

The Savvy CEO Speaks

The SavvyCEO Speaks is a regular feature. Our SavvyCEO for this issue is **Michael Salkind, President, Ohio Aerospace Institute (OAI)**. OAI's mission is to enable and create aerospace-related learning, knowledge, and solutions to enhance the competitiveness of our participants.

Q: What does the OAI actually do?

We provide a neutral environment for our three sectors of participants (industry, university, and government) to work together. Our organization is not of any one of those three cultures. We are neutral facilitators. Each of the three sectors wants to have relationships with the others, but they have to find a common language. In the absence of that common language, we hear the same message from all of them: "We'd tried for years to work with—but until THEY change, we can't—Help!" (Sometimes, we feel a little like marriage counselors!)

When people join a collaboration, they learn the value of giving up some control. When they come together as colleagues, they can really hear each other and learn together. But it takes time to learn. So during that time, they must be engaged in attractive and valuable projects while learning about each other. They each learn that the others do not have horns and tails. Then together, they create remarkable accomplishments. It is quite magical and gratifying when that happens.

OAI's role in the process is not directive, but not passive. We act as catalysts to allow the reactions to happen. We help team members see benefits in working together to meet their own business or personal needs. Then each will buy into the process. It is not altruistic; they each expect to impact the bottom line and our customer feedback indicates that they consistently do.

Q: What do you do best at OAI?

An underlying assumption at OAI is "We are not really limited by apparent boundaries." Our whole business is to help people look beyond boundaries and "think outside the box." We're trying to model that behavior within our organization to help teach our customers. Even our physical space is designed to eliminate physical boundaries, which create psychological boundaries.

Fewer boundaries promote flexibility. It allows people ownership to create business opportunities and grow and innovate within the business. We work hard NOT to suppress ideas neither within our business nor with our customers.

For example: A new associate discovered a "new" business opportunity, which, unknown to her, we 'wise' men had rejected several years earlier. We managed NOT to tell her it had been rejected and, as a result, she brought in a multimillion-dollar business. Another example is a janitor who wanted to work in research. Our system did NOT tell him not to pursue his ambition and today he is a successful full-time researcher. If the culture is not too bounded, we can nurture more human growth, which equates with greater success.

Q: But you must have some disappointments?

Yes, we have lots of disappointments in the collaboration business. Most of our teams fail. We probably start six new teams for every one that succeeds. "You have to kiss a lot of frogs." However, we have to move on and learn from failed projects. We expect disappointments; it's a part of our business.

Q: Please talk about dealing with difficult people.

When I see people behaving with difficulty, I explore 'Why'. Why is that person feeling uncomfortable? Is the environment not satisfactory? Maybe there is a basic incompatibility. Most people don't want to be difficult, but may have a mismatch with their job assignment, or the culture of the organization.

But the most difficult part of my job is when I have to make a hard decision when someone is not performing, in spite of all our efforts. It is very painful to me. I feel a personal failure if someone is not succeeding. And, I agonize too long before making the right decision, both for that person and for us.

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International

Cultural differences = Ethical differences?

*Radhika Reddy
President, Cohen International*

My work is to build stronger relationships between Ohio and other countries of the world. We are a division of Cohen & Co. and see tremendous opportunity in assisting Ohio businesses in building our business internationally, and in bringing international businesses to Ohio. And we do experience some significant differences in the ethical climate of differing countries. I am most familiar with India, as it is my home.

I think the greatest difference in the business climates is one of relationships. In India, we first build a personal relationship with business coworkers, customers and vendors. Then we carry out

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"The job of leadership is to hear as much bad news as is out there and figure out ways of dealing with it."

*Kim Campbell
Canada's first female
Prime Minister*

Consider this? COURAGE? ETHICS?

Today's business environment is rife with an "I'll get mine" mentality with a few courageous individuals stepping forward risking career and personal wealth to challenge unethical practices. Sharron Watkins of Enron, and Colleen Rowley of the FBI are the most dramatic recent examples.

But unethical practices lead, in time, to catastrophes in the business. Is ethical behavior simply good management?

When you joined your company, you signed a number of documents specifying 'Rules of Conduct'. However, some rules are not on those pieces of paper, such as 'no lying', 'no hiding profits', 'no special deals for favorites', etc. But these are the rules of our society; the rules we learned at our parents' knees.

Why should life in a corporation be different as we are racing towards quarterly profits, bonuses, promotions, etc? Wouldn't our investors be better served by building a sustainable company for the future; ensuring future profits and increased net worth?

Ethical behavior begins with everyday actions: Ten tough questions! Have you questioned yourself in the mirror lately? Are you content with your answers?

