

The Savvy CEO™

Volume 2 • Issue 2 • April 2002

Extraordinary managers discuss extraordinary management

The Savvy CEO Speaks

The SavvyCEO Speaks is a regular feature. *Our SavvyCEO for this issue is Gil Van Bokkelen, President & CEO, Athersys, Inc.* Founded in 1995, Athersys' mission is to lead the biopharmaceutical industry in the identification, development and commercialization of therapeutics that extend and enhance human life.

Q: What are you doing right at Athersys?

We are focused on building a truly great organization. First, we have established a clear vision of what our organization is trying to achieve, and it is an aggressive vision. In addition, we are communicating it throughout the organization, at all levels. We are explicitly laying out what we hope to build over the next ten to twenty years.

Second, we have a great team to build, refine and execute the game plan. My philosophy is to go out and find highly talented and motivated people who know how to get things done, incorporate them into the organization and give them well defined responsibilities, and then try to get out of their way as much as possible.

Third, we are creating a culture in the organization that supports the vision. At Athersys we have a culture that stresses strategic planning, teamwork, communication, continuous improvement, and professional development.

Fourth, we have first class financial management capability linked as directly as possible to the strategic planning capability. Our successful historical performance reflects this.

Q: How are you building a sustainable culture?

One of the most influential books that I have read was *Built to Last—Successful Habits of Visionary Companies*, by Collins and Porras. It describes the importance of vision and culture on performance, and we have tried to implement many of the principles described. My job is not to dictate culture, but rather to communicate the vision clearly to the entire organization. It has to be a vision that the whole organization believes in. Our culture has to support the successful achievement of our vision. The culture has to be developed from within.

Q: How do you maintain focus during the pre-revenue period?

Actually we are generating revenue now, but the revenue is small when compared with the potential revenue stream/value of even a single therapeutic product that successfully emerges from clinical development. To maintain focus, we rely heavily on our strategic planning process, and on internal tracking and reporting mechanisms.

We try to focus on setting aggressive but achievable goals as part of our strategic planning process, and then explicitly recognizing and rewarding teams and individuals when those goals are reached.

Whenever there is a big event, (e.g. a successful technology milestone or delivery on a partnership), we have a company wide meeting and some type of celebratory event, like a happy hour. We also have trophies and plaques, as well as special rewards and bonuses to reward a job well done.

In addition, several times a year we shut the entire company down and have a company-wide "offsite". Each offsite is organized by a volunteer committee, and has a fun theme. At each offsite we do a bunch of fun stuff as well as informative activities that educate people about company strategy, history or operations. It's usually a good mix of activities, highly informative, and people really enjoy them.

"All leaders are constantly buffeted by the three 'C's': Competition, Complexity and Change."

Mike Naylor, retired
President of Operations,
Rubbermaid

Q: How do you deal with low points?

There are always low points - anybody that tells you that the growth of their business has been a smooth and totally unfettered ascension to the pinnacle of success is not being honest. That being said, we haven't had too many low points at Athersys.

My preferred way to deal with challenges or "low points" is to identify a goal that constitutes successful emergence from the low point. Then we focus on achieving highly attainable specific objectives, all steps on the path to achieving the larger goal.

Continued on page 4 ►

International

Making Sales Happen Internationally!

Dan Kohler
COO, PeoplePC

There was real excitement and energy as we began our start-up in 1999. Soon after launching the organization we signed our first international contracts propelling our growth to sales of \$400 million in our first year. The excitement of developing the business was further compounded with the challenges of expanding growing worldwide within our first year of operation.

Comprehensive planning and flawless execution was the core to ensuring a successful expansion. We leveraged the North America processes and knowledge into individual countries with appropriate cultural adjustments, selling models, international suppliers and vendor relationships developed as the in-country management teams were defined.

Continued on page 3 ►

CONSIDER THIS

Laverne says...

Say what you mean...

Lee says...

Double-Speak

Double-speak is the language of nonresponsibility, carefully constructed to distort reality. It is not a slip of the tongue, or language used out of ignorance, but instead a very conscious use of language as a weapon by those in power to achieve their ends.

