breakthrough

Tom Miller
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BREAKTHROUGH

Five principles that changed a culture and transformed a business

Tom Miller

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- DOUG DAVIDOFF, CEO, IMAGINE BUSINESS DEVELOPMENT

Preface

Over the past 30 years I have spent many hours in the leadership offices of businesses throughout the United States—both public and private. During that time I have spoken with hundreds of owners, CEOs and others that guide those enterprises. I have seen much of what works and what doesn't, particularly what drives or hinders business growth. I have been able to observe first-hand the principles that guide successful companies. Conversely, I have learned why some companies fall short of their potential and get stuck in a cycle of underperformance.

The insights I've gleaned through these interactions have helped me better understand how growth "breakthroughs" occur in businesses and with the individuals that lead them. This has increased my desire to help leaders avoid the mistakes too many seem to make and to see more clearly how to build the culture of confidence all successful companies seem to achieve.

That desire led me to write this story. It is an attempt to clearly articulate core principles that businesses must apply if they expect to become great. While the story is fictional, the issues the business owners face in this book are not. If you run a business, you will relate to their experience.

Writing this book has helped crystallize key concepts in my own mind regarding the interplay within a company between vision, strategy, roles, expectations and rewards. My hope is that it helps you as a business leader to look at the problems you face differently and that it provides many "breakthrough" moments towards achieving new levels of performance and growth.

I'd love to hear about the impact this book has on your thinking, if any. If you feel so inclined, please take a moment at the conclusion of your reading to send me a note with your thoughts. I can be reached at: tmiller@vladvisors.com

I wish you much success in the pursuit of your own personal "*breakthrough.*"

TOM MILLER

CHAPTER ONE

RAUL AND SID

Raul arrived a few minutes early for his 2:30 meeting. He checked in with the receptionist and waited a little uneasily. The lobby of Chana Systems was modestly appointed, even surprisingly so for one of the fastest growing success stories in the state. Chana had languished in the shadows for years without making a dent in its niche—digitized post-production systems for the television industry. It had been a "tier three" player—at best. Then, suddenly, it flashed onto the landscape and began to eat up its competitors, capturing market share and building a very impressive customer list.

Sid was the founder and CEO of Chana. It had been two weeks since Raul had attended the annual chamber roundtable breakfast and heard Sid's presentation. Sid had said something that struck him deeply. He had approached Sid directly after the meeting to get an answer to what seemed, at the time, an urgent question. Unfortunately, Sid had to rush off but he was kind enough to suggest that Raul come by for a visit. Now Raul wondered if he'd made a mistake. He felt like he might be wasting his time, and probably Sid's as well. "After all," Raul thought, "I run a successful company—a very successful company by all measures. And here I am seeking advice from someone probably fifteen years younger than me." He felt a little awkward.

Raul's business, Extreme, Inc., had its own successful run. In the late 80s, Raul developed a packaging and labeling system that caught and rode the early wave of bar-code technology. While not the dominant player in the market, Extreme had, nonetheless, done very well. Raul cornered two dozen large retail customers who remained loyal through the years. That base served him well. Today, Raul enjoyed a high income and financial security. But he wasn't happy. Just 60 years old, he was planning to retire soon. That's what everyone told him to do, and he supposed he should. At least he thought he should before he heard Sid's presentation.

Maybe it was just a throwaway line. During the Q&A at the roundtable breakfast someone asked Sid what his plans were, and specifically, when he was going to retire. There were a few awkward chuckles. Everyone knew Sid was well off. He was the sole owner of Chana. He could have taken the company public any time in the last ten years. But he hadn't. And everyone wanted to know why. It didn't make sense. Sid could have made his millions and the company could have had access to unlimited capital to spur its growth. Why hadn't he? But that wasn't what Raul was most curious about. He was still mulling Sid's reply to the 'retirement question.' "I never plan to retire," Sid had responded. "Why would anyone retire when they love what they're doing as much as I do?"

For some reason the response had stunned Raul. He'd heard similar statements from others. But the simple sincerity of Sid's reply gnawed at Raul. It made him realize that he wasn't embracing retirement because it sounded enticing. He was resigned to retirement because he didn't love his work anymore. It was tiring, redundant and too predictable. It didn't challenge him.

But what did he expect Sid to say about that? He laughed and wanted to kick himself. Usually he was the one that others were coming to for advice. And here he was sitting in the Chana lobby to ask for….what? Help? Explanations? Advice? "That's crazy!" Raul thought to himself. "I'll thank him for taking a few minutes and tell him I just wanted to keep the relationship open."

Promptly at 2:30 Raul was escorted into Sid's office and shook hands with the younger man. Sid's welcome was warm and open. His style was casual, like that of many entrepreneurs, but there was something different about him as well. Perhaps he didn't seem quite so tense, or at least intense. He seemed to carry himself with an air of confidence but lacked arrogance. He seemed genuinely friendly and, for whatever reason, sincerely interested in meeting with Raul.

"So Raul, tell me about your business."

Raul took a few minutes to tell his story. Somehow Sid had put him at ease. He was easy to like.

After a few minutes, Raul got around to business. "I appreciate you giving me some time. Your presentation last week was great. I enjoyed it. I thought it might be nice to strike up a professional relationship. Like you I'm sure, I've built my business on relationships."

"Thanks. And I'm pleased to make the connection. But wasn't there something more? Didn't you have a question about something I said? I can't quite remember what it was."

Raul decided to forge ahead. "Well, I found your remark about retirement to be interesting. I'm on the verge myself…thinking, at least…about retiring in the next year or so."

"I remember now," Sid replied. "You thought it was odd that I never plan to retire."

It was a statement not a question, but Raul replied as if it were, "For some reason it kind of struck me. There's a part of me that doesn't want to retire and a part that does. I could sell the business or not. It doesn't matter. We're not quite as big as you are, but we've got a positive outlook. I've got

"Why would anyone retire when they love what they're doing as much as I do?"

my hobbies and interests. But…well, I guess I don't love it anymore—you know, the business isn't driving me like it used to."

Sid listened closely.

Raul felt a little awkward again and unintentionally laughed out loud. "So what's the secret?"

Now Sid laughed too. "I guess it's like I said. Why should I retire if I love what I'm doing?"

"Sure. That makes sense." Suddenly Raul was no longer self conscious—he just wanted answers. "I guess I'm trying to find out how it is you continue to love what you're doing after doing it for so long. How do you stay fresh? Doesn't it get old? Don't you want to get away from the stress and the pressure? I guess I'm just getting tired of the burden."

Sid inquired, "How strong is your management team? Don't they share that burden with you?"

"I've got a good team. But ultimately I don't think they feel the same about the business as I do. Maybe if I'm out of the way they will. In fact, I'm sure they will. They're great. Of course, maybe I'll just sell the company. We've had our share of offers—nice ones in fact. That might be the easiest thing to do. Is that your plan some day?" Raul was now keenly aware of how unsure he sounded.

"I doubt it," Sid replied. "At least that's not what I picture." He didn't expand so Raul didn't push it.

"But I'll tell you this," Sid stated evenly, "you don't need to feel that obligation. You also don't need to carry those burdens. You don't need to feel like you're going it alone. Sounds to me like you've got all the pieces in place to sustain your business for a long time—and enjoy it more than ever."

"Maybe that's a little easier for you than for me. You're unique. Chana Systems has a different reputation than virtually every other firm in the state. People would sell their souls just to be able to apply for a job here. You can hire anyone you want. Your reputation with both customers and employees is the best. You've been growing market share for a decade or longer. And…you've avoided the IPO temptation. I just don't know of another company around that's done it that way. It seems to me that there's something different here about the business, the strategy, the culture, or…you!"

Sid laughed, "I wish I was that good. Seriously, we have done some things right. But it didn't happen overnight. There were plenty of sleepless nights, plenty of mistakes, plenty of difficulties, even tragedies for the first 15 years. But we made some discoveries and things started to turn around for us."

"Like what?"

Sid hesitated. This could open the door to a long conversation but he wanted to help. "I'd like to say I was a brilliant innovator. Instead, what I learned came from experience—some of it pretty painful. But in hindsight I see that the path was actually pretty straightforward. I'm just glad I was smart enough to stumble on to it, and to stay on it. The reality is that the first fifteen years were not easy—not easy at all. Our concept seemed redundant, even to the most anxious venture capitalist. I couldn't raise a dime. Thank goodness for a relatively high limit on my credit card. My partner and I didn't see eye-to-eye on much—except the underlying value of our product design—and I even worried plenty about that."

Raul was surprised. "I didn't know you have a partner."

"Had. I bought him out about a dozen years ago. He's gone on to make his fortune. I stuck it out."

"Seems like a good decision."

"I second guessed myself a thousand times. We lacked capital, distribution, a recognized brand and most of all…customers! Looking back, I must have been nuts."

"You must have believed in something about your company."

Sid smiled. "Fortunately I did. I had some great people. I think I stuck it out because of them."

"Is that where the lesson begins?"

"As a matter of fact it does, but maybe not in the way you'd think."

Sid continued. "There were only about thirteen or fourteen people in the company at the time. All were hardworking and bright, you know, like at every company dedicated to a cause here in the state. We all put in our share of 22 hour days to meet deadlines and deliver prototypes on time. If something was wrong, we fixed it. If a customer…we didn't have many…but if one had a problem we were quick to respond. It was exciting, stimulating…and scary."

"Because of the capital problem."

"Of course. But we finally landed a large customer. Large for us anyway. We went into the black for the first time. You can't imagine the relief when I saw that nice balance in the bank account. I couldn't believe it. Don't get me wrong. It's not like we made a ton. But I was able to pay off our debts, bank a little cash, and try to do something right for our employees."

"What do you mean?"

"I wanted to pay them all a bonus. This is where my partner and I started to differ. Mind you, I wasn't talking about huge bonuses. But I felt like our people deserved something special. They'd been killing themselves for a long time. It seemed like I had to do something for them. So I did."

"You paid out the bonuses?" Raul confirmed. He knew he probably would have done so if he were in Sid's position.

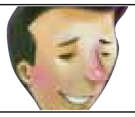
"Yes. Pretty nice ones too. My two best people got $25,000 each. That was big money for us and for them."

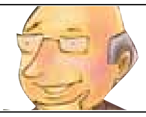
"They must have appreciated it."

"They did. Of course they did something I didn't expect."

"What's that?"

Sid paused for effect. "They quit the next day."





CHAPTER TWO

UNFULFILLED DREAMS

"They quit?"

Raul certainly hadn't seen that coming. "Why?"

"Believe it or not I didn't even ask—at least not at first," said Sid. "When they told me they were leaving, I felt unfettered, virtuous anger. I'm not proud of what I said to them. There couldn't have been a good reason 'why' in my mind. That's why I didn't ask."

"Seems to me you were justified to be angry," Raul could feel the insult. "You all paid a price together. You treated them well. And they deserted you!"

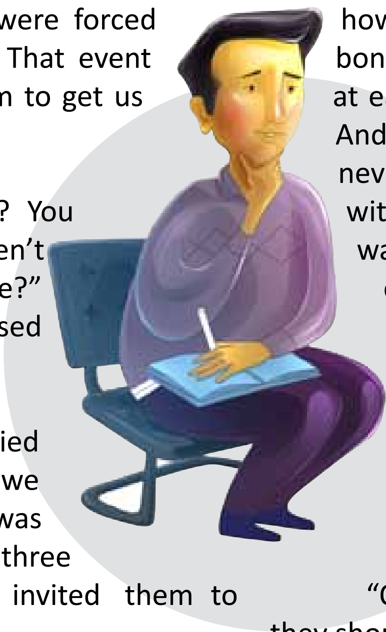
"That's how I felt...then. But figuring out the 'why' was my first lesson. It was the greatest lesson of my business career. I'm very grateful it happened. If they hadn't quit I don't think I ever would have seen the obvious. I would never..."

