accurate, but at least you'll have something from which to work and refresh. I don't believe in five-year or ten-year plans. Long-range planning doesn't make sense at the rate the world is changing. The Japanese model of 100-year business plans and the old 10-year marketing plans – I think they're kind of nuts. To get this year right and have a sense for what the next couple of years will look like is as good as you can be.

The organizations that will be successful in today's world are not those who can forecast accurately (because nobody can); it's those who can react quickly to change. What do you do with a 9/11? What do you do when gas hits $4 a gallon and you're driving 10 million miles each week delivering pizza? What do you do with the worst recession of our lifetime? What do you do when the bank system suddenly fails and there's no financing? Your organization must be able to react quickly to new challenges, overcome the obstacles, and even take advantage of them.

Once your plan is in place, how do you ensure it is properly executed?

I'm big on managing by objectives. We're just getting ready to teach our people SMAC objective writing. That's an acronym I learned at P&G 30 years ago. A good business objective must be Specific, Measurable, Achievable, and Compatible with the overall corporate objectives. The "compatible" piece is very important. For example, your objective may be to learn how to play the piano, but that is not compatible with what we're trying to accomplish here.

Once the vision, long-range goals, and 3-year plans are in place, each department and individual will author their own two or three "SMACable" business objectives. In my mind, an objective is specific, measurable, and far more near-term than a goal, which is an aspirational thing that doesn't have to be measured within a certain timetable. These objectives are the criteria on which salaries, bonuses, and promotions are based. So one's understanding of what he is able to deliver is critical to his ability to be successful.

How often do you review those objectives throughout the year?

We have quarterly checkpoint conferences. We all get together, put the objectives on the board, and see how we're doing. It's very simple. The objectives that have been accomplished get a green circle, those that are still incomplete but deemed viable get a yellow circle, and those that we've decided are not going to get done get a red circle. This made it very easy on our Domino's Board of Directors. They could just look at the report card for each division and know how we were doing based on the colors.

Interestingly, in years that we exceeded our EBITDA target, I would go back and look at the books and see a lot of green. In years that we underachieved, our books would be primarily red. This showed that we were doing a good job of tying our objectives to financial outcomes. To have a lot of green in a year that we missed our EBITDA target by 15% would have indicated poor objectives.

Here's a very detailed question, but it's one that many executive teams ask. You talked about tying everyone's incentives to the corporate goals, but is there ever a place for individual considerations? I know you want to win and lose as a team, but the reality is that some individuals perform much better than others.

At both Valassis and Domino's, we were very true to the team sport concept. Bo (Schembechler) would always say "the team, the team, the team." In fact, if anyone approached Bo about one of his players being considered for the Heisman Trophy, he would say, "Get out of here." He didn't believe in anything that elevated an individual above the team. He drilled that into me.

That said, you might have a division with a standalone P&L that's separate from the core business. In that case, you might tie 80% of the bonus to the corporate target and 20% to divisional performance, but the corporate target is always the driver.

What is the lowest percentage you would ever tie to the corporate target?

The lowest I can remember going was 60%. I want everyone understanding that the team has to succeed for any one of us to succeed. We win together, and we lose together.

Do you approach salary increases in the same way?

Salaries are much more individualized than variable incentives. It starts with your position in the company. As CEO of Domino's, one-third of my compensation came from base salary, one-third came from variable pay on annual performance, and one-third was based on stock price equity appreciation. So two-thirds of my pay was based on performance. I believe that if you're making millions of dollars a year, you should be much more leveraged on performance with less guarantees than a lower-compensated employee. The executive team would have 50% of compensation come from salary and 25 % from each variable driver, and the directors would be 70%, 15%, and 15%. The higher you were in the organization, the more you impacted variable performance, so your compensation package reflected that.

When determining an employee's salary, we rated every element of their job description on a five-point scale. Then we looked at his SMACable objectives to see how many were green and how many were red. Finally, we subjectively evaluated his attitude, work ethic, and other such things. So to maximize one's salary, he had to make sure he was doing a great job in his fundamental responsibilities, delivering on his SMACable objectives, and demonstrating an attitude that was worthy of reward.

Thank you for sharing your experience on that. It's an issue that is a struggle for many executive teams.

One of the reasons I love serving on Boards is to see how other people approach these challenges. The biggest mistake that I see is that they all try to outsource their compensation plans. They bring in a consultant with a cookie-cutter approach that's completely disconnected from the culture of the organization. I've always been a rebel who says, "Incentives are crucial to this organization, and I don't want to outsource them."

People will do what they are incentivized to do. If you tell people they will make an extra $5,000 tomorrow if they come to work dressed in clown suits, many of them will do just that. Incentives are so important, so you want to get them right and make sure they fit with who you are, not what some outside consultant tells you they ought to be.

In my 22 years as a CEO, we've always had a consultant looking things over and providing market data, but the structure of our compensation program is something that we always control internally.

In closing, what is most unique about this job relative to your former positions?

The schedule! With 27 teams, it's not unusual for me to be in 14-16 meetings a day. Everybody wants some of my time. The former athletes, current athletes, coaches, alumni, major benefactors, faculty, staff – they all have an ownership stake in this place. Add the media to that, and there is a huge appetite for my time and attention. Don't get me wrong – I like that! But every minute has to count for it to work.

I knew I was going to be a bit of a shock to this place. I move fast and my expectations are high. My executive assistant (who came with me from Domino's) has been very valuable in managing that. People would come to her in the first two weeks and say, "Does he really work that hard?" "Is his office always that clean?" "Does he expect our offices to look like that?" "Is that how he wants all of us to dress for work?" She became my ambassador of information. Yes, he works that hard. Yes, he expects your office to look professional. No, he doesn't like blue jeans at work. She became this trusted figure that really eased the transition around here with a level of professionalism.

When we got here, the office itself was a mess. The Friday before I started, my wife, my assistant, and I came in after everybody left and worked all weekend. We ripped everything off the walls, painted, cleaned the carpet, emptied cupboards, put new art on the walls, wiped stains off the conference tables… When everyone walked in here on Monday, they couldn't believe what they saw.

That was the smartest thing we ever did because people immediately understood there was a new sheriff in town and things would be different. It's amazing how most people respond when you display an attitude like that.

ARTIST PROFILE

www.prcimages.com

Paul Clark

Farmington Hills, MI

Paul Clark has enjoyed photography since his childhood years when he was heavily into black and white photography. Back then, he took a hands-on approach to every stage of his craft, including developing his own film and prints. Later, Paul became an avid woodworker for many years.

In 2004, Paul chose to channel his woodworking commitment into a new pursuit of photography. Even with the changes that digital photography has brought to the craft, Paul feels he has become reacquainted with "a familiar friend." His work spans a variety of subjects with an emphasis on landscape and nature.

Based in Farmington Hills, Michigan, Paul enjoys living near facilities that provide plenty of opportunity for great nature photographs, including Kensington Metropark in Milford, Michigan. He was awarded the 2007 Grand Prize by the Detroit Zoo's *Habitat Magazine* for a particularly striking photo of two tigers sparring over a water hole. He also makes his work available to local charitable organizations.

American Goldfinch (Paul Clark) Paul R. Clark, Copyright 2010

Marshall Lighthouse, Maine (Paul Clark) Paul R. Clark, Copyright 2010

Polihale State Park, Hawaii (Paul Clark) Paul R. Clark, Copyright 2010

ARTIST PROFILE

Natalie Guess

Naples, FL

As someone who loves working with her hands, Natalie Guess is a natural for the rare art form known as batik. She has worked in this medium for more than 30 years as one of a small number of American professional fine batik artists.

Originating in the pyramidal tombs of Egypt, batik is currently most popular in Indonesia, Africa, and Sri Lanka. The Indonesian word batik means "wax writing." It involves the painting of hot clear wax on silk or cotton fabric to resist the dyes of color in which the fabric is immersed. This is done one color at a time. The "crackle" effect is created by hand-crunching the waxed fabric prior to immersing it in the dye.

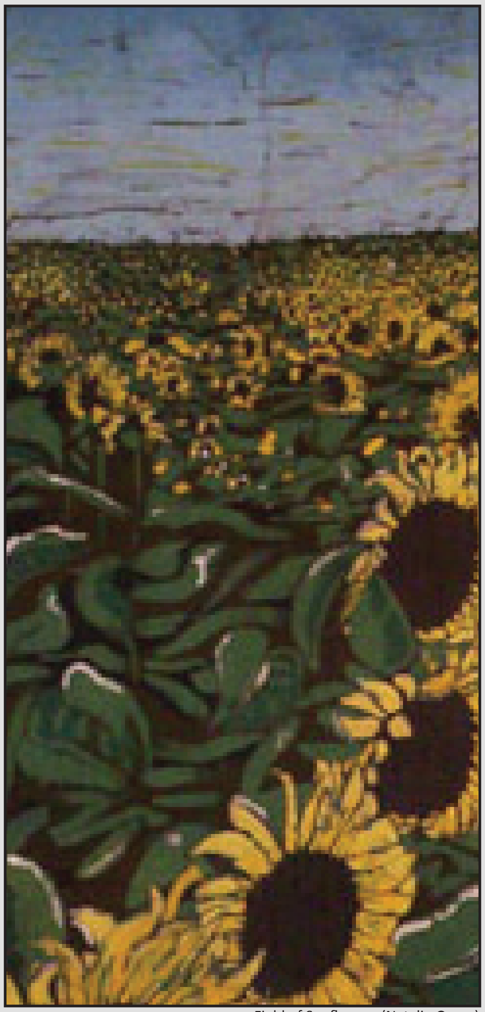
Natalie holds a Bachelor of Fine Arts from Drake University in Des Moines, Iowa. Her artwork has been honored with many awards and can be found in numerous private, corporate, and museum collections.