How to make something bad seem not so bad...

Ford Motor Company said this in a recall letter to car owners — "Continued driving with a failed bearing could result in disengagement of the axle shaft and adversely affect vehicle control."

And, Senator Orrin Hatch had this interesting viewpoint — "capital punishment is our society's recognition of the sanctity of human life."

How to sound impressive without really saying anything...

"If competitive advantage can be achieved from just-in-time participatory management styles, then bottom-line oriented organizations can better facilitate their gain-sharing systems to network for the new global technologies. At my company, for example, casualties fluctuate between generic niche discontinuities and complementary enculturative yield functions." — Harvard Business Review

How to speak the unspeakable...

In a Nightline interview Harvard Professor Dr. Herman Kahn had this to say about "first-strike capability" in a nuclear war.

Kahn: I think the exact term was "not incredible," and there's a distinct difference. You really can't achieve a capability which looks like it would be used, but you can achieve a capability which the other side cannot feel will not be used if he's too provocative. And the term "not incredible" really carries an extraordinary amount of weight.

Ted Koppel: ...I wonder if you could put that into a straightforward sentence, Professor Kahn.

Kahn: Absolutely not!...The attempt to put these in straightforward sentences simply confuses."

The deliberate misuse of language not only deceives but also destroys communication and ultimately trust. Is it worth the price?

Need information on speaking clearly? Call Laverne at 440-777-0155

Save this date: June 7, 2002
The SavvyCEO Breakfast Forum

(see advertisement for reservation information on page 6)

"The great weapon of power, exploitation, manipulation, and oppression is language."

William Lutz

Quarterly Review of DoubleSpeak

JUST SAY NO!

Why is it so hard to say 'No?' Many executives work hard to find a way to say 'No' without actually saying the word and most times, they end up confusing the listener. 'No' is a perfectly good word in the English language. It has power.

The worst possible scenario is when the listener thinks he heard 'Yes' and runs off to implement the latest great idea. Now you've spent money, time and resources on yet another project that will not support your goals. And you have to figure out a way to stop the project, and hope you don't create a bigger problem.

Most of us want to soften the blow to another by couching our 'Nos' with softer language. We worry that we might hurt someone's feelings and send a message that we are too blunt, too direct. Perhaps what we should worry about is if we have provided clear information to our subordinates.

So let's try it:

- "No, this project doesn't fit with our plans right now. Thank you."
- "No, I don't agree with this direction."
- "No, I am not willing to dedicate any resources, people or money to this now."
- "No, let's discuss this again after year-end. Until then, please put this on hold."

Yes, it's uncomfortable for a few minutes. But ask your subordinates. Each will tell you he/she would rather have clear information and be able to dedicate their departmental resources to the projects that have the most chance of success.

You are the leader asked to guide your team to greater success. If you feel a project will not contribute effectively, just say no!

Do you need some help in managing the soft skills, yet the toughest part of management? Call Lee Nielsen at 440-786-8800 or lnielsen@thesavvyceo.org.

Executives In History

The wisdom of Aristotle is as applicable today as it was in 343 BC when he tutored Alexander the Great. Aristotle says:

"There are three things which inspire confidence in the orator's own character — good sense, good moral character, and goodwill...any one who is thought to have all three of these good qualities will inspire trust in his audience."

Action Speaks

Change Challenges

Joe Hoffman

SVP, H.C. Stark, Cleveland, a Bayer company

There really are two kinds of change: *by choice*, the kind of change you can wrap your arms around, willingly work hard for real improvement and opportunity, and *imposed change*, where someone else is making the decisions. The challenges of managing change by choice are self-imposed and exciting. The challenges of managing imposed change are great.

I work in a company that has had five different owners in my seventeen years and I've learned to deal with both kinds of change. I suspect most of us have had to deal with changes in which we had little or no input, imposed change.

"Things do not change; we change."

Henry David Thoreau
Walden, 1850

I've seen colleagues try to coast through. "I'm going to keep my head down and soon enough this manager/problem/new direction/rule will go away." Unfortunately this attitude will not lead to greater profits and personal success in the business. But it does lead to decreased morale of co-workers, subordinates and oneself. Most of us want to feel good about our work.

