



The Art of Building a Great Business

by Mike DuBose



*Based on
100 Business Bestsellers
and 30 Years of
Business Experience!*

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A Great Business***

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About the Author

This book guides readers through proven strategies for building a great business that will thrive even in difficult times. It also outlines how to build a work culture where both employees and leaders look forward to coming to work each day. Mike DuBose combines tips from 100 best-selling business books with his 30 years of business experience to create the formula for taking good businesses down the road to greatness, as he has done with his five companies.

Mike worked as an administrator for seven state agencies, two governors, and a private non-profit. In 1981, he formed several computer retail, training, and wholesale businesses, which were successful for two years but eventually failed. He struggled to pay off over \$250,000 in bills, narrowly escaping bankruptcy. Although the failures were a terrible experience, he credits them with teaching him how to run a business by taking several "out of business."

After repaying his debts, Mike created Research Associates (RA) in 1985, which writes corporate, foundation, and government grants for school districts, government agencies, schools, and non-profits. He expanded the business by training 10,000 professionals on how to locate, write, administer, and evaluate grants. He also formed The Evaluation Group (TEG), which provides evaluations to help customers achieve their program expectations. Today, RA and TEG work with 60 school districts and more than 200 schools nationwide.

Mike also started the SC Law Enforcement Training Center, which offered law enforcement officers training in a wide range of advanced courses. In 2003, he formed Columbia Conference Center, a 40,000 square-foot state-of-the-art meeting facility, and in 2007, he and his son Blake opened DuBose Web Group. At press time, Mike and his second son, Joel, were preparing to launch a new venture, DuBose Fitness Center.

"In retrospect, like Sam Walton, who built Wal-Mart and was one of the richest men in America, I have made more mistakes and failed more than I have succeeded," Mike says. "But I made a few great decisions on our road to success. It takes a lot of the 'right stuff' happening and the right people in the right seats to build a great business."

When he turned 50, Mike decided to throw out everything he knew about leading a business and read 100 business bestsellers. The knowledge he gathered from those, as well as his past experiences, inspired this book.

Since 2007, when Mike paid off all of his personal and corporate debt, he has given most of his business profits to charity and back to his valued employees. He is passionate about helping other small business owners succeed; working with his church, St. Andrews Presbyterian in Irmo; and assisting local and international charities.

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Foreword

Over the past six years, my desire has been to create an easy-to-read, understandable book about business principles that create not only good, but *great* companies. I have combined solid research and practices of excellence from business experts with my real-life experiences so that readers can see, feel, and implement the concepts successfully. However, much of the information in this book represents new ideas and approaches that have grown out of existing principles and cannot be found in other places. Be prepared to laugh, cry, and learn with me as you read my true story that has unraveled since 1981 and over the life spans of eight different businesses.

Passing along the secrets: Entrepreneurialism runs in my family's blood—I am a fifth-generation entrepreneur. However, no one in my family was there to help guide me, nor did they give me any advice on how to succeed in business. I want to change that mindset by passing along vital knowledge and secrets of how to be a successful business leader, build a great company, and be a good human being. This is the legacy that I hope to leave to my two sons, those who follow behind them, and others like you!

Giving specific directions: In my favorite book, Jim Collins' bestseller *Good to Great*, Collins gives broad ideas about how to build a great company. However, many of the details are missing. Collins gives outstanding advice (for example, that companies should hire the right individuals and help the wrong people off the company bus), but does not go into the specific steps to take (which was not his intent when writing the book). By covering many of these details, my book seeks to fill in the gaps left by Collins and others.

Building the business from the ground up: It is one thing to talk about running companies as a corporate officer, to examine them as a researcher, or to lecture on business theory as a university professor. But what about entrepreneurs like me who have taken several companies from idea to success with little money to start? I could try to impress you with my college and graduate degrees, but I have never taken a college course on business! However, few professors or researchers can ever understand, feel, or accurately explain the hardship or the fun of successfully taking an idea, seeing it come alive, and making millions. Sometimes, what entrepreneurs do is illogical. Like they say on *Star Trek*, we go where no one has gone before. We do things that most folks say cannot be done and endure beyond the point where many give up, even when the odds are overwhelmingly against us or the suffering is immense. We have a burning, passionate desire to build something from nothing and make it work!

Building on failure: Few will ever know the excitement of having a dream, turning that dream into a reality, and creating a very successful company out of it. Larry Bossidy, author of the bestseller *Execution*, told me that the higher you climb on the mountain, the more sights you will see. He was right! It is a beautiful view from Mt. Success. But those sights quickly disappear when your business fails and you fall off that mountaintop. No book or business professor can ever describe the misery, suffering, and thoughts of insecurity, hopelessness, worry, and emptiness that come with failure. I took nearly every psychology course that the university I attended offered, but even I could not explain what I went through when my businesses failed. However, I believe that in conflict there is always opportunity. For that reason, my BIG mistakes and failures turned into gifts. The understanding I gained by taking a company out of business in the 1980s was the greatest teacher of all time. The painful knowledge it gave me supersedes that given by any MBA program, and I did not let that experience stop me from following my entrepreneurial spirit. I got up, dusted off my ego, and went at it again!

Making the world a better place: I am blessed beyond my wildest dreams and have made many millions of dollars. I owe it all to God and the many people who coached, mentored, and molded me into who I am today, and I feel destined to return those blessings. Thus, I am giving any profits I make from this book to charity. Jack Welch, author of *Winning*, told me that you have to win first in order to give back, and correct he was. But I also think that we can win and give simultaneously, and I want to make this world a better place as a result of me being on it. I encourage activities in our companies like recycling, volunteerism, energy conservation, profit-sharing with staff, charitable giving, and ensuring that employees have personal lives. My purpose is not only to build great companies, but to build great people. I also wanted to be able to hand new employees a book containing most of my thoughts and philosophies to allow them to become immersed in my companies' mission, vision, and values. Staff members need to feel that they are part of something unique, something greater than them. They want to work for a business that makes a difference in their community and the world with a purpose beyond just making money. When they are given the opportunity to join a company like this, employees will have fun, be self-actualized, and work harder and smarter to help the company prosper. They realize that they *are* the company. Then, profits follow.

Being humble: Knowing that you don't have all the answers is critical to learning and growing. You cannot climb a mountain if you think you're already at the top! You have to be sincerely receptive to new knowledge. Reading *Good to Great* in 2006, at about 56 years old, taught me that humility is the first step to greatness.

View the information that I am offering to you as your first steps on a new, exciting journey to build great companies, leaders, and employees. Be open to new ideas and strategies for starting your new company or growing your existing business the right way.

The success equation is made up of many variables that have to line up at the right time and place. Even then, failure can be a part of that formula. Success is not easy—it takes a lot of hard, smart work and does not happen by chance. Your goal has to be not only to create good companies that survive, but great companies and staff that *thrive*.

Now, let's begin the journey to greatness!

Mike DuBose

SECTION I. BUILDING STRONG LEADERSHIP

Leading Effectively

*If your actions inspire others to dream more, learn more, do more,
and become more, you are a leader.*

— John Quincy Adams

This was the toughest chapter for me to write because there are so many theories behind what makes a successful leader. It simply takes a lot of time and “the right stuff;” there is no exact formula.

One thing is certain: companies need strong leadership to succeed. In *The One Thing You Need to Know*, Marcus Buckingham says, “An organization may possess great products, great processes, great customers, and great employees, but without great leaders, the future is bleak!”ⁱ What is leadership? Is it genetically embedded or ego-driven? Does it stem from a thirst for attention, an inclination to serve others, or a natural desire to chart a course for the future and recruit others to follow? Is it fueled by a lust for power, a motivation to be great, a deep-seated need for security, or something inborn and inexplicable?

Some or all of these descriptions apply to leaders at different times of their professional and personal lives. Just as each leader has distinct motivations, each also has a unique style of leadership that varies based on personality and circumstance. I have observed this firsthand while training more than 10,000 individuals over the past 30 years. As part of my seminars, we broke people into small groups to complete an assignment. It was fascinating to observe how a leader always emerged in a group of ten people who did not know each other. Some would immediately volunteer, others might display their leadership skills before manipulating the group into electing them, and some assumed the role reluctantly.

Different leadership styles work for different people. As a student of history, it interests me to see how various World War II generals led their troops into battle. General George Patton experienced phenomenal success, yet was arrogant, brash, and egotistical. General Omar Bradley, who directed the Normandy invasion, was a brilliant yet humble behind-the-scenes leader. Both were very successful, but each approached leadership in a radically different way.

Every successful team needs someone to develop a vision for the future and then lead others toward the goal. As former Girl Scouts CEO Frances Hesselbein writes, “How do we move from where we are to where we are called to be? It all begins with the leader’s challenge to define leadership in our own terms, in our own language.”ⁱⁱⁱ

Looking back, I have come to realize that successful leadership is no easy task and there are no perfect teams or leaders. We all have faults, and the formula can be complex! I have learned through seeing many ineffective leaders over the years that some people simply do not have the skills, experience, or the know-how to effectively lead; unfortunately, they become very frustrating to those who *do* and can cause chaos within any system.

There are common traits that make leaders and teams great. Many entrepreneurs are blessed with an innate desire to lead. Research has concluded that genetics play an important part in personality development, health, and how we live. However, we also know that environment and life circumstances impact and complement our genes. For example, Audie Murphy was uneducated, shy, and had no leadership experience or desire to lead, yet he became the most decorated leader in World War II and eventually, a movie star. Therefore, circumstances do play a role in our leadership abilities (for example, when leaders emerge during crises like 9/11).

Buckingham asserts that leaders “are not born, but rather are made by their training and their diligence.”ⁱⁱⁱ

How we evolve as leaders depends upon our receptiveness to learning. At 50 years old, I made a commitment to business and personal growth by opening my mind and “starting over” with how I led and managed from the ground up. Since that time, I have vastly increased my knowledge of how to build a great organization by learning from my mistakes, reading many bestsellers on leadership and management, listening to my staff, and taking on a servant leadership model where I am a coach, mentor, consultant, and guide to our teams. To do this, I had to accept that I was equal with everyone in the company. In fact, I came to despise the word “boss” as I went through a paradigm shift where my role became to earn the respect of my teams.

Whether you are executive director of a non-profit, a corporate CEO, an entrepreneur, a sports coach, or a government leader, the principles are very much the same. We must strive for growth and apply the lessons we have learned to become great leaders. Hesselbein emphasizes that “All the ‘how to’s’ in the world won’t work until the ‘how to be’s’ are defined, embraced by the leaders, and embodied and demonstrated in every action, every communication, and every leadership moment.”^{iv}

I have experimented with many leadership approaches during my time with government, the non-profit sector, sports, church, my corporations, and my family, including: being passive, being aggressive (“my way or the highway”), the Army drill sergeant method (beat them into submission), expecting perfection, and, finally, being a servant leader. While I have a lot to learn, I am finally discovering how to create great teams where people like their jobs and work hard and smart. I will outline some of the things that are working for us, but as you read these recommendations, remember that no one person has all of these qualities.

Be humble: The great leaders studied by Jim Collins in *Good to Great* exhibited “compelling modesty.”^v By practicing humility, you can focus attention on the business rather than feeding your ego. Don’t insist on recognition for anything, use “we” rather than “I,” always give credit to your team (and God, if you’re spiritual), don’t brag or display arrogance, avoid being a know-it-all, and never say “I deserve.”

Employ the right, outstanding people: Organizations are only as successful as the people who work within them. You can have the best products and services in the world, but if you lack competent leaders and the right, outstanding employees that work together as a customer-driven team, prepare for disappointing results. Case in point: I volunteered to coach my sons’ basketball and baseball teams at the local recreation center for ten years. While far from the best coach, I knew the basic components for our team to have a winning season. We were undefeated one year because everyone on the team was passionate, we came together as a team, players followed my coaching advice, and everyone worked hard to improve their skills. Parents were actively involved and we were like one big, happy family. Everyone worked in unison to win and have fun, everyone was encouraged, and the championship was the outcome.

On other teams I coached, the results were dismal. Players’ work ethic was minimal (some even *asked* to sit on the bench), parents did not participate or care, and some players were ball hogs who were only concerned about themselves and how many points they could score. We had a losing season. It was a very frustrating time for me, and I once told the team, “You all don’t care! Why should I?” No matter how good my leadership was, without the right people working together as a team, failure resulted.

Even the world’s greatest leaders will fail unless surrounded by smart, organized, motivated, passionate, and disciplined employees. Go out of your way to get the right people placed in positions that make the most of their skills within your organization, and accept nothing less than talented professionals. Instead of being drained and distracted by problematic employees, you

will have more energy to lead. Thoroughly evaluate all potential employees and hire slow and tough. If someone is not working out, fire him or her quickly but in a caring way.

LISTEN: Try to be a good listener so that you can grow as a leader. In meetings, be aware of how much you talk. Are you allowing others to express their opinions or are you dominating the discussion? Effective leaders ask questions more often than they give answers. Several heads thinking together create better results than one working alone.

Clearly articulate your values and expectations: At our Columbia Conference Center, we recently implemented a great idea called “Who I Am.” Each employee talked about his or her likes, dislikes, background, and personality. It opened up a dialogue between staff members and we were able to improve our relationships, which led to better teamwork and customer service.

To develop a positive company culture, leaders must first clearly articulate their expectations. Before making a new hire, we describe in detail what we value in an employee and the positive, exciting culture we want within the company. It sets a positive tone from the beginning with new employees.

Be a “one-minute manager:” Spencer Johnson’s simple but excellent book *The One Minute Manager* suggests that leaders look for things employees do well and reward or recognize them for their efforts. When employees are not performing properly, let them know quickly, professionally, and gently. The leader should provide ongoing coaching to help employees grow, one step at a time. When coaching and mentoring, try to use the phrases “I need your help on something” and “Can you do me a favor?” Though annual performance reviews are good, there should be no surprises. For example, when I was employed in state government, I had received nothing but glowing assessments until one day, without warning, I received a letter from my supervisor detailing 30 negative things I had supposedly done, without a single item of praise or a chance for me to tell my side of the story. He had apparently kept a list of anything that anyone said I did wrong over a 12-month period. I promptly quit!

Employees need to know exactly where they stand at all times with clear expectations and goals from the leader. In other words, effective leadership requires ongoing coaching on what an employee is doing well, what they need to work on, and specifically how they can move forward in a positive way. Ideally, you want the employee to view you as someone who helps them grow and learn. Reserve criticism for private, face-to-face meetings. In addition, never develop policies around or punish the group based on what one person did wrong. This will cause team members to dislike both the leader and the person who made the error, harming the team.

Be a walking manager: Every day, get out of your office and into the halls of your organization. Look for what is going right and ways to improve your operations, particularly from a customer’s perspective. “By consistently living in your customer’s shoes, you will have a chance to see your business through your customer’s eyes—a hugely important advantage in today’s fast-moving marketplace,” notes Jeffrey A. Krames in his book *Jack Welch and the 4E’s of Leadership*.^{vi}

Be willing to do any job: As a humble leader, don’t ask anyone to do anything that you will not or have not done yourself. My catering staff loves for me to put on an apron and work alongside them. You need to be knowledgeable about what your employees do and occasionally get into the trenches with them. This will go a long way in terms of respect and credibility when you make suggestions for improvement.

Be a caring leader: It makes sense that people willingly follow leaders who express a genuinely caring attitude towards them. We started an employee newsletter within our companies that lets everyone know what is going on in our staff’s lives to build a family-type relationship. We also established an employee liaison committee to keep us in touch with how our employees feel and to ensure that they are happy with their jobs.

Take responsibility: When things go wrong, leaders should look into the mirror for the source of the problem. Regardless of who is directly responsible, if mistakes are made, ask yourself, “What could I have done better as the leader?” As President Harry Truman said, “The buck stops here!”

Learn from mistakes and failures: Famous leaders such as Henry Ford, Alexander Graham Bell, and Thomas Edison did not see failure as bad, just as a path to success. Likewise, failure is my greatest teacher. Look at any conflict, failure, or mistake as an opportunity for improvement. When something blows up or has dismal results, dissect the event, solicit criticism from others, ask tough questions, assess what could have been done differently, and determine what worked and did not; then ask yourself if you should repeat the experiment or chalk it up as another learning opportunity and move on.

Encourage everyone to admit mistakes and have a healthy dialogue about the problem so it does not reoccur. Employees who cannot accept responsibility or who blame others should find another job. However, the leader must serve as a model, admitting his or her mistakes in order for employees to feel comfortable sharing theirs.

Build communication amongst your teams: Lack of communication and misunderstandings create most problems within organizations. Information is power and should be shared with all employees. One of the best things we have ever done in our companies was to distribute minutes of important meetings to the entire company. This has really helped us link our teams and identify conflicts early on so we could solve them quickly.

Build a consistent, structured (but non-bureaucratic) system: Employees need to know how the company operates, how decisions are made, and how work and communications move through the system. Therefore, it is important to develop protocols, policies, and procedures and to train employees on how to use them. For example, if an employee wants to attend a conference, the approval process should be simple and documented from start to finish. All of our administrative forms are accessible to employees online.

Procedures take time to develop and are often created when the need arises. However, you should maintain a system where problems, issues, and needs are addressed the same way most of the time. Be proactive by creating reasonable structure and stamping out inconsistency, while at the same time eliminating bureaucracy.

Be ethical and honest: Kouzes and Posner say that when it comes to their leader, employees “want to assure themselves that the person is worthy of their trust. They want to know that the person is truthful, ethical, and principled.”^{vii} What the leader says must match his or her actions. We send a clear signal through our companies that dishonest, unethical, and immoral behavior will not be tolerated. As a result, a few employees whose behavior did not match this policy left. We also push for honesty between employees and customers. It is the leader’s responsibility to set the example and the tone for ethics in the workplace.

Be a good decision-maker: Good leaders gather facts and opinions on an issue, develop and compare the options, and make prompt decisions. They look for “win-win” situations and allow others to give advice and feedback openly and without fear. Employees like to express their opinions if they feel like their leaders listen to and value their advice. When I am wrong, I will readily admit it, and I do so smiling. I consider my gut feelings, logic, input from staff, and as many facts as possible before making a decision. Sometimes, that may mean thinking about the options for a few days, and then making the best possible choice. Above all, avoid both procrastination and knee-jerk reactions when a decision is needed.

Stay focused on your mission: Take time to develop a clear mission that everyone in your organization buys into. Hesselbein reports that “Understanding one’s mission is the essence of effective strategy.”^{viii} Once the mission has been developed, all activities should be directed

towards your ultimate vision. Avoid goals like “make a profit” or your business will be all over the board chasing the money fairy!

Don't micromanage: Even your best employees will not grow if you control their every move or require them to check with you on every decision. My advice is to begin your relationship with your employees with some micromanagement, teach them your philosophy and values, and define your expectations. Then, transfer your knowledge, skills, and experience to them. As employees grow, gradually give them more responsibility and less supervision. My ultimate goal is for employees to thrive in the company and make good decisions without me.

Prepare a clear succession plan: I have seen too many leaders and key employees in companies quit, retire, or die unexpectedly only to leave their families, companies, and employees in chaos. I run my companies as if I will die tomorrow and spend ten percent of my time preparing others to take over. Leaders must ensure that if something happens to any key player within the organization someone else can run the show. This requires careful succession planning with an accountant and lawyer who specialize in probate and estate planning. Otherwise, your great company could be left in the hands of the IRS and much of the assets taken in taxes, ultimately destroying the organization. Cross-train employees in key jobs so that if one leaves, another can step into his or her shoes, and let everyone know that the purpose of the succession plan is to create security.

Maintain high but realistic standards: We subscribe to Total Quality Management (TQM) theory and strive for reasonable perfection in our products and services. In only the second year of our Columbia Conference Center's operation, I set a high net profit goal. Staff said it could not be done! They quoted statistics about businesses usually losing money in the beginning and convention centers' low profits and said that they had never heard of developing a budget based on a target for the year. They ended up exceeding the goal!

Raise the bar a little bit at a time to build staff confidence without overwhelming them. However, avoid unrealistic expectations, as perfection can become an obsession.

Develop and share good budgets: For a business to make a profit, revenues must exceed expenses. Without profit, you have no company. Develop zero-based budgeting where everything must be justified every year and create cost centers (budgets for each one of your major activities or divisions). Everyone should be actively involved in the budget. I review and approve major expenses to maintain a hands-on approach to budgeting and spending. People need to see quarterly—preferably monthly—detailed income statements and budgets so they can see how the company is doing financially. Remember that not all employees are budget-minded, so present the information simply and clearly.

Ask the tough questions: Challenge everything (in a friendly way). Always ask, “Is there a better way to do this? Can we do it more efficiently? Can we implement anything more effectively?” Hold everyone accountable (without blaming anyone) and base strategic planning and other decisions on facts.

Be accessible: Anyone, at any time, has direct access to me or any other leader through a variety of ways, like face-to-face meetings, telephone, e-mail, and cell phone. We have also established a confidential e-mail address so that people can communicate with me without me knowing who it came from (it has only been used once!). Stay close to your staff and keep your ears to the ground for any problems that may occur. During meetings and conversations, listen well. At the same time, help guide employees back to their team leaders to avoid becoming an ear for needless gossip, complaints, and whining!

Be passionate and excite others: Team members look to leaders to set the tone—and if you're pessimistic, doubtful, and depressed about the future, expect them to follow. Thus, leaders need to be enthusiastic, positive, and energetic cheerleaders. On the other hand, make sure to

consider all obstacles, dangers, and problems as you design the vision so the team is not led blindly down the wrong road.

Be community-minded: Customers and staff alike need to see that the leader and the company are interested not only in being profitable, caring about employees, and producing high-quality products and services, but also in making the community and world a better place. We have a community service committee at our companies that works with several non-profits. Staff members donate their time and the company gives some of its profits to local charities and good causes.

Inspect what you expect: When you establish goals and objectives for staff, be sure they are measured. Seek facts to support findings; do not rely solely on gut feelings or observations. In everything you do, try to set up assessment mechanisms so you can monitor performance and outcomes. For example, I found that the bathrooms in our conference center needed closer attention. Once the problem was identified, we developed a process where the staff would assess the condition of the bathrooms every two hours. We also had our administrative staff use those bathrooms instead of our private facilities, and I personally inspected the bathrooms myself. Thus, we have systems in place to double-check staff's work in a friendly way.

Solicit customer feedback: Kouzes and Posner note that research "indicates clearly that measurement and feedback are essential to increase efforts to improve performance."^{ix} We solicit customer feedback in a variety of ways at our Columbia Conference Center:

- Our receptionist checks in with customers and listens for positive and negative feedback.
- Our sales and facility staff meet throughout the day with onsite customers to monitor their satisfaction.
- Managers walk the facility daily and observe or talk with customers.
- An independent survey and self-addressed stamped envelope are mailed to every customer to be returned to my private fax, mailed directly to me, or e-mailed to my personal account. I review and initial the evaluation and send copies to all conference staff.

Set up a process to make customer feedback easy and simple. View feedback as a gift that can be used to build a healthy organization. Don't use it to "zap" employees, but rather as a guide to help the entire team grow. Provide exceptional customer service so they will enthusiastically continue to use your products and services.

Study and learn from the competition: Look at competitors not as the enemy, but as helpers who can provide you with a piece of the success puzzle. Every three to four months, take time to see what your competitors are doing (i.e., the services or products they are offering and what they are charging). Most are also looking into the future and can unknowingly help you refine your strategy. No one has all of the answers, so it is important to look at the marketplace from different perspectives, noting what works (and what doesn't) for your competitors. As Finkelstein says, "Avoiding other companies' missteps can be just as important as emulating their successes."^x

Our organizations march to our own drummer and do not copy anyone, but every little bit you pull from others will increase your chances of success. Be sure to be ethical in how you use competitors' ideas, products, and services.

Experiment frequently but cautiously: Be an innovative, creative agent of change in your business. Stay focused on your mission, but don't keep doing the same thing you have for years and expect different results. If you are experiencing limited success, consider alternative methods! Develop new products and services that match your mission, but above all, don't lose touch with your customers, employees, and the marketplace.

At our companies, we encourage everyone to dream and think outside of the box as we forge our future. Listen to staff members who can “see around corners!” Finkelstein says that “Innovation is not a ‘thing’ that just happens. It’s a natural outgrowth of a culture of open-mindedness.”^{xi} Kim Inman, vice president of Columbia Conference Center, also came up with a slogan that I use frequently: “It takes nine dumb ideas before you hit on a great strategy.” Thus, you have to experiment often while knowing that you will sometimes fail.

Don’t let team members become complacent. It is easy for your business to get “stale.” Keep encouraging everyone to learn, grow, and innovate.

Overcome adversity: When things go badly, a leader must take charge and assure everyone that things will be ok. There have been many times where I had to be calm in the midst of trouble. Even if you’re scared and insecure inside, your team will be looking for cues in your actions, demeanor, and behavior that provide them with a sense of security. If you don’t project confidence, performance will drop, customer service will suffer, and the quality of your products and services will diminish. The leader sets the tone in the company, and when things go awry, it is time for leaders to step up to the plate.

Be a flexible, futuristic strategic thinker: Staff members want to know where they are going and how they will get there. Leaders need to spend time peering into the future and formulating a map to their goals. Then, they should share their ideas with the team, solicit their input, agree on the dream and how to achieve it, and start working toward it! Strategic planning is critical in any organization. Plans should be owned by all employees so everyone is in the boat together rowing toward a common vision. Don’t try to predict the future; rather, invent it!

Recharge your batteries periodically: Leaders often overexert themselves to the point that their enthusiasm, positivity, creativity, and foresight are sapped. Thus, they need to get away every three to four months to relax. This does not mean a stressful trip where you are worked to death by tours! My favorite escape is going to Hawaii twice a year and renting an oceanfront room. I sit on the balcony with the ocean splashing up against the rocks, take it easy, and read management, business, and leadership books. When I return, I am ready to jump back into the mix. You should monitor your staff so that they also plan time for vacation and avoid burnout. Many of our employees are like Alaskan sled dogs—they would work themselves to death if allowed. Therefore, we watch vacation very carefully and ensure that everyone takes time off every quarter.

Deliver exceptional customer service: Develop a culture at your company that makes outstanding service the goal of every customer encounter. Look for every point within your system where your staff, facilities, products, services, or communications make contact with the customer. Then, develop structured processes and service delivery methods where all staff members work to ensure that every exposure is what the customer needs and wants. Instill in your employees that it is their job to ensure customer happiness and that without customers, the company is nothing. Leaders also need to focus on the customers who generate the biggest returns for the company and avoid those who are labor-intensive, troublesome, demanding, and low-profit. Remember that employees are also your customers, and a positive, rewarding work environment will make delivering exceptional customer service easy for them.

Be a proactive problem-solver: When issues arise, focus more on causes and solutions than symptoms or “whodunit.” By predicting problems before they occur, you can establish yourself as a proactive leader.

Build trust: Trust is a critical factor in establishing credibility with staff. Maintain a reputation of “under-promising and over-delivering” to them and think carefully about the commitments that you make. Team members need to feel that they can be open with you as a leader and that what you say is credible over the long haul.

Create a seamless company environment where everyone works together as a team: Teamwork results in happier employees, enhanced customer service, and superior products and services. Molding your employees into a team is no easy task, however, and must be desired rather than mandated. Create an environment where everyone is a superstar, with no “look at me” glory hogs who want all the recognition. Be a “we” organization!

Take cautious risks: When opportunities arise, weigh the options carefully, solicit input from employees on a variety of levels, list the pros and cons, and, when all the facts are in, make a prompt decision. Stick with the choice unless new information arrives that mandates a different direction. Indecisive leaders who constantly change their minds can cause chaos within any organization.

When a decision is made, encourage everyone to own it. If the experiment fails, you must accept full responsibility as the leader, and in some serious cases, even apologize to the team. If a risk succeeds, share the credit with everyone. Don’t take blind, stupid chances that have a lower probability of success, even if gold is shining on the other end; instead, take reasonable, responsible, and calculated risks.

Have fun! It is unfortunate that many American employees do not like their jobs or work environments. Leaders should focus primarily on efficiency and effectiveness, but we should also strive to create a positive, fun work culture. Our employee liaison committee plans activities like socials to bring staff together and boost morale. We have even taken the company on vacation to Hawaii and Italy for fun, team building, and a break from hard work. The payoff of these efforts: happy, productive employees.

Celebrate success: People need to feel they are part of a caring team that recognizes success. Most leadership researchers encourage celebrating special occasions both small and large, like birthdays, profitable ventures, births, marriages, etc. Celebrations can provide momentum as employees march toward accomplishing the mission, recharging and energizing them in appreciation for a job well done. They also send the message that the leader cares about staff and appreciates extra efforts.

Seek spiritual guidance: As a Christian, I ask God to help me steer the ship and pray for spiritual protection as well as blessings and ideas. He gives me a lot of insight and inspiration!

Go with your gut instinct: If you don’t feel good about something, be careful. This is wise, important advice I gained from meeting with Jack Welch.

Be positive: I finally figured out that you get the most out of your team with positive reinforcement. This does not mean ignoring the negative, but instead finding a balance between recognition and telling team members what they need to work on.

Effective leaders tell their teams all the time that they are winners and involve them in the grand vision for the company. Every person has potential for greatness at something, and it is leaders’ job to help them find it. In his book *Whale Done!*, Ken Blanchard advises, “Accentuate the positive.”^{xii} Avoid beating people up; instead, praise them for things they do right and they will repeat those actions. Sincere, positive comments help team members believe that greatness is possible.

Be a mentor and coach: A famous Biblical quote says, “To those whom much is given, much is required.” Share your experiences with those who are just starting out or are struggling. We are all on Earth to help others!

Keep your temper: There will be times that you will want to tear into an employee, but first, take a day or two to calm down and look for the right moment to talk to him or her about the problem. Be sure to allow the employee to tell his or her side of the story. It is amazing how many times I have perceived something inaccurately. Once I gained all the facts, there was no

reason for disciplining the employee. When you are angry, little things tend to grow or be misinterpreted, so take a step back and think before reacting.

Balance your time: Try to share your time fairly between home, work, play, and spiritual needs. Successful people must say no to involvement in things that would rob them of time in the most important parts of life. I often receive requests to serve on corporate and non-profit boards or give of my time to the community, but there is only so much that I can do. My priorities are now my God, family, and then work. Make sure you keep your priorities in order!

Be fair: Treat everyone equally and consistently. This is difficult at times, but everyone is watching the leader, and good policies and procedures will go a long way toward helping you. Avoid playing favorites amongst your staff.

Stay focused: This is the hardest rule to adhere to and one that I struggle with frequently since I am involved in so many things. Between today's technology and the business of the workplace, it is easy to be distracted, but focus is critical to strong leadership. A few suggestions to help with organization and time management:

- Once you start a task, stick with it until completion.
- Don't check your e-mail except during certain times of the day.
- Close your door and office blinds when you need to concentrate on something.
- Delegate whenever possible (to the right people).
- Maintain a second office in your home away from the distractions of the corporate office.
- Prioritize your work each day.
- Use a program like Microsoft Outlook or Google Apps to manage your tasks and calendar.
- Keep your work organized in files and try to touch a piece of paper only once.
- Ask staff to put work in your mailbox with a note instead of bringing it to your office.
- Train staff to screen your calls. Give out your private telephone or cell number only to selected employees.
- Turn off your cell and regular phones when you need to stay focused.

Stay out of the weeds! Leaders need to stay focused on leading staff to their future. Many great leaders fail because they want to be involved in every detail. Establish goals, coach and mentor staff, teach, guide, and lead. Set clear expectations and check in from time to time, but let staff handle the details of your vision. As General Patton said, "Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity." To borrow from the Chinese proverb, the job of the leader is not to *give* his or her team members fish, but to teach them *how* to fish.

Take care of yourself: This is easier said than done, but you need to take care of your body and mind. Exercise, eat the right things, get plenty of sleep, get an annual physical, don't work too hard, have some fun, and balance your life.

Keep an open, inquisitive mind: As a servant leader, I realize that I have a long way to go before I achieve the level 5 leadership model outlined by Jim Collins in his book *Good to Great*.^{xiii} However, as a lifelong learner, I am committed to growing, learning from mistakes, reading books on leadership, attending workshops, and seeking others' advice and counsel. Even as I take my last breath on earth, I know that I will be learning something new or thinking of a way to better myself. Learning and growing can be fun and are necessary to build a true leader.

Now, go and lead!

Making Good Business Decisions

Making good decisions is a crucial skill at every level.

—Peter Drucker

Decision-making is a vital, inescapable part of our lives. We make hundreds of personal and professional decisions a week, but how do some people make better choices than others? Why do some leaders just seem to have it all together, while others make one bad decision after another? Good decisions breed success, energize staff, and build outstanding companies. Bad decisions promote mistakes and failure. The more bad ones you make, the less likely that you will build a great organization. Many factors play into individuals' decisions, such as: genetics, greed, age, gender, personal history, intelligence, relationships, happiness, marriage, hormones, need for power, creativity, workload, sleep, fear, security, caffeine, trust, ego, spirituality, stress, values, use of alcohol and other drugs, education, humility, skills, experience, finances, attitudes, successes, failures, mental health, physical condition, friends, and family. (Whew!)

Then, think about the variables within a company that impact decision-making: economy, trust, strategic plan, mission, purpose, outside experts, values, culture, threats, financial condition, quality of staff and leaders, budget, stress, age of the company, expansion, success, security, relationships, failure, crisis, company shareholders, rivalry, history, planning, teamwork, communications, structure, and hierarchy.

The lists go on and on. Then, dump all those personal and company variables into a blender and mix them up with a variety of personalities. Because of all the possibilities, a business decision made one day may have a radically different outcome the next.

To some degree, decision-making is an art learned over time (although one can sometimes simply get lucky). Making good choices on a regular basis fuels and drives great companies.

But effective leaders know they cannot make perfect decisions every time. It's all about trial and error, and every successful leader has looked into the mirror at some point and asked, "Why did I make that choice? What was I thinking?" I have apologized to my staff and family several times for poor decisions that seemed wise when I made them. My decision-making skills have improved with experience and age, thanks to my close mentors: mistakes, Murphy's Law, failure, and some great staff and family from whom I seek input. Keeping a good perspective has helped me turn extremely painful business and personal mistakes and tragedies into precious, treasured gifts from God! Decision-making is all about experimentation and knowing that one will fail sometimes in order to succeed. As Winston Churchill said, "Success is the ability to go from one failure to another with no loss of enthusiasm."

There are two types of decision-makers: those who try, stumble, and get up to try again, and those who fear stumbling, agonize over decisions, and/or cease trying. Great leaders keep dreaming, challenging, testing, experimenting, and learning from their good *and* bad decisions. Making good decisions consistently requires a business to have both the right attitude and an open company culture where people are free to find the right solutions. Employees, customers, and businesses suffer when conflict is ignored and poor decisions are made.

Technological advances have dramatically changed decision-making, and new innovations will shape it in the future. In the past, decisions took weeks to make via paper memos and snail mail. Now information can be transmitted instantly through the Internet to people at all organizational levels. Text messaging, e-mails, and blogs allow staff, customers, and others to communicate, debate, and discuss issues rapidly. These innovations have made decision-making more immediate but also more complex and challenging.

While technology, genetics, and environment play a role in helping us make good decisions, it is possible to learn effective decision-making. Let's examine the how-to's of making good decisions.

Knowing yourself and others: One of the best decisions I have ever made was to work with leadership consultant Don Jenkins.^{xiv} He guided me and my staff to analyze and understand ourselves and those inside and outside our organization, which is the first step in building a culture of good decision-making. Our mindsets radically changed. Once we were able to understand, accept, appreciate, and respect each other, we could have friendly, professional dialogues and debates to reach good decisions. We learned that everyone does not think the same way, and we should not expect them to.

Preventing: You can eliminate many needless future decisions if you anticipate and deter problems from happening. My grandmother, an entrepreneur, always said, "Hope for the best, prepare for the worst!" Think about both what can go right and what can go wrong. At our Columbia Conference Center, we try to prepare defenses for all possible problems: bad weather like tornados, health crises like customers having heart attacks, infrastructure failures like electrical outages, etc. By pinpointing potential crises beforehand and implementing strategies in preparation, the potential for stressful, rushed decisions and failure diminishes.

Identifying: Search aggressively for early-stage problems emitting weak warning signals. Just think about the financial and housing disasters of 2008: there were clues all over, but no one paid attention, so our country and economy became a mess. People were blinded by greed!

Teams at great companies actively look and listen for problems at all times and make decisions *before* disasters happen. I spend a good bit of time testing ways that decisions and new programs could fail. Unfortunately, many leaders put their heads in the sand and hope that problems disappear on their own. Rarely does that happen—in fact, they often magnify and grow. You want to make decisions in a proactive, calm environment, not with immediate threats staring you in the face.

Analyzing: Effective leaders seek all the information and options they can in the decision-making process so they can see the big picture. Use an open mind to trace symptoms to their root causes, closely examining problems and listing pros and cons for at least two possible solutions before making a decision. Look at potential roadmaps from different positions (legal, financial, logical, and ethical and in relation to threats, your mission, and your strategic plans) and different perspectives (those of your customers, community, shareholders, vendors, and staff). Practice Total Quality Management (TQM). Avoid focusing only on symptoms; instead, attack the root cause and reduce the chances of a problem reoccurring.

In other words, study your problem thoroughly and don't go for the quick fix! Determine the desired outcomes early on and make decisions that propel you toward those goals.

Understanding if and when a decision needs to be made: Few decisions have to be made immediately, so don't rush! Time is needed for understanding problems, their causes, and the best options for reaching the ideal outcome. Thus, when a decision arises, I try to determine if and when it needs to be made. Some decisions may need to be made soon, others in the distant future, and some not at all. However, assign due dates for necessary decisions to avoid procrastination.

Creating the right decision-making culture: You want to build an open environment where employees are encouraged to share differing perspectives in a friendly, professional, and respectful way. Creating this type of culture sounds easy, but it takes time and trust for staff to feel secure about challenging the status quo. Openness needs to start at the top and radiate out to every level within the organization. Leaders should be loud and clear that they value opinions and criticism, then act accordingly. They cannot say one thing and do another.

Effective leaders promote hearty debate. Presidents Ronald Reagan and Barack Obama both reached out to competitors to build their cabinets, following Abraham Lincoln's tactic of surrounding himself with bright people who would openly challenge him. Leaders who obtain the most options, debate them in an open and unbiased setting, and select the best choice tend to be the most successful.

Stakeholders vary for every decision, so you want to include different experts and key informants depending on the topic. Too many business owners and leaders with big old egos try to be the sole decision-maker, but it is important to solicit input from everyone. We seek "win-win" decisions that are made and owned by the whole team: leaders, employees, and customers. The role of the leader is to promote buy-in on all levels, which maximizes resulting successes.

Do not force decisions to travel through a sluggish, slow hierarchy. Inefficient bureaucracies stifle and often eliminate creativity, ideas, timely project completion, and good decision-making. The focus is often more on control than making great decisions and executing. Our companies have followed the lead of others like Southwest Airlines to cut down on bureaucracy and thus expedite decision-making.^{xv}

When weighing different paths, don't let destructive motivators such as ego, greed, money, dishonesty, and bad ethics drive decisions. You may win battles, but lose the war. (Remember Enron?) Run your options through these filters:

- Will the result comply with our mission, vision, purpose, and values? (If not, don't do it!)
- How will my decision affect the budget and profitability? Do we have the resources to properly implement or support it? (If not, don't do it!)
- How will the decision impact our staff and customers? To what extent do they need to be involved? How and when should I communicate with them?
- Does the decision mesh with our "Hedgehog Concept" (what we do the best, are most knowledgeable about, and are passionate about)?^{xvi}
- Is the decision legal, ethical, and honest? Is it being driven by greed, the need for power, or the love of money? What would my minister, family, customers, staff, friends, and/or the media think about my choices? What about God or the IRS? (I bet the Enron conspirators wish they had done this simple test!)
- Based on past experience, does this option have a high success potential? (We don't want our past to rule us, but we can revisit it briefly to help guide our future.)
- How will the decision build on our strengths in both the short and long terms? Improve our weaknesses? Create opportunities? Reduce or eliminate threats? (Conduct a SWOT analysis.)
- Should I test the decision on a smaller, more experimental basis first before implementing it system-wide? (Better to gamble on a smaller scale initially than put all your chips on the table.)
- Do my competitors have information that could help us make the right decision? (Examine their websites and call similar businesses outside of your market area to ask for advice. If asked in the right way, people love to share their successes, failures, and mistakes.)
- What does my gut say? Do I wake up at night bothered about this decision? Do I feel uneasy or worried about it? (If so, your instincts are screaming, "Watch out!")
- What could be the outcomes of this decision's failure or success? (Compare pros and cons.)

Promoting reasonable, calculated risk-taking and decision-making: Great companies create an atmosphere where it is acceptable to take risks (after careful study). Ideas and strategies from

every level must be encouraged and heard. However, when things go wrong, individuals should not carry the blame. Otherwise, staff will stop taking risks when making decisions. In our companies, we know what works and stay the main course. However, it is also important to look forward, staying ahead of your competitors by reinventing your companies and testing new ideas and strategies. We spend about 20% of our time creating products, services, and alliances to take us down new, profitable roads in the future.

Making wise choices promptly: Many leaders stall or refuse to make decisions because they fear failure. Eleanor Roosevelt once remarked, “You gain strength, courage, and confidence when you look fear in the face.” Great leaders make timely, decisive, and often tough decisions.

External and internal forces can impact the quality of a decision. Avoid making decisions when you are rushed, threatened, tired, angry, hurt, desperate, hungry, frightened, depressed, using alcohol or other drugs, or sick. Make decisions when you are most capable of rational thought.

I go through various learning and decision-making modes at different days and times. I briefly delay decisions to search for new perspectives, debate my own thoughts, ask a lot of questions, and seek extensive input. I often then “sleep on it.” I also sometimes scare my family and staff by vocalizing scenarios that could happen when my decision plays out.

Seek advice from in-house and outside experts, friends, and colleagues who view situations without bias and are smart and talented. Speaking to people of different genders, age groups, and backgrounds can provide you with new, helpful perspectives. I have made some major business blunders that would have turned out differently if I had listened to my wife, Debra, whose intuition is uncanny! We include one senior staff member in screening applicants for employment because she has a similar gift for reading people.

Engage employees’ minds and hearts in decision-making to promote ownership. I like for our staff to view my ideas as only the beginning in a process of project design, problem-solving, debates, and decision-making. I want them to take my ideas, make them better, and own them!

Because I am a visual person who needs to see all options simultaneously, before I make a decision, I write a list of the pros and cons on a sheet of paper and use them to weigh the odds of success or failure. It is sometimes helpful to dismantle large decisions or problems into smaller ones and work on each separately. Start out with smaller, simpler decisions that most stakeholders agree have a high success potential and work up to larger, more complex issues.

Avoid input bias by keeping your opinions quiet in the early stages of debate. Saying to staff, “This is what I think. Don’t you agree?” kills creative dialogue. Tell yourself and others that you don’t have all the answers and encourage them to offer help and guidance. “My way or the highway” mentalities create cultures where intimidated staff only want to please the boss. It’s best to check egos when making decisions and, above all, LISTEN! In fact, “The more people you lead, the more you must listen,” notes Finzel.^{xvii} When things go right, I assign credit to others (even if it was my idea), and when things go wrong, I accept full responsibility—although I may privately coach the employee who made the problematic decision.

In *Winning*, Jack Welch writes, “Listen to your gut. It’s telling you something.”^{xviii} Malcolm Gladwell’s bestseller *Blink* also describes the power of intuition. Instincts are valuable tools, but decisions should also be driven by facts and input from different sources. Never make decisions based solely on one or the other; rather, combine logic and instinct with others’ opinions for the best chance at success. My greatest failures were based on solid facts and logic!

Have a fallback plan in case the first decision doesn’t work. Once I have all the data in, I often pray for guidance and wisdom to help me sort it all out and lead me in the right direction.

Pulling the trigger: Once you have solicited input and studied your choices thoroughly, make a timely decision. There will be some “no-win” situations when you must pick between

bad or worse routes. These difficult times build character! Pleasing everyone is nearly impossible and is often not in the best interests of the company. Solicit input, but don't get stuck overanalyzing too many possibilities. I used to create and study options to death and, because I am creative, would keep coming up with new choices. General Patton was right: "A good plan today is better than a perfect plan tomorrow." At some point, you just have to shut down the debate and make a decision.

Executing consistent decisions: Once the decision is made, there should be no turning back unless new information warrants a change of mind. Second thoughts have slowed or aborted many wise choices! Leaders need to be flexible, but indecisive or wishy-washy leaders are like a sailboat in a storm with no rudder, going wherever the wind blows. Employees recognize these weak leaders and will intentionally delay project initiatives because they anticipate the leader will change his or her mind. It is important to create an execution environment where decisions are thoroughly studied, debated, implemented promptly, and monitored on an ongoing basis for accountability.

Evaluating outcomes: Carefully study decisions to understand what did and did not work. Make any necessary alterations immediately but in a calm, orderly way. As Larry Bossidy told me, "Don't hang on to or rationalize a bad decision too long. Cut your losses and move on!"

I once asked Jack Welch to describe the worst decision he ever made while running General Electric. He replied, "We decided to buy a company. We conducted a thorough study of the potential purchase, everyone debated vigorously, the numbers were right, everyone thought it was a sure fit, and we concluded that it was a good idea. We were unanimously convinced it would work. Then, the acquisition failed! Sometimes, good decisions will simply not work out. It just happens!" Don't get hung up on good *or* bad decisions that end in failure, but use them as lessons for the future.

Communicate decisions promptly: When decisions or changes in course are made, alert everyone as soon as possible and tell them why. Set up meetings and encourage questions to address everyone's curiosity. The more information given to them, the less likely they will be to complain behind the scenes. If news of a decision is first distorted and maligned by the gossip circuit, staff will resent it, and their leaders will lose credibility.

Use any mishaps to build stronger future choices and teach good decision-making skills. If you accept responsibility as CEO, your employees will appreciate your leadership in acknowledging and rectifying the problem.

If you're making good decisions most of the time, you're on the road to building a great and successful company. When you stumble (and you will), stop, learn, share the wisdom with everyone, and move on to the next adventure. Great decision-makers turn mistakes into wisdom and never look back as they focus on the future.

Above all, when a decision pans out to be successful, celebrate! People like to feel like a part of something bigger than themselves. Dish out praise, recognition, rewards, and kudos. This can be a lot of fun and motivating for everyone. Lastly, be humble and thankful for your victories!

Promoting Ethical Behavior

Live one day at a time emphasizing ethics rather than rules.
—Wayne Dyer

America's population enjoys a standard of living far higher than that of most of the world. Even our poorest citizens are rich compared to many people in developing countries. Unfortunately, however, much of America's economic success is driven by greed, dishonesty, insatiable egos, desire for power, and love of money. The more we get, the more we want—even if our obsession threatens to destroy us. Though many Americans share the motto "Greed is good," like Gordon Gekko in the 1987 film *Wall Street*, their greed may eventually lead to punishment, moral bankruptcy, and personal and company failure.

The Enron scandal demonstrated how money, power, ego, and the accompanying greed can grow exponentially once we start down that slippery slope. Enron went from being a much-admired company with billions in assets to the poster child for corruption and dishonesty. Senior leaders deceived their employees, telling them to buy into the company and quietly selling their own stock with the knowledge that the price was about to drop steeply. Thousands of employees lost all of their retirement funds when the company collapsed.

What leads powerful, wealthy people down a path that can lead to prison and ridicule from society? Even great people's judgment can become impaired, their ethics compromised, and their management styles blinded by ambition and the lust for more and more.

In today's dire financial times, company leaders are pushing managers and employees to perform beyond their limits with fewer resources. When unrealistic expectations are set, staff members look for shortcuts, bad decisions are made, and unethical behavior follows.

What are business ethics? Most of us would say that being ethical means doing the right thing and displaying honesty. In his book *Street-Smart Ethics*, Clinton W. McLemore says, "Ethics, like laws, exist to bring out the best in us and, in the process, to assist society and perhaps even to advance civilizations. They tell us what others at large perceive to be our moral obligations."^{xix}

Individuals facing moral dilemmas are often portrayed in movies with a devil on one shoulder, saying, "Go ahead and do it! No one will find out! Besides, look at all the pleasure you will receive!" On the other shoulder sits an angel saying: "Do not sin! If you do wrong, you will be punished. If you do right, you will have peace." The more that's at stake, the higher the chances the devil will win and a person will resort to unethical, illegal, or immoral behavior. Throw in alcohol and other drugs that can influence our values, and the chances are even higher.

In *Built to Last* and *Good to Great*, Jim Collins suggests that great, long-lasting companies are built and run on a set of core values. Simply put, people would rather work for (and customers and vendors would prefer to do business with) an ethical company with a culture of honesty, openness, respect, fairness, and kindness.

During the development of this book, I interviewed a successful sales manager who told me that he loved his job and was passionate about customer service but hated how unethical his management was. It reminded me of a job I once had with an employment agency. When I interviewed for the position, I was fresh out of college and was impressed with the company's professional appearance and interviewers. From the outside, it looked like a place where I would like to work. However, when I was hired and saw the "real" company, I was amazed and disappointed by their grossly unethical behavior:

- I was sent to a two-week training on how to psychologically “break” job applicants to a point where they would accept any job.
- We strategically sent applicants to interview for jobs that they would not get to demoralize them.
- We conducted internal focus groups to dream up fraudulent, deceptive employment ads for jobs that did not exist to draw applicants to the company. The employment agency then placed the ads in the classified sections of major newspapers.
- We were taught to lie to applicants.

Inside the company was an unethical culture driven by shady, greedy people. The company’s mission was to meet weekly sales quotas and make money, regardless of what laws or ethics were violated or whose lives were impacted. After three weeks, I quit, but when I did so, I told the company leaders that I had received a scholarship to go back to graduate school—a flat-out lie! I tried to rationalize my unethical behavior by telling myself, “Well, I really do plan to go to graduate school one day, so maybe it was just a ‘white lie’!” I had joined them in the game of deception.

In his book, *There’s No Such Thing as “Business” Ethics*, John C. Maxwell says, “Ethics is ethics. If you desire to be ethical, you live it by one standard across the board.”^{xx} He poses a good question: Are you ethical all the time, most of the time, sometimes, or none of the time? Where do *you* fall into the equation? I strive to be an ethical, honorable company leader, husband, father, and friend whom everyone respects, but looking over my past, I have frequently failed. Case in point: A few years ago, I had been to a company party at the beach. I was walking to a restaurant with an alcoholic drink in my hand and when a policeman suddenly rolled up in his patrol car one foot beside me and barked, “I hope there is no alcohol in that drink!” “No, sir!” I promptly popped back. I immediately felt remorse for lying. Later, I kicked myself for not living up to my high ethical standards. It’s easy to be holy on Sunday when surrounded by godly people and no pressure, but when we step out into the world during the week, we are prone to slip and fall from grace. When faced with obtaining tremendous wealth or the loss of something very valuable, unethical behavior can prove extremely tempting.

We all have different morals that are shaped over time by our parents, siblings, relatives, friends, peer group, business culture, colleagues, supervisors, circumstances, spiritual beliefs, and relationship with God. In difficult situations, our decisions pass through these screens and what results depends on these and other variables like potential rewards and losses, power, and threats. Sometimes, even the best of us fall prey to evil and make bad decisions. Many times, it all boils down to what is at stake and how much we are willing to sacrifice to be ethical. When we are threatened and backed into a corner, we sometimes take the low road.

Maxwell notes that people often interpret ethics to suit their own needs. “Everyone has his own standards, which change from situation to situation,”^{xxi} he says. Each of us has told a lie, withheld the truth, or distorted the facts at some point during our lifetime, but when someone lies to us, we are offended and angry. It seems that we all have different parts of our personality that may believe one thing but do another. Most of us want to be ethical, but that dark side of us sometimes takes over. Then, we try to rationalize or ignore inappropriate behavior.