Raul interrupted. "Wait. What lesson could you have learned from something like that?"

"Well, let's just say I didn't learn it when I found out they had taken their bonuses and opened up a new business—in competition with me."

Raul was really confused now. "What? They used your money to compete with you! I've never heard of such a thing. Did they steal your trade secrets too?"

"Actually no. They had some better ideas than we did. Turns out we had ignored their ideas so they wanted to run with them on their own. They did pretty well. We were forced to innovate and shift directions. That event actually created some momentum to get us where we are today."



"So that was the lesson? You needed to innovate? You weren't using the best ideas of your people?" Raul was wondering if he had missed a point somewhere.

"Not exactly," Sid replied "although that did happen. And we were fortunate. But the lesson was more subtle than that. About three months after this all happened I invited them to go to lunch with me."

"The guys who bolted?"

"Yep. I needed to clear the air. I wanted to feel better about what happened. I thought we should straighten out our relationship."

"That might be more than I would have done," Raul acknowledged. "How did it go?"

"Good." Sid half smiled as he remembered that day. "They were a little nervous at first. They probably though I was going to lecture them again. But I just wanted to let them know I was past the anger, and wanted to move on. As far as I was concerned that was the only purpose for getting together."

"And…the lesson?" Raul asked.

"Oh…right. Something else happened in that meeting. I did ask them why they didn't hang in there with me. Why didn't they persist in seeing that their ideas got implemented at Chana? And it wasn't so much what they told me. It was more what came to me afterwards."

"Which was?"

"They told me that they had talked for years about going into business together. They wanted the thrill and challenge of doing it themselves. They liked working at Chana. And they felt badly about how they had left. They weren't expecting the bonuses. But when they got them, they looked at each other and knew this was their chance. And if they didn't act immediately they probably never would. I began to get it. They talked with passion about their dreams—what they wanted to accomplish, what they wanted to contribute to the industry. For the first time I began to see someone else's dreams—not just my own. I had assumed they were excited about our future, Chana's future. But I hadn't been excited about theirs. I had figured everyone thought our dream was good enough for them as well."

"Ok, that makes sense. But still, it seems like they should have hung in there with you."

"No, they made the right decision," Sid disagreed. "Who's to say my dreams for Chana are more important than their dreams for their company? Chana was just a step on their path. I'm proud now that we could help them."

"Wow. That's pretty unselfish."

"Actually, I've come to learn that it's pretty selfish of me. Or at least 'co-selfish.' I don't suppose that's really a word. Let me just say that there's no reason to assume that our dreams are mutually exclusive. These guys made a big contribution to our firm. They were probably underpaid while they were here. I got more from them than I gave back. That's the idea that got me thinking."

"About your lesson." Raul was starting to realize that 'the lesson' was multifaceted. This might take awhile.

"Right. I didn't get it immediately. What I'm telling you now is the result of twelve years of reflection on this experience and many more like it. But I did resolve to do one thing."

"And what was that?"

"I decided to find out how many more unfulfilled dreams were floating around my office."

CHAPTER THREE

THE FOUR TRUTHS

Raul was fascinated but he desperately needed to circle back. “So, what does all this have to do with the original question? You know, about not wanting to retire?”

“Yes, I’m afraid this is kind of a long story, isn’t it?”

“Well it’s a good one. I’m just not seeing the connection.”

“A little impatient, huh?”

“No one’s ever told me patience was my greatest virtue,” Raul laughed.

“Mine neither. That’s why my idea to discover the other dreams in the office was a little out of my normal ‘management style.’ But I’ll get there if you’ve got some more time.”

“No problem.” Raul was more than committed to hear the outcome. “Sorry to interrupt.”

“After the lunch, I went back to the office and arranged private, one-on-one meetings with each person on my team.”

“Everyone?”

“Remember I was down to about a dozen people now.” Sid chuckled. “So it didn’t take long. I had done one-on-one’s before, but they were always to talk about the team member’s job. You know, ‘How’s it going?’ ‘What are you working on right now?’ ‘How’s your capacity?’ Everything was about their job, duties, performance, and so on. It had never really been about them or how they felt.

For some reason I resolved to simply ask them one question. And then I listened."

"What was the question?" Raul was genuinely curious.

"Four simple words: Why are you here?"

Raul was expecting something slightly higher on the profundity scale. "That was it? That's the magic question?"

"I'm not sure I thought it was magic. And most of them didn't either. Most of them looked at me like a deer in the headlights. I could tell they were trying to figure out the 'right answer.' Their minds would race: 'What's up with Sid?' 'Am I being fired?' 'What am I supposed to say?' So I had to help them out a little. I prodded: 'What attracted you to join the company?' 'What motivates you to work a 20 hour day when needed?' 'What makes it worth it to you?' 'What do you see in your future here?' 'What could ever entice you away?'"

"Four simple words: Why are you here?"

Raul's eyes narrowed. "Did it work? What kinds of answers did you get?"

"Well some didn't open up easily. But others did. They told me about how they saw the company when they first joined us, and how their perception had changed. They talked about the people they worked with and the job site itself. They talked about how they wanted to grow, new things they wanted to learn, and ways they thought they could contribute. Interestingly, no one brought up money as the main reason they were here."

"That's logical. You were in the start-up stage. People knew you weren't in a position to pay big wages."

"Yes, but it was money that got my two key guys to leave!"

Raul nodded. "You're right, that's ironic. So most people say they're working for non-financial reasons, but the money plays a key role."

"That's what puzzled me. What role does money play in keeping people, and in making them happy? Just when I thought I was using compensation to reflect my generosity and reward people for hard work—I got the very opposite result I'd been expecting. You can only imagine the grief I got from my former partner. I realized I needed to look at compensation differently. I couldn't use it solely to achieve my ends. It had to also meet the needs of my people. That's where I needed to begin."

"Ok, say that again. Are we getting close to 'the lesson' here?" Raul inquired with a smile.

"We are. But while I was expecting my team members to tell me about whether they were satisfied or dissatisfied with their pay, not one person brought it up. That is, until I prodded."

"How'd you do that?"

"I put it this way: 'At this stage of your career how do you look at your pay? Does it meet your needs and expectations?'"

"Now what did they say?" Raul thought that this was a simple question and that it should result in a simple answer.

"Again, they weren't sure how to respond.

'Sure, it's fine.' 'I get along ok.' 'I appreciate the bonuses we got.' Things like that. I didn't get into a lot of deep conversations, to say the least."

"So what did you learn," Raul asked.

"I went to my desk and began to study my notes. I began to categorize the more thoughtful responses—not just about pay, but about everything. I guess that's the engineer in me. Gradually a pattern started to emerge. I created a list. At the top I wrote: 'The Reasons People Come to Work Here and the Reasons They Stay. Pretty fancy, huh?"

"Well, it makes sense. Must have been an interesting list."

"It became interesting to me. There were four columns on my original list. Since then I've learned to study the list in four boxes, or quadrants. It makes it easier to remember. Here, let me sketch it out for you. I call the upper left box "A Compelling Future." I've learned that people enjoy working for a company with a dynamic future. They can find personal meaning and value in associating with an organization that describes a future that's inspiring."

"That makes sense." Raul saw the point.

"I heard things like, 'I think the company has a big future,' or 'I like the direction the company is headed.' These things I put in the "Compelling Future" box."

Raul studied Sid's quadrants.

"Next, in the upper right I list the things that fit the category: Positive Work Environment. This includes a whole range of possibilities—the physical setting, the people they work with, and even the attitude or atmosphere or the culture."

"In the lower left quadrant I put all the things that relate to the employee's future—Opportunities for Personal and Professional Growth. This is probably clear, but it essentially captures any comment that suggests that the employee sees himself inside the Compelling Future. He, or she, recognizes clear paths to participate in that future. Perhaps the company has well-defined career paths. If not, it at least conveys and practices the philosophy of advancement, i.e., 'we make sure talented people grow as we grow.'

"The last category is Financial Rewards. This can include the entire total rewards offering at the company—salaries, bonuses, benefits, etc. As we

discussed, we often take this one for granted as long as we're 'competitive' with the marketplace (an idea I disavow by the way). I've learned that employees' view of this quadrant evolves dramatically over time. And, I've learned that taking this quadrant for granted is a huge mistake."

"As you did with your two top people."

Raul was starting to see the connections.

"Exactly. But in many other ways as well. I'll get into that later." Sid wanted to stay on point. "In any event, virtually anything that attracts a person to your company or keeps them there—for the right reasons—is contained in one of the boxes."

"What do you mean 'for the right reasons'?"

"Lots of people will stay in a job even if all the ingredients aren't there—especially during tough job markets, or if they really don't have any other choice. But you don't want people working for you who don't find meaning, purpose or value there. You don't want people who aren't compelled by your future, comfortable in the work environment, driven by opportunities for growth or fulfilled by your rewards offerings."

"I guess not. That's a good way to organize the issues."

"But let me beat you to the punch," Sid offered. "What does this have to do with my retirement premise?"

"It was on my mind." Raul was relieved that he didn't have to ask again.

"I guess you could say I have all those things working for me. I have a future vision that's compelling to me. I love what I do and the people I do it with. I feel like I'm still growing. And the money ain't bad either."

Raul nodded, "Ok I get that. And I guess I don't have all of those things going for me right now. Maybe I have some more than the others—the money for example."

"But that's not enough, is it?" Sid wanted to bring the point home. "That's the way it was for my key guys. The money wasn't enough. Their compelling future was inside their own business, and their opportunities for growth had peaked out."

"I see that." Just then Raul noticed that he had literally moved to the edge of his chair. "So how did you convert your list into something that changed your company? How did this lesson really play out?"

"I made all my employees partners."

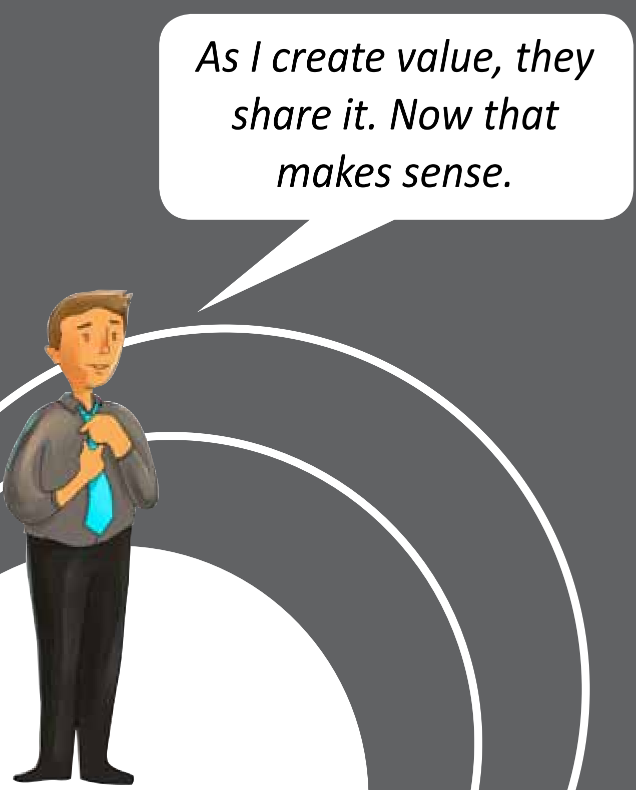
Chapter Note: The idea of the 4 quadrants is not the author's original notion. Years ago I picked it up in a presentation at an industry conference. With regrets, the name of the original creator of the idea cannot be recalled.

CHAPTER FOUR

THE THREE NEEDS

PRINCIPLE #1

PARTNERSHIP



Raul was more than suspicious of this statement. Maybe he misunderstood. "You don't mean that literally, right? You didn't make all your employees actual partners in the company."