Natalie's husband, Phil Fisher, is also an artist who was featured in the 2010 *CEO Advantage Journal.* Together, they own and operate the Phil Fisher Gallery and Guess-Fisher Gallery, Etc. in Naples, Florida.

www.NatalieGuess.com

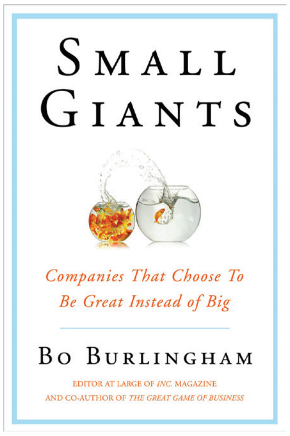
African 71 (Natalie Guess)

Villa Giulia, Bellagio, Italy (Natalie Guess)



Field of Sunflowers (Natalie Guess)

STILL Small GIANTS



A conversation with Bo Burlingham, author of *Small Giants*

Growth. That's the goal in many businesses. It's a word that characterizes the wildest dreams of budding entrepreneurs. Get started, get big, get rich, change the world, and live happily ever after. For already large companies, it becomes a means of survival as new start-ups and foreign competition press margins downward.

We measure businesses by revenue and stock price. We recognize them by their Super Bowl ads. News outlets profile fast-growing organizations and flash-in-the-pan ideas. Popular business books study the histories and strategies of the names we all recognize.

Bo Burlingham took a different approach when he wrote Small Giants. He wanted to learn more about companies that chose to be great instead of big. Why did they do it, and what specific actions did they take to ensure that it happened? What contributes to the "mojo" that allows them to be so successful? It's a topic worthy of consideration for small and midsize organizations. There really are a lot of good reasons to limit growth on purpose.

Burlingham is no stranger to entrepreneurs. Since 1983, he has been an editor of *Inc*. magazine, including seven years as executive editor. Prior to *Small Giants*, he wrote two books with Jack Stack, cofounder and CEO of SRC holdings: *The Great Game of Business* and *A Stake in the Outcome*. In 1983, Stack led a group of employees to save a failing division of International Harvester. The books detail how they broke convention and created a true ownership culture where everybody – from the executive team to the shop floor – knew the real-time financial state of the company and managed their roles accordingly.

The CEO Advantage Journal interviewed Bo Burlingham to glean further insights from his years of observing entrepreneurs – and small giants, in particular. In this edited transcript, Burlingham talks about what has happened since Small Giants was published and elaborates on the role of entrepreneurs in today's economy.

I'm sure you stay in touch with some of the companies profiled in *Small Giants.* How are they faring in the current economy? Do you have any follow-up lessons to share as you watch them through this tough time?

Most of them have done pretty well, though there have been a lot of changes. Norm Brodsky has sold the majority stake in CitiStorage. Fritz Maytag recently sold Anchor Brewing. Danny Meyer's company (Union Square Hospitality Group) is still on the growth path it was on when I wrote the book.

Reell Precision Manufacturing got into a lot of trouble right after the book came out. I was very interested to find out what happened, so I wrote an article about it for *Inc*. That situation made me realize that I should have included a chapter in *Small Giants* about the financial profile of a small giant.

The company I've watched most closely and has taught me the most during the economic crisis is Jack Stack's company, now called SRC Holdings. They have probably done the best job managing the crisis of any company I know. Jack would say they spent the last 30 years getting ready for the financial crisis because they started during the deep recession of the early 1980s. That experience taught them to get ready for the next big crisis that would inevitably come. Their preparation has enabled them to pretty much sail through this recession. They are doing great – growing like crazy.

So across the board, the Small Giant companies have done pretty well with the one exception of Reell Precision Manufacturing. There are a lot of important lessons in what happened to them.

You say you should have included a chapter on the financial profile of a small giant. Elaborate on that.

Well, let me summarize what happened to Reell. They had two CEOs, and I first noticed something was wrong when I tried to reach one of them shortly after the book was published. I received a reply saying he had a different email address, and it was obviously a personal one. I called the other one to find out what was going on and learned that Steve had been fired and was very unhappy about it. In fact, he was suing the company. When I asked about the company, he said, "Oh, it's in terrible shape. People are very demoralized." This is a company that had had a tremendous amount of mojo when I researched the book, but they had completely lost it.

In the mid 1990s, they faced a critical decision. Their business had two parts, but the largest and most dynamic part was that which made the constant torque hinges for laptop computers. They were the pioneer in that business and set the standard of excellence. But that whole business moved offshore in the 1990s; American customers like Apple, Compaq, Hewlett-Packard, and IBM were replaced by companies in Asia, Korea, Taiwan, and China. Going up against local suppliers in a very competitive market put them at a disadvantage, but they felt that they had to do it in order to avoid laying people off. They had never done that and did not ever want to do that. So for the best of reasons, they chose to go after this new market.

At first, they did extremely well thanks to a patented innovation. At one point, they owned 25% of the global market for laptop hinges. The next year, however, their fears were realized. Asian companies duplicated the product and undercut them on price, decreasing their business by 40%. The problem was that when the sales had gone through the roof, they had expanded their factory in Minnesota and hired a bunch of people to deal with the demand. Suddenly, instead of struggling to keep up with demand, they needed more orders to fill their capacity. Consequently, they kept getting beat down on price. When I did my follow-up story on them, they were having record sales of laptop hinges but were losing money on each one. It's very hard to maintain mojo when you are losing that kind of money.

One way they had avoided layoffs in the past was by having everybody take a pay cut until they got things squared away. But while it's one thing to take a pay cut for three or four months, it's another thing to take a pay cut for more than a year. Combine that with a poorly handled leadership change, and morale was terrible. In a very short period of time, this culture of trust which had taken 20 years to build was gone. It's a very sad story. I wrote about it in an article called "Paradise Lost." (You can find this article by Googling "Paradise Lost Bo Burlingham.")

This situation opened my eyes to the importance of the financial structure of small giant companies. Each small giant in my book had a very solid business model and protected its gross margins. Reell got into trouble when it failed to protect its gross margins. So if I ever do an updated edition of *Small Giants*, I will include a chapter on the financial structure of a small giant.

How does a company like SRC Holdings avoid situations like Reell's?

Jack Stack uses what I call "creative paranoia." He and his colleagues built the company on a whole set of questions like "what if this went wrong?" and "what do we do if that happened?" They built these questions into their annual planning process, creating a structure of contingency plans. They meet twice a year for a sales meeting. The first one is in June when they assess how the year is going. The second one is in October when they start the planning process for the following year. Each company under the SRC umbrella (I think there are 15 or 16 of them now) presents their plan to the others. The plan must include an amount equal to 15% of projected sales set aside for development of new products. These new products must be specifically identified and graded based on their readiness for production. If something goes wrong with one product, they want to be able to immediately bring something in to take its place. That's how they avoid laying people off.

Take their automotive division, for example. General Motors was their biggest customer, so you can imagine what happened to them in 2008. They lost something like 50% of their business overnight, and half of their workforce had nothing to do. However, they were prepared. They could move some to other SRC companies and put others on shorter schedules. Meanwhile, they immediately began looking for other business. They discovered that one of their existing engines could be converted to a natural gas pumping engine for which there was a market in Canada, so they got that business up and running. The post office still needed automotive engines, so they worked out a deal there. In short, two months after losing half their business, they found themselves shorthanded. They hired new people, and when GM eventually came back, they were positioned to take full advantage of the situation. Similar scenarios played out in other divisions of the company.

A LOT OF PEOPLE LIKED TO TALK ABOUT HOW TO LOOK AT SOCIETY AND ECONOMIC DEVELOPMENT, BUT IT WAS THE ENTREPRENEURS WHO WERE REALLY CREATING NEW WAYS OF DOING THINGS THAT HAD A TREMENDOUS POTENTIAL FOR IMPROVING THE LIVES OF PEOPLE.

It sounds like SRC Holdings is a prime example of how to build a company for any situation. They didn't have to suddenly come up with ideas in a crisis situation. The ideas had already been fleshed out and were ready to go.

Right. There's also something to say about the mentality you create in the work force. Most of the companies in *Small Giants* practice some form of open book management. Zingerman's, for example, took the ideas of *The Great Game of Business* and adapted them to their own culture which was very different from SRC's. It has created strength in the organization that allows them to get through tough times without laying anybody off and thus keeping the spirit of the organization strong. Another such company is ECCO in Boise, Idaho, the world leader in backup alarms and emergency lighting. Their disciplines of weekly meetings to review financial numbers with the entire company enabled them to come through tough times very strongly, although they did have to do a layoff. Reell Precision Manufacturing also practiced a form of open book management, but they obviously weren't sufficiently paranoid.

You've been around entrepreneurs for decades. How did your interest in entrepreneurship develop? As you talk to entrepreneurs, what do you find makes them unique?

I wound up studying entrepreneurs by accident. As a child of the '60s, I thought capitalism was evil and business was the agent of evil. Then I got married, had a couple of kids, and found myself in a situation where I had to get a real job. I was living in Boston and was approached by a headhunter from Fidelity Investments. They needed someone who could write, so I wound up going to work there in 1982. It was a tremendously exciting time, and it challenged a lot of my ideas of what business was all about.

Then I wound up at *Inc.*, a magazine that covered a part of the economy that I found absolutely fascinating. That was when the entrepreneurial revolution was going on, and I was in a spot where I could watch it, write about it, and get to know a lot of great companies and their leaders when they were still young. It totally changed everything; I couldn't believe how misguided I had been. These were some of the most interesting, idealistic people. This was where the real innovation was going on. A lot of people liked to talk about how to look at society and economic development, but it was the entrepreneurs who were really creating new ways of doing things that had a tremendous potential for improving the lives of people. That really excited me.

What role do you see entrepreneurs playing in the current economic situation?

Unfortunately, there is still widespread ignorance of entrepreneurship in society, particularly among the political elites. They just don't understand how business works and what it takes to create a job. Creating a job is one of the most important social benefits of business, but the people in power (most of whom are lawyers) have no idea what goes into that. We are facing some big questions right now about exactly what kind of an economy we're going to have. Are we going to have an entrepreneurial economy which I believe will be more prosperous, more free, and generally better for everybody? Or are we going to have more of a top-down, command and control economy?