So what's a leader to do when confronted with imposed change, i.e. more work? New owners usually require more information (paperwork), revisions to plans and procedures, new management.

You can be successful in managing through these times. Specifically:

- Recognize that the new owner's objectives may be different than yours or your previous owners.
- Look for ways to confront problems diplomatically to reduce conflict. Keep your head and get clear on the key points of the differences.
- Remember you are a buffer between the owners and your team. You must absorb negative comments from both sides.
- Your organization is a profit center. Work to keep the focus on success.
- Pay attention to overload on specific groups (Finance, HR, IT). Utilize contract resources to help manage significant corporate requests. Don't let your good people drown.
- LISTEN to your team. Provide a sounding board for key players.
- Keep secrets to an absolute minimum.
- For team members who can't adapt, be proactive. Help them make good decisions about moving on.
- Find a trusted confidant, preferably outside the company.

The payoffs in employee morale, company success and personal opportunity are enormous.

International

Continued from cover

Global Business Development teams (SWAT) were established from the North American staff. These teams had representation from all business functions as we entered a market or country. The team worked in concert with the in-country management team for knowledge and process transfer.

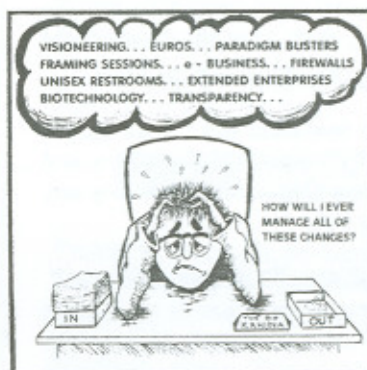
Did we learn some things along the way? Absolutely!! Our research about PC penetration by country was wrong. E-commerce and productivity differences vary by culture. And the key to our success depends on leveraging the business knowledge internationally and teamwork throughout the organization.

Does our 'swat' team process work? Definitely. Is the knowledge transfer working both ways? Oh yes! Are our international sales growing? You bet!

PeoplePC, Inc. sells bundled products including computer systems, Internet access, & customer support to members. PeoplePC's mission is to make it easier for individuals to get more out of technology. For more information about PeoplePC, contact Dan in San Francisco at 415-732-4414

SavvyCEO WannaBe

Created by Howard Vaeth



Mission: The SavvyCEO provides the free exchange of ideas and reflection on the art of exceptional management.

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The Savvy CEO Speaks

Continued from cover

Q: How do you evolve from a hi-tech start-up into a profitable business?

Most biopharmaceutical companies that successfully transition into a profitable company do so when their first product is approved. Our goal is to develop and successfully commercialize a portfolio of products, not just one.

Q: What are your top approaches to motivating your workforce?

I try to communicate a positive mental attitude at all times, and don't get bogged down by negative or obstructionist thinking. It's easy to point out why things could fail. It's far more challenging and difficult to identify opportunities for great success, and then motivate people to commit and achieve that success.

Our first outside investor made a comment a few years ago I'll never forget. Just before he committed to investing several million dollars in Athersys, he told me, "I'm not investing in this company because I necessarily think the technology will be the best. Frankly I've seen plenty of technologies come and go. I'm investing in you, because I see that for you, failure is not an option. No matter what happens, I believe that you will find a way to make this company successful."

I've thought a lot about that statement, and what it means to me is if I maintain a positive, determined attitude, and can communicate that attitude to others in the context of a clear and compelling vision, people will believe and follow my lead.

A key corollary is that we need to recognize and reward people in the organization when they take on big challenges and overcome big obstacles. Make them feel like heroes - they are, and they deserve to be treated that way.

Q: What are your top ways of dealing with people problems?

The best way for me to deal with people problems is to sit down with the person and discuss the issues as directly as possible. Being a good listener helps, and that is something almost everyone can do better, including me.

We make it clear that we are committed to success at all levels - if the other person doesn't feel the same way, then quite honestly we probably don't want them to be part of the organization, and we should invite them to leave.