Unethical behavior and its causes: I have observed many unethical behaviors in the workplace (and sadly, have committed some of them myself):

- Lying to employees or customers
- Sharing confidential details of an employee’s private or professional life with another person
- Knowingly selling outdated or defective products

- Promising a customer something impossible just to secure the contract
- A manager's engaging in an adulterous sexual relationship with another employee
- Taking a two-hour lunch break (as opposed to the allocated one hour)
- Sexually harassing employees
- Failing to report all of the company's income to the IRS
- Discriminating against an employee because of race, gender, sexual orientation, age, etc.
- Manipulating statistics and facts to favor the company
- Spying on employees
- Pushing staff beyond their limits in pursuit of unrealistic expectations
- Submitting false reimbursement reports
- Lying on résumés and job applications
- Making employees work extra hours without additional pay or time off
- Exhibiting stingy, cheap behavior towards staff, while leaders indulge in luxury
- Saying one thing and doing another
- Making and breaking promises
- Taking office supplies for personal use
- Gossiping about the company or other employees, thus promoting a negative work environment
- Leaders' enforcing the rules for some but allowing favorites to violate them
- Being unfair
- Exhibiting rigid behavior
- Using company assets for personal use or gain
- Being cold, uncaring, or downright mean
- Allowing money and greed to drive decisions
- Having "making money" as the company's mission
- Making employees always put the company first instead of spending time with family and friends
- Laying people off without any consideration or compassion for the employee, their family, or their well-being
- Spying on competitors and stealing customers
- Winning at all costs

There is no single list to consult, but you get the drift—unethical, dishonest, and dishonorable behavior comes in many forms. All of us have probably been guilty of one or more of these at some point in our lives. As the Biblical saying goes, "Let he without sin cast the first stone!" Unethical behavior usually boils down to three primary culprits: power, greed, and the love of money.

Power: McLemore writes, "The higher you climb up the ladder of any organization, and perhaps the greater your compensation, the more you will find yourself subject to awkward and uncomfortable pressures."^{xxii} The more power you have, the greater the chance that you will face ethical dilemmas.

I worked for two governors in the 1980s, where I was exposed to many powerful people. I found that politicians often have high opinions of themselves and seek election out of a need for power and recognition that becomes insatiable once they're in office. I also noted that sometimes, what they said in public did not match their true beliefs.

Business leaders are not immune to this lust for power. When I was around those prominent people, I felt powerful, too—and it felt good! I wanted more. However, the most successful

leaders do not intentionally seek power or recognition, as Jim Collins contends in *Good to Great*.^{xxiii} In fact, he describes their humility.^{xxiv} Servant leaders earn recognition and power by leading with care, respect, and ethical behavior, and this is the type of leader I now strive to be. However, my early access to powerful people led to problems later in life.

Greed: A colleague once told me, with great conviction, “Mike, you have a mean greedy streak! And one day, it’s going to be your downfall!”

I was taken aback by her criticism, but after careful thought reluctantly admitted that she was right. At the time, all I thought of was making more and more money. I was on an unyielding course of self-destruction, determined to become a multimillionaire with a corporate jet no matter what the intangible costs. I was allowing greed to control my life, sacrificing the well-being of my staff, my family, and myself in the process.

My colleague’s words, with God’s help, caused me to take inventory of my life. I realized that my lust for money and power came from a deep-seated need to overcome feelings from my youth. My parents divorced in an era when most people stayed married for life and my mother struggled financially as a single parent. I often overheard the bill collectors calling. Fast-forward 45 years: these insecurities fueled my desire for wealth and power. Today, I am debt-free and very much opposed to borrowing money or spending more than I make. If you had asked me in 2006 what I liked to do for fun, my answer would have been, “Make money!” The problem: I was too good at it!

Love of money: Money isn’t the root of all evil—the *love* of money is. Recently, I shared with a well-known millionaire my passion for helping other business owners learn from my mistakes. I told him that I never dreamed I would accomplish the things I have and that I was satisfied with my life. Without blinking, he quipped, “Not me!” Sadly, I see many business owners and leaders like him, flying blindly down the road of unhappiness, driven by the insatiable success itch. There is simply never enough gold at the end of the rainbow for them to be happy.

Greed, power, and the love of money have ruined many business owners, leaders, staff, and companies. Blinded by their lust for more and more power and money, they self-destruct, leaving behind insecure children and unhappy spouses.

Beating the monster: If you’re the captain of the ship and greed and power are steering you toward an iceberg, change course! The scenery may be a little nicer on the other route, but you may find that you’ll be much more content with a slower-paced journey in the long run. But how do you do that in a very competitive work environment? Let’s examine some suggestions and tips that have worked for me and our companies:

Company leaders must set the stage: I promised my employees that money will not drive our companies’ decisions. My team leaders and I remain keenly aware that we have to pay the bills and make a good profit. If, however, we don’t run people into the ground trying to keep the money rolling in, I believe the result will be happier employees who work smarter, not harder. CEOs must state clearly that all employees should act ethically in everything they do.

Company owners should take only what they need: To ensure that my staff has the resources to do their jobs effectively and with reasonable stress levels, I take out only the modest company profits that I need and reinvest the rest into staff support. Greed does not pay healthy dividends, but taking care of your staff does!

Practice being ethical: One cannot simply declare, “Our company is going to be ethical!” one day and expect everyone to comply. It takes a lot of effort, time, modeling from leaders (and each other), and consistent behavior to create such a culture. However, I decided in 2007 that from then on, I would try to be ethical in all my actions. I know that since we are only human I

may slip up at times, but as they say, “Practice makes perfect!” Look for every opportunity (big and small) to shine, do the right things, and practice what you preach.

Establish your values: Together as a company, we debated what ethical behavior should look like and incorporated our values into our strategic plan. We posted them on our walls and encourage all leaders and staff to use our value screens when making decisions.

Create an open, candid environment where staff can voice their opinions: Leaders and staff should be able express their concerns about anything—including unethical behavior—without fear. Everyone should face even the most brutal facts. Leaders should encourage staff to confront them in a tactful way if they feel conflicted about something or that something is wrong.

Employ outstanding, ethical people: Hire slow and tough with help from a committee, taking all candidates through several interviews and psychological profiles. Ask them “what if” questions and probe deeply for any character weaknesses. Examine their backgrounds very carefully and look beyond the references they provide. The more you put into this effort, the more likely it is that you will find good, ethical people to employ.

Visualize the decision made public: Would you like for God, your minister, friends, spouse, children, relatives, employees, and others to find out about what you are about to do from the media? If not, don’t do it.

Teach others to value happiness: Help your staff understand who they are and how to appreciate others without trying to place them into boxes. Everyone should exhibit patience with those who are different from them. In your life and your company, place value on forgiveness, fairness, compassion, and love.

Solicit advice: Have a few trusted people who will provide candid advice when you run potential decisions, problems, and issues by them. Only ask those who will “tell it like it is” and look at the situation from different angles. Then, LISTEN!

Terminate staff members who are unethical, immoral, or wrong for your culture: The saying, “One rotten apple will ruin the bunch” comes to mind. You simply do not want the wrong staff in your company because they can create problems and prompt your best employees to leave.

Commit cautiously: Think carefully about the promises you make so that what you say is what you do. Practice being reasonable, reliable, trustworthy, and consistent.

Be generous: Our companies’ purpose is to create opportunities to improve the lives of our staff, customers, and the less fortunate. We allow staff to volunteer with charities on company time and give away some company profits to deserving organizations. To be truly rich, you must have a purpose beyond just making money. Peace, happiness, and contentment cannot be bought!

Emphasize “we,” not “I:” Discourage selfish people who seek attention by bragging. Be humble, sharing credit and rewards when possible. Everyone should regularly get kudos and a serious pat on the back. Look for things employees do right, especially exhibiting ethical behavior, and reward them.

When folks display unethical behaviors, don’t zap them: You want to be a calm teacher and model of good ethics. People who act like “holy rollers” do not go far in advancing ethical behavior in others—they just turn people off. Guide and coach staff in a caring way to make good ethical decisions, with the ultimate goal of them doing the right thing naturally.

Listen to your gut: If you feel knots in your stomach, wake up in the middle of the night thinking about a decision, or you find yourself worrying or feeling guilty about it, be cautious! Your intuition often gives the wisest advice.

Ask for God’s help: If you are spiritual, seek a higher power to help you overcome the natural temptation to do evil. Many times, we just can’t go it alone; we need all the help we can get!

Admit wrongs: When you slip or fail, admit it and ask for forgiveness. We all make mistakes, but only great leaders reveal them, learn, and build on them.

Employ the golden rule: Simply put, treat people like you want to be treated. Do what you know is right rather than catering to a lust for power or money. Maxwell hit the nail on the head when he said, “You can go for the gold, or you can go for the Golden Rule.”^{xxv}

I was given a gift from God in 2006 when He removed my eyesight. It came out of nowhere: I simply woke up blind one morning. Fortunately, after several eye operations, I can see very well now, but the experience opened my eyes (pun intended) to the fact that I needed to become a better, more ethical person. I realized that life is very fragile and what is going right today may be gone tomorrow. I am fortunate to have a second chance. Take my word for it: regardless of your past, you can strive to be an ethical person. There is a lot of peace waiting for you when you do!

Great companies are filled with ethical people and steered by leadership that is not solely focused on making a profit. Hold on to high quality standards, but be satisfied with a little less of the green stuff and a lot more humility. Personally, I find that inner peace and contentment pay much richer dividends than a whopping cash flow. As David Cottrell advises in *Monday Morning Leadership*, “do what is right even when no one is watching,”^{xxvi} regardless of the potential reward or loss. It is a great investment program that will grow you, your staff, family, and company more than you will know! (By the way, I still haven’t given up on a corporate jet!)

Communicating the Right Messages

The art of communication is the language of leadership.
—James Humes

In a scene from the classic movie *Cool Hand Luke*, the prison warden is disciplining Luke (and scaring the rest of the prison population) after an unsuccessful escape attempt. The warden addresses them in his slow southern drawl, saying, “What we have here is a failure to communicate!” Luke and the warden had conflicting goals: the warden desired obedience from the prison population, but Luke only wanted to break out!

Think about situations in your personal and professional life to which the warden’s speech might apply. Communication skills vary from person to person, but we are all bound to experience occasional failures. Who among us has not stepped into a minefield by saying something out of line, insensitive, inappropriate, arrogant, or just plain dumb to a spouse, relative, friend, employee, or peer? Sometimes, in the shower (my idea place!), I recall embarrassing incidents earlier in life when my communications were just plain off base! I shake my head in amazement (and sometimes disgust) and say to myself, “What was I thinking? Why did I say that?”

Part of good communication is understanding that we all see the world through differently colored lenses, have had a variety of experiences and education levels, and in some ways (as with males and females) our brains and bodies are wired differently. All these variables play into how we communicate and receive messages.

You have probably met great communicators before. They engage their audiences, turn a boring message into gold, make the information “come alive,” and build excitement amongst their listeners. Most importantly, they communicate in a way that is simple, understandable, and feels as if they are talking directly to you. They make learning and communication fun! Presidents Ronald Reagan and Bill Clinton are both great examples.

On the other hand are individuals who avoid communicating altogether and would not know how to communicate properly if they had to. Their rare communications cause more problems than if they had not spoken at all. Inaccurately transmitted messages create business losses, low morale, wasted time, frustration, personality conflicts, hurt feelings, poor customer service, dissent among teams, and negativity in the workplace. This is especially true in times of economic difficulty. People are paranoid about layoffs and often read things into communications that are not really there.

Finally, there are arrogant leaders who think they know everything and don’t communicate at all. In 2009, I had the opportunity to talk with a former manager at a national, 125-year-old furniture company that filed for bankruptcy in 2004. He had been employed there for 25 years and had planned to retire with the business. He said the company’s biggest problem was that management never talked with line staff or managers who could see changes developing in the marketplace. In fact, he noted, the corporate headquarters in Atlanta, GA, was surrounded by ten stores but no one from the corporate office visited staff in the trenches, asked their opinions, or solicited input or ideas. They just kept running the company as they always had in the past. Thus, lack of communication bankrupted a century-old business and its assets were sold off!

Great leaders have long known the important role that communication plays in business and in life. Alan Greenspan, former chairman of the Federal Reserve, once said, “To succeed, you will soon learn, as I did, the importance of a solid foundation...in communication skills.” Having worked in the public sector for ten years and as a business owner for more than thirty years, I can

conclude that effective communications are critical to success. In fact, we have included “excellent communications” as a value in our company’s culture and strategic plan. The right communications allow important ideas to be shared and conflicts to be aired productively.

Communication skills are essential to keep staff happy, identify customers’ needs and concerns, develop highly desired products and services, and support those services and products in the marketplace. They also promote organizational efficiency and effectiveness—when one division in a company does not know what the other is doing on joint projects, prepare for problems!

Robert Kent, former dean of Harvard Business School, once said, “In business, communication is everything.” Research, as well as some successful things we have implemented in our companies, proves that good communications lead to the following behaviors from team members:

- More engagement in helping the company grow and stay competitive.
- Greater focus on their work and less on personal problems, negativity, and gossip.
- Higher-quality products and services.
- Higher trust levels between staff and leaders.
- Lower turnover rates (people wanting to stay with the company longer).
- Less stress and fewer health problems amongst staff.
- Feelings of security and higher levels of peace, happiness, and contentment.
- Fewer personality conflicts and employee skirmishes.
- Stronger desire to work together as a team.
- Increased company profitability.
- More staff excitement and passion about their work and the company.
- Greater engagement in planning the company’s future and solving problems.
- More confidence in their leaders, peers, and the company.
- Fearless expression of opinions, ideas, and concerns.
- Improved knowledge of where they are going and how to get there.
- Increased potential for long-term company success.

My staff and I have experimented with many methods of developing effective communications between our employees, departments, customers, suppliers, and the community. Quite frankly, we failed or experienced dismal results at many of our attempts, but as of 2013, our communications are much better (though not perfect). It took everyone working together as a close-knit team, a major paradigm shift, and some staff changes, but it was well worth the effort! Much of our success was built on trial and error, but we believe that we are finally figuring out the secret to effective communications. Now, we can share our experiences with others as we climb that tough ladder from good to great.

Send the open-culture message: People at every level of an organization need to feel secure communicating their opinions, suggestions, disagreements, and complaints (in fact, “openness” is one of our company values). Open cultures must be constantly reinforced and promoted because they will take some time to sink in, and they require multiple channels for people to be heard and important information transmitted. The hard part is living and breathing this philosophy throughout the organization with everyone, especially the leaders, practicing and believing in it. Leaders have to develop good listening skills and ask more questions than they give answers, which is tough! Staff members should be trained on how to express their opinions in a friendly but candid way. That does not mean turning our companies into environments of whining, disrespect, and complaining, but rather that everyone needs to feel like they are company owners and can openly express valid concerns or suggestions in a friendly, professional

way. Unfortunately, though many leaders believe that their companies are open, in reality, they have a closed structure where ideas, complaints, and debate are ignored or not well-received. Thus, their unhappy, frustrated employees put their time in with average productivity, go home at the end of the day without feeling any passion for their work, and don't feel like a part of a bigger picture. If leaders fail at creating an open and positive culture, a negative, unproductive gossip culture will often form and slowly drain the life and energy from the organization.

Define expectations: Many frustrations occur over leaders failing to clarify their expectations. Productivity, efficiency, and effectiveness can be improved if owners, directors, and leaders clearly state what they want from their staff, outcomes are defined, and everyone receives ongoing feedback on their performance. These expectations can be outlined in the following ways:

- **Policies and procedures:** Develop a written guide that clearly explains to staff how to work within the company. Be sure to have a human resource professional examine the policies before implementation to ensure that they are reasonable and follow the law. Eliminate unneeded rules, policies, or procedures that slow decision-making and project completion.
- **Clear, current job descriptions:** Update job descriptions annually to communicate specific performance requirements to your employees. List exactly what each person needs to be doing and invite employees to review the descriptions to help craft a mutually agreeable outcome.
- **Ongoing performance feedback:** Ensure that your company has a structured process of evaluating employees and gives ongoing coaching, feedback, and mentoring. We enlisted a committee of leaders and employees to design a fair employee performance process. Larry Bossidy said that employee evaluations should be simple and understandable, with written feedback of less than two pages. If the process provides ongoing feedback, there will be few surprises on any formal evaluation.

Document meetings: One of the best processes we implemented to promote communication was to have each division take minutes at important meetings and distribute them companywide. Keep minutes simple, brief, and focused on key points: what was decided, who is responsible for any action items, and when tasks should be completed. This allows readers to know what is going on in other departments, detect problems brewing so they can be addressed in the early stages, contribute ideas, and collaborate as a team. It promotes timely decision-making and project completion, reduces the need for people to report developments to each other, and creates accountability. We post our minutes in a centralized location, but also send them out by e-mail (not in attachments) to avoid clogging the server. This enables everyone to read them quickly and easily.

Use technology wisely: We live in an era where messages can travel around the world in seconds. This is a blessing *and* a curse because readers have to decipher what is being said without help from voice tones, body language, or other clues. In 2006 and 2007, our divisions got away from face-to-face and telephone communications and we became a company of e-mails. People tend to be very bold when hiding behind a computer! We had e-mail wars, misunderstandings, and disagreements, which decreased productivity. Some leaders even disciplined employees by e-mail! On a positive note, my typing skills improved greatly during that time, but we have since reversed course to more of a balance between telephone and conference calls, e-mails, and face-to-face communications. Some ways to promote effective communications through technology are:

- **Companywide e-mails:** Important messages can be quickly disseminated to employees via e-mail. However, try to limit the frequency of companywide e-mails to no more than once a week and their length to one screen so that people are more likely to read them (my staff had to teach me about brevity—I love the details!). All communications should be sent from one person in one transmission. Senior management should communicate with the entire company at least monthly to keep the staff informed of important events and information.
- **Personal achievements and happenings:** We alert everyone in the company about employee birthdays, births, major medical absences, family deaths, and other important or interesting events. Rather than making it complicated and labor-intensive, we compose simple e-mails (with some color) that take little time to write and disseminate. Employees like to hear what is going on with each others' lives and enjoy sharing their own news as well. Larger companies cannot support such personalization, but departments within them can. It is important to communicate that we are more than just about making money and that we care about each other like a family.
- **Customer newsletters:** We believe it is important to contact our customers in some way at least every 30 days (see *Effective Marketing* in Section III for more details). Kim Gordon, marketing coach at www.Entrepreneur.com, says that good advertising materials give customers an “aha” moment that shows them how your company is different from others.^{xxvii} Another way to do this is to share valuable information they don't get anywhere else. For example, in our newsletters, we include both business-related news and information that can help clients in their personal and professional lives. Be sure that various departments coordinate their customer e-mails and newsletters, as too many at once can irritate clients. We also recommend sending customer communications during lower workload times (10 AM or 2 PM on Tuesday or Thursday) when clients may have more time to read them. Keep in mind that most servers are very aggressive in preventing spam or group e-mails. About 40% of our Internet list serves are either blocked by the server receiving them or remain unopened by the recipient. Thus, we send new customers both hard copies and e-mails, then transition to solely electronic contact.
- **Press releases and public service announcements (PSAs):** Distribute a media announcement roughly every 60 days that tells the community how the company is making the world a better place (newsrooms will discard them if you send too many). Survey local media outlets about how they prefer to receive announcements (e.g., e-mail, fax, or regular mail).
- **Centralized customer data storage:** We have stored all of our communications, e-mails, important documents, and key information in a central database organized by customer. That way, we can see all of customers' history and communications with staff in one place.

Design strategic plans: Companies need to tell their employees where they are going and how to get there. Strategic plans should contain the company's purpose, vision, mission, values, and management plan (goals, objectives, tasks, and targets with the date to be completed). This needs to be an open but structured process where both leaders and staff provide input for maximum buy-in. (*Strategic Planning* in Section III can help you create a good plan.) When the company's future is clearly communicated to everyone, all of their energy will be focused in one direction.

Share budget information: Leaders study our budget frequently, and we make the information available to all employees each quarter and at companywide meetings. Staff can see

all income and expenses other than sensitive information (individual salaries, etc.). Since some employees may not be “numbers-oriented,” it is important to guide staff through the budget so it is understandable and non-intimidating.

Use surveys to get information: Confidential surveys can provide leaders with valuable information about how they (and the company) are performing. Some ways to collect feedback are:

- **Employee surveys:** Once a year, we ask staff to assess how our company operates using survey software. The information is transmitted to a graduate student who keeps identities confidential and compiles the data into a friendly, nonjudgmental report. These assessments provide rich information to leaders on how they and the company are performing. Jim Collins describes how great companies face “the brutal facts” in his book *Good to Great*, and we strive to do that, no matter how painful.^{xxviii} This practice has given employees the opportunity to “tell it like it is” and has revealed major flaws in our company and its leadership in the past. I have consistently been amazed by differences between what I *thought* was going on and what was *actually* going on! We make adjustments to solve the problems brought up in the assessment and also conduct occasional short evaluations to ensure that we are headed in the right direction. That way, we can make minor adjustments instead of major ones. Sometimes, we just open the floor in a meeting for anyone to say what is on their minds, sit back, and listen. (If you do this, prepare to have your ears singed!)
- **Customer surveys:** These are a valuable way to assess customers’ perceptions of how your company and staff are performing, which is critical to continual improvement. When you develop a customer survey, keep the length to no more than two pages (preferably one). I throw many away myself because they ask too many questions and take too long. When designing surveys, ask, “How will I use this information? Is it needed to help me to improve our services?” If the question does not fit within those parameters, don’t ask it! Also, make it easy for customers to respond to your survey through different methods (like a self-addressed, postage-paid envelope, Internet, and/or fax). Our completed customer surveys are sent directly to me. I read them first thing every morning, then share the information to coach staff in striving for excellence.
- **Maintain an open door policy:** Employees can speak with me about anything at almost any time. Leaders should send the message that employees do not have to shuffle through a hierarchy for an audience with them. (Of course, be careful about bypassing an employee’s supervisor). If I find that an employee is unhappy, I coach them and often direct them back to their team leader to resolve the problem. If your company has the right communication channels open, most problems will be resolved before they reach your ears.

Conduct useful meetings: Bring staff and/or leaders together on a regular basis to discuss issues, share important news, stimulate dialogue and debate, and just have some fun. However, too many meetings lead to inefficiency and distract employees from their main tasks. Try to keep a balance and avoid the boring stuff. If you do not have enough important information to share, cancel the meeting, but do not do this too often or employees will think that you do not respect their time. If possible, schedule meetings months in advance so that employees can arrange their schedules accordingly. Meetings should be organized but not lecture time; instead, ask open-ended questions, break into smaller groups, and set up situations where you can have two-way dialogues. Think about some fun things to do so employees look forward to larger department or company meetings. (See my chapter on creating a fun work environment for some ideas.)

Ideally, allow employees to run part of the meeting. Let them feel like company owners who have a say in their futures! “Nothing stops the progress of an organization more quickly than leaders failing to listen,” notes Hans Finzel in *The Top Ten Mistakes Leaders Make*.^{xxix}

The way we communicate ultimately determines the quality our companies, our customer service, and our lives. If we create effective communication channels between leadership, employees, customers, vendors, and the community, we add another positive factor into the success and profitability equation. Great companies must communicate effectively to survive—or better yet, thrive!

Fostering an Execution Culture: Inspired by Conversations with Larry Bossidy

Strategy gets you on the playing field, but execution pays the bills.
—Gordon Eubanks

I had the opportunity to meet and speak with Larry Bossidy for two days in May 2008. The following chapter chronicles how one of my companies changed from an organization in decline to a more productive one based on many principles Bossidy shared with me during our meetings and in his bestseller, Execution. His ideas work! Let's examine the changes we made in my company as we set out on the new, productive road of execution.

During 2007, one of my four companies was emitting warning signals. Projects were misinterpreted or left unfinished, decision-making took inordinate amounts of time, and employees felt unable to express their opinions freely or challenge the status quo. Our once-productive company was being stifled by a hierarchical bureaucracy, and while some big projects that paid the bills were getting done, many of the things needed to build a great company (like strategic planning) had taken a backseat. I had just finished Larry Bossidy and Ram Charan's book *Execution* and realized we were headed for trouble.

Though I retained the “president” and “company owner” titles, I had become more of a chairman of the board and allowed others to run the companies' day-to-day operations. But in late 2007, with my 22-year-old company slowly decaying, I reassumed control. Principles that I firmly believed in were not being implemented or achieved. My first priority was to confront reality and try to understand why our once friendly, productive, and effective company's wheels were coming off and what had to be done to get back on track. I had to do it fast, but wanted to assess the situation in a calm, logical way with lots of input from others.

In the third quarter of 2007, company leadership conducted a confidential online survey of all employees. Unflattering words like “micromanagement,” “controlling,” “perfectionism,” “slow decision-making,” and “projects not being completed” surfaced in the replies. Though we have some of the best fringe benefits around, nine weeks of paid time off, and 37-hour work weeks, 75% of staff members surveyed said they did not plan to be with the company in five years. They were unhappy, and much of their hostility was directed at me. This raised a big red flag! The way we were doing business had to change quickly. Unhappy, frustrated, and hostile employees can diminish customer satisfaction, reduce efficiency and effectiveness, and eventually kill a company.

Understanding the problem: That month, I read our detailed staff survey ten times to assess where we were going wrong, finding more problems each time. Initially, I was irritated by some of the remarks. But hey, I *did* ask for it, and this was the way our people were really thinking. When I met Larry Bossidy in New York, he repeated a point made in *Execution*: “Too many leaders fool themselves into thinking their companies are well-run.”^{xxx} I had been blind to the unhappiness, inefficiency, and hostility that had been growing in my company. I remembered another piece of advice from his book: “You as a leader have to be deeply involved and passionately engaged in your organization and honest about its realities with others and yourself.”^{xxxi} I had to look into the mirror and face the cruel truth! Humble leaders acknowledge, resolve, and learn from their mistakes.

I interviewed most of our full-time employees to solicit opinions and advice. Then, I brought in consultant Don Jenkins to conduct an independent survey of our organization's strengths and weaknesses. Having previously taken our staff through leadership training, he was well aware of

employees' feelings and the company's growing problems. He first led a group session without me in the room and then interviewed most employees individually to seek information that I may have missed. I did not brief our consultant beforehand, asking him instead to seek the "brutal facts."^{xxxii} Once his assessment was complete, we compared notes. Our findings were nearly identical.

We had to make major changes, and, as of 2013, it appears that we made the right decisions. In July 2008, we confidentially surveyed our employees again, and 100% of respondents reported that we were headed in the right direction. A July 2009 survey showed that nearly 90% of our staff was happy or satisfied with leadership, and 100% said our companies were a good place to work in 2011 and 2012 follow-up surveys. We wanted to create a culture where people looked forward to coming to work, their opinions and advice were welcomed and valued, decisions could be made quickly and projects executed promptly, and efficiency moved from fair at best to good or excellent. We designed a culture like that which Larry Bossidy described to me: "Show me a company that can execute, and I will show you a successful company!"

Several factors must be present for a company to execute well. Our company had made millions of dollars and was debt-free. However, the purpose that we had in the past (making money) would not work for us in the future as we tried to build a great company. I had just read *What Got You Here Won't Get You There* by Marshall Goldsmith and Mark Reiter, and that knowledge, combined with recent realizations about my companies, showed me that we needed a new strategy!

Redesigning management: Studying our decision-making process, we learned that our way of doing things within the management team was failing. We had set up a very sluggish, controlling, structured hierarchy that slowed communication far too much. There were too many chefs in the kitchen, each trying to control everything we did. I was part of the problem in that I wanted to be involved as a helper, but inadvertently added to the chaos and frustration.

Changing the perfectionist culture: We had sent the message to employees that nearly everything had to be perfect, and as a result, we would send memos, reports, and e-mails up and down the hierarchy for everyone to review, improve, and approve. It took way too long to reach the desired stage of perfection. We had also encouraged staff to track changes on documents as they traveled through the hierarchy. The process was good from a teaching perspective; however, it deflated employees' morale because although their work would come back improved, the documents were butchered and marked in many colors. We were not building confidence in our staff, but killing it instead! Thus, we had to reduce our goals to what I call "reasonable perfection"—having very high standards without being obsessive-compulsive. In companies where perfectionism is rewarded, people often focus too long on one important project while neglecting others.

Removing the leaders from the details: Our culture had become too invested in details. Our leaders were too busy micromanaging and trying to be everything to everyone to actually lead. Senior management reviewed nearly every report, oversaw every project and decision, and attended every meeting. While this helped produce a high-quality product, we had become micromanagers and were signaling that we did not trust our employees and leaders to do their jobs. Rather giving people more control over their projects, allowing them to learn from mistakes or failure, and serving as teachers and mentors, some leaders became enablers and controllers. The problems with communication, decision-making, and project completion became even more frustrating because if a leader within the hierarchy was out sick, traveling on business, involved in a major project, or on vacation, things stopped or slowed to a snail's pace.

In December 2007, I read two books on servant leadership, *The World's Most Powerful Leadership Principle* and *The Servant* by James C. Hunter, which greatly influenced me. These

books gave me a new outlook on how a leader should act and how management should be structured. Our private consultant and I worked with the senior team leaders to carefully study our strengths and problems and develop a new structure that would eliminate senior management. The new structure gave most of the authority to the former vice presidents and developed a new, smaller leadership team whose members were called senior team leaders. This eliminated two steps out of the hierarchy, including my role as president. I became more of a chairman of the board. I still signed legal documents as president and legally remained in that capacity, but my true function shifted more to broad goal-setting, helping, coaching, mentoring, and planning for the future. Instead of a sluggish, vertical, and inefficient bureaucratic leadership model, we developed a flat, effective one that allowed for better execution.

The new senior team leaders were given power to run their divisions, make decisions promptly, and execute projects on a timely basis. I outlined clear goals for them and their divisions, then turned them loose to do their jobs and decide for themselves how they would meet my expectations. Backing off was one of the most difficult decisions I have ever made because I wanted to be involved in everything, but it proved very successful!

Building teamwork and collaboration: Teamwork is critical in a culture of execution. I encouraged senior team leaders to increase their communication so the left hand knew what the right hand was doing. I also wanted to eliminate internal competition and instead create collaboration and cooperation. Senior team leaders embraced my goal and sent a representative from each division to attend each other's meetings. They now call each other frequently to discuss projects, problems, and future plans.

Creating an open environment: We wanted to build a culture where people could freely express their opinions without fear of repression or retaliation and leaders would listen. Effective listening is critical in an execution society. We discovered that we had set up a very rigid way of communicating (i.e. an employee would have to talk to their leader, who would have to talk to their senior team leader, who then would talk to another level of leadership, and then, finally, the communication would reach me). Then, that communication would travel slowly back down the ladder and up again! Projects got lost along the way, and sometimes good ideas would become distorted or misconstrued because so many people were involved. By putting more power in employees and their leaders, we greatly improved effectiveness. I also try to meet with everyone (by phone or, preferably, in person) occasionally and ask them, "Do you have any questions, concerns, or advice you would like to offer?" I then note their input and provide candid, honest answers about anything—nothing is hidden! I wanted to create a truly open environment, trusting staff to help guide and improve the company. As long as leaders follow our solid strategic plan and my written expectations, I stay out of the details.

Giving the power away: We established a goal of reducing leaders' involvement in day-to-day details of operations and provided additional resources so they were freed up to lead. We also were not delegating very well, so I asked employees from every level to serve on committees that help run the company. Though I wrote several position papers on what I thought was needed, I let staff volunteer to chair or be involved in these committees. My goal was for everyone to be a leader in the company. Senior team leaders began to let their employees become everything they could be and backed off from micromanaging them. If an employee was responsible for directing a project or department, we let him or her do it. It was so satisfying to notice our staff's talents blossom. They worked harder, smarter, and really enjoyed themselves. We let them spread their wings and fly—and fly they did!

Eliminating bureaucracy: You simply cannot have a culture of getting things done without timely decision-making. We examined all company procedures and processes and eliminated those that slowed our decision-making or held up projects. We changed from being a rule-laden

bureaucracy to an anti-bureaucracy! In a 2008 meeting, one employee said, “Wow, we just made a decision that would have taken us a month to make in 2007.” I sent out word that if anyone needed a decision from me, they shouldn’t worry about putting it in writing—call me and let’s execute. We did not want to make rash choices, but had opened up a new way of making decisions that was quicker and more effective.

Establishing realistic deliverables: Our study found that we were not assigning mutually-agreed-upon completion dates to projects, were not monitoring them as they progressed, and did not track them through programs like Microsoft Office Outlook or Google Apps. Projects were not being completed on a timely basis and some just disappeared from the company’s radar completely. We also needed to do a better job defining projects’ importance, why we were doing them, how they could be done, who should be involved, and what outcomes we were expecting. By reducing the points of command and flattening our management structure, we created a very efficient and effective way of doing things that reduced perfectionism. We also tried to prioritize, on an ongoing basis, all of the projects on people’s plates to ensure they could accomplish each by its target date. We began to logically study employee caseloads to ensure that work was balanced and learned to time deadlines better, for example, avoiding companywide or strategic planning meetings in the middle of intense work periods. One of our company objectives was to reduce stress, so we wanted to show that we cared about our employees and did not want to kill them to get a project done while they were drowning in work. It became a mutually negotiated process where staff had input into what they did, how they accomplished it, and when they would finish it. This also meant we had to be flexible enough to change target completion dates if needed and not obsess over it. By “doing with” instead of “doing to” staff, they became engaged and helpful instead of whining and complaining. We started seeing more smiles and the excitement about our new direction grew!

Drastically cutting e-mails: Our assessment showed that we had become an impersonal company. More than 90% of our communications were e-mails, which were subject to interpretation and “reading between the lines” by employees. We were also starting to discipline employees by e-mail, sometimes when emotions were running high. E-mails tend to be harsher when the sender can hide behind a computer instead of talking to the recipient face-to-face. So in 2008, the leadership team decided that while e-mail would remain a part of our communications, we would go back to more face-to-face and telephone communications. Since we have reverted to a more “old-fashioned” way of doing things, our e-mail usage has plummeted by more than 80%. Thus, we spend more time on getting things done than on having too many e-mail exchanges (or wars) that could cause employees to lose focus and confidence.

Focusing on what is going right and coaching employees through their weaknesses: We adopted some techniques from *The One Minute Manager* by Ken Blanchard, like looking for things people did right and letting them know it.^{xxxiii} When something went wrong, we helped them do a better job next time. Leaders coached employees instead of dominating, controlling, and micromanaging them. Thus, there were more compliments flying than criticisms, and when people made mistakes, we encouraged bringing them out into the open so we could all dissect them and learn from the experience. We are also refining our employee performance assessments. Employees now know exactly what is expected of them, receive ongoing, regular feedback, and execute at a higher level.

Doing fewer things really well versus a lot of things fairly well: In *Execution*, Bossidy says that “anybody who thinks through the logic of a business will see that focusing on three or four priorities will produce the best results from the resources at hand.”^{xxxiv} We decided to look carefully at everything we did and commit to profitable projects that our employees were most passionate and knowledgeable about (taking a cue from the “Hedgehog Concept” explained in

Jim Collins' *Good to Great*^{xxxv}). By doing fewer things but making sure they fell within these areas, we decreased stress and increased our chances of success. A reasonable amount of stress can be good because it pushes people to get things done. However, too much stress over a long period of time can hamper productivity and the company's ability to execute. Every chance we got, we emphasized that one of our goals was to significantly reduce stress in our companies.

Developing a clear strategic plan: We created a two-year strategic plan articulating our purpose, vision, geographical target area, mission, and management plan. The structured, flexible business plan with input from all staff allows everyone to know (and mutually agree upon) where we are going and how to get there. We wanted to follow Bossidy's advice that "unless you translate big thoughts into concrete steps for action, they're pointless."^{xxxvi} Without detailed, specific steps, execution slows. Every prospective customer or business activity is held up to our strategic plan and we ask, "Does that fit our plan for the future?" If not, we do not pursue it. Following a clear strategic plan helps us in decision-making, choosing the right projects, and executing better.

Promoting decision-making at all levels: When I resumed control of the company, confidence and trust in leadership were at an all-time low, we were hierarchical about making decisions, and the pressure to perform was intense (in the wrong way). People were afraid they would fail to make the perfect choice or would not follow protocol. I tried to create an environment where leaders would become decisive through practice, which meant I would express my opinions when asked but not directly control the final decision. That meant that I had to accept their choices, even if I could have helped them make a better one. I had to change the way I did things too! I also expressed my strong confidence in our leaders' ability to collect the facts, decide on the best course of action in a timely manner, and execute the decision, not wavering unless new facts emerged. This would also become a part of my succession planning because I was growing future leaders capable of running the company without me. I was trying to follow the "water glass test" that Larry Bossidy described to me: when an effective leader leaves an organization, it should be like dipping your finger into a glass of water. When you pull it out and ask, "What difference did that make? What difference will my departure make?" the answer should be "None!" Bossidy wrote that that the role of the leader is to lead the processes, believe in them, and be actively involved.^{xxxvii}

Situating the right people in the right jobs: During our company's early 2008 reorganization, we tried to design a logical, streamlined structure with maximum efficiency and effectiveness. That meant that jobs were painfully eliminated, staff were assigned new titles and responsibilities, and an unprofitable division was drastically reduced and restructured. Restructuring a company is very difficult for a leader because lives are impacted. When possible, "good-to-great" companies try to avoid frequent restructuring (and the resulting insecurity).^{xxxviii} You simply do not want a new plan coming out every week!

However, times are rapidly changing, and leaders need to make the hard (but fair) decisions sooner rather than later for the good of the company. During restructuring, every position and company activity should be clearly scrutinized to assess employees' productivity and how each job and person would fit into the new structural plan you have developed. Restructuring must occur without emotion, and changes or termination of staff positions must be based on logic and facts with the goal of making the company more effective and efficient. Some staff will determine that the newly restructured company is not for them and will leave. Others who don't fit into the new culture may need to be asked to leave. As Bossidy noted to me, leaders should step outside the box and try to view their organization from an outsider's perspective.

Developing and monitoring accountability systems: Larry Bossidy and I share the philosophy that people within companies should hold each other accountable. At my company,

we have tried to develop a culture where everyone looks over each other's shoulders in a friendly, positive way. I told my senior team leaders to please tell me if they ever felt like I could do better or was exhibiting any dishonest or unethical behavior. I wanted them to hold me accountable for my actions, which goes back to having an open environment where no one is afraid to tell the Emperor that he has no clothes on! We try to encourage everyone to ask questions like, "You said that we would have this project done by this date. Can you tell me how it is coming along?" Bossidy says that leaders should encourage people to challenge and debate with them. However, I think this should be done in a friendly, professional way. Look at everything you do and try to establish very simple processes that monitor performance and project deadlines. According to Bossidy, one of the keys to a successful execution culture is: "What gets measured, gets done!"

Learning from our mistakes: We also learned that when you don't execute or make timely decisions, causing mistakes or failures to occur, you should dissect what happened and learn from the misstep. Then, as Total Quality Management teaches us, don't make the same mistakes again. That means we must bring mistakes out into the open and study the root causes to turn the failures into gifts. My opinion is that in conflict there is always opportunity, but you have to look for it.

Prompt decisions and successful projects successfully result when leaders project a constant, clear message to employees—execution is the way we want to do things. An execution culture means keeping things simple and fun, rewarding those who do great, timely work, and putting a system of accountability in place. In *Execution*, Bossidy and Charan note that "leaders in an execution culture design strategies that are more road maps than rigid paths enshrined in fat planning books,"^{xxxix} defining execution as "a systematic process of rigorously discussing hows and whats, questioning, tenaciously following through, and ensuring accountability."^{xl}

Our companies have a long way to go before we can be called great companies of action. However, you can think of all kinds of profitable activities, strategies, and ventures to pursue, but if you cannot execute your ideas, they are all a waste of time. Great team members like ours not only think outside the box, are entrepreneurial, and are very creative, but they also get the job done!

SECTION II. SELECTING THE RIGHT WORKFORCE

Getting the Right People on Board

*Surround yourself with the best people you can find, delegate authority,
and don't interfere as long as the policy you've decided upon is being carried out.*

—Ronald Reagan

While writing this book, I thought, “The easiest path to disaster is hiring the wrong staff; the hardest problem is getting rid of them!” Outstanding employees are probably the most important building block of a great business.

At this time, our organization has a great group of team members and leaders who work well together, produce outstanding products and services, care about one another, and share the credit when they do well. While we are far from perfect, it is energizing to work in such a positive environment where effective teamwork and good communications are part of our culture.

However, assembling a great team is not easy. Even the best efforts can go astray. At my companies, we have made just about every hiring mistake possible. Over the years, we have employed plenty of terrible individuals: sexual harassers; negative, hostile troublemakers; alcohol and drug abusers; backstabbers; bigots; thieves; and the incompetent, paranoid, and sexually promiscuous (to name just a few). We even employed a highly intelligent PhD who had a phobia of touching or using telephones—and at least 25% of her job responsibilities involved using a telephone!

All of these individuals had impeccable résumés, interviewed well, had glowing references that checked out, and were perceived as good hires by our group. Then, after they spent a few months with us, we determined we had made a poor choice. “Hire slow and tough; fire fast but with care” has become my philosophy and is appropriate when employing people who will essentially live with you. Having the wrong employees can lead to all sorts of havoc and conflict, including lawsuits or complaints to employment watchdog agencies. They can make life miserable for everyone and destroy the company if their inappropriate behavior is not addressed.

I view employees as both investments and as parts of our professional family. We spend an enormous amount of time screening and training new employees. The cost of employee turnover is very high; thus, it is important to make our best attempt to hire the right people in the first place. Our old philosophy was to advertise and interview as many people for a job as possible, then select the best of the applicants from the pool. Now, if we cannot identify a very good or outstanding hire, we continue advertising the job until we get the person we want and need.

Many human resource experts report that the selection interview is the most important step in the employment process. As leaders and owners of companies, it is our job to ensure that we have a consistent, structured, and legal process that is fair and equal to all applicants, regardless of their backgrounds.

A nightmare that we experienced illustrates how the interview process can lead to lawsuits or other time-consuming headaches. One of our customers asked for assistance in employing a project director for one of their programs. We took steps to: develop a clear job description, create and run an ad in the newspaper, develop a structured interview form with weighted questions, assemble an interviewing team with people of different ages, genders, races, and backgrounds, interview 15 applicants, identify four finalists, and give the finalists' information to the customer, who would select their project director. Sounds logical, doesn't it?

Then, after the customer selected one of the four finalists, it happened! A formal complaint with the Equal Employment Opportunity Commission (EEOC) was lodged against the customer and our for-profit company. We were stunned—we thought we had done everything correctly. We spent 100 staff hours preparing for the complaint hearing, which we won. But it was not over. The person then filed a lawsuit against the customer and our agency. Between the consultations with our lawyers and court time, we spent another 100 hours on that case before the lawsuit was dropped. The outcome: more than five weeks of company time flushed down the toilet!

Another time, we had a client who was seeking someone to coordinate a business committee. I recommended that she consider one of my relatives, who had a business degree and had just retired as president of a major insurance company. He was organized, competent, and intelligent.

The client chose to hire my relative without interviewing any other applicants, and one of the employees at the agency filed a complaint about the sole-source hiring practice. After six investigations by local and state authorities, the state attorney general's office, the state bureau of investigation, the EEOC, and the federal authorities, we were cleared.

The employee who lodged the complaint was fired and then filed a lawsuit, which he won. I will never forget looking at the jury from the witness stand and thinking they were right out of the movie *Deliverance*! Then, the attorney got hold of me and painted me up as some slick, greedy, conniving consultant who had worked for the governor and had all sorts of connections. The agency that lost the lawsuit eventually had to pay more than \$150,000 in legal fees and damages—money they did not have!

While the plaintiff's win was not against my company, we lost more than \$1 million in cancelled contracts from all the media coverage. It was a major nightmare that lasted nearly a year and caused me many sleepless nights.

As in these situations, the hiring process can come back to haunt you, so it is better to take your time and do it right. The goals of the process that our company currently uses are to avoid liabilities, treat all applicants equally and fairly, and to employ the right, outstanding person to match the job description. This is how our process goes:

Defining the type of employee you are looking for: The most qualified individual in the world can turn out to be your worst employee. Ideally, you seek to match a person with the right assets to your work culture and the job description. Though we do not limit the characteristics we want to these criteria, we know that we want employees who fit our company's culture and:

- Are honest and ethical with a good value system.
- Are positive.
- Are intelligent.
- Have a strong work ethic.
- Are organized.
- Have good communication skills.
- Are entrepreneurial.
- Are out-of-the-box thinkers.
- Are not afraid to ask questions and challenge us or our practices.
- Are good writers.
- Are customer-driven.
- Are reliable and punctual.
- Are respectful, friendly, and courteous.
- Are fun to work with.
- Are able to learn from mistakes.
- Are humble, not arrogant.
- Are good listeners.
- Take care with their appearance.
- Are thrifty.
- Are caring and sensitive.
- Are strategic thinkers.
- Can work independently.
- Can multi-task.
- Are receptive to coaching and mentoring.

We rarely find someone with all these assets, but we look for as many of these as we can find in an applicant. We once hired several outstanding individuals although we had no jobs open at the time. We just knew that we did not want to lose them!

Bringing in the right employees is like coaching a sports team. I volunteered to coach baseball and basketball teams for our local recreational league for ten years. I was given a group of boys and girls and had to assess their strengths and assign them to different positions on a team. Getting everyone to execute plays in unison was like pulling teeth. We had ball hogs who thought their way was best, others who did not really want to play, great players who did not want to listen, and inexperienced players who should not have been on the team. It was a fun but tough assignment! Later, I was asked to coach a more advanced team where I was able to pick players based on their performance in tryouts. That year, we were undefeated!

Developing a clear, detailed job description: The first leg of your hiring journey is to create a job description that reflects exactly what is expected of the employee. In *One Thing You Need to Know*, Marcus Buckingham states, “Define clear expectations [...] Research reveals that less than 50 percent of employees claim they know what is expected of them at work.”ⁱ

We use a template for all job descriptions with certain standard requirements (for example, the applicant must be able to lift at least 50 pounds). Some jobs require that a person have sight, hearing, and/or speech. Thus, it is important that you follow federal guidelines and avoid discriminating against a protected group.

Don’t just reuse the standard job descriptions that your personnel department created years ago (although you can use them as guides when writing new, detailed descriptions). The description should be reviewed by a human resource expert for compliance with legal requirements (the Americans with Disabilities Act, etc.). Of course, we always include, “Other related duties as assigned by the supervisor” to cover all possibilities.

Advertising the position: Once the job description is completed, select key items from it for your advertisement. Get involved in the development of the ad instead of leaving it to an HR person. You want an ad that is appealing and complies with the law. The following are some key phrases we use in our ads to attract high-quality applicants:

- Friendly, fun, positive environment
- Employees viewed as part of a professional family
- Team-based approach
- 25-year-old financially healthy company
- Strong fringe benefits package

I recommend outlining salary range and fringe benefits such as vacation time as well. I always run my ads by my staff for input on making the ads attractive to potential applicants.

In the past, the newspaper classified section was the source of most job advertisements. More and more, however, candidates learn of job openings through word of mouth. Post open positions internally at first (even if you do not feel like anyone is eligible to apply) and ask employees if they know of anyone who may be interested in the position. If you have outstanding employees with good work ethics, they often have friends who think, act, and work like they do.

Classified ads in the newspaper can easily cost several thousand dollars. If you use newspaper advertising, run your ad in several major newspapers in your state for two Sundays in a row (to catch candidates who may have been on vacation one week). Newspapers have the most readers on Sunday.

Think carefully about the classified categories in which your ads are located since they vary from one newspaper to the next. For example, if I were to advertise for a business consultant, I

may want to run the ad under the category “Professional.” However, newspapers in other cities may not have this classification. I recommend that you word process your ad, e-mail it to the ad salesperson in Microsoft Word, and always ask to see a proof to ensure proper spelling. Avoid using too many abbreviations so the text is understandable; at the same time, remember that you are charged by the number of lines, so the fewer the better. If you have one or two word “orphans” or extra words on the last line, try to figure out a creative way to cut them without sacrificing content. For example, instead of “Post Office Box 17890”, use “Box 17890”. We also include “No calls please” in all our ads. Applicants are very savvy in tracking down who you are, and this discourages unwelcome phone calls. You can use a mailbox that the newspaper rents out if you want to remain confidential, but it is more expensive. Another option is to rent an annual post office box in someone’s name (not the company’s). When we advertise for multiple positions, we usually place codes into the ads (i.e., “Send info to TW”—the TW is code for Technical Writer). Always tell your staff that you are advertising for a position in case an applicant drops by or calls. Also, include a cutoff date for receipt of résumés, which should be two weeks after the last ad runs so there are three to four weeks between the time of your first ad and your cutoff date. Be sure to move quickly on résumés since they can become dated and applicants may accept other positions if you wait too long to schedule interviews.

Recently, I decided to cut down the number of lines I bought in the classified section by linking the job to my website. Thus, an ad may look like this:

Seeking Computer Programmer for a Great Business

Visit www.duboseweb.com for details.

While the ad is somewhat cold, it links applicants to details like the job description, company overview, culture description, website, salary, and fringe benefits while incurring low advertising costs.

We also have a good bit of success advertising on job hunting websites,ⁱⁱ which cost fractions of advertising in the newspaper. In 2013, Careerbuilder.com generated the most job responses to our ads. Careerbuilder is separated by region, so think about the regions of the state from which you want to solicit applicants. You may also want to think about unique employment sites such as a local university’s employment office and schools. For example, if I was seeking a psychologist, I will distribute a job flyer to students and staff at a nearby college’s school of psychology and also to the university’s employment or career services office.

If you want to attract people of different races and ethnic backgrounds, examine the demographics of the newspapers and other forms of media you are considering for your ad. Most media outlets can provide you with basic characteristics of their reader base. Also, think about innovative ways of attracting other applicants by sending word of your job opening to relevant associations (like alerting senior citizen organizations of a part-time catering position).

Developing a structured process for receiving résumés: Designate one person to receive and sort all résumés. Make a note of the date received and keep the envelope, which can give insight into the professionalism of the individual (i.e., was the envelope addressed neatly or sloppily?). Keep all résumés on file for at least one year after you employ your finalist in case of complaints by other applicants.

Once all applicants’ information is in, we assemble the résumés into three stacks (yes, no, and maybe) according to the job description. The individuals who are reviewing the résumés should use copies, not the originals sent by the applicants.

Assembling a diversified review panel: To give all applicants a fair and equal chance, assemble a panel of employees to interview applicants. The panel should include individuals from different races, genders, ethnic groups, backgrounds, and ages. This will also help in the event that there is a complaint about your hiring practices. All interviewers should have a three-ring binder of résumés.

Training the team: We often use a structured form to guide the interviewers with similar questions for all applicants. We assign a weight to each of the key points of the job description and score applicants based on how their experience, background, or skills correspond to each point. Using structured rating scales like this can help in event of a lawsuit or complaint. For example, let's say that I want to employ a counselor with a master's degree to work with teenagers. Examining the job description, I identify key traits the ideal candidate will have and assign a numerical scale to each as follows:

CATEGORY	SCALE	COMMENTS
College Degree	1	
Master's Degree	2	
Master of Social Work	3	
Communication skills	0-3	
Experience with youth	0-5	
Appearance	0-2	
Responses to key questions	0-3	
Overall interview	0-5	
<i>Total score (24 possible points)</i>		

This form could also have questions that you want to ask each applicant and a section for comments. By logically scoring the applicants, you can show the court or agency handling any complaints that there was an unbiased, fair, and equal selection process. This will also help define and select your best candidates. Often, at the end of the interviews, it is difficult to remember all the details by memory, so using a scale will help you to fairly judge applicants regardless of the timing of their interview.

Preparing for the interview: Locate a quiet, spacious setting where you can conduct your interviews without interruption and give the applicant clear directions to the location. Schedule about 45 minutes per interview with 15 minutes between to take bathroom visits, return calls, and take stretch breaks, and one hour for lunch. I prefer to schedule two or three interviews each day so I am fresh when I am interviewing. If you try to squeeze seven or eight into a single day, you will be worn out, which is unfair to the applicants and yourself. We usually assign one person to schedule the interviews from a range of dates and times available to the applicants.