"I sure did," Sid responded simply.

"You made them real partners? Gave them actual stock?"

"Yes...and no. You don't have to give someone stock to make him a partner. Stock is just a form of ownership. A partnership is better. And it's potentially much more valuable—to everyone."

Raul resigned himself to Sid's teaching approach. "Ok, I'm all ears"

"Let me tell you what I mean. My one-on-ones taught me something so basic that I was ashamed I had never seen it before. I had no idea why my employees worked for me. I just took it for granted that they 'liked their jobs.' If someone quit, I saw it as some combination of (a) her circumstances had changed and (b) the job wasn't a good fit for her interests or skills. We just hired someone else and moved on. But now I saw that most employees were looking for something more than I realized. The funny thing is that they may not recognize this themselves. But ultimately if talented employees aren't compelled by our story, fulfilled in their work, inspired by a future opportunity and properly rewarded, they'll look for some other place that will offer those things."

"I continued to talk with employees, off and on, about our compensation program. I learned that they had certain perceptions. They believed their salaries were below market. They saw our benefits program as adequate, at best. And they saw our 'no match' 401(k) plan as bare-bones. They realized we weren't yet in a position to do much more, so they tolerated it. But I began to notice a tension beneath the surface. I sensed that some were thinking, 'I'm not willing to do this forever. If this company 'makes it' and turns some meaningful profits I'll be really disappointed if I don't participate in the value that gets created!'"

"Do you mean they asked to directly participate in profits?" Raul asked.

"No. Don't take my conclusion too literally. I'm just saying there was an assumption that we would be fair—if and when the good times came. There was an unstated belief that we would 'do the right thing'."

"I guess that makes sense. You had demonstrated that when you paid the bonuses."

"Yes, but look what it got me—two former employees."

"It is confusing. That should have communicated your intent and values."

"I think it did. But is that enough? Should we expect our team members to have to infer our intentions? Should they have to guess, speculate and wonder about, and anticipate our best efforts to share created value?"

Raul felt he was catching on. "Not if we want to motivate them to do their best."

"Ah, you're right in one sense, but wrong, I think, in another. My employees were already motivated to do their best. These were talented, hard-working people. They'd already proven their motivation. I'm the one who had failed to fulfill the contract."

"What contract?"

"To treat them like partners. My best team members were working like crazy to learn their jobs and do their best. They were giving me all they had to give. They were creative and innovative. They were responsible and accountable. Didn't I owe them something more? I decided I needed to do something dramatic."

"What?"

"Tell them that we would develop a consistent, fair and accountable way to share the value they helped us create. And while our budget wouldn't allow us, yet, to make big changes in pay levels, we would commit to a rewards philosophy that would systematically share the value we could attribute to their efforts."

"Wow. That must have been received well." Raul really was impressed by Sid's genuine commitment to his people.

"It took some time. I wasn't sure where to begin. But after thinking about what we already were doing I realized we were addressing three needs for our employees—albeit on a limited budget. First we were addressing their basic lifestyle needs by offering a salary. Second, we were helping with their basic security needs through our medical plan. And third, we were helping them a little with their long-term accumulation needs by supporting a 401(k) plan. We began to call these by the not-so-exotic name the "Three Needs." It gave us a purpose behind our rewards programs. Ever since, we've evaluated every compensation and benefits decision through the lens of the Three Needs. We don't make a change or add anything new unless it's an investment in our employees' needs. This helps us keep a focus on our partnership commitment."

Raul was seeing something different now. "That is interesting. It seems like most compensation decisions begin with a 'market comparison.' We've done that. We look at surveys to see what the right pay level is for a given position. Then we assume that's what we should pay."

"We do market surveys periodically as well. But only to see how far off we might be on certain benchmark positions. However, the data seldom influence our decisions. We'd rather keep an eye on the Three Needs. We manage our compensation budget to meet those standards, instead of so-called market standards."

Raul needed a little more clarity. "But wait. You can't just base your pay levels on what people need. They'll tell you what they want is what they need. Everyone 'needs' more money."

"Of course. We have to manage within a budget. But we look at that budget first through the lens of the Three Needs. And that's not all we look at by a long shot. We'll get to that later."

Sid continued. "Think of it this way. We're telling our employees that we don't expect them to be concerned about meeting our goals unless we help them achieve theirs. If they're going to have ongoing lifestyle, security and accumulation needs, we should do our best to meet those needs. We should communicate our commitment to a rewards investment that goes as far as it can to address those goals for employees. We want them to know that they are a top priority for us. Our compensation budget is our largest expense. Should we not commit to allocating it in fashion that has the potential to address the highest value for our employees?"

Raul acknowledged the clarity of the idea. But he still had doubts. "How does this get translated into decisions about how much to pay someone? I'm still not seeing how you administer this idea."

"That's coming Raul," Sid stated. "I only want to point out our first realization—that we needed to listen closely to our employees so that we could understand their goals and needs. If someone else wanted to start their own business, I wanted to know before I paid them a bonus, not after. It didn't mean I wouldn't pay the bonus. I just didn't want any surprises. I wanted to align their goals with our business goals. And if there wasn't alignment it wouldn't be because I wasn't painting a clear picture of our future, doing my best to offer meaning in their job, confirming our commitment to personal growth or fulfilling my promise to address the Three Needs as best we could. I was becoming committed to fulfilling my end of the partnership. I felt it was the least I could do before challenging them to fulfill theirs."

"And what was their end of the partnership?"

"Become absolutely, positively, precisely clear on our business purpose, and then commit to it."

CHAPTER FIVE

SHARED VISIONS

PRINCIPLE #2

CLARITY

"Ok, let me get this right," Raul paused while he organized his thoughts. "The capital contribution by your employees to the partnership is understanding your business purpose?"

"That's well stated. At least, that's the minimum contribution we expect them to make—perfect clarity."

"Well, that seems important. But how did you settle on this idea?"

Sid explained. "Once I started getting my mind around what my employees expected from our partnership I decided they needed to get their minds around what's most important to me. I asked myself what that was. Ultimately, I thought about what kept me up at night. Growing the business. Producing sustainable profits. Constant innovation and delighted customers. A true competitive advantage. These are things I thought about all the time. I wanted them to care as much about those things as I did. If they were going to be my partners I felt they would want to share my worry list."

"I suspect those things are on every CEO's worry list."

"Probably so, or things like them. But why should they worry about them as long as they were 'employees' and I was the 'employer'? I wanted them to care about those things as much as I do."

"So how could you possibly get them to care as much as you do?" Raul probed.

"Well, I made another list," Sid smiled. "I wanted to talk to the employees again and see how clear they were on our business purpose and how it related to them. So I made a list of questions—four of them this time. I scheduled some more one-on-ones and wrote down their answers. The first question was "What does the future of our company look like to you?" I called this the Vision question."

"Did you get good responses?" Raul wondered for just a moment what kind of feedback he would get from his key people if he posed this question to them.

"Well I did find my team members a little more open than they were the first time around. Most were thoughtful. And some of the answers were so far away from what I expected I didn't know whether to laugh or cry. And you know the funniest thing?"

"What?"

"Out of the twelve people I spoke with I got twelve different answers!"

"Whoa. That seems a little odd," Raul said.

"It did to me too at the time. But it didn't take me long to realize that was the only possible outcome."

"Why is that do you think?"

"Because I had never told them what I thought our future should look like! Sure we'd talked in broad terms about growth and success. We had a sales plan. But they didn't see the plan as real. It was a set of numbers on a piece of paper. Some of them remembered some of the numbers. But beyond that, no one could describe our future company in terms that I felt captured what I envisioned. My vision was different than their vision."

Raul nodded slowly. "That doesn't surprise me now that you explain it that way." Raul could have pondered just this first question for a little longer but he knew there were three more to go. "What was the next question?"

Sid resumed with number two: "What do you think are the most important things that have to happen for us to grow and succeed?"

"Hmm, I see. You were looking for their sense of the business strategy."

"Exactly. I wanted to know if they understood the key initiatives that had to be launched or maintained to grow the business—to create our future company."

"Did they all have different answers to this question too?" Raul laughed.

Sid joined in, "Yep. Pretty much. Actually they did a little better here because they understood the parts of the business they were involved with. So our Sales Director knew what had to happen in sales. Our Lead Engineer spoke in terms of quality and technical improvements. But that was still a problem. I wasn't asking what they had to do. I was asking what 'we' had to do. I wanted to know if they saw this as a team effort. I wanted to see if they had a partnership mentality."

"That makes a lot of sense," Raul agreed.

Sid continued. "The bottom line was that my team members did not see the integrated effort that was needed to move us to the next level. So I stored that information away temporarily and went on to question number three: 'What contributions are you most excited about making to our growth?'"

"You brought it down to a personal level."

"Yes. I wanted to understand how they perceived their roles. I thought this would tell me what elements of the business they were most committed to."

"Did it?"

"In a way. But they didn't answer the question quite the way I hoped. They described what they liked about their jobs. But they didn't connect their descriptions to growth. Remember the question was about contributions to growth. I learned that no matter how well a person understood his job he didn't see it as a growth contributor."

"But that shouldn't have surprised you," Raul saw this immediately. "Entrepreneurs think about growth. Employees don't. They just think about their day-to-day job duties."

"Perhaps. And I drew the same conclusion. But I wondered, 'why not?' Why can't employees connect their job to growth? Seems to me that if they did they would see opportunities for personal growth as well."

Raul interrupted, "That's in line with your four quadrants." He was seeing how these all tied it together."

"Exactly," Sid confirmed. "All three questions align. 'Where are we going' is a way of asking whether they see a compelling future. So is the second question—'what has to happen to create that future company?' And the third question speaks to whether they see a future for themselves in the company."

"Why can't employees connect their job to growth? Seems to me if they did they would see opportunities for personal growth as well."

" I can see that." Raul was up to speed. "And the fourth question. Does it relate to the last box?"

Sid nodded his head. "It does. 'Why is the creation of our future company important to you?' was the last question. I wanted to know not only about the financial rewards but the intrinsic rewards they anticipated should we fulfill our vision. Here the answers were vague. I heard comments like, 'I'm not sure,' and 'I'd like to keep my job.'"

Raul commiserated. "Honestly, it does seem like most people would give those kinds of answers."

"Well I certainly was not surprised at the answers considering how poor a job we had done at painting a bright future for our people. I resolved to do better. We initiated a campaign to help every team member get perfectly clear on how we as leaders of the company looked at those four questions."

"Campaign?" For a split second colorful banners and 'We Want You' posters flashed through Raul's mind.

"I decided that my most important job as CEO was to make my employees partners in our success. This began with my commitment to be focused on *their* personal success. And then I demanded that my new partners become committed to ours. I knew we couldn't achieve our goals without them. And I wanted them to understand they wouldn't reach their goals without us. We were connected at the hip, so to speak. I worked hard on clarifying our goals, our strategy, a description of the kinds of people we would need and the kinds of roles that would need to be filled. And I worked on ways to communicate these things over and over to our team. At first they nodded their heads with glazed-over eyes. But after hearing the same message, with passion, in various forms, times and circumstances, it started to sink in. I involved them in the process. 'What are your ideas about how we can do things better?' 'Do you think our future company would have multiple markets, or just one?' 'What kinds of people will we need?' 'What can be done in your role that will create the kind of customer impact we're looking for?' The discussions weren't always formal. Team members started talking together without me present. They wanted a seat at the table."

Raul looked a little concerned as he considered what Sid had just said. “Sounds like potential chaos. I’m not sure everyone is qualified to participate in all those discussions.”