Q: What drives you to succeed?

When I was at Stanford earning my Ph.D. in Genetics, I watched a videotape of a young boy that had a severely debilitating disease called Lesch-Nyhan Syndrome. This disease is caused by a single genetic defect, and its effect is truly staggering. Afflicted children are compelled to perform self-destructive acts like biting their own fingers. You can't treat it with conventional medicine and the only hope for these kids is for someone to develop new technology and therapeutic strategies.

Almost anyone in our industry wants to make a difference - in the sense of developing new technologies or products that will save lives or improve the quality of health. There are few opportunities in life where you can work on challenging, exciting, complicated technologies, be a pioneering inventor, develop new therapeutic products that could eventually reshape the way medicine is practiced, and truly make a difference in someone's life.

In addition, everyone at Athersys is a stakeholder. They have the potential to do well financially and that's important to everyone. My philosophy is "If we do good, stay focused, and execute we will all do well."

Q: How do you deal with public perceptions and/or opponents to the work of Athersys?

Occasionally you may find people that don't understand what we are doing, but I have found that almost any misunderstanding can be resolved through dialogue. Usually a few minutes is all it takes. To use a slightly modified old coaching phrase, "the best defense against potential negative public perception is a good offense." We regularly communicate what we are doing to the outside world, to educate and inform. When that is the strategy, people are more aware of what you are doing, and they don't feel like you are trying to hide anything.

Q: What about personal courage in your role?

Frankly, personal courage and determination in the face of enormous adversity is the single biggest weapon the successful entrepreneur has. It is incredibly easy to point out all the reasons why a person, an idea, a technology, or a business opportunity might fail. If it were always easy to succeed and we could perfectly assess risk, everyone would be an entrepreneur and we'd all be billionaires.

Q: What advice can you give to someone newly in the CEO role?

First, establish a clear and concise vision of what the organization intends to achieve.

Second, implement effective systems of communication across the entire organization that sell the vision. Recognize and communicate that a company-wide commitment to continuous improvement is critical. Make sure there are appropriate monitoring and reporting mechanisms in place, so you and the management team can identify when things are headed off track as early as possible.

Third, hire great people and get out of their way.

Fourth, maintain a positive and determined mental attitude at all times. Don't accept it when someone tells you that you won't be able to achieve something important - think for yourself, be open minded about constructive criticism, and maintain your belief in yourself and the team. A winning attitude is infectious. Believe in yourself, in the vision, and the team, and when people or teams accomplish great things, make them feel special: celebrate!

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Getting Results for Change

Imagine the Voyager spacecraft speeding towards destinations unknown. Aboard is a message written in binary code describing Earth and its inhabitants. We have no idea where the message is going, what intelligence might find it, whether it will be understood, or what they'll do as a result . . . Now imagine communicating change to our employees the same way? It just won't work.

When communicating "got to get this right" information to frontline employees it must come from the most desired and credible source – not the CEO but the immediate supervisor – US 92%, Canada 90% and UK 88%. Also, a Lou Harris survey said 62% of frontline employees believed senior management was dishonest when dealing with them.

"The world hates change, yet it is the only thing that has brought progress."

CK Kettering (1876–1958)
American industrialist

Next, do not send information through middle management. Communicating change to and through middle managers is a different story. You don't have to worry about middle managers getting the message. They believe:

- The company is trying hard to keep them informed.
- The information they receive is accurate, candid, and tells the whole story.
- Their company is a better communicator than most.

The problem occurs when information goes into middle management but doesn't come out! GM calls this level the "frozen middle," GE calls it the "cement layer," and it has been called the "muddle in the middle" by Polaroid.

Middle managers tend to communicate in a way that intentionally shields them from potential explosions when frontline employees receive the information. Picture a hand grenade rolling down a set of stairs. The middle manager grabs it, crushes it and transforms it into little pieces of plastic and powder. He passes on what's left. The same thing can happen to information when delivered through middle management.