My wife and I have a house in France where we spend two or three months each year. I'm very fond of France; I love the French people and the French culture. But they are dealing with huge problems resulting from a corporatist economy. It is very hard to be an entrepreneur in France due to the extensive legal obstacles. The great irony of Europe is that they put these things together to supposedly protect working people, but instead, they have perennially high unemployment. In contrast, India and China are discovering entrepreneurship and are frankly beating the pants off the European countries as a result.

***Small Giants* focuses on organizations that choose greatness over growth. If entrepreneurs are the ones who create jobs by growing businesses, are small giants being selfish in choosing to limit growth?**

That's a very good question. It was actually a question that was posed to me right after the book came out by Bill Taylor, one of the founders of *Fast Company* magazine. Nowhere in *Small Giants* do I suggest that there is anything wrong with deciding to grow your company as large as possible. People who can do that also provide tremendous benefits to our society. There are very few who can do it, but if you have the stomach for it, the smarts, the access to capital, and the ability to put together the right kind of management team, more power to you.

The point of *Small Giants* is that there is nothing wrong with choosing not to do that. Is it selfish? I don't think so. Did Bill Gates, Steve Jobs, or Larry Ellison build their companies with selflessness as a motivating factor? I don't think so. The questions are what can you do, what do you want to do, what kind of a life do you want to have, and what kind of company do you want to build?

One thing that small giants can do that bigger companies cannot is to be intimately involved in their communities. Travel around the United States and you'll find that the backbones of these communities are small giants. By employing people, participating in the chamber of commerce, and providing the tax base, they really create the social fabric of American society.

Consider a company like Whole Foods, which I greatly admire. But it's a huge company now and no longer rooted in its community. It can't afford to because it is striving to create a customer experience that is the same whether it's in Austin, Boston, San Francisco, or Chicago. I think Whole Foods is a great company, but they have traded some things away in exchange for growing large. Business leaders need to make those decisions with eyes wide open, understanding who they are, what they want out of business, and why.

The people at Zingerman's or SRC are some of the hardest working and most giving people I know. They're certainly not selfish. Zingerman's could have franchised Zingerman's Deli and spread across the United States, but would the world be better if they had done that? I doubt it.

Many times when companies make that choice, they lose their uniqueness, and in many cases, they aren't particularly good. That's what Starbucks is struggling with. I have tremendous respect for Starbucks. They employ a lot of people. But they would be the first to admit they have lost something.

So the question of "to grow or not to grow" includes a choice between the ability to create more jobs and the relationship with a home community.

Yes, although companies like SRC Holdings and Zingerman's still have a widespread impact by teaching other people a different model for doing business. I would argue that their impact has been many times greater than a lot of companies 10 or 15 times their size. Zingerman's has transformed the whole specialty foods business by creating a new model for it. Great companies, regardless of size, have an influence that goes well beyond the four walls of their business.

That's a good point. Both SRC and Zingerman's have broadened their impact through intellectual capital. They have developed processes, tools, and training to help other companies learn their business models.

That's exactly right. The real management innovations of the last 30 years have not come from academia or from very large companies; they come from entrepreneurial companies. Running a very large company is a very complicated exercise, and I think it gets in the way of innovation. That's why so many large companies scale back their own research and development and instead buy small companies that have done the work already.

Let's talk about leadership transition in

privately-held companies.

I'm so glad! That's my next book!

Well, it's clearly a kill point for many privately held businesses. What insights do you have for small and midsize companies who are preparing for a leadership transition?

You're asking a question that I'm currently trying to work out in my own mind. Whenever I talk about *Small Giants*, someone raises his hands and asks, "These companies are all run by very charismatic people, so what happens when they leave?" Indeed, many of the companies in the book have had to deal with that since it was published. The fact is that every entrepreneur eventually leaves his business and every business gets sold or liquidated. The real question is whether the entrepreneur guides the process or it is handled by his estate.

This is going to be a bigger and bigger question because we have a generation of baby boomer entrepreneurs who are now trying to figure out what will happen to their companies when they're gone. Others are saying, "I've done this for 30 years, and I'm ready to do something else."

Interestingly, with all the resources on entrepreneurship and running a business, there is very little on how to exit. So I've decided to build my book around a simple question: what is the difference between a good exit and a bad exit? I've met people who have gone through the exit process and look back on their business with a sense of satisfaction and accomplishment. I've also met such people who look back with despair. What accounts for the difference? After a lot of interviews, I've come up with nine things that will be presented in the book.

The one thing I will say for now is that I looked for private companies that managed to preserve their culture for more than two generations of leaders. It's very hard to find outside of family businesses. After much searching, I noticed that the companies that were able to do it were all employee owned. Not every employee owned company is successful and able to preserve its culture long-term, but the ones that are able to preserve their cultures long-term are employee owned. That was really a revelation for me.

Interesting. When do you expect that book to be released?

Probably the end of 2011.

We will look forward to that. It's a big topic for CEOs and executive teams. Much of the material that is available on the topic tends to be more technical – the mechanics of evaluation and deal structuring. You are right that there is not much on preserving the organization's culture through a transition.

I've also noticed that virtually all the literature on this topic is geared toward getting the most money out of the business. Obviously, money is an important component as far as allowing the seller to be financially independent, but getting the absolute top dollar for your business is not that important. What is important is being able to feel good about the process, about what you have done, and about what you are doing afterward. One of the struggles with exiting is that it is very hard to get excited about leaving something. It's much easier to get excited about going somewhere. Many business owners have trouble imagining what their lives will be like after they sell the business.

We have found that to be the case for a number of CEO Advantage advisors. They have already run their own businesses, and they see advising as an opportunity to stay engaged with business while transitioning to a new stage of life.

I know other people who have made a similar transition, and I think it's wonderful. Experienced entrepreneurs can be a tremendous resource for other entrepreneurs.

Exactly. Many entrepreneurs who leave their companies have years of productive life ahead of them. They want to continue to be productive.

I find that for entrepreneurs who go off and play golf, golf becomes a job for them! The very things about their nature that made them entrepreneurs leaves them highly dissatisfied with purely leisure activities. Some don't fit that profile, but I find them to be a distinct minority.

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Colorful Street in San Miguel (Natalie Guess)

Strategic Planning
in the Family Business

In a family business, both the family and the business are at stake. The leader's challenge is to achieve the vision for both.

by David Dudon

Anyone who knows me or has read my writing knows that I am passionate about family businesses. The reason for this is simple: I'm the product of a family business. My father started a machining and fabrication business that supported our family during my childhood years. I eventually served as the CEO of that business for sixteen years. In addition to providing our livelihood, that business was the source of many treasured memories, shared priorities, and mutual rewards for our family. It definitely had its unique challenges, but all things considered, I wouldn't trade the experience for anything.

My experience is far from unique. About 90% of American businesses are family owned or operated.[1] About half of our gross national product is generated by family businesses. So when one talks about family business issues, he is really talking about American business issues. As such, we all have a stake in their healthy operation.

That is why I so enjoy advising family businesses today. When I sold Mutual Tool & Die, I realized that I did not want to just golf my remaining years away (though I sometimes wonder whether that would have been so bad!). I have years of lessons learned – things I found to work well, things I wish I would have done differently, and things I know now that I wish I would have known a long time ago – to share with today's business leaders, particularly family business leaders. I enjoy sharing those lessons in hopes of helping others do a better job than I did. Besides, business done well is incredibly fulfilling, and I still want to be able to contribute to that.

The best way for me to do this is to engage family business leaders at the strategic level. That is the arena of the CEO,

About 90% of American businesses are family owned or operated. About half of our gross national product is generated by family businesses.

and that is ultimately where family businesses succeed or fail. Strategic planning is important to all business, but it is especially imperative to the family business because there are two entities at stake: the family and the business. Neither operates in a vacuum. Family operations affect the business, and business operations affect the family.

In the early stages (the entrepreneurial phase) of the family business, the business and family grow together. The challenge is to grow them together in a way that achieves the visions of both. If the family vision and business vision do not complement each other, something will fail. You certainly don't want that to be the family, and you really don't want it to be the business, either. The livelihoods of you, your children, and future generations (not to mention your employees) depend on it.

Have you thought about the Envisioned Future of your family and your business? Have you written them down? This is incredibly important. Both the family and the business should have a clearly worded vivid description of the future. Will a family member always be running the business? If not, how will you structure the leadership while maintaining ownership? How will the authoritative roles of the family and business leadership work together? Who in the family will be involved, and how will you determine this? What if future family members don't want to be involved? How will you approach a sale? What will happen to the profits? An exit strategy is perhaps the most important component of any strategic plan.

These plans are not set in stone; you should revisit them annually and revise them based on current events and understandings. But write them down. It will help you focus your activities on both the family and business side, and it will eliminate surprises and misunderstandings down the road that hurt feelings and threaten to tear your family and business apart.

The nice thing about family businesses is that core values and passion points tend to be somewhat naturally aligned. You share histories, experiences, memories, and ways of seeing things. Sure, personalities will always vary widely and disputes

Sunday at the Beach (Natalie Guess)

will creep up from time to time, but you are still family. You are all in this together, and you all want to see it succeed for everyone's benefit.

From this standpoint, strategic planning should be an enjoyable exercise for business families. It's a chance to define your legacy for years to come. The Ford family is a well-known example of this. Despite its size and global reach, you will still hear Detroit-area employees talk about "working at Fords." It still has a bit of that hometown, family-run feel, and Henry Ford's great-grandchildren are now the stewards of that legacy.

I am a strong believer in the value of the Rockefeller habits: priorities, data, and rhythm. This is another vital component of strategic planning that should be present in both the family and the business. Establish a consistent rhythm of family council meetings along with the strategic business meetings. They may not be as frequent (annual might be enough, whereas businesses should get together quarterly), but they are just as important.

These habits are the nuts and bolts of alignment, and family alignment must parallel business alignment. If this is not the case, bad things happen. For example, what if one family member is pushing for annual dividends while other family members want to reinvest in the business? Such an issue must be fleshed out before it becomes a cancer.