Ideally, your team should first conduct telephone interviews to screen out anyone who looked good on paper but is actually a poor fit for the position. This saves time by eliminating interviews for unqualified applicants. It is agonizing to go through the motions with someone who is clearly wrong for the job and waste both parties' time.

Interviewing the final applicants: Before you interview finalists, send them information about your company (like brochures and a link to your website) to allow them to do some research. If they understand your company's values and the job description before going into the interview, your time together will be of higher quality.

In *Monday Morning Leadership*, Cottrell recommends the “Three Rules of Three” approach to hiring.ⁱⁱⁱ Our employment process has benefitted from our application of these rules, which include:

- Interview at least three qualified applicants for every position.
- Interview the candidates three times.
- Have three people evaluate the candidates.

Position the applicant at a table where everyone can see him or her. You want to establish rapport and engage in good conversation, so never interview from behind a desk. A few other suggestions:

- Never rush interviews.
- Review all information about the applicant prior to the interview and make a list of questions.
- To avoid liability, do not make notes on official documents or applicants’ original résumés.
- Try to make the applicant feel at ease.
- Establish rapport with a friendly approach.
- Try not to talk too much. Instead, listen carefully! Interviewers should talk about 30% of the time and let the applicant talk the other 70%.

Open-ended questions will reveal the most about the applicant and may include the following:

- Tell us about your previous employment experiences.
- Why are you interested in our company and this position?
- If we were to speak to your previous leader, what would he or she say about you?
- How would you handle [hypothetical situation relevant to job]?
- What assets will you bring to this position?
- What motivates you?
- What are your strengths and areas in which you would like to improve?
- Where do you see yourself in five years, and how does this position fit into that plan?
- What are the five things that you value most in a job or workplace?
- How do you handle stress?
- What has been the most frustrating event in your career and how did you handle it?
- Why are you considering leaving (or why did you leave) your last position?
- What are the five characteristics you value the most in a supervisor?
- Who are the three people who have had the most impact on your life, and why?
- What do you feel are your two greatest accomplishments?

Of course, there are many other questions that can be asked to determine if the applicant is right for your company, and you can get other ideas from a Google search. Make sure, however, that the questions you ask are not unfair, unequal, or discriminatory in nature and that they do not violate federal law.

The following are examples of questions that should not be asked during an interview:

1. **Family Status:** Are you married? What is your spouse’s name? What is your maiden name? Do you have any children? Are you pregnant? What are your child care arrangements?
2. **Race:** What is your race?

3. **Religion:** What is your religion? What church do you attend? What are your religious holidays? What clubs are you a member of?
4. **Residence:** Do you own or rent your home? Who lives with you?
5. **Sex:** Are you male or female?
6. **Age:** How old are you? What is your birth date? (Except on job applications)
7. **Arrests:** Have you ever been arrested? (You may ask if someone has been convicted of a crime.)
8. **Citizenship:** Are you a US citizen? Where were you born?
9. **Disability:** Are you disabled? What is the nature of your disability/its severity?

I suggest that you consult with a human resource expert to ensure that your questions are legal. Federal law can be complex and is always changing!

The more you prepare for an interview, the more you will be able to probe. Remember that if they are hired, you are going to have to see these people every day. The more you put into the process upfront, the better the chances are that you will select great candidates.

Once you are prepared to make an offer, you can obtain detailed information on the person, such as a copy of their driver's license, criminal record (if they have one), and birth date.

Human resource experts caution interviewers against making these mistakes:

- **Negative slant:** Seeing the interview as a way of eliminating potential hires versus probing and gathering information.
- **Premature decisions:** Jumping to conclusions too fast before all the information is gathered from the applicants.
- **Bad questions:** Failing to ask probing questions that reveal the real person and how they would respond to difficult situations.
- **Failure to take notes:** Interviews can run together, and it can be hard to remember candidates' differences.
- **Values bias:** Allowing your values to influence the outcome.
- **Stereotyping:** Rejecting or accepting an applicant based on race, creed, national origin, religion, sexual preference, etc.
- **Halo or horn effect:** Rating an applicant based solely on his or her appearance.
- **Style of applicant:** Rating an applicant favorably because you perceive him or her to be "like us."

Rating applicants: At the conclusion of the interviews, assemble your team to talk about the applicants, how they rated each person, and why. Ideally, you should make a chart of the scores for the group to use when choosing three to four applicants who will be asked back for another interview. Be sure to encourage everyone to think carefully about the person you are about to hire.

I recommend that you conduct one more interview with each finalist to uncover different clues and issues that you may not have seen in the first interview. In addition, because your team will know that they will have to work with one of the finalists, they generally become more probing at this point.

Donald Trump and other businesses owners have suggested taking finalists out to dinner (with their spouses, if applicable) and watching their behavior. How do they treat the restaurant staff? How do they communicate with and treat their spouse? Many times, in an informal environment, applicants will lower their guard and reveal their true selves. This will provide great insight into how they will behave once hired!

Once the interviews are completed and you have selected one person from your finalists, it is time to begin a background check. We notify our final candidates that they are in the running, ask them to complete a formal application, and have them sign release forms so that we can check their backgrounds.

Background checks: Every candidate will provide you with references from good friends or people they know will speak positively about them. Background checks help you to confirm that people have been honest and upfront with you during the interview process.

The background check is one of the most important aspects of the employment process and should be conducted very carefully. Don't assign this to team members who care too much or too little about the new person getting hired, as this might introduce bias. Remember the employee I hired who had a phobia of telephones? Well, her references gave glowing remarks when I contacted them!

Ideally, I want to talk to the applicant's former superiors. However, supervisors will often be reluctant to give accurate information because of cautions from human resource experts and lawyers. Many organizations have designated one person in the organization to give employee references and even then will only verify that the person worked for the agency and their dates of employment, job title, and salary range.

I once had an applicant with an outstanding résumé. I interviewed her twice and she gave a stellar presentation during both interviews (saying everything I wanted to hear!). Her current supervisor gave her a glowing recommendation. However, I felt that tugging feeling that something was not right. Jack Welch once told me that "if you don't feel right about something, don't do it," so I asked my friends and colleagues if they knew anyone who worked for the agency where she was employed. We finally located someone there who would speak to us and found out that the applicant was a real troublemaker and did not produce professional work. The supervisor was trying to get rid of her and was giving good references to pass her off on another company! In that case, a little out-of-the-box investigative work paid off.

Making the offer: When we are ready to make an offer, we require the potential employee to complete a formal employment application, which not only gives us detailed information beyond the résumé, but also formal and written permission for us to conduct further screenings.

We require finalists to take a computer test and write one page in longhand in our offices about why they want a particular job. Both these screenings reveal a lot. Several administrative assistants who claimed competency in a software package during their interviews failed when tested on it! This test saved us the heartbreak of later discovering that they had fudged their résumés. Steve Gottry warns of this in his book *Common Sense Business*. "There are two kinds of experience: real experience and résumé experience,"^{iv} he writes.

Once we feel confident about an applicant, we will make a verbal offer. If he or she accepts, then we will send an official offer letter that can only be signed by me (the president of the company) since it is a legal document.

Our one-page provisional offer letter includes a welcome from me and the following items:

- Date of employment.
- Weekly salary (we don't state an annual amount because it could imply a contractual relationship).
- Fringe benefits.
- Employment is at-will, in keeping with South Carolina law (either party can terminate the employment at any time with or without cause).
- Job description.

- Requirement to sign an employment contract. Our contract includes: an at-will employment statement, non-disclosure of confidential and company information, copyrights and trademarks, non-competition, and other restrictions.
- Requirement to have a medical, financial, psychological, and drug screening at a provider of our choice.
- A third (and final) interview with me after all screening results are returned.

The potential employee must sign the provisional offer before we continue the process.

Final interview: At the final meeting or interview, I present my philosophies, values, and thoughts for the future. I want the applicant to know that we are in the process of building a great company and the assets I am looking for in our staff. Once we are sure that the applicant we have chosen is on board, we thank the unsuccessful candidates in writing.

Preparing to report to work: Prior to reporting to work, the employee must complete a detailed checklist of employment processing items (W-4 form, 401k retirement plan enrollment, etc.). On the first day of employment, we assign the new employee a staff member who has been with the company for more than one year as their mentor. The mentor helps the new employee learn how our company and staff function. We also go through a detailed orientation checklist with each employee, including items like a tour of the corporate headquarters, introductions to our other employees, office assignment and related supply and equipment support, and policy and procedures manuals. We also give them time to settle in with the company before starting their jobs full blast.

Employing the right, outstanding, self-motivated employees is a major key to success. Again, you want to hire tough and slow. An employee is an investment: hire the right one, put him or her in the right position, and he or she will help your company grow and prosper. Employ the wrong one, and life can be miserable!

Firing the Wrong Staff with Care

Letting the wrong people hang around is unfair to all the right people.

—Jim Collins

It was the year 2005, and our company was experiencing success like never before. Though we were not perfect, it seemed that just about everything we touched turned to gold. Then, without warning, it happened! Our success rate for securing projects, which had reached 90% over 20 years, plummeted to 38% for one of our most profitable programs. We were all stunned! Our work was impeccable. How could that happen? We had fallen into the trap of thinking we were invincible, and the good Lord had showed us a new path of humility.

After the shock wore off, I realized that we were in trouble if spending continued as planned. The budget for one of our companies exceeded \$3 million, and when we ran the numbers to balance it with the new revenue projections, we saw that we had to cut nearly \$200,000 a year. My dream of having a corporate jet vanished overnight! More importantly, it meant that the budget cuts would impact others' lives.

Identifying and reacting swiftly (but logically) to a budget crisis is essential. You cannot sit by and watch your company bleed to death when warning shots are going off all over the place. We had to stop, face the "brutal facts of reality,"^v and do something about the problem. One division, which required a lot of financial support and staff time, was losing significant amounts of money. We ripped the budget apart looking for things to cut, but the bottom line remained that personnel was our most significant expense.

We agonized for 30 days, trying every formula we could think of to correct the budget, but to no avail. We finally accepted that we had to eliminate four staff positions. I considered all of these employees friends and really cared for them. They were good, competent people. But in the end, I had to put that president's hat on, be the leader of the company, and make the cuts to protect the company and the employees who remained behind. Making tough decisions to keep the company alive is part of a manager or business owner's duty. In *Good to Great*, Jim Collins writes, "Level 5 leaders are fanatically driven, infected with an incurable need to produce *results*. They will sell the mills or fire their brother, if that's what it takes to make the company great."^{vi}

To approach the budget problem in a systematic way, we developed a PowerPoint presentation and provided detailed information about the issue to the entire staff. We felt that factual, honest communications were very important leading up to the terminations. We developed detailed notes to be used for the termination procedures and ran those by our human resources experts. The senior management team decided to allow the impacted employees to remain on staff with benefits until they found new jobs.

Even though we knew that we were doing the right thing for the company, the days preceding the meeting and the terminations were gut-wrenching. We were all very emotional, but followed through with our plan. Afterward, some of the remaining employees were so concerned for those who had been laid off that they offered to give up some of their salaries to keep them.

I worked very hard trying to find the laid-off employees jobs with other agencies. I wrote letters to everyone I knew that might help, made calls to employers, and attended work fairs to promote them. Even though most of them found jobs with even higher salaries and there were no legal ramifications for our actions, the memory of that dreadful experience has never left me. As the leader, I accepted responsibility for our company's financial problems and apologized to our staff in a companywide meeting.

In financial crises, leaders have to be caring but tough. As company president, I would fire my own mother if it meant that the company could survive. However, terminating employees is simply a nightmare, regardless of whether you are terminating for cause or for financial reasons.

For this chapter, human resource expert JoAnn Moss, former president of Human Resource Dynamics,^{vii} and I explored types of employee terminations ranging from downsizing to terminations for egregious disciplinary problems. Regardless of the cause, we concluded that there is *nothing* more unpleasant, stressful, and daunting than having to terminate an employee. When we ask other business owners and managers what they consider the most unpleasant part of running a business, the answer is almost unanimous: “firing people.” You can use different words or phrases like reduction in force (RIF), downsizing, firing, de-hiring, termination, attrition, elimination, or others. The bottom line is that someone in your organization will be asked to leave and you (as leader) will have the awful job of sharing the bad news.

Regardless of the reasons for a termination, it is an emotional, traumatic experience for the employee, other staff, and the employer. The employee is likely to go through emotions similar to those experienced after a loved one’s death. These emotions may manifest themselves in a number of ways, some of which could be dangerous for the employer and other employees in the company. It is important to realize that in making the decision to terminate, you are not only making a decision that (hopefully) is best for the company, but also one that will drastically affect the lives of *people* (not only the employee, but his or her family and other company employees as well). It is not a decision to be taken lightly, nor should it be entered into without very careful preparation.

Employees are terminated for a number of reasons. In the scenario I mentioned earlier, they were laid off based on financial needs that were not their fault. Wrongful termination charges can stem from any kind of adverse employment action, and you should apply a philosophy of fair treatment and common sense regardless of the reason for termination. Because of errors business owners and managers often make when dealing with performance or disciplinary problems, terminations “for cause” place the company in a particularly vulnerable position. For this reason, we will mostly discuss those types of terminations.

No matter how sound your recruitment and hiring processes, there will be times when an employee performs inadequately, is a disciplinary problem, doesn’t share the company’s vision and goals, or doesn’t fit into the company’s culture. Therefore, that person becomes a liability to the organization.

Experts seem to agree that just a few of the wrong employees can bring down a whole company. In *Good to Great*, Jim Collins says that great companies get “the wrong people off the bus.”^{viii} They do this because, “Letting the wrong people hang around is unfair to all the right people...Worse, it can drive away the best people.”^{ix} Unfortunately, some employers are so afraid of being sued that they delay or avoid terminating high-risk employees. This is costly not only in terms of productivity, but also in terms of reduced morale and potential danger to customers and other company employees. In my conversations with him, Jack Welch pointed out that many workplace problems lie with underperformers. “By not carrying their weight, they make the pie smaller for everyone. That can cause resentment,”^x he writes in *Winning*. In *Monday Morning Leadership*, Cotrell states that we should “dehire the people who are not carrying their share of the load.”^{xi}

The bottom line is that sooner or later, you will be faced with the need to terminate an employee. In the United States, employees do not have to be fired for cause; however, there are federal and state laws intended to ensure that employees are treated fairly. Managers and leaders

should understand these laws and approach any termination as if their company will have to defend it in court.

Federal law prohibits employment discrimination on the basis of race, color, religion, national origin, gender, pregnancy,^{xii} age,^{xiii} disability, citizenship,^{xiv} and military service.^{xv} Any employee who falls into one of these categories is considered a member of a protected class. Depending on the state in which your business is located, you may also be subject to laws protecting employees in other categories, such as those who are in a same-sex relationship.

It is easy to understand the very real fear of being sued by a terminated employee, especially if he or she is a member of a protected class. According to the U.S. Equal Employment Opportunity Commission, the EEOC received 99,412 charges of discrimination in 2012^{xvi} alone!

What does that statistic say to you and your managers? There is a good chance that you could face a time-consuming and potentially expensive complaint or lawsuit. The number of employment lawsuits that actually make it to trial is comparatively small, but even if the case is settled out of court, dismissed, or decided in your favor, your company will expend a lot of time, money, and manpower investigating and responding to the claim. Your company may also be responsible for the aggrieved employee's attorney's fees.

Too often, employers are so afraid of being sued that members of protected classes are not held to the same standards of behavior or accountability as other employees. I have seen organizations in which management was virtually held hostage by an unproductive employee who was a member of a protected class. This kind of "look-the-other-way management" creates an internal culture of fear, distrust, resentment, and disrespect that will permeate the entire organization. Competent staff will begin asking questions like, "Why does leadership allow that person to get away with this? Why don't our leaders lead and make the tough decisions? Why am I held to higher standards than that person?"

The safest way to avoid being sued by such an employee is to terminate the person as soon as you are certain he or she is not going to work out. It is harder for someone to make a case for discriminatory treatment if he or she is terminated early on from the company. My motto: "Hire slow and tough; fire fast with care."

After hiring new employees, you should assess their skills with various types of work to see how they perform in different situations. Some people can fool you during the interview, but work problems will surface after they accept the job. Ideally, you want to document specific examples of their strengths and weaknesses early on. Then, conduct a formal assessment with the new employee to let them know how they are performing.

When managers realize a new employee is having problems, they have to ask themselves:

1. Can his or her inappropriate behavior or performance be improved?
2. Will coaching, mentoring, or training correct the problem?
3. Will he or she be receptive to criticism and open to changing his or her behavior?

If the answer is yes, you should document any concerns, and give the employee the support, coaching, and training to help improve his or her performance. If the answer is no or if you are unsure, then you have made a hiring mistake and should correct the problem quickly. The longer you wait, the more difficult it will be to help the person find another job. Many leaders feel guilty or ashamed or refuse to accept their mistakes. However, most managers will make hiring errors at some point in their careers. You must resolve the issue, learn from it, and move on.

It is imperative, however, to treat all employees fairly, consistently, and equally, regardless of whether they are members of a protected class, new employees, or people who have worked for you for years.

Employees engaged in protected activities: The federal laws mentioned earlier not only protect people from employment discrimination, but also protect employees from retaliation for exercising their rights under those laws. The following federal laws also have anti-retaliation provisions:

- Family and Medical Leave Act
- Employee Polygraph Protection Act
- National Labor Relations Act
- Employee Retirement Income Security Act
- Occupational Safety and Health Act
- Uniformed Services Employment and Reemployment Rights Act
- Immigration Reform and Control Act
- Fair Labor Standards Act
- Sarbanes-Oxley Act

For example, it is illegal for an employer to take adverse employment action against an employee for taking leave under the Family and Medical Leave Act or for reporting health or safety violations under the Occupational Safety and Health Act. A relatively new piece of legislation, the Sarbanes-Oxley Act of 2002, created new civil and criminal liability for retaliation against whistleblowers and federal informants. It is also illegal to take any kind of adverse employment action against an employee for taking part in an investigation or for testifying under any of the above laws. I have seen companies found guilty of retaliating against an employee even though the courts found them not guilty of the original charge.

The really tricky issue is that it is easy for it to appear that company managers and supervisors are retaliating against employees. Even though their actions may not be intended as such, attorneys line up to take these kinds of cases. According to EEOC statistics, over 37,836 charges of retaliation were received in 2012, based on all statutes enforced by the EEOC.^{xvii} More than \$44 million in monetary benefits were awarded to charging parties through litigation.^{xviii}

When firing an employee who has taken part in a protected activity, it is important that you not only ensure that the action is for valid, work-related reasons, but that you also avoid the appearance of retaliation. Some experts recommend waiting at least six months before taking any kind of adverse employment actions against an employee who has engaged in protected activity or become a member of a protected class (for example, someone who has filed a disability or sexual harassment claim).

In the event that an employee files a retaliation claim, it is critical that employers have clearly documented any problems they have had with the employee immediately after the incident(s) occurred, *not after a retaliation complaint is filed*. Again, treat any adverse employment action as if you will have to defend it in court. Chances are good that you will have to do so.

Contractual agreements: Before you decide to fire an employee, make sure that the employee/employer relationship is not contractual. Even if you do not have a written contract, you may have inadvertently established an implied contract in several ways. Some courts have found that an initial offer letter could be interpreted as a contract. If an initial offer contains language that indicates the employee is offered a job for a certain length of time or that the employee can only be discharged for cause, you may be bound by an implied contract.

Another common and dangerous practice is when supervisors, managers, and human resource professionals verbally indicate to employees that their jobs are secure. This kind of language can give rise to oral contract or promissory estoppel (a false statement treated as a promise by a court when the listener had relied on what was told to him/her to his/her disadvantage)^{xix} claims.

There are pros and cons to having an employee handbook. Many business owners fear that a handbook could create an implied contract. Most human resource experts agree that the dangers of not having a handbook far outweigh the dangers of having one, *if* the handbook is properly written. To avoid your handbook being construed as a contract, it must be carefully written and reviewed by professionals. It should not include any language indicating that the disciplinary procedures included in the handbook are mandatory. Your handbook should also include a disclaimer indicating that the employment relationship is at-will, formatted in such a way that a reasonable person would notice it. You also have to consider employee unions and their policies.

Make sure that you have a signed statement in each employee's file indicating they have received, read, and understood the handbook; that you can change it at any time for any reason; and that their employment is at-will (if legal and appropriate). Employee handbooks should be prepared by human resource professionals to ensure compliance with state and federal requirements and fair, consistent treatment of all employees.

What's the next move? Let's assume you have cleared all the hurdles listed thus far and want to move forward with terminating an employee for cause. Before you make the final decision, take a few extra precautions.

If it is a performance issue, Jim Collins cautions that the person may be in the "wrong seat" and may perform better in an alternative job in the company.^{xx} Some individuals are unsuitable in one job but thrive in another. I have witnessed this firsthand with several of our employees. If switching the person to a different job doesn't work, it may be time to terminate.

Make sure that you have documentation of honest evaluations and counseling sessions with the employee. If you are terminating for performance issues, you may have to prove in court that you are doing it for legitimate work-related reasons, not because the employee falls into a protected category. The worst thing you can do is terminate for poor performance when the employee had not been told in writing about his or her performance issues and had no reason to think he or she was not doing a good job.

If you have a progressive corrective action policy, make sure that you have followed it. Whether you have a policy on employee discipline or not, it is imperative that you apply the same treatment to all employees in similar situations. If you are firing this person for doing something for which you disciplined another employee differently in the past, you are asking for trouble. Don't act before doing a proper investigation and thoroughly examining the allegations against the employee. Never count on one-sided stories—look for the facts. One of the most significant improvements I have made as a leader is to cease coming to conclusions too fast; I try to assess all the facts and see both sides of a situation. Never fire anyone on the spot during an emotional confrontation.

If you terminate someone for disciplinary reasons of which he or she isn't guilty, you risk being sued for wrongful discharge. You should have standard investigative procedures in place and follow them consistently. An outside consultant can bring objectivity and the appearance of fairness to internal investigations. Regardless of who does the actual terminating, document, document, document! Business experts agree that thorough documentation of disciplinary measures is a great way to decrease your likelihood of being sued. In *The Small Business Bible*, Steven D. Strauss states, "You may also be tempted to fire someone immediately when things go wrong. It is far better, and helps you avoid litigation, if you document problems first."^{xxi}

Be prepared: Let's say that you have taken all of these precautions and still must terminate this employee for the best interest of the organization. Don't delay the inevitable, but make sure you are thoroughly prepared for your meeting with the employee. Remember that this is not

going to be easy on either of you, so taking the proper steps to prepare is crucial to making it as painless as possible (thus reducing the likelihood of legal action). Approach any termination by visualizing yourself on the witness stand with the former employee's attorney grilling you. Take my word for it—attorneys are very skilled in making *you* look like the guilty party! We also recommend that you:

- Try to anticipate the reaction of the employee. If there is a possibility that the he or she may become violent, hire an off-duty police officer for protection or send a written letter of termination. Otherwise, schedule a meeting with the employee.
- Be prepared to answer any questions the employee may have. He or she will usually be concerned about things like insurance and benefits. Most of the time, terminated employees are so stunned and emotional after you inform them of your decision that they may need a follow-up meeting with you.
- Make a checklist of company assets that you will need to collect from the employee, like keys and name badges, and make sure that they are returned. You will want to cancel computer passwords and change locks and security codes immediately. Lock down your computer system so the terminated employee is unable to wreak havoc on the system or steal valuable customer lists. I will never forget a friend telling me that a terminated staff member wiped one of the key computers clean and left a rude note to her supervisor (along with a computer virus) on her way out! Another business owner said that one of their employees wrote a nasty letter to hundreds of customers after the termination. Don't think it can't happen to you!
- Consult a benefits attorney. If your company has a severance policy, you must follow it. The Employee Retirement Income Security Act (ERISA)^{xxii} generally governs severance plans or policies, so it is important to consult a benefits attorney to determine if your severance policy falls under ERISA guidelines. Even if you don't have a formal severance plan, you may still want to consider offering a package to the terminated employee. This could include such benefits as severance pay or continuing to pay their health insurance for a few months. It is also incentive for the impacted employee to sign a waiver relinquishing the right to future complaints, lawsuits, and claims.
- Formulate a severance agreement. Although many things may be included, some items are standard, such as a release of potential claims against you, a description of the wages, overtime, and vacation time owed to the employee, and a confidentiality agreement. Additionally, if the employee is over 40, you must consider the Older Workers Benefit Protection Act (OWBPA), which is part of the Americans with Disabilities Act. The OWBPA details the circumstances under which you can require an employee who is 40 or over to release any claims he or she might have against you. You should consult legal counsel before you offer a severance agreement to any discharged employee. We once had to downsize and offered an employee a nice severance package in return for signing a severance agreement. We also allowed this person to claim unemployment and even tried to help her find a new job. When the ex-employee spent all the money, however, she filed a complaint with the EEOC. We wasted more than 100 hours defending our actions, but came out on top because we had clearly documented our case, laid off the employee in the right way, obtained a signed waiver, contested the complaint, and consistently maintained that we were correct. It really all goes back to something a lawyer who was suing me once said: "Desperate people do desperate things!"

The termination conference: Deciding to fire someone can be a long, laborious process, so you want to make every effort to conduct the termination meeting in a way that allows the employee to maintain his or her dignity and does not expose your company to increased liability. Although there are always exceptions and extenuating circumstances, here are some guidelines for conducting termination conferences:

- **When?** There is no right or wrong time. Strauss recommends terminating employees in the morning during the middle of the week.^{xxiii} Traditionally, employers have chosen Friday, but a case can also be made for Friday being the worst day. Terminating an employee on a Friday will give him or her the weekend to stew over the situation, nurse his or her anger, and be ready to call an attorney on Monday morning. It is also wise to be aware of other special occasions—think twice about firing an employee on his or her birthday or shortly before a major holiday. We also recommend that a person who has been told that they are being terminated not return to work. Most peoples' performance dramatically declines once the notice has been given and they will be a source of anger and sadness that can spread to your other employees. I have allowed laid-off employees to continue working for me while they sought other jobs and this was a mistake! If circumstances allow, have the employee clean out his or her desk after hours (accompanied by two witnesses).
- **Where?** It is important that the conference is conducted in private, preferably away from the employee's work station. Avoid setting up a situation where other employees may stumble into the meeting or see the person coming out of your office crying, angry, or upset.
- **Who?** Never conduct a termination conference alone. At least two company managers (preferably a male and female) should be present when you tell the employee he or she is fired. If you sense that the employee could become confrontational, it may be wise to have a security officer out of sight but nearby.
- **How?** Actually telling the employee that he or she is fired is the hard part. However, resist softening the blow to the point of sounding hesitant about the decision. Tell the employee that he or she is being laid off or terminated in definite, final (but caring) terms and give honest reasons for it. Even though this is not personal as far as the company is concerned, never lose sight of the fact that it *is* personal for the employee. Offer any support that you can reasonably provide and minimize the employee's embarrassment to whatever extent possible. Don't argue with the employee or become hostile. Stick to the facts and do not deviate from them. Avoid speculation and telling the employee what others have said about him or her. Don't let the employee use emotions to change your mind or convince you to negotiate on major points. Set a goal for the employee to leave with the least possible amount of hostile emotion toward you and the company and for them to retain the most dignity that they can.

It is a given that you will allow the employee to resign if you are offering a severance package. If you are not, it is still a good idea to allow him or her the option. This will make the employee likely to sue you and also decreases the chances of him or her filing for unemployment compensation. Be aware, however, that an employee choosing to resign reduces but doesn't eliminate the risk of a lawsuit. The courts view a forced or "constructive" discharge the same as an outright firing.^{xxiv}

Go over any severance agreement and give the employee several days to review it. Make it effective at least seven calendar days (preferably, 14) after their signature. Again, remember to

consult an attorney before you ask an employee who is over 40 to sign any release of claims against you. If your state requires immediate payment of final wages and overtime, have the check ready at this meeting. This may be your only opportunity to get company-issued property back, so do it now if possible.

Give the employee an opportunity to ask questions, but don't let the meeting drag out. Stick with the facts and your predetermined presentation. If they ask questions that you may not have a solid answer to, follow up in writing.

Remember: The fairer and more caring the employee thinks you are being, the less likely they are to sue or retaliate against you or your company.

After the employee is fired: The hard part is over, but there are a few important issues to keep in mind.

- If your company offers health insurance and you have 20 or more employees, you have to offer the terminated employee an opportunity to continue coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA).^{xxv} COBRA can be complicated and has specific notification requirements for employees and their dependents. Consult a professional if you have questions.
- Make sure that you follow the laws of your state concerning final paychecks. Your window to pay could range from immediately to the next regular pay date; check with an employment law professional to learn the specifics for your state. Send that check out on time or you could pay steep penalties!
- Generally, employees who are fired for misconduct are not entitled to unemployment benefits, but if the employee files a claim, carefully consider whether or not you want to contest it. It may be better to let them collect the benefits if it protects your other employees, reduces anger, and minimizes the risk of being sued.
- If another employer calls for a reference, be careful what you say. If you badmouth the former employee, you could be sued. Make sure that others in your organization are aware of the liabilities associated with this kind of retaliation as well. (An exception is if the employee would be a safety risk to future employers.) Many companies only verify former employees' dates of employment and salary range. Be very careful about how you word letters of recommendation! If you recommend an employee who you know will not perform well or could be a liability risk (for example, a sexual harasser), there is a chance that hiring agency will sue your company for false information.
- Don't malign the person to remaining staff. Employers are often saddened by terminations or want to justify their actions, so it becomes easy to leak details of the termination to other employees. The best policy: the less that others know, the better. Predetermine what you will say to them and stick to it. Your words after the firing could become a legal problem. Remember, some people in your organization will retain ties with the person being terminated. They can (and often will) communicate what you and others say about the former employee.
- Assign one person to keep up with the former employee to ensure consistent communication. This should usually be a human resource professional.

These seem like simple steps, but it is often such a relief to have completed a termination that employers neglect these important points. Make sure that you know the federal and state laws that may be applicable when you have to terminate an employee, or consult a professional who does.

If you are sued: Sometimes, the best efforts to avoid legal action from a former employee are not enough. In the event of a lawsuit, the following suggestions can help you build a solid defense:

- Review any employment litigation insurance that your company has and familiarize yourself with the provisions of your policy. I recommend procuring a comprehensive umbrella business policy and at least \$1 million (preferably more) in liability insurance, both personally and for your business. You could end up being sued as an individual and you want to protect both your business and personal assets.
- Investigate. No amount of “after the fact” investigations can undo potential danger to your company, but if an employee sues you, check into his or her background. Things in their work history may reduce the amount of jury awards to the employee or prevent the court from ordering you to give the employee their job back.^{xxvi}
- Make sure to comply with federal and state laws governing employment record retention. Don’t destroy anything that may be relevant to the employee’s allegations, including electronic evidence.
- Again, don’t retaliate against the former employee.
- Most importantly, use human resource experts. You don’t want an attorney who specializes in real estate defending you and your company against an EEOC complaint!

At some point in their careers, most managers and leaders face the daunting task of firing an employee. There is no one-size-fits-all instruction manual for this situation—the scenarios are as numerous and as unique as employees themselves. What you *can* do is be aware of some common risks and strategies for minimizing them. Preparation begins long before the actual termination. If you have proper processes in place to treat all employees fairly, you minimize both the need for firing in the first place and the risk of legal liability. However, even these can be worthless if supervisors don’t have the proper skills and training to manage their employees. Take steps to train your managers in most areas of liability. After all, they are your first line of defense. Above all, if you have any concerns about current or future problems with your employees, consult a lawyer or human resources expert about what to do next.

Terminating employees is stressful, even for leaders who are willing to face the brutal truth. In fact, a 2009 *Business Weekly* article cited a survey that found that “close to a quarter” of human resource professionals “said they’ve used alcohol, cigarettes, or recreational drugs to cope with the layoffs, pay cuts, and furloughs they must administer.” Fifty percent had suffered from sleeplessness and 35% had considered changing careers.^{xxvii} Terminations can negatively affect the company, staff, customers, and the impacted employee. Balancing all these sectors simultaneously is often tough, but in the end, terminations done in a timely, fair, proper, and caring way will help both the company and the affected employee move into the future.

SECTION III. PLANNING FOR THE FUTURE: BUILDING THE COMPANY AROUND THE CUSTOMER

Drawing a Clear Roadmap: Strategic Planning

He who fails to plan, plans to fail.
—Unknown

There was a time when I thought that my companies did not need a written strategic or business plan. As the owner and leader, I kept all the plans locked in my head or in a secret file in my desk. After 30 years of inventing, managing, leading, succeeding, and failing in the business world, I know now that I was WRONG! Every organization or business should have a simple written plan for the future. Before you sign anything, before you hire your first employee, before you guide an existing business into the future, before you borrow money, and before you decide to move forward with your dream...before you do any of these things, design your roadmap! As Yogi Berra once said, “You gotta be careful if you don't know where you're going, otherwise you might not get there.”

Do you know where your business is headed? Let's say you are comfortably seated on a plane at 20,000 feet in the air and everything is going well. Suddenly, the pilot announces on the intercom, “Welcome aboard folks! We know that you had your choice of bankrupt airlines to fly and we appreciate you choosing us! I hope you are not hungry because we can't afford food. The mechanics are on strike because we could not pay their salaries, so we did not get the airplane checked out when we noticed one of the engines leaking fluid. I know you are wondering about that lightning outside. We did not have time to check the weather reports, but pilots in front of us have reported that there are violent thunderstorms with strong wind shears ahead. Oh, by the way, we forgot to pick up your luggage. It just slipped our minds, but don't worry. You probably won't need it where we are going (by the way, does anyone know where that is)? That's assuming we make it at all—we are running low on fuel. So, settle back, relax, and leave the rest to us!”

Have you ever worked with an organization that resembled that flight a little bit (or a lot)? Think about the amount of planning that goes into just one flight and the teamwork needed to make it safe and successful. Does your company make your employees feel like passengers on that flight? Employees and customers like to work with organizations that have it together.

Why does my business need a strategic plan or roadmap to the future? Peter Drucker, considered by many to be “the father of modern management,” once said, “Management has no choice but to anticipate the future, to attempt to mold it, and to balance short-range and long-range goals.” Leaders should ask themselves, “What is our business? What will it be? What should it be?” That means not only looking ahead, but also examining your current business model to determine the products and services you want to abandon, retain, or reinvent. Management experts like Drucker have noted that risk-taking, though necessary to business, should be informed—that is where the strategic plan comes in. It is important for several reasons:

- It helps the leader(s) and key staff explain in writing where they want to go as a company and everyone's role in that journey.
- It outlines to all staff and consultants where the priorities are including goals, measurable objectives, and activities.

- It provides data to the bank or investors so they understand your business and you can obtain the green stuff that companies run on.
- It communicates a clear roadmap with checkpoints along the way for measurable validation that the team is headed in the right direction, and it serves as a gauge to know when they arrive.
- It empowers the employees to steer the ship, which is especially important if the owner or leader becomes disabled or dies.
- It makes the organization very effective, efficient, and focused, while promoting teamwork and good communications.

What is strategic planning? Strategic planning shows everyone in an organization the step-by-step process that will lead to achieving the company's vision and their responsibilities in the process. It also describes the values of the organization's people, how these values will be used to make decisions, what the company does best, and how the staff and owner see the company operating in the future. It is important to include all staff members in the strategic planning process because the more they feel they have contributed to the plan (the more they "own" it), the harder they will work to support and carry out the plan. Assigning duties to people who do not feel they have been included in the plan's development can lead to resentment and, eventually, failure. Everyone's opinions should be heard to maximize success.

Creating a strategic plan can appear complicated, but it's much easier when broken down into simple, understandable terms. Strategic planning is a process which brings everyone together to develop a mutually agreed upon roadmap that:

- 1- Provides a clear vision and purpose for the future.
- 2- Explains who we are and who we want to be (our culture).
- 3- Illustrates how we work with our customers and who they are.
- 4- Defines products and services we will provide and our geographical target area.
- 5- Depicts our values and work culture.
- 6- Outlines where we are going and how to get there.
- 7- Documents specific key indicators of accountability so we can measure our progress and know when we arrive.

Drucker noted in his bestseller *Management* that:

Strategic planning prepares today's business for the future...It requires an organized process of abandoning yesterday. It requires that the work to be done to produce the desired future be clearly defined and clearly assigned. The aim of strategic planning is *action now*.¹

In our companies, we chose to define strategic planning components as follows:

Purpose describes our company's broad reason for being. It is not a specific goal or business strategy. Drucker said that "the purpose of a business is to create and keep a customer." Larry Bossidy agreed, but edited Drucker's statement slightly to say "to create *happy* customers and keep them." At one time, my business' purpose was to generate profit. After all, if you don't make a profit, you go out of business. However, I believe that the most successful business purpose is to determine what the customer wants (and needs) and to deliver it when they want it in a way that exceeds their expectations. After many years, I have learned that if you truly determine your purpose, adhere to it, and run your business according to the principles outlined in this book, profit should follow. There is more to your purpose, as we will discuss later.

Values are what we consider to be important; the way we act and behave towards each other, our clients, and the community; and the way we perform our work.

Vision outlines our ultimate destination—the big picture (or dream).

Mission is a vehicle that takes us to our vision and helps us determine who we are, who our target audiences are, what our service area is, and what we do.

The **management plan** delegates accountability with goals, measurable objectives, and tasks associated with each objective as well as who will lead each task and the date to complete each activity. This component provides the structure needed to get things done!

Another way to look at it... Let's put strategic planning in a non-business context. In 2005, I wanted to travel overseas to experience Italian culture, spend quality time with my family, get away from my company, rejuvenate myself (both personally and as a business leader), and just have fun! I had been dreaming of the trip for more than 20 years. At the same time, I viewed this trip as belonging to my family as well. In order to ensure that everyone agreed with my recommendations, I asked questions, solicited advice, and probed for their wants. Visiting the Coliseum in Rome was very important to me, but the rest of the family did not place this on their high priority list. So I tried to build ownership and consensus where everyone got something out of the deal.

In order to put legs on my dreams and thoughts, I had to think about the measurable objectives I needed to accomplish in order to pull the big picture off—just like I would have to do if I were starting, refining, or growing a business. Some of those items were:

- Obtaining passports for all family members
- Securing airline, train, and hotel reservations
- Reviewing several books on the places we planned to visit
- Learning how money was converted and where we could obtain cash in each place
- Preparing for emergencies, flight delays, safety issues, customs, medical problems, etc.
- Examining ways to communicate with folks in the US while overseas
- Researching European transportation systems
- Planning activities while we were there
- Building in flexibility for unexpected side trips

Note that all of the tasks in my plan were focused on accomplishing the purpose of experiencing Italy. I probably spent 150 hours on planning to make our Italian vacation the trip of a lifetime. The morning of our departure, we struck out for the airport all excited. My dream was finally coming true! As I unloaded my luggage from the car, I pulled from my pocket an American Express flyer offering luggage protection insurance for about \$20 per person. They even guaranteed to find lost luggage within three hours! Something really pushed me to obtain that insurance before I left. But I had run out of time and hey, I saved \$80! (Remember this!)

Where do you want to go? Running a business can be just like my Italian experience. It requires a lot of planning and it is very important that you have a clear roadmap that outlines exactly where you and your staff want to go. People often spend so much time preparing for a two-week personal trip (like I did when going to Italy), but often fail to plan for bigger adventures—like our businesses' futures. I have coached many business owners and managers who are working *in* the business versus *on* the business. Many are only thinking from one week or month to the next. As long as the money is rolling in, who cares? If you give your staff marching orders, they can carry out the plan very well, but they are not focused on the BIG picture, the dream, or the mission.

Fortunately, while I am far from perfect, I am blessed with the ability to envision the future and have surrounded myself with people smarter and more organized than I am to help me execute my visions. In 1990, I told my son, Blake, "I have this dream of building a convention

center...I can see this beautiful building...the marble floors...the modern offices...comfortable chairs...great food...the glass façade in the front! I will build this building one day!”

In 2003, we completed the 40,000 square-foot Columbia Conference Center.ⁱⁱ It took a lot of planning, the hiring of outstanding staff to manage the center and generate the money to pay for it, and the help of the good Lord to make it happen. It is fun having a dream, designing the plan, and then, as one of our company mottos says, “We turn dreams into reality!™” I often walk through the center and thank God and my staff for this mighty blessing!

Business owners sometimes have a general idea of where they want to go and how to get there. But many times, the vision is sitting in their heads, not on paper, and their staff has neither seen nor provided input into that dream. Employees do not have any involvement or ownership in the plan, and the company engine slows down as they await orders from above. Many businesses are built solely around the owners or leaders instead of the entire company, staff, and customers. If the leader gets sick, leaves the company, becomes disabled, or dies, the company slows, withers, and sometimes fails because the staff has not been involved in the owner’s dream. (We will talk later in the book about how to avoid this through succession planning.)

How do I apply strategic planning principles to a business? Through much friendly, open, candid debate and many strategic planning sessions, our companies have defined their purpose, vision, mission, values, and management plans. I’ll share with you how we developed these things to give you an idea of how to apply these principles to your own company. When coming up with what these components mean to *your* business, make sure that you solicit input from team leaders and other staff at every possible opportunity. When your staff has helped develop a plan, they will be more receptive to embracing and implementing it. Now, let’s discuss strategic planning in more detail.

Purpose: This is what your company exists to do, your reason for being (other than to make money, of course). Two of our companies develop and evaluate grants for 60 school districts, 300 schools, and other large non-profits in the southeastern United States, e.g., the United Way of Metropolitan Atlanta. By doing this, we positively affect the lives of many people, mostly children. Our leadership team, with input from all of our staff, came up with a purpose that we believe describes what we do here at Research Associatesⁱⁱⁱ and The Evaluation Group:^{iv} “Creating opportunities to improve lives.” This noble phrase describes our broad reason for being: creating opportunities (through grant writing and evaluation) to improve the lives of people in the southeastern U.S. The purpose has to go beyond simply making a profit or pleasing customers.

Values: Clearly defined values explain how staff members interact with each other and how the company engages clients and the rest of the world. We have a broad set of values that each division applies slightly differently as part of its daily routine. The values among all our companies are: Excellence, Initiative, Accountability, Good Communications, Ethics, Teamwork, and Openness. These values help in our decision-making and influence all that we do.

- **Excellence** symbolizes not just our commitment to being a good company, but our goal of becoming a great one. We maintain high standards and strive to produce outstanding goods and services that not only satisfy but *exceed* customer expectations.
- **Initiative** means that we are self-motivated to finish all projects punctually, creatively, and in a way that adheres to our high standards. We foster and value entrepreneurialism.

- **Accountability** denotes our climate of individual and corporate responsibility where we “inspect what we expect.” We develop procedures that ensure we do what we say in a quality way.
- **Good Communication** is important so that everyone knows what is going on within the company and with our customers.
- **Ethics** mean that we consistently do the morally right, honest thing in our internal and external dealings.
- **Teamwork** is needed so we are all headed in a common direction and work as one to maximize efficiency and effectiveness.
- **Openness** is our dedication to creating an environment where people can speak their minds honestly and express their thoughts without fear of retaliation. Sharing ideas, strategies, and constructive criticism is welcomed and encouraged.

Vision: Openness and staff input are very important to us in determining how we operate our company, so we are taking our time to make sure that our vision fully and accurately describes our “big picture” for the future. I will never forget President John F. Kennedy establishing his vision for the future in the 1960s, when he said, “We are going to the moon in ten years!” Look at all the “right stuff” that took place as a result of that dream!

In 2009, our companies developed our new vision, a dream about what we want to become over time. We know that planning this far into the future (the “big dream”) is a long shot and our plans could change greatly, but it helps to have a framework to guide us. Then, we are bringing that long-range vision down into a two-year plan. We have robust debate about this vision annually to allow significant input from everyone. We want everyone to say at the end, “That is my plan and I had a lot to say about what the dream will be. I want to be a part of it!” We will bring the two-year vision down into short-term, specific annual plans. As Bossidy told me, “Start out broad and end up as definitive as you can.” Remember that the vision is the big picture—the dream.

Mission: Our mission will be the vehicle that takes us forward. After reviewing hundreds of mission statements from other organizations, we had a strong idea of what ours would be for two of our companies. Our mission is to be the leader at helping schools, universities, large nonprofits, and communities in the southeastern US obtain and use grant resources effectively and efficiently to achieve their missions. This mission describes who we are/will be (the leader), our target audience (schools, universities, large nonprofits, and communities), our geographic area (southeastern US), and what we do (help our customers obtain and use grant resources efficiently to achieve their missions). Articulating our mission into a clear direction helps us identify who we want to be with some specificity over whom and where we serve. That way, we are focused, not chasing money all over the country.

Management plan: Each leader has created a management plan for his or her division or company. A management plan contains the essentials: goals, measurable objectives, budget targets, and tasks associated with each objective; who will lead each task; and the date to complete each task. Management plans help you focus on the specific steps you take to climb the mountain of success and pursue your mission and vision. In one of my conversations with Bossidy, he gave some wise advice: “Describe the plan before you develop the plan. Then add points of accountability along the way.”

How do I develop a strategic plan? First, you may want to search for “business strategic plans” and “business mission statements” on the Internet. There is a lot of research and information available online that can provide you with more details than I have in this chapter.

(Try the US Small Business Administration's^v site to start.) Also, seek a simple book on strategic planning that is easy to read and contains common sense information (some suggestions are at the end of this book). There is even computer software that will take you through the process. Your first step is to understand what strategic planning is all about. Remember: there are many different methods and definitions. Look beyond the terminology to find the strategic planning method that meets *your* organization's needs.

Before you write your business plan and begin your journey, assess your industry. Your competitors can teach you a lot if you study them, and it is surprising how much information they post on their websites. (We will cover competition analysis in another chapter of this book.) Next, go to the beach or the mountains (or wherever you love to go) and sit alone in a quiet place for several days to dream. My favorite place to do this is Hawaii. While there, think about where your business is going and how to get there (I suggest making an outline with notes). However, while you want to "think outside the box," keep it reality-focused. Bossidy told me, "There are many heroes out there who developed unrealistic and grandiose plans that failed!"

Then, arrange a getaway with your team in a relaxed environment to dream, debate, and conceptualize together. Build in some fun team-building activities and breaks so that you are mixing work and play. However, don't turn your dream into a nightmare by scheduling your planning around intense workload times. Figure out the times of the year when company workloads are most manageable and make your getaway during these periods. You don't want to bring people to plan for the future when they are drowning in their current work, or they will be frustrated, hostile, and inattentive. The leader must also send the clear message that strategic planning is very important and must be done. At the same time, you must be sensitive toward your staff when planning for the future. As Bossidy counseled me, "Don't rush this!"

When planning, remember that you have different types of employees in your organization. Their styles may include: creative dreamers, entrepreneurs, planners, highly organized (and disorganized) people, and those who can execute (tell them what to do and they will do it). Everyone plays a role in creating and executing the plan, but keep their differences in mind. I recommend that you take all your employees through an excellent three-day leadership course by Don Jenkins of Leaders Advantage,^{vi} who also consulted my companies on formulating their strategic plan. Don's training helped me and my employees understand who we are as leaders and individuals and how to work best with each other, which profoundly impacted our ability to map out our strategic plan.

Take time to educate staff about the importance of planning and what the various terms mean. Keep the training simple! I recommend writing your strategic plan on a high school reading level so that it is understandable and doable for everyone. Avoid using complicated jargon or acronyms that people outside of your organization (and even some insiders) won't understand. When you are writing your plan, take your audience into consideration. If you are trying to secure company funding, then the bank is your primary focus. If your employees will be reviewing it, then the plan may need to take a different approach. For example, your banker will want to see evidence of balance sheets, assets, income statements, budgets, cash flow predictions, customer contracts, etc. The banker's motive is to make a profit from the interest the bank charges the company and to make certain that the loan will be repaid. After all, his or her job is on the line! A 2011 plan I wrote for a bank loan was about three inches thick and had all sorts of attachments, but the employees only saw about 20 pages. Ideally, one basic plan should be developed for everyone, with different attachments included for different audiences.

Tim Berry of Entrepreneur.com recommends keeping your list of priorities short and simple. “A plan that stresses three or four main priorities is a plan with focus and power,” he says. Our organizations’ philosophy is to do fewer things really well versus a lot of things fairly well. You want your organization and employees focused on the core of your business: what you do best, what is the most profitable, and what you are passionate about (your “Hedgehog Concept,” described by Jim Collins in his bestseller *Good to Great*).

How far out should I plan? There is great debate about how far into the future a business should plan. Peter Drucker stated, “Even five years would be absurdly long.” Bossidy has said that when he led General Electric and Honeywell, they never planned more than three years out. Because some businesses are involved in volatile markets, planning even one year ahead can be tough! For example, ten years ago, who would have expected the recession we recently experienced? At our companies, we chose to develop a solid two-year plan with measurable targets but will dream beyond that. Our detailed budget forecast also takes us out two years.

Before you finalize your plan, mark it “DRAFT” and circulate it among all employees. Meet with them individually and in small groups to talk through the issues. Above all, LISTEN! If this is your first plan, seek others to critique your work and be open to debate and different opinions. The more input you solicit, the more choices you will have to select from. Although some business researchers say to “dream big,” be sure that the plan is attainable. Aim high, but be conservative on income projections and liberal when projecting expenses. My philosophy has always been to set high expectations but “under-promise and over-deliver” in everything we do. This includes how we plan for the future. However, I believe that you should be very realistic. If you are presenting the plan to a banker, you had better have all your i’s dotted and t’s crossed because they will tear your plan apart and challenge everything.

The plan could be as short as a few pages, but should not exceed 25 pages excluding appendices (according to Bossidy’s advice on length). I prefer to write the plan as a narrative with tables and graphs. Once you have debated and completed the plan, I would suggest that a technical writer go through it to tighten up the grammar and word flow. If you don’t know a technical writer, a local high school or college English teacher should be more than happy to review it for an hourly fee. You should be able to hand your plan to a person who has no knowledge of you or your business (or even the business world) and he or she should clearly understand the message (remember to write on a high school level!). The final plan should then be reviewed with staff and kept in the forefront of your company’s activities. In other words, don’t file it away! Review and update it often, inspect what you expect, be open to changes, and allow for flexibility. But for the most part, stick with the plan unless new information emerges that calls for changes. You don’t want a new plan coming out every week!

Next, assign the final plan to a highly organized, can-do, pleasant person who will monitor the outcomes and direction to ensure it gets done. I have been in too many meetings or around too many creative people who were filled with great ideas but could not implement them—all talk and no action. Great ideas poorly implemented are always just out of reach, like gold at the end of the rainbow. As futurist Joel Barker once said, “Vision without action is a dream. Action without vision is simply passing the time. Action with vision is making a positive difference!”

Should I bring in a strategic planning consultant? “CEO of the Century” Jack Welch once told me, “We don’t need consultants to tell us how to run a business!” Our companies seriously considered doing our strategic planning on our own. We asked, “Why do we need to pay a consultant when we can develop our strategic plan ourselves?” Of course, you *can* develop your own strategic plan, as I did until 2005. The key objective is to actually do one, no matter how it

comes about. But I am convinced that if you have the *right* independent consultant to guide you and your staff through the process, the outcomes will be much more accurate, your business will experience higher levels of success, and the plan will be better received and owned by the team.

I suggest that you bring in a wise and competent outsider, an experienced, independent strategic planner who will tactfully challenge you while standing outside your circle. This means that you will have to curb your ego as the leader and allow the facilitator to ask the tough questions about where staff members want to go. It also means that you will have to settle into the planning group as one of them and not try to dominate the outcomes. You will have to take your leader's (or owner's) hat off, and for the most part, keep quiet and listen! I believe you should participate, but only after others have shared their input. You want to develop a culture of robust debate where your people openly express their opinions, not surround yourself with a bunch of "yes people" who think only like you do. But in the end, you will have to make the final (and sometimes tough) decisions, since you cannot run a company like a democracy.

