

Extraordinary managers discuss extraordinary management

The Savvy CEO Speaks

Carol Latham, President and CEO of Thermagon Inc., founded the company in 1992. Since then, Thermagon has become a global solution provider of thermally conductive materials for cooling computer systems, power conversion equipment, telecommunications hardware, entertainment products and automotive electronics. Her company has placed among the top ten 100 fastest-growing, privately held inner-city companies for three years. Carol is a member of the Ohio Women's Hall of Fame and received the 2000 Business Woman of the Year award for Northeast Ohio.

Carol, what sets Thermagon apart from its competitors?

Performance. Performance of our products. And speed. Speed in development, sampling and delivery. If we don't deliver it on time, we may as well drop it and move on. We've lost that opportunity.

And our culture: we treat people as people. People are our business; we have to be fair and honest. We work to create a trusting environment where good employees want to work. We have in-house training on paid time in the basics like math and reading. We have an all-employee meeting once a month where we share how the company is doing, our profits, what we need to work on, discuss new or changed products, employee benefits, safety and new business opportunities.

And we are honest. We tell people there is no guarantee of a job – for them or me. Our employees believe we will give them the straight scoop. And we do.

What's the right way to treat people?

I believe in day-to-day caring. When I started in this business, it was beyond my imagination that we could contribute to people's lives. But we can. We want employees who care about their families, their children. Our employees recommend Thermagon to their friends and family to find jobs. We've had almost no turnover in our 11 years. Since we respect each other, we don't have any backbiting here.

We tell the truth and tell it often.

*"Don't compromise yourself.
You are all you've got."*

Janis Joplin, singer

But I'm sure there are some difficult challenges.

Certainly. Our most difficult challenge was a reduction in our number of employees by one-third last year. While it was difficult, I think we handled it as well as possible:

- At our monthly meetings, we were regularly communicating the status of the company. We gave employees honest reports so they knew we needed to make some changes.
- When we decided to cut back, we told employees we would only do the cuts once and the cuts would be across every department.
- On the day we made the cuts, all of our departing employees were gone within two hours.
- Then, we met with our remaining team and mourned the loss of those who had left – our friends. It was a very sad day. But we knew we had to charge forward. We were doing the impossible, but we could only do it together.

My second most difficult challenge has been in developing the management



Carol Latham

team for the future. I'm an entrepreneur. I have a hard time letting go, but I have to. I have to empower my team to manage without me. This is my primary goal right now. I have to work more on the business rather than in the business.

And another critical challenge is to continue to be the thermal performance leader in providing materials for cooling the electrical/electronic systems of the world.

What has Thermagon done during tough times to manage for the future?

Well, we've talked about our layoffs last year. But we've reduced expenses in other ways, too. We send one person instead of two on international trips. We've eliminated maintenance contracts; we do it ourselves. We've reduced, not eliminated, advertising. All of our employees are careful with expenses down to use of supplies.

But we know we have to be brave when business is slumping. Most importantly, we have pushed full speed ahead in our strategic planning and spent money where we thought it would help us for the future. We've maintained our R&D budget and increased our sales and marketing budget and staff. We've provided more training to our people and purchased more cost-effective capital equipment. And we've improved our accounts receivables – to keep the money flowing.

See The Savvy CEO Speaks, Page 3

Consider This: Just Tell the Truth

Lee Nielsen

Corporate scandals are so commonplace today that I dread reading the business news. Yet another company has had to “fess up” to hiding debt, assets, insider stock sales and on and on. And I see the value of my investments decrease with every revelation. We investors have lost trust. And why aren't we getting good information? Why doesn't management tell the truth?

When I was a child, I was sent to my room for lying. And that was when rooms were just rooms – no TV, CD player, computer or phone – maybe a book to read. I was to spend some time there reflecting on the error of my ways. I did. Lying was the worst possible sin in my family, still is.

Now, I can't understand how some folks feel lying pays off for them. The most annoying people in corporations are those who try to cover their tracks, are reluctant to admit a mistake, accept blame or accountability. We all know them. They spend more time rationalizing than doing. These people create huge waste. And we have seen some of them in handcuffs on the evening news.

Just tell the truth. Just admit you made a mistake. It is so much easier to move forward and fix problems when there no effort is spent on blaming, or trying to figure out what went wrong. Just say, “I made a mistake, I forgot, I didn't know what I was doing, I neglected to ask for help, I was unkind, I took credit for someone else's work.”

Try it and watch what happens. That wrought-up energy for laying blame stops immediately. There is a moment of confusion, then the team begins to problem solve. Exactly what is needed: move on to fixing the problem, building a strong sense of ownership and growing the business!