1. Have I focused on long-term success for my shareholders?
2. Do I provide accurate reports to investors with realistic targets for growth?
3. Am I honest about problems and their potential impact on the business?
4. Do I challenge subordinates' reports that appear too 'rosy'?
5. Do I bring interested parties together to discuss strategy, even people I don't like?
6. Do I raise concerns about potential actions; do I speak up when a plan of action appears questionable?
7. Have I told the truth, with kindness?
8. Have I treated people fairly today?
9. Do I allow the unethical behavior of others to influence my actions?"
10. Do I speak up when a colleague is unfairly attacked?

The drive toward short-term, quarterly, gains to increase stock prices creates dilemmas for managers. Do we managers have the courage to build for long-term success? How can individuals confront unethical practices without running their careers? Is ethical behavior simply good management? Or naiveté?

Send your comments to Lee Nielsen at 440-786-8800 or lnielsen@thesavvyceo.org.

"Courage? It's a million little things. You have to stand up and do the right things everyday. Courage is renewed moment to moment."

Michael Salkind
President, OAI

SavvyCEO Forum

WHAT AN EVENT!

On June 7 at the Ritz Carlton, we held the first *SavvyCEO Breakfast Forum* with eighty guests and a terrific panel of Savvy CEOs. Our Savvy CEO panel of *Gerry Blouch* of Invacare, *David Given* of Blue Point Capital, *Chuck Fowler* of Fairmount Minerals, *Carol Latham* of Thermagon and *Gil Van Bokkelen* of Athersys responded to numerous challenging questions from the guests.

Questions ranged from 'Advice for mergers and acquisitions' to 'How do we keep talent in the Cleveland area; how do we reduce our brain drain?' We ended on a challenge from Gil and Carol to get involved with the great Cleveland community efforts to find ways to encourage and retain talent within our own businesses.

Thanks go to our panel of very Savvy CEOs, *Rody Salas* of RSI International for an excellent job moderating and *Trendometry* for the fine graphics. And, of course, The Ritz provided an outstanding and welcoming venue.

Executives In History

"Where poverty exists, all are poorer; where hate flourished, all are corrupted; where injustice reigns, all are unequal. Every man is our brother, and every man's burden our own."

Whitney Young, 1921-1992
Civil Rights activist

"Last, but by no means least, courage—moral courage, the courage of one's convictions, the courage to see things through. The world; is in a constant conspiracy against the brave. It's the age-old struggle--the roar of the crowd on one side and the voice of your conscience on the other."

Douglas MacArthur

About Lee...

The Nielsen Group enhances executive capabilities by:

Assisting organizations in major company change.

- We provided project management support for a major systems implementation. People make the systems operational.
- We counseled the executive team in company restructuring and later reductions in staff. See 'Actions Speak'

Individually coaching selected management on making their management plans operational.

- We worked with an individual executive to improve his ability to manage up, sideways and down. The CEO now listens and supports his recommendations.
- We developed business plans and implementation strategies with an executive newly in a challenging role. Detailed operational plans helped him get on track quickly.

"A single conversation across the table with a wise man (woman) is worth a month's study of books."

Chinese Proverb

Working closely with companies in analyzing the skills of management to determine best fits for the future.

- We analyzed the current management teams' skills for upcoming challenges and made recommendations for appropriate assignments. Some managers were mismatched and unsuccessful.
- We coached individual executives resulting in sharper focus on key goals.

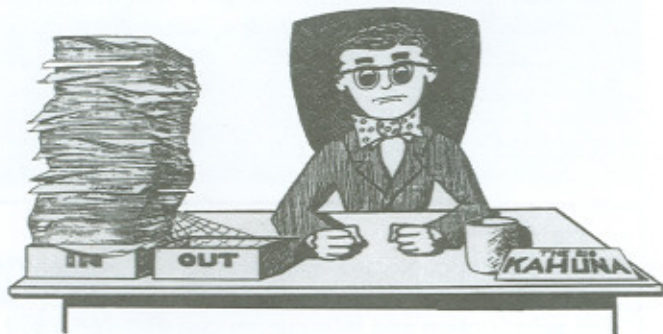
Providing traditional human resources services such as strategy, compensation planning, employee relations, overall people financial reviews, etc.

- We help companies effectively align people resources with the business goals.

Want to create exceptional people performance within your company? Call The Nielsen Group at 440-786-8800.

SAVVYCEO WANNABE

The SavvyCEO has to confront challenges, meet competition, deal with change, and overcome adversity and stuff. Sometimes it takes the courage of a SUPERHERO.