Our companies have used the services of two very different strategic planners. First, we consulted with Dr. Kenn Allen of Civil Society Consulting Group.^{vii} I thought I knew strategic planning fairly well, but this guy built excitement within our company, forced us to look at our real mission, did not mind giving us a swift but polite kick in the rear end, and (the bottom line) made us think about where we were going. He also pushed us to not come to conclusions before we had all the facts. He didn't tell us what to do; he just kept asking questions and guiding us. Even with my 30 years of business experience, I felt like a student under Kenn and would highly recommend him.

When we worked with Kenn in 2006, he helped us figure out our ultimate goals. After the initial excitement wore off and he left, however, the plan stalled—we simply failed to execute. We got distracted and planning became a lower priority. We knew our destination, but not the route to take to reach it. In 2008, we hired a second can-do consultant, Don Jenkins of Leaders' Advantage^{viii}. Don did an excellent job helping us move toward the targets we set with Kenn and added some new ideas. He kept us on track and encouraged us to set concrete goals and act on them in a timely manner. Most of our employees have gone through training with Don to better understand his or her leadership potential and how this fits into the strategic plan for our company.

However, in hindsight, I recommend that you utilize only one consultant throughout the process to keep things consistent. As you read through the literature on strategic planning, you will find many different approaches. You can even get hung up on definitions of terms instead of utilizing a simple process that fits your company. Some consultants are married to their own strategic planning catchphrases and philosophies and are unwilling to adapt to the company they are working with. Try to find a proven consultant who is a wise, flexible, and patient facilitator who can guide your group in a positive, friendly manner. Check references to make sure he or she will fit into your organization's culture. Above all, make sure that your team, not your consultant, drives your strategic planning process. In the end, the consultant will leave, and you and your employees will need to own and implement the roadmap yourselves. You do not want a beautifully bound strategic plan that sits unused on a shelf!

What if something doesn't go as planned? Were you wondering what happened on my trip to Italy? In spite of my careful planning, three consecutive flights from Columbia, SC, were delayed due to thunderstorms. We arrived late in Atlanta, GA, missing the connecting flight to Rome by only 30 minutes (even though I had built in four hours of leeway for flight delays). We were diverted to Spain on an alternate flight. The airline representative assured us that our

luggage would follow and that we could fly from Spain on Italian airlines. Once we landed in Spain, it was like a zoo. We couldn't find anyone who spoke English, airline toll-free numbers did not work overseas, and our luggage was lost. The trip of a lifetime turned into a trip from Hell! Getting tied up in Spain resulted in the entire trip being off by one day, making all my carefully planned hotel reservations behind or void. While I thought that I had planned for everything, Murphy's Law set in and what could go wrong went wrong! It was a "perfect storm" of mistakes.

When we arrived at our five-star hotel in Rome, we looked like the Beverly Hillbillies, and after two days without changing clothes, we also looked (and smelled) pretty ripe. Our blood pressure was off the charts after riding with an Italian taxi driver from the airport to the Hilton in the middle of nowhere. I will never forget the look on the concierge's face when she saw me and my bedraggled family. She said, "Let me run your credit card and we will get you registered." Her look said, "Are you sure you are at the right hotel? Is your credit card good?" Eventually, we settled into our rooms, found our luggage (several days later), and got our trip back on schedule. Remember that American Express luggage insurance that I saved \$80 by not buying? I would have paid \$5,000 to have my luggage arrive on time with me in Italy. Guess what I will be buying next time I go overseas. Lesson learned: expect the unexpected!

Strategic planning can be like my Italian vacation. You can lay out a perfectly detailed plan that is ambitious but realistic, only to have circumstances beyond your control derail you temporarily (or even permanently). But if you have planned well and are aware of your purpose, vision, values, and how you will apply them with your management plan, you will be able to get back on track. Things rarely happen exactly as we'd like them to, but if you have a solid strategic plan for your business, you'll be able to adapt quickly if something goes awry.

Remember... Poor planning is one of the top causes of business failure, and a good plan may be the difference between your business thriving, just getting by, or dying. Above all, when you develop your plan, remember my Italian experience and my entrepreneurial grandmother's advice: "Hope for the best, but prepare for the worst!" At the end of your strategic planning process, everyone should be able to say, with passion, clarity, ownership, and excitement, "I know where we are headed and how to get there! Let's go!"

Exceeding Customer Expectations

Revolve your world around the customer and more customers will revolve around you.

—Heather Williams

When you think of high-quality products and services, what companies come to mind? Chances are you think of at least one Japanese company, like Sony. Why would Americans sometimes prefer foreign-made products? The answer is simple: consistent high quality and superior customer service over many years. I will always remember buying our first Japanese car (a Toyota) for \$2,000 in 1973. It was the first car I ever owned where nothing went wrong, and I got more than 125,000 miles out of it before selling it.

One of the individuals I interviewed for this book owned both Japanese and American franchises. During the interview, he quipped that the Japanese automaker “treats me with respect. They listen to our concerns, have great customer service, and build fabulous products. They care about me! I can’t say that about the other one!” Anyone who watches the news knows the rest of the story—many American auto manufacturers have been through some serious troubles. (Even Toyota has stumbled.)

How did the Japanese create companies that are so successful and quality-driven? In part, the answer goes back to 1950, when W. Edwards Deming was invited to post-World War II Japan to teach managers his innovative new theory on quality. As part of his teachings, Deming encouraged companies to seek continuous improvement—an ongoing process of making things better. Often, continuous improvement requires a new approach to the way companies do things, which can be threatening to some. Others love change if it means the possibility of a better future. The job of the leader is to guide his or her staff through these changes in hopes of improving quality.

Deming’s ideas relied heavily on teamwork, continuous improvement, and collecting and utilizing information. At our companies, we make decisions based on facts and logic, although we sometimes follow our gut instincts in order to execute promptly. We also believe that several people working together toward a common purpose always produce superior products and services, so we assemble teams, give them broad goals, and turn them loose with the power and authority to make things happen. While we may set parameters and give input along the way, our teams thrive on challenges and on making operations more efficient and effective.

Most CEOs will tell you that their company exceeds customer expectations. Unfortunately, many of them are out of touch with their clients. In a Bain and Company study of 362 businesses, 80% of leaders and staff reported that they gave their customers a “superior experience.” However, only 8% of their customers told researchers that they had received superior services.^{ix} Notice the disconnect?

Sadly, today’s companies are cutting customer support, focusing solely on meeting short-term profit objectives, and forgetting about long-term client retention and satisfaction. This has led to poor customer service and, in some cases, punishment when consumers have had enough and take their business elsewhere. As Denove and Power (of J.D. Power and Associates, the customer satisfaction gurus) note in their book *Satisfaction*, “There is an intractable connection between high levels of customer satisfaction and increased shareholder value.”^x

At our family of companies, we define happy customers as those who receive what they want when they want it in an outstanding way. Yet, many businesses have unknowingly created what Denove and Power refer to as “assassins”—customers who make it their mission in life to

tell others how they were poorly treated or how a company has failed them.^{xi} They report that if businesses exceed customer expectations, they create “advocates”—clients who will passionately tell others how well they were served.^{xii} We believe that our customer advocates are our primary sales force and strive to live up to our motto, which is: “We are here to serve!” At Columbia Conference Center, 94% of our business is word-of-mouth and 98% of customers have rated us good to outstanding since 2003. Independent, confidential surveys reported that 100% of respondents would recommend our companies to others. Obtaining those high ratings took a lot of hard work and time, along with teamwork, going the extra mile, and producing excellent products and services for our clients.

We see exemplary customer service as an investment that will reap many dividends. “The ultimate goal,” as Allen, Reicheld, and Hamilton note, “is to shift ever more consumers into the high-profit, high-advocacy area.”^{xiii} However, consider how you have been treated by businesses recently. A few of my sad customer service stories are:

- When I call my airline to buy a ticket because all the flight options are not advertised online, I have to plug in number after number, listen to their specials and how great they are, and go through fifteen options. Then, I have to talk with a computer that does not recognize my voice and aggravates me by asking me if I want to complete a stupid survey! By the time I finally get a rep on the line, I am ready to kill someone! As a loyal, high-level, profitable customer, I wonder why they don’t just have an actual person who says, “Hello, how can I help you, Mr. DuBose?” when I call.
- I call my bank to renew a CD, only to get passed around to different departments where I have to tell multiple employees password after password and repeat my account number over and over before they will talk to me or answer simple questions. Some reps even made me call another 800 number and go through all the mess again instead of just forwarding me to the appropriate person. Why couldn’t one person have said, “I have your account in front of me and I will stay with you until you are connected to the right person” instead of treating me like an inconvenience?
- An auto repair shop repeatedly breaks their promises and lies to me about when my car will be done. I have to call them ten times just to get someone to tell me that (yet again) it’s not ready. Why can’t businesses just deliver what they say they will?
- I would rather have a root canal than call my cell phone customer service department. Their network is excellent, but their customer service is awful.
- I call my home long distance company, which has overcharged me by \$24, and the customer service rep spends 30 minutes and hundreds of dollars worth of their company’s time (and mine) trying to figure out how she can avoid returning the full amount to me. She tells me to call back the next day and see if the credit posted, then tries to sell me more services! I would have been impressed if she said, “I am sorry about this mistake and we will make it right with a full credit!”
- I place an order for a cheeseburger at a famous fast food drive-through but forget to ask for a cup of water. When I reach the second window to pick up my food, I ask the worker if I could have a small cup of water. She barks, “That’s against policy!” and says that I will have to return to the long line, order the water, pay 10 cents, and wait! The right response? “Sure!” How many clients have been lost because of the phrase “That is against policy?”

I could write a book on my bad customer experiences alone. I wonder sometimes if anyone actually listens to those customer service phone calls they say they are recording for training.

Unfortunately, I can count on one hand the times in the past year that I have said, “Wow! That was great service!”—and customer service as a whole is only getting worse!

Now, let me tell you about a very successful company that consistently exceeds customer expectations and integrates high quality into their culture. I have traveled a good bit of the world, logging in more than one million actual flight miles with Delta Airlines. As an entrepreneur, I am constantly observing customer service levels at businesses like hotels, car rental companies, restaurants, etc., wherever I go. The company that wins my (and AAA’s) five-star rating is the Four Seasons Resort in Maui at Wailea. I pay extra to stay there because they truly know the definition of customer satisfaction. When we arrive, we are greeted by the bellmen—whose big smiles make them seem excited that we are there—with flower leis and cold towels for our hands and faces. They begin pampering us immediately because they know that first impressions are important. The exemplary service continues at the reception desk, where the receptionists learn and remember our names throughout our stay. Everyone on the hotel campus smiles, greets us, and is truly friendly. You can tell it is heartfelt, not put on—great service is ingrained into their culture and the employees themselves. Our rooms are serviced by a team of housekeepers who have elevated it to an art. Even my dirty clothes are folded neatly! By the pool, more customer service artists are constantly patrolling and offering guests complimentary fresh Rice Krispie treats, popsicles, suntan lotion, and cold towels. They even offer to clean guests’ sunglasses! Every 15 minutes, staff members come by looking for ways to serve guests and promptly return with any requests. The hotel offers a variety of high-quality dining options, and the food is some of the freshest, most well-prepared I have ever eaten. My salad tasted as if it had been picked from a garden out back!

I interviewed Jana Dimartino, the resort’s catering and restaurant manager, as part of my research into what makes outstanding customer service. I could tell that Jana was a premier employee because she was actively engaging customers at each table and talking to them like family. Her actions said, “I’m glad you’re here; you are our partner.” She stated that her job was to teach staff to “wow” the customers and that their excellent customer service culture is created by the following:

1. They only recruit outstanding, humble, friendly staff. All candidates for employment are interviewed four times by different people, including the hotel’s general manager.
2. Their mindset is that they are there to serve and they go by the “Golden Rule,” treating others as they would like to be treated.
3. They hire people who will fit their culture. All employees care about each other and hold each other accountable for serving their customers.
4. Each new staff member goes through weeks of training before interacting with customers. Then, they are carefully monitored to ensure they are living up to Four Seasons’ standards.
5. Four Seasons provides staff with ongoing training on continuously improving customer service to keep them engaged.
6. According to Dimartino, staff turnover is low and people genuinely like working there.

When I visited the hotel for the fifth time, in November 2009, a server named Evelyn Vilorio noticed that I was using a natural sweetener. Without my knowledge, she asked the manager if she could go out and buy some for me since the hotel did not carry it! The next morning, with a smiling face, she served me the sweetener. My mouth literally fell open! Then, hotel staff called the Four Seasons on the Big Island of Hawaii before I visited them the next day to tell them about my sweetener preference. My impression of the experience? Wow! If every staff member

consistently delivers that kind of stellar customer service with every customer, a business will be successful.

It can be expensive to stay at the Maui Four Seasons, but I am now a loyal customer advocate who is willing to pay top dollar for the extraordinary services and products that they provide. A great customer service program, like the one the Maui Four Seasons has, consists of several components that must work together in unison. Let's examine how every business can apply these principles:

Define your customer: Many firms see a customer as a dollar bill walking through the door. These companies experience limited success because they are all over the place trying to serve anyone and everyone. They do a fair job at best, when they *should* be refining their focus to do fewer things really well for a smaller number of high-profit repeat clients. Focus on what you know the most about, are passionate about, and is the most profitable when defining your clients. Your strategic plan should detail exactly who these clients are, allowing you to market more efficiently and concentrate resources and energy more wisely.

Be your customer: One of the best ways to develop a good customer service program is to constantly place yourself and your staff in the customer's shoes. In meetings, we share personal customer service horror stories and positive experiences. We try to think like the customer when delivering our services to them and employ the "Golden Rule" in our interactions.

Determine your customer touch points: Potential, new, and existing customers come into contact with different points of your service delivery system at varying times. For example, one may speak to a receptionist, a customer service rep, a salesperson, or someone in billing. Each point of contact represents an opportunity to build rapport; communicate effectively; identify needs, wants, and concerns; deliver great customer service; and bond with the customer (especially for new or prospective clients who may not be familiar with your services and products). Many clients are desperately seeking organizations whose employees deliver outstanding service in a consistent, caring, considerate, and responsive way. Therefore, every employee must be a marketing and retention agent who adds to the organization's value and reputation (although, in my opinion, the person who initially engages the client is most important because first impressions are everything).

Study your competition: Stay a step ahead of competitors in pricing, quality, and quantity. Learn from them!

Establish a single point of contact: There is nothing worse than having to travel through a maze of bureaucracy for the answer to a simple question. In all of our companies, we assign one person to take the customer's calls and help them with all of their needs and concerns, rather than passing them from one person to another.

Create strategic alignment: Businesses need to have (and employees need to pursue) a goal beyond simply staying in business. They need a clear purpose, mission, vision, and values. Our employees need to know how products and services align with the strategic plan that they helped devise. Don't let profit be the sole force behind all your actions.

Hire the right staff: I have already talked about this, but it bears repeating—fitting the right staff into the right jobs helps yield great customer service results. We have passed on employing competent, experienced, and educated job candidates because they did not fit into our humble servant culture. Arrogant, know-it-all behavior generally makes for bad customer service!

Train staff thoroughly on your philosophies before exposing them to customers: A culture of exceeding customers' expectations begins at the top and is integrated throughout the company.

Everyone must hear loud and clear that their job is to keep customers happy, which takes consistent messages from leadership over time!

Set an example: Employees are influenced by leaders' behaviors, so it is important that leaders model excellent customer service. They should mingle with customers (as Sam Walton of Wal-Mart did) to gain a sense of how they are doing as a company, rather than relying solely on staff to tell them how things are going. Use every opportunity to talk to staff about delivering great customer service and be sure to occasionally consult customers through tools like surveys, visits, and focus groups.

Institute personal and professional development: Great organizations need outstanding employees who want to continuously evolve. Employee-driven professional development programs can build knowledge and teamwork while allowing staff to explore new quality-improvement approaches from a variety of different experts.

Define your culture: A later chapter describes our culture, who we are, and who we want to be. Our culture document helps existing employees know what is important in our companies and how to act. We also hold new employees up against it to see if they will "fit."

Develop a high-quality philosophy: At our companies, we send a clear, consistent signal that repeated mistakes, negativity, and mediocre work quality are unacceptable. Constantly challenge staff in a friendly way by asking, "Can we perform any service or serve customers better?" Customers will pay a premium for great service!

Grow your business carefully: One of the biggest killers of good customer service is overexpansion, which is often driven by the profit monster. If you grow exponentially, problem employees can slip through cracks in your screening as you attempt to get more people on board fast. When two of our companies expanded nationally, we saw customer service decline rapidly. We were consumed with too many ventures and could only focus on day-to-day activities. There was little time to lead, improve staff, or nurture our customers.

Follow a participatory management style: We subscribe to Total Quality Management (TQM), which draws upon the ideas of W. Edwards Deming. TQM encourages participatory management that solicits input from all employees within a business while focusing on superior quality goods and services.

Correct mistakes quickly: Empower staff to make it right with a customer if something goes wrong and it is the company's fault. If you screw up, admit your mistake to the customer; however, you can only apologize twice before it ceases to mean anything to him or her.

Promote quality inspections: Quality comes from creating processes that work and allowing few mistakes along the way. When mishaps and failures do occur, do not place blame or point fingers. We encourage our staff to bring mistakes out into the open so that everyone can learn how to perform better in the future. Our goal is to enlist everyone in dissecting and understanding the mistake and then creating processes to prevent it from reoccurring.

Build processes that result in long-term continual improvement: All staff should be engaged to reduce waste, improve quality, enhance efficiency, and strive for "reasonable perfection." If you can't make a profit, even stellar customer service is worthless!

Award business to vendors based on quality relationships: Great companies build superior products partially because they build long-term relationships with their vendors. Focus on quality when forming these relationships, not just monetary concerns.

Build an open environment: Team members need to feel comfortable challenging the status quo, making suggestions to improve quality, and helping guide the company to greatness. Fear cannot be part of a company's culture if it is to be great.

Know yourself—and others: Leaders and team members need to understand each other and accept that everyone has different strengths and weaknesses. When our team members stopped trying to fit others into their personal spheres of operation, they were less frustrated and worked closer as a team toward creating great services and products.

Stay human! When speaking with clients, rely more on live human time than electronic communications like e-mail, voice mail, and computer-generated screenings. Return customer calls promptly. Treat every customer as if they are your only client. They need to feel like you truly care about them!

Promote collaboration, teamwork, and communication between departments: Everyone needs to see the big picture when creating products or services. We continually generate ways that our teams can work together, communicate well, and build on each person's knowledge, experience, and skills. Help everyone understand that there are direct links between profits, customer satisfaction, and client retention.

Establish pride in workmanship: Most people want to do a good job. We try to remove boundaries and bureaucracies and give employees the resources they need to build their products well.

Provide good fringe benefits, recognition, salaries, and profit-sharing: Let your staff know you care about them. Happy employees are much more likely to deliver high-quality products and services, interact pleasantly with others, and strive to make customers happy. Staff will repeat behaviors for which they are most recognized and rewarded. It is simple Behavioral theory—people respond to positive reinforcement.

Emphasize “underpromising and overdelivering”: Employees must understand that it is better to say no to customers when they are unsure they can deliver than to promise what they can't provide. Sometimes, overzealous sales reps who only desire to make a commission may promise the world and then pass the customer on to others who can't deliver. Therefore, everyone in the organization needs to know the promises made to customers and ensure that they are realistic. Then, it is everyone's job to deliver beyond expectations. The goal is to make the client consistently say, “Wow! That was great!”

Stay in regular contact with customers: This strengthens your bond with them and allows you to identify and correct problems early on. We try to communicate with each client at least every 30 days and in a variety of ways (like visits, newsletters, e-mail, or telephone calls). Customers are most likely to express concerns when they have multiple ways to do so.

Listen: One of the greatest secrets to excellent customer service is to listen carefully to what the client wants and needs. Every staff member should do much less talking than the customer they are working with. Their job is to guide him or her, make suggestions, and build value based on his or her desires. If you are not blinded by the money fairy, troublesome clients will give you clues early on of what it will be like to work with them later! Learn to read body language so you can also hear even what they don't speak aloud.

Protect your staff: Some clients are demanding and will push employees to their limits. While staff must hang in there with merely bothersome clients, some customers can and will be abusive. Don't forget that your employees are your first customers and must not be mistreated. If a situation with an abusive customer (even a very profitable one) cannot be resolved gracefully by the employee or leaders, it may be time to disengage (making an effort not to offend the customer, of course).

Don't turn away customers: If you cannot serve them, suggest someone who can—even competitors. Give customers a reason to come back in the future or tell others about you.

Promote accountability: If the company does not satisfy the customer, a competitor will. Therefore, we have to constantly monitor customer feedback to ensure that we have delivered beyond their expectations. If anyone senses that a customer is less than satisfied, all communications should flow back to a single person who serves as point of contact with the customer. When we have delivered all of our services and are billing our customers, we include a simple, one-page evaluation form and a self-addressed stamped envelope. The client can return the survey directly to me through my private fax, send it via mail (which I personally open), or go online and complete an electronic version that comes directly to me and can be submitted anonymously. Thus, the client has a variety of ways to complain, comment, or compliment. The survey also lists the names of all staff at our Columbia Conference Center so we can pinpoint any problems with specific people. All feedback (unless the customer requests otherwise) is copied and distributed to all staff. No one wants to see a bad mark by their name, but they love outstanding comments, so the form works well as a guide and motivator! We also use it to discover customer concerns early on, respond quickly (once the facts are in), and coach staff to improve our services. Without these assessments right after a service, we would have lost some of our clients. Instead, we saw where we dropped the ball and resolved small problems before they became major concerns.

Celebrate: When our staff members contribute great products and customer-driven services, we recognize them and give out financial rewards. Let staff know when you feel they have excelled to show that you care about them and their successes. When your staff scores victories, celebrate!

Thank the customer: Be sure to express your gratitude to your customers in different ways. I once received a thank you note from Renee King, a jewelry salesperson at J.C. Penney in Greenville, SC, for buying a \$100 watch! Now *that* was going the extra mile for great customer service, and I was blown away by the gesture. I will not hesitate to drive 90 miles from my home to buy my next watch from her!

Deming once wrote about customer service: “The aim of leadership should be to improve the performance of man and machine, to improve quality, to increase output and simultaneously to bring pride of workmanship to people. Put in a negative way, the aim of leadership is not to find and record failures of men, but to remove the causes of failure: to help people do a better job with less effort.”^{xiv}

If you want to build a great company with outstanding products and customer service, you must build it around the customer with a comprehensive, holistic approach. Take care of them well beyond their expectations—after all, customers sign our paychecks and pay the bills. Without them, we are out of business!

Formulating Effective Marketing Strategies

*Our success is a direct result of knowing how to market a brand
and having the right people representing the brand.*

—Gregg Norman

Marketing is the process of informing customers about an organization's products or services. Great companies market to the right people at the ideal time for the lowest costs. You can have the best product or service in the world, but if you don't advertise correctly, you will not maximize your success! Your staff cannot just sit and wait for customers to come to them.

Marketing messages should entice consumers to try your products and services or—at the least—to contact your company or visit its website for more information. They should be professional, simple, error-free, friendly, easy to read, colorful, and appealing. "Today's consumer is so bombarded with information that you need to choose carefully what you say and how, when, and where you say it," notes Jan Norman in *What No One Ever Tells You about Starting Your Own Business*.^{xv}

Through all my companies' marketing efforts, we have learned that consumers may *need* something but not *want* it. Therefore, it is important to build marketing strategies for both *wants* and *needs*. Consumers must feel that you are giving them useful, worthwhile information and that, ultimately, a purchase will improve their lives or those of the people they serve.

Creating a company identity: Correct branding makes your marketing strategy. Your company's name, website, logo, and slogans are essential to visibility and should reflect credibility and professionalism. When I formed my first company (a computer retail business) in 1981, I wanted people to immediately associate the name with what we did. Thus, I named it "The Micro Shop." Over the years, I have given other companies names like Microcomputer Distributors, Computer Institute, Law Enforcement Training Center, The Telephone Shop, Computer Training Center, DuBose Web Group, Columbia Conference Center, DuBose Fitness Center, and The Evaluation Group. When you hear these names, you instantly have a fair idea of what the companies do.

You want to select a company name that is easy to remember, reflects the nature of the business, and (ideally) has a matching website address (e.g., www.goldsgym.com). The simpler the name, the higher the chances that customers will remember it for future use or provide it to others. Thus, use the fewest possible words. Some good examples include:

- Carolina Wings
- Waffle House
- Advanced Auto Parts
- T-Bones Restaurant
- Best Buy
- The Muffler Shop

You can advertise under a different name ("doing business as" or "dba") than your company's legal name. For example, one of our businesses is legally named The DuBose Group, LLC, but we created a division that does business as DuBose Web Group. You can register with the IRS and your Secretary of State under both company names to officially let them know of your intentions. Remember to advise your insurance agent about what you are doing so that all entities are covered against liabilities and threats. Also, let customers know your legal name when sending them contracts and billings so they use the correct name when issuing your business an IRS Form 1099. The IRS might investigate if the names don't match up, possibly annoying your customers with inquiry letters.

I recommend registering with your Secretary of State to obtain legal rights to your brand and slogans. This prevents competitors from using or stealing them, but only in the state where your service mark is registered. You can receive nationwide protection by applying to the US Patent and Trademark Office for a registered trademark. Be sure to note the copyright on all of your marketing materials (for example, “© Copyright 2013 Mike DuBose All Rights Reserved”).

Getting started: You can either develop your own marketing program with staff and consultants or employ a professional marketing firm. I have used both approaches, and we now develop our own in-house marketing programs. If you utilize a professional firm, let them interview you and your key staff for input, define your marketing budget, and allow them to design a plan for you. Outside marketing experts work with a lot of companies and may provide you with creative, out-of-the-box approaches and ideas for marketing your services or products. But remember that the plan should be a joint effort since you know your company’s customers and needs better than an outsider. Another option is to develop a plan, create your marketing pieces, and then let the experts critique your plans for an hourly or (preferably) set fee.

Be sure to take into account what the customer wants and needs and arrange your plans, efforts, messages, and resources into these core areas first. Many businesses experience dismal results because they try to sell their company first and their products or services second. The opposite should be true. When customers see that you produce consistently superior goods and services that they want and need, they will automatically be sold on your company!

Focusing on one thing at a time: Each item or service that your company produces may require a different marketing strategy. I recommend that you examine each one and build your marketing schemes one at a time, which will eventually result in a comprehensive, diversified master marketing program. The key is to develop a thorough written marketing plan that spells out exactly what actions you will take over a 12-month period as well as the costs, measureable outcomes, timelines, and the person responsible for each action item. Then, you must monitor the plan to be sure it is implemented correctly.

Defining your customer: Marketing strategies need to target three classes of customers: (1) existing, loyal customers who have engaged your company over time and recommend you to others; (2) new clients that have only used your company’s services for a brief time; and (3) potential customers. You want to determine the demand for what you sell, figure out who will buy it, and then market it the right way. According to John Jantsch, author of the small business blog Duct Tape Marketing, “when it comes to attracting your ideal customer you should be able to create a picture in your mind as you describe them.”^{xvi}

First, have a dialogue with your staff about which clients will most benefit from your company’s product or service. It is important to perform a profit analysis on every customer and on each product or service you sell. Stay focused on smaller numbers of highly profitable customers instead of many low-profit clients—in other words, focus on the big fish!

Once you have identified your customers, then identify the key decision-makers and secondary recipients (who may influence the decision-makers) within their organization. For example, one of our companies, Research Associates, writes government grants for school districts. We know the district superintendent will make the final decision on whether or not to contract with us, but the assistant superintendent of instruction, school principals, and experts within the district may be our first line of communication. These secondary decision-makers might be asked to review our company’s services or make recommendations to the superintendent.

Effective marketing programs should take both a top-down and a bottom-up approach with customers. Both the primary decision-makers and those lower in the hierarchy in your target area should be informed about your services. Making this happen takes a lot of planning, brainstorming, debate, and input from all of your staff, which can be fun! You should also solicit input from existing customers, marketing experts, publications, and various information sources that may yield a good bit of research. Then, play at marketing like a profitable game!

Creating a marketing budget: Once you have determined your target audience, decide how much you plan to spend on marketing. Success requires investment. Too many businesses fail or earn mediocre profits because decision-makers are unwilling to invest in a variety of targeted, high-quality, and carefully thought-out marketing programs. I recommend that your overall marketing budget begin at ten percent of gross revenues if your company is new (less than three years old) and five to seven percent for more established businesses. Even if the company has limited resources, marketing programs (when implemented correctly) should yield results many times greater than their initial cost. Unfortunately, many businesses reduce or eliminate marketing budgets in bad times when they should actually be increasing marketing investments to bring in more revenue. Others experience dismal results because their marketing plans are not based on logic, customer research, and facts.

If you implement your promotions correctly, secure business, and deliver stellar customer service, customer advocates will eventually become your greatest sales and marketing force, bringing you additional business through word of mouth. In fact, “a spontaneous word-of-mouth referral is the ultimate achievement” in marketing, according to George Colombo’s book *Killer Customer Care*.^{xvii} As customer endorsements grow, the need for formal advertising and marketing programs (and the related costs) will diminish. Our 94% return customer and referral rate took a great team ten years of consistently outstanding customer service to achieve. However, we know that although we are nearing the top of the mountain, we could easily slip to our deaths because of arrogance or complacency. To maintain our high ratings, we utilize concepts from the Deming Management Method, striving for reasonable perfection and continuous improvement within our businesses. We are forever asking, “Can we do anything better, more efficiently, or more profitably that will lead to higher customer satisfaction?”

Keeping in touch with customers: It is important to communicate regularly with both new and existing customers. Remember that it is easier to keep and nurture existing relationships than find new ones! We encourage team members to contact their existing clients at least every 30 days in a variety of ways. The old adage “out of sight, out of mind” should be remembered when keeping up with customers. Every month they do not hear from you, your influence declines—until eventually, they forget about you completely!

When customers are served by more than one division of a company, it is important that the departments work with each other to stagger contact. Too much communication at once can intimidate or aggravate clients. For example, my favorite airline’s divisions sometimes send me multiple uncoordinated e-mails on the same day. I delete most of them because it is irritating and my time is limited, and I have reached the point of telling them to take me off their lists. I feel as though they see me as a dollar bill, not a person. Types of communications can vary, but messages should be spread out over the year and all contact should be carefully scripted so the customer will say, “That was useful!”

At one of our companies, Columbia Conference Center, event managers conduct some of these low- or no-cost marketing activities:

- Personally calling customers about important news or simply to wish them well.

- Delivering freshly-baked cookies to clients twice per year.
- Sharing a quarterly e-mail newsletter with valuable articles, tips, humor, and shortcuts.
- Letting clients and the local media know about something positive the company has done (like starting a recycling program or giving substantial donations to charity) via public service announcements or press releases.
- Sending handwritten thank-you notes for using our services.
- Mailing a one-page, easy-to-complete assessment after a purchase that lets the customer know we value their opinions and strive to do our best.
- Giving small gifts as tokens of our appreciation.
- Responding to customer inquiries within 24 business hours.
- Having a real person answer phone calls.
- Delivering consistently exceptional customer service and not disappointing clients.

We have developed an effective marketing strategy with a written, structured 12-month plan where our staff members deliver well-timed, useful customer communications every 30 days. A customer may receive a newsletter in January, fresh-baked cookies delivered personally by an event manager in February, a small gift in March, an invitation to a party or luncheon in April, etc. Therefore, it is important to carefully monitor your marketing calendar. Every staff member should participate in designing and debating these marketing strategies, which builds ownership and enthusiasm. All this comes easily to our staff because they really care about our customers and view them as partners and friends versus just a money source. A long-term customer service vision is also vital. The drive and passion to provide exemplary customer service over the long haul must be ingrained into your work culture.

Marketing to potential customers is more complicated and varies based on the product or service being sold. For example, we employ a totally different marketing strategy to attract future brides for wedding receptions at Columbia Conference Center than we use to draw business decision-makers for corporate meetings. We vary the materials that each target group receives. For example, we may market to future brides with a formal ad in a wedding magazine, the general public with a large billboard along a busy interstate, or executives with an article written for a corporate-read magazine.

Choosing marketing avenues: All marketing programs need diversity so that different customers are approached in varied ways. Advertising methods include the following:

- **Yellow Pages:** Some of our companies have benefitted from advertising in phone books; others have not. Today's Yellow Pages are not just the large yellow telephone books found in hotels and private homes, but online listings as well (which will eventually replace the telephone books). If you determine that telephone book advertising is appropriate for your business, I recommend advertising only in AT&T's "The Real Yellow Pages." Be wary of calls from imitators who may try to imply that they are with The Real Yellow Pages. Also, ensure that your ad stands out and is written in simple but attractive marketing language. Obtain proofs of all ads to check for typos and grammar problems.
- **Newspapers:** Many people are predicting that newspapers as we know them will die within a decade. In spring 2010, *The New York Times* reported that daily newspaper circulation nationwide fell almost nine percent from the previous year.^{xviii} Advertising in newspapers is very expensive, but some vendors, like auto dealers, continue to utilize this method. One benefit of newspapers is that their ads can be torn out and saved by the

consumer. Otherwise, it is a one-time advertising hit that could find its way into the recycling bin pretty quickly.

- **Radio:** This advertising method relies on a specific station to yield the desired results from the target audience since few stations play for a wide variety of listeners. For example, I like songs from the 60s and 70s and only advertisements during peak commuting hours capture my attention. The disadvantage to radio is that you hear an ad but cannot readily save the information, as you are often driving a car. Therefore, unless you have a catchy and innovative slogan or a unique and memorable telephone number (like my plumber, Meetze Plumbing, whose number ends in -DRIP), you must place ads at different times of the day so consumers hear the message over and over. In addition, satellite radio stations like XM and Sirius are becoming very popular with listeners who tune in to hear their favorite songs without aggravating advertisements.
- **Magazines:** Advertising in this way can also be very expensive, but magazines tend to hang around longer than newspapers do, on peoples' coffee tables and businesses' reception areas. Examine any magazines you might want to advertise in, noting the types of ads that are listed. Try to make your ad stand out from competitors' ads with great-looking graphics and simple messages. Another way to gain recognition for yourself and your business is to write timely, informative magazine columns dealing with subjects that people (particularly, your potential clients) find useful or interesting. If you are well-known enough to get published, this low-key approach highlights your company without costing anything!
- **Billboards:** Large signs along highways or interstates can be viewed by thousands of motorists per day (of course, the more traffic along the road, the higher the rental costs). Billboards can be expensive and are a very popular advertising medium—our Columbia Conference Center had to wait for a year before securing one! (The sign turned out great-looking but only generated one new contract in a 12-month period.) Signs facing traffic flow on the right side of the road are usually twice as expensive as those facing traffic but located on the left. Billboard designs should include simple text, colorful images, and contact information for your business. Yellow (with black text) is the most popular background color because of its high visibility. Hire an experienced graphic designer to help create a sign that is both functional and visually pleasing. The best signs are the bright new LED digital billboards. There are no upfront development costs like with older signs and they can switch between multiple images, meaning that several customers can share a single sign at a lower cost.
- **Brochures:** Brochures come in a wide variety of sizes, colors, and styles. They should display information about your company, your services or products, contact information, and marketing points that will attract customers. The purpose is not to tell everything about your company, but rather to spark interest so people will contact you or visit your website. Brochures can be mailed to a targeted group, placed in homes or businesses, distributed in sales packets, and handed out to potential customers. They are particularly effective in that clients receive tangible information they can refer to or pass along to friends and colleagues. The more brochures you have printed, the cheaper the cost per unit. Have a technical writer check the text for errors, get input from a marketing expert on words and phrases to use for maximum impact, and hire a graphic designer to create an attention-grabbing, colorful layout.

- **Networking and alliance-building:** The saying “It’s who you know that gets you places” is very appropriate. Knowing decision-makers or their acquaintances can help you succeed. Therefore, another marketing strategy is to get involved with reputable, well-known businesses, charities or non-profits, chambers of commerce, and other organizations that can highlight your business to potential clients and the community. Striving to help your business grow while also making the world a better place is a “win-win” situation. Think carefully about where and how you can serve in leadership roles that offer both visibility and the ability to help others. Consider presenting helpful speeches to groups, but be careful not to appear that you are selling something to them.
- **Working with high-quality competitors:** In this extremely competitive economy, you need all the business you can get. We partner with high-quality competitors so that when we cannot serve a customer, we can refer them to a trusted alternative (and vice versa). The customer should receive excellent service from *someone*, even if it can’t be your company. Both customers and competitors will remember your helpful gesture, possibly resulting in return business.
- **The Internet:** This is quickly becoming the most cost-effective and widely used marketing outlet. Just look at the stock price of Internet powerhouse Google (around \$1,000 per share in late 2013). Millions of individuals use the Internet to search for products and services each day. In just minutes, consumers can find a variety of companies that sell the same product, compare their prices, and make a purchase. You can also read customer comments—positive and negative—about some companies and their products or services online. Possessing the right website is very important in marketing products and services. A professional-looking, well-functioning website adds credibility to a business, while a poorly constructed website can diminish its reputation. Creating an effective, attractive, and customer-friendly website that ranks highly in Internet search engine queries requires the right web design company and can be expensive. (This area is so important that I have included a separate technology chapter on creating successful websites and utilizing other Internet resources.)
- **Word-of-mouth and customer referrals:** It is the goal of every business to have existing customers spreading the word to others about your great company. In fact, some companies deliver such exceptional customer service that they do not even have to market in the traditional sense! As noted in my chapter on customer service, achieving this form of ultimate marketing takes years. It requires anyone within an organization who makes contact with a customer to act as a marketing agent. Therefore, it is necessary to work with everyone on staff, regardless of their positions, to emphasize their role in creating excellent customer interactions. This includes receptionists, custodians, sales representatives, staff who pass the customer in the hallways, customer support staff, billing agents, etc. Happy customers both generate new business by telling others of their experience with you and also return themselves. Remember that it is paramount that you resolve customer complaints and problems quickly. Even if the customer is wrong, try to make it right. Denove and Power of J.D. Power and Associates found that customer “assassins” were 50% more likely to tell people about their bad experiences than “advocates” were to share positive experiences.^{xix} Look for “win-win” situations with customers to prevent them from spreading negative stories to others about your business.
- **Reaching a human voice:** One of the most effective marketing strategies is to have a human, not a computer, answer your telephones. In our technologically advanced society,

it is rare for clients to speak to an actual person who can address their needs quickly with a friendly, caring, and customer-driven attitude. Instead, they often reach a computer or recording that forces them to listen to several sets of menu options before the reason for their call is resolved. Many times, clients go down a list of potential businesses and the first one that answers the phone and gives them what they want gets the deal!

- **Customer assessments:** One of the best marketing tools is to engage all your customers by asking them, “How did we do?” after a purchase. This lets them know that you value their opinions and feedback as a continually improving company. When things go wrong (and they will), you must reach out to dissatisfied customers and bring them back into the fold. To recognize unhappy customers, you must first ask them for the “brutal facts” on their experience with you through a timely assessment. Keep surveys simple and very brief (one page). Then, take whatever steps necessary to resolve conflicts to the customer’s satisfaction and prevent the problem from reoccurring.
- **Logos and slogans:** Create a catchy slogan to go along with your business. At our grant writing firm Research Associates, we coined the copyrighted phrase, “We turn dreams into reality.” DuBose Web Group uses the slogan, “We build more than websites—we build relationships!” It is a neat way to reflect what you do and believe in and helps customers remember you positively. It is also important to have a graphic designer help you create a great-looking, professional logo that is instantly recognizable. Who among us has not heard of “Just do it,” Nike’s famous logo and catchphrase? That checkmark and motto were simply strokes of genius.
- **Catchy telephone numbers:** Securing a unique telephone number is a simple tactic that helps customers remember your business easily. For example, one of our staff members had a direct line ending with 0123. A little humor: In 2007, I secured a telephone number for my home office ending in 9292. I thought that was pretty neat until people starting calling and asking me to play their favorite songs—apparently, I had the same last four digits as a local radio station! I changed my number so that it ended in 1010. It seems *that* number is very close to Pizza Hut’s, because beginning at 5 PM, my home office phone starts ringing off the hook with delivery orders! I give up!
- **Flyers and inserts:** Some organizations create advertising inserts that are placed into newspapers or magazines. (I am sure you have opened a magazine to have a marketing card fall out.) Others use flyers that are passed out to customers. Flyers can also be delivered by newspaper carriers or mailed via a bulk mailer to certain routes.
- **Postcards:** A popular strategy is to mail large, colorful postcards to targeted businesses or specific zip codes and postal carrier routes. They are inexpensive to print and you can use a professional mailing service to bulk mail them if you have more than 250 pieces. Of course, you are limited in the amount of information that you can include on the cards, so your message has to be brief. The key is to design colorful cards with appealing graphics and simple messages. Then, carefully study the zip codes or postal carrier routes where you want the cards delivered, sending them to areas where your customers are most likely to reside. Always mail advertisements on Mondays so your recipients will receive them mid-week. Bulk mailers prefer Friday, but if you allow this, your audience will receive them along with tons of other mail on Monday when they may not be in the best mood.
- **Incentive clubs:** Hotels and airlines often employ frequent user clubs to retain members. Individuals can sign up for little or no cost and then, as they use the company’s services, receive rewards, bonus offers, and preferred services like upgrades. For example, Four

Seasons Hotels and Resorts often sends out promotional offers to its existing customer base like “Stay for four nights, get the fifth night free.” Because I have built up frequent flier miles and hotel points with several clubs, I tend to stay loyal to certain hotels and airlines. Plus, clubs offer members special amenities, upgrades, customized services, and special telephone lines when they call for assistance. Even small businesses such as ice cream shops, restaurants, and bookstores offer these memberships, often using punch cards so that the customer gets a free item when he or she has bought a certain number. These clubs also give companies access to helpful marketing information like purchase history, e-mail and mailing addresses, and customer demographics.

- **Television:** This is an expensive way to advertise—especially during peak viewing times—but it is another tool in your marketing bag. Television advertising was once very popular because local areas had only a few channels, guaranteeing that you would at least reach some of your intended audience. Now, satellite and cable television offer hundreds of channels from which to choose, diminishing TV advertising’s marketing value.
- **Stationery:** All of your business materials should be printed on high-quality paper and should look classy, colorful, and pleasant. As with other printed materials, be sure to use a graphic designer, technical writer, and marketing professional to help construct business stationery items. It is a good idea to keep a file of marketing materials you receive as examples to draw on in the future. Our vendor, Gurney Adams of Professional Printers,^{xx} provided us with many samples to look through when we were constructing recent mailers.
- **Customer newsletters:** Customers like to feel special. By going the extra mile to relate to them, you show that you value their business. Businesses use newsletters to keep clients informed, but they are usually sales-focused or do not really share valuable information. Many are deleted or thrown away before they are even read. We like to send simple, quarterly newsletters that include personal and professional information with links to more details if clients desire them. For example, I may write a blurb on employing outstanding staff with a link to the full article on my personal website. My staff scours multiple publications for good information to pass along to customers through the newsletter. We also include brief details about important happenings at our business like employee volunteerism within the community. Send customers both electronic and hard copies in the beginning, then switch solely to e-mail for lower mailing and labor costs. Sometimes, we deliver a personal, signed one-page letter to customers by mail to stand out from the competition, which usually only communicates electronically.
- **Trade shows and conferences:** These are often attended by decision-makers who are encouraged to visit vendors’ booths. You will need a simple, professional-looking display that is colorful, graphically pleasing, and shows diversity. Register early to obtain a booth location with high foot traffic, and recruit your best talent to attend these shows.
- **Charity events:** Customers like companies that are socially and environmentally conscious (see my chapter on giving back to the community for more information). It is the right thing to do, and dedicating some company profits and employee work time to charity provides positive exposure for the business and helps it stand out amongst competitors. For example, you might allow charities to use your building for meetings, donate door prizes for fundraisers, mentor the less fortunate, or hold drives to collect

items for the homeless. Forming an employee community service committee is a great first step.

- **High-exposure events:** Think about activities that draw big crowds of people who fit your target audience's profile. Then, offer to cosponsor or assist with the event so your business name is displayed in the promotional literature and advertising.
- **Be an expert:** Many consultants and business leaders share advice through articles or blogs to engage their customers, who then seek more details from their websites or books.
- **Cold-calling:** This approach is least preferable and generally irritates people, especially when there is a sign visible on the front door that says "NO SOLICITING!" Your staff should be trained to stop these folks at the door because their pushy sales speeches can become distracting. I believe that cold-calling is outdated and a waste of time.
- **Others:** Since the recent economic downturn, businesses have come up with all sorts of innovative and creative advertising ideas. Some that I have observed include:
 - *Signs:* The best signs use flashy graphics to attract your attention, like the one I noticed along Interstate 20 that just said, "EAT!" in huge, plain letters. Great locations include the side of a building adjacent to a busy interstate.
 - *People holding signs:* Liberty Tax Services hires people to dress up like the Statue of Liberty and stand near heavily traveled intersections waving at passers-by. Other businesses attract interest with sign holders dressed up in other ways.
 - *Bumper stickers:* Businesses develop catchy or clever sayings that make people laugh and promote recognition when they see them on other cars in traffic.
 - *Refrigerator stickers:* Small magnets with businesses' contact information are given to customers, who often place them on prominent locations like the refrigerator.
 - *Flyers on cars:* Some businesses will design eye-catching flyers and place them on the windshields of parked cars in mall or other high-traffic parking lots.
 - *Handouts:* Friendly employees will give handouts to customers walking by in busy locations or in front of their business.
 - *Highway signs:* The Hilton Garden Inn in Irmo, SC scored a marketing coup at a busy Interstate 26 exit: a green SC Department of Transportation sign indicates their responsibility for cleaning up a portion of the interstate.
 - *Signs at intersections:* Some business owners buy cheap signs to post near busy intersections where many people must wait for lights to change.
 - *Yard signs:* Businesses like landscaping and remodeling firms will place signs in current customers' yards to let nearby residents know that they are working on the home of a trusted neighbor. Builders will also place large signs in front of homes or commercial buildings that are under construction.
 - *Flyers in mailboxes:* When a business is working on a house, they might pass out flyers around the neighborhood saying something like, "Ron's Landscaping is working on Mike and Debra DuBose's yard. Stop by, check out our work, and call us for a quote on your landscaping!"
 - *Auto ads:* Many businesses paint signs and contact information on company vehicles. Others pay to have their information featured on large trucks or buses.
 - *Wild specials:* The International House of Pancakes (IHOP) received lots of national recognition in 2009 for advertising a complete breakfast for one cent.

- *Sending a caring message:* Hyundai Motor America offered to take back their cars from anyone who lost their job within a year of buying one.

The list is endless, but the common objective is to stand out from competitors. You can develop unique strategies by:

- Brainstorming with staff.
- Riding around busy business districts and observing what others are doing.
- Reading magazines and newspapers, listening to radio, and watching television for ideas.
- Reviewing books and articles on marketing.
- Checking the Internet for marketing tips (there are hundreds of informative sites!).
- Reading the Yellow Pages for local and other metropolitan advertisements.
- Calling business owners located outside of your target area, which is a great way to learn from similar firms who do not compete against you.

Effective marketing plans are written, well-thought-out, and keep you out in front of existing customers and potential new clients alike. Your marketing materials should go to different groups at different times to avoid your message becoming stale. As Norman explains, “You must periodically re-evaluate your niche and adjust because customer needs and markets change.”^{xxi} Continuously thinking outside the box is necessary for successful marketing.

Reach out to all forms of media to secure research, marketing information, and pricing scales before making a decision. Let sales representatives educate you on what options are available, keeping in mind that they may manipulate their statistics to encourage sales. When you have chosen the medium in which you want to advertise, try it for at least three (preferably six) months to assess its effectiveness. Don’t expect to run a single ad and be inundated with telephone calls the next day. Some research suggests that a customer must be exposed to marketing efforts 7-10 times before they will inquire about your services.

Also, consult local sales representatives from printers and professional mailing services. These businesses work with all kinds of print media, and their staff can give you a free consultation on what is popular. Professional mailing services also have updated mailing lists that you can rent.

Assessing your marketing effectiveness: Carefully collect information from all customers who make purchases from your company. Most food stores monitor buying trends through the cards you use as part of their rewards programs, which track spending patterns and the geographical locations where their clients originate. If you think they aren’t tracking you, check the back of your receipt after your next grocery purchase—it often features a coupon on something you normally buy!

Center marketing efforts on those who are most likely to make a purchase, not every client that calls. Some advertisements generate inquiries (we call them “tire-kickers”) but no signed contracts or purchases. We did not realize the importance of measuring marketing effectiveness until the early 2000s, when one of our companies’ revenues began to decline. We had been sending out hundreds of thousands of brochures as part of a well-planned national marketing strategy. Everyone kept asking me how effective the campaign was (how many customers were making a purchase compared to the number of brochures mailed). My response was, “I don’t know, but we are making a lot of money, so it must be working!” The simple fact: I had no idea. Most business owners I have surveyed do not know their strategies’ effectiveness either.

After noticing the decline in business, I carefully studied our marketing tactics. I found that I had been spending \$10,000 each year to send thousands of brochures into one state...that had only generated \$700 in sales! I was stunned and knew that I had to do a better job of assessing

each marketing strategy for effectiveness. Assessments should be factual, not based on what we *think* is effective—but rather, what we *know* works.

I began asking every customer that called, “How did you first hear about us?” Then, we noted which of our advertisements tended to attract the most customers who actually signed contracts. We have been using this tactic at my companies ever since. As we gathered more and more answers, we learned that certain strategies we had been using were very effective and others had little or no value to us. Another significant finding was that the marketing strategy that generates the most telephone calls or website hits does not necessarily result in the most sales or signed contracts. Therefore, you must carefully limit your marketing budget to targeted approaches that result in customers and profits for your business.

At our companies, we test various new forms of marketing annually and then have a good dialogue at the end of the year about the results. We use the facts to prepare the next year’s marketing plan and its budget. Even if a certain strategy did not appear to work, you should still invest in a variety of media because of passive advertising. For example, a person may see your ad in a magazine and give it to a friend, who then makes a purchase from you but reports that they first learned about your business from a friend. In essence, however, it was the magazine ad that initially generated the interest. I recommend allocating 70% of your marketing budget to proven tactics and 30% for experimental passive advertising.

Great companies have well-planned, diversified marketing strategies that work. Marketing agents within these companies know that the marketplace is steadily evolving and what works today may fail tomorrow. You cannot sit back and wait for business to come to you! The key is to design great services and products, market them the right way, measure what works, and exceed customer expectations consistently. Then, you have a good chance of succeeding!

SECTION IV. CREATING EMPLOYEE HAPPINESS

Our Culture

A culture of discipline is not a principle of business; it is a principle of greatness.

—Jim Collins

Great companies have clearly defined, well-developed cultures that build success, employee happiness, and customer satisfaction. At our family of companies, we have created a culture that employees can proudly say reflects their ideals. We want everyone to look forward to work most days, feel like part of a caring family, and be involved in our companies' "big picture."

At the DuBose family of companies, our purpose is to create opportunities to improve lives, and that refers first and foremost to those of our team members. We strive to offer them opportunities for both personal and professional growth.

Our secondary focus is on our customers. Clients should see us as colleagues who consistently deliver on promises and never disappoint them. In order to keep their business and our jobs, we must go the extra mile to keep them very happy.

Our third emphasis is on our community. We want to help local charities and schools as an extension of our vision of making the world a better place. Therefore, we donate significant funds to non-profits, support staff volunteerism, recycle, and give of our time and resources when we can.

The mission of two of our companies is to be the leader at helping schools, universities, and large non-profits in the southeastern US obtain and use grant resources effectively and efficiently to achieve their missions. We realize this mission and purpose by:

1. Maintaining high-quality work standards;
2. Building long-term client relationships based on mutual trust and respect;
3. Serving customers with a high degree of reliability while consistently exceeding their expectations;
4. Adhering to high ethical standards;
5. Creating a caring and fun work culture that emphasizes optimism, trust, job security, teamwork, creativity, lifelong learning, and openness; and
6. Focusing mainly on profitable projects that engage our passion and knowledge, while using some time to experiment with new activities and services.

Because of the close connection between mission and culture, if we stay true to our three primary foci, as well as the six steps above, profits will come naturally.