“Potentially, yes,” Sid agreed. “That’s why we made sure to direct the dialogue—to a certain extent. We weren’t trying to reinvent the business. But at the same time we wanted to nurture a culture of openness. We didn’t want anyone holding back. We were trying to create partners. Ultimately we reduced most issues down to bullet points that could be easily remembered and discussed. I just wanted my partners to understand where we were headed, how we were expecting to get there, how they could contribute and what it could mean to them. Clarity didn’t come over night. But it came. And what a change it’s been.”

“I can sense that,” Raul said. “And it doesn’t sound that difficult. It’s all about communication and reinforcement.”

“That’s right,” Sid agreed with a smile.

Suddenly Raul glanced at his watch. “Oh my, it’s nearly 4:00. I can’t believe I’ve taken so much of your time.”

“It’s not a problem Raul. But I fear I never provided a satisfactory answer to your question. Seems like I got off too far on my tangents.”

“No, no,” Raul insisted. “It was great and really helpful. I would like to get to the end of the story though. Would you entertain another meeting?”

“How about lunch next week—Friday?”

Raul rose and offered his hand. ”I look forward to it.”

CLARITY

CHAPTER SIX

BEYOND COMMITMENT

PRINCIPLE #3

ENGAGEMENT

Raul decided to dive right in "So Sid, I've had several one-on-ones with my employees over the last ten days."

"Really? That's great! How's it gone?"

"Well, good...I think. I mean, it's been enlightening and a little discouraging at the same time."

"How so?"

"Well, I was prepared to hear some of the things we've been doing wrong," Raul explained. "I realized how simple and obvious some of your techniques, or ideas, were. And I recognized that it takes a little courage to ask your employees why they work for you. I expected them to say they had no better offers."

Sid laughed. "Did they?"

"They were too kind...or scared, I suppose. I was actually pretty pleased with a number of their observations. And it was amazing to see how easily I could slot their responses into your four quadrants."

"Sounds like it was enlightening for you. But why did you say it was also discouraging?" Sid inquired."

"I thought the responses would be pretty balanced—you know within the four quadrants. But most of their reasons would fit mostly into two categories."

"Which ones?" Sid asked.

"Two and four. They told me they enjoyed what they did and that they appreciated their working relationships with their co-workers, and they thought they were paid well. But no one really talked about the future of the company and how they wanted to fit into it."

"Hmm."

"Hmm? What do you mean—hmm? Is that bad?" Raul looked worried.

"Not necessarily, but it is an indicator."

"Of what?" Raul asked anxiously.

"Something good, and something not so good—but fixable."

Raul sighed, "Let's hear it."

Sid thought carefully before speaking. "Look, I don't have all the facts so I may be way off here. But it seems to me your employees may be saying that they like the company, they trust you, and you've done a good job keeping your pay plans in line with the market."

"Isn't that all good?" Raul asked.

"Of course," Sid assured him. "But your company is mature and successful. I think your instincts were right that you should have heard broader and more definitive expressions of their sense of partnership."

"And what does it mean that I didn't hear that? It seems like it's right in front of me but I can't see it."

"Well, I think it relates right back to your original question for me. You know, why don't I plan to retire?"

"Huh?" Raul was really puzzled now.

"Let me be blunt. How can you expect your employees to see a compelling future in your company if you don't see one for yourself?"

Raul was stunned. Sid was right. It was obvious. His work had become less and less meaningful to him. He wasn't excited about the future. Why should his employees be excited about theirs—at least as it related to Extreme? He wasn't quite sure what to say. "Wow. I guess the question I had for you is a lot less important than the question I should be asking myself."

"But it's really the same question," Sid observed. "Everyone wants to live in anticipation of something better. And we all have different ways of seeking that future. But our work life needs to be a big part of it, if possible. Sure, at times we take a job simply because we need the money. But we don't really give our best, our heart and soul, unless the job opportunity means something more to us than a paycheck."

"Sure I agree with that." Raul felt deflated. "And I always thought I was giving my employees more than a paycheck. We do good things for our customers. We add value. We seek constant improvements. We're profitable—so we must be doing something right."

"You're doing a lot right, Raul. You're the kind of strong entrepreneur that I call a Wealth Creator. You create value for your customers, your employees—they just told you so—and yourself."

Raul gave a half-hearted smile. "I appreciate the pep talk. But now I'm not only discouraged, I'm confused. What am I missing here?"

Sid took a breath. "Ok, Raul. This isn't as bleak as it seems. You're sitting on a tremendous opportunity. Let me ask you this: how's the turnover at your company?"

To appeal to the best in your people you need to find a way to engage them in building something.

"It's good. We have above-average retention."

"I'm not surprised. You have committed employees. But commitment isn't enough in today's markets. People like working in positive organizations and they certainly like being paid well. But those two aren't all that's needed to generate dynamic, sustainable growth. To appeal to the best in your people you need to find a way to engage them in building something. If your people weren't quick to point out that they found their work to be meaningful then they were, in effect, telling you that they simply didn't have better offers elsewhere. Since your retention is good I have the feeling that they do sense something about the company's future but they just aren't seeing it in concrete terms."

Raul was thoughtful, "You may be right. We've always been able to grow. And we promote from within. I think people know that, and…"

Sid interrupted, "You 'think' they know that? Why aren't you sure?"

"Well, I'm sure. Or I think I'm sure," he laughed."

Sid pressed. "Suppose your employees responded like this: 'I love working here because I can't imagine doing anything else. I love what we do. I think we can do it even better and that we will do it even better. I find it challenging but I know we always overcome challenges and they make us better at what we do. I also think we're treated well and we get rewarded well when the results are good."

"Well, of course, that would be awesome."

"That can happen, Raul. Let me tell you the first thing to do."

CHAPTER SEVEN

'WE' NOT 'YOU'

PRINCIPLE #3

ENGAGEMENT
(CONTINUED)

"Let me guess," Raul inserted. "I need to make them partners. Isn't that what you said last week?"

"Yes it is. If you noticed in my hypothetical response I deliberately use the word "we" a lot. 'I love what we do.' 'We can do it better.' And so forth. Extreme needs to develop a "We" mentality. And you're right. That does relate to the principle of partnership. But how do you do that? Where do you begin?"

"I've got to outline our future for them."

"I think you're right. Now I'm not going to assume that I have been any better at this process than you will be. You know your business, your markets, your competition, your leverage points, your people and your opportunities. You wouldn't be a Wealth Creator if you hadn't developed and executed on a business plan successfully before. I think you're only lacking two things: first, a place for you in that picture; and second, a plan to communicate it to your people."

"Yes, I think you're right," Raul agreed. "But what if I'm not sure I want to be in that picture anymore?"

"You're the CEO aren't you? As long as you are it's your responsibility to paint that picture and communicate it to your team. You owe it to them to help them see the possibilities—and what the achievement of those possibilities will mean to them. This may be the number one duty in your job description. If you do it well, you'll capture their passion, their hearts. They'll be fully engaged."

"Is that what you've done at Chana? Is that why you're not anxious to leave?"

Sid smiled. "I think so. In our transition we decided that treating employees like partners meant that we had the potential to unlock something within each person that would move our company to another level. We were right. If employees are given something to strive for that has meaning and purpose, and they have a charge to execute on the plan, and they know they'll participate in the results you can create a pretty successful organization."

"That might even be something that would make me forget about retirement." Raul was a little surprised to hear himself say this.

"It's kind of electric. Here's what we observed. Fully engaged employees are much more likely to work with passion and enthusiasm. They are more likely to believe they can make a difference—with products, customers and peers. Engaged employees believe they can positively impact costs in a meaningful way. They score themselves higher on innovation and we've learned that they are better problem solvers. They are more motivated by opportunities for growth than they are by financial rewards."

"So our employees who see the financial rewards as central to their employment may not be fully engaged?" Raul asked hesitantly.

"The right rewards plan is critical. But when pay becomes the most important reason people stay at your company, you have a problem."

"So if I want to have engaged employees I should lower their pay and just sell our future," Raul suggested with a wry smile.

"If only it were that easy. In fact, if you're going to sell a bright future to your partners you'd better tell them what's in it for them. You'd better have a 'World Class Compensation Structure.'"

ENGAGEMENT

CEO EMPLOYEE

CHAPTER EIGHT

IT'S NOT HOW MUCH

PRINCIPLE #4

PRACTICES

"So it's not enough to build a partnership relationship? I've got to pay them a lot too?" Raul chided.

"I sense a slight bit of sarcasm," Sid replied. "Yes, you have to pay them. However, it's more important to pay them 'right,' which isn't the same as 'a lot.'"

Raul's eyes narrowed, "I sense another lesson."

"Well, maybe, maybe not. Tell me about your current compensation programs. Let's start with your top managers. How do you pay them?"

Raul took a moment to organize his thoughts. He had thought about this many times over the years. "Well, we do market comparisons every couple of years. I've committed to paying top dollars for my best people. I think that you can't find and keep good talent if you're not willing to pay for it. So I benchmark above the median and sometimes approaching the 75th percentile for our industry."

"I think you're answering a question I didn't ask. I didn't ask "how much" you pay them. I asked "how you pay them."

"Oh... Okay. I guess I'm not sure I see the distinction," Raul admitted.

"It's a bit of a trick question. Sorry. But there's an important lesson. We've learned that it's more important to settle on 'how' you plan to pay your people before you decide 'how much.' 'How much' is a quantitative, budget-related question. 'How' is a strategy question. Or at least a tactical one. 'How much' tends to lead to discussions, like the ones you've had, about market trends, outside standards, benchmarks, and so forth. You've got to deal with these issues sooner or later. But I'd rather it be later. First I want to deal with the 'how' question because it gives me a chance to relate pay to my business strategy. I can ask the question, 'How should I pay my team to give me the best chance of fulfilling my business purpose?'"

"I think I can see where you're going," Raul acknowledged.

Sid continued. "Would it surprise you to know that we've determined that our budgeted employee payroll commitment is the lowest per capita in our industry?"

"It would!" Raul really was surprised, if not shocked.

"But our total rewards outlay is the largest."

"Ok, you set me up again. Explain the difference."

Sid smiled. "The difference is between 'budgeted commitment' and 'total outlay.' It turns out that most of our management positions pay at levels below the market median. We have other fixed commitments such as our benefits program, 401(k) match and some important 'gap closers' for our executive team. These are fixed expenses—our budgeted commitment—that we have to pay for whether we have a good year or an average one."

"I get it. Fixed compensation expense. And your management team is content to know they're paid below the market?"

"Actually, they're quite in favor of it," Sid replied.

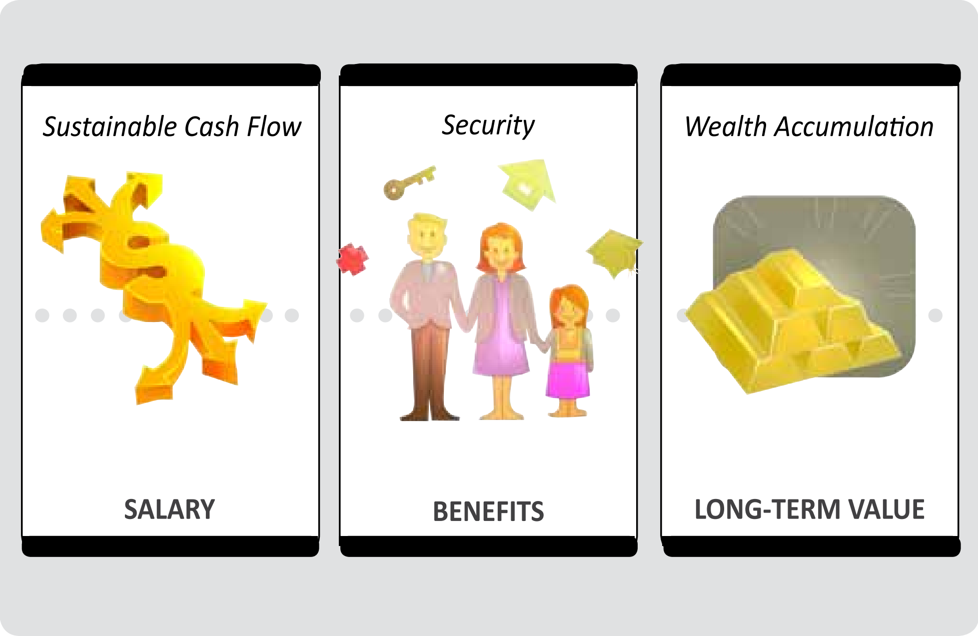
"What? I find that hard to believe. I thought the first job of every employee is to negotiate the best possible salary."