International

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our business goals. But the business rests on the relationships between the individual parties. And once I give my word, or another gives me his, the agreements are sealed. There is little concern for a written contract. We have given our word.

But in India, business is so intertwined with the governmental, legal and bureaucratic systems that leaders are expected to pay a middleman to help ease any kind of regulatory needs. This creates a climate conducive to corruption.

In the US, there is tremendous reliance on the written agreements between parties, regulations and the legal system. This is a very litigious country and people seem apt to sue if agreements

are not expressively met. There is real fear of lawsuits. The business relationships built are generally temporal, lasting as long as the business arrangements are mutually beneficial. And only sometimes do individuals develop true life-long relationships with colleagues.

In countries with extensive poverty, such as India, China, and Indonesia, honest business dealing are a luxury. The middleman sees lots of opportunity to supplement his income, and does so. Also it is more difficult to prove corruption. In the US most citizens pay taxes, in part, to fund criminal investigations. In India, very few taxes are collected and therefore the governmental systems are poor; unable to spend the resources needed.

I think the core difference is in India, people rely on each other, build strong personal relationships to achieve their goals. In the US we tend to have more faith in the systems supporting the society and less on each other.

Radhika is President of Cohen International. For help in navigating cultural differences with your international expansion, call her at 216-774-1179

Created by Howard Vaeth

SAVVYCEOWANNABE

Fighting for truth, justice, a healthy bottom line and a double digit ROI *

* As determined, of course, by the commonly accepted principles of accounting.



The Savvy CEO Speaks

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Q: What motivates you to come in every day?

Well, the opportunity to make things better. I walk into a room and want to make things better right away: fix the lighting, move the furniture, etc. And I see the work world as an incredible opportunity to look for continuous improvement. If we are standing still, we aren't progressing. I want to 'Leave the trail better than I found it.'

At OAI, I work in such a variety of activities, all the time. Sometimes when I leave the office, I want to kick up my heels; I'm having so much fun!

Our revenues are around \$22 million. We are a non-profit, but we function with the ethos of a profit-making organization. We do not solicit donations, but must earn all of our revenues, every year, by selling services. Having to earn our way keeps us hungry and healthy. We market a wide variety of services to the public, private, and education sectors to earn our way.

And we see tremendous growth, even in difficult economic times. Companies are drawn to us in lean times when resources are constrained. They find that by collaborating, they can leverage their precious resources.

Q: How did you develop your leadership skills?

I was educated as a materials engineer, and then went into the Army. I liked being a soldier. The combination of mental and physical challenges forced me to learn my strengths and limitations and learn from my mistakes. After spending a rainy night in a water-filled foxhole, I realized I was capable of far more than I had believed.

And I had early role models: my mother was a full-time business owner, ran our home and cared for us children. My dad was warm and loving. Good leadership combines both the ability to plan, be decisive, exert good judgment, be organized, and be dependable with the ability to care for and about people.

But the other major learning came from being a single parent for eleven years for my two small children. I was learning to be a manager and learning to be a nurturer of children. I found that my lessons at home carried over into the office: manager as nurturer.

My motivation as a manager is that I can make more good things happen through other people. My entire career has been one of providing an environment for growth and development of people. And today, I look for managers with strong enough egos who feel their own sense of accomplishment through the achievements of others.

"Life shrinks or expands in proportion to one's courage."

Anais Nin
French Novelist

I am an eternal optimist. I know there always will be reverses, downturns. I have learned to pick myself up and go on. It's not that one can't feel bad, but it just doesn't help to hang onto that feeling. A favorite role model is Bill Lear. We've heard of many of his successes: car radios, 8-track tapes, the LearJet. In his long lifetime, he was involved in more than a dozen businesses. Many were failures, but he kept going, again and again.

Q: What advice would you give to someone newly in the CEO or President role?

It is critical to respect and value your direct reports and nurture those relationships. You must learn the culture quickly and determine the REAL (sometimes hidden) values

of the organization. And if you are new to the position, there is a great expectation to 'do something good' to justify the change in management. So what you 'do' must be of significant value. You have to be a quick study to learn the REAL value.

Q: What about our region; what do we need to be doing to grow stronger?

The real measure is 'How to grow the total economy of the region? We need to focus on creating value within our existing economic base, which is primarily manufacturing. We must focus on helping manufacturers increase competitiveness. We need to continue investments in start-ups, but balance it with investments in making our established companies more productive and more competitive.