When a key management member accepts responsibility for a mistake, everyone takes notice. Now a culture change begins. As our Fall 2002 Savvy CEO Carol Latham says: **“Tell the truth and tell it often.”**

Exceptional Management: Integrity in Management

Howard Levy

Today we are bombarded with images of the embattled current or former CEO who faces civil and criminal liability for perpetrating corporate fraud, conversion and worse. However, a lack of integrity in management can have major consequences in other ways – below the media radar screen but which may also result in multi-million dollar damages. The savvy CEO should be alert to the pitfalls of a lack of integrity in management, both as a matter of employment law and better business practice. The dishonest executive, either the CEO or his direct reports, may have sharp impacts on the corporation. These include:

- Unfair hiring practices may cause liability from discrimination or negligent hiring claims;
- Treating people fairly may avoid claims of wrongful discharge;
- Credibility may reduce claims of sexual and other workplace harassment; and
- Showing respect for employees and avoiding stray comments, reduces liability.

Exceptional management in these areas is detailed below.

1. Fair Hiring

The executive who takes the time to develop objective standards in hiring helps avoid a number of risks. Suppose the CEO approves the hiring of a vice president of operations. If personal favoritism outweighs other qualifications and other candidates are passed over, a biased decision may produce resentment at best and a lawsuit or discrimination charge (if those passed over are minorities, female, disabled or over age 40) at worst.

“The cost of derailment is far beyond the cost of replacing an executive – a year's salary. Now, add in the cost of the damage done to the organization through bottlenecks, poor morale, misuse of resources, CEO distress and more.”

Lee Nielsen, President
The Nielsen Group

If a manager is hired or promoted and is in a safety sensitive position, the failure to exercise reasonable standards of care in selecting the manager may backfire. If the manager causes harm to individuals or property, the victims may claim that the company engaged in negligent hiring of the manager. Even worse, if reasonable diligence in delving into the candidate's background would have disclosed a tendency to commit acts such as sexual harassment, a claim of negligent hiring against the company may prevail.

2. Integrity in Terminations

In many wrongful discharge cases, the attorney for a discharged employee will turn to the jury and ask, what did she know about her failure to perform? And when? In short, if the manager fails to tell a direct report precisely the areas in which performance must be upgraded and that she will lose her job if these problems are not addressed, a jury is more likely to perceive that the employee has not been treated fairly. A jury may react with hostility toward a company that has not been honest with the employee.

Many managers, including CEOs, do not like to be confrontational. With a reasonable approach, however, it is in the interest of your company to conduct frank discussions with your direct reports. Recognition of an employee's strengths, coupled with candid, constructive comment regarding weaknesses, offers the CEO a large measure of protection.

3. Credibility in Managing

What enhances credibility of a CEO? In my experience as a defense counsel, a CEO establishes credibility by following through on

See Integrity in Management, Page 3

Before I was a CEO, I was a single parent and a volunteer. The role of parent as nurturer carries over into the workplace. And as a volunteer, I had to motivate people without using money. Nurturing and motivating others are key survival skills in tough times.

What advice would you give a new President or CEO?

Build your management team. Find good ways to communicate with your team, and then make sure you have a competitive advantage.

We constantly ask the question “How can our technology solve problems for our customers?” When I started the company, I had an idea for heat transfer. I knew heat would be a tremendous problem for computers going forward, and I wanted to take this idea to the marketplace. We tested what existed in the market; we knew the benchmarks, and we thought we had something that would work better. It did.

To grow, we must know not just what the customer need is, but also what we could manufacture well and would be cost effective, too.

How do you keep up with the many changes in technology and the marketplace?

These days I am spending much of my time on research of new markets and products for us. I read numerous technology journals and keep files on certain industries in which I’m interested. I am a good listener; I talk to many people outside the business, I pull out nuggets of interest, I am always reading. I love to find a way to bring technology to market and for me, this is much more interesting than creating a new invention.

We work with a number of colleges and technology consortiums to keep on top of the next direction, the “bleeding edge.” A current issue is that computers are becoming a commodity. At what point do we need to move on to the next thing? We are working on that.

What do you think about the rash of business scandals in the last year?

It is very distasteful to me. We are not like that. It makes it harder for me as a businessperson to be believable to our employees and investors. People have lost confidence in senior management. One positive outcome would be some changes in the laws that provide more checks and balances to prevent such scandals.

“Leadership does not just begin with vision. It begins with getting people to confront the brutal facts and to act on the implications.”

Jim Collins, Author
Good to Great

The cover-ups are very disturbing. I would rather people admit their mistakes, just say “I goofed.” The world is very forgiving if you come right out with it. We all make mistakes. I tell my team, “Don’t hide your mistakes or I’ll get angry.” “It decreases trust when you try to hide the truth. And if you don’t know, say “I don’t know.” It is a humbling statement that makes us more human. We need to be fair and honest with our employees and our investors.