Two illustrative examples come to mind. The first is that of the Miami Dolphins and the Robbie family. Joe Robbie was the original owner of the NFL team beginning in 1966. His family owned the team for more than two decades that included a perfect season, two consecutive Super Bowl wins, and building the stadium in which the Dolphins still play. Sadly, it all fell apart in 1994 due to a family rift created partly by poor succession planning. Almost 50% of Robbie's estate was lost to federal estate taxes, and the family was forced to sell the team at a bargain price in order to pay them. The strife and bitterness within the family over the whole ordeal was widely documented. The worst part is that it all could have been avoided had the family's plan aligned with the business plan.

The second example is also somewhat sad, but not nearly as tragic. Arnold Transit Company is the longest-operating tourist and freight ferry service to Michigan's Mackinac Island. Founded by lumberman George T. Arnold in 1878, it has been owned by the family of Prentiss Brown Sr. since the mid-1920s. In 2010, however, the family sold the business based on a straight family vote. Many of the third generation family members have branched off into other careers and are not as closely attached to the business as their parents.

...strategic planning should be an enjoyable exercise for business families. It's a chance to define your legacy for years to come.

I was impressed as I read the account of the Arnold sale[2]. The family was not aligned in their passion for the business, so they convened a family meeting, addressed the issue head-on, voted on it, and moved forward. Is it difficult for some family members – particularly the older ones – to let it go? Sure it is. Even those who voted to sell acknowledge how tough it is to let go of the family heirloom. But they have accepted it. In reading about it, I detected no bitterness among the family. Plus, they had the foresight to make the decision before tax changes went into effect that would have drastically increased the amount lost to taxes. All the way around, it appears this family handled a tough business situation the right way.

The bottom line is that strategic planning in the family business must align with the family's planning and include succession and estate planning. If you are the leader of a family business, it is your job to make sure this happens. You must prioritize time to paint a picture of the future for your business and family and structure a roadmap to get you there.

Someday, you can advise other family businesses on what you have learned.

End Notes:

1. Seen on 8 October 2010 at http://www.referenceforbusiness.com/small/Eq-Inc/Family-Owned-Businesses.html
2. Devaney, Tim. (2010, August 14). "Sale of Mackinac ferry service splits family." The Detroit News. Retrieved from http://detnews.com/article/20100814/BIZ/8140368/Sale-of-Mackinac-ferry-service-splits-family

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Growing Your People

Two successful CEOs talk about why great talent has no reason to leave their organizations.

Business growth is not something to be taken lightly. If managed well, it has a lot of positives, but there are also many reasons to avoid it. As discussed elsewhere in this edition of *The CEO Advantage Journal* (see "Still Small Giants" on page 30), some organizations choose to focus on greatness rather than growth.

Sometimes, however, that greatness creates the need to grow, as discovered by Gongos Research and Orchard, Hiltz & McCliment, Inc. (OHM). Both organizations have demonstrated a commitment to greatness, and both attribute their greatness to a culture that is built by and continues to attract great people. Yet, the very characteristics that make those people great are what drive them to become greater. In order to be at their best, they need to be continually challenged with new opportunities. To provide those new opportunities, their companies need to grow. If they don't, the talent that makes them great will have little choice but to go somewhere else.

The CEO Advantage Journal sat down with the CEOs of these companies to further explore this dilemma. John Gongos, John Hiltz, and their respective leadership teams have both chosen to grow for the purpose of providing ways for their employees to grow. In these edited interviews, they talk about the pros and cons of growth as well as their efforts to preserve their winning cultures in spite of rapid expansion.

Gongos Research is a custom marketing research company that uses qualitative and quantitative methods to help companies make informed decisions in the development and marketing of their products and services. They are based in Auburn Hills, Michigan.

John Gongos, President

Gongos Research, Inc.

www.gongos.com

What did you envision for your company at the time of its founding?

I had previously worked for two other market research companies. One was run by a great researcher who was not much of a businessman. The other was run by a good businessman who was not a researcher, yet he was successful. I figured if I could be a good businessman and market researcher, I could be successful. The opportunity was there, so I took it.

When we founded the company, we had a business plan with a growth projection, but it was little more than a guess. At that time, we were thinking in terms of weeks and months, not years. The focus was on finding customers, establishing a bank relationship, finding employees – the basics. We just wanted to survive. We didn't really have doubts, but we weren't planning on becoming a $50 million company, either. We just wanted to be a successful research company, most of which are small to midsize.

At what point did you focus on the question of "to grow or not to grow?"

We enjoyed fairly steady 40% growth annually for the first five years, so it didn't take long to realize two things. One, we had a really fun culture. We loved our small company culture and attracted a lot of smart and fun people who enjoyed working here. Two, we were growing quickly – so quickly that we began to wonder whether our culture could survive. There are a lot of positives with growth, but the prospect of losing our culture was a potential negative that caused us to question whether we wanted to grow.

So we started asking ourselves each year, "How big do we want to be?" It's funny to remember how when we had 15 people, we thought we never wanted to get bigger than 30 people. We hit that in two years, and the culture felt the same, so we decided we never wanted to be bigger than 40 people. We hit that, and the culture felt the same.

At that point, we began to wonder, "Do we have a *small* company culture or a *strong* company culture?" The CEO Advantage™ process helped us answer that question by leading us through a discovery of our core values. We began to realize that our strong company culture was built on finding people who shared those core values. That's what we had been doing right. From that point, we were more proactive about maintaining our strong company culture rather than a small company culture.

Once you decided you could grow, why did you decide to actually pursue growth?

Once we truly understood what was responsible for our strong culture, we felt comfortable with our growth rate. But then we had a rapid growth spurt in 2007 when we quickly jumped from 45 to 75 employees. Not everyone on the leadership team was convinced that this was a good thing, so we had another serious conversation about the pros and cons of growing. Culture was still our primary concern, but we felt we could still proactively drive that while we grew. We identified two main reasons to pursue continued growth. First, we wanted to continue to get better as a company. Second, we wanted to keep the talent we had acquired. We had all these ambitious and talented people that we were going to lose if we couldn't provide them with more opportunities and more money. Plus, our leadership team was still pretty young, so we wanted the opportunity to grow individually, as well.

So we decided to continue

growing, albeit at what we consider to be a controlled rate.

I'm sure it's an interesting challenge for a CEO to manage the differing opinions on this issue.

Absolutely. We have people on the team who would love to grow even faster and others who are resistant to change. Growth means change; some love the excitement of that, and some hate the complexity of it. Of course, some have minority ownership stakes, so that affects their opinion, but I think attitude toward change is the primary factor.

Is there a limit to how much you plan to grow?

I don't think so. We have already grown larger than we once thought we could, and our culture has continued to thrive. Now that we have 102 employees, it's hard for me to say, "This just won't feel the same at 200 employees." We just don't know, and I don't think we will know until we reach that point. That's what makes growth scary. Yet, the real questions are whether we are driving the culture and operating at a high level of quality and innovation.

I feel good about the discipline with which we nurture our culture. It's a heavy component in our hiring, and we've also developed a reputation where people really want to work for us. That gives us a large pool of candidates from which to choose those who will be a fit.

Can you share any specific examples of how your growth has created opportunities for talented employees?

One member of our leadership team has always been a really good strategic thinker and is very excited about technology. For years, he has worked as a project director and moderator, but some of those projects didn't excite him as much as the more visionary and technology roles he was assigned. So we slowly transitioned him into leading the Research Innovation and Technology team that is dedicated to developing new innovation for research. So we found a role for him that aligned with his passion and strengths, and he is much happier. He is the perfect person for that job.

We have already grown larger than we once thought we could, and our culture has continued to thrive. Now that we have 102 employees, it's hard for me to say, "This just won't feel the same at 200 employees."

And if you were smaller, you could not have done that?

Right. We would not have been able to dedicate a high salary person to that full time.

Any other examples?

Sure. We have another guy who has been a project director and a very good moderator. We tried to make him an account manager, but he was not passionate about that. What he really likes is managing people and helping them grow. Thus, we recently dedicated 50% of his time to on-boarding our new hires. Every entry-level employee reports to him for the first six months. He closely manages their on-boarding and training processes until they are ready to be assigned to a specific team. The early returns have been phenomenal. The new people rave about the job he's doing, and he loves doing it.

If we were smaller, we could never dedicate 50% of someone's time to on-boarding new people. We would need him generating revenue. We're now at a point that we can afford to have him do that, and it has been very helpful to our company.

Those are both good examples. Do you think either of those individuals would have left the organization if they could not have grown here?

Actually, both of them did leave, but they came back because they really like working for our company. Yet, had we not been able to create these specialist roles for them, they probably would have left again.

Do you have any other insights you'd like to share relative to the decision of whether or not to pursue growth?

There are two additional advantages to growth that I haven't mentioned. One is the diversified client base we now have. We would not have been able to weather the 2008 downturn nearly as well had we been a smaller, less-diversified company. Second is the brand recognition that comes with being a larger firm. Our people have always enjoyed working here, but it's fun when others recognize you.

OHM partners with municipal governments and public agencies to meet infrastructure development challenges. Their services include civil engineering, architectural and surveying, as well as information technology and municipal administration consulting. They are headquartered in Livonia, Michigan.

John Hiltz, President

OHM Engineering Advisors

www.ohm-advisors.com

You hit a point where you realized that you had to keep providing new opportunities for your talent or else you were going to lose them.

That is the reality. We are a service business, and those services come from our people, so we are selling ourselves. That's why we work so hard to fill our organization with great talent. Once we have that talent, we have to keep giving them opportunities to excel and to grow. If we don't, they will move on to another opportunity. We need to grow so they can grow.

Let's rewind a bit. Take us back to the beginning and walk us through how you reached that realization.

We were founded in 1962 as a provider of services to municipalities. It was an annuity company where my great uncle and his two partners divided the earnings at the end of the year. So their focus was not to grow, but to maximize yearly earnings. That worked well for a long time, and they began to take on more private business. When the 1980s recession hit, the private business really dropped off, so we shifted back to a focus on public customers. We still were not focused on growth; we just wanted to be the best in our niche. Yet as the communities who were our customers grew, we grew.