Do you want to know more? Contact: OAI • 22800 Cedar Point Road, Cleveland, OH 44142, 440-962-3000 • www.oai.org

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

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Courage to focus

Mike Schickedanz
Consultant

In difficult times it takes courage and discipline to pass by potential short-term sales opportunities in order to stay focused. Chasing sales and customers without focus has a big downside... erosion of margins, lower rep productivity and potentially poorer customer service to the best customers. Successful businesses recognize that increased focus during the "hard" times is the foundation for long term success.

More organizational focus and discipline can be achieved by linking operations (sales, marketing, new product development, after sales service) more closely to customer profitability. A company can realize several benefits from this customer centric approach:

- Provides a framework for prioritizing resources and operational planning...more bang for the budget buck
- Promotes more disciplined and focused sales performance...and greater sales productivity
- Focuses operations and service on the most valuable customers...don't just satisfy your best customers, delight them
- Provides a direct linkage between sales compensation/incentives and profitability...great for managing margins
- Improves forecasting and budgeting...increasingly important to managing cash flow

Although many companies speak to customer focus in their mission statements the real proof is in how they implement strategies. A quick test is to ask a few questions, such as...

- Do we review our current status with our most profitable customers?
- Do we manage sales and customer service among individual customer segments and do we measure this performance?
- Are key customers directly included in new product development and the marketing planning process?
- Do we have a systematic program for collecting direct feedback from customers and is this information used for continuous improvement?

If you can't answer "yes" to at least three of these questions, your company needs a stronger focus on future success.

Mike Schickedanz consults to companies on improving sales, marketing, customer services and new product development. Contact him at 216-371-3405 or mikeschickedanz@yahoo.com.

"One cool judgment is worth a thousand hasty counsels."

Woodrow Wilson
US President

Action Speaks

Layoffs

Protect your shareholders and solidify the business.

How?

So you have taken the huge step of laying off a number of employees. The bottom line won't start looking better for some time because of the expenses involved in a layoff, severance, benefits, accrued vacation, legal fees, accounting costs etc. So, it certainly doesn't feel better, yet.

The bigger immediate problem is facing you everyday - the dampened morale of the remaining employees. Coupled a sense of relief and stabs of fear, (Ooh, I missed the cut this time, wonder if I'll be able to make it through the next one?), they want to show you how valuable they are ...but wait with dread for the day they get pink slips.

And the resentment! "They lay off employees and now 'they' expect me to pick much more than my share. It is just more than a person can do in a workday." Well, bad news! You are the 'they'. And everything you do will be carefully observed for signs of threat and your own stability within the company.

This works:

First tell the truth and tell it often. Be very clear about the message. Tell your employees everything you can without putting the company at risk. Ex. "We are in a downturn and must turnaround to sustain our business."

Repeat and repeat the critical messages you want everyone to understand. We all need to hear important information repeatedly to truly integrate it and be able to use it effectively. Example: "We must target all of our energy on increasing profitable sales. And efforts not focused on increasing profitable sales will be cancelled." You will be tested daily with just how wide the definition is of 'increasing profitable sales'.

Make no jokes about the difficult situation. Employees are extremely sensitive and alert to any indications of a cavalier management attitude. So, remain concerned and professional at all times.

Establish regular updates to reduce the effects of the rumor mill. When your employees know they can get good information from you, they are less likely to believe to projections of others.

And when the news is good, celebrate. Simple quick meetings in the hallways will suffice, but people need to hear the positive news from you, as well as the bad news. Ex. "We got the XXXX contract. Great! Now let's go get YYYYYY."

Repeat the above steps continuously.

Need help dealing with a difficult restructuring? Call Lee Nielsen at 440-786-8800

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In this issue...

The SavvyCEO
extraordinary managers
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Seen in the NEWS...

"Breakfast came with an extra helping of insight..." said *Inside Business* recognizing the *SavvyCEO Breakfast Forum* on June 7, 2002. Chuck Fowler was quoted with his comments about a 'Culture of Integrity' and Carol Latham on the need "to differentiate your product in the marketplace through research and development."

Read the entire article with more quotes and enjoy the photos in the August 2002 issue of *Inside Business*.

What is courage?

When a new CEO is pressured by the Chairman... and resists.

Our Board Chairman was pressured by a prominent individual to join our Board. After reviewing his credentials, I felt he was not a good addition. In fact, I was concerned about his reputation for doing "political favors" for friends. This powerful individual contacted my Board members and demanded that I be fired, and threatened to cut off funding. I held my ground, worked quietly to neutralize the damage, and survived. It was the right thing to do for our company. We continue to be a successful company years later. But it was a very difficult time.

CEO of a multi-million dollar northern Ohio company

"Truth will rise above falsehood as oil above water."

Miguel De Cervantes
Spanish Writer