And what about Northeast Ohio. Any recommendations?

Yes, we need a more creative presence to develop a culture receptive to new ideas and create an environment where young adults can have an outlet for ideas. Cleveland’s “old guard” is too strong, too conservative. We need to open up to more ideas. The new ideas and energy will keep us vibrant.

Thermagon Inc.
216-939-2300 • www.thermagon.com

Integrity in Management

those statements he or she makes, producing information that supports those statements and being willing to admit a mistake.

Consider the CEO who is charged with sexual harassment of a co-employee. Suppose the co-employee claims that the divorced CEO took her out to dinner on two occasions and gave her a good night kiss on the last occasion. Assume that such things actually did occur but that the co-employee also accuses the CEO of sending her pornography by e-mail and making a number of obscene telephone calls to her. Should the CEO deny everything?

As a matter of credibility, the CEO will be far ahead if he acknowledges taking the co-employee out to dinner and

“A person who is fundamentally honest doesn’t need a code of ethics.”

Harry S. Truman

giving her a good night embrace. These admissions will enhance the credibility of his denial of the balance of the claims, which are unfounded.

4. Avoiding Stray Comments

As the decision maker, the CEO is in the unenviable position of being able to bind the company by means of offhand statements. Statements regarding the CEO’s view of the capabilities of minorities, women, the disabled or those over age 40 may come back to haunt the company.

An off-hand comment at a meeting with other executives, to the effect that “we need young blood” may be considered evidence of management’s intent, should the company embark upon a reduction in force that eliminates older workers. The lesson here is that statements made by a CEO may be taken out of context, so the savvy CEO should refrain from making such comments.

Managing with integrity equals telling the truth, refraining from off-hand comments, careful hiring and frank discussions with each employee about performance – and more.

Howard A. Levy is a senior labor and employment law partner with Benesch, Friedlander, Coplan & Aronoff LLP. He is a member of the American, Ohio and Cleveland Bar Associations. You can reach Howard at hlevy@bfca.com.

In This Issue:

- **Management Integrity**
- **The Savvy CEO Speaks**
Carol Latham, CEO
Thermagon Inc.
- **Integrity in Management**
Howard Levy, Partner
Benesch, Friedlander, Coplan & Aronoff LLP
- **Consider This:**
Just Tell the Truth
- **Recognize Managers With Integrity**

The Savvy CEO
Extraordinary Managers
P.O. Box 31762
Cleveland, OH 44131

Let's celebrate integrity!

We know there are many managers out there who are demonstrating integrity everyday. Please tell **The Savvy CEO** about them. We'll publish the names and examples of management integrity in our winter issue. Let's recognize those who make good, ethical choices everyday.

Send examples to:
lnielsen@thesavvyceo.org
or call Lee at 440-786-8800.

The Savvy CEO provides the free exchange of ideas and reflection on the art of exceptional management.

Publisher: Lee Nielsen, President
The Nielsen Group
Advisor: Gail Bellamy – Penton Media
Graphics: DMG Communications

The Savvy CEO is published quarterly. Subscriptions are available for \$42 a year. For more information on submitting articles or subscriptions, contact Lee Nielsen at 440-786-8800 or lnielsen@thesavvyceo.org.

The Nielsen Group

We Help Executives Get Results

Case Studies:

Spending too much?

The company was struggling to meet goals and was looking for any and all ways to save money. The CFO was particularly disturbed by the cost of employee benefits.

We reviewed all benefits costs to determine the appropriateness to this retailer's people market. *Our recommendation to revise the eligibility period for all new hires created a savings of more than \$1,000 per new hire. The CFO was able to report a year-end savings of over \$300,000 at no loss of employee morale.*

Too comfortable?

A "comfortable" management team was unprepared meet the demands of acquiring a new company critical to the its growth.

We provided a management evaluation to determine which managers were able to accept increasing responsibilities. We supported a restructure where managers were reassigned. A robust hiring process was implemented to ensure the best

possible new management. We provided a series of team-building sessions to create a strong new team. *The company is rapidly proceeding in its acquisition strategy confident that the team can accept increasing responsibilities.*

Too many distractions?

A newly promoted executive was confronted with numerous distractions to meeting his goals. He was in danger of losing his new position.

We helped this executive create specific operational plans (annual, quarterly and weekly) to reach his goals. We met with him weekly to review plans and refocus priorities, coached him on managing the numerous requests for his time and discussed strategies for implementation. *The executive is now on track to meet his first-year plan, and the CEO is reassured he made a good promotional decision.*

Want to create exceptional people performance within your company?

Call The Nielsen Group at 440-786-8800
or e-mail lnielsen@thesavvyceo.org.