Sometime in the 1990s, we suddenly realized that we were not able to grow fast enough to keep up with the talent pool we were building. Our services were becoming more and more specialized, and to keep our experts busy, we had to keep increasing our reach. So we decided to pursue growth.

At first, we based our growth rate on head count, then on revenue. However, as an annuity company, our focus was still on maximizing earnings. One day, someone said to me, "Our growth goal doesn't pass the laugh test," and he was right. Our actions were not consistent with our goal. So as recently as 3-4 years ago, we decided that if were really going to be successful at growth, we had change our business model to reinvest in growth annually. We had to be willing to leave some of our yearly earnings in the company.

That realization was really driven by our young shareholders. They wanted to make sure that the value that each of us senior shareholders was taking out of the company was consistent with the market. Our book value wasn't working for us. They said, "Even though that's great for us to buy in at a lower rate, we don't want you walking away if someone offers a big carrot." They wanted a long-term investment, and they were willing to sacrifice if we were willing to sacrifice. So we did that. We changed our business model over to growth and reevaluated the firm based on economic value for shareholders. We then aligned our goals with that. We've had to reassess that decision along the way – particularly as the market has struggled in recent years – but we have recommitted to it each time.

Was everyone immediately on board with that business model change or did it take time to get everyone committed to growth instead of maximizing annual payouts?

We have a pretty large shareholder group, and I didn't expect that 100% would be excited about it. The junior shareholders, of course, were ready to get on board, but the senior leadership was understandably hesitant. Some were on the cusp of retirement, so we structured an agreement where their retirement benefits would remain close to whole.

But the rest of us – regardless of how many years we had left – believed it was the right thing to do. I still ask probably more than I should whether everyone is still onboard, but I want to continually reinforce that we're all on the same page. We've set that direction, and it's my job to get us there.

What have you found to be some of the cons to a focus on growth?

It ties up capital that might otherwise be rewarded to our shareholders. That's especially tough when we're trying to find new clients in difficult economic times. Right now, I've got more business development people engaged than ever.

It also ties up time. I personally enjoy spending time with our clients and staff, but when I'm focused on finding new opportunities, I can't do that as much. I've had to force myself to step away from operations. I know some businesses who have downsized where the senior management is digging back into operations, but we've gone the opposite direction. I have phenomenal people overseeing operations, so I'm a redundancy there. My job is to look ahead several years and drive business development and marketing.

How have your acquisitions impacted the company's culture?

It has actually infused a lot of energy. We include the staff in business planning, and we encourage employees to present new ideas. Acquiring new companies has broadened the talent pool from which those ideas come, and that's exciting.

We also don't believe that the strategic plan should be only for executives. It needs to be distributed to everyone. Everyone needs to know his role in the whole – how what he is doing now helps us achieve our shared vision. When everyone is working together like that – no matter where they come from – there is a lot of energy in the air.

Would you share some examples of opportunities that would not have happened had you not been committed to growth?

Our company benefits when our employees are sought out by customers as industry experts. We have a shareholder who is a sewer modeler. He had an idea for a new way of modeling sewer flow that is different from what anyone else is doing. In a nutshell, his model enables us to more accurately identify how big of a fix a particular sewer line needs. In many cases, that fix is more economical than what is estimated by more traditional modeling methods. Our growth objectives have enabled us to keep him on board and provide him new opportunities across the country. In fact, we've built a talented team around him that is helping us achieve our corporate vision of being nationally recognized.

That's a great story. Any others?

We acquired a company in northern Michigan with the intent of using our expertise to grow their engineering. However, we found that their architectural talents filled our needs in southeast Michigan faster than our civil engineering could help them up north.

Meanwhile, we had sent a talented guy to Nashville to grow our municipal engineering there. He met a guy down there who opened our eyes to opportunities in the federal market, which was something we had never done before. In combining his talents with the architectural talent from the northern firm, we soon found ourselves growing an architectural business and doing eight buildings at Fort Campbell in Kentucky. That is now leading to additional design-build opportunities in Florida, Mississippi, Alabama, Texas, and Washington.

All that came together by allowing one talented person to pursue an opportunity he was passionate about and putting our expanded resources to work with him. It has generated business that we never expected.

It's all about keeping your eyes open to opportunities, isn't it?

That's right. We don't want to be rigid about what type of work we'll do. I just want to focus on the "who." Get talented people in here, give them the tools they need, then get out of the way. Let them do what they do best.

Is there a limit to how large you want to grow?

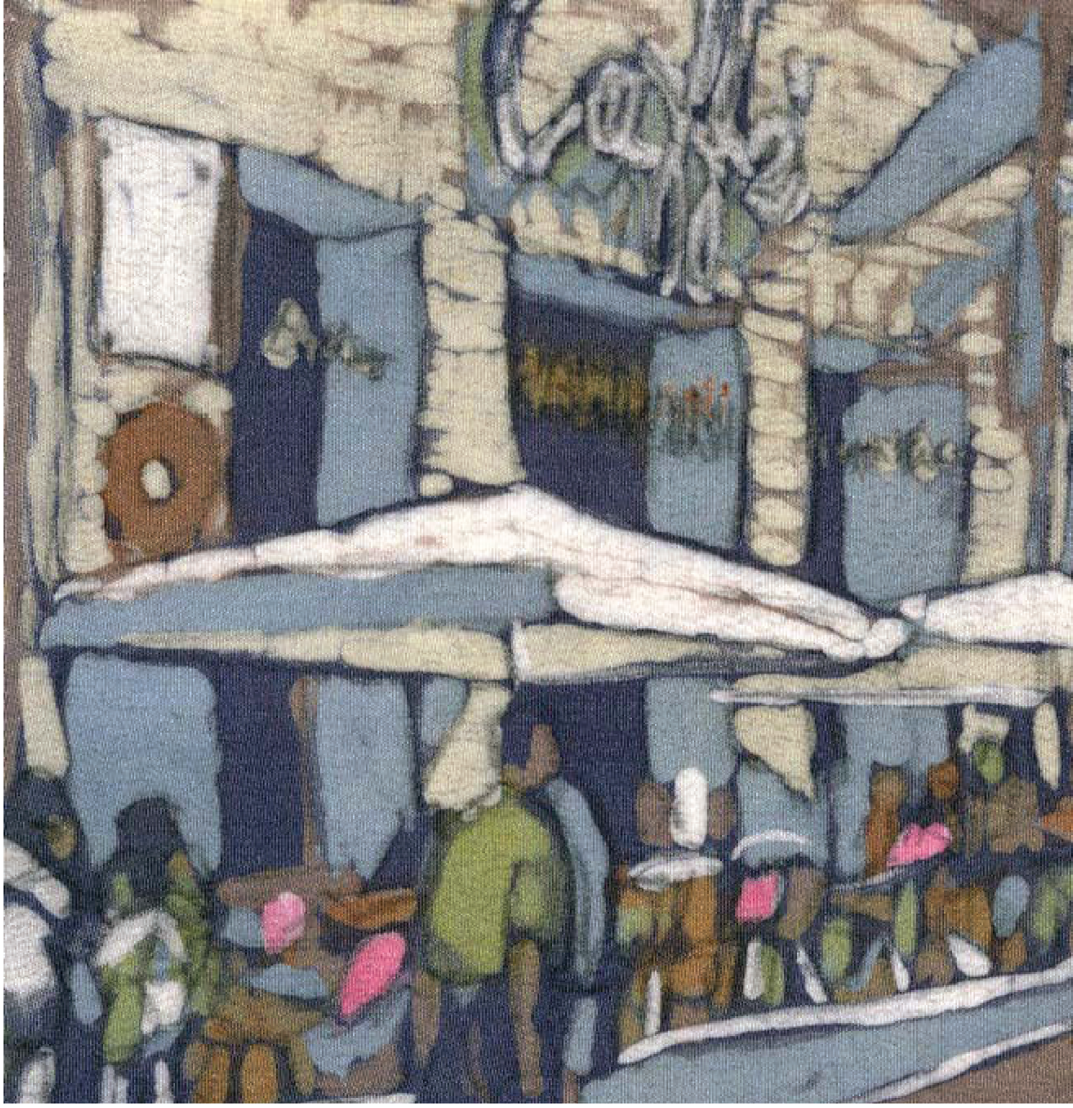
The only constraint is our core values. We don't want our growth to jeopardize who we are. That's what made us strong, and that's what will keep us strong. If we find ourselves compromising those, we are growing too fast.

There could come a time when this company needs to grow beyond my ability to lead it. The question then becomes whether you want to lead a company that fits your talent or be part of a company that continues to grow. I have committed to growing this company, so I have to be willing to let go if I am limiting its opportunities.

We will just remain open to opportunities and see where that takes us – but again, only if it doesn't jeopardize who we are. It's not just about size.

Have you ever made a decision to purposely slow growth?

Yes. For example, we recently merged with a firm out of Columbus, Ohio. I had my business development people



Cafe in Cuomo, Italy (Natalie Guess)

looking for another acquisition opportunity when it occurred to me that we had work to do integrating this new company into our culture before we added another. If we didn't integrate well, we would risk losing everything we set out to accomplish with that merger. So we slowed down a bit. We don't want to lose who we are, and we want to maximize the existing base before we add more.

I'm guessing you have people in your organization that think you should be slowing down even more in these economic times?

Sure, but that's where it's my job to help us stay the course. It's like we're crossing the Atlantic in the Titanic. We know where we need to go, but there are icebergs out there. We must continually recalibrate based on the obstacles we encounter, but we can't take our eyes off the final destination. We're changing course but maintaining direction. Some of the crew members are saying, "Slow down so we don't hit anything!" But we can't do that. We need to keep making progress. On the other side, we have the hard chargers who want to go full throttle, and I'm saying, "Hold on, we have to get there safely." It's a balancing act. We don't want to go so fast that we can't avoid the iceberg when we see it.

It's all about balancing pushing and patience, isn't it?