Likewise, hiring decisions also affect (and are affected by) our culture. In an effort to build a great family of companies, we have chosen to hire and retain only good and outstanding people who fit into our culture. We do not want anyone to be part of our family who does not conform to our values, goals, and priorities, regardless of their education, titles, skills, or experience.

We look for the following assets (in no particular order) in potential team members:

Ethics: We want people who have good values and ethics, are honest, and will do the right thing even when no one is looking. Employees are encouraged to let leaders know if anyone in the company is doing anything that they believe is unethical, dishonest, or illegal.

Humility: We value humility and discourage attention-getting, arrogant, dominating, rude, know-it-all, or egotistical behavior. We want people who are modest and do not like to be the center of attention, but who boost the self-confidence of others when possible.

Niceness: It is important that everyone in the companies treats each other in a nice, respectful, and friendly manner. We like to see smiling faces, courteous behavior, and staff treating each other as they would like to be treated (following the Golden Rule).

Profit-mindedness: Getting rich is not our mission, but we need to make enough money on every project to keep our jobs, pay our bills, share in profits, and reinforce our future of building a great company. “Is it worth the effort?” should be asked of every project.

Openness and candor: We want employees to be able to express their opinions, ideas, concerns, and thoughts honestly and without fear (in a respectful and friendly way, of course). We encourage open-minded debate on all options, even if it conflicts with the leadership team’s opinion. Team members are encouraged to ask “what if?” statements and question possible outcomes (listing both pros and cons) in order to find the best answers.

Efficiency: We value and appreciate staff members who try to save even the smallest amounts of money. Staff should always try to find or negotiate lower prices (without jeopardizing quality). We are open to any ideas that will improve our efficiency, get things done faster, and improve the quality of the goods and services we produce.

Reliability: Trustworthy people are highly sought after by our companies. We want our staff to be honorable individuals who are careful about promises they make, especially to our customers. If we say it, we do it!

Professionalism: Employees are expected to respect clients and each other by: dressing properly; conducting civil meetings; addressing problems and issues quickly and politely; respecting all opinions (even if different from their own); being punctual and prepared for work and meetings; and refraining from starting rumors, backstabbing, or ostracizing others.

All staff members are expected to give the company roughly 40 hours of great work each week. We appreciate the dedication of those who occasionally must work more but caution them against going overboard. We want a happy, healthy staff, which means spending time with friends and family and getting enough sleep.

We request that all of our employees practice the following behaviors:

Exhibiting a positive attitude: Positive, can-do staff members are essential to a good work environment. They recognize, confront, and offer solutions for problems instead of whining and complaining. Employees should avoid gossip and negativity about peers, leaders, and customers, discussing any issues with their team leader instead.

Expanding knowledge: Everyone in our organization should strive to expand their personal and professional knowledge base.

Cherishing mistakes: Although each team member is expected to deliver exceptional results, we are all human and all make mistakes. We adhere to Total Quality Management (TQM), which means that we identify and dissect problems and their causes (not symptoms), determine how to solve them, and keep them from happening again.

Working with limited supervision: We want self-directed staff members who can determine what is needed to accomplish a project, clarify their goals, and execute with limited supervision. We do not like to micromanage and prefer that staff use the talents they have, only checking in with supervisors when questions or concerns arise.

Being open to constructive criticism: Wise, mature individuals are open to feedback. However, opinions and advice should be expressed in a respectful, friendly manner. If a leader talks to a team member about a problem or concern, both parties should see it as an opportunity for learning and improvement.

Confronting people and problems in a nice way: Employees who feel that someone has done something to hurt their feelings or cause a problem should go to the other person at a good time and share their concerns in a friendly way. In addition, all staff members are encouraged to say, if anyone tells them about a problem with another person, “Have you shared this with him (or her)?” Team leaders should be consulted only if the direct approach fails. The goal is to resolve conflicts as soon as possible, before they grow into major problems.

Communicating effectively: Multiple people working together always create better solutions than one. In conversations, staff should strive to listen at least as much as they talk. When difficult situations arise, a good strategy to avoid overreacting is to wait a day or two to respond.

Having face-to-face time with peers and customers is best, but e-mails are also valuable to document discussions about problems or sensitive issues. Discipline or criticism through email, however, is discouraged.

Respecting others’ opinions and beliefs: Everyone has different values, behaviors, political views, and religious beliefs. For companies to run smoothly, everyone should respect their differences and avoid entering into discussions on sensitive, private issues.

Facing the brutal facts: In *Good to Great*, Jim Collins points out that when building a great company, those within have to look into the mirror and face the hard, brutal facts. With this in mind, our team leaders and staff seek feedback and advice from unbiased people in and outside of the company.

Practicing good decision-making: It is important to weigh options in a timely manner and then promptly move forward. Although they are receptive to all ideas and views on an issue, the president and team leaders are ultimately responsible for company decisions. When debating, set a target date for making the decision, and once it has been made, everyone should rally behind it to ensure its success.

Being team-focused: Everyone must work as a close-knit team with common goals and desires. However, interactions and conversations that unnecessarily disrupt others’ work should be avoided.

Being customer-driven: Pledging to do more than they possibly can do is a characteristic of many companies that fail to achieve greatness. Therefore, staff should always “underpromise and overdeliver.” If a customer becomes too difficult or unreasonable to work with, team leaders should serve as impartial mediators (or may even intervene).

Finding “win-win” scenarios: Whether working with peers, customers, individuals, groups, or their team leaders, our employees are trained to seek “win-win” solutions. Of course, it is sometimes impossible to satisfy everyone, but it is a great target to aim for.

Maintaining high quality standards: Great companies generate outstanding products and services. We need to do the very best we can do in the least amount of time by utilizing our skills and others’ help. We encourage and often reward team members who generate ideas, money-saving tactics, profits, and new clients. Customers judge us by our work, so it must be error-free. We encourage peer review, but stop short of a hierarchy that would impede project completion.

Completing projects on a timely basis: Companies with execution environments get things done punctually and well. Our strategy is to note the steps to project completion, assign target dates, dispense responsibilities, and hold both process and people accountable. Target dates should be realistic and flexible, with a little extra time built in for unexpected issues.

Leaving personal problems at home: Our leadership team wants to know when employees are hurting, happy, or sad. Everyone experiences personal problems, and it can be helpful to talk about them with friends. However, they should not be anyone’s main focus during work hours.

In return for our staff adhering to these ideals, our companies and leaders pledge to:

Be fair: The leadership team strives to treat staff fairly and consistently, and anyone who feels like they are being discriminated against or treated unfairly is encouraged to speak to their team leader immediately.

Make clear what we expect: We convey our expectations through clear, mutually agreed-upon job descriptions and candid discussions between staff and team leaders. Ongoing feedback and coaching throughout the year mean that there are few surprises when annual formal performance assessments come around. Employees who don't receive regular feedback from their supervisors should make an appointment to talk about it and request more.

Have reasonable structure—without bureaucracy: All successful companies have rules, policies, and regulations that employees must follow. We have guidelines governing how staff should secure approval to proceed in certain situations. At the same time, we want to challenge and eliminate any rules that impede progress, add to bureaucracy, and slow projects or decisions. Suggestions from our team members play a major role in this.

Reduce stress: Stress is a normal part of everyone's personal and professional lives. A reasonable amount challenges us to set priorities, establish target dates, and produce high-quality work on time. However, prolonged high levels of stress can negatively affect health, creativity, relationships, productivity, peace, overall happiness, and even one's lifespan. Because our employees are important to us, one of our goals is to reduce stress whenever we can. For every project or commitment our companies consider, all staff and leaders should seriously ask themselves, "Is this activity worth the effort, profit, and stress it will bring?"

Most of our profits are reinvested back into the companies to provide staff with the resources to do their jobs effectively and efficiently (and under the least amount of stress). However, due to the unpredictable nature of our work, some may find themselves stressed beyond their limits at times. If this happens, they should speak to their team leader, who will find ways to help.

Allow employees to have personal lives: Good mental health also comes from taking some time off throughout the year. Nobody should work themselves to death for the sake of the company. Making a profit is important, but it is not our purpose or mission. Staff should limit the extra hours that they work (if possible) to focus on their personal lives. Balance, while difficult to achieve, is important to creating happy employees.

Have fun with each other and celebrate often: We encourage all of our staff to have fun, often at events led by our employee liaison committee (ELC). Everyone should strive to create joy in their work setting. That can mean eating lunch together, meeting after work for socials, sharing positive things from our personal lives, celebrating birthdays, and simply looking for opportunities to laugh.

Our work is important, but we value friendships and relationships, too, and our staff genuinely enjoys hearing about each other's personal and professional successes. Each month, we acknowledge and celebrate any employment anniversaries, birthdays, or important events that take place.

Encourage thinking outside the box: Most of employees' time and effort should be focused on the work outlined in their job descriptions; however, they are urged to share any ideas, strategies, or suggestions that can improve the way our companies do things with their team leader.

Help staff build their own futures: In the past, some of our team members felt that opportunities for advancement within the companies were limited. Now, we are willing to offer higher salaries or bonuses (depending on the responsibilities added) to employees who create a

plan for advancement with their team leader's input and approval. There are many variables, like company financial strength, that need to be considered, but there is a place for everyone who fits our culture and wants to stay with the companies over the long term.

Treat all employees like owners and company leaders: Our staff takes pride in what we do as individuals and as a corporation, especially because they are allowed a say in the companies' direction. Planning for the future is important, and senior team leaders work with staff to determine where we are going and how we will get there. To facilitate knowledge and maximize transparency, most of the details of the companies (like budgets and strategic plans) are shared with everyone.

Our family of companies is not perfect, nor are we mistake- or failure-free, and we don't pretend to be. To us, having the right culture is the critical factor in the success equation. As one of our unofficial mottos says, "Together, we are stronger, and together as one, we will triumph!"

Building Fun into the Workplace

A business has to be involving, it has to be fun, and it has to exercise your creative instincts.
—Richard Branson

In *Good to Great*, Jim Collins and his team found that great organizations usually contain happy employees who care about each other.ⁱ Many people within these companies had established close relationships with their peers and often socialized together during and after work. This helped them to function as a seamless team at the office.

In 2006, I began the journey to build a great, profitable, fun group of companies. Making money turned out to be the easy part. Keeping fun part of the formula was difficult, especially as the company reeled from employee layoffs, the effects of a sluggish bureaucracy, and a trust level between leadership and employees that was at an all-time low. I felt like the captain of a huge oil tanker that needed to make a radical change of course. It would be difficult, but necessary to avoid disaster.

I set out to prove that happy employees work harder, smarter, more effectively, and more efficiently than unhappy employees. Of course, this is not rocket science, but I hypothesized that in order to reach greatness, our organizations needed to be filled with happy employees who wanted to stay with the company for the long haul. As Adrian Gostick and Chester Elton, authors of the bestselling “Carrot” books, note: “The bottom line is that employees can build or pull down your market share. Engaged and satisfied employees trust your mission. They trust the services they are giving. They are ambassadors and advocates for your company. They produce results and can usually be trusted to create positive experiences for your customers.”ⁱⁱ

But how do you bring fun, profit, high quality standards, and extraordinary customer service together to form a company where employees look forward to coming in most days? While researching for her book *Happy for No Reason*, Marci Shimoff determined “you can’t just decide to be happy, any more than you can decide to be fit or to be a great piano virtuoso and expect instant mastery. You *can*, however, decide to take the necessary steps” to become happy.ⁱⁱⁱ Leaders and staff can’t just *decide* to be happy with their jobs—they must put forth the effort to create a happy, productive work environment that in turn leads to satisfied employees.

I had to dig deeper to determine how to build such a company. One of my findings was that you cannot simply pay your way into happiness with perks like higher salaries, great fringe benefits, and liberal leave. When we assessed employees in 2007, 75% of those who responded said that they did not plan to be with the company in five years! While good salaries and fringe benefits help, they don’t rank amongst the top items employees are seeking as motivation to stay with a company. In fact, Collins and his research team found “no systematic pattern linking executive compensation to the process of going from good to great.”^{iv}

So how do you build a great company with employees who are happy to work there? We are not perfect, but the following are some tips that we’ve found work very well:

Select the right employees: The more work you do up front, the better your chances of creating a base of happy, outstanding employees. As outlined in our chapter on employee hiring, you should not accept employees who are not very good or outstanding. Screen the daylights out of your applicant pool and if you can’t find the right person, go out and re-advertise the position until you do! Your selection process should be tough and should thoroughly examine all aspects of applicants’ backgrounds, including psychological, medical, credit history, writing, technology skills, and multiple interview screenings. While I cannot provide any scientific studies to back

this up, I have found that employees who took leadership roles and earned high grade point averages in high school or college tend to be better adjusted, happier employees who perform at higher levels. Collins stresses the importance of “getting the right people on the bus” in taking a company from “good to great.”^v

Fit employees into the right jobs: Once you’ve found the right person to join your company, look for positions within the organization where he or she will fit best. If one doesn’t work, try another that might suit him or her better.

Help the wrong employees find other jobs outside the company: When you make a hiring mistake, move quickly to terminate the employee (with care) and help them find another job. Unhappy employees can create toxic environments, as the saying “one rotten apple can ruin the bunch” implies! Make sure that employees leave immediately after being terminated.

Send a clear, positive signal: Leaders need to broadcast that negativity, whining, gossip, and hatefulness are not welcome in the organization. You want to illuminate the positivity beacon and reward employees who demonstrate can-do, problem-solving, and fun behaviors. Coach negative people to improve their behavior and consider termination if they fail to make changes.

Develop an employee liaison committee: Create a committee with representatives from all divisions to plan fun company-paid treats, such as:

- Meeting to celebrate birthdays at lunch
- Going bowling or to a sporting event as a group
- Having socials, potluck lunches, or informal pizza parties
- Bringing everyone together for a wine tasting and hors d’oeuvres (including non-alcoholic beverages)
- Periodically taking everyone out for a meal
- Hosting annual parties for all employees, relations, and friends with a band and lots of food and drink

Though employees enjoy receiving verbal rewards for their good work, it’s nice to occasionally express your appreciation through events like parties. Gostick and Elton say that “celebrations give you a hundred opportunities to thank everyone and communicate, ‘We’re in this together.’”^{vi}

Develop fun games: During some of our meetings, we play a game called “Secret.” One employee volunteers to be contest facilitator, comes up with a difficult riddle, and distributes clues one at a time. Players are put into different teams each time so they can get to know each other. The first two teams that successfully guess the answer win cash, which they split amongst their group. It is great to watch staff having fun, banding together, and enjoying their prizes!

Share the profits: If your organization does well financially, consider sharing part of the profits with employees. Instead of a structured system, give out gifts at unexpected times to bring smiles to your employees’ faces. Don’t give it all out at one time; rather, spread shared profits out over time so unexpected lumps of cash come to your team at different times of the year.

Create a balanced work environment: Be sure that workloads are balanced amongst employees and that staff members are not overwhelmed. Don’t kill them with too much work and long hours. Your expectations should focus on quality, not quantity.

Do wild stuff to show you appreciate your employees: In 2005, we paid for flights to Hawaii, hotel rooms, and convertible car rentals for our entire company, and in 2010, we visited Italy together! We all had a ball and many of us bonded closely. (If you do this, ensure that the entire group gets together several times during the trip.)

Develop an execution environment: Abolish unneeded rules and bureaucracy that frustrate employees and take away from fun. Focus on getting things done within your organization by emphasizing prompt decision-making and project completion. Instead of forcing them to communicate through a hierarchy, I encourage employees to bring questions and ideas directly to me or their team leader. I listen to staff members' concerns (like their desire to recycle at our offices) and act on them, showing that I value their opinions and input into how our companies work. I also speak honestly to them about things going on in the company and my life.

Allow employees to blossom: Give employees as much control over their jobs as possible, including power to help run the company through involvement in committees. We recently created a community service committee that plans volunteer activities for staff during work hours (if their work is done and the absence is approved by their supervisor). As Arthur C. Brooks notes in *Gross National Happiness*, "People who give charitably are happier than people who don't."^{vii} Our employees have held several canned food drives with neighboring businesses that gleaned hundreds of pounds of food for a local food bank. The experience also generated lots of fun and teamwork! Volunteering reaffirms our companies' purpose of improving the lives of people in our community. Staff members love being part of a bigger picture.

Give liberal fringe benefits, salaries, and leave: Employees need to be cared for with good salaries, excellent fringe benefits, and substantial time off. During the Great Recession, as many companies cut benefits to improve their bottom lines, we chose to maintain ours. Happy employees need enough money to pay their bills with some left for savings and fun, strong benefits that pay for most medical expenses (or address major medical problems), and good leave time to spend with their friends and families. When I meet with leaders from other organizations and tell them about our liberal benefits, they almost fall out of their chairs!

Management should loosen up! While it is important to have some basic rules and structure for accountability, fun begins with the leader and radiates out. We play jokes on each other, laugh when possible, and enjoy each other's company.

Make an effort to understand each other: One of the best leadership trainings I have taken was with Don Jenkins of Leaders Advantage. All of our employees took online psychological and performance profiles as part of the three-day training, and the results were explained through colors indicating different leadership styles and personality types. The process was a lot of fun and helped everyone realize that we are all unique, react differently to situations, and process information differently. Staff members quit expecting others to think like they did and learned that some people like to be approached differently based on their profiles.

Encourage professional development: In August 2008, I tied some of our profit sharing to professional development in an effort to build a happier environment. I read Shimoff's excellent book *Happy for No Reason*, which carefully examines the concept of happiness from many different perspectives. I realized that her book would help our employees carefully examine their happiness, so I tied it to a monetary reward for reading and meeting with predetermined groups to discuss it (see the following chapter, *Living and Learning*, for more details).

Improve job security: Shimoff says that fear, which causes energy to "contract," can be one of the greatest barriers to happiness.^{viii} This idea was echoed in my communications with staff, who were afraid about losing *their* jobs after we were forced to make layoffs in 2006. Since then, we have committed to set aside savings to enhance job security, which makes staff feel safer (and thus happier) in their jobs. We also watch our budget like hawks to ensure there are no more surprises like the one in 2006!

Enact a casual dress policy: I believe that a casual dress policy saves money on dry cleaning, boosts productivity, and creates an informal environment that generates fun. Profitable companies like Apple and Microsoft have allowed casual dress instead of making employees wear stuffy, formal business attire. Having the freedom to wear casual (but still professional-looking) clothing to work contributes to employees' comfort and happiness.

Maintain a good physical office environment: At our corporate headquarters, most employees have individual thermostats to allow them to control the temperature in their large offices. We built systems into the building that extract stale air and replace it with outside air to promote health, and we use only environmentally safe poisons like boric acid to rid the office of pests and insects.

Provide employees with the latest technology: We give staff what they need to perform their jobs efficiently and effectively, including the latest computers and software so they are not frustrated with outdated technology.

Be thankful and nice: We have tried to institute a habit of being nice in our companies. A couple of years ago, I wanted to consistently express my appreciation for anything employees did to help me and the companies. I began signing most of my e-mails, "Thanks, Mike." Yes, this took some extra effort, but I noticed that it started to spread to many others within our organization. Nice little things like expressing appreciation for each other add up to make the workplace (and employees) happier in the long run. For example, smiles are contagious! And as Ken Blanchard and Spencer Johnson recommended in *The One Minute Manager*, "catch people doing something *right*,"^{ix} say thanks, and recognize their good work.

Respect others' beliefs: Recently, we took an anonymous survey to determine the political makeup of people in our organization. The responses showed that our office was split fairly evenly amongst conservatives, moderates, and liberals. Our staff members also have a variety of religious beliefs. In an environment like this, it is important to maintain neutrality on political, religious, and other sensitive issues to avoid making anyone uncomfortable or unhappy at work. Though we apply many Christian principles to our companies (like giving to charity and closing our conference center on Sundays so that people can worship and have a day of rest), we do not force religion on anyone; rather, we encourage everyone to treat one another with respect and kindness, which are not limited to a particular denomination. Regardless of your religion, there is an excellent Bible verse that, if instituted more often in family situations, the workplace, and the world, would allow everything to work much more effectively and efficiently. Galatians 5:22-23 says, "But the fruit of the Spirit is love, joy, peace, longsuffering, kindness, goodness, faithfulness, meekness, self-control..."^x

To create a great organization filled with happy employees takes everyone working together to make it so. This takes time and is not easy, but it is definitely doable—and certainly worth it. We're not there yet, but we are headed in the right (fun) direction!

Living and Learning

Live as if you were to die tomorrow. Learn as if you were to live forever.
—Mahatma Gandhi

When I turned 50 years old, I paused to think about my future and where I wanted to take our family of companies. I wanted to build on the past, consider the present, and plan future adventures. Despite all of the things I had done—some failures; others, great successes—I yearned for something else that I could not explain. Finally, I identified the missing link: knowledge! Until then, though I was an active magazine and newspaper reader, I could count on one hand the number of books that I had completed since finishing college in 1971.

I read an article in *USA Today* about a bestseller by Jim Collins called *Good to Great* and decided to buy it. When I first read the book, I was taken aback by Collins' assertion that "good is the enemy of great."^{xi} I thought to myself, "What is wrong with having a good company? There are thousands of good companies in America!" When I read the book a second time, I realized that in order to build a profitable company with happy employees, satisfy customers, and survive (or better yet, prosper) in the long haul, we needed to take our companies to the next level. I had all of my managers read the book and we held lively discussions and debates. I read *Good to Great* three more times and in 2006, I set the goal of building a family of great companies.

I then moved on to other bestsellers like *Execution* by Larry Bossidy. The more I read, the more excited and passionate I became about the great knowledge that could be absorbed from others' tips, advice, and experience. I began constructing a checklist of what was needed to build a great company. I have since read more than 100 bestsellers (some of which can be found in the suggested reading list at the end of this book). I used to hate reading books, but now I look forward to gleaning the knowledge that others have to offer. However, there is no one book that has all the answers. It seems that every author has only a piece of the roadmap to greatness. Even *Good to Great* does not outline specific steps to build a great company, only the common denominators Collins' team found amongst great organizations. I have attempted to guide my readers toward the various components needed to build a great company, but I know that every outstanding company takes a different route to becoming great! However, the ideas in this chapter are one part of solving the puzzle.

I knew that part of the journey toward becoming great (and I say that humbly) would be helping each employee reach his or her full potential. In the past, we had tried all sorts of professional development, trainings, and workshops to help team members expand their knowledge, with lackluster results. We needed to take a new approach that would energize employees to improve their personal and professional lives. As Peter Drucker once said, "We now accept the fact that learning is a lifelong process of keeping abreast of change. And the most pressing task is to teach people how to learn." We set out to do just that—to guide our staff toward relevant information that would benefit them and the companies.

We created a new, one-of-a-kind program that has proven to be very successful. Though we gave our employees significant financial gifts and salary increases, we also began offering them a professional and personal development program that tied financial incentives to their efforts. I have not yet heard or read about other companies implementing anything similar, but participation at our companies has been excellent and we have gotten a lot of positive feedback on the program.

Most of our employees expressed interest in making more money and expanding their skills if we offered a structured plan. Though we laid the program's foundation, I also allowed our teams to drive part of it. Our goals were to follow our company's purpose by "creating opportunities to improve lives" as follows:

1. Expanding knowledge and skills with rewards
2. Building excitement and passion
3. Helping everyone understand themselves and others as individuals
4. Improving communication, teamwork, efficiency, and collaboration
5. Creating situations where everyone got to know each other on a personal level
6. Generating respect for each other by realizing that everyone has different strengths and weaknesses
7. Enhancing employee happiness
8. Increasing customer satisfaction
9. Decreasing stress

This program is called the *Live and Learn Club* and was named by Dr. Joel Philp, a member of The Evaluation Group, which is one of our companies. Participation is purely voluntary, but significant cash rewards for each activity have proved enticing for most of our employees. We solicited input from the staff on how to operate the program and which books to read, then came up with a list of 14 easy-to-read and understand bestsellers. The list includes enough personal and professional development books for a 15-month period. Committee members prescreened each to ensure that they conformed to our goals. The books include:

1. *Happy for No Reason* by Marci Shimoff
2. *Execution The Discipline of Getting Things Done* by Larry Bossidy and Ram Charan
3. *The Power of Nice* by Linda Kaplan Thaler and Robin Kovall
4. *Good to Great* by Jim Collins
5. *Who Moved My Cheese?* by Spencer Johnson
6. *Blink* by Malcolm Gladwell
7. *Lessons in Loyalty* by Lorraine Grubbs-West
8. *Tuesdays with Morrie* by Mitch Ablom
9. *One Minute Manager* by Ken Blanchard and Spencer Johnson
10. *Predictably Irrational* by Dan Ariely
11. *Monday Morning Leadership* by David Cottrell
12. *What Got You Here Won't Get You There* by Marshall Goldsmith
13. *How Starbucks Saved My Life* by Michael Gates Gill

Interested staff members are given each book at no cost and can choose to be a part of the program on a month-to-month basis (i.e. participating one month and not being involved the next due to heavy workloads or lack of interest in a certain book). Everyone is given the list of the books we plan to read in the future, along with the author's website and book reviews, in order to make an informed decision on whether or not they want to study each book.

Team members read the book on their own time and then meet in small groups to discuss it during work hours. The groups' member composition rotates each month so that individuals get to meet and interact with new members of the company (one of our goals). Kouzes and Posner note the importance of having staff from different divisions meet in person with each other, saying, "Handy as virtual tools are for staying in touch, they are no substitute for positive face-to-face interactions."^{xii} Getting to talk with coworkers they don't normally see also boosts fun and excitement for our staff. Instead of simply reading a book they find boring and then setting it

on a bookshelf to gather dust, our staff has a lot of fun bonding and joking with each other as they discuss how the book's ideas fit with our companies' philosophies and goals.

At the end of the year, each person will have participated in a group with every employee from two of our companies. Each group meets one to three times over a four to six week period, depending on the complexity and length of the book being reviewed.

At the group meetings, teams discuss, debate, and share knowledge they obtained from each book. Each meeting is led by a randomly selected facilitator (to provide leadership opportunities to everyone), and every person will have served as a group leader by the end of the year. Upon completion of each book, the group develops a summary of its main points and turns the overview in for a reward averaging \$300 per person for each book. Staff members then individually write a one-page reflection about what they learned and how they can apply it to their personal and professional lives. These documents are stored in an employee's private file—like a personal, confidential diary. People who participate in every meeting (if the budget allows for the program to continue) can earn up to \$3,000 extra annually. During difficult times, we have had to put the program on hold, but we always plan to revisit it when we have more available cash.

Of course, every company cannot afford this type of personal and professional development program. The rewards can be adjusted if needed to fit tighter budgets. As the owner, I could have opted to take the profits for myself, but I view this program as an investment in the future of the company and our staff. If we help each employee grow and learn, we help our company provide outstanding services to our clients, who in turn will recommend our services to others. I also want to see people grow as individuals, which is why we include personal development books as well as professional.

Since we started the *Live and Learn Club*, we have seen nearly 100% staff participation for each book! For the first time, we have implemented a structured development program with high staff excitement. The neat thing is that instead of me lecturing them about the principles of books like *Good to Great*, they are being rewarded for voluntarily learning and debating each book on their own. In fact, our staff held a discussion about *Good to Great* at a companywide meeting that fueled strategic-thinking sessions for future planning. This program has become a knowledge foundation as we design our future strategic plan and leads staff to ask all sorts of thoughtful, informed questions. In fact, Kouzes and Posner note that their research suggests that “a learning climate, characterized by trust and openness, is a critical precursor for any successful organizational change efforts.”^{xiii}

Staff Feedback: Of course, the *Live and Learn Club* is still young and unproven. But there is strong evidence that the program will be very successful, especially in the future as we continue to refine the project. The best proof of the impact the program has had on our companies lies in the words and opinions of the staff members themselves. We asked team members to provide us with some candid, voluntary feedback on how the program was going thus far. Here are some of their comments:

“The Live and Learn Club has definitely helped me grow outside of my division and enables me to better serve other divisions. When reading personal development books, I learn more about how to better interact with others even though we don't share the same interests or have the same personalities. Overall, I think the club has been such a positive experience for me and forces me to read books outside of the fiction arena.”—Lori Hammond

“The Live and Learn Club is a simple professional development tool that almost everyone can use. A few one-hour meetings are easier to fit into a schedule than, say, a two-day conference or training. You read on your own time, when you can, and the group schedules a meeting time that is good for everyone. This kind of flexibility is key and makes me more likely to want to participate. The program offers great incentives for me to be doing what I probably should be doing anyway, which is great because it gives me that extra motivation to do it!”—Katie Beck

“The Live and Learn book club is a unique way to foster personal and professional growth among employees. In addition to reading interesting business and self-improvement books, it is a great opportunity to get to know our team members on a new, more personal level. By alternating the facilitator each time, our team is able to share in the leadership responsibility, which is a new and exciting role for some people. Overall, it brings us closer together as a team and builds a company culture of continual learning and growth.”—Stephanie Marshall

Our companies have a long way to go before they reach greatness. However, tools like our *Live and Learn Club* help to develop current and future leaders and staff within the companies, ensuring success in the long term. Staff members gain motivation to learn, new abilities, and financial incentives, while our companies enjoy better staff communication and more knowledgeable employees. This program is an investment in the future that we can't afford *not* to make, for learning is a treasure that follows us everywhere!

Giving Back to the Community

*Let us all take more responsibility, not only for ourselves and our families,
but for our communities and our country.*

—Bill Clinton

Most companies are like mine was in earlier years: driven by greed and a desire to maximize profit. Charity work was not at the top of our list of priorities. If we did give to charity, my first thought was, “How will this help the bottom line? How will my donation generate marketing exposure?”

When I met Jack Welch in 2008, he noted that business owners must first focus on “winning,” meaning that they must reach profitability before they can start thinking about their companies’ social responsibilities. I agree with him in the sense that without profit and a sturdy infrastructure, you cannot give. However, bringing charitable giving into a business culture goes a long way toward building a great company. Sometimes, these programs can even be implemented at minimal cost. But why should great companies build giving cultures?

First, it is the right thing to do. There is a Biblical saying that “you reap what you sow.” Regardless of your particular beliefs, giving back is good for you spiritually. One of my goals in life is to leave this world a better place than it was when I found it. If everyone (and every business) did a little charity work each year, think about what an impact it could make to our companies, communities, employees, and the world.

Second, corporate social responsibility attracts and retains employees. People like to work for companies with a purpose beyond just making money. They want to feel good about their jobs and their employer. People are proud to be part of a “bigger picture.”

Third, it makes business sense. Sharing profits with the community gives the company a reputation as a good neighbor. It adds to the bottom line by increasing exposure to new customers and making existing customers proud of their choice. Think about it: of two similar companies, one of which invests some resources into serving the community and another which does little or nothing, where would you spend your money? In a sense, people use their dollars to “vote” for the companies that are most aligned with their ideals and values.

Consumers are also very aware of which companies make an effort to be environmentally responsible. As technological advances allow increased awareness of suffering in local communities and around the world, more consumers are demanding that companies be socially responsible. Images of polar bears stranded on melting ice caps and the high price of fuel have sparked greater awareness of global warming. People and organizations around the world must start acting with more care to save the planet before time runs out.

Corporate America is taking the hint. News outlets routinely run stories on “being green,” and simply searching for the words “green business” online brings up pages upon pages of websites dedicated to helping businesses become more environmentally friendly. Environmental responsibility is so popular that companies have sprung up that “greenify” *other* businesses! Even the US government offers tips.^{xiv} The message is this: if you treasure your customers, you had better be “green,” or they may go to a competitor who is!

One company that has set the standard for corporate philanthropy is Whole Foods Market, Inc., headquartered in Austin, TX. “Caring about our communities and environment,” is one of the company’s core values, and it is manifested in their charitable giving and volunteerism in their communities and around the world.

Whole Foods takes several approaches. Stores give food to food banks and shelters, which distribute it to the needy. The company makes monetary donations as well, pledging 5% of its net profits each year to nonprofit groups, though their website estimates that they end up giving significantly more.^{xv} Also, several times each year, Whole Foods stores have “5% days,” where they donate 5% of the day’s sales to charities or educational organizations. To make a difference on an international level, Whole Foods offers micro-loans to poor areas around the world through the Whole Planet Foundation.^{xvi} Team members even give out of their own paychecks to help support the cause. In addition to food and cash donations, Whole Foods supports community improvement by promoting employee volunteerism; Whole Foods employees are not only encouraged to perform 20 hours of community service each year, but are paid for it!^{xvii}

Our family of companies did not base our volunteer program or corporate giving on Whole Foods’ model, but we recognize that being a great company is about not only improving the way you do things as a business, but the way in which you affect your community and the world. The more successful your company, the more you will be able to give back to the community.

Although our community service committee is driven by a genuine desire to help others, the recognition we have gained through our efforts has made potential customers more aware of our services and ideals. If people in our area know that we have, for example, donated to their child’s high school, they may be more likely to support us with their business in the future. As Jacques Riley of Riley Communications notes, “As more and more companies jockey for media attention, the winners are often those who have demonstrated a long-term commitment to the community.”^{xviii} With benefits like these, becoming more environmentally and socially responsible is worth the costs of creating volunteer and recycling programs.

Getting started: It is important that every company have a purpose beyond simply earning profits. Two of our companies’ purpose, “to create opportunities to improve lives,” is manifested in our core business of writing and evaluating grants for school districts and large nonprofits in the southeast. Our efforts have generated more than \$500 million in grant funds toward causes like afterschool programs for the less fortunate.

At our companies, we began a community service committee that allows employees to volunteer during work time. It was important to us that staff take control of the committee so they could feel as if they are helping to drive the company’s charity efforts. In turn, this makes staff more invested in the company and its success. As Joseph Michelli notes in *The Starbucks Experience*, “When leaders encourage involvement and the sharing of ideas that affect both the business and the community, the staff is given opportunities to be more engaged and effective.”^{xix}

After interested staff members formed the committee, members came up with a confidential, anonymous survey to send out to the remaining staff members. The questions it asked included:

- What is your level of interest in this program?
- What type (national or local) of charity/service organization are you interested in being involved with?
- Do you have any ideas of how we can give back to our community?
- Which local organizations would you like to work with?
- What are three types of volunteer opportunities that you would most like to participate in (working with children, visiting the elderly, dealing with the environment, etc.)
- What do you think is the best time for a companywide charitable event?

The committee used the results to center their efforts in areas where staff reported the most interest: working with animals, the homeless, and children. Our companies have locations in both

Atlanta, GA, and Columbia, SC, so committee members based in each city chose to work with local charities that aligned with staff interests.

Program guidelines: Participation in our companies' community service program is strictly voluntary. As long as employees don't spend an unreasonable amount of time volunteering and can easily manage their workloads, our companies are flexible about how often they may volunteer.

Ways to help: Your employees each have unique skills that can benefit local charities in different ways. You may have an administrative assistant who could help file paperwork for a non-profit, a receptionist who could make fundraising calls for an animal shelter, or a kind and talkative sales rep who could socialize with nursing home residents. Likewise, you may also be able to draw on your employees' hidden talents or encourage them to develop skills they didn't even know they had through their volunteer roles.

If you choose to develop a community service committee in your company, it should offer a variety of opportunities for employees to contribute to local organizations in need. People like to volunteer in different ways. Some of our employees commit to long-term projects like mentoring at-risk children, while others prefer one-time day-long opportunities, like picking up trash and debris along the shores of a local river one Saturday. Even those who are pressed for time can contribute to clothing drives for homeless shelters or canned food drives for food banks, both of which our companies have held. Other volunteer opportunities our staff have enjoyed include:

- Bagging and giving out pet food at a food bank to indigent pet owners
- Participating in a hunger walk to raise money for a food bank
- Visiting an animal rescue group's shelter to play ball with dogs and help clean up the building
- Getting a group together to paint murals as part of the Martin Luther King, Jr. Day of Service
- Collecting items to send to military personnel stationed overseas

Not everyone will participate in the program, but many who are too busy to seek out volunteer opportunities on their own will appreciate having preselected activities available. The community service committee should periodically remind staff of ongoing volunteer opportunities and should heavily publicize one-time opportunities like clothing drives and charity walks well in advance using e-mails and colorful flyers. We have policies against selling things or soliciting money in our offices and would never pressure anyone to give time or money to a cause, but we make sure that staff is aware of opportunities to help.

Donations: If you can't spare your employees' time but have some extra funds available, why not reinvest the money into community organizations? Donations not only provide much-needed funds to charities that are often under-funded and under-staffed, but also improve your reputation in the community and raise your profile amongst existing and potential customers.

Due to the nature of their work, employees at our Columbia Conference Center must stay close to the building during work hours and cannot participate as much in our employee volunteer program as people in our other companies. However, Columbia Conference Center still makes an impact on our area through monetary donations. In fact, some years, we donate all of the conference center's profits to charity!

Columbia Conference Center has also invited students from several local high schools to compete in an art contest. They coordinated with teachers to submit student work, which was judged by a panel of our employees. The highest-rated pieces are displayed in the conference

center and the winning students received scholarship money. This way, we not only helped students pay for college, but also gained one-of-a-kind artwork in various styles.

In-kind donations: Your business may not be able to afford to give away cash or allow staff to provide charity work. In that case, take a good look around you at the resources you may no longer need, then consider donating services and products. You can provide in-kind donations such as:

- Lending your office space for meetings or fundraisers
- Allowing charities to use your copier
- Sharing the services of your graphic designer, lawyer, accountant, technical writer, marketing expert, bookkeeper, etc.
- Donating used computers, printers, and other technology items that are still viable
- Helping build and maintain a charity's website
- Contributing office supplies and furniture that are no longer needed to places that could use them
- Serving on a charity committee or board of directors
- Giving consulting advice on topics like planning, finances, fundraising, etc.

Recycling: Another component of our community improvement efforts is recycling. In 2008, our family of companies decided to “go green.” Staff members found a recycling company to help establish a station outside the building with cardboard, paper, aluminum, and plastic recycling receptacles. Plastic bottle and aluminum can recycling bins were placed in meeting areas and common spaces of the conference center, and office paper and can and bottle receptacles are located in each division's break room. Now, instead of wasting scratch paper or trashing soda cans, staff members and customers put them in the bins so they can be reused.

The recycling program has not only demonstrated to customers that our companies are serious about protecting the environment, but has also proved fiscally wise. Bulky cardboard boxes now go into a designated dumpster to be recycled, so trash pickups can be less frequent, which saves the company money. Also, environmentally conscious customers have expressed their appreciation for our efforts and are spreading the word to their peers!

There are many benefits to enacting recycling and community service programs at your companies. You gain valuable recognition, differentiating yourself from your less charity-oriented competition. Employees are happier because they have opportunities to improve their community and the world. Most importantly, your company achieves a purpose beyond simply making a profit. Being a good, socially responsible corporate citizen is a wise investment that will pay back many dividends! In today's world, you must care about more than just making money to have a successful business with happy employees and satisfied customers.

Developing Salary and Fringe Benefits

There is one rule in business: Make the best quality of goods possible at the lowest cost possible, paying the highest wages possible.

—Henry Ford

Recruiting, selecting, and maintaining an outstanding workforce is a time-consuming, costly process. When employees leave, companies lose all of the time, resources, and effort spent training them and must start the process over with new hires. Thus, one of a business owner's goals in building a great company is to reduce staff turnover, doing everything within reason to hold onto competent employees. Happy employees also produce at higher levels and are more efficient and effective. Our companies strive to create a positive, productive, fun work environment with good salaries and fringe benefits while also following our purpose of improving lives. We have a very low turnover rate, which I believe stems from our care and support for our team.

While salary may not be every job seeker's number one priority, it is still a major factor in attracting and retaining good employees. The turnover rate for employees in some fast food restaurants must be every two weeks! Some business owners inaccurately think they should pay the lowest possible salary to all employees to maximize profit. After all, payroll and fringe benefits are usually the major expense items within a business budget. However, remember the adage: "You get what you pay for!" Good salaries and fringe benefits can act as selling points to entice high-quality employees to work for you, and great employees are essential to becoming a great company. Steven Strauss notes that "since the quality of the employees you attract has a direct impact on the quality of your business (and the quality of your bottom line), offering a full benefits package is an important criterion to consider, albeit an expensive one."^{xx}

In my 30-plus years of experience, I have determined that all business owners should pay their employees well. We pay at the industry standard or higher. There are websites that provide salary data according to zip code,^{xxi} with information from small companies with a few employees to companies with thousands of employees. Use these sites as a guide only. You can also check what your competitors are paying by asking friends and acquaintances in the field.

Although paying your employees well is important, don't make rash decisions on salary. Think carefully about how much positions should pay and base salaries according to performance, not relationships or loyalty. In the past, I raised salaries of some employees too rapidly, only to regret it later when revenues dipped. You can always distribute bonuses when the company is doing well and then take a more conservative approach when business is on a downswing.

I also recommend encouraging employees to voice concerns about anything in the company, including issues such as salaries and fringe benefits. If you keep communication lines between management and employees open, you will detect dissatisfaction early on instead of being surprised by sudden resignations out of the blue. Conducting anonymous annual and ongoing surveys can help pinpoint any dissatisfaction (and possible solutions).

The second part of your program should provide incentives for employees to produce at high levels and save the company money whenever they can. Including employees in the development of the company budget (and giving frequent updates) is another way to keep them cost-conscious. We also provide annual bonuses or gifts and informal profit sharing if the company does well financially.

The third part is the employee's fringe benefits package. At our companies, each person receives mandatory (required by law) benefits that the company and/or employee pay for such as social security (FICA), state unemployment (SUTA), federal unemployment (FUTA), and Medicare. We offer optional 401(k) retirement options and a variety of insurance coverage such as medical, prescription, accident, vision, dental, life, disability, and health savings programs. It is my hypothesis that a comprehensive fringe benefits package will result in higher employee retention. Again, there is no magic formula, but a very good benefits package is a part of our corporate strategy to reduce turnover and thus save time and money.

Each employee will be interested in different fringe benefits, which may be impacted by their age. For example, an older employee may be more interested in benefits that address medical care, disability, and retirement. Younger employees may focus more on vacation time and long-term investments. The key is to provide a balanced package that addresses all ages and needs. However, the cost of fringe benefits will impact your company's bottom line and should be considered in relation to the budget. You may choose to phase in benefits over time or set up a strong program from the beginning. I recommend that you secure bids for the services from several potential providers. Choose based on quality and quantity, not just cost, when making your decision.

Until 2002, I was the primary coordinator for our benefits program. I contracted different pieces of it out to various firms (i.e., the worker's comp insurance policy went to one company, medical insurance was assigned to another agency, retirement to a bank, etc.). This added another item to the list of distractions keeping me from leading my company into the future.

A manager in our company who had previously been employed by a large, private non-profit recommended that I consider outsourcing our human resource and fringe benefit services to a co-employer. I had heard of such companies, which provide turnkey human resource and fringe benefit services, but had no experience with them. I was reluctant to consider this possibility since I felt like it would be expensive and I would lose control of our human resource services.

To prepare for a bid for outsourcing our human resources, I conducted an analysis that showed my company was paying about 21% of total payroll for mandatory and optional employee fringe benefits. This excluded items like paid time off and retirement benefits.

I recommend that you do a similar analysis on your business to determine the true costs of your fringe benefits. Through informal, non-scientific surveys amongst acquaintances, I learned that private non-profits were paying about 20% for their benefits, for-profit companies were allocating about 25%, hospitals were running more than 30%, and school districts were averaging 30-32%. Our existing benefits package was pretty good, but it still lacked key items such as employee disability and life insurance.

I determined that, for a few percentage points more in my payroll budget, the co-employer could provide our company with a great benefits package and perform most of the organizational and administrative work. Years later, I can say that the decision was one of the best I have ever made as a business owner. By joining up with the co-employer, our companies' 50 employees were lumped in with 80,000 others from thousands of companies, making it easier to negotiate for the best services and insurance at the lowest price. Insperty and TriNet are two excellent co-employers to consider.

Our co-employer charges each of our companies a set percentage of the payroll. The more employees (the larger the payroll) you have, the smaller the percentage that will be charged. I still recommend taking bids to ensure that the company you select is the best option for your needs. However, if you are a small company, you will have to pay extraordinary prices for

disability insurance, and working with a co-employer helps lower those costs. As Jan Norman notes, “Small businesses usually are at a disadvantage when it comes to pay rates, fringe benefits, and opportunities for advancement within the company.”^{xxii} Our employees receive the following benefits (remember that your costs may vary):

Direct deposit of paychecks: Our co-employer deposits each employee’s paycheck into his or her personal bank account on the 15th and last days of every month. Employees no longer have to run to the bank to make deposits, and the money is readily available on the same day. A detailed paystub is e-mailed to each staff member and the money is taken out of our company’s checking account on the same day it is transferred to the employee. We control the amount of money each employee receives and maintain a formal, structured process for implementing this activity.

Required company fringe benefits: As of December 2013, federal and state governments require businesses to pay certain taxes and insurance as follows:

- **FICA:** This retirement tax equates to the company paying 7.65% of each employee’s gross salary, up to a ceiling of \$106,800. Of the 7.65%, 1.45% goes toward Medicare and 6.2% toward Social Security. Employees pay 5.65% from their funds.
- **SUTA or State Unemployment Tax Act:** SUTA supports a state-administered pool of funds to provide unemployment benefits for employees who are laid off for good cause. Rates in South Carolina range from .095% to 7.855%, up to a ceiling of the first \$12,000 per employee (the ceiling will increase to \$14,000 per employee in January 2015). However, this rate will vary according to the business you are in, your employment history, past unemployment claims, and other factors.
- **FUTA or Federal Unemployment Tax Act:** This tax supports federal unemployment funds. It starts at a rate of 6%; however, the federal government will give a credit of up to 5.4% if a business pays its SUTA in full. Therefore, the minimum FUTA rate is .6%.
- **Workers’ Compensation:** This fringe benefit pays for certain support if an employee is injured on the job. Employers are required to maintain Workers’ Compensation insurance, which is issued by private companies. Policies are priced based on your company’s annual payroll. Our workers; compensation is covered through the rate we pay our co-employer. However, most small businesses pay about \$2,000 for an annual policy. This rate is based on payroll and your business activities. For example, if you owned a tree cutting company where employees were exposed to many dangers (and thus filed more claims), your rate would be higher than that of our low-risk company. After each year you have had the policy, an audit is conducted by the issuing insurance company to determine your true payroll based on your federal payroll reports. Then, your current year’s premium is adjusted, and the next year’s payment is calculated. These taxes have to be paid monthly or quarterly.

Warning to the wise: pay taxes accurately and on time; otherwise, you may face stiff penalties or even an audit.

Health insurance: There are many insurance carriers in the marketplace. Our co-employer TriNet partners with Aetna, which is one of the largest insurance providers in the nation. As with most insurance agencies, your employees will have to select one plan, usually beginning the first day of the calendar year, amongst themselves. Most insurance providers lock your company and employee base into that plan for one year or until your contract renews. There are several basic types of insurance:

- A Participant Provider Option (PPO) allows you to choose from physicians within a preselected network. You can go directly to specialists without a referral.

- A second type, Health Maintenance Organization (HMO), requires you to stay within a preselected list of physicians. Most HMOs have gatekeeper physicians who must make a written referral to specialists within the insurance company's network. HMOs are often more expensive than other options, but will usually pay most of your bill with lower or no co-pays; PPOs generally require an individual or family deductible with co-pays.
- A third type will allow you to visit any physician, but the insurance company will only pay 80%.

We decided to pay for our employees' portion of their medical and other insurance (unless they decline the coverage). Our company pays around \$400 per month for each employee's medical, life, disability, vision, dental, and other insurance coverage. We selected a good mid-range coverage policy, but employees may pay extra for a lower deductible or expanded coverage if they choose. If an employee wishes to add children to the policy, there is an additional charge. Family coverage (children and a spouse) ran about \$800 per month in recent years, on top of what the company pays for the employee. The company need only budget for the employee's share of the coverage; any additional coverage is paid for by the employee.

Employees can go to any physician or hospital that accepts our insurance. Be cautious when selecting medical insurance since there can be all sorts of paperwork, ceilings, deductibles, and coverage. Before selecting an insurance provider, ask several of your employees to determine if their doctors accept the insurance you are considering. Be sure to watch out for sucker deals where companies are selling "discount" insurance plans! These cheap plans do not provide insurance, merely a list of dentists and physicians that will offer discounts.

Prescription card: This allows the employee to have prescriptions filled by an approved drugstore, which bills the insurance company directly. Understanding each company's quirks is important to maximizing your use of the prescription plan. Our insurance co-pays run on tiers, with prices depending on the prescription. Review coverage for common drugs and medical supplies when making your assessment and make sure that most drugstores are accepted within the plan. You may be required to go through preselected drugstores or the carrier's mail-in services. In assessing coverage, I always look for plans that are accepted by major drugstores such as Wal-Mart and Walgreen's.

Dental insurance: Our policy covers 100% of preventative and diagnostic dental work (like teeth cleanings and X-rays) and percentages of orthodontic work (such as braces and most other dental services). Of course, as with most policies, there are coverage limits.

Life and accidental insurance: Each employee receives a complimentary life and accident policy valued at \$50,000 and may purchase additional coverage at his or her expense.

Vision insurance: If the employee chooses from a preselected list of optometrists, eyewear centers, or ophthalmologists, there is small co-pay for an annual eye exam. The plan also subsidizes glasses and contact lenses.

Disability insurance: Disability insurance is very expensive. Many pre-existing conditions are not covered or there may be a waiting period before the coverage kicks in. Our company-paid disability insurance offers both short- and long-term coverage for full-time employees.

Retirement: This is an important benefit for employees who desire to save for the future. Some of our younger employees do not take advantage of this offer, but nearly all those approaching or exceeding 40 years old are active participants. There are all sorts of pre-tax retirement plans out there. If you have a sole proprietorship, you may want to consider the Simplified Employee Pension Plan (SEP), since it is easy to set up and is geared toward smaller

operations. Other 401(k) plans are more complex. Check with your CPA on the best plan for your business since there are restrictions and guidelines that must be followed.

I like our self-directed plan where the company matches employees' 401(k) contributions on a graduating scale up to five percent of the employee's salary. Thus, if an employee's salary is \$30,000 and that person puts \$1,500 into our IRS approved plan, the company will match the employee contribution of \$1,500 for a total of \$3,000 tax free funds. The employee controls the account and decides which stocks or funds they wish to purchase. It is like a yearly \$1,500 tax-free bonus. Employees who are 50 or older may contribute additional amounts up to \$5,000 for a catch-up retirement program as part of new federal guidelines. Of course, there are many restrictions on and penalties for taking the money out of the retirement account prematurely. Our co-employer's retirement division handles all the complex paperwork for this program and uses a fund specialist to select stocks for us to choose from. Employees take their funds with them when they leave the company.

Paid Time Off (PTO): Unlike some organizations that separate sick and personal leave, we combine both types into one amount. Employees earn up to 160 hours (four weeks) of PTO each year and may carry over up to 120 hours of unused leave from one year to the next. Management encourages them to take most of their leave to prevent burnout. As president of the company, I usually also grant part of the week of July 4th and the last two weeks of December off to give employees some extra time with their families. Though I could push them to work during this time, I want to send the message that I care about them and allow them to recharge for the next year. Thus, our employees usually receive six to seven weeks off each year for personal and sick leave once they have worked for a full year with the company. This is a very liberal policy. From my research, I determined that the average time off for state government is about 15 days per year (three weeks) and most for-profit companies allow about nine days per year (about two weeks). However, we have a great bunch of employees and this is a small token of our appreciation for all their hard and smart work!

Extended Illness Benefit (EIB): Most organizations do not provide this coverage, but we do. This benefit is primarily directed toward employees who have a major medical condition or are in an accident (not to be confused with the Family Medical Leave Act, or FMLA). Employees earn up to 220 hours (about six weeks) of EIB to use in the event of a major illness or accident that is covered under company policy. EIB is available after the employee has exhausted all PTO but is rarely used since it is intended for emergencies.

Company paid holidays: In our research, we determined that the average holiday allocation was 12 days for state government and eight for for-profits. Our Employee Liaison Committee selected 12 company paid holidays, including: New Year's Day, Martin Luther King Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, the day after Thanksgiving, Christmas Eve, Christmas Day, the day after Christmas, and the employee's birthday. We are flexible in accommodating different religions or schedule preferences.