"It will be if the focus is 'how much' instead of 'how.' You see the fixed commitment may be below market but the total commitment is well above. The added element is the variable piece. And since we've been doing well the variable piece has been well above market. And I do mean 'well above.' Our team, overall, is very well paid."

Raul was still skeptical. "But still, why would they be content to have below market salaries? Wouldn't they want both—higher salaries and higher total pay?"

"The fact that they have lower salaries is what enables us to offer higher total pay. If we committed to higher fixed expenses we would need to lower our variable pay awards."

"Why?" Raul was puzzled.



"Remember that this is all based on a 'partnership' philosophy. Part of that philosophy recognizes that shareholders are entitled to a fair return on capital. If shareholders commit to higher salaries those salaries are coming from the shareholder's anticipated return. They have a right to reduce the commitment to incentive pay in exchange. Our compensation philosophy is to pay well-above market for above-market performance. But if we don't reach our performance standards we don't expect to pay above market rates. Our

"How should I pay my team to give me the best chance of fulfilling my business purpose?"

employees, our partners, understand that standard and they respect it."

"That's pretty amazing," Raul acknowledged.

"Not really. It's simply what we mean by 'how' we pay. We expect our people to, first, respect the shareholder investment and, second, earn what they get. In exchange, our employees find that their Three Needs can be met at Chana better than anywhere else."

"I kind of remember the Three Needs, but can you refresh my memory?" Raul asked.

"Sure. First, the lifestyle or cash need. Next, security. Third, accumulation."

"That's right. You evaluate your compensation programs relative to how they meet those needs for your employees."

"Yes. And if we over-optimize salaries we run out of budget room to provide quality benefits, or a meaningful wealth accumulation opportunity. You can't be above market in all those areas without breaking your budget. We've found that if we're reasonable in the fixed commitments we can afford to be generous in the variable areas. Actually, I shouldn't really say 'generous.' We're simply sharing part of the value the employees help create."

Raul was taking this all in. "It seems like a great theory. But doesn't it have the potential to break down? I've seen situations where large bonuses lead to an entitlement mentality. Employees who get a large bonus one year expect a large one the next as well. It seems to me that this approach can backfire. You said this was part of a 'World Class Compensation Structure.' How do you keep that system from turning into a time bomb?"

Sid smiled. "In the spirit of our nation's founders: any system of government, if it's going to endure, must begin with a good, solid constitution."

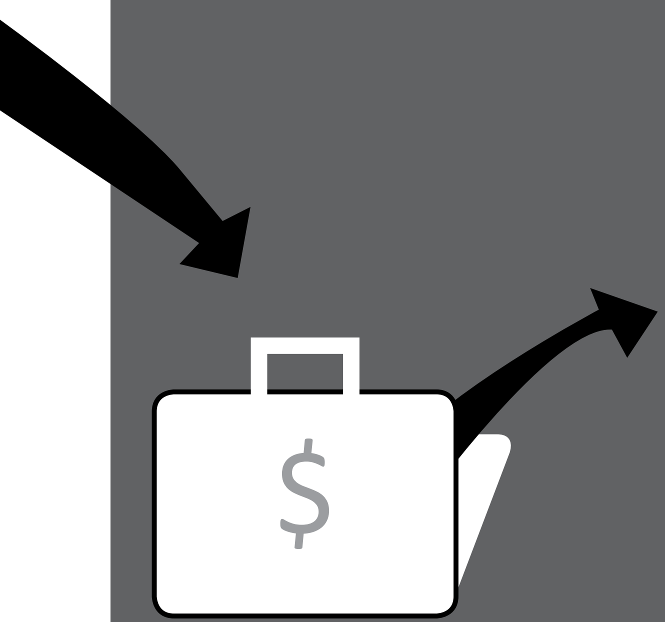
CHAPTER NINE

IS IT AN EXPENSE, OR AN INVESTMENT?

PRINCIPLE #4

PRACTICES

(CONTINUED)



> "A constitution? You mean a written document outlining the rules of government?"

Raul thought that Sid may be getting a little carried away.

"I suppose I'm stretching the analogy a bit. What if we call it a statement—a compensation philosophy statement? Would that sound better?"

"I suppose? What does it do?"

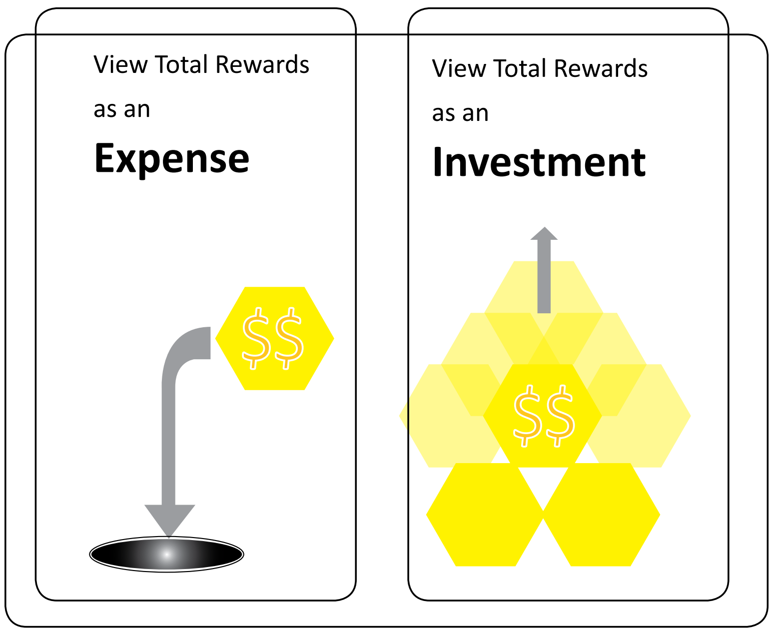
"It sets forth our company's philosophy and policy for paying our employees. It describes 'how' we pay and gives guidelines about 'how much' we pay. It expresses the basic principles that drive pay. For example, how do we define success? What represents excellent performance? Why do we not try to exceed 'market standards' with salaries? Why do we stress results-based compensation?"

”What do you use it for?” Raul asked.

“It’s published for all to see—managers, employees, anybody. We ask potential hires to read it during the recruiting process. And we discuss it with them. We don’t want any misunderstandings about pay, if possible.”

“That’s interesting. I’ve never heard of this before. Sounds like a sound practice.”

“That’s where it gets hard—practicing it. We do consider it kind of a constitution—an amendable one of course. But we refer to the statement often—especially when considering changes to our programs. By staying true to our philosophy we believe employees trust they can look to us for consistency and fairness. After all they signed onto an organization with a certain philosophy, so they shouldn’t complain if we consistently live by it.”



Raul really liked this idea. “I can see why living up to it is challenging. But it also must make some decisions easier.”

“Exactly right. It’s easier for us to pass up on the latest clever idea to come across someone’s desk. That doesn’t mean we’re not open to new ideas. But they should be consistent with our core philosophy. This way we manage our investment prudently.”

“Investment? What investment?”

Sid apologized. “Haven’t I used that term before? We have a term called TRI. It stands for Total Rewards Investment. It’s the sum total of everything we pay or accrue for employee compensation and benefits during the year. That would include salaries, commissions, bonuses, expensing the long-term incentive plan, retirement plan contributions, benefits plans, even payroll taxes.”

“And why do you call it an investment?” Raul asked.

“Because we expect a return on it,” Sid replied. “It’s a big number. We’ve committed it to our employees either as a guaranteed or fixed payment, or as a variable, incentive-based possibility. And we expect a return for that commitment. Suppose you had $10 million invested with an investment advisor. I bet you’d have an agreed upon investment philosophy. And you’d have an investment strategy—consistent with your risk/reward expectations. Am I right?”

“Absolutely,” Raul agreed.

“And you’d expect to have your return accounted for? You’d want to know how your investment performed—particularly relative to your performance expectations. You’d look at hard numbers, hard returns—gains and losses. And if you weren’t achieving your desired results you might make changes—after careful deliberation and analysis.”

“Of course... absolutely!”

“Well if you’d do that with one large lump-sum investment, why wouldn’t you do it with an annual investment that may be even larger? Shouldn’t you have an investment philosophy for your TRI? Shouldn’t you have expected returns? Shouldn’t you measure your return periodically? And shouldn’t you consider course corrections when things aren’t going well? That’s what we do with our Total Rewards Investment.”

Raul pulled out a note pad. “This idea’s so good I’ve got to write it down. This is a very exciting concept. How do you calculate it?"

"Let's not get caught up in the formula yet, maybe later. It's the principle that's important. Let's stay focused on its purpose. The TRI is an investment made by the shareholders to generate a desired return. The shareholders authorize the total rewards investment because it's deemed to be the likely way of producing their optimum return. Does that make sense?"

"It does," Raul responded.

"So we adopted a compensation philosophy statement that was built on that premise. And the philosophy states that the compensation, or rewards, for employees should align with the returns, or rewards for shareholders. All elements of pay—salaries, benefits, etc. must be accounted for by our return measurements. And if we exceed expectations incentive payments are quite significant."

Raul was thinking. "I suppose this approach also makes it easier to pay higher bonuses than other companies. You're not reluctant to pay large incentives as long as you're producing an ever-growing return for the shareholders."

"Correct. Under our system, we look forward to paying the highest incentives possible. We know it's an indication of a very good performance period. That's the foundation of our compensation philosophy."

Raul was impressed. "It sounds to me like your bonus plan is a big motivator."

"Actually, I don't view it as a motivator at all," Sid stated.

CHAPTER TEN

WHENCE MOTIVATION?

PRINCIPLE #4

PRACTICES
(CONTINUED)

"You are quite the paradox, Sid," Raul stated as he shook his head. "Why don't you think your bonus plan is motivating? Isn't that its primary purpose?

"If it is I've got a real problem."

"Okay, let's hear about this," Raul said resignedly. Everything seemed to have a twist… but it always made so much sense in the end.

"Remember my two guys who quit after receiving their bonuses?"

"Sure, they wanted to start their own business."

"What, do you suppose, motivated them?" Sid asked.

"Well, it seems their motivation was to start their own business."

“What if I had raised their salaries $100,000 each? Would you guess they might have stayed with me?”

“That’s probably a reasonable assumption—at least they would have stayed longer.”

“That’s right. They would have stayed for the money. But their motivations would still have been to run their own business.”

Raul was reluctant to fully commit to this line of thinking. “Well, everyone has desires that extend beyond their current job. But is this the same thing as saying that the incentive plan shouldn’t be motivating?”

“It’s not unfair to say that the incentive plan should be motivating. But, in my view, most incentive plans are more likely to backfire than achieve the intended results. Let me ask you this. Do you want your incentive plan to influence behavior? Is that what it’s designed to do?”

“Sure. It should point clearly to the best behavior expected of each employee.”

“So you’re more concerned with behavior than with results?” Sid asked.

“Man, you drive me crazy. You set me up again. Of course I’m more concerned with results.” Raul was shaking his head…again.