Yes, that's right. As stressful as it can be, though, it's fun when you are surrounded by stars. We've got great people, and good things are happening.

I'm amazed at how many companies I hear saying, "Let's just ride this out." Ride this out? How many years are we talking about? If we don't move, it's going to mean a slow decline for our business. This is the time for innovation, and that doesn't come from senior management; that comes from everyone in our organization.

How do you solicit those ideas for innovation?

We annually put out a call to the employees for new ideas. Our leadership team then has a formal process for reviewing those ideas and moving forward with the ones that hold promise. Most of the ideas have been developed over time, and our management has been involved, so it's not like we are dealing with concepts that we've never seen before.

The guy with the sewer model came to us and said, "I've got a business partner that would like to take this to the next level. Would this company be interested in partnering with us?" He presented a business plan, and we said, "Yes, your success will translate into our success, so we are willing to join hands with you and your partner." So he's a partner in this business, but we've given him the latitude to be a partner in the online development of this tool. Is it exclusive to OHM? No, but that's okay. We can't kill it by holding on too tightly. We just want to keep the expertise behind it here.

Of course, all of these new business ideas need to be consistent with our overall plan. We don't want to get away from our core. It has to move us in the right direction, and frankly, there has to be a passion for it by more than just a single individual.

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Old Cruise Car (Paul Clark) Paul R. Clark, Copyright 2010

The POWER of ONE

Achieving the alignment that leads to enterprise value

by Susan Diehl

Picture this: A group of leaders passionately debating a strategic direction, creating a single set of messages for its shareholders and employees, executing the strategy flawlessly, and delivering value. Such is the power of one: one voice, one direction, one result. An aligned team leads swiftly, purposefully, and cohesively, and the results are dramatic. Yet, how many teams truly demonstrate a high level of alignment? Not many. The reasons include indecision, poor teamwork, low trust levels, slowness to act, weak leadership, lack of focus, silo mentality and many others.

As part of a recent research project, I had the pleasure to speak to some CEOs about what drives positive results. Some key themes emerged from their thoughts on how to achieve alignment. First, the CEO needs to assume ownership of aligning the leadership team and the organization. It is the leader's role to put the right team in place and relentlessly pursue team alignment. As Jim Collins writes: "first the 'who,' then the 'what.'" Second, the team must work collaboratively to create a vision, set objectives, and make strategic decisions. Third, a structure must be in place to drive collaboration and strategy execution.

When I asked about how to measure alignment, I heard "unity of action," "goal achievement," and "financial returns." I discerned that enterprise value is the ultimate goal of alignment. So how does an organization achieve the alignment necessary to improve enterprise value? It does so by committing to a process-driven approach to alignment. A pursuit of sustained alignment is driven by three disciplines. First, the team must work to develop cohesive functional teamwork. Second, the team must agree on a compelling strategy that sets the direction for the future and captures the hearts and minds of employees. Third, the team must execute the strategy with disciplined thought and action.

Sound easy? It is a journey that requires commitment and vigilance. However, its impact is great. Think of what you can achieve in leveraging the power of an entire organization that performs consistently well. It's the power of one.

Developing Functional Teamwork

We have all been captivated by Patrick Lencioni's illustration of a highly functional and cohesive team – one that is founded on trust, engaged in conflict, fully committed and accountable, and focused on results. Highly functional teams need highly functional leaders – those who probe for insight, engage in critical thinking, and listen carefully to those with whom they disagree. Tony Schwartz writes in the *Harvard Business Review* blog: "The best of all leaders – a tiny fraction – have the capacity to embrace their own opposites, most notably vulnerability alongside strength, and confidence balanced by humility."

One might ask why a highly functional team is critical to business success, especially if the organization has a great group of high performing talent. Doesn't working together as a team just slow things down? After all, teamwork requires boring meetings with endless PowerPoint presentations, right? Would we not be better off just letting our people do their own thing? Simply put, no. Collaboration drives efficiency in an organization. Unless everybody knows their roles and executes them well together, it will be difficult to fulfillthe purpose of the organization. Moreover, without some synchronicity of movement, unproductive conflict and morale issues among employees are sure to arise.

Collaboration can only thrive in a culture where employees want to work with each other. It is the leader's job to foster this culture by building trust, pursuing thought excellence, and allowing everyone's voice to be heard. Unless people trust one another enough to share ideas without fear of retribution or ridicule, the organization will struggle to

COLLABORATION CAN ONLY THRIVE IN A CULTURE WHERE EMPLOYEES WANT TO WORK WITH EACH OTHER. IT IS THE LEADER'S JOB TO FOSTER THIS CULTURE.

harness the collective intelligence of its employees. The willingness – indeed, the desire – to engage in constructive debate is essential to producing the best and most thoughtful solutions. Leaders must model the behaviors they expect from their organizations; they must demonstrate openness to new ideas, encourage honest feedback, and "walk the talk" by trusting their employees. Of course, none of this is possible unless employees and leaders are trustworthy. A culture of trust enables commitment, accountability, and attention to results – not to mention higher morale.

A Strategy that Captures Hearts and Minds

A highly functional team is able to pursue alignment around a clear and compelling operating strategy. This begins with a shared vision and purpose, the creation of which a culture of collaboration (as described above) readily supports. Like people, organizations need to know who they are and where they are going. This begins with discovering core values, stating a purpose, and crafting a shared vision. None of these are static. The vision feeds and informs the collaboration, and the collaboration creates an environment in which necessary changes to the values, purpose, and vision will become clear over time.

Communication is the fuel that drives this alignment process. (Lencioni urges us to "over-communicate the vision.") It is the context for collaboration. Who are we? Where are we going? What do we need to do to get there? How is what we are doing now moving us toward the shared vision? What (not who) is right? Such regular communication greases the gears in a well-tuned machine. The whole is indeed greater than the sum of its parts.

In addition to collaboration, there is a (seemingly) inconsistent feature of aligned organizations: competition. A healthy collaborative culture needs a catalyst to propel ideas forward or in another direction, react to new variables, and innovate. Competition fills that role, though it is

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somewhat paradoxical in that it breeds isolation and collaboration simultaneously. Football is a great illustration. Players compete against both their opponents, and against their teammates, who want to take their place on the field. This keeps them sharp and improves their performance; yet, there is a time when competition becomes secondary to collaboration, and to continue to pursue it as a strategy will sub-optimize results. The same goes for business organizations. Without some internal competition, stagnation may set in. However, too much competition can erode trust and lead to divisiveness in the organization.

In summary, to have the right balance of collaboration and competition, an organization must first provide its employees with a reason to want to be present each day. A clear definition of "who, where, how, what, and when" provides the framework around which to align and a message to spur the organization into action. Capturing this strategy in a simple format – ideally on one page – will deepen clarity and capture the hearts and minds of everyone in the organization.

Pursuing Disciplined Execution

With a strategy in place, the leadership team can now begin confidently to execute the strategy. In *Good to Great,* Collins notes that great companies that execute well have disciplined people, thought, and action. How does a functional team align around these disciplines? First, it begins with a commitment to a regular meeting rhythm, the hub of the interdependence between functional teamwork and a clear strategy. Solving problems, working through conflict, and working together on important business issues is how teams practice teamwork and build morale. Moreover, meetings are how organizations get work done; they are the vehicles for leveraging the team's collective intelligence, watching trends, confronting ugly truths, and monitoring results. They are the gears that drive alignment. Imagine a team that only comes together to debate and discuss business once every four or five months. It is virtually impossible for that team to ensure it works on the right things, stays committed to decisions, holds itself accountable, and delivers high performance. Indeed, chaos and silos are the

more likely result.

Second, as Collins writes, the leadership team should "preserve the core and stimulate progress." This means the leadership team must engage in disciplined thought around market risks, key business decisions, and opportunities to innovate products or processes. Innovation requires a team to collaborate on the current position of the business and what needs to be done to achieve the future goal. Innovation also requires high quality debate as well as a careful allocation of resources – time, talent, and finances – to pursue the right kind of innovation.

Finally, setting clearly-defined short-term, mid-term, and long-term priorities is critical to disciplined execution. For one thing, goal setting provides a clear link to the operating strategy and demonstrates progress toward fulfilling the vision. For another, setting and achieving goals, especially in a collaborative culture, keeps team spirits high and fosters strong commitment to future goals. Most importantly, setting and achieving goals is both cause and evidence for the alignment of the leadership team. It is one more way to reach clarity, work together, and build a performance mindset.

A Process in Motion: Alignment to Build Enterprise Value

A highly functional team with a strong leader, a clear and compelling strategy, and the discipline to execute that strategy is the recipe for creating strong business results. And, the research does link great teamwork, strong collaboration, and disciplined execution. Sustained alignment, once achieved, is not guaranteed. It requires continued diligence in the areas of teamwork, strategy, and execution. The rewards include improved business results, increased organizational and leadership capabilities, reduction of unnecessary turnover, and greater enterprise value.

One team, one voice, one direction – it's the power of one.

End Notes

1. Collins, Jim, *Good to Great* (2001)
2. Lencioni, Patrick,*The Five Dysfunctions of a Team* (2004)
3. Schwartz, Tony, "The Four Capacities Every Great Leader Needs (And Very Few Have)," HBR.org, October 13, 2010
4. Teams do not want to invest the time it takes to ensure that they are on the same page, to clarify roles, to confirm decisions. However, it takes far more time if you do not invest the time up front to align a team around these critical things. It goes back to one of my favorite sayings: "if you don't have the time to do it right the first time, you don't have the time to do it over." The concept of time is misunderstood. Many executives believe that they are acting too slowly when they have too many meetings. Consequently, they don't take the time to agree on objectives, actions and communications. However, the teams that fail to gain this upfront alignment may complete tasks, but they will not gain commitment or capture the hearts and minds of those in their organization. As a matter of fact, a regular meeting rhythm should take less than 10% of a team's time.This is because many of the unnecessary meetings we attend are the result of a lack of clarity up front.
5. Collins, Jim, *Good to Great* (2001)
6. *Id.*
7. Priem, Richard L. "Top Management Team Group Factors, Consensus, and Firm Performance." *Strategic Management Journal.* 1990. Vol. 11. Pg. 469-478.Simons, Tony. "Top Management Team Consensus, Heterogeneity, and Debate As Contingent Predictors of Company Performance." *Academy of Management Journal.* 1995. Pg. 62.Bourgeois III, L.J. "Performance and Consensus." *Strategic Management Journal.* 1980. Vol 1. pg. 227-248Dooley, Robert S., Fryxell, Gerald E., and Michie, Susan G. "Top Management Team Heterogeneity, Consensus, and Collaboration: A Moderated Mediation Model of Decision Quality." Academy of Management Proceedings. 2002. BPS L1. Isabella, Lynn A., and Waddock, Sandra A., "Top Management Team Certainty: Environmental Assessments, Teamwork, and Performance Implications." *Journal of Management.* 1994. Vol 20, No. 4. Pg. 835-858.O'Reilly, Charles, Caldwell, David F., and Chatman, Jennifer A. "How Leadership Matters: The Effects of Leadership Team Alignment on Strategic Execution." Research Paper Series – Stanford Graduate School of Business. June 2005. Research Paper No. 1985.