Travel: Traveling these days can be very expensive. When reimbursing employees for mileage, we match what South Carolina state government pays their workers (as of 2013, 50 cents per mile). We prefer employees to use their own vehicles for travel to avoid the high costs of buying, maintaining, and insuring company-owned vehicles.

Health Savings Account (HSA) or Flexible Spending Account (FSA): Employees may request that up to \$2500 per year be taken out of their paychecks as a pre-tax deduction. These funds may be used to pay for expenses that our insurance does not fully cover, such as orthodontic work, physician and prescription co-pays, emergency room visits, etc. However,

under IRS guidelines, the amount deducted must be used by the end of the year for legitimate health expenses or be lost. Since this annual deduction of up to \$2,500 is not taxed, depending upon your tax bracket, its true value in 2014 may be closer to \$4,000.

Informal dress policy: Employees in some of our companies visit with customers in the field and rarely deal with clients at our corporate headquarters. Therefore, we have a casual dress policy that not only saves them money on dry cleaning but also creates a more relaxed environment. This policy is well-liked by the employees and costs the company nothing. They each maintain a set of professional clothes in their office in case a customer suddenly announces they want to meet or stops by unexpectedly at our convention center to say hello. As another small token of our appreciation, we allow our employees to leave a half hour early on Friday to avoid rush hour traffic. Policies like these pay off by showing employees how much you care about them. “The great thing about innovative policies is that employees appreciate them almost as much as anything else you offer, yet the policies may not cost nearly as much as those other, expensive benefits packages,” Strauss says.^{xxiii}

Flexible schedule: We allow employees some flexibility in their daily work schedules to address concerns like childcare, and we also permit team leaders to allow unofficial comp time during intense work periods.

Profit sharing: We have an informal profit-sharing program where I (as the company’s owner) gift some of my profits to employees when the company does well.

Other benefits: Our co-employer provides other benefits through their partners, such as discounts for car loans; car, home, life, and other insurance; and computers. They have also provided invaluable assistance in helping us develop policy and employee manuals that adhere to federal and state law. This is a great service that eliminates the need to employ expensive human resource experts. Using a co-employer has also reduced the time and money we spend on accounting and administrative functions.

There you have it: everything you wanted to know about fringe benefits and salaries but were afraid to ask! These areas will represent your greatest expense in your business budget, so you want to get the most for your money while saving wherever possible. Hopefully, this chapter will help you develop better budgets, keep your employees happy, and best of all, keep you out of jail!

Assembling Reasonable Policies and Procedures—without Bureaucracy!

Hell, there are no rules here. We're trying to accomplish something.
—Thomas Edison

In a ridiculous EEOC complaint against one of our companies, a former employee who was part of a reduction in force and who had signed a severance agreement (with pay) claimed that our company had discriminated against her. Why? She alleged that we allowed other employees to park in a restricted area but had disciplined her for doing so. She wanted more than \$50,000 in damages. Would you like to cough up that much from your budget? Of course not! Though we won the case, it took more than 150 stressful hours to develop a defense. Fortunately, we had strong documentation that proved we go out of our way to treat all employees fairly and equally. The situation was a “two-by-four” to the face that we needed a structured manual outlining all policies and procedures in a format that all employees could understand. It also reinforced the need to treat everyone by the same standards—not just in practice, but also in writing.

“All businesses with employees can benefit from having an employee handbook. By formally writing down your policies and providing clear guidelines, you spend less time answering questions and explaining the rules and regulations of the office. You also lessen your chances of ending up in court,” explains the article *Top 10 Employee Handbook Mistakes* on allbusiness.com.^{xxiv}

Some business leaders recognize employee handbooks’ ability to lend consistency and structure to a business but fear the legal dangers associated with them. There *are* risks to having an employee handbook, but aren’t there potential risks to any business decision? The goal is to minimize them as much as possible and weigh the dangers against the possible gains.

This chapter provides some guidelines for developing a handbook to meet the needs of your organization while reducing the potential for liability stemming from workplace litigation. It is based on personal experience, including knives in the back, lawsuits, and EEOC complaints! You should secure the services of a human resource (HR) professional to guide your business when creating a handbook and for any other staff concerns.

JoAnn Moss, former president of Human Resource Dynamics, assisted me in writing this chapter.^{xxv} She is a competent HR professional with more than 30 years of labor and human resource law experience. I would not be without a professional like her because of so many possibilities for legal action from employees. Surprisingly, of all the management and leadership books I have reviewed over the last few years (most of which were bestsellers), only one mentioned having an employee handbook! I consider this too risky to overlook.

Why have an employee handbook? An article from the Missouri Small Business Development Centers’ *Creating Quality* newsletter calls the employee handbook “a necessary evil.”^{xxvi} A handbook that is incorrectly worded or contains inappropriate material can cause headaches for any company. However, there are four main reasons to have a good employee handbook:

- **Ensure consistent, structured, and fair treatment of all employees.** A business owner once told me, “I don’t have an employee handbook because I don’t want to be locked into following it.” What that person didn’t realize is that in the absence of an employee handbook, past and present activities become policy; therefore, the danger of legal liabilities from discrimination increases. If there are carefully spelled-out procedures for management, they are more likely to take the same course of action in similar situations,

ensuring consistent treatment of all employees and decreasing the chance of being sued for discriminatory treatment. We once developed policies around mistakes or incompetent or troublesome employees, which gave staff a negative view of policy development. In fact, one person reported saying, “Another one of those e-mails—someone screwed up” when she saw a long e-mail from me! However, we now clearly state our policies and procedures in our handbook, so this is a thing of the past.

- **Document employers’ expectations:** Employees have a right to know what is expected of them so they can conform to company regulations and succeed in their jobs. By documenting these expectations, you increase the possibility that everyone is on the same page and the same standards are applied to everyone. If you find yourself in court, a well-structured policy manual can be your best defense, and chances are that you will face a complaint or lawsuit in your organization’s lifetime. You should “hope for the best, prepare for the worst” when developing employee handbooks. Be proactive, not reactive!
- **Explain employee benefits:** Employees also have a right to know what they can expect from their employer. Such things as compensation practices, fringe benefits, retirement plans, and leave policies should be fairly and consistently applied. Having these benefits documented in an employee handbook thereby reduces your company’s liabilities under such laws as the Fair Labor Standards Act and the Employee Retirement Income Security Act. If an employee chooses to decline any benefit, be sure to document their decision in writing. For example, some of our employees are covered by a spouse’s insurance plan and choose to decline our health benefits and make a higher salary.

The world is changing! All businesses fall under some type of federal labor law, and nearly thirty states have adopted additional labor regulations. Believe me, you do not want to be on the other side of a lawyer who is grilling you on your employment practices!

The famous Chinese writer Lin Yutang once stated, “When there are too many policemen, there can be no liberty. When there are too many soldiers, there can be no peace. When there are too many lawyers, there can be no justice.”

According to the American Bar Association, there are more than 1.2 million lawyers in the US.^{xxvii} Now, why do you think there are so many? One answer might be that a lot of people are filing lawsuits! Believe me when I say that the former employee who was your good friend while he or she worked for you will grow horns and become hostile after losing his or her job. Because of the very real danger of lawsuits, we operate all of our companies as if we will be sued tomorrow.

What should an employee handbook cover? There are no hard and fast rules as to what should be addressed in an employee handbook. Often, policies are developed as situations arise or new legislation is enacted. Even though handbooks should be drafted to meet the specific needs of an organization, all handbooks should explain major human resource policies and procedures and outline employee benefits. Some basic components that might be included are:

- **Introductory information:** This section may include, but is not limited to: a welcome letter, equal employment opportunity statement, non-discrimination policy, definitions, and organizational mission, vision, and values.
- **Employment information:** Important points in this section may include, but are not limited to: employee categories, employment of relatives, job performance, advancement, promotions, outside employment policy, and guidelines for separation of employment.
- **Confidentiality, trademarks, and copyrights:** If any information is considered confidential or owned by the company, this should be outlined in the manual.

- **Compensation:** Payment of salary, performance management, overtime pay, compensatory time, and time records are examples of topics that may be covered.
- **Time and attendance:** This section may cover such items as: vacation time; sick leave; holidays; hours of operation; absenteeism and tardiness; military, voting, or court leave; emergency closing; overtime; leave under the Family Medical Leave Act (if applicable); and leave without pay.
- **Benefits:** These are specific to the organization and may include (but are not limited to) various insurance plans, retirement/pension programs, and workers' compensation benefits.
- **Code of conduct:** This may address a variety of policies related to issues such as workplace harassment, electronic media usage, and employee discipline.
- **Customer relations:** What is expected of employees when they communicate with customers? How are customers to be treated? What can employees receive, if anything, as gifts from customers?
- **Employment safety and health:** This covers how employees are expected to maintain a safe and healthy workplace. It may address, but is not limited to: concealed weapons, workplace violence, and alcohol or other drug abuse.
- **Authorizations:** Explains who is authorized to sign contracts, employ people, approve leave, etc.

There are numerous other items that may be found in an employee handbook, including company-specific information such as the strategic plan, emergency notification form, and grievance procedures. Others may address a specific department or segment within an organization.

General considerations: Although employee handbooks should be custom-designed to meet the needs of specific organizations, there are some general considerations in putting one together:

- **Simplicity:** Handbooks should be clearly written so that all employees can understand them. Avoid unnecessary specifics like forbidding chewing gum in carpeted areas.
- **Review and revision:** Many organizations write a handbook, place it on a shelf, and don't look at it again until an issue arises. Or they may assume that because they have a handbook (even though it is 20 years old), they are covered. Review your handbook annually and change any policies made necessary by changes in company practices or state and federal law. For example, we changed our weekly minimum work hours from 40 to 37 in 2006. Our official hours became 8:30 AM to 5:00 PM Monday through Thursday, and employees are allowed to leave half an hour early on Friday to avoid weekend rush hour traffic.
- **Legal pitfalls:** Even though the overall tone of a handbook should be positive, pay attention to the wording to avoid legal dangers. The following are suggestions to avoid legal liability:
 - The handbook must include a prominently displayed statement indicating that it does not constitute an employment contract.
 - When discussing disciplinary actions, include a disclaimer indicating that the infractions listed are intended as examples and do not represent all actions that can lead to employee discipline. Also, indicate that the disciplinary actions listed in the manual represent a range of options that are left to the discretion of management.

- Always include a statement indicating that management reserves the right to revise the handbook at any time.
- Avoid restrictive language that will lock management into taking certain actions in all cases, such as the words “will,” “must,” or “shall.”
- Avoid language that may imply that after a certain period of time, the employee is considered “permanent,” like “trial period,” “provisional period,” or “probationary period.”
- Ensure that all employees have access to the handbook. If necessary, hire a professional translator to interpret it for employees who do not speak English.
- Obtain a signed statement from each employee indicating that he or she has received and reviewed the handbook, understands it, and has been given the opportunity to ask questions about it. Audit personnel files annually to ensure that all employees have completed the form.

As daunting as the task of writing an employee handbook may seem, with careful consideration and planning it is possible to convey necessary information to your employees while also avoiding litigation. Handbooks also provide guidelines for managers and supervisors to ensure fair and consistent treatment of all staff.

It is important to realize, however, that employee handbooks can have dangerous legal implications. The manual that you thought provided consistency and order to the workplace may become the same tool that employees use in court against you if improperly written. Thus, it is imperative that labor law and human resource professionals review your handbook before it is distributed to your employees. While I consider myself to be fairly human resources-savvy, my company’s original policy manual included some landmines that our HR professional removed. Having experienced three civil lawsuits and several EEOC complaints (which we won), I pay close attention to the advice that JoAnn Moss, our co-employer, and other experts provide. A few thousand dollars paid to a good HR professional could save you hundreds of thousands of dollars, hundreds of lost hours, and a lot of pain down the road. Make the investment!

SECTION V. MAXIMIZING FINANCIAL SUCCESS AND EFFICIENCY

Designing a Sound Budget

Beware of little expenses; a small leak will sink a great ship.

—Ben Franklin

A good budget is a realistic, flexible plan that projects the income an organization will accumulate and the expenses it will incur. Budgets are necessary tools to help your business manage its funds in the near and extended future. As Steven D. Strauss says, “In financial terms, running your business without a budget is like driving a car with a bag over your head.”¹ Unfortunately, some business leaders still operate without a budget, run their company with one that is poorly monitored and shared infrequently (or not at all) with staff, or have one that is never updated. To successful business leaders, a sound budget is like blood to a human body—critical to survival.

When developing budgets, organizations should estimate income conservatively and expenses liberally. I generally recommend that businesses look at least one (preferably two) years into the future so that the budget’s readers can see the big picture. This also enables leaders to spot troubles early on and react accordingly. Regardless of how far into the future you project your budget, the key is having one in the first place!

You should develop a philosophy on how you plan to create the budget and share it with all staff. This requires that everyone throughout the company is involved in and understands budget development, employees are given regular updates on the organization’s financial health, excessive spending is identified and addressed, strategies are developed to keep the budget in line, and employees are rewarded for making budget target goals.

As part of our companies’ very open culture, we allow staff to see our budget details. Everyone is invited to give input, and senior leaders incorporate their feedback into the next year’s budget during formal budget development sessions in November. This increases the accuracy of the budget and reduces the chance of having to add unexpected items later. You don’t want people saying throughout the year, “Oops...add this to the budget; I forgot!” At the same time, you want to be flexible enough to make necessary changes and add or delete items as new information emerges. This is much easier said than done!

Effective budgeting must be on the front burner of an organization’s focus at all times. No decision that will cost money should be made without first consulting the budget. However, money and profit should not become the company’s mission. If everything else is done right, profit will be the outcome.

I used to hide the budget, marketing, and strategic plans in my office drawer or in my head, but I have since learned that it is better to share information than to hide it. It helps people feel like part of the big picture and adheres to my philosophy of treating staff like company owners.

Getting started: Zero-based budgeting is the most effective way to project your income and expenses. In this budgeting model, all projected revenues and expenses are questioned and justified every year. Just because you received or spent money last year doesn’t mean it should be included in your budget this year. However, looking back on previous budgets can provide historical analysts and planners with a sense of expenditures that will surface in the future. For example, if an organization spent \$18,000 in the previous two years for supplies, chances are that

it will spend the same amount or more the next year. Keep inflation in mind when calculating future budgets.

Budgeting is not as hard as it looks, but it intimidates most folks and they shut down instead of trying to learn. Though you may have budget experts and other staff involved in the development of a company budget, you should also solicit the guidance of an accountant. Do most of the work yourself to save money and then run it by a CPA for review. Bankers like to see a CPA's approval on budgets, especially if you're applying for a loan. However, don't let CPAs alone drive your budget because they do not know all the ins and outs of your business.

Budgets can be presented in different formats like Microsoft Office Word or Excel. Of these, Excel is preferable because you can build in formulas that will automatically change when budget variations occur. Sometimes, Excel formulas will corrupt, so manually double-check every figure with an "old-timey" calculator, not the computer.

You should display your budget in an approachable, easy-to-read format. I sometimes think that all finance folks must have superhuman vision, as they often squeeze every bit of information onto pages that end up being very difficult to read. I prefer budgets to be printed in at least a 10 point Arial font on 8.5" X 17" paper. Because I am a visual person who likes simplicity, I prefer to see the whole year's figures on one to two pages.

Your budget should include gross income, gross expenses, net profit (basically, the difference between income and expenses), and cash flow (how much cash you have on hand). As the person assembling the budget, you want to look at the big picture, which includes multiple factors. There may be some months where you lose money, but the net profit after 12 months of work is more important. I know of people who prematurely closed their businesses and ran for the hills because all they saw was red ink for the first six months. If your business is new, remember that it takes time to become established and profits may come slowly at first—but be on the alert for faint signals that you will lose money in the long run!

Once you complete your budget draft, use zero-based budgeting a second time to challenge every expense. Ask tough questions like, "Do we really need to spend this?" and "Is this cost realistic?" If you don't, your banker likely will. Bankers focus on numbers and budgets during most of their work time, giving them a sixth sense for items that look unrealistic or out of place.

One of leaders' most important jobs is to develop a budget (with lots of staff input) and watch it like a hawk once it is implemented. Too many business owners, CEOs, and key decision-makers turn over the budget reins to others, only to suddenly learn one day that their company is going out of business! Leaders want to develop a culture where everyone spends company money as frugally as their own. They should avoid getting involved in too many details, but should be watching budget outcomes and asking for regular financial reports.

When formulating the budget, you will need to consider several factors:

- **Revenue:** First, you want to focus on your income. Most businesses have fluctuating revenues, so look at each month to estimate gross income before expenses. If you have been in business for several years, you have solid predictors for next year's revenues. At one of our companies, Columbia Conference Center, revenue was unpredictable from 2003 to 2005 because we were growing. Corporate revenues grew, while government spending with us declined as the economy fizzled and government training and travel budgets were cut. However, Kim Inman, vice president of the conference center, hit the company's 2008 budget right on the head by using a three-year average of historic financial data from 2005 to 2007. By the end of 2007, we reached a point where our

business was somewhat stable and predictable. (Of course, revenues are still short-term and all projections may change.)

If you have a new business, try to make an educated guess about what income will be generated based upon any facts possible. That may mean using common sense; talking with owners, bankers, or accountants of similar businesses outside of your target area; and conducting research.

In any case, bankers and investors will want to know the formulas or rationale used to predict income and expenses. Employ the most reliable methods possible and take a reasonable, middle-of-the-road approach. Everyone on staff should challenge revenue projections. Having a pie-in-the-sky attitude toward income can be a business killer!

At another one of our 25-year-old companies, Research Associates, we only project confirmed revenue (either cash in the bank or signed, irrevocable customer contracts). Very few companies use this model. We try to maintain a one-year balanced budget without any new revenue. The company is debt-free, and though it is tempting to take out millions in profits and stuff them into my pocket, I make a reasonable income and leave most of the money in the companies to provide needed resources to staff and promote financial security. This strategy has sure paid off during the recession!

If you have streams of income from different sources, break them down into categories. For example, Columbia Conference Center draws revenue from meeting space rentals, audiovisual rentals, and catering. All revenues combined create a gross income factor. Revenues will vary from month to month depending on historical spending and economic factors (i.e., retail revenues are generally higher in December than January).

It is important to break revenue down into categories so you are not surprised like we were when one of our divisions became unprofitable. When you throw all your money into one pot, you lose rich data that can help refine your profits and identify cost centers that are losing money. Once you identify activities that are not profitable, add them to your “stop doing” list.ⁱⁱ

At one of our companies, we project three different budgets: “survival,” “good,” and “best.”

- The “survival,” or conservative, mode is the amount we need to fund all our existing expenses without any staff raises, profit sharing, or training. In other words, we project revenues we need to avoid laying staff off and to keep our heads above water.
- Our second level is the “good” budget, where our staff receives four percent salary increases, some profit sharing, and a very good professional development program (see the *Living and Learning* chapter for details).
- Our third (and most-desired) budget includes eight percent salary increases, substantial savings, strong professional development opportunities, and great profit sharing.

For each of these budget scenarios, we establish gross budget or annual dollar targets. Our driven staff members want to know the targets and turn it into a challenging, fun game. Recently, they chose the second, middle-of-the road goal but said, “Let’s go for the gold if we can!” However, you should encourage staff to be realistic and avoid killing everyone with work.

- **Expenses:** Your next objective is to create a list of expenses. This section of the budget requires a more liberal attitude. I will never forget when my wife and I developed a

personal budget for our limited finances in the 1970s. For one month, we tracked every penny we spent, even if we just bought a soda. We were surprised to find that 30% of our expenses were miscellaneous or unpredicted. Company budgets also carry with them many unexpected expenses (i.e., an air conditioning unit is struck by lightning and your insurance will not cover the replacement). Such expenses can put a company out of business if you have not left some room for them in the budget.

Ideally, you want to use standard accounting software such as QuickBooks to assign codes to each revenue and expense. For example, contractual services may fall under a major code, with subcodes for technical writers, graphic designers, computer consultants, etc. When a bill comes in, it is given a code by the bookkeeper and the accounting software designates it to part of the financial tracking database. With this method, you can ask your finance person for a report on income and expenses (often called an “income statement”) to determine where the company stands at any given moment.

Budgeting can be overwhelming, but if you tackle the process like climbing a mountain one rock at a time, you can develop an excellent budget that serves as a useful guide and warning tool. I have never taken a college business or accounting class, but I love budgets. Leaders need to know their stuff in this area if they are to manage a business effectively, understand its operations, and gauge its health.

Broad budget categories generally include: personnel, fringe benefits, contractual, marketing, equipment, supplies, and travel expenses. These are broken into smaller subcategories:

- **Personnel:** Staff expenses usually generate the greatest line item for any business. In two of our companies, salaries account for 75% of the budget. When designing personnel budgets, keep in mind how future raises will play into the picture. We enter only the basic gross salaries in this area without fringe benefits, bonuses, or profit sharing. Salaries are confidential and are not shared with the general staff.
- **Fringe benefits:** These expenses, which are paid for employee benefits and are shared between the company and the employee, can run anywhere from 20% to 35% of what you spend on salaries. For example, if your salaries are \$200,000 and your fringe benefits package costs 32%, then your fringe benefits line item in the budget will be \$64,000. Fringe benefits can include paid leave, insurance (health, disability, vision, life, dental, etc.), state and federal unemployment compensation (SUTA and FUTA), retirement, Social Security (FICA), and Medicare. (See the chapter on fringe benefits for more details.)
- **Contractual:** From time to time, you will need independent contractors like caterers, accountants, and lawyers. These professionals are not employees, but their income is reported via IRS Form 1099. They are not subject to workplace requirements and taxes are not withheld when they are paid for their services, which are generally short-term. According to the Internal Revenue Service (IRS) website, a person is an independent contractor if the person for whom they are performing the service has “the right to control or direct only the result of the work done and not the means and methods of accomplishing the result.”ⁱⁱⁱ

Some business owners try to avoid paying the company’s share of employees’ taxes by misrepresenting staff as independent contractors. Then, they are stunned when the IRS audits the business because of an employee complaint and penalizes the company with huge fines for back taxes. If you define people’s hours,

supervise the product or service they produce, and provide them with office space, they are most likely employees. For the sake of budget planning, I prefer using a fixed-fee contract that defines deliverables, expectations, and pay when working with contractors. That way, there are no surprises and you can place a set amount into your budget instead of paying someone on an unpredictable hourly basis. (Review *Forming Expert Teams* in Section VI for more information.)

- **General administrative costs:** This broad area can be broken down into many subcategories, which may include the following (some are covered in the chapter on purchasing):
 - Rent
 - Equipment leases
 - Office equipment
 - Office supplies
 - Postage and shipping
 - Office telephones and cell phones
 - Subscriptions
 - Memberships
 - Repairs and maintenance
 - Software
 - Printing
 - Computer equipment

If you have been in business for a while and have a budget history, you can examine past years' income statements to assess possible future expenditures. For a new business, you should attempt to accurately estimate the expenses. For example, I may see a need for office space for my future employees, so I call the local chamber of commerce and inquire about average commercial property rental costs per square foot. Then, I define an average office size, determine how much space I will need, and multiply that need by the chamber's average rental price. From there, I research office supply, Internet, telephone costs, etc. The more detailed your budget, the more credible you are to financial institutions when applying for business loans, and the better the roadmap for your organization.

- **Travel:** These costs vary greatly according to the type of company and its activities (some require a lot of travel; others don't). We break out travel expenses into subcategories like airfare, auto mileage reimbursement, hotels, and meals. Our senior team leaders ask each employee for an estimate of travel expenses for the upcoming year based on their projects. Then, we add 10% to the final figure for unexpected travel. I suggest that you develop travel expense limitations and reimbursement cost controls to guide employee spending.
- **Company insurance:** I am a firm believer in securing a variety of company insurance, which can include broad umbrella, liability (personal and corporate), commercial, auto, and other insurance coverage. After seeing my home burnt to the ground and having been sued a few times, I would rather be safe and well-covered than sorry! Business owners and key leaders should also carry more than adequate personal insurance coverage. Otherwise, if they are sued personally and own company stock, it could impact company assets (*Protecting Your Assets* in Section VI can provide more guidance). If you serve on a board, I recommend insisting that the organization provide board member and director coverage in case of lawsuits. You don't want to expose personal assets by serving on a non-profit board without the appropriate insurance.
- **Local, state, and federal taxes:** The IRS requires that taxes be paid on a regular (often quarterly) basis. Include these taxes in your budget, and pay promptly to avoid hefty penalties. Consult your accountant for specific advice, but as long as you make regular quarterly payments that are equal to 90% of the previous year's final taxes, you will

usually be safe. We take it a step further and pay what we think we are truly earning to avoid huge tax liabilities at the end of the year (and possible cash flow problems).

- **Bonuses, gifts, and profit sharing:** We try to allocate a certain amount for staff rewards and pay them at the end of the year when we have a clearer idea of our finances. Previous budgets can help you forecast how much profit you will make over the course of the year.
- **Net profits:** You will need to estimate monthly net profits, which are what you have left over after paying all your bills for each month. It is acceptable to have a negative figure for some months, provided that profits for the year are in the positive. We prefer a cash-basis type of budgeting where we pay taxes on income actually received during the year instead of what we expect to receive (which is the accrual method of accounting).
- **Cash flow:** This is the available cash you expect to have in the bank during any given month. Generally speaking, it is the leftover cash in your checking and savings accounts on the last day of a month. For example, you may lose \$5,000 in June but made enough net profit in April and May—say, \$20,000—to offset that loss, thus having a positive cash flow of \$15,000 for June even though you technically lost money that month. By forecasting cash flow month by month, you can see tight months coming and delay paying bills just a tad or apply for a bank loan (we do not include loans in our cash flow analysis). Strauss recommends that you always project cash flow three to six months ahead.^{iv} We project cash flow at our companies a minimum of 24 months into the future.

An excellent budget helps you prepare for bumps in the road or arrange a line of credit to borrow from during tight times. Banks are hesitant to lend to businesses that are experiencing cash flow problems, so prepare liberal credit lines before you desperately need them.

Business owners should be intricately involved in developing and watching budget numbers. Though you should utilize budget experts, the buck stops with you as the owner and leader. Be proactive in mapping out your budget future.

Monitoring the budget: Once you have developed a good budget, make sure your company adheres to it. This requires the help of everyone throughout the organization. All staff should understand and contribute to budget development and receive regular updates on how the organization is doing financially. Excessive spending must be identified and addressed promptly, strategies must be developed for keeping in line with the budget, and employees should be rewarded for making budget target goals. We create one document where everyone can see income, expenses, cash flow, and other expenditures. Senior team leaders see the budget frequently, and everyone views the information at our companywide meetings.

For the past few years, leaders have created the budget for our Columbia Conference Center based on history and projections. We developed cost centers for each division and assigned each smaller budget to managers who are responsible for keeping them in check. Each month, managers review their intended budgets with the vice president. It is also the entire team's job to monitor the overall annual budget. I tried something very unique with our conference center staff by defining what I wanted in terms of profits and telling the staff they could have the rest. Needless to say, they act like owners and watch that budget like a hawk!

By holding ourselves accountable on so many levels (but in a friendly way), we increase our chances of sticking to the intended budget, catching mistakes or discrepancies, making a profit, and (best yet) preventing failure. There is an old saying that it takes a village to raise a child. Something similar could be said about budgets. It takes the whole company to develop and follow a budget through teamwork and collaboration. Your budget is the guide that will help keep you in business!

Financing a Great Business

The bank lends you an umbrella when it is sunny and takes it away when it rains.

—Mark Twain

Steven S. Strauss says, “Cash flow is your business oxygen.”^v Ready access to liquid cash is needed to make your payroll, pay bills, and keep your company alive. Without it, your business will fail.

Many business owners underestimate how much money is needed to operate their businesses and suffer problems when the bank account registers empty. Jan Norman says that “even a profitable company can go bankrupt without cash flow. Profit is an accounting principle. You pay your bills and employees with cash, not profit.”^{vi} There were times where my business accounts receivable were high (people owed me lots of money), but I had no cash in the bank. I would wake up in the middle of the night in a cold sweat, worried about how I was going to make payroll.

Thus, I advise you to seek more money and lines of credit than you need. Although they should do the opposite, business owners have a tendency to overestimate revenues and underestimate expenses when budgeting. Second, forget those television ads for business grants. One of our companies writes grants, so we know firsthand that business grants generally focus on inventions and are rarely available to the typical business owner.

There are different avenues through which to seek lines of credit or cash, each with its pros and cons:

Personal assets: You may have home equity, an inheritance, a retirement account that you can borrow from, help from rich relatives or friends, or savings that you can invest in a business. Take caution in this area. You should view your business like the stock market. If, like me, you invested in technology stocks in the 1980s, you know that the stock market can go up or down...sometimes, really fast! I lost a good bit of money when the stock market crashed in 1987.

Investing in a business can be the same way—a significant risk! Therefore, put up only what you are willing to lose. I recommend that you never borrow money on your home or retirement fund. I lost ten years of my retirement nest egg by investing it in my first failed business!

Borrowing from relatives and friends: Keep friends and relatives out of your business if at all possible. I once counseled a depressed friend who had borrowed a sizeable amount from his grandmother only to lose it all in his failed business. You don’t want to sit across from a relative whose money you lost at the Thanksgiving table! If you do borrow money from relatives or friends, let them know up front that it is a risk and you promise them nothing other than a shot at making some money. If you go this route, be sure to draw up a written agreement so that everyone’s roles and expectations are clear. Otherwise, that investor, friend, or relative may feel like they have the right to tell you how to run your business!

Investment bankers and venture capitalists:^{vii} There are organizations that are willing to provide a line of credit in return for partial ownership of your business or a substantial return on their investment. Again, be wary of others who wish to influence your business!

Loans from the US Small Business Administration (SBA):^{viii} The SBA works with banks on a local level to guarantee loans to small businesses. Your state SBA office keeps a list of banks that participate in the SBA Loan Program and your local bank branch manager can guide you to the banker who administers SBA loans. However, these loans are getting tougher to obtain.

Service Corps of Retired Executives (SCORE):^{ix} These retired business leaders and volunteers can draw from their experience to help you prepare a loan application.

Governor's office and university: Your governor's office or a nearby university may have a business development center that can assist you in seeking loans and financing.^x

Development corporations and investment companies: State and local governments have established organizations that lend money to businesses, which are referred to as: local development corporations (LDC), community development corporations (CDC), business development companies (BDC), and small business investment companies (SBIC). In South Carolina, the SC Jobs Economic Development Authority (JEDA)^{xi} makes business loans. If these agencies cannot help you, they may be able to refer you to someone who can. Businesses located in high-poverty areas that have been designated empowerment or enterprise zones may be eligible for additional capital or tax credits.

Credit cards and finance companies: Some business owners who have less-than-desirable credit ratings or who are cash poor often resort to credit cards and finance companies for money. This is an easy but unadvisable way to support a business. Interest rates range from 20-25% and will drain your profits quickly. Try to stay away from those 90 days same as cash "deals."

Floor financing: Many suppliers will provide financing for the goods that you purchase from them. For example, when I operated a computer business, my distributor provided me with 90 days interest-free financing. Thus, I could order computers and have 90 days to sell them without paying interest. Once a month, a finance representative would visit our retail store and conduct an inventory of the computers. If I had sold any, I wrote him a check for the sales. If you have inventory longer than 90 days, you must pay interest on the amount of the inventory.

Leasing: If you lack the funds to make large purchases or down payments, you may want to consider leasing. There are tax advantages to leasing, since under most IRS guidelines you can write off the entire amount instead of buying equipment that depreciates in value over the years. Leasing also requires minimal down payments. However, most experts agree that by leasing, you will pay more in the long run.

Bank loans: My former banker, Ashley Houser, has closed more than 18,000 business and personal loans during his career. He said that the issue concerning most banks is how the loan will be repaid. According to Houser, until recently, the failure rate for business and personal loans nationwide was very low, but the pressure has increased due to the recent economic crisis. "Bankers have to get it right nearly all the time!" he said.

In his more than 30 years in the banking industry, Houser has seen that the major reasons for business failure are poor cash flow, owners' inadequate leadership and management skills, and insufficient knowledge of financing or running a business. He noted that restaurants and real estate investments experienced the highest failure rates.

Houser also said that bankers tend to be very thorough in investigating business loan applications. Their questions and concerns usually include:

- What are the goals of the business?
- Who will manage the operation?
- Who are the investors and what are their backgrounds?
- What about the business' performance or projection of expenses and revenues—will there be adequate profit?
- How about cash flow—will they have enough money to operate on?

Bankers also look closely at the personal histories of individuals who are seeking loans. Some of the items they review include:

- Personal income tax returns.
- The person's character and references.
- Résumés of the key players seeking the loan.
- Unique background checks—bankers may inquire with people who know the individuals that are making the loan request.
- The applicants' reputation for keeping their word and paying their bills in full in a timely manner—this includes a review of their personal credit histories through the credit bureau and the company's history through Dun and Bradstreet.
- Education and experience—do they have the skills needed to manage and lead this business?
- Personal balance sheet—the assets and liabilities of the persons who will guarantee the loan. Bankers prefer applicants who have verifiable liquid personal assets such as cash in the bank, stocks, or CDs that can be quickly liquidated.

The main reasons that business loans are declined include:

- Applicants' bad credit history.
- Lack of equity and personal assets.
- Limited or no money to contribute toward company operation—bankers look for partners in business ventures, not to be the sole funding source.
- Poor cash flow projections.
- Overambitious or unrealistic projections of income and conservative estimates for expenses.

How do you prepare for the bank loan? As someone who has successfully borrowed millions over the years, I have some tips:

Review your credit history: You are entitled to one free credit report each year, which the Federal Trade Commission recommends you request through AnnualCreditReport.com.^{xiii} If your report shows that you have less-than-perfect credit, work with credit bureaus to correct any problems before applying for a loan. Houser reported that personal credit problems tell bankers that people will also likely have problems repaying business loans.

Develop deposit history with the bank: Bankers prefer to lend money to customers who have a history with the bank. However, being with a bank for a long time does not guarantee you a loan. I was once turned down for a five-year, \$1.5 million dollar loan at a large national bank where I had been a loyal customer for 30 years. I also had an impeccable credit history, was committing \$2.5 million of my own cash to the proposed project, and had a successful business history reaching back 20 years. I was stunned! Fortunately, I had simultaneously applied with two smaller community banks that approved my loan. If you are turned down for a loan, take advantage of the learning opportunity and ask the lending officer why.

Write a business plan or strategy: Don't approach the banker until you have a detailed, clear strategy describing where you want to take your business and the steps to get there. Write it as if the person reading about it has no experience or knowledge in the area you are planning to pursue. Your plan needs to convince the lender that you will be able to repay the loan and that your business will be profitable. It should include a narrative with:

- Your personal history, experience, and skills.
- Business history (if any).
- How you plan to operate your business.

- Barriers and problems you will likely face and how you will overcome them. (It's better to include this than some rosy, overly optimistic picture!)
- An analysis of competitors.
- A marketing and sales plan.
- Personal and company balance sheets showing assets and liabilities.
- Income and expense projections or a budget.
- Cash flow projections.
- A SWOT analysis detailing strengths, weaknesses, opportunities, and threats to your business.
- Federal ID and DUNS numbers.
- An explanation of management and ownership structures.
- Personal and business references.
- Company and personal tax returns.
- Past and current financial statements.
- Any studies and statistics to support your plan.
- Copies of customer contracts and receivables.
- Copies of past bank statements (if you use another bank).

These are just some of the items a lender would like to see. Number the pages of your plan so the banker can easily follow your presentation (also, more than one person in the bank may review the plan, discuss items as a committee, and need to reference certain pages). Be sure to leave two copies with the banker. I recommend putting the plan in a small three-ring or spiral binder with a colorful, professional cover. You want to come across as poised, competent, and professional to the lenders. Include attachments that provide evidence of your points in the plan and contact information for references. Have a technical writer proof all your materials—typos can harm your image! If you can obtain a letter from your accountant that supports and agrees with your plan, that will add credibility to your application. Even better, take your accountant to the loan presentation for support or as a co-presenter.

When your analysis is ready, ask your local banker for the name of the person within the bank system to whom you should present your plan. Many times, larger banks will have a business banker who you will meet with at the corporate office instead of the branch office. Small banks will act more quickly on your loan since they have less bureaucracy, but there may still be processes to follow. Each bank is different, so you must assess their processes individually.

Be sure to select a good time for your presentation. The best days are Wednesday and Thursday. Avoid Mondays, since that is a busy and stressful day when everyone is trying to catch up. I suggest 10 to 11 AM and 2 to 3 PM as the best times for a meeting. However, think about the times of day when you function best and schedule the meeting accordingly.

As someone who has made nine business loan presentations, I advise you to plan on being grilled! The banker will ask hard questions that you would rather avoid. Don't take it personally. Their job depends on keeping the bank in business. When it comes to a business loan presentation, you might as well be talking to a computer since the banker will turn into one! Try to anticipate all of the difficult questions that may be posed. Ask others who have gone through this process to coach you and review your materials prior to the presentation.

Think carefully about your appearance when applying for a loan. Bankers are often conservative individuals, so I usually wear a dry-cleaned gray pin-striped suit, burgundy tie, and white shirt when making presentations to them. Take everything about your appearance into

consideration. Your shoes should be shined, your hair should be cut conservatively, your teeth should be brushed, and your breath should be fresh. You don't want to go into the interview with spinach in your teeth, gorilla breath, messy hair, food on your dress, or worn out shoes! You want to look sharp, organized, professional, and clean. I want the banker to think, "This guy has his act together!" when I leave.

Drive to the bank early, but don't go in until the exact time of your appointment. This leaves room for the unexpected (like a flat tire or traffic). Above all, don't be late! Take the bank's phone number and a cell phone so that you can call if anything keeps you from being there on time. Make sure that your hands are not sweaty from fear or nervousness. When you meet the banker, act confident and relaxed, look him or her in the eyes, and smile. Bankers will watch your body language for nervousness. If more than one person is interviewing you, occasionally call each one by name and be sure to maintain eye contact with everyone.

Rehearse your presentation until you are very comfortable with it. Make notes to ensure that you cover all the points. You may ask to go through the presentation first and entertain questions afterward. However, if the banker asks a question during the presentation, be sure to address it. If you do not know the answer, ask for permission to cover it at a later date. It is OK to say, "That is an excellent question. Let me think about that." They will respect this tactful way of saying that you don't know. Don't respond by shooting from the hip because bankers will see through it. Look at this as a partnership—your job is to make the banker or investor feel confident and secure about extending credit to you.

State your terms while in the meeting. For example, you may want to say (at the right time), "My business will require a \$200,000 loan to be repaid over five years at prime interest."

At the end of your initial presentation, after the banker has asked questions about your proposal, ask him or her for the next step in the process and how long it will take to review your application and give you an answer. Ask any other questions you may have to get an understanding of the process. Never try to rush a decision or act desperate—the kiss of death! This could result in the denial of your loan application or higher interest rates.

I also recommend that you approach three banks for a loan so that if one bank turns you down, you have a back-up plan. In addition, you can compare the loan packages and fees that each bank provides and use this information to negotiate. Most banks will match other offers. Then, decide what is best for you and your business. However, don't immediately accept the first offer that comes in. When a bank makes a proposal to you, thank them and let them know that you will respond within a short period of time (so you can compare the offers).

Banks make their money from charging origination fees, closing costs, and other payments for completing the loan. Your negotiation power will depend on how much you have to offer (i.e., if you have high cash reserves that can be deposited in the bank, there is a benefit to the bank). Interest rates also vary, but seek the interest rate closest to the prime lending rate.

Also, give yourself some breathing room. You may want to start making payments two months after the loan closes if you are starting a new business or need some time to develop your reserves. If you feel confident that you can repay the loan in five years, ask for a seven-year loan. That way, if problems arise, you are not in trouble.

Ensure that there is no prepayment penalty. Some banks don't want you to pay off the loan early because they make money from the interest and want to keep you as a customer. Carefully read all offers and contracts to ensure that they match what you agreed to, and try to avoid personal loan guarantees. If you are required to sign an agreement putting up all of your personal

assets to guarantee that the business loan will be repaid, avoid having your spouse or key company officers cosign with you.

Once you develop a relationship with a bank officer, foster it, even if he or she transfers to a different bank. Many business owners do not build this relationship until the need arises, and then it's often too late. Because many branch offices rotate their managers through the system, my former bank had ten different branch managers in 20 years! Every time a new manager surfaced, I had to start the relationship all over again. Once trust is developed, however, bankers will do you favors and provide discounted services for you. I follow my banker wherever he goes. We know each other, and I view our relationship as a partnership.

Managing cash flow and accounts receivable: Be sure to bill customers promptly, monitor receivables for timely payments, and project cash flow out at least one year (we project two). Positive cash flow is one of the most important parts of financing your business. You do not want to shoulder the cost of borrowing money because you have billed customers late or have not followed up with those who have not paid on a timely basis. It is important to learn the different ways that customers process bills. Our finance director publishes a monthly accounts receivable report for leaders, which is helpful in tracking which customers owe us money. It also makes us aware of potential cash flow problems so that we can proactively prevent them.

Try to avoid debt, but if you must borrow money, repay it as soon as possible. Debt robs a business of profits. Be sure to obtain a revolving line of credit so you can use it when you need it and pay it down when things are going well. If you require \$200,000, try for a \$250,000 line of credit to be used only if necessary. "You aren't forced into a corner and you don't risk cash flow problems if you have adequate credit," says Richard R. Harroch in *Small Business Kit for Dummies*.^{xiii} You almost have to prove you don't need a loan in order to get it!

Many components go into great businesses, but cash flow is essential to an organization's survival. Though obtaining financing can sometimes be difficult, it gives business owners the funds needed to improve and expand their businesses. Unless you are one of the few people blessed with enough personal funds to start and grow your own business, you will have to seek financing from other sources. By creating a realistic, detailed report on how you plan to utilize investors' money and answering even the tough questions, you can tilt the odds of getting financing in your favor!

Purchasing Strategically

If you make a habit of buying things you do not need, you will soon be selling things you do.
—Filipino proverb

Viable businesses take in more than they spend—in other words, they make a profit. But there is no easy formula for being profitable. It is actually a combination of many different strategies, including keeping expenses in check and saving money wherever possible, that must occur simultaneously. The sales force may be charged with generating income, but everyone at every level within the company must prevent waste and reduce expenses as a part of the culture.

Buying quality materials at the lowest price: It has taken me about 30 years to figure this out, but you want to purchase high quality materials, supplies, and equipment at the lowest possible price—*without* compromising quality. I have always liked nice things, but in the past I tried to buy them too cheaply. A friend once said that I was so tightfisted, I could squeeze the buffalo off a nickel! There have been times, even recently, when I traveled the bargain route only to regret it. As Norman says, “Don’t settle for cheaper equipment that doesn’t meet your company needs in order to save money. The costs will be greater in the long run.”^{xiv} The bottom line: buy high quality that will last for years.

Establish a purchase approval process: The next part of your purchasing strategy is to keep all employees in the loop about expenditures. This prevents waste and ensures that everyone communicates on how money is spent. In the 1980s, I did not have these controls and decision-making was left in the hands of a few people who spent the money—sometimes too liberally. Once the purchase is made, it is too late. I will never forget when one store manager spent \$1,000 on flowers for my computer retail business. They looked great! However, we did not have the money for that purchase. The bigger issue was that we did not have a set budget or checks and balances, so there were no plans or guidelines for spending money.

Unfortunately, many examples of wasteful spending can be found in our culture. During the federal government’s 2008 bailout of the automobile industry, three auto company CEOs who were seeking government aid all took separate private jets from the same city for the same meeting in Washington! No wonder their companies were in financial crises!

Some employees are not as thrifty when they are spending company money. We try to motivate everyone in our companies to see that the companies’ money is their money, too. If they save, they are rewarded. Every time a manager wants to make a significant purchase, I ask, “Do we have money for it in the budget?” Staff has to understand that a few dollars saved here and there can add up to thousands each year. Every little bit helps the company to survive and puts more money in employees’ pockets through our profit-sharing program.

CEOs should actively monitor both revenues and expenses. Otherwise, you may find your company has run out of money. Of course, this may not be applicable in businesses such as construction where hundreds of purchases are made every month, but large business owners still need someone watching how money goes out the door, from the person who made the purchase to the person who pays the bills to the CEO.

We centralize the authority to make most large purchases in gatekeepers for each of our companies, but try to incorporate some freedom into the process by allowing all employees to spend up to \$100 per purchase without approval (for example, buying a \$50 calculator). Expenditures of \$100 to \$1,500 require a team leader’s approval; those costing more than \$1,500 require my approval before the purchase if not previously included in the budget. This is not

meant to micromanage the employees, but to maintain a process of reasonable checks and balances. We also try to keep the process moving along without becoming too bureaucratic. To this end, we have computerized the request forms so they can be transmitted and approved through a paperless system.

Using credit cards with rewards to pay bills: If you time your bills right, you can make large purchases the day after your credit card statement comes out and have nearly 45 days before payment is due, which helps with cash flow. We pay 80% of our bills with credit cards that provide rebates or airline miles, often using our American Express cards because they earn Delta SkyMiles. For every dollar charged to the credit cards, the company receives one SkyMile, which are then used for staff or consultants' airline tickets (if the ticket is less than \$500, we pay cash). This reduces travel costs, and the company also obtains SkyBonus corporate loyalty points that can be redeemed for credits with Delta Airlines and their partners.

Many other organizations pay their bills with checks or credit cards that do not provide any rewards. Why waste this opportunity to get money back? Our American Express cards generate more than 500,000 points each year, which buys a lot of airline tickets and hotel rooms and saves the company a good bit of money! Plus, our American Express OPEN business credit cards also generate cash rebates.

Accounts payable are set up to automatically bill a company credit card, condensing the time and labor that would be used writing many checks into just one payment to the credit card company. All your bills should be automated like this to reduce labor time. We also provide a company credit card to each employee for small purchases like meals or supplies. Of course, these cards have limited credit lines and are closely monitored. When employees use their cards to make purchases, they are responsible for providing the receipts to the director of finance. The bills are then attached to a master bill that is reviewed and approved by the finance director and key managers each month. Giving employees access to their own credit cards reduces administrative hassles and shows staff that you trust them.

Coordinating travel expenses: Because of the nature of our work, our travel budget is significant, so we established an internal corporate travel agency to obtain 10% commissions on employee hotel rooms. However, this is not recommended for most businesses unless you have a lot of employee travel going on. Instead, assign one person responsibility for finding all hotel rooms, airline tickets, and car rentals at the lowest price. At our company, hotel reservations are made through my frequent guest account. Employees enjoy the benefits of registering as premium members, which means a guaranteed room even when the hotel is sold out, room upgrades, and other perks like complimentary bottled water. The employee decides when to travel, but we have put some controls on travel-related purchases that have saved us a good bit of money, like requiring employees to coordinate their travel with others. This happened after I observed three employees from the same city each using their personal cars go to the same conference hundreds of miles away (and the company reimbursed each). As a result, we developed detailed travel policies that outline how travel is reimbursed (i.e., the company only reimburses one car for travel to a single conference for up to three employees). Because we are members of the American Association of Automobile Owners (AAA) and American Association of Retired Persons (AARP), we can reap the discounts they offer for nominal membership fees.

Soliciting simple bids: Whenever we will be paying significant money for an item or service, we compare brands and solicit quick bids from several companies. Then, we use the lowest bid to influence our desired vendor to lower their price. For example, we wanted to install ceiling fans in the porch area of our conference center. Our preferred high-quality company bid more

than \$2,000, the highest quote. Our lowest bid was \$1,500 from another company. When we informed the company we wanted to work with of the other company's bid, they matched the price, saving us \$500. There is a golden rule in negotiating: whatever price a vendor initially proposes is always higher than what they will accept. Everyone in the company should share the goal of obtaining the highest quality services and products for the lowest possible price. At the same time, you want your vendors to make a reasonable profit so they enjoy doing business with you and are responsive to your requests.

For very large purchases, we may develop a simple Request for Proposals (RFP) in which we succinctly spell out exactly what we want and when we want it done. In other cases, we may ask the vendors to drop by and we will show them our needs in person. We include an easy way that they can respond (e-mail, fax, mail, etc.). The more details that are provided up front, the more accurate the bid price on the back end. However, it is very important to obtain bids in writing. Verbal bids can result in misunderstandings and "he said, she said!"

Remember that staff time should be included when calculating prices and bids. We have occasionally spent huge amounts of time investigating prices and trying to save money through the bid process when it would have been easier to just make the purchase. In other words, take time to investigate lower prices, but within reason.

Supply purchasing: A business requires general office supplies like pencils, pens, and copy paper to support its staff. We purchase most of our supplies from national discount wholesalers like Office Depot. They stock an extensive variety of supplies in their regional warehouses and usually have very competitive prices and no shipping costs if a minimum order is met. They will also bill your company in 30 to 60 day terms and allow you to enhance cash flow by paying with American Express (thus giving you up to 90 days to pay).

We give employees an updated supply catalog so they can tell our purchasing agent specifically what they want using the page number, price, model, etc. We also worked with Office Depot to assign each employee a number under one master account so they can order on their own and we can track their expenditures. This has been very helpful—in the past, someone would just say, "I need a calculator," and my purchasing agent would go back and forth trying to figure out exactly what he or she wanted. Now, our employees just order what they want when they need it. Office Depot will also ship to off-site staff at no charge (with some limitations) and then invoice your organization.

We review Sunday newspaper circulars from office supply stores for specials. For example, we recently needed ten power back-ups for some of our computers. Since it was not urgent, we waited a few weeks and bought them at 50% off, saving \$500. Therefore, in some cases, it is more cost-efficient to purchase locally. Another idea is to buy large volumes of your most commonly used supplies once a year. Some suppliers will negotiate prices if you make a large purchase (\$10,000 or more). Your purchasing agent should build a relationship with a salesperson at your favorite supplier so you have one experienced rep to communicate with.

Most of our supplies are located in a large room that only a few key individuals can access. We set up smaller supply cabinets with commonly-used supplies for each division that are kept stocked by our purchasing agent. This way, we keep a handle on inventory while still having supplies readily available to staff.

Inventory control: As your business matures, you will make purchases that need to be tracked with an inventory control system. A point-of-sale is one way that retailers plug in your inventory. With other businesses, you need to maintain documentation, such as a list of computer equipment with dates of purchase, regular and/or extended warranty information, model names,

serial numbers, etc. This can be recorded on an Excel spreadsheet or with a customized inventory-tracking program (which will end up saving you a lot of time and effort!). Strauss says that “these days it is far more common (and smarter) to have a computerized system.”^{xv}

You should also videotape your entire building and its contents every 2-3 years, storing the tape digitally online or in a locked, fireproof bank safety deposit box. My house once burnt to the ground and the insurance company required a list of everything we had lost, which was hard to remember and document. If a disaster were to strike, a videotape in a safe place would make that documentation a snap—ask any business owner affected by Hurricane Katrina!

Inventory should be reviewed every year to determine if you have anything that that is obsolete or getting out of date. If you have, for example, three toner cartridges for a laser printer that you no longer use, they could probably be returned for credit. Maintain adequate supplies on hand so that your purchasing agent is not constantly making orders.

Extended warranties: We have purchased extended warranties on all 70 of our computers and have yet to use one! Often, extended warranties are only worth it for items with moveable parts like washers and dryers. However, if you make your purchase with American Express and some other credit cards, you may receive a complimentary extended warranty (up to a year) without having to buy one from the store where you bought the product.

Being smart about purchasing is yet another important factor in a company’s success. Great companies strive not only to bring in profits, but to save on the other end by conserving resources. Purchasing high-quality goods at the lowest reasonable price is one way to save money and protect your company’s financial stability. Remember—you get what you pay for!