“Look, I’m not trying to torture you.” Sid smiled. “I’m just trying to present a fresh paradigm. Here’s how we look at this. If we execute on our business plan we produce profits—ongoing, sustainable, even growing profits. What should I attribute those profits to? I’d say they’re the result of wealth creation activity—the effective employment of capital and people to deliver on a valid business concept that meets or exceeds customers’ expectations. Our people are an integral part of that equation—probably the most important part.”

“Agreed.”

“If my people understand our business plan—remember the principal of clarity—and they feel responsible for executing it—and of course I’m assuming they’re bright and capable—should I try to micro-manage their behavior through a bonus plan? Don’t you think that could lead to behavior that is solely based on the desire to ‘work the system’ and earn the bonus?”

“I guess I can see that. You don’t want them doing the wrong thing just to earn the bonus. You want them to become accountable for results.”

“Our profits are a reflection, in part—probably a great part—of a positive return on their efforts. A business plan is out-of-date ten minutes after it’s been drafted—and I’m a big proponent of drafting them. But change follows immediately. I count on the innovation, creativity, personal skills and adaptive capacity of my people to produce the results of the plan—or something better. If I have people who can meet the demands of today’s market and produce great results they've earned great pay."

"I follow you."

"So the incentive plan is a way for me to say, 'I expect meaningful results; I count on you to be accountable for those results; I plan to share the value you create.' It's a validation of our partnership relationship. It's a tangible reflection of a job well done."

Raul persisted with his original thought. "And you don't think that's motivating?

Sid smiled and looked him in the eyes. "It's my commitment to the partnership that's motivating to them. The money is the confirmation that we delivered results and that we're true to our commitment."

Raul repeated this statement back to himself again and it struck him deeply. Sid's commitment to this partnership notion was not a 'marketing slogan' or a 'good faith' concept. It was a core contract that was as real to him as any legal contract. And it was a key, foundational contributor to Chana's success. Chana wasn't in a position to hire whomever it wanted because it paid the best. It was able to hire and keep top talent because employees discovered they were in an environment that encouraged autonomy and creativity. And to top it off, as if it were necessary, they participated in the financial success of the business. They really were partners!

"...in my view, most incentive plans are more likely to backfire than achieve the intended results."

As if he was reading Raul's mind, Sid spoke, "I really do look at my people as partners, Raul. If someone wants to start his own business I hope our compensation programs will give him a chance to do so. If another wants to rise to the top of her department or even the company I'm not willing to dismiss her dream. I can't guarantee she'll make it. But as long as my employees are committed to our partnership and doing their part I owe it to them to pay them well—even if it means they quit the day after receiving their bonuses."

"Does that still happen?" Raul asked.

"Nope," Sid calmly replied.

CHAPTER ELEVEN

THE 'PERFECT' PLAN

PRINCIPLE #4

PRACTICES
(CONTINUED)

It was quite a lunch. Raul asked for one more follow-up visit and Sid was quick to agree. He told Raul that there was more to the incentive plan story. Raul was anxious to hear the rest. They met, two weeks later, over coffee at Raul's favorite morning spot.

Raul spoke first. "Sid, you've been so generous with your time. I hope I'm not 'overstaying my welcome.'"

"Nonsense. It's been great to get to know you and to swap ideas."

Raul laughed. "Sure, I've been giving you a lot of great ideas, haven't I?"

"Don't worry. I'll extract my price." They both laughed.

Raul dove right in. "When we left off, you told me that the incentive plan story was incomplete."

"Right. Do you remember when we talked about 'how' you pay being more important than 'how much?'"

"Yes. You stressed that it might be possible to hold salaries to reasonable levels as long as there were compensating and realistic upside opportunities. I've thought some about this, actually. Moving to that kind of approach would probably take some time. It doesn't seem like it could be done all at once."

"Why's that?" Sid asked.

"Well, I don't think it's realistic to go to my top people and tell them I'm cutting their salaries by twenty-percent. But I might be able to advise them of a new approach where salaries would be frozen for a few years while incentive opportunities were growing. You know—a transition period."

"That makes a sense, Raul."

"It just seems like the only practical way to do it."

"And that may work perfectly with the other half of the incentive story," Sid observed. "In fact, you may not have to increase your bonus targets at all."

"Really? Please explain."

"You've seen that the 'how' versus 'how much' principle focuses on the relationship between fixed pay and variable pay—you know how much is salary and how much is incentive."

"Right, I've got that."

"Well, there's another dimension—time."

"Time?"

"Or perhaps I should say 'timing.' When do you currently pay out your incentive awards?"

"At the end of the year" Raul replied.

"As do we. There are arguments to be made for more frequent payments, such as quarterly. But that's not a big deal. And it's not what I mean by 'timing.' I'm talking about pushing the payment on part of the incentive plan out into the future—sometimes pretty far into the future."

"Okay, how far?"

"One of our plans pushes payment out for ten years," Sid answered.

"Whew. That seems like a long time to wait for a bonus."

"Well I wouldn't call that a bonus. In fact, even though we've been using the term 'bonus' I think 'incentive' is probably a better, if imperfect term. But let's use it. Would you agree that one purpose of an incentive plan is to align the interests of employees with the interests of the shareholders?"

"Certainly."

"And what are the interests of the shareholders—financial interests at least?"

"Well, let's see. Sales, profits, return on equity, and so on."

"And would you say that most owners or shareholders want or even expect the company to be bigger in the future than it is today? Bigger might mean market value, or revenue or profits."

"Certainly. That's a driving impulse for entrepreneurs. It's an indication that you're satisfying a market need."

Sid nodded. "So would it be fair to categorize shareholder goals into two areas—first, short term goals like sales, profits, etc.?"

Raul interjected. "And, second, long-term goals like market value and equity growth."

"So if shareholders have short-term and long-term goals, and employee compensation should be aligned with shareholder interests, shouldn't the incentive plan have both a long-term and a short-term component?"

"Makes sense. Isn't this the same idea as giving stock options? Is that the kind of plan you're talking about?" Raul asked.

"Stock options do fall into the category of growth incentives—or, more commonly, long-term incentive plans. But I'm not a fan."

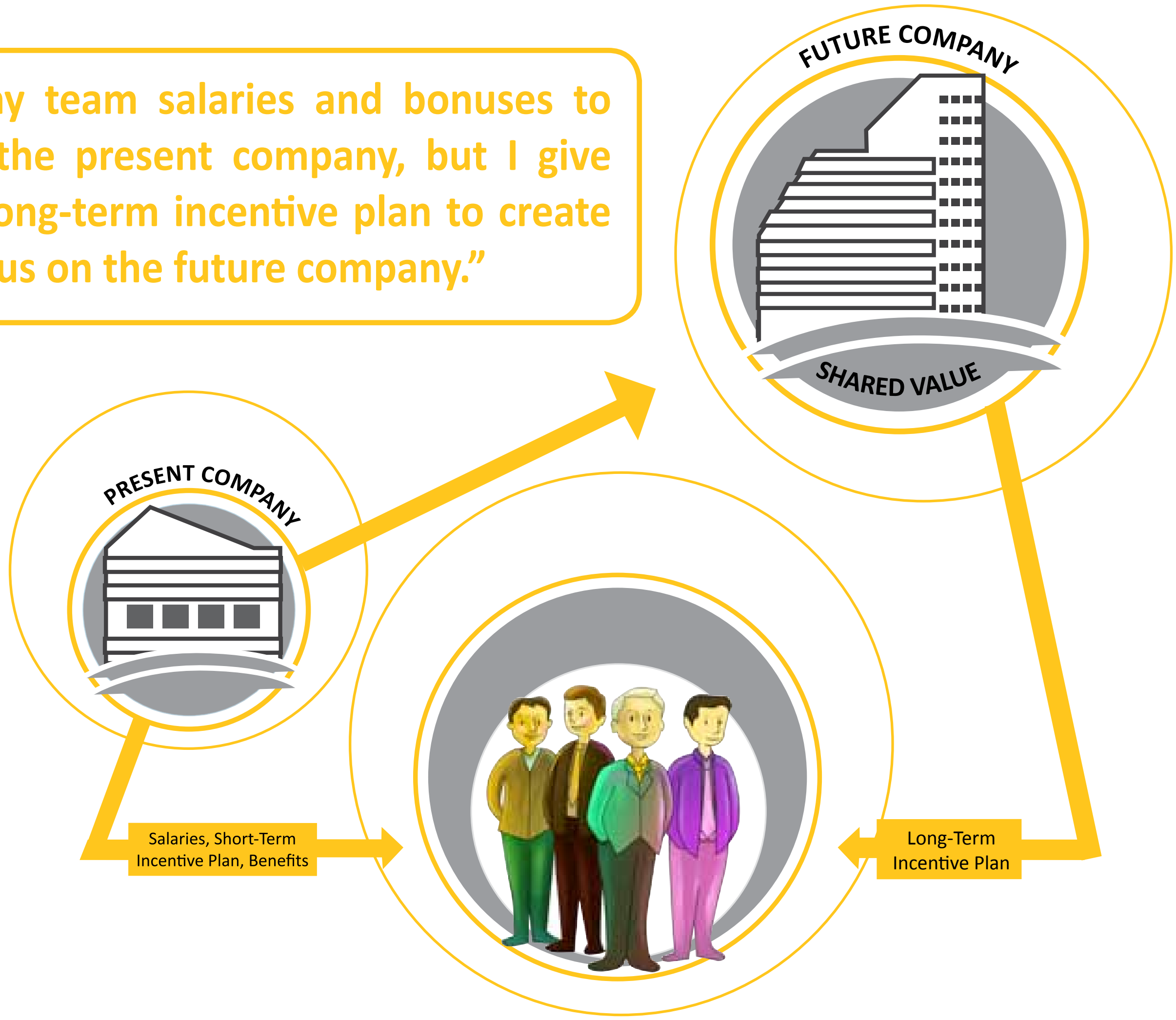
"Why not? For public companies they're an inexpensive way to motivate...oops...reward employees." Raul laughed at himself.

"We're not a public company. And I'm not interested in a compensation plan because it's inexpensive. I'm interested in it if it's the best way to fulfill my partnership commitment and meet my short and long-term goals. Public companies focus on quarter-to-quarter earnings. We focus on long-term value creation."

"Ah… so that's why you never went public." Raul understood.

"That's a major reason. I'm in the position to determine how the value we create gets shared. That's essentially what a total rewards plan is all about. I also don't think stock options create good alignment. In theory they're a growth incentive, but in practice people don't perceive real value unless there is a quick run-up in stock price. Stock price is affected by many things other than fundamental employee performance."

"I pay my team salaries and bonuses to operate the present company, but I give them a long-term incentive plan to create more focus on the future company."



"So if you don't use stock options, what do you use?" Raul asked.

"We have several different plans for different levels of employees. They're all cash-based programs—not stock-based. For our top executives we reward for long-term market value improvements. For the next level, we have arrangements that reflect growth in company-wide and departmental value. We probably don't have the time for a detailed discussion. But every employee who can directly impact company growth participates."

"It sounds like it could get complicated," Raul was not familiar with these types of pay programs.

"To me it gets complicated if you don't do it. I'll tell you what's complicated: build a sustainable, profitable organization without highly talented people?

Now that's complicated—if not impossible. I want Chana to be the employer-of-choice for the best people out there. But if I had to get rid of either our short-term performance incentive plans or our long-term growth incentives the decision would be easy."

"You'd keep the growth incentives?"

"Absolutely. Remember the four quadrants? The hearts and minds of high performers are captured by a company with a compelling future and clear opportunities to contribute to that future. What better way to top that off than with six or seven figure rewards for the people who help create meaningful and lasting value?"

"Those are big numbers, Sid." Raul's eyes got wide.

"If the payments are big, believe me, they earned them."