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A Stop at the Beach (Natalie Guess)

Finding Simplicity in complexity

by John D. Anderson with Michael Brennan

Business leaders are increasingly overwhelmed by complexity. In this era of information overload, every day seems to bring new technology, new theories, and new management tools – and thus new expectations. As an advisor to CEOs and executive teams, I find many individuals feeling fearful, confused, out of control, and frustrated.

This feeling is not unique to CEOs; it is shared at some level by everyone in your organization. For the sake of yourself and your employees, your job is to create simplicity from complexity. It is your responsibility to provide direction, confidence, and clarity. When each individual has a roadmap for navigating challenges with confidence, it drives his performance, fuels his coworkers' performance, and ultimately satisfies customers (which shows up on the bottom line). Creating simplicity out of complexity is the essence of leveraging leadership and a non-negotiable ability for the CEO. Before you can simplify for others, however, you must first do it for yourself.

Start by identifying the fundamental principles that drive your success and review those principles on a daily basis. For me, those principles are captured in Stephen Covey's *The 7 Habits of Highly Effective People.* I have found that both my successes and failures over the years can be directly attributed to how well I practiced those seven habits. Therefore, I now read Covey's book for fifteen minutes each morning. I even listen to it in my car. I find the only way to truly digest a great book is to read it, listen to it, and break it down into small chunks that I can share with others at work and at home.

An equally important discipline for me is journaling. Each morning, I spend about twenty minutes (enough time to fill up one page) recording my thoughts. This has proved invaluable in fleshing out new ideas, identifying priorities, and sorting through challenges. Those who know me well encourage me to complete it each morning because they know how influential it is on my performance.

A couple years ago, a good friend of mine developed his own set of simplifying habits and disciplines. Michael Brennan is the CEO of United Way for Southeastern Michigan (UWSEM). His CEO Mastery Success Plan was the foundation for a formal six-month mentoring program he developed for select members of his team. The Mentor Series consists of a simple 3-step process:

1. Attain piercing clarity of your unique ability and strengths.
2. Define success for your life and criteria by which to measure it.
3. Establish a daily discipline of "deliberate practice" to execute your goals.

To date, Mike has nine of UWSEM's highest performing individuals working through this program, which requires each of them to make the following commitments:

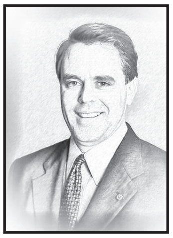
1. **Readiness:** Complete a brief application to confirm one's readiness for the six-month Mentor Series.
2. **Learn:** Read the following books:
   a. *Strengthfinders 2.0* by Tom Rath (to discern one's top five areas of strength)
   b. *Unique Ability: Creating the Life You Want* by Catherine Nomura, Julia Waller, and Shannon Waller (to discover one's unique ability)
   c. *Talent is Overrated* by Geoffrey Colvin (to understand the value and method of "deliberate practice")
3. **Meet:** Commit to the following meeting rhythm:
   a. Monthly two-hour meetings with Mike and other participants to learn, plan, and drive accountability.
   b. At least two one-on-one meetings with Mike for one hour.
   c. A one hour, one-on-one session with a Strengthfinders Coach.
4. **Goals:** Set lifetime goals, two-year targets, and habits for the first 100 days.

5. **Deliberate Practice:**
   a. Walk 10,000 steps each day with a pedometer for the entire six months.
   b. Journal your experience and observations throughout the process.
6. **Network of Support:** Intentionally build your personal "help network" to ensure support and guidance throughout the rigorous journey.
7. **Encourager:** Proactively encourage fellow participants in the Mentor Series.

This process is designed not to change things external to oneself but to increase awareness in each participant of his unique gifts. It also uncovers many inconvenient truths, such as toxic relationships, jobs that don't align to one's unique ability, and long-standing habits that must be replaced by daily deliberate practice. The process is hard work, but so rewarding. One participant said after just one month of the mentor series, "I am now 40, and this morning was the first time since I was 17 that I have woken up happy about my day and my future." It reminds me of the words of Roman philosopher Seneca: "Make this your business: learn how to feel joy…true joy, believe me, is a serious thing."

Thomas Edison wanted a major invention every six months and a minor invention every ten days. He ended up with 1,093 patents including the light bulb, phonograph, and motion picture camera. Like Edison, we need to grip our day and future like a carpenter holds a hammer: firmly and with our eyes fixed on the target. Once we are able to do that, we must lead others to do the same. Amidst all the complexity of this world, it is really that simple.

John D. Anderson is a certified 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.



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Avoid these five potential pitfalls when setting and executing quarterly priorities.

By Troy Schrock

ROCK RULES

Canyonlands National Park (Paul Clark) Paul R. Clark Copyright 2010

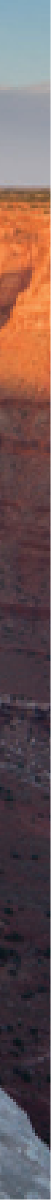
In my mind, nothing is more critical to successful strategy execution than setting priorities. This fundamental discipline proves itself on a weekly basis for me. For years, I have kept a stack of preprinted priority cards on hand. I begin each week by listing the most important things I need to get done, and I work my way down the list. The difference between a productive week and a wasted week can often be attributed to whether I took the few minutes to fill out that card.

Beyond weekly priorities, it is important for organizations to set quarterly priorities. In the CEO Advantage™ process, we call these quarterly priorities "rocks." The term derives from a word picture used by Steven Covey and other time management instructors. Imagine you have a large glass jar along with some rocks, pebbles, sand, and water. To get as much of this material as possible into the jar, you first put in the rocks followed by the pebbles, sand, and water. If you reverse the order, beginning with the water, then the sand and pebbles, the rocks won't fit.

In your organization, the jar is your quarter, and the rocks are your priorities. Since they are the most important objectives, then only way to ensure they will get done is to do them first, giving them your best time, money, and energy. If you put them off at all, they probably won't get done.

The quarterly timeframe is itself strategic. Anything shorter will prohibit you from focusing on larger, more strategic tasks; you don't want rocks to be focused on day-to-day tactical issues that are handled as part of your normal operation. Anything longer will prevent the sense of urgency required to get things done. Furthermore, quarterly recalibrations allow you to adjust to a changing market landscape more quickly than the more traditional annual goal-setting.

Setting quarterly rocks is a simple process that nevertheless requires diligence and commitment from the entire leadership team. First, review the current situation. What is happening in your market and how is your organization performing relative to its long-term goals? Second, surface a list of potential rocks for the coming ninety days. Third,



through strategic conversations and vigorous debate, select no more than five rocks to focus on in the next ninety days. Fourth, assign one individual to champion that rock. The rock champion is not expected to do the rock, but he is accountable to make sure that it gets done. Finally, broadcast the rocks to the entire organization and align everyone around the effort to achieve them.

Much more could be said about how to develop a strong organizational discipline of quarterly rock setting and execution. I have clients who have been honing this skill for years. The longer they do it, the better they become at setting good rocks and – most importantly – completing them.Their experiences, however, have opened my eyes to five potential pitfalls in setting quarterly rocks.

The Organ with Reflection (Paul Clark) Paul R. Clark Copyright 2010

MOUNTAINS ARE LEGITIMATE OBJECTIVES, BUT THEY ARE WAY TOO BIG TO BE QUARTERLY ROCKS. YOU HAVE TO ADMIRE THE OPTIMISM OF ORGANIZATIONS THAT THINK THEY CAN MOVE MOUNTAINS.

1: BAD ROCKS

Teams sometimes set bad rocks. How does this happen? If all the information wasn't available. Maybe the objective was not clearly defined. Many times, the rock was set without the benefit of open debate. Even the best teams occasionally make hasty judgments based on emotion, bias, or hubris. I generally find that bad rocks fall into one of four categories: non-rocks, mountains, pebbles, and amoebas.

Non-Rocks, as the name implies, are not really rocks at all. This usually becomes apparent once the work on them begins.

Some time ago, just prior to a quarterly meeting, an executive team heard from a "good source" that one of their key competitors in a different geographic region was reeling. The situation was ripe for striking. The team believed it had an opportunity to pick up salespeople, key accounts, and perhaps even acquire the company. The conversations at the quarterly meeting were charged with excitement, and the #1 rock for the next quarter was set to take advantage of this unique opportunity.

Unfortunately, it was a poor decision made on incomplete information. Within days of the meeting, further conversation with a few of the competitor's sales staff and key industry contacts revealed the situation to be far different than assumed. The opportunity really didn't exist and the #1 rock was scratched.

We all make poor decisions from time to time, but complete information and constructive debate will help avoid them.

Mountains are legitimate objectives, but they are way too big to be quarterly rocks. You have to admire the optimism of organizations that think they can move mountains. If they set a three or one-year initiative, they think they can get it all done in a quarter.