Negotiating the Right Way

You don't get what you deserve. You get what you negotiate.
—Chester Karrass

Negotiation is the process of searching for an agreement between two or more parties. There will be many opportunities during the life of your business when negotiating can save money, increase revenues, or protect personal and company assets. These may include:

- Purchasing supplies and equipment at a lower cost.
- Contracting with a customer for the greatest amount of revenue for a service or product.
- Minimizing losses when faced with a lawsuit or dissatisfied customer.
- Working with a consultant or contractor for a more reasonable quote for their fees.
- Satisfying an unhappy customer by working through problems or issues they had with your company.
- Bargaining with new employees over salary details.
- Solving a problem or issue with existing employees.
- Negotiating with a vendor or contractor who has delivered an unsatisfactory product.

There is a saying that “everything is negotiable!” If you can find one vendor who is offering the same item for less, others will usually match the price. As with a personal budget, every little bit—saving money, making extra money, or protecting your current assets—helps the company’s survival. It is your job as a leader to develop a company culture where everyone constantly thinks of ways to save and make money, and negotiating is an important part of this philosophy. Few days go by that I am not either negotiating or teaching staff how to negotiate.

Everyone has a different level of negotiation skills. Some people have been raised in families where negotiating is just a part of their lives, and others have grown them in their jobs. Some are extroverts who see negotiation as a game and look forward to it; others are introverts who would prefer to avoid it at all costs. One of my managers once said, “Please don’t make me negotiate with this customer on our contract!” However, I encouraged her to hone her negotiation skills, and now she has more confidence in that area. The more you practice negotiation, the better you get at it.

Negotiation should be viewed as a tactic, a game, or (better yet), a dance where each party leads the other at different times. The key is to keep it smooth so that both parties want to continue. As a good dance feels satisfying at the end, when you finish negotiating, everyone should feel like a winner.

Time is one of the best tools in your arsenal. If you can plan ahead before you need a particular service, product, or outcome, you can obtain a better bargaining position and price. Wait until the last minute and you will pay a premium. The “most effective single thing you can do to increase your power is to prepare,” say Michael C. Donaldson and Mimi Donaldson in *Negotiating for Dummies*, adding, “You may be facing the greatest negotiator in the world, but if you are prepared, and the greatest negotiator isn’t, you have the upper hand.”^{xvi}

It takes planning and skill to obtain what you want and leave your opponent in good shape as well. Ethically, I believe that negotiators should not be ruthless or take advantage of a person in dire straits. If you are dealing with a vendor, you want to ensure that he or she is earning enough of a commission to make working with you worthwhile.

We work with a firm called Professional Printers in Columbia, SC.^{xvii} Gurney Adams, the salesperson, provides nearly all of my printing needs, such as brochures, letterhead, business

cards, etc. He gives me a very good price up front and his organization always produces high-quality products. Sometimes, I may take bids on projects to ensure that his price is right, but he is an excellent, friendly, professional salesperson who meets our needs. I want his organization to make a profit and for him to make a good commission—therefore, the “win-win” situation occurs. I receive an excellent product produced in a timely manner for a good price, and they earn profits to keep them in business. When I call Gurney for assistance, he is prompt because there is an incentive to continue our relationship. We respect and enjoy working with each other.

There is no perfect way to negotiate, but there are core techniques I use that can be effective for everyone. My psychological training in college and graduate school has significantly benefitted me in the business world. Since there are many resources available on negotiating, I will not go into great detail, only outline successful techniques that I employ. (For further reading, Entrepreneur.com offers excellent articles on negotiation, and the Harvard University School of Business also publishes a good newsletter.)

Mentally preparing to spar: First, think about what you want to achieve from the negotiations. I usually ask for more than I need so my opponent can work me down to a solution that they perceive as being in their favor. By giving yourself some wiggle room, you allow space to work toward a settlement you desire while your opponent feels like they have won as well. It is acceptable to allow them to win some battles as long as you win the war.

Determining the best day and time to meet: I am most efficient between 7 and 10 AM, so I tend to work in my home office during that time each day and then go into the corporate office afterward. I recommend that you negotiate when you are most alert and can think on your feet. Next, think about the day you want to meet. Avoid scheduling important meetings, negotiations, or decisions on Monday or Friday. Most folks tend to be pretty negative on Monday because they are stressed from catching up after the weekend. I recommend scheduling negotiations mid-week, when everyone has stabilized and may be in a more positive frame of mind. Mid-morning or mid-afternoon are the best times.

Defining the medium of the negotiations: The medium may be a telephone conversation, face-to-face meeting, or video conference. If you are trying to reach your opponent by telephone, avoid leaving more than one message, which can give the impression that you are desperate. I may have a couple of different staff members try to reach the person to avoid giving away my identity. If you get through to the person you want to negotiate with, ask if the timing is good or if you should call back. Give your caller a chance to see if they have time to continue the dialogue or want to revisit it later.

Ideally, you want your sparring partner to be in your environment. Having your opponent come to you automatically gives you the advantage; avoid meeting in his or her office since the power level will be reversed. If you cannot attract the person to your office, suggest a high-quality neutral site. Donaldson and Donaldson say that: “The most important consideration is to be in a place, physically and mentally, where you can listen...If you cannot concentrate on what the other person is saying, you cannot negotiate.”^{xviii}

If you can control the meeting place, think about how you want the table and chairs arranged. To appear more powerful, sit at the head of the table. If you want your partner more relaxed and engaged, sit across from them on the other side of the table. Place a pad at the end of the table to give the illusion that someone is sitting there so they will avoid that seat. I suggest that you also have staff come in a few minutes early and seat your opponent on your dominant side (mine is right) where you feel most comfortable and can see them clearly. Ensure that your meeting area is professional, clean, and organized to project the impression that you have it together!

Instruct staff to turn off all beepers and telephones so you can have a focused meeting without interruptions. I always turn my cell phone off in front of the participants to subtly remind them to do the same. Ask outside staff to not interrupt you, which could impair your negotiations, and turn off your office telephone ringer and Outlook e-mail notification sounds. If there is an urgent situation underway that may require interruptions, let the participants know up front so there are no surprises.

Paving the way to the meeting: Alert the receptionist that your guest should be held in the reception area until the agreed-upon meeting time. This also represents power by sending the message that you are not overly eager. However, be prompt; otherwise, your opponent will get irritated and your delay can backfire. I like my adversary to be late because he or she will apologize, which gives me a subconscious “IOU” from the beginning.

Your job is to make the people you are negotiating with happy to meet with you. Have your friendliest receptionist greet them with a smile and offer them some water or a soft drink, which helps them relax and begin bonding with the company, eliminating some of the tension.

Pre-negotiation tactics: Dress according to the occasion. I would not wear a suit to negotiate a deal with someone to cut down trees! If you own a luxury car, avoid parking where your customer can see you since this may imply that you have a lot of money.

When your opponent enters the room, be sure to shake hands with a slightly firm grasp (to represent power), look him or her right in the eyes, and smile. Introduce the other members of your team (I generally recommend limiting the number of additional people to one or two, otherwise, it may make the opponent feel uneasy or like they have to show off). Donaldson and Donaldson agree. “When you arrange a negotiating session, don’t invite one more person than is necessary,” they write. “Each person in attendance adds exponentially to the problem of control in communications.”^{xix}

If at all possible, try to determine your adversary’s positions or desired outcomes prior to the meeting. I like to study World War II, its generals, and their plans for battle. When intelligence indicated that the American General George Patton would be in battle against German Field Marshall Erwin Rommel, Patton read Rommel’s book on tank warfare. With this information, Patton was able to predict Rommel’s actions and won several key victories. As a negotiator, you want to do your research by asking vendors, contractors, or acquaintances of the adversary about his or her personality and methods of operation. However, do this quietly so it is not obvious that you are investigating him or her.

Sometimes, you will have to enter negotiations without any preliminary information. If you feel like your opponent will be tough to crack, bring in another skilled negotiator who can help you reach a solution by combining two minds into one focused approach.

Entering the negotiations: Take charge of the meeting from the start by telling everyone why it has occurred. Good preparation usually helps keep the meeting organized and reduces stress. I always try to state my position while listening to my opponent for any cues that he or she may agree, disagree, or have a neutral stance. If the other party brings up a positive point, listen and make a note of it so you can follow that trail. It is acceptable to ask questions as you probe for their needs.

Have your notes ready and look everyone in the eyes in a relaxed way (concentrating on the decision-maker). Skilled negotiators will be watching your body language for nervousness, so you may want to do research in this area. I can assess most people’s feelings by the signs their bodies give. One of my past companies, Law Enforcement Training Center, offered a seven-hour course just on how someone’s eyes can signal whether they are telling the truth or lying!

Silence is also an effective negotiation tool; Marc Diener says that it makes the other side uneasy.^{xx} Some people just cannot stand quiet and will break down, giving away their secrets and strategies. If both parties remain silent, just reiterate your position.

Try to keep the discussion professional. Leave your ego at the door! To keep conflict at a minimum, it is best to avoid politics, personal views, and sensitive or negative issues completely.

As the primary negotiator for your team or company, your job is also to keep the meeting focused, organized, and moving forward. Occasional drifts are acceptable, but opponents may try to distract you and cause chaos. Keep pushing toward your desired outcome without dominating the discussion. Try to foster a positive, open dialogue. Remember—LISTEN, LISTEN, LISTEN!

Finalizing the agreement: When negotiating with a customer, remember that once the deal has been made, he or she will expect the same in the future. If you go in with too low of a profit margin upfront, the customer will expect it every time and will tell others about it (in some cases, it is better to allow a competitor to obtain the account). Never criticize your competitors in front of the customer; instead, focus on the quality of your services and products in a way that shows that your company is clearly the best choice. Columbia Conference Center developed a comparison chart with a list of questions about facility rental with our Center's responses and blank boxes for potential customers to record—and compare—competitors. You can find this chart on our website.^{xxi} This is a neat, easy way to educate the customer and give our business an edge since our facilities and services are superior to our competitors'. I suggest you develop something similar for your customers so they can take it with them to review while the negotiations are in process.

It is acceptable to say no to certain non-negotiable items. I always politely tell the person I am dealing with, "I would ask the same if I were in your shoes. But I cannot negotiate on that point." I then give them a good explanation of why my stance is firm. I also try to retain some options in my arsenal so I can say, "I cannot do that, but I can do this." When you give something, always try to obtain something in return. Make only small concessions. If you give too much too soon, it sends a signal that you want this account or customer very badly, weakening your position. Negotiators and sales reps must realize that they will not get *every* account. No one is the perfect negotiator, and some accounts are just not worth it if profit margins are very low or customers too demanding. If your opponent presents an idea or suggestion that you need more time to consider, it is acceptable to say that you need to think about it and will get back with them by a certain date. You can also use the "limited authority"^{xxii} tactic, where you say that you will need to consult with another authority or leader before making the decision. This gives you some time to think. Car salespeople will often utilize this tactic, postponing negotiations to consult with the sales manager about a customer's offer and thus wearing down the customer.

IMPORTANT: Do not accept your opponent's first offer; it will always be higher (or lower, depending on what kind of things you are negotiating) than what they are willing to give you. In fact, it irritates me when the other side accepts my offer right off the bat because I knew that I could have gotten a better deal. I always counsel my staff to not smile when the solution we want is presented. If the opponent senses you want or like something, the price goes up! Good negotiators usually obtain a price between what the opponent or client wants and what the negotiator asks for. For example, a contractor may indicate that they will do the work for \$50 per hour when they will actually be happy with \$35. I always offer less and then allow the person to think they are winning as we work up to where I wanted them in the first place.

Don't waffle when the deal is near completion. Some negotiators will try to squeeze out something extra at the end when everyone is smiling! Never rush negotiations, and avoid scheduling other appointments right before or too soon after them. Follow up on your agreements in writing while the meeting is fresh on your mind. A thank-you note for meeting with you may enhance the sale if dealing with a customer.

If you reach a roadblock on any issue, agree to come back to it later in the meeting when your adversary is in a more receptive mood. Don't let single items kill the entire process. If you feel like the meeting is not progressing and you cannot achieve an acceptable outcome, then you can reiterate what the parties have agreed to, call a "time out," and meet again in the near future to attempt a resolution.

If you have the time and patience, another option is to act like you have given up on the deal, especially with a vendor. Let a week go by to make a counteroffer or wait until the vendor calls you. Sometimes, you may want to make a counteroffer in writing a few days after the meeting. The other side will fear that the deal is about to fall through and make concessions to save it.

Remember, negotiation is an art that takes time and practice. Build a culture of negotiators throughout your organization so everyone is seeking "win-win" situations both internally and externally. The optimal result of a successful negotiation is that everyone walks out of the meeting (or finishes a phone call or e-mail exchange) feeling satisfied. If you follow these simple strategies for improving your negotiation skills, you'll find that you can usually get what you want—and at a better price than you thought you could get it.

Organizing Good Pricing Structures

*Make your product easier to buy than your competition,
or you will find your customers buying from them, not you.*

—Mark Cuban

In 1981, I organized a company called The Micro Shop, Inc., which became an authorized Texas Instruments retail outlet. At the time, home computers were just becoming popular and were mostly used as game machines. Texas Instruments' marketing and pricing theory was to sell their TI99 home computer for a few hundred dollars in order to compete against their rival, Commodore. Though they made little to no profit on the main unit, they planned to generate revenue from the accompanying software, which was less expensive to make (and thus yielded a higher profit margin). Sounds logical, right?

I followed their pricing theory but ran into trouble because I was competing against large chain stores that could purchase huge volumes of computers at better wholesale prices. They could then sell the computers to the public at the same price my small retail outlet paid Texas Instruments for them.

The major flaw with the pricing strategy was revealed in late 1982, when it became apparent that customers were not buying all the software that it had been predicted they would. As a result, Texas Instruments discontinued their home computer line. Our pricing strategies and low profitability eliminated The Micro Shop in 1983. We failed to establish the right price—and paid for it dearly!

Of all the factors that go into running a company, one of the most difficult is determining the right price to charge a customer for a product or service. Many great products or services go unsold because they are priced too high or not competitively enough. Companies with very low profits margins struggle to get by or, in some cases, make no profit at all. Great companies find prices that customers are willing to pay that still generate good profits.

Identify the right niche: The harder it is for consumers to obtain an item, the more they are willing to pay. Great companies offer products or services of a quality that few others can match. Consequently, with little competition, they can price items higher.

Deliver high-quality products and exceptional customer service: Customers are willing to pay more to companies that consistently exceed their expectations and meet the agreements they have made. That is why I am always willing to pay more for Sony, Samsung, or Apple products or to stay at Four Seasons hotels.

Study the competition: You can often learn from competitors' research and pricing structures. You want to compete, but don't lower your profit margin to where you are just barely making it. Too many companies have gone out of business trying to match others' prices! Remember, it's always better to create high-quality work for fewer highly profitable clients than to overexert staff on many average clients. Strauss says, "Remember that capitalism is cutthroat. You have to be cognizant of what your competitors are doing and offer something better—price, service, location, something—if you are going to succeed."^{xxiii}

Conduct focus groups: Ask faithful customers what they would be willing to pay for new products or services. They can help you pinpoint the "win-win" price for both your company and the customer.

Carefully examine pricing levels: Have you ever noticed how Wal-Mart and other retailers sell things with ".99" at the end? I call that the "Blue Light Sales Approach." \$12.99 sounds like

a much better deal than \$13. The mind sees ranges in pricing, so why charge customers \$13.25 when they will perceive \$13.95 as basically the same? It is easy to just round prices off, but I have found that customers need to feel like they have gotten a good deal—even if it’s just a few cents cheaper.

Start at mid-range and slowly raise prices: As your company’s products or services become popular, slowly increase prices. This gets back to supply and demand. You want to raise prices as high as you can without offending the customer or leaving the acceptable range as established by your competition. Keep communication channels open with customers for hints that you may have priced your product beyond what they are willing to pay. If you are planning to raise prices, let them know in advance. People generally don’t like surprises, particularly when it comes to money. Also, beware of pricing too low—you may set a precedent, making customers unwilling to pay a larger (but still reasonable) amount in the future. Remember—as Strauss says, “Your first price is not your last price. Especially at the beginning you will need to tinker a bit.”^{xxiv}

Study profitability carefully: Know what a product or service costs to develop and deliver (including post-delivery support). This provides you with a starting point from which to judge your profitability. Always stay in a good, profitable range. If a product or service is not profitable and does not align with your strategic plan, don’t offer it.

Find your “Hedgehog Concept:” In *Good to Great*, Jim Collins notes that great companies each followed an individual “Hedgehog Concept,” which is a combination of “what you can be best in the world at,” “what drives your economic engine” (profit), and “what you are deeply passionate about.”^{xxv} Apply this concept to your business, focusing only on products and services that pass these three tests.

Study your budget: If you know how much revenue you need to generate and the number of products you can sell per year, then you will know what your target cost per item is. Use research to determine how much beyond that amount customers will pay.

Monitor sales: If you see that demand for your product is high, you can increase prices. If sales drop, try interviewing customers to determine if cost is a cause. If a product or service remains unprofitable over time, alter, improve, or eliminate it.

Interview employees: Always ask staff for their perspectives and suggestions on pricing. Often, their knowledge of the product’s market, competition, and customers can help guide your pricing plan.

Don’t let sales representatives be the sole decision-makers: Many times, zealous sales professionals who are trying to meet their quotas or make a good commission will close a sale at the company’s expense. It can be easy for them to come in with a low price and overpromise the company’s ability to support the product, which creates customer hostility when the company fails to deliver.

Discount large sales volume: If a customer approaches with an offer to purchase a significant amount of your commodity, profit per unit can be decreased. However, stay aware of overall profitability. You could make a modest profit, only to have it wiped out on the back end by post-sale support.

Encourage divisions to work together: The people involved in making, selling, and supporting the product should agree on product development, marketing, sales, and the ability of the company to deliver and support the product. Sometimes one division may be able to create a service or product, but another division cannot sell or support it. Divisions will see pricing differently, but agreement is needed.

Don't quote a price impulsively: Some customers will make a counteroffer or try to haggle. You may choose to negotiate with the customer for a price within your established range (if you have one). It is better to respond to offers in a reasonable period of time (usually within 24 hours) than to negotiate unprepared. That way, you can think through your pricing plan before trying to reach a “win-win” price. However, remember that you may be establishing a precedent—and some customers do talk to each other! It's best to (pleasantly) stand your ground but make small concessions so customers feel good about the price.

Add value instead of discounting: Instead of cutting prices, consider giving the customer other benefits that may cost little to your company (e.g. an additional five hours of support or consulting services or printing 2,000 extra cards on an order of 50,000).

Solicit the advice of marketing, sales, and product experts: Consider contracting with outside experts for independent recommendations on pricing strategies.

Create tiers of products and services: Recently, a customer for whom we created a website complained about losing customers to his competitors, who were selling similar products (though of inferior quality) at a lower price. We suggested he create two tiers: one to address the high-end user willing to pay top dollar for superior products and a second, lower-priced tier that is good but uses less expensive materials. Consequently, the retailer can capture two groups of customers and stay competitive.

Making good guesses: Pricing a new product can be hard because you have no market history to consider. After extensive profit and development cost analysis and input from customers, the public, staff, and experts, you may simply have to guess. Then, monitor sales very carefully to gauge your pricing accuracy and adjust as necessary.

Prices that reflect your organization's monetary needs are critical in building a great company. Too many businesses have failed because all they saw was money flowing into their bank accounts. Had they analyzed their profits, they would have seen the money flowing just as quickly *out* to pay vendors or bills.

Accurate pricing is a science, an art, and sometimes a gut feeling. Combine all of these approaches when pricing your services in order to win!

Building Strong Technology Systems

*Information technology and business are becoming inextricably interwoven.
I don't think anybody can talk meaningfully about one without talking about the other.*
—Bill Gates

In Jim Collins' bestseller *Good to Great*, every “great” company demonstrated technological sophistication, using technology as a tool to accelerate success within the guidelines of their individual “Hedgehog Concept.”^{xxvi} Technology is most useful when it is high-quality, user-friendly, and applied based on need. Having the right, outstanding staff on board who are trained in the technology can also enhance efficiency.

Using technology to heighten success: Having the latest technology can certainly be helpful, but it must fit your company's specific needs. During my time as a business consultant, I was frustrated to see several of the businesses I worked for align all of their activities around newly purchased software packages. Technology drove the company, instead of the other way around.

“Indeed, thoughtless reliance on technology is a *liability*, not an asset,” wrote Collins.^{xxvii} In other words, don't push your business into using a new technology without carefully considering your needs and strategic plan. When considering technology investments, you should ask yourself, your leadership team, and your staff questions like: Do we really need this? Will it help us improve communications or become more efficient? How will it help us to become more profitable? Will it enhance customer service or improve the quality of our products and services? Is it worth the investment? Only when you have deemed the technology necessary and beneficial should you proceed with the purchase.

Pricing: Technology sales representatives sometimes talk companies into buying technology that sits on desks unused. However, our technology firm studied our systems, assessed what worked and what needed improvement, and interviewed each staff member to learn where we were as a company and where we were going. While they could have sold us expensive software and left us to figure it out, they instead presented us with a logical and well-planned course of action for the next five years. Look for a similar provider who is more concerned with tailoring technology solutions to your company's needs than maximizing their profits.

Once you have determined what you truly need, however, you should buy the highest-quality product or service that you can afford. Alan Dox, president of Advanced Video,^{xxviii} a multimedia solutions company located in Columbia, SC, told me, “The bottom line is you pay for what you get! It is not only important to purchase the highest quality technology, but also the support needed when that product does not work.” Do not purchase technology that cannot take you at least five years into the future. Sadly, I have seen many government, nonprofit, and for-profit organizations make price the driving force of purchasing decisions. They got what they paid for: a system that was unreliable, needed frequent repairs, and often malfunctioned. As Dox said, “Yes, our prices are higher than other companies, but when something goes wrong, we are there to fully support the staff, equipment, or software when there are problems.” When you buy technology, you are essentially buying the company that sold the products. Believe me—when a computer goes down, a virus enters your system, staff do not know how to use the technology, or you need immediate help, you'll be glad you paid a little extra for high quality support!

Pinpointing your company's needs: When purchasing technology, form a staff committee that includes an IT expert, an employee who is not particularly tech-savvy, an employee who

adapts quickly to new technology, a visionary who anticipates future needs, and a purchasing agent. This wide range of opinions will help you find the solution that is best for your business.

Once the committee decides on specific needs, the purchasing agent can take over. Field test all technology before making large purchases, and do not make it essential to the organization until bugs are adequately addressed. Case in point: a request was once made in one of my companies for a special word-processing device that evaluators could use in the field. I allowed them to purchase one to field test, and it was never used.

Another major error we made was upgrading our Microsoft Office 2003 suite to the 2007 version. The software was excellent but very different from the earlier version, so we all had to relearn the system! Plus, many customers retained the 2003 version, which was not fully compatible with our 2007 version.

Also, avoid getting the latest toys simply because employees want them. Our staff claimed that smartphones would boost efficiency, so I authorized two employees to purchase and test them. When they proved worth the investment, I authorized the purchase of GPS-enabled Apple iPhones for all employees who travel significantly in the performance of their jobs.

Implementation: Once field testing is complete and you have decided to purchase new technology, train all staff in its use. Do not implement anything without getting the kinks out first, or else staff could become confused, frustrated, and resistant to the change. Conduct a needs assessment to reveal the range of experience and skill levels amongst staff, then deliver systematic, structured training. Technology only helps when people can actually use it!

Designate one knowledgeable person for each type of technology who can explain it to others and ensure that its potential is being maximized. We prefer that our staff have similar models of the latest and highest-quality technology (Apple iPhones, for example) for consistency.

Beware of bringing together technology from different vendors. I once made the mistake of buying my telephone equipment from one company, Internet service from another, long distance from a third vendor, and repair service from a fourth. When something went wrong, everyone pointed their fingers at the other companies! Try to bundle technology services, products, and warranties from a single company.

Safety and security measures: Inventory all technology with a system that tracks critical information like: proof of date of purchase, warranty information, cost, serial numbers, licenses, and the location of the item. Create a policy that governs shifting equipment or software among employees and updates the tracking system. At any time, our administration division is aware of all contents of staff members' offices. This information is stored electronically and can also be useful in the event of a fire, theft, or utilizing items' warranties when problems surface.

Technology can be damaged by power surges, lightning, water, and other weather conditions. Brainstorm every scenario that could threaten your electronics and take measures to avoid problems such as blackouts (battery backups) and lightning strikes (surge protectors and arresters).

All systems must be backed up daily so that if a disaster were to occur, your companies would still be able to access vital information. These backups should be tested periodically for correctness. We even purchased extra computers and other equipment as backups in case of a failure. Consequently, we can often swap one out for another item that is being replaced or repaired.

Ensure that everything you do in the technology sector is legal and ethical. I have seen several occasions where staff at other companies were using illegal copies of software. In some cases, the companies involved were fined hundreds of thousands of dollars! All it takes is one

disgruntled employee to make a report, so your company should never use technology improperly or illegally.

Guard original software and keep it stored in a safe place (rather than employee offices). We safeguard the integrity of our technology systems by allowing only a few staff members to install or uninstall software. Company policy should clearly state that all technology and communications are owned by the company, employees should limit personal use of the technology, and that the business has the right to monitor all communications being transmitted through its equipment and software. In this world of lawsuits and discrimination complaints, it is imperative to monitor employees' technology use—without making them feel like Big Brother is always watching. Your technology expert can set up filters to block inappropriate websites.

Your website—a powerful marketing tool: Technology does not only increase efficiency within a business, but can also be used to attract customers. As the Internet becomes more and more prominent in most people's daily lives, websites' value as a marketing tool grows. Running an ad in the local newspaper is becoming an unsuccessful, expensive strategy of the past.

It bears noting that, while the Internet is important, effective marketing must still be diversified. A company cannot rely on a single marketing strategy to fuel all their business. Great businesses reach out to potential and existing customers in a variety of ways, with the ultimate goal that most of their business will eventually be driven by word-of-mouth.

However, with the Internet increasingly becoming the place where most people search for goods and services, your online presence (or lack thereof) can make or break you! One of today's best marketing strategies is to build an appealing website that is easily found by potential customers searching the Internet. In fact, as Strauss says, "A website is one of the most powerful, inexpensive, and useful marketing and sales tools ever invented."^{xxix} As part owner of DuBose Web Group, a web design company, I will give you an in-depth look at how to maximize your Internet presence.

Establishing goals: You want a simple website that reads well, navigates easily, and is customer-friendly, colorful, visually appealing, and understandable. Most importantly, the site should rank among the top ten sites found when keywords are placed into search engines like Google. Each web design service requires different specialists (like marketing and business professionals, customer service professionals, coding experts, technical writers, search engine programmers, and graphic designers), so it may require some research to find a web design company that provides all of these components. You also want to establish goals prior to building your website. You may want your site to:

- Boost awareness about your organization and services.
- Support existing customers and/or bring in new prospects.
- Provide information about your company so that customers will contact you.
- Describe and sell products online with credit card capability (promote e-commerce).
- Sustain or increase business.

Understanding costs: Successful leaders know that "it takes money to make money!" View your website as an investment. At DuBose Web Group, we have spoken to individuals who paid a lot of money for their website only to reap disappointing results. We have also listened to many stories where customers "went cheap" on building a website and got what they paid for: no traffic and no business! Others secured nice websites, but poor post-development service from the web design company. We have even heard horror stories of web design companies quietly retaining ownership of the customer's website during development. Then they refused to allow

the customer to switch to another web design company because he or she did not technically own the domain or the website!

Our companies' purchasing philosophy is to always go with a first class company at the best possible price. In the long run, a high-quality web design company will save you money, generate more profitable business, and prevent unwanted headaches. Paying reasonable prices for any service, web design included, is important, but don't let money be your primary criteria.

The overall cost of a website is driven by the number of pages, the depth of graphic design, the type and quality of hosting, how much video animation is involved, and the need for custom applications such as e-commerce, Internet marketing, and ongoing support services. The more you want from a website, the more time it takes to produce, resulting in higher costs. You should also budget money for ongoing maintenance, problem solving, analysis, and marketing support to ensure that the site is consistently up to date, achieves high search engine rankings, and produces plentiful web traffic. A monthly retainer fee paid to your web design company ensures quick response times and gives you the ongoing support needed to keep your website functional and effective from a marketing standpoint.

Designing your website: Competitors are great teachers, so analyze their websites and always stay one step ahead. Document the addresses of those you like and what interested you about them to give the designer some ideas when creating your site. It is acceptable to borrow broad ideas, color schemes, and layouts, for others' websites, but be sure to honor their work, copyrights, and trademarks. As Wal-Mart founder Sam Walton noted, you want to stand out in the crowd. Before you approach a web design company, research basic web design information so that unscrupulous designers don't talk in language you don't understand, recommend services you don't need, or overcharge you. Effective, friendly, and customer-driven web designers will guide you step-by-step through the process.

Defining your domain name: Choose a unique, short, easily remembered web address to generate high volumes of web traffic. Your web design company should work closely with you to help select the best web address for your business. Be sure that the address you choose relates the services you provide. Long web addresses are difficult to remember and make it easier for customers to accidentally type in the wrong address. In the 1990's, one of our companies, Research Associates, secured the domain www.researchassociatesco.com, but later changed the site's name to www.grantexperts.com, which is shorter, easy to remember, and showcases grant writing, one of our services. Ideally, you want potential consumers to see your web address and know what your company does. You can visit www.domain.com to search for available website domains. Costs are usually nominal, so you may wish to purchase several similar site names to prevent competitors from buying them in the future. Sometimes, individuals will buy groups of desirable addresses and resell them to the highest bidder. We suggest buying addresses with the suffixes .com, .net, or .org since these appear most credible to customers.

Searching for a web design company: Once you understand the basics and know generally what you want from a website, approach several companies to determine the best match for you. To identify quality web designers, inquire with friends and colleagues, communicate with your local chamber of commerce, or contact the web designers listed at the bottom of the websites you like. You can also consult the Yellow Pages or search the Internet. As with any business, web design companies' philosophies, ethics, honesty, quality, knowledge, staff, financial security, and customer service will vary. Before making your final selection, check with your local Better Business Bureau to ensure that there have not been any formal complaints filed against the business. A quality web design company will have professional staff members who:

- Are well-educated in business and/or technology areas.
- Speak to you in terms you can understand and are not arrogant or pushy.
- Are quality-driven and honest about what they can and cannot do.
- Have proven graphic design, coding, business, and marketing experience.
- Are customer-driven, friendly, and interested in learning about your business.
- Can provide references and examples of their work and have a proven success record.
- Educate you on the process and lay out a realistic, understandable plan of action.
- Take on fewer projects really well versus serving many customers fairly well.
- Listen to your needs, answer questions, and provide suggestions.
- Provide web services and ongoing support at a reasonable price.
- Offer you the option of having your own content management system—the simple ability to make text, graphic, and picture changes to your site yourself instead of having to wait for (and pay) the web design company to make them.
- Give you all website rights and ownership. (This is *very* important!)
- Maintain high-quality offices (no fly-by-nights!) and have an excellent website.
- Are good writers who will catch typos and grammatical errors.
- Document their proposals in written bids and contracts.

Ideally, you should meet with your web designer face-to-face to brainstorm and develop strategies. It will also help them to fully understand your business if they can see it in person. Therefore, your web company should ideally be located within 75 miles of your business. Many web designers provide services to clients hundreds of miles away, creating frustration for the customer and reducing effectiveness.

Examine several sample websites that the company has created for other customers using different Internet browsers like Firefox, Safari, AOL, and current and older versions of Internet Explorer (you can download them onto your computer for free to see how the site will appear through each). Some companies design websites that are not compatible with all Internet browsers and may appear distorted, skewed, and unprofessional when viewed through unsupported browsers. Obviously, you want a website that will display correctly under all circumstances.

Good web design companies often have wait lists because they tend to focus on few customers at a time. Your website reflects your organization, and you shouldn't rush this process. A reasonable, realistic timeline to have a website posted is within 90 days. Quality companies want to develop and test the website and work with the customer to ensure their work meets or exceeds expectations.

Contracting with the right web design company: Once you have thoroughly investigated, checked references, and selected your company, be sure that you enter into a written contract, which should include items such as:

- Clear objectives, payment terms, and deliverables with schedules. (Never pay in full upfront; we recommend submitting 2-3 payments after sections are completed to your satisfaction.)
- You own all rights and current passwords to website files and domain names.
- You have the right to change web design companies at any time without penalty once the site is posted and all payments have been made.
- How and where your website and e-mail files will be hosted once the website is posted.
- Details about ongoing post-development support and related costs.

Read all contracts very carefully! Remember that they are a two-way street and should accurately reflect your final agreement.

Choosing your website's content: Write text that reflects your business and website goals. The objective is to inspire visitors to contact your company or purchase your products online without boring them with excessive details. You should initially write too much and then edit every word, phrase, or sentence, asking yourself: "Can I say this any clearer, simpler, or in fewer words?" Normally, you will be able to cut it down by about thirty percent. Your text should be written on a high school level so that it is understandable to a wide audience. We strongly suggest using a technical writer to proof, edit, and refine the content before it goes to the web designer; it should be near-perfect when coding begins. Otherwise, you will have to pay the web designer to make edits once the website is constructed. High school English teachers and English professors at colleges and universities make great technical writers. They charge \$20 to \$50 per hour, which is worth it to get professional text that flows well, is grammatically correct, and gets to the point in the fewest words possible. Font types, headings, and the way text is organized can impact readability and retain (or deter) visitors to your site, and typos and grammatical errors paint an unprofessional image for your company. Perception and first impressions are critical in making a good website, so be sure that the text on your site projects an aura of credibility.

Creating the right look: A professional graphic designer should work with the web designer to create excellent graphics, color, and layouts to impress site visitors. These artists have been trained to make websites attractive and user-friendly. They can simplify things like navigational bars, create tasteful color schemes, insert appropriate and diverse graphics, and identify design inconsistencies.

Hosting your website: You must rent file space on a server for your website. Depending on its size and the volume of traffic to the site, this service will usually cost \$50 to \$100 per month. Be careful, since some small companies have slower hosting speeds and can't provide 24-hour, seven-day-a-week customer support. Your host should be able to address server failures, malfunctions, or overloads immediately. If hosting support is limited, your website may not be fixed until the next business day, which could result in lost business! When choosing a hosting plan, allow extra storage space and bandwidth for future web applications, databases, graphics, and other files.

The monthly hosting charge should also cover the option of e-mail addresses for you and other employees with your website's name in them (for example, info@duboseweb.com). Company-related e-mail addresses remind your customers that you are a professional, firmly established business every time they type in your e-mail address.

Website loading times: When browsing a potential web company's work samples, note how long it takes their websites to load. Depending on your connection speed, this could be associated directly with their hosting servers or the way their websites are constructed. If these websites are slow-loading, beware: yours will be also! Slow-loading websites are a major complaint amongst web visitors; most will simply move on to a competitor's website.

Effective Internet marketing (Search Engine Optimization): Once your new website is posted, how are potential customers going to find it? More than 75% of your visitors will locate your website using keywords on major search engines such as Google, Yahoo, and MSN. If your website is not listed on the first page of Internet results, forget that customer! Web designers have created many great-looking sites that are worthless because no one can find them on the Internet. The bottom line: thousands of dollars flushed down the drain. "What really drives traffic, and therefore sales, is your ranking and being listed in the directory. Being stuck on the

third page of a query result will not help your cause much, but getting a top 10 ranking will,” Strauss says.^{xxx} The ideal web design company will not only create great-looking, customer-friendly websites, but also code your site for maximum marketing and ranking potential. For example, when someone from another city types in a phrase like “Columbia, SC, wedding reception facilities” on Google, we want our Columbia Conference Center to be at the top of the list of results. If a web design company specializes in search engine marketing (and not many do), they should be able to uniquely code the website, both internally and externally, to make it easily found during Internet searches. This makes great websites work to their full potential, resulting in more customer traffic and hopefully more profits for your company. Once your web design company completes your website, keep a monthly checklist of their efforts to keep your site at the top of the rankings. Search engines revisit your website frequently, so ongoing maintenance will be required.

Work with the web design company on a set of keywords and phrases that potential customers will most likely use in their searches by putting yourself in the customers’ shoes and thinking like them. Skilled web designers also know how to examine competitors’ sites to determine what is attracting their visitors. The number of keywords and phrases that you use, combined with the competition for each keyword or phrase, will decide the cost of this service. The web company should provide you with a monthly report that tracks the progress of each keyword in each search engine. Contact your potential web design company’s references to confirm that they will provide this service in a professional, understandable manner.

Be wary of companies that submit your website to hundreds of search engines. The three major Internet engines (Google, Yahoo, and MSN) are where you should focus your resources. It may also benefit your website to enroll in search engine pay-per-click programs or sponsored links. In this marketing strategy, you pay search engines like Google a certain amount each time a visitor uses selected words to find your website. These links and company descriptions are located at the top, bottom, and side of every page of search engine results and stand out from the rest. With this approach, the highest bidder usually gets the best ranking.

Providing ongoing support: Ask the web design companies you are considering about their plans to work with you after the website is posted, the associated costs, and their average response time. Some companies will build your website but will not provide post-development maintenance and support. Choose a reliable company that will agree to do both. Website problems, questions, and updates will inevitably arise, so try to communicate primarily with one person at the company so they know you personally, keep track of your needs, and respond quickly. Caution: many companies subcontract their support to third-party organizations located thousands of miles away!

After your website is complete, re-examine the initial proposal and contract to ensure that the web design company completed each objective to your satisfaction. Carefully check that all links on each webpage work. Insist on any necessary changes or refinements prior to making the final payment. Once your website is posted, you should visit it weekly to confirm that all links and other components are still working and you are placing highly in search engine rankings.

Obtaining statistics and website traffic analysis: Once your site is operational, analyze how visitors navigate your website every month (keeping in mind that it may take months before your website marketing is maximized). To effectively monitor your website, it is essential to track the number of customer visits, which pages are most effective, and how customers are finding you. Some areas to consider in your statistics:

- **World map:** Which cities and countries are your visitors originating from?

- **Visitors:** Are they new or returning? Which pages are they visiting? How much time are they spending on your site?
- **Browser capabilities:** What browsers, operating systems, average connection speeds, screen resolutions, and Flash versions do your users' computers have?
- **Traffic sources:** What percentage of traffic reaches your site by typing in the specific web address? Which websites and search engines do customers use to find yours? What keywords and phrases are being searched that result in visitors locating your site?
- **Content:** What content, subjects, and titles drive visitors to your website? Where do they start and finish on it? (You want your site designed so they not only visit your homepage, but also go deeper to the other pages of the site.)

Websites and social media avenues such as Facebook and Twitter can be excellent catalysts for business growth. By spreading awareness of your products and services and utilizing current internet marketing techniques, you can raise the visibility of your business amongst potential clients. And by applying the latest relevant technology to your company's operations, you can enable your employees to produce even better work. Technology in itself is not the key to success, but using it in the right ways certainly increases efficiency and thus a company's chances for greatness.

Selecting Great Locations

The company only wants high-visibility locations, where customers can get in and out of the store within 10 minutes and be on their way.

—Fred Marx, referring to Walgreens

Selecting the right location is one of the most important decisions business leaders must make. It is also one of the most costly, but great companies are willing to spend time and money perfecting this crucial factor. For example, *In Good to Great*, Jim Collins describes how drugstore chain Walgreens spends a large amount of time and research finding the right store locations to maximize customer convenience (and thus profit).^{xxxii}

I have seen many businesses fail because the owners located them in the wrong place or could not afford the rent. They blindly signed long-term leases containing hidden requirements, thinking that success was right around the corner...only to later find a two-by-four square in the face. Even when their businesses failed, the contract demanded that rent be paid from their personal assets! I have also been through some real nightmares, even after conducting extensive studies to select good locations.

Locations vary dramatically, from a mall location that needs high customer traffic to a wholesale business that requires a warehouse somewhere off the beaten path. So where should you start? Your location should be determined by the type of business you have and its stage of development. Many times, it is a matter of compromising between personal and business needs and what space is available in your area. For example, the travel time to my corporate office is ten minutes so I don't arrive all stressed out and ready to kill someone. While there were many variables that entered into my decision, one reason that I decided to build our conference center near my home was to avoid rush hour traffic. One neat thing is that our corporate offices are strategically located beside state FBI headquarters, so we have security 24 hours a day, seven days a week—free of charge!

At the beginning, I ran my first retail computer business out of my home. As it grew, we expanded to a small commercial office, then to a larger one in the same building. When sales increased further, we moved to a mall and then rented a second mall location with extra room for our wholesale and other businesses.

I have leased ten properties over my business career, each with its own problems, rental issues, contract requirements, and landlord. For the time being, our administrative offices are on top of the mountain in our 40,000 square-foot convention center. It is nice to have a modern, high-tech facility for staff, but we had to go through a lot of pain to get here!

In some circumstances, a home office may be the best choice. (I keep both a home office and a corporate office myself). However, this chapter will focus on commercial offices, as I would like to share suggestions to help others avoid my past renting mistakes.

Commercial office: If a home office is not for you, consider setting up a professional office when you hang your shingle out for business. Your customers should drive its geographical location. For example, if most of your customers are located downtown and you need to see them face-to-face in an office setting, then your search should begin there. For an existing business, you also want to locate your office near where you and most of your employees live. I would give up \$10,000 in salary per year to avoid driving two hours each day in stressful rush hour traffic! There are a variety of ways to find office space, including:

- Reading the classified section of the newspaper (both smaller, weekly papers and larger dailies).
- Searching the Internet using the words “Office Space for Rent” and your city’s name.
- Traveling in your target area and looking for OFFICE FOR RENT signs.
- Using a business consultant or real estate agent who specializes in commercial properties for rent. However, like lawyers, real estate agents specialize in different fields, so you definitely want to obtain an agent who is experienced in working with businesses. Most large commercial real estate offices conduct annual assessments of leasing prices for major properties such as malls. You can Google this by typing in your city, state, and the words “commercial leasing rates.”
- Visiting commercial subdivisions, offices, and office parks and asking local business owners about available office space. There may be a vacant office nearby or people there may know of one for rent. I once leased an office from an attorney when I just happened to mention my office needs while closing on the loan for my house.
- Looking for business incubators within your city or county area. These are commercial buildings where the government subsidizes business start-ups to help them succeed. Thus, your rent and other services might cost less and other businesses would be there for you to help each other. You can find out if your city or county supports a business incubator by calling their planning departments or contacting the Nation Business Incubator Association at www.nbia.org. Also, if your desired location is in an empowerment or enterprise zone (a high-poverty area designated as a priority for government help), you may receive tax credits for locating there.
- Inquiring within any organizations you belong to (houses of faith, chambers of commerce, civic clubs, etc.). A business owner may want to bring in extra cash each month and will sublease or rent you an office. People know you within these organizations and there will be a level of trust that may get you in the door. Avoid renting from friends and relatives—this can damage your relationships with them if something goes wrong.

Retail office: Steven D. Strauss says, “If your business will be a retail store catering to the public, if there will be a lot of spur-of-the-moment drop-in customers, then a high-profile, high-traffic location is vital.”^{xxxii} Choosing a retail location is more difficult and requires more analysis than locations where customer traffic is less important. You have two choices: either pay top dollar to locate your business near a lot of customer flow (for example, a mall), or situate it in a less-traveled area with lower rents, attracting customers through advertising and marketing.

I suggest that you hire a real estate or business expert to guide you in your selection. They will be able to give you unbiased input (unless they are being paid commission, in which case they may steer you to properties where they will make the most money). I prefer to employ an independent consultant who has no vested interests other than to assist me in making good business decisions and who will bluntly explain the pros and cons of different locations.

Look for your competitors. They may have already conducted research that can provide you with clues on where to locate. Many experts now recommend that you consider locating your business near competitors because you can dovetail under their marketing and advertising. For example, a customer might visit a competitor’s restaurant because of their expensive newspaper ad. Now, imagine that your business is located next door. Customers may come to your restaurant when the competitor is extremely busy or may remember seeing it and want to try it

the next time they are nearby. I observed this in Hilton Head Island, South Carolina, where many customers were not willing to stand in long lines for a certain restaurant and started to look around for nearby alternatives. Business was booming for a great ice cream shop located in between four restaurants, which used them and other retail stores in the strip mall to draw customers. They were all feeding off of each other.

Many large retailers like Home Depot and Lowe's are also located within a stone's throw of each other. If I cannot find something at one store or want to do some comparisons, I will travel a few blocks to the other. Therefore, locating near your competitors can yield positive results.

On the other hand, be careful about locating your business near too many competitors. When visiting New York City's Chinatown, I must have seen 30 stores in a row offering the exact same merchandise! Profits were being killed in the ensuing price war. In other words, you must still be able to stand out from the crowd.

Conduct your own research on a wide variety of options, and then step back and question everything. Debate your options with friends, colleagues, family members, consultants, staff, peers, and experienced business owners. Ask them to challenge all of your assumptions and strategies. Don't give your plan to friends who think like you; rather, invite critical people to provide input. (If you arrive in bankruptcy court, the friends who completely agreed with your failed plan will not be there!) It is also important to interview store owners and managers in your target area about problems and issues they have with potential locations.

Commercial property prices vary according to a lot of factors: the area the building is located in, the age and condition of the building, services included in the lease (e.g., utilities, landscaping, and janitorial services), traffic flow, taxes, renovations and repairs by the landlord, popularity, crime and police protection, occupancy rates, and supply and demand.

The first item on your list is to look for high customer traffic flow. Most local governments have a planning commission that can assist you, and your state department of transportation may be another resource. Each state also has a data center at www.census.gov. For a small fee, they can provide you with extensive information on your target area, including crime, population, and other statistics. They can customize the data to census tracts or small geographical areas such as a group of neighborhoods and can refer you to other experts. The website www.economy.com also offers helpful statistical information.

After narrowing down your search, park your car near the locations and observe for extended periods of time on different days of the week, including weekends. As Jan Norman notes, "Each location has a personality that affects your business."^{xxxiii} Make sure that the appearance of the building and neighborhood mesh with the image you want your business to project.

Sometimes, traffic flow statistics cannot capture hidden problems. Look out for barriers that limit access to your proposed location. I recently visited a very popular fast food restaurant, and the food was excellent. However, once I was ready to leave, I could not turn left into the busy four lane highway because of the traffic. That decreased the likelihood of me visiting the restaurant again. You may be considering a mall location because traffic flow numbers show that it is very busy, but only through observation can you determine if drivers actually come into the mall. Once, I rented a mall outlet for one of my businesses at a good price. There was a high volume of drive-by traffic; however, these drivers were not turning into the mall where my business was located! This shows that rental prices should not make your decision, and facts can sometimes lead you down the wrong path.

One of the keys to a successful lease is to get the lowest rent with the least amount of liability that you can. Landlords will try to squeeze as much out of you as possible, and Norman

warns that “an unfavorable lease can kill a new shop.”^{xxxiv} Let the other party think you have another option to make them want your business. Strauss notes that finding good tenants can be hard for a landlord and he or she “probably wants you as much as you want the space. Accordingly, you may be in more of a power position than you think when negotiating a lease and thus can ask the landlord for concessions and changes to the lease, if required.”^{xxxv}

If you fail to meet your contractual obligations under the lease, you will be introduced to a friend of the landlord—his or her lawyer! That friendly leasing agent you met when you were negotiating on and working with the lease will disappear. Several times when I have run into trouble with my businesses, I have heard vendors, landlords, and other people to whom I owed money say, “It is out of my hands now!”

Here are some issues you need to consider when investigating your location and negotiating with the landlord:

1. Will zoning laws allow your business to operate at the location?
2. Can the facility grow with your business? Is there adequate room for your current needs and expansion down the road? Be sure to think years ahead.
3. Does the location offer plenty of free, safe, easily accessible parking?
4. What are the barriers for customers getting to and from your business?
5. How are deliveries made? If you are on the second floor or higher, is there an elevator? Will delivery reps be able to deliver?
6. What is the condition of the building? Inspect everything yourself, then have independent consultants look at it.
7. How secure is the area? If it is open, will customers visit your store at night? Is lighting adequate? Is the building protected by security officers or a security system? Is there a sprinkler system for fires? How much will insurance cost? (Contact your insurance agent for an estimate.)
8. Does the location’s appearance complement your business image and correspond with your business plan?
9. Is the business located near your home? Do your employees live in the area? If your business is new, can you attract new employees to your location? Ask any existing employees for their input.
10. Are the rent and other expenses within your budget? Try to obtain a multi-year lease that allows you the option to cancel the contract at the end of each year. This gives you an escape clause and limits your liability if the business turns sour or rent rises.
11. Is business consistent throughout the year, or is it seasonal?
12. Is public transportation accessible to customers and employees?
13. What are the traffic flow and customer exposure like during off hours?
14. Why did the last lessee leave? Were there problems? Contact the former renter and get the facts. This is very important!
15. Will there be any major changes to nearby roads in the future? Once, a two-lane road near one of my businesses was expanded to four, and customers avoided the area like the plague. Many other businesses just dried up! I observed another very successful gas station and auto repair business go under because it was located right in the middle of a new ramp to a major interstate. Check with county and state transportation agencies to see if there are any major events in the works that could affect your business.

16. How much money, time, and effort will be required to prepare the facility for lease? Will you have to pay for any preparations, or will the landlord? Usually, this expense is negotiable and is often shared by the landlord and lessee.
17. Are the heating and air conditioning systems sufficient for the space? Do they work properly? Write into your contract that all the building systems (like A/C units) must function to your satisfaction before the lease is effective. Carefully examine the age of the equipment. Once the electricity is turned on, fire the systems up to ensure they work, and have a heating and air specialist conduct an independent assessment before you move in. One winter, I began renting a beautiful facility, only to learn the following summer that the air conditioning units were too small. Temperatures skyrocketed to 87 degrees Fahrenheit inside of our office, and I could do little about it except complain—to no avail. Later, the air conditioning technician told me that the landlord had been warned that the units were too small when he built the building!
18. Are you responsible for items beyond rent like taxes, air conditioning, repairs, giving the landlord a percentage of your sales, etc.? Beware—I have been bitten before on all of these items, which were in very small print! Ask for copies of the lease for you and your lawyer to study so that you can avoid such extra costs. I will never forget one time when the air conditioning went out in a facility I rented. The landlord said I would have to call the heating and air conditioning company at my own expense because the lease stated that I was responsible for everything that went wrong in my office. I also spoke to the lessee of a major franchise who rented space at a new mall. The roof fell in during the second year of his lease and the landlord told him, “Per our agreement, you are responsible for repairing the roof!” It cost \$100,000 and he ended up going out of business. Another time, I rented a space and was stunned at the end of the year when the landlord sent me the tax bill for my portion of the building. The lesson is: don’t ever sign anything that you have not read several times and on different occasions. You want a lease without any personal guarantee that includes an agreement stating that the landlord is responsible for all repairs, taxes, and maintenance. Remember: everything is negotiable!
19. Where is the landlord located? Have there been any complaints about him or her? Investigate the landlord by the legal name of his or her business and check with the local Better Business Bureau. The person or corporation that you rent from could be in the midst of bankruptcy and the great lease you negotiated thrown out in court or transferred to a new owner (and subject to new requirements). Many owners are located in another state and you are just another statistic to them.
20. What is your customer base? Where do they originate? If you are considering opening additional locations in the same city, carefully study your customers’ points of origin. Make sure your customer base will increase, not just split between multiple locations.

Turn your investigation into a series of great decisions that you will smile about when you remember them down the road. When my computer business failed, I was relieved that I had refused to sign personal guarantees to the lease agreement and all of the responsibility fell onto a corporation with no assets. However, I did settle with the landlord for a modest amount of money, although not required to, because I wanted to leave the partnership knowing I had acted ethically.

Building a commercial location: Another choice is to build your own commercial building. Some business owners even construct a larger facility than they need and rent out the remaining

portion to help pay their mortgage. Building a commercial building is very complex, so if you choose this option, employ an experienced architect to help you design and supervise the building of the facility. Architects generally charge between five and seven percent of the total building costs, but it is well worth the money! You will then want to bid your project out to the three top commercial builders in your area. When you are developing the budget for a commercial building, don't forget that the bigger the facility, the more the taxes, insurance, repairs, and maintenance will cost. From a tax perspective, buildings depreciate in value over a 30-year period, but the land you purchase is not depreciable, nor can it be written off as a business expense.