"So the perfect incentive plan includes a proper balance of short-term and long-term incentives—performance and growth awards."

"I think the common term is 'Best Practices'" Sid simplified. "In my view it's not just the best way to do it. It's the only way."

"You sure have given me a lot to think about," Raul said. "Let me take a stab at summarizing this. You try to follow four basic principles: Partnership, Clarity, Engagement and Practices?"

"That would be correct. And there's one more."

CHAPTER TWELVE

INPUTS AND OUTPUTS

PRINCIPLE #5

PRODUCTIVITY

"I should have known," Raul nodded. "Just when I think I've got it... there's one more principle. Okay, hit me. I'm ready."

"I didn't recognize this fifth principle early on. I thought the original four were it. But I discovered one day that something more was needed to make this approach complete."

Raul shifted in his seat. "How did you discover it?"

Sid replied, "One day, during a senior leadership meeting, one of my executives blurted out: 'We've got to get rid of the entitlement mentality in my department!' I was stunned. This was an expression I was hoping to never hear again. An entitlement mentality? After all the effort we put into promoting partnership and achieving clarity, how can someone—anyone—have an entitlement mentality at Chana?"

Raul agreed, "That would surprise me too. We talked about entitlement bonuses before. Is that what your executive meant?"

"It was related. He believed people had come to expect their incentives because the company was doing so well. And he was worried. So I investigated. I did a few more of my 'one-on-ones.' Incentive payments had been good. People were pleased with their pay. Their 'Three Needs' were being met. So I devised a new question: 'What should determine whether incentives are paid or not each year?'"

"Oh, good question."

"The responses weren't bad, but they sounded canned and lacked enthusiasm. They said things like: 'We need to meet our customers' needs so that they'll do business with us.' 'We need to create value for shareholders.' "We need to deliver on our business plan each year.' Most of the answers were 'right.' But somehow I wasn't satisfied. At a core level I expected something more."

"Right. If some people still had an entitlement mentality that would suggest something was off," Raul surmised.

Sid agreed, "We had become complacent. We were in a period of false security, over-confidence if you will. We had developed a good culture. People understood what it meant to treat customers well. They respected the need to manage expenses as good stewards. They respected and appreciated the partnership concept. That is, they were clear on our goals and their duties to shareholders. And we seemed to meet our budget goals each year."

"That's all good. So how did you conclude your team was complacent?" Raul asked.

"It wasn't just the team. It was me too. We weren't demanding the very best of ourselves. Outsiders might have concluded that we were running far ahead of the competition. But I believed we were capable of something more—something beyond our current level of success. So I asked myself how I would have preferred to hear my team members answer my question."

"You mean the one about what should determine whether incentives are paid or not?"

"Exactly. I concluded that I'd like to hear, 'Because we earned it. We made a real and direct contribution to the success of the company. We increased productivity.'"

"Do you expect productivity to increase year over year in order to justify any incentive plan payments?" Raul asked.

"No. Incentives are warranted if we create value by serving our customers in a way that produces solid profits. But huge incentives are only warranted if we demonstrate measurable improvements in productivity. Otherwise we run the risk of sustaining that entitlement mentality we both fear."

"So is productivity the fifth principle?"

"It is. But let me explain why. I want each member of our team, including me, to discover the very best we have to offer and contribute it to our partnership. I want our team to be challenged to develop the very best solutions for our clients' problems. I want our innovative capacity to be so far ahead of the curve

"I believed we were capable of something more—something beyond our current level of success."

that our competition gives up. I want us to define our own industry. I want to respond to the market with such innovation, consistency and responsiveness that our brand is continually growing in value and purpose. I sensed that if we could generate that kind of energy and result that it would be reflected in our financial success as well."

"So how do you determine that? Did you find a complacency indicator?" Raul smiled.

"Not exactly," Sid laughed, "but close. I found a productivity indicator."

"Reminds me of business school. You know, ratios of outputs to inputs, and all that stuff."

"That's actually what we found. We could ascribe a value to the return on our employee productivity."

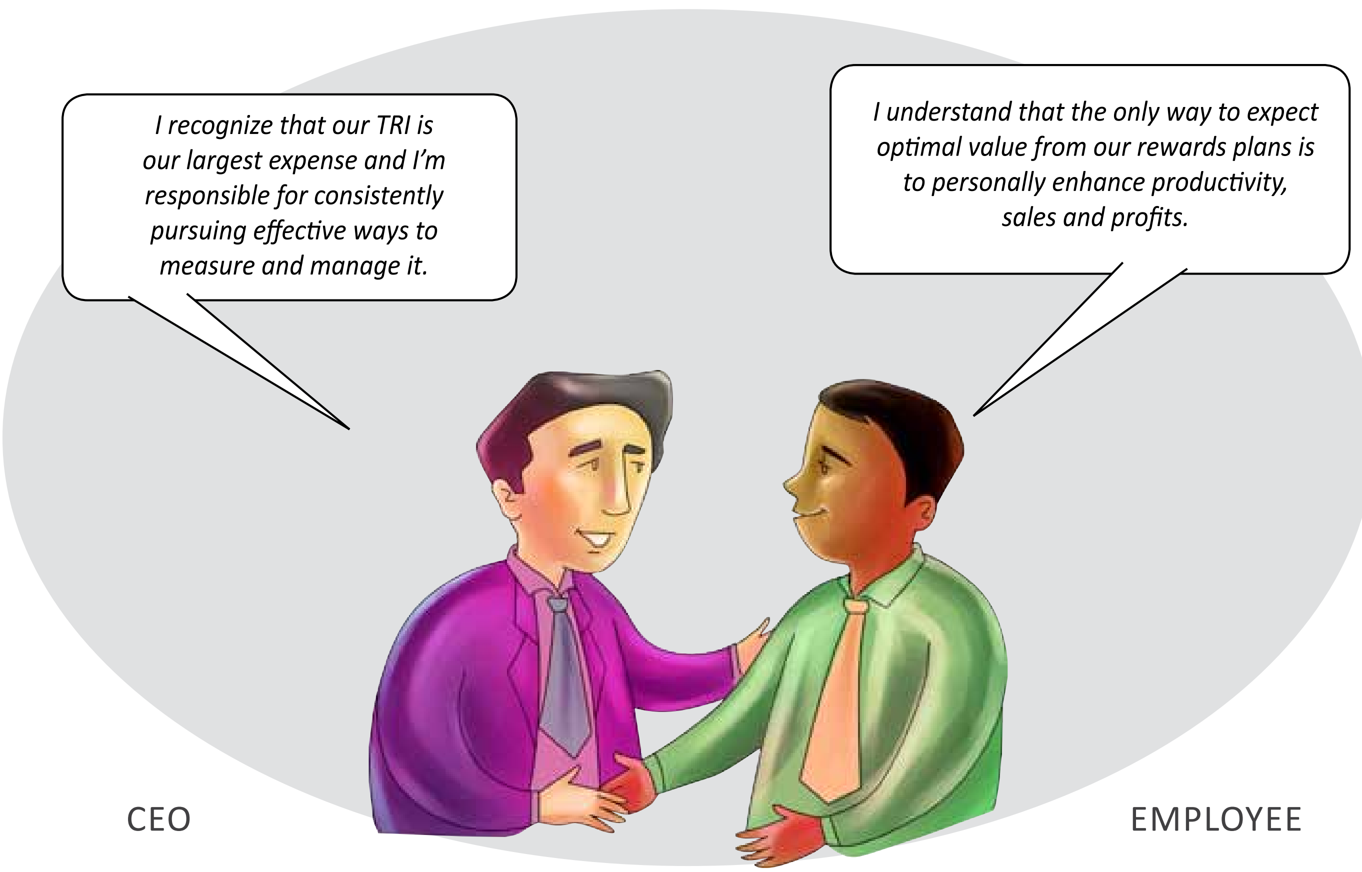
"Wait, I remember," Raul interjected, "You measure your total rewards investment. We talked about that in the context of your compensation philosophy—shareholders deserve a return on their investment."

"Right. And I told you we learned how to measure it. We call it ROTRI—return on total rewards investment. Each year I'm able to evaluate whether or not the dollars we expended on compensation and rewards produced an improved return over the prior year. If not, I can assess the performance of our team accordingly. It's effectively a measurement of productivity. If our return is improving it may suggest that I can increase compensation reasonably and expect a fair reflection in profits."

"I love this idea!"

"Suppose you choose to retire and, rather than sell the company, retain control and serve as Chairman. You'd hire a new CEO. ROTRI™ might become one of your most important measurements. If he or she approaches you about bringing on more personnel you might approve the move assuming improvements in ROTRI™. Positive or negative movements in ROTRI™ might impact your CEO's bonus."

PRODUCTIVITY



Raul was enthusiastic. “Again, great idea. But, take me back to my question about avoiding entitlement bonuses. Does this tie to that?”

“It sure can. If your compensation philosophy states that the company values improvements in productivity, as measured by ROTRI™ for example, it holds employees accountable for producing results before getting paid well. They know exactly what they have to do to be paid well. No results—no bonuses. Great results—great bonuses. I learned that an entitlement mentality results from the lack of fair, clearly communicated standards—not from the size of the awards.”

“So have your employees bought into this idea?”

“Overall, they have. Our team members now talk about productivity. What does it mean? How do we measure it? What affects it? How do we improve it? How does it relate to our company’s mission, our department’s purpose, and, most importantly perhaps, to my role? This has become a central element to the running dialogues in our meetings. It increases accountability and encourages the creation of mini-entrepreneurs throughout the organization.”

Raul was thoughtful, “Are we expecting too much of employees to think about units of input and output?”

“I think our employees have discovered that it’s about finding the most effective and meaningful way to serve our customers—and assuming ownership for the results.”

“So, that really is what it’s all about.”

“And that, my friend, is the reason I never plan to retire.”

“Do you mean we’re back to that?”

Sid smiled, “We finally are.”

CHAPTER THIRTEEN

A BUILDING PROCESS

Raul sat silent for a minute. He was experiencing a sense of pride for his own company that he had not felt for quite some time. "I'm glad," Raul said. "I have to admit my discussion with you has led me to question whether I want to retire or not. I think I may want to see if I can take Extreme to a higher level."

"Do you mean extreme Extreme?" Sid asked.

Raul chuckled, "Perhaps it would be more like balanced Extreme. Wouldn't you say that this approach to compensation management you've described is all about finding balance?"

"I think that's fair," Sid agreed. "Balanced is a good word. You want to balance fixed and variable pay. You want to balance short-term and long-term incentives. You want to balance the 'Three Needs' for the employees. Those are all important considerations."

"I feel a 'but' coming."

"Am I that obvious?"

"I've come to know you well my friend," Raul said.

Sid smiled and continued, "The methodology we've developed for managing compensation is a key to our success. But it won't work without a foundational commitment. If someone tries to implement our compensation ideas without that foundation they're likely to be disappointed."

"What foundation are you talking about?"

"Well, I think we've established that if I just change or even raise the compensation for employees, I may not necessarily get better results. In fact, if we use the incentive plan to try to change behavior we might actually get worse results than if we had no incentive plan in the first place."

"Right. I agree with both those statements now."

"Our partnership and clarity principles establish that we—my team members and I—are all in this together."

"Sure. Is that the foundation you mean?"

"It is. Except there's one problem. Human nature runs against this notion. Most people don't buy it. They don't trust organizations. And they don't necessarily trust their co-workers. Here's an example. Let's suppose that this afternoon you're holding a group meeting to roll out a new incentive plan."

"Ok."

"And in that meeting you say, in essence, 'We changed the bonus plan. No longer will it be tied to behavior-based metrics. It's now going to be tied to our new principles of partnership, clarity, engagement, practices and productivity. So here's how it works…"

Raul interrupted. "I get it. It will sound like a lot of bureaucratic double-speak. Employees will be rolling their eyes and muttering to each other, 'Sounds like a new way to avoid paying us our old bonuses.'"