I frequently see this with quarterly rocks set around documenting and improving key processes. The common error is to want to cover all processes in one quarter. When challenged about the size of the rock, the executive team sees no reason why it can't be done in ninety days. The end of the quarter comes and little progress has been made, so they carry the rock to the next quarter, saying, "We will get it done this time; we have to." Again, they will fall short at the end of the quarter. Eventually, they must come to the realization of how large the task is and assign more attainable rocks – perhaps one or two processes at a time.

To avoid setting squishy rocks, **apply the SMART filter:** Specific, Measurable, Attainable, Realistic and Time-bound.

The best way to get better at setting rocks appropriate for the timeframe is by doing it over and over. Rock-setting is a skill. With practice, you will get better at it.

Pebbles are wimpy rocks – the opposite of mountains. It may be something that is more appropriate for a weekly task than a quarterly priority. Rather than set an aggressive goal requiring consistent exertion of energy and resources, it is easier to fall back on a "safe" aspect of the business that needs attention. Or maybe the team just struggles to think in terms of quarters as opposed to shorter-term activities.

One executive team was debating the merits of various potential rocks. One of their annual priorities was to build a better lead generation engine for their business. To start, they needed a marketing plan to clarify the strategic and tactical marketing elements for their business. One of the rocks under consideration was: "Define who our customers are." This was clearly important, but it was not worthy of a quarter's worth of work. In the end, they committed to completing the entire marketing plan by the end of the quarter. This was much more comprehensive, impactful, and worthy of a rock.

Again, the best way to get better at setting rocks appropriate for the timeframe is by doing it over and over. If you find that you set a pebble, why did you do it? How will you keep that from happening again?

Amoebas are squishy rocks. These priorities are so nebulous you don't really know how to measure their progress, much less recognize when they are complete. You can feel good about them at the end of the quarter regardless of how you performed because no one really knows for sure how they should look.

For example, imagine an executive team setting "improve morale" as a rock. How do you measure that? It's really squishy. The very issue is based on perception, and success will be based on perception, as well. Since those who will judge success are the same people who want to see success, you're almost guaranteed a "completed" rock regardless of the actual results.

To avoid setting squishy rocks, apply the SMART filter: Specific, Measurable, Attainable, Realistic and Time-bound.

2: ROCK CHAMPION FLIES SOLO

When the rock champion tries to do everything on his own, things usually do not turn out well. Resources are wasted, information is incomplete, and when the rock is debriefed at the end of the quarter, important questions and insights are found to have been missed by the rock champion. You simply can't afford to go it alone.

One organization had a rock to "improve communication and decrease turnover" in a particular department. Specific objectives were defined, and a champion (we'll call him Charlie) was assigned. At the end of the quarter, Charlie's report on his hard work on the rock included:

- An analysis of how bad the turnover was in this department
- Some articles on communications and employee satisfaction he had found online (and was sharing with the group for the first time)
- A list of ideas on how the problem could be improved

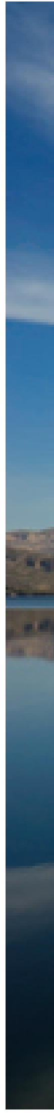
Had Charlie made any progress on solving the problem? No, but nobody realized that until it was too late because Charlie chose to fly solo. He had not taken the time to talk to people, involve others, or implement any of the actions the executive team specified for completion of the rock. As a result, an entire quarter's work was wasted.

This is definitely a common pitfall. Executive team members must hold one another accountable to make sure nobody tries to fly solo. One potential way to avoid this pitfall is to assign a champion from a different functional background than what seems "natural" for the rock. If the champion does not have the background to do it all on his own, he will be forced to pull a solid team together to get it done.

3: ROCK CREEP

Rock creep occurs when the scope of the rock expands during the course of implementation. As the team fleshes out what needs to be accomplished, it can quickly grow beyond the initial objective.

One fast-growing company desperately needed to hire more staff. The executive team set the #1 rock to implement a fast-track training plan designed to get new employees contributing at a high level as quickly as possible. They quickly identified a few specific outcomes, but further brainstorming added a dozen more "nice things" to include. They also surfaced some problems that needed fixing in the compensation structure and performance review



Apache Lake, Arizona (Paul Clark) Paul R. Clark Copyright 2010

process. All of these things legitimately needed attention at some point, but having attempted to address all of them at once, the team fell short of completing the initial rock. Their energy and resources had been spread too thin for the ninety-day timeframe.

Nobody is immune to this pitfall. The best way to avoid it is to clearly define the end point up front. Prioritization (saying no) also needs to happen within the rock. Keep the to-do list limited to those things that will meet the stated objective. Save additional items for future work.

4: SELFISH USE OF RESOURCES

Once rocks are set, individual executives might choose to withhold some of their resources for non-rock purposes. This "selfishness" is actually well-intentioned most of the time; executives believe they must continue working on what they did before, and they don't want to leave those projects undone. But remember, the rocks are what the organization deems most important at the time. That means everything else falls by the wayside. All resources must be committed to their completion.

There are times when this selfishness is advertent. Perhaps a particular executive does not agree with the decision from the quarterly meeting, for example, so he witholds resources as an act of passive resistance. This is destructive behavior for the team and organization and indicates a deeper organizational health issue that must be addressed.

If you encounter this pitfall, confront it. The conversation may be difficult, but it must happen. The rocks simply cannot be subverted by personal agendas. Everyone must rally around the rocks; their importance overrides that of any other projects currently underway.

5: GREAT MENTAL EXERCISE

Some executive teams enjoy setting rocks but not working on them. They find the strategic discussions invigorating – a form of mental exercise – but they shy away from the "mundane" work of actually executing the rocks.

One particular executive team was very adept at this. In fact, two years of diligent effort with a business advisor was not able to help them through this pitfall. The CEO was the chief culprit. He enjoyed the academic conversations around different management concepts and business models. Indeed, he enjoyed it so much that, even as the team began to work on the rock, he would reignite the debate over the exact objective. This debate would continue throughout the quarter and into the debrief at the next quarterly meeting. After awhile, all work on rocks stopped because executives anticipated the constant shift of parameters.

* * * * *

Coaches often say that great practice leads to great performance. In other words, quality of execution depends on quality of preparation. That's why the effort to set good rocks is so critical. No matter how good the final objective, a little-researched and poorly-defined rock is doomed from the outset. Even a well-researched and well-defined rock will fail without full commitment from everyone in the organization.

Like any skill, setting good rocks takes practice. Work at it, and learn from your mistakes. Your team will get better with time. If you habitually struggle to complete your rocks, try setting fewer rocks the next quarter. A few small victories will do wonders for your morale and drive the motivation for future progress.

Troy Schrock is a certified 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.schrock@theceoadvantage.com.

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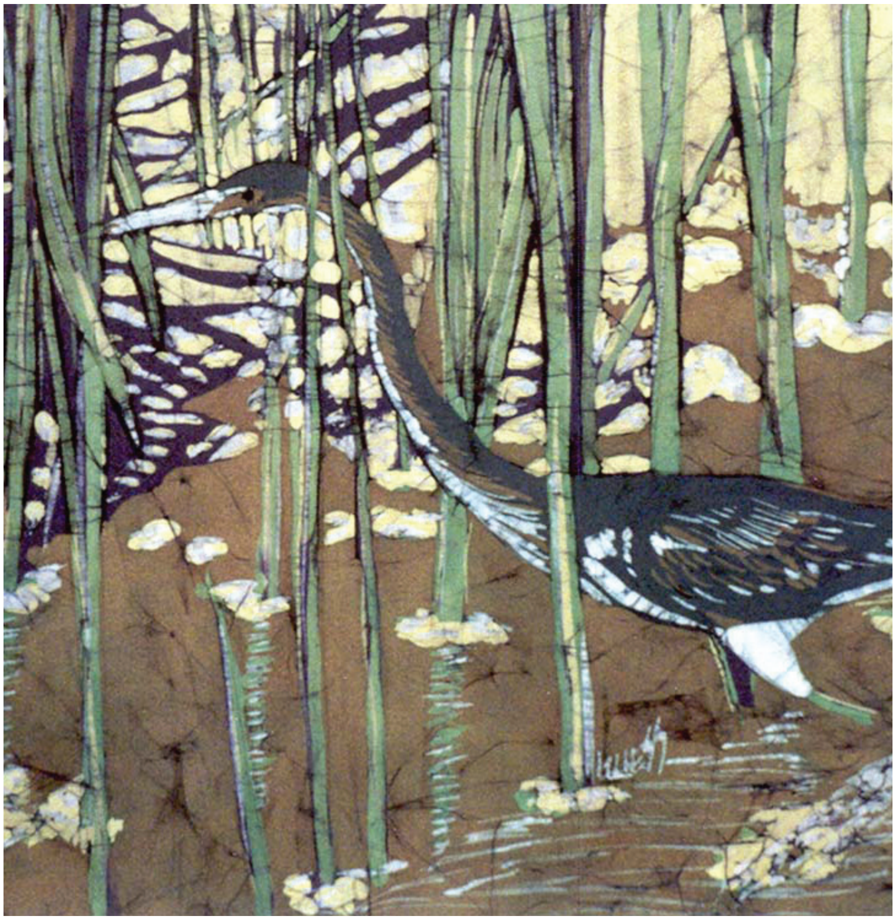
Many Glacier Hotel, Glacier National Park (Paul Clark) Paul R. Clark Copyright 2010



LOUISIANA HERON IN TALL GRASSES, NATALIE GUESS

ABOUT THE ARTISTS:

Cover

Paul Clark has enjoyed photography since his childhood years when he was heavily into black and white photography. Based in Farmington Hills, Michigan, Paul enjoys living near facilities that provide plenty of opportunity for great nature photographs, including Kensington Metropark in Milford, Michigan.

(SEE ARTIST PROFILE ON PAGE 28.)

Back Cover

As someone who loves working with her hands, Natalie Guess is a natural for the rare art form known as batik. She has worked in this medium for more than 30 years as one of a small number of American professional fine batik artists. Her artwork has been honored with many awards and can be found in numerous private, corporate, and museum collections.

(SEE ARTIST PROFILE ON PAGE 29.)