When behavioral change of frontline employees is vital:

- Do not communicate directly with frontline employees — let their supervisors do the talking.
- Do not rely on communication trickling down through mid-management — it will get diluted.
- Do not assume frontline employees will change based on information they receive from videos, briefing meetings, or the company newsletter — it's too impersonal.

If you really need to change frontline behavior trust the supervisors to get the job done.

For more information on communicating change, call Laverne Wilson at 440-777-0155

As Lee Sees It...

Problem: We are trying to 'de-seasonalize' our products. Right now more than 90% of our sales are from the holiday season. We can't seem to get the attention of our field executives in creating sales during the rest of the year. Do we need new people? What can we do to change this?

Strategy: Before you change the people, let's change the compensation system. The current bonus system rewards the field executives only on meeting overall financial goals.

We revised the bonus system to reflect the goal of creating more sales off-season. An agreed upon percentage of the bonus plan was dependent on meeting certain off-season sales targets. In addition, we added one or two individually specific goals related to managing throughout the entire year.

Marketing was asked to create materials to address the non-holiday season for the customer. And, we developed scripts for the top executives to use in reinforcing the goals and addressing specific issues or gaps with each field executive on a regular basis.

At the end of the first full year of revised sales goals, the team demonstrated overall improvement over prior year and a 78%-22% season, off-season split. We are now well on our way to increasing off-season sales even more.

Need to create results-oriented incentive plans for your teams, call Lee at 440-786-8800

As Laverne Sees It...

Problem: A female manager gets promoted to Executive status. She's smart, has a strong personality and is able to make tough decisions. So why won't her male peers take her seriously?

Strategy: Upon analysis we found a soft voice and pleasant manner. It worked well at lower levels, but now it made her look weak and unsure of herself.

We compared female, male and executive communication styles and were able to identify the behaviors that were eroding her credibility among her peers. She developed her skills into stronger, more confident behaviors — better posture, more inflection, stronger gestures and a deeper voice. She's gained presence, power, and credibility with her executive peers and her new boss.

She now has the ability to "flex" her style — be strong when she needs to and soft when it's more appropriate — making her more effective with a wider variety of listeners.

Need to add new dimensions to your style? Call Laverne at 440-777-0155

Building Business to Higher Levels through Good Times and Bad

June 7, 2002 • 7:30 to 9:30am
The Ritz-Carlton Hotel
Tower City • Cleveland

Rody Salas, RSR International,
moderates a discussion panel of Savvy CEOs...

Gerald Blouch
Invacare Corp.

Charles Fowler
Fairmont Minerals, Ltd.

David Given
Blue Point Capital Partners

Carol Latham
Thermagon, Inc.
Gil Van Bokkelen
Athersys, Inc.

\$40 per attendee.
Please call 440.786.8800
before May 22, 2002
for reservations.
Limited seating.

The Savvy CEO

The Savvy CEO Breakfast Forum
Presented in partnership with The Nielsen Group and Laverne Wilson & Associates

- The Savvy CEO Speaks:
Gil Van Bokkelen, CEO Athersys, Inc.
- International:
Making Sales Happen, Internationally
Dan Kohler, COO, PeoplePC
- Actions Speak.....
Change Challenges, Joe Hoffman,
HC Starck
- Consider This: Say What You Mean
The SavvyCEOwambe
- CEO Survey, by Inside Business
- An Invitation!

In this issue...

The Savvy CEO
extraordinary managers
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Savvy CEO Invitation...

The SavvyCEO invites you to attend the Breakfast Forum
on June 7, 2002, The Ritz Carlton, Tower City.
(see adjacent advertisement for reservation information)

SavvyCEO Speakers

The SavvyCEO Consulting Team is available to speak
to your group. Topics include:

- What is a Savvy CEO?
- Is Ms. Savvy CEO different from Mr. Savvy CEO?
- Dealing with the Not-So-Savvy CEO
- Doublespeak - Doublespeak
- Clashing Cultures

Call 440-786-8800 or 440-777-0155 for information

CEO Survey by Inside Business

We are pleased to include a CEO survey developed by *Inside Business* in this issue of The SavvyCEO. Please take a few minutes to complete and return to Inside Business.

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