"Very likely," Sid nodded.

"So how do you do it? How do you get the foundation properly laid?"

"You have to recognize that it's a building process. It takes time—coupled with a deeply rooted belief in the values you've adopted. At the beginning you might be the only one that sees it—like a light bulb in the room that only you can see. And because of the doubters the light may grow dimmer some days. You're the only one that can keep it lit and keep it growing brighter."

Raul spoke up. "But it makes so much sense. Everyone wins in the equation you've formulated—customers, shareholders and employees."

"If it's done right, I think you're correct. The biggest reason to do it is because it's simply the right thing to do. Capitalism is the greatest economic structure ever developed. It rewards people who blend the right amount of capital with the right people with the right ideas. And each of those components deserves its proportionate return. The people with the ideas and the innovative capacity to implement them are justly entitled to a fair share of the returns. The total rewards allocation is the methodology designed by the employer to do so."

"So what do you call this building process?" Raul asked.

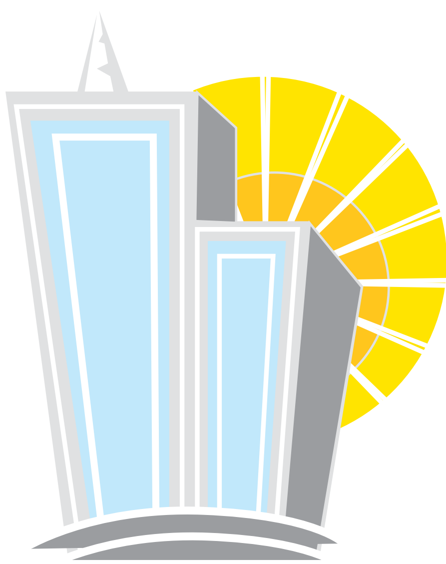
"I call it 'building a unified vision for growing the business.' And I see it as my number one job priority. Each employee, no matter how long it takes, needs to become a convert to this foundational principle. If they can't see it, and believe in it, they shouldn't be working

at Chana. And that's why I can't retire. I'm on a mission to make that vision grow stronger and stronger in the hearts and minds of all our people."

Sid continued. "I believe every employee in the company plays an essential role in the creation of our future company. I want them to find that future compelling. I want them to see themselves making one of their greatest contributions in life here. I want them to recognize the partnership commitment and do all they can to gain clarity and become engaged. And I want them to earn more money here than they could imagine—all because of the way we achieve things together for our customers that make them applaud. That's what a unified vision means to me. Why would I want to go play more golf instead? This is a lifelong passion."

There were a few seconds of silence. Raul was pondering this, taking it in. Finally, he asked, "It sounds right. It makes sense. But does it not seem like a never-ending task? Is it really achievable? It is worth it?"

"Raul, retirement is supposed to mean more freedom—freedom from the job pressures, performance pressures, and everything else at work. But I think that talented business operators like you, Wealth Creators as I described you earlier, have the ability to help others obtain more freedom as well. Economic success buys more freedom. Innovation and growth buy more freedom. Entrepreneurs who discover this move beyond wealth creation to wealth multiplication—their employees also begin to enjoy the benefits of achieving something great. Wealth Multipliers share value fairly, proportionately and generously with those who help create it. They are dedicated to seeing that everything that emerges from their mutual efforts has meaning or creates opportunity for others."



WEALTH CREATORS

WEALTH MULTIPLIERS

Raul asked sincerely, “And the compensation plans are the tool for achieving that?”

“Remember. Compensation is one of the pieces. But it’s often over-looked. And when leaders get around to seeing it as a problem, the fix they implement is often worse than the symptoms. When compensation is in alignment with the organizational goals and vision, and when it’s communicated properly and reinforced regularly it has a hugely positive impact on how the team performs.”

“Sid. This has been enlightening. I think the bulb has been illuminated—at least a little. I hope I can keep it growing, and glowing.”

“I know you will.”

CHAPTER FOURTEEN

WHAT RAUL DID FIRST

Back at the office, Raul took some time to think about his original question—should I retire? He realized that he was freshly enthused about his business. He had never before thought of his employees as partners. He now realized that his recent loss of enthusiasm for his work was due to the lack of a unified vision to build something. "If we're building something useful, if we're growing something that creates value for customers, shareholders, employees and their families, what could I find that would be more meaningful or enjoyable?" While his thoughts were still fresh, he decided to record his impressions.

Premise: Our organization has a meaningful business mission and purpose. We create value for our shareholders. We have good employees. We have the potential to define a compelling future. We are committed to including our talented and committed employees in the development of our future company in a way that will be meaningful to them in every way possible.

Foundation: Defining and building a bright future company will require input from many people. Building a unified financial vision will take time. I must involve all my key leaders in this process but they must strengthen their commitment so that we, first, are unified.

Approach: I acknowledge the need for time and patience. Our present condition allows us to consider building something great. But that condition exists because of the contributions of many people and experiences from our past. Likewise, the future company will be influenced

by situations yet unknown. For this reason, we must identify core values and standards that will serve to guide us in our journey.

Steps: I will commit to the following process and resources:

1. Establish a 'first draft' statement that describes our future goals. ("What is our vision?")

2. Conduct an assessment of our current "unified vision." ("Are we united in our views of the future and our commitment to achieve it?")

3. Conduct an assessment of our total rewards programs' processes and practices. ("Do our compensation plans align with our employees' 'Three Needs' and our business goals?")

4. Review items 1-3 with my senior leadership team. Help them understand the purpose and process. Listen and be prepared to revise #1 if needed. Establish a consensus. ("How can I get my leadership team to own this process?")

5. Draft a compensation philosophy statement that outlines what we pay for, how we pay and what standards we follow to meet our employees' needs. The statement should describe how we intend to align pay with our most important short-term and long-term results. ("How shall we pay our people in the spirit of partnership and clarity?")

6. Develop a game plan for re-structuring our compensation programs. Examine salaries, sales incentives, performance incentives, growth incentives, retirement and other benefit programs in light of our compensation philosophy statement. ("How can we best utilize our total rewards investment to drive results?")

7. Plan and implement a communication program to help our employees understand our future company and what its fulfillment will mean to them. ("How can we best demonstrate our commitment to our contributing partners?")

8. Establish internal systems for managing our total rewards investment, including measurements (e.g., ROTRI™), cost management systems, decision-making processes, review and reporting channels, and alignment assessments. ("What systems shall we use to insure that our total rewards investment is an ongoing driver of profitability and growth?")

When he was done, Raul smiled to himself: "That's a good start. Time to get to work."

EPILOGUE

If you are an experienced business leader, you know that the change Raul is about to initiate is much easier said than done. There will be challenges to his new way of thinking, hard choices to make about people and roles, resistance from others, and a new kind of vulnerability he will need to embrace. It will take time and careful alignment between rewards and strategy to establish the clarity and partnership that are foundational to creating breakthrough growth. Greater employee engagement should result, but how soon? Productivity will increase and an improvement in profits should come in its wake—or so Sid has said. But what if they don't?

In short, many in Raul's shoes would simply say "why bother?" Is it worth the risk? Is the status quo really so bad?

You know why he'll bother. The instincts, skills, desires and ambition that drove Raul to build his business in the first place don't just fade away. And all of those internal "makeup" issues were refueled when his conversation with Sid revealed new possibilities. That same makeup wouldn't allow him to do anything but move forward and upward. Retreat for people with such a composition just isn't an option. Why bother? Because it's who he is, not just what he does.

Raul is a composite of hundreds of business owners I have met and advised over the course of my career; capable, ambitious leaders that are consistently falling short of a greater potential—and frustrated because of it. They are creating wealth for themselves and many around them, but they aren't multiplying it on the scale they sense they could—"if only."

If you're like Raul, what you are likely missing to move from "if only" to a greater victory is what we call a Missing Structure. This dynamic plays itself out with many businesses as depicted in the following illustration:

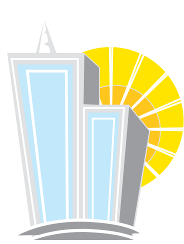
FOCUS: CREATING A UNIFIED FINANCIAL VISION

WEALTH "MULTIPLIERS"
5%

THE WEALTH MULTIPLIER
- Partnership Relationship
- Shared Vision
- Engaged Employees
- Effective Practices
- Sustained Productivity

THE MISSING STRUCTURE

FOCUS: FULFILLING OWNERSHIP VISION



WEALTH "CREATORS"
95%

THE WEALTH CREATOR
- Subordinate Relationship
- Divided Visions
- Loyal Employees
- Inconsistent Practices
- Bursts of Productivity

So, what processes and practices do companies employ that successfully move from Raul's situation to Sid's, or as in the illustration above, move from the 95% "wealth creator" category to the 5% "wealth multiplier" category? Well, I suppose that might be considered the "secret" sauce that every business must, one way or another, find for itself. However, my experience has been there are some common ingredients that every successful company must include if they are going to find the right recipe for their rewards structure. If you relate to Raul's circumstances, I submit that learning that recipe is a crucial step in finding the breakthrough growth you seek.

To learn more about The Missing Structure, and what its resolution can mean to your company, go to http://www.vladvisors.com/missing-structure/

ABOUT THE AUTHOR

Tom Miller is the president and founder of The VisionLink Advisory Group, a national firm based in Irvine, California. VisionLink is devoted to enhancing shareholder and employee value through the design of well-crafted compensation programs.

Tom is the creator of The VisionLink Solution™, a unique process that helps businesses envision, design, communicate and administer their total rewards programs. The VisionLink Solution™ helps companies build a uniform vision for growing their businesses by linking organization strategies to financial rewards for high performing employees.

Tom's background includes more than three decades of advising both private and public companies on the adoption of compensation and benefits programs. He currently directs design projects for many of VisionLink's clients and is fully versed in all areas of executive compensation as well as benefits analysis and implementation.

Because he is dedicated to connecting with business owners across the country, Tom produces a monthly webinar that teaches basic strategies and principles for using compensation to gain a competitive edge.

FOR MORE INFORMATION…

…about building unified financial visions through world class compensation structures visit our website at www.vladvisors.com or our blog at blog.vladvisors.com.

…about evaluating your company's current effectiveness in utilizing the "5 Principles" ask about VisionLink's Alignment Appraisal Index.

…about any topic outlined in the book contact the author at tmiller@vladvisors.com. I'd also love to hear any thoughts or reactions to the conent.

THANKS…

To the many clients of The VisionLink Advisory Group who have helped us learn about the miracle of entrepreneurial vision and energy. They have provided the laboratory within which we've been privileged to bring our theories about effective compensation plans to life.

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To Valerie for her time-consuming effort to perfect and polish.

IN CASE YOU WERE WONDERING

Just for fun the story of Sid and Raul contained a handful of allusions to Buddhist history and legend. No, I'm not a Buddhist but I enjoy studying history and discovering interesting values and principles from our ancient predecessors. Sid was named in honor of Siddhartha Gautama, the given name of the historical Buddha. Raul was derived from Rahula, Siddhartha's only son. Chana Systems, Sid's fictitious company, was named for young Prince Siddhartha's servant, and later Buddhist convert, Channa. Raul's business was named Extreme, Inc. This was to contrast with Buddhism's "Middle Way" between the extremes of self-indulgence and self-denial. The "Four Truths" were an homage to Buddhism's "Four Noble Truths." At some level the idea in the book that all employees, once unified, must also build upon the foundation of what has been done by those who've come before us is loosely symbolic of Buddhist notions as well (e.g., dependent origination). We all owe much to those who came before us and will count on those who follow to accomplish even more.