Business licensing: Your location may dictate whether or not you have to obtain a business license. Some states, like Delaware, require a state business license. South Carolina, where my businesses are located, does not. However, if my corporation provides part-time consulting work in Delaware, I not only have to obtain a Delaware business license, but also file a Delaware business income tax report (of course, it costs money to get a license and file another tax return). Next, you have to look at the regulations for your city and county. They may also require a business license and you are often taxed according to the level of gross income. This is a way that the government generates money to pay for services.

Government entities enforce these rules by passing laws that others cannot do business with you without your business license number. Enter licensing fees into your equation when examining the pros and cons of possible business locations. I located my offices in a county and state where no business license is required, but even then, we pay \$50,000 annually in county property taxes alone. Also, be sure to examine the sales tax for the county. This is another area that will chip away at profits.

In closing, use my “BCCP Theory”—be careful, cautious, and paranoid—when choosing a business location. Above all, don't rush this decision! Great companies plan their futures (and locations) carefully.

SECTION VI. PREVENTING THREATS AND FAILURE

Preparing for Business Failure

We all have to decide how we are going to fail...by not going far enough or by going too far.

—Sumner Redstone

Some business owners believe that acknowledging the possibility of failure means a lack of confidence in themselves or their business. “In the bright-eyed days before opening their ventures, too few business owners allow themselves to think about the possibility of failure,” says Jan Norman.¹ But by refusing to consider the possibility of failure, business owners are instead placing themselves, their families, and their businesses in danger of financial, legal, and emotional difficulties. Planning ahead for failure doesn’t necessarily mean that you think it *will* happen, but that you’ll be able to minimize damage to your assets if it does. This is important because although businesses sometimes give clear signals that failure could occur, they can also collapse without warning. To give you an idea of how companies can go from profitable and seemingly secure to failures, I will describe how I took several ventures *out* of business, the warning signs they gave, and how I recovered financially and emotionally.

My career as an entrepreneur begins... It was the summer of 1981, ten years since I graduated from college. I had spent a decade working for the state of South Carolina and two governors, and while I learned a lot, I didn’t feel challenged and was frustrated with government’s sluggish bureaucracy, lack of creativity, and rigidity. Newly equipped with a graduate degree, I felt ready to move on to better things. I had limited exposure to the retail business from my high school and college days, but no business education. My great-grandfather, grandfather, grandmother, and father were all entrepreneurs, but no one in my family had mentored me in how to run a business.

My college job as a department manager at a privately owned grocery store taught me a lot about marketing, advertising, customer service, and product presentation. While working there, I tripled my department’s sales volume through a variety of creative marketing techniques and by diversifying my product lines. But in 1981, at 31 years old, I decided to pursue my next adventure into the private sector. Two of my friends and I met at one of our homes to talk about going into business together. My partners were a lawyer with engineering and MBA degrees and a banker with a business degree and access to funds. I was a jack-of-all-trades bursting with ideas and energy.

We decided to enter the real estate business. We would purchase homes located in low-rent areas for cheap, repair them in our spare time, and then rent them out to cover our mortgage payments and repair costs. None of us had experience in running a business, but we all smelled profits. We agreed to share in the work, repairs, and maintenance.

At the time, Ronald Reagan was president. The economy was sluggish due to the 20% interest rates enacted under Jimmy Carter, and the real estate market was in a recession. Congress and Reagan passed laws providing a lucrative tax credit to companies that purchased and rented out real estate, which offset our taxes. We eventually purchased millions of dollars in real estate, and the operation became larger than we could handle on a part-time basis. We decided to employ a friend full-time to manage the operation. He had no experience in real estate, but we felt like we could trust him. Then, the partner who was lending the money decided that he would no longer perform his share of the physical labor. This caused resentment amongst

the two remaining partners, but he was providing a key element needed to keep the operation running—cash flow and easy access to loans. It was hard work, but when tax time came around, those credits were awesome!

In the fall of 1981, another business opportunity presented itself when Commodore and Texas Instruments debuted their new home computers. These early computers had a smashing 4 kilobytes of RAM (most computers sold today have a minimum of 16 *gigabytes* of RAM—more than 16 million kilobytes!). With computers becoming more affordable and accessible to the public, I knew that technology was the wave of the future and I needed to learn more about it. I decided to purchase a computer and asked some of my friends and business colleagues if they were interested in ordering one also so I could receive a volume discount. To my surprise, eight people jumped at the chance. I thought, “If I can sell this number of computers in a couple of days, there must be a market there!” I could smell the opportunity awaiting us.

In November 1981, the lawyer friend and I opened a computer business from our homes, keeping it small and cheap to run. We became an authorized Texas Instruments dealer and began selling computers, software, and scientific calculators at 20-30% off the retail price. On the weekends preceding that Christmas, we had a line out the door. Other than the costs of formal advertising in the newspaper, we had little overhead. We decided to test the market for our new product line, just getting our name out there to determine if this was something we wanted to pursue. Sales continued to rise and we could again smell the potential profits. We were “at the right place at the right time.”

Rapid expansion and subtle warning signals: We expanded our computer business cautiously and opened a small outlet at a nearby office building in the spring of 1982. We employed a retired engineer that my friend knew who worked just for fun and did not want much more than modest commissions. As our sales grew, we quickly moved into a larger office, then to a mall location. We decided to diversify our products into the business line with Zenith Business Computers (which used the old IBM MS-DOS operating system). We incorporated and The Micro Shop, Inc., was born. However, we never had the by-laws, meetings with minutes, etc., traditionally associated with a corporation.

I decided to go into the computer business full-time, resigning from my secure state government job (and taking a significant pay cut) in the hopes that it would result in a very profitable career. I used the retirement fund I had accrued in my ten years with state government to help support my self-employment. Up until this time, we had invested little of our personal money, but now had to sign those nasty “irrevocable letters of personal guarantees” where we promised to use our personal assets to ensure that any orders for equipment would be paid.

As sales increased, we moved into a mall location with large stores (often called anchor stores) on either end. A movie theatre was right across from us, which we theorized would attract walk-in traffic. We hired college students majoring in business and full-time employees with no computer experience in order to save money. We continued to diversify our product lines by bringing on the first laptop computer, called the Osborne. It was really ahead of its time and had a 5” monitor, CPU, and printer, all built into a suitcase-looking device that weighed about 35 pounds. It was clumsy and heavy, but it was a hot seller for \$2,000 back then.

About this time, volume resellers got into the market. Because they could buy home computers in huge volumes, they were selling them for less than what it cost me to purchase them as an authorized dealer. We tried to compete with them by selling our computers at cost, testing Texas Instruments’ theory that for every dollar customers spent on hardware, they would spend three dollars on the more profitable software. Thus, the computer—the Texas Instruments

99/4—would draw customers in, while the software and accessories would be the profitable items. To obtain hardware and software at lower prices and sell them to other retailers, we formed Microcomputer Distributors, Inc., a Texas Instruments distributor and wholesaler.

As we moved forward, I saw a need for summer camps to teach children and adults how to operate the computers. We formed partnerships with adult education departments in 15 school districts and created a very profitable training corporation called The Computer Institute, Inc. We charged low prices for a five-day summer computer camp for children and night courses for adults in collaboration with the school districts, which lacked their own computer equipment. Thus, we had computer labs located in trusted school districts, which also marketed the program for us. In return for working with and supporting us, the districts could use the computers during the day—a “win-win” situation. We also had traveling computer labs that followed the instructors. Eventually, we partnered with a college to provide credit for our night courses.

As we continued to expand the computer operations, we determined that a rich business telephone market was emerging and formed another company to fill that niche. We were also working toward becoming an authorized Apple computer dealer. The new Apple computers, with their easy-to-use Windows operating systems and computer mice, were the future, but those franchises were very difficult to obtain.

The trouble builds... December 1982 was a great month for The Micro Shop, Inc., reaping sales of \$250,000. But when all December expenses and revenues were in, we had only netted \$10,000 for all that hard work—a 4% profit margin for the biggest sales month of the year! Because our financial records and inventory were not computerized, it was difficult to get an accurate handle on our profitability—we just saw a lot of cash flowing through our accounts. Unfortunately, the money usually flowed back into Texas Instruments and the other computer companies, not our pockets! We were selling computers for near cost and Texas Instruments’ theory about profiting through software sales proved false. Customers were just buying the hardware and a few games.

My partners were disappointed at the low profits and wanted to bring in other investors or close down the business. But I was hardheaded and proud, and I saw our computer business as my baby that I had delivered and helped raise. In retrospect, I definitely should have listened to them! We decided to split our partnership operations: I would own and run the computer business, while my partners would operate the real estate company. We would each receive some profits from both operations. This was a critical point in our business futures.

Using all sorts of studies, I determined that opening a second mall location across town would double our business. I formed yet another corporation and employed one of my salespeople (who had performed well as a salesman, but had little management or retail experience) as the manager of the second mall location. This time, I had to borrow \$250,000 to put towards inventory for the retail and wholesale operations and some high-end furniture. As the computer business expanded, we realized that the computers would need to be maintained and repaired, so we formed a computer service and repair division within our other company.

The operations were getting quite large and my wife, who had been keeping the books, had to exit the business to give birth to our first child. We trained another person who had a math degree but no bookkeeping experience to handle them.

Because we had now expanded into five corporations, all of my time was dedicated toward running them efficiently. The hours were long, and seven-day work weeks were common. Our second mall location was not panning out as predicted. Rather than doubling our business, half the customers went to the second mall store and the other 50% stayed with us in the original

store. Thus, I had doubled expenses while revenue stayed about the same. Rumors began to swirl in June of 1983 that Texas Instruments might exit the home computer market, but sales reps assured me it would not happen. I read the stunning news of Texas Instrument's departure from the market in the paper the following day!

Dark days: Like the movie *The Perfect Storm*, where several severe weather fronts merged together, I was now faced with a major business disaster. Everything suddenly caught up with me: the second mall location was losing money, loans needed to be paid off, there was excessive inventory on hand, profits were low, competition was significant, and there were dim sales prospects since TI announced it was leaving the market.

At the same time, our real estate operation was also facing problems. The banker left his job, and with it went the easy loans and accessible cash flow. Since the real estate business was always one loan away from collapse, it ran into cash flow problems. Banks began calling me as part of foreclosure proceedings. My partners had promised to transfer the loans into their names, but had failed to do so for some properties. I was getting beaten from all sides!

I closed both mall retail locations in September 1983. The next two years were the darkest period of my life. I went from optimistic and positive to clinically depressed. Even though I had taken nearly every psychology course the university offered, nothing could prepare me for what depression was really like. I never received counseling or took any medication, which was a mistake. Just getting out of bed every day became a struggle. I was in "the pit," as the Psalmist would say. Digging out from the mess I had gotten myself into looked pretty hopeless. My accountant and lawyer recommended bankruptcy, but I would not have it!

Eventually, I was able to sell The Computer Institute, Inc., which was still profitable, and managed to liquidate most of the inventory from my computer retail business at a loss to existing customers. Eventually, I paid back all the loans, but going out of business was one of the greatest struggles I have ever faced. However, God used those years to build me into a more experienced, mature, and cautious entrepreneur! In conflict, there is always opportunity—although it may be hard to see it when you are just trying to survive.

Have you ever heard of the movie *Dumb and Dumber* with Jim Carrey? That is what I should have titled my first years as an entrepreneur! Yes, we did a lot of things right and made many great decisions, and I could rationalize that other local computer businesses and their owners went down the same road as I did. But in the end, the bad decisions won out and we all went out of business. Call it what you will, but we had simply failed!

The greatest gift—what I learned: I am sure that you saw a lot of red flags as you read the story of my failed businesses. It was actually quite depressing to relive and confront my failures as a person and a business owner while writing this chapter. However, closing those businesses gave me an excellent lesson on what I should have done, what I should have stopped doing, and what I need to do in the future! Here's what I learned:

1. Be very cautious about going into a business with friends or relatives. Chances are you won't have the same relationships with them when your business connection is over.
2. Go into business for the right reasons. Greed, pride, inexperience, and the love of money drove me into and also out of business. In my quest to satisfy these urges, I ran my businesses with blinders on and did not hear the warning signals that failure was imminent!
3. Don't expand your business too quickly. I should have kept our operations smaller and more focused, doing fewer things really well.

4. Only employ the right, experienced, and outstanding staff. I now usually avoid hiring friends, relatives, and other inexperienced individuals.
5. Be sure to act like a corporation. Ensure that all of your legal paperwork has been done.
6. Avoid incurring debt and signing personal guarantees if you can get around it. These can come back to haunt you.
7. Be ethical in your business dealings. Our business' relationship with the banker was unethical. Remember the Biblical saying: "You reap what you sow!"
8. Whatever you do, be sure that it is highly profitable. We were engaged in stressful, labor intensive, low-profit activities. Without substantial profit, your business is doomed.
9. Have strong, computerized financial controls so you know where your business stands at any moment. Employ an experienced bookkeeper.
10. Don't try to match prices with volume discount stores or fly-by-night companies who are destined to go out of business. It is better to concentrate on fewer highly-profitable ventures than to chase many low-profit, time-consuming activities.
11. When you run into trouble, don't panic. I should have kept at least one mall location open during the busiest retail season (October-December) to sell off the inventory instead of closing the retail store in September. Depressed individuals frequently make unwise decisions. I had just had enough—I shut it all down and ran for the hills!
12. Avoid misunderstandings between partners. In fact, I advise against forming partnerships altogether.
13. Be careful about incurring high overhead costs, such as mall rent and expensive furniture. They will drain profits rapidly. We eventually sold all that beautiful new Herman Miller furniture for 25 cents on the dollar spent.
14. Solicit help from a business consultant or someone with experience in the field. My partners and I had education, but not true business experience. You can take (or teach!) all the college and graduate courses in the world, but when you are running the show, it is a whole new ballgame!
15. Avoid going into business with your spouse. It can kill a marriage! Fortunately, mine survived.
16. Above all, don't let your ego, greed, and pride drive your business. Solicit advice and listen to others with experience.

Don't get depressed by reading this chapter. I just wanted to tell you firsthand about some of the dumb things that many business owners like me do. Sometimes, they think that all the decisions they make will result in prosperity, which just does not happen. As my grandmother said, you had better "hope for the best, but prepare for the worst!"

The possibility of failure is an unavoidable part of life and of business. Failure can be discouraging, but it can also provide valuable experience. In my case, failure taught me what *not* to do when running a business—knowledge that led to success when applied to later ventures. Be realistic when thinking about expanding or making significant changes to your business, but don't allow failure to discourage you from living your dream! As Jim Blasingame wrote, "I like to think of failure as the harness-mate of success, and I expect to be hitched to both as long as I live."ⁱⁱ Failure and mistakes, though painful, can be wonderful teachers.

Forming Expert Teams

Good counselors lack no clients.
—William Shakespeare

Many entrepreneurs fail to see the value of preventative maintenance. They believe in seeking expert assistance only when something goes wrong, shying from the investment required to get it right the first time. However, I strongly believe that all business owners need a core group of experts to start and organize their businesses. Individually and as a team, these experts will be essential as your business evolves for short-term projects, ongoing activities, preventing threats, and crisis management. For example, we recently gathered our insurance agent, lawyer, and accountant together to discuss business structures, operating agreements, trusts, liabilities, threats, succession planning, and special issues. Everyone was in the room at the same time to ensure that the road we were about to travel was safe and legal!

But who qualifies as an “expert?” Webster’s dictionary says it is “a person who has special skills or knowledge in some particular area or field.” I define an expert as one who knows more about something than I do!

It is rare to find one expert who knows every sector of his or her field. Within most industries, there are different specializations. For example, in technology, you may have a computer networking engineer, webpage designer, computer equipment or hardware specialist, Internet expert, programmer, wiring designer, and software specialist, to name a few. Then, you could have experts within these subfields, like a software specialist with experience in specific programs. Beware of individuals who claim to be experts in all sectors of their profession.

Quality of work, experience, customer service, punctuality, organizational skills, costs, and communication skills will vary by expert. For example, one of our consultants is friendly, very knowledgeable, on the cutting edge in his field, and produces excellent products. However, his follow-up is terrible! We generally have to call him several times over a three-month period to check on the status of work that should have taken a few weeks. What good is excellent knowledge if you have to beg for the results and then pay top dollar?

The team of experts you will need for your business: You can establish an independent contractual relationship with each expert where you only use them “as needed” and pay a set cost for each project. Be cautious about paying by the hour without setting limits on the time spent.

- **Business consultant:** Whether a paid professional, another business owner, or a volunteer like those found through SCORE (Service Corps of Retired Executives), you need a wise business expert who can listen to your strategies, thoughts, and ideas and provide unbiased reactions. Ideally, this should be a person who has developed a successful business (preferably, one in your area) from the ground up. As USATODAY.com business columnist Steven D. Strauss notes, “You would be hard-pressed to find better, more pertinent information than that from these small business owners who are already doing what you dream of doing.”ⁱⁱⁱ Even better is a successful entrepreneur who has previously gone through business failure firsthand (like I did)! Paid consultants range from \$50-\$100 per hour (and up).
- **Business attorney:** An attorney who is a Certified Public Accountant (CPA) and has a Juris Doctor or law degree (JD) is ideal. You will pay a good bit for these dual-degreed lawyers (usually \$200 or more per hour), but they know their stuff from both business and legal perspectives. Many business issues (like corporate structures) overlap with the

legal and accounting fields. I use this more expensive attorney for special needs like estate planning, contracts, company operating agreements, and tax-related legal advice. For promissory notes and loans or property, title, and banking legal matters, I use an inexpensive attorney who specializes in these areas. Thus, our companies use two lawyers with different specialties. You can find good lawyers by asking accountants, other lawyers, and business owners for recommendations or by getting a referral from the state bar association. Select carefully! You would not want a lawyer who specializes in divorce to defend you in a business lawsuit, so ask the attorney what percentage of his practice is with businesses and find one who has the experience you need. We use Alex Weatherly, JD, CPA in Columbia, SC for complex business law issues.^{iv}

- **Certified Public Accountant:** You will need a CPA to assist you in setting up corporate and financial structures, completing tax reports, making quarterly tax payments, understanding tax issues, developing your accounting structure, and preparing business projections. I recommend having your accountant set up the bookkeeping structure at the inception of your business so that your accounting codes match his or her own. Thus, your revenues and expenses will mesh with the accountant's system and you can simply mail or e-mail them to him or her at the end of the year. This saves you time and—with fewer billable hours—money. Look for an accountant who knows business tax codes and IRS regulations, works frequently with business owners, and explains issues to you in a clear, understandable way. Each accountant will also have varying degrees of aggressiveness in saving you money. Beware of accountants who come up with schemes and questionable tax shelters. I prefer a competent CPA who is in the middle of the road. I always tell my accountant, “I want to be a little aggressive, but honest, ethical, legal, and above all, to not go to jail!” In addition, beware of the IRS! Plan your accounting system and tax practices as if an audit were inevitable. “Make sure your receipts are organized, your cancelled checks and credit card receipts are in order, and that all logs and other records are ready,” Strauss recommends. “Having your ducks in a row builds credibility.”^v And yes, you can do your accounting yourself by using bookkeeping software such as QuickBooks or business tax accounting software like TaxCut, TurboTax, etc. I did my own business taxes for about ten years and some of the new software does an excellent job in guiding you through the tax return process. But for my money, I recommend hiring an expert. We use Frank Thomas, CPA, with Kirkland, Thomas, Watson, & Dyches in Columbia, SC.^{vi} He can quote IRS regulations by memory and does a wonderful job in guiding, warning, and supporting me. He is always looking down the road at our companies' big picture while keeping the ox out of the ditch. Good accountants run about \$100 or more per hour.
- **Graphic designer:** This person can help design your logo, business cards, webpage graphics, advertisements, brochures, etc. Alternatively, you can use the graphic artist at your printer. Many entrepreneurs try to tackle their own graphics, and the results typically show it. Graphics reflect who you are as a company and the quality of your work, so you need to project a first-class image. You may be able to find a graphic design student (as Strauss recommends^{vii}) who will produce quality work for a lower rate than a professional. Professional graphic artists range from \$50-\$100 an hour.
- **Marketing consultant:** Your business needs guidance on how to invest its marketing dollars in media outlets. This may come from a marketing firm or an independent consultant. I taught myself a good bit about marketing by observing others' work and

reading marketing books (read *Formulating Effective Marketing Strategies* for more information). However, in the beginning, you should turn to the pros. Once you learn what works from the experts, you can assume your own marketing, as I have. Some publications will provide free graphics work if you purchase advertisements from them. I used to develop my own hard copy rough draft, make an appointment through my sales rep, and then travel to the newspaper or magazine to develop the ad with the graphic artist. Now, we work with our in-house graphic designer and send the file to the media once the work is completed. Marketing and advertising experts vary, but you should be able to secure one for \$50-\$100 per hour. Firms usually charge according to your marketing and advertising budget.

- **Technical writer:** A technical writer is needed to develop, refine, and structure anything that your business communicates to the public. This may include menus, curricula, articles, press releases, advertisements, policy manuals, and other important documents. Writing is a reflection of your firm, and typos or bad grammar can mean the difference between obtaining a bid or customer and losing them. Ideally, you want a person with an English or journalism degree who knows how to edit for grammar, punctuation, brevity, and flow. Thus, the content will not only read well, but will also flow smoothly from one sentence or paragraph to another. Look for writers at your local high schools (English teachers and senior students in honors English classes) and universities (English or journalism professors and majors), as well as technical writer contractors. Sometimes, you may use a friend or colleague who writes really well. Our companies have a rule that everything the public will see is proofed by at least two people before its release. Also, remember to coordinate advertising and promotional text with your marketing person since words can have hidden psychological meanings. You can usually obtain a good technical writer for \$25-\$75 per hour.
- **Technology consultants:** First, you will need someone to set up your Internet connection, computer equipment, and software. The complexity of your system depends upon the number of computer users in your operation. Sometimes, you may even use consultants like the Geek Squad at Best Buy Stores, but ideally, I want the professional who is familiar with my computer system to come each time. We have found that generalist computer consultants (who know a small to moderate amount about technology) cannot carry your firm into the future as it grows, matures, and evolves. The second specialist you will need is someone to design your website using the latest software. After receiving the website's visuals from your graphic artist, the web designer will set up the website, register it on the Internet, and obtain a host for it. Web designers are expensive, though prices vary. We have our own web design company, DuBose Web Group,^{viii} which does most of our development in-house. Once you have your website and it is coded to rank at the top of search engine results, be sure to include it in all other marketing materials, as it is a "sitting goldmine" that can provide customers with a lot of information.^{ix} As your company grows, you will move toward a central computer server and networked stations, for which you will need the skills of a computer network engineer. Make sure that your different specialists communicate and work well together, or you will have the equipment professional saying that it is a software problem, the software expert saying the problem is with the Internet, and the Internet provider saying it is a wiring problem! If there is a problem with my computer system, I want one company that can combine the knowledge of different experts to solve it.

- **Insurance and fringe benefits provider:** Your business will need staff-related insurance or fringe benefits (medical, prescription, life, disability, vision, dental, 401k, etc.) and company-focused coverage (liability, general coverage, fire, theft, etc.). You could use several different companies that specialize in different areas, but we prefer having one or two independent agents who obtain quotes from different insurance companies. We use a co-employer called TriNet^x, which provides a wide range of coverage for our employees, and a second agent, Scott Moseley of Irmo Insurance Agency^{xi}, for company liability insurance and general coverage. TriNet lumps my employees in with others around the country, obtaining great benefits for our staff at a good price. The best part: one company takes care of everything!
- **Bookkeeper:** I recommend that you employ an experienced staff member or contractor who knows accounting software like QuickBooks. Make sure that this person works with your accountant to set up the correct accounting codes. Be *very* cautious when hiring this person. Set up thorough cross-checks and audits—I have heard too many horror stories where bookkeepers ran off with business assets! You can employ a contract bookkeeper for about \$35 an hour (we have an in-house professional for this).
- **Banker:** I have done a good bit of business with bankers over the years, many of whom used my local branch as a stepping stone to larger jobs. Look for a bank manager at a local branch who has been there for more than five years and build a relationship so he or she knows your business and you. This is critical when you need to borrow money, obtain better banking interest rates, or reduce fees. First Community Bank of Irmo, SC is our preference.
- **Human resource professional:** In a complex world filled with people who will sue you at the drop of a hat, you need a very competent human resource (HR) professional to help you design policies and procedures that comply with the hundreds of employment laws on the books. I have spent hundreds of hours going to court and the Equal Employment Opportunity Commission (EEOC). Between discrimination and sexual harassment complaints, you can find yourself and your company faced with hefty fines or being forced to rehire an incompetent employee whom you terminated. It's best to set up your human resource system correctly from the beginning with the help of a great HR consultant like JoAnn Moss (formerly of Human Resource Dynamics)^{xii}, whom we use.

Of course, you will need to consult others from time to time, but this will be the key group of experts who will provide invaluable guidance as you organize your company. Make sure to develop relationships with them *before* emergencies occur!

Finding your team of experts: We recommend that you use competent, experienced professionals who charge reasonable prices. Generally, the larger and more prestigious the firm that you go with, the more you will pay. However, you usually get what you pay for. Over the last 25 years, I have had three different sprinkler systems installed in the lawn at my home. The first two “blue light specials” were installed by workers who did not specialize in sprinkler systems but did it on the side. I got a deal on them, but neither worked well! The third company cost more, but they got the job done in a quality way, and the system actually works! Had I used competent specialists from the beginning, I would have saved a lot of money, headaches, and stress down the road.

To identify competent professionals, ask other business owners, managers, friends, and colleagues who they use, how much they charge, how to work with them, and if they have had any problems. Of course, another option is to look in the Yellow Pages or Google, but you really

don't know what you are getting without personal feedback. A third option is to advertise the positions in your local newspaper's "professional" classified ads. However, classified advertising costs have skyrocketed in price and you can easily drop \$1,000 on one ad. I recommend advertising through employment sites such as CareerBuilder.com for about \$250. Colleges and universities also sometimes offer free advertising through specialty schools (i.e., the school of computer technology may know of a good computer consultant looking for work). Check references thoroughly, as if for a new full-time employee, and go beyond what the contractors provide since they will only refer you to their most positive customers.

Negotiating with contractors: I recommend that you interview at least two contractors when you are in the market for a consultant, selecting the more qualified person. Clearly define your expectations or deliverables in detail, negotiate a set price for the service instead of an hourly rate, and always have the details of your agreement in writing. (See *Negotiating the Right Way* in Section V for more in-depth information).

Working with experts: When possible, I try to do some legwork on my own. For example, I will begin to develop a contract based upon my experience and Internet research. (The stuff you can find there is amazing—like contract models that would have cost me thousands!) Then, I have a technical writer tighten up the contract as much as possible before giving it to the lawyer so he or she has something to work with instead of creating something from scratch that results in a big bill. Instead of having my lawyer set up a limited liability company (LLC) for me, I would go online, download the forms from the Secretary of State's website, and then deliver the completed forms to the Secretary of State's office. Then, I would have the attorney develop my operating agreement from a good draft I had prepared in advance.

Many experts are very busy, and you are usually one of many clients. It is your responsibility to keep your work on target and to monitor consultants' progress. Otherwise, your project could easily be placed on the back burner while more profitable or difficult clients get most of the consultant's attention.

While I am all about saving money, "it takes money to make money" in the business world. It is better to build the right structure up front with competent experts than try to reassemble Humpty Dumpty once a crisis has already occurred!

Choosing the Right Legal and Tax Structures

The legal structure of your business will have a profound effect on the financial and legal realities of its day-to-day maintenance and administration.

—Josh Hall

My businesses have been involved in three lawsuits and five IRS or government audits over the last 30 years. Through our customers, we have faced more than 30 additional state and federal audits. It takes a lot to get me rattled, but it is pretty terrifying:

- Accepting legal papers from a constable who smiles as he says, “You’re served. Have a nice day!”
- Weathering the horrendous stress of a lengthy lawsuit and trial.
- Receiving the friendly IRS notice in the mail that you are being audited.
- Going through the audit with the hope that the auditor is in a good mood that day!

No MBA course, book, training, or experience can prepare you for the feelings when these events occur. All of these nightmares came out of nowhere while I was trying to run my companies. Before I open a letter from an attorney or the IRS, my prayer life instantly increases!

We survived all the instances mentioned above, but one of our clients was once found guilty in a civil suit for wrongful termination of an employee. They had to pay hundreds of thousands of dollars in legal fees and damages. The plaintiff wrote to many government agencies, and because my firm was connected to the lawsuit, we ended up being investigated by the South Carolina Attorney General’s Office, the South Carolina Law Enforcement Division (SLED), and various other state and federal funding sources. Of course, we were cleared, but negative perceptions built by slanted, inaccurate news stories wounded a lot of people and organizations. Some customers connected me with the stories that appeared in the paper every day, panicked, and cancelled contracts worth more than \$1 million. And *we* were just innocent bystanders!

As your business grows and evolves, its tax, legal, and accounting structures may need to change, too. Luckily, as Jan Norman says, “You’re not stuck with a chosen form of ownership forever. As your business matures, the initial choice of a business structure, no matter how well it performed in the start-up phase, may require adjustment or alteration.”^{xiii} Existing laws can be mind-boggling, not to mention the new ones! As a business owner and leader, you have to look to the past, present, and future when developing or changing your legal and accounting systems. While I would prefer not to deal with (or have to pay) lawyers and accountants, they are definitely an asset to your business’ organization and operation.

I believe that you need your team of experts on board before making major decisions like changing your business structure. Sometimes, the type of business you are in may dictate the type of legal and accounting structure that best fits your entity. Your accountant will advise you from the taxation and accounting standpoints and your attorney will focus on asset and liability protection. Jointly, their different perspectives can help paint your big picture.

I currently own five limited liability companies and an s-corporation. It is a full-time job just keeping up with what is going on in all of them! To help you understand what different business structures are like, let me take you back through some of our history.

Starting out in 1981, we set up three corporations. We were most concerned about asset protection and liability in those days; accounting was a low priority. I relied on lawyers, who charged about \$1,000 each, to set up my corporations: Microcomputer Distributors, Inc., The Computer Institute, Inc., and The Micro Shop, Inc. I had to register with the Secretary of State to

incorporate these businesses. With a corporation, you have to project an image of it being a separate entity from you (individually) and your other businesses. The further you distance yourself from your company, the more difficult it is for an attorney to penetrate the “corporate veil” and attack your personal assets. This proved to be invaluable when we closed our businesses in 1983. The corporate veil stalled creditors who were circling my camp with all sorts of threats and lawyers, giving me time to sell one of my successful businesses and liquidate inventory and assets from the other corporations that had closed. The corporation provided protection while I eventually repaid more than \$250,000 in debt over five years.

In 1985, two years after my companies failed, I went back to work for Office of the Governor in South Carolina to regain my financial stability, confidence, and sanity. I was in a stage of hurt, shock, stress, financial difficulties, and clinical depression. I had my fill of being an entrepreneur for a while! I was content to receive a steady paycheck and insurance benefits, work nine-to-five each day of the work week, and leave my work at the office at night and on the weekends. I also went from driving an expensive new Mercedes to a used Volkswagen!

Working for the governors was a great learning experience that helped me in my next adventure (which necessitated in-depth knowledge about government, the art of politics, the psychology of influence, relationship-building, and running political campaigns). As a campaign director for seven candidates, I got to see many closed-door conversations and decisions being made. I also got my fill of politics! In late 1986, I supported the wrong candidate and I found myself out of a job. “What now?” I asked myself.

Throughout my life, I have often been in the right place at the right time (for major events both good and bad). Looking back, I believe that I was pre-destined to form my first post-failure company, Research Associates, in late 1986. During my tenure with the two governors (one of whom, Dick Riley, later became United States Secretary of Education), I expanded my knowledge about the grants field (money that the federal government disperses to state government, private non-profits, and educational institutions). Having been burnt in the retail and wholesale businesses, I decided that I would enter the consulting business by writing, administering, and evaluating grants. I would keep my overhead low by operating a service business out of my home or a small office.

Since it was very low-risk operation, I decided to form a sole proprietorship. This is the simplest and easiest legal structure an entrepreneur can develop and means that you and the company are one and the same. You can literally wake up one morning and say, “I am a sole proprietorship and I am in business!” I maintained Research Associates’ sole proprietorship structure from 1986 until 2002, when I incorporated the business. Sole proprietorships have several advantages including that they:

- Are very easy to form.
- Require the least amount of paperwork.
- Do not mandate corporate officers, meeting minutes, shareholders, or stock.
- Let you report business taxes with your personal taxes on IRS Form 1040 Schedule C.
- Make it easy to establish a retirement program like a Simplified Employee Pension (SEP).
- Do not require you to be registered as a business (outside of completing tax forms) unless a business license is required or you need a resellers or retail license. Of course, laws in each community or state are different, so always consult a lawyer if you have any questions about setting up your business entity.

The main disadvantage of a sole proprietorship is that your personal assets are exposed to liability through their connection to the business. Let's say, for example, that you own a restaurant. One of your employees slips on the wet marble floor and a glass he is carrying hits a patron in the eye, requiring surgery. The customer might sue you for neglect, loss of income while out of work, mental anguish, and damages. As you prepare to go to court, the attorney representing the customer will request a list of business and individual assets. When the lawsuit is filed, it will probably name both your business and you as defendants. They are looking for things to take! If the customer wins the lawsuit, you could lose everything. Sound far-fetched? This is one of many scenarios that our convention center staff has come up with so that we are prepared for all kinds of crisis situations.

In addition, the Internal Revenue Service (IRS) has detected that some sole proprietors may not be reporting all their income or may be writing off excessive expenses. There have been notifications from the IRS that any personal 1040 tax returns with an IRS Form Schedule C (which sole proprietorships use) may face a greater risk of audits. The final disadvantage is that when the individual dies, so does the sole proprietorship (from an estate perspective).

Because of these disadvantages, many business accountants and lawyers advise against opening a sole proprietorship. Richard D. Harroch notes, "Sole proprietorships are not advisable if you plan to do any significant business because you face unlimited liability for the business' debts—a real disadvantage. Plus, you can have a difficult time growing the business and attracting investors to a sole proprietorship."^{xiv}

In 2001, annual revenues at one of my businesses grew to more than \$2 million and my accountant and attorney said that my liability exposure was increasing. We decided to make the business an s-corporation. Thus, Research Associates (sole proprietorship) died on the last day of the fiscal year (12/31/01) and Research Associates, Inc., was born on 01/01/02. Essentially, we were the same company, but with a different legal structure. We notified customers, vendors, and the general public that we had incorporated. We had to change all our insurance policies, titles, business cards, website, letterhead, etc., to ensure that we had called ourselves a corporation on everything that had our former name. Of course, this also included obtaining a new Federal ID number (our DUNS number remained the same), opening up new checking accounts with the bank, and starting a new set of financial books. Our customers hardly noticed. The corporation became our preferred structure because it offered liability protection and would continue to exist beyond my death. (At that time, we had begun planning for succession and worst case scenarios.) The switch resulted from my team of experts deciding how to restructure the company to accommodate current needs and future, potential problems.

In our new incarnation as an s-corporation, we had to form a board of directors, elect officers, distribute stock, take minutes for each official meeting, obtain a corporate seal, and hold an annual stockholder's meeting. This time around, I was determined to ensure that our corporation acted like a real corporation!

Corporations have two different forms (c and s, which are defined by IRS regulations). The c-corporation is taxed on its profit at the end of the fiscal year. Most large corporations like Exxon are c-corporations. If you are not careful to avoid it, you could be taxed within the corporation *and* outside the corporation when they reach your personal income tax forms. We chose the s-corporation for our largest and most profitable company. I am paid a salary as president of the corporation, and as a stockholder, I also am eligible to receive distributions (or dividends) from it. Any profits that are left over at the end of the year are automatically transferred to my personal income taxes using IRS Form Schedule E, are taxed at a lower rate,

and are generally not subject to taxes or insurance like Social Security, Medicare, Workers' Comp, etc. However, we try to schedule customer billings so that income and expenses balance out to give us minimal profits at the end of the year (our accounting systems are on a cash basis). The IRS has detected that some business owners are taking a low salary (and thus paying lower taxes) in the s-corporation and then taking out hefty distributions at the lower rate, so make sure that your salary is in line with the industry standard. For example, the IRS would get suspicious if you were the president of a company with annual revenues of \$4 million and reported a yearly salary of \$35,000 but took out \$65,000 in stockholder distributions! Be sure to document everything and make salaries, expenses, and write-offs reasonable by your industry's standards.

As our companies grew and our convention center was built in 2003, the limited liability company, also known as an LLC, was making its debut. Most attorneys and accountants began recommending the LLC because:

- The Articles of Organization are simple to write, and registering an LLC is inexpensive (\$125 in SC) and easy. It requires only a four-page application form that can be completed in 15 minutes without the help of a lawyer.
- The completed application can be processed in about an hour if you take it to your Secretary of State. Of course, this depends on the workload of the office that day, and each state's turnaround time is different.
- The LLC acts like a corporation and usually protects personal assets.
- Some formalities (like annual meetings) may be required, but much fewer than needed for a corporation.
- Excess income is transferred to personal income taxes via IRS Form Schedule E, with no corporate returns to complete.

LLCs "are a hybrid, combining the best of corporations, sole proprietorships, and partnerships, and have become very popular for good reason among new entrepreneurs,"^{xv} writes Steven D. Strauss. The disadvantage of an LLC is that it usually terminates upon the death of the owner(s). While most of the setup work can be completed on your own, you should seek advice from a business attorney on your operating agreement. To reduce costs, you may want to purchase an agreement from a company on the Internet and edit it according to your needs. Then, have the attorney review your work to ensure that it follows legal standards.

There are other legal structures, such as general and limited liability partnerships, that I will not address in detail since they are more complex and many business experts recommend against them. Harroch says (and I agree), "Avoid general partnerships like the plague! Each partner in a general partnership may be liable for the debts and obligations of the partnership—not a good situation to be in if things go bad. If you insist on having a partnership, make sure that you have a well-drafted Partnership Agreement and a lot of insurance."^{xvi} Steve Gottry compares partnerships to marriage and says, "If you think divorces can be ugly, you should be on hand when business partners split up."^{xvii}

If you have a partner, you definitely need an attorney and a CPA to help design your company's operating agreements. If there are no clear, specific agreements covering things like buyouts and what will happen if a partner dies, it could easily turn into a nightmare. I once saw a dreadful partnership disaster unfold in a successful 20-year-old business. One of the key partners died suddenly and the partnership interests were passed through probate court to the surviving spouse, who knew little about the business. One day, the spouse showed up at the corporate office and said, "Meet your new partner!" Situations like that are why I (along with many business experts) caution against partnerships. If the partners have different strengths and

cooperate really well, it may succeed. But, as in marriage, it takes a strong commitment, good communications, reasonable expectations, and each partner doing his or her fair share—otherwise, get ready for trouble.

My final word of advice is that a little work up front will result in fewer headaches down the road. If possible, try to select the ideal structure for your business before you launch it. If your experience is like mine, however, you may find that you need to change your business' structure at some point. Remember to always consult your team of experts—especially your lawyer and accountant—when making important decisions like this. Great companies need the right structure to protect their interests and take advantage of preferred taxation. Do it right and you will sleep better at night!

Managing and Avoiding Crises

A crisis is a terrible thing to waste.
—Paul Romer

It was Sept. 11, 2001, and I was lecturing in front of 150 professionals who had flown to Austin, Texas to hear me speak. Earlier that year, members of my staff and I had conducted the same class in New York City in a building near the World Trade Center. The lecture was going well until my vice president alerted me to the terrorist attacks that had just taken place so close to where I had recently spoken. My first words to everyone were, “Don’t panic!”

Sooner or later, every leader will be faced with a crisis that could make or break their organization. I was not prepared for the 9/11 attacks, but I became a therapist, comforter, humorist, and guide to those 150 people who spent five days with me in a class I will never forget. I have personally trained more than 10,000 individuals over 30 years, but that class was memorable because we all cried, hugged each other, prayed together, and survived the crisis. Like it or not, I was their leader during this time, and though I wanted to cancel the class and hit the road, all flights, rental cars, and other forms of transportation were cancelled due to terrorism fears. We were all stuck in Austin during one of the greatest crises our country has ever faced!

How do you prepare to lead during a crisis? I have learned to “expect the unexpected and anticipate the unanticipated.” Great leaders and great companies must be prepared for the unimaginable. At some point, you will certainly face a personal or professional nightmare that you never thought could happen. Everyone in your organization will look to you to lead them out of the crisis, and your job as a leader is to remain strong, calm, logical, and decisive. I have sometimes gone home with a heavy heart because of very difficult decisions I have made that negatively impacted people. But in front of my employees, I had to be a strong leader who could and would make difficult corrections to the problems I saw ahead. It also meant that I would have to stand in front of them and apologize for the hard, painful, and unpopular decisions I had made after layoffs, changes in company direction, dissolution of divisions, or actions that went against the majority opinion.

Potential disasters are like the hundreds of thunderstorms that form each year off the coast of Africa: some become tropical storms, some of which make their way toward America but die on the way or turn back out to sea. And then there are the few that build into mighty hurricanes and slam into the coast, killing people, destroying businesses, and wreaking havoc on the environment, like Hurricane Katrina in 2005. One thing is certain: crises will come, and you never know when the big one will hit! A good leader must be prepared to weather the storms.

Leading during a crisis means that you must “put your president’s hat on.” You will have to become like a robot that methodically looks at the facts, solicits opinions from as many sectors as possible, analyzes the data, and makes the best decision (without emotion) for the company’s security and prosperity. While you want to consider and care about your employees as much as possible, the bottom line is that as the leader, you must face “the brutal facts of reality”^{xviii} when steering your company out of a crisis.

Case in point: In 2006, I realized that we had to cut expenses in order for one of my companies to survive. After a careful analysis, we determined that four non-essential employees would have to be laid off. Every day for a month, I stared them in their faces, my gut aching. Then, at a social held one week before I had to break the news, one of the employees announced that she was pregnant! Now, I had to fire a very competent *pregnant* employee who I really cared

about. But that is what crisis leadership is all about—making the tough decisions and being the rock-solid foundation your employees can depend on and hopefully respect.

I know what you're thinking right now: "This is one cold-hearted human being!" But after leading, succeeding in, and failing at business for 30 years, I know that my job as CEO is to:

- Make the company better than it was the year before.
- Create an environment where my staff members enjoy their jobs and coming to work.
- Develop outstanding products and services.
- Ensure that we take in more money than we spend.
- Exceed customer expectations.
- Forge a clear path to the future where everyone has input and knows where we are going and how to get there.
- Guarantee the survival of the company.
- Protect the employees and company assets.

That last one requires having tough skin, making difficult decisions, thinking logically, soliciting a lot of input, and yes, maintaining a good dose of paranoia!

Crisis management expert Ian Mitroff notes that "a major crisis results when there is a serious breakdown, or malfunction, between people, organizations, and technologies."^{xix} Mitroff shares my belief that "the need to prepare for the unthinkable has never been greater;" defining "unthinkable" as "that which humans are unable to consider or imagine."^{xx}

I think of myself like a submarine commander. When you are hundreds of feet under the sea, chances of survival in the event of a crisis are limited. Effective commanders constantly test their crews for all types of crises, known and unknown, predictable and unpredictable. They quietly prepare them for the unexpected (even a fire, the worst kind of disaster that could happen underwater). Crews drill, drill, and drill, preparing for the dreaded day a catastrophe happens.

And boy, some do come out of left field! I will never forget sitting in a hotel in Maui, Hawaii the day before I was scheduled to speak to 100 professionals. I was watching the lobby television and asked the clerk, "What is that spinning thing out there in the ocean?" It was a hurricane that would hit the islands the next day! Of course, I reacted immediately, calling everyone and cancelling the class. I could go on and on about similar emergencies, tragedies, and crises my businesses have encountered since 1981.

I try to act like a submarine commander in relation to my current businesses (some of which have been around for 30 years). I think of every possible disaster, conflict, and problem that they could encounter and strive to prepare them for it. Everyone in the organization must "think about the unthinkable" and institute processes to prevent those problems from occurring.

One example is that, while I have set a personal goal to live to 100, I stare the possibility of dying before then in the face. I think "What if I die tomorrow? What would happen to the companies and everyone I care about in my businesses?" With those thoughts in mind, I have spent hundreds of hours implementing detailed strategies to ensure that my companies will keep right on marching forward without me. Because I have developed these plans, when I go to that wonderful heaven that God has planned for me, those left behind will not face a disaster.

It is my opinion that crises go through different stages and the leader must be prepared to spring into action in every phase. In brief, they are:

Predicting disasters: One of my businesses, Columbia Conference Center, is a 40,000 square foot building that provides meeting spaces, catering, and venues for receptions and socials. I think, "Ok, we have 600 customers and staff in a facility, what could happen to them?" We have created drills for many situations, like:

- A tornado is approaching.
- Customers eat our food and get sick.
- A person pulls out a gun and starts shooting people.
- Someone is attacked in our parking lot.
- There is a car crash in our parking lot.
- Someone breaks into the facility.
- The electricity is cut off during an electrical storm. A customer has paid \$20,000 for a wedding reception that is in full swing—and the temperature outside is 100 degrees.
- A major water line breaks, severing water service to the building, and there are 600 people at our facility who need to use the bathroom.
- A person has a heart attack while at our facility.

The list goes on and on! As a leader, what would you do in any of these situations? Of course, the best answer is to plan accordingly. Encourage everyone on staff to “think outside the box” and focus on the worst-case scenarios in every phase of product development, sales, delivery, and post-sales. Make a list of every threat that they can come up with. (Of course, we know this as part of a SWOT—strengths, weaknesses, opportunities, and threats—Analysis).

Action strategies: After you and your team have identified threats, think about solutions to address them. At our Columbia Conference Center:

- We ask customers to participate in unexpected fire and tornado drills, sending hundreds of participants downstairs to our unsuspecting but well-trained staff.
- Our staff members are trained in first aid, CPR, and emergency procedures.
- Some are trained to use weapons and are armed to protect customers from violent intruders.
- We have processes in place to document problems, refer to past issues, and protect staff and customers from future crises.
- We conduct drills for power outages and have a backup generator for emergency power if ours goes out.
- We have installed surveillance cameras that enable us to view and record suspicious people or actions taking place in or near the building.

We do much more, but basically we try to determine what problems could arise and then develop very specific plans on what to do when a potential problem occurs.

Assembling a crisis team: Steven Fink, author of the first book ever written on crisis management, says that “every crisis demands a crisis management team to run the plays.”^{xxi} He cites a Fortune 500 survey taken in conjunction with his book where 89% of the executive officers interviewed “agreed that a crisis in business today is as inevitable as death and taxes but fully 50% of the respondents admitted they do not have a prepared crisis management plan.”^{xxii} It is important to designate certain individuals within a company (usually leaders) to prepare for the unexpected. When a crisis hits, they will assemble and strategize on how to respond to the threat. Of course, the makeup of these teams can vary, but make sure that you have one in place before you need it, with backups in place in case anyone is unavailable. This team generally consists of fewer than eight people and provides the final decision-maker with different opinions to help him or her make the best decision. Select team members from diverse backgrounds so they can assess the problem through their own viewpoints and provide various perspectives. Though, as Norman Augustine noted, “crisis situations tend to be accompanied by conflicting advice,”^{xxiii} you should still strive to incorporate others’ suggestions into your solution.

Communicating during a crisis: The team should react immediately to the situation, analyze the facts, and then determine who should be informed. In our companies, we have an open environment and try to keep everyone aware of both good and bad news. Augustine recommends that a single person serve as company spokesperson.^{xxiv} Before communicating, confirm that the information is correct and as complete as possible. Trust and credibility are very important with staff, customers, and the public. Augustine writes, “It is preferable to err on the side of overdisclosure, even at the risk of harming one’s legal position. Credibility is far more important than legal positioning.”^{xxv} Remember to stay calm and to transmit information on a timely basis. Above all, be ethical, open, and honest!

Crisis management: The crisis team’s primary responsibilities are to identify crises, develop solutions, and meet the crises head on. Once a solution or strategy is developed, stick to it unless new information emerges. If new facts surface, move quickly. In the resolution stage, “Speed is of the essence. A crisis simply will not wait.”^{xxvi} You want to avoid bogging down the entire company if at all possible. The crisis team should focus on managing the crisis and bringing in experts and support (when needed), while the rest of the company should continue marching forward, creating the products and services that pay the bills. You shouldn’t allow a crisis to drain your company’s profits and productivity. Remember BP and the Gulf oil spill?

Be very careful that key decision-makers are not exposed to the trauma of a crisis for too long. Constant exposure to negativity can result in depression or burnout. Having been in that dark pit once myself, I know firsthand that individuals who are depressed are not effective decision-makers and sometimes focus on the “gloom and doom.”

Assign the crisis-solving strategy to positive people who can get the job done, but also include those with different perspectives to keep the boat steady as you move forward. As you progress, keep track of what caused the crisis and its symptoms.

Crisis learning: “Almost every crisis contains within itself the seeds of success as well as the roots of failure. Finding, cultivating, and harvesting that potential success is the essence of crisis management,”^{xxvii} says Augustine. After the crisis passes and everyone takes a rest, reassemble the crisis team and use Total Quality Management (TQM) to dissect the crisis and carefully examine causes, symptoms, system weaknesses, and solutions. As TQM leaders, you want to zero in on the true cause to ensure that the same crisis does not surface again. Don’t point fingers or blame, but encourage an open environment where people can come forward to autopsy the problem and offer opinions on preventing it in the future. This is the stage where painful mistakes and failures become gifts from God. Share what you learn with everyone so that gift is multiplied. This also illustrates that you are serious about having an open environment and will not sweep mistakes under the rug. Implement processes and procedures to alert your staff when the problem threatens to surface again so it can be quickly contained.

A crisis can be a very painful event that you would never want to repeat. However, it can also be the push needed to take employees, companies, and leaders to the next level. A crisis can be a great learning opportunity where everyone involved grows from the experience. Of course, the best crisis is that which is predicted and prevented.

Protecting Your Assets: Estate and Succession Planning, Insurance, Contracts, and Legal Structures

Rule No. 1: Never lose money. Rule No. 2: Never forget Rule No. 1.
—Warren Buffett

As a business owner, you need to know how to protect your personal, business, and family assets. Asset protection and risk management are areas where you, your spouse, your employees, and your children do not want to say (after something blows up or a tragedy occurs), “I really wish I had taken the time to plan for that! What was I thinking?”

Asset protection should address in advance any activity that can rob you of assets, attack you or your business, or result in unnecessary taxation. Let me share several real situations that could have resulted in catastrophe.

- **Succession planning:** I was alone in my car on a quiet, clear, moonless night, driving a lonely stretch of Interstate 26 from Columbia to Greenville, SC to meet a customer the next day. Suddenly, out of nowhere, a perfectly round meteor the size of my car zoomed by less than 100 feet in front of me. It was so close I could have thrown a rock and hit it. I could even see the trailing smoke and fire. It was a once-in-a-lifetime miracle that was just beyond belief! At first, I was in awe. Later, I would think, “What if that meteor had destroyed me and my car? What would happen to my family and my company if I died?”
- **Potential personal lawsuit:** A high school student was doing flips in my swimming pool with her boyfriend when her foot kicked his lip, splitting it to his nose. What if his parents sued me for damages? Did I have the proper personal insurance?
- **Potential business lawsuit:** During a meeting at our convention center this year, a participant came to our receptionist and said, “I just ate some of your food with mushrooms in it. In about 20 minutes, I will have a severe allergic reaction and die!” She was rushed to the hospital and given medicine to slow the reaction. But what if she had died at our facility after eating our food? Was my staff prepared for the emergency? Would my insurance cover the incident?
- **Actual lawsuit:** One of our customers wanted to employ a director for a grant program that we had developed for him. We created the ad, interviewed and screened the applicants, recommended four finalists, and turned over the paperwork to the customer, who made the final selection. Three months later, the customer and our company were slapped with a lawsuit for discrimination. We won in court because we had used very structured, logical, and unbiased tools to make the assessments. But what if we had lost the case? Would my insurance cover the loss and costly legal expenses?
- **Personal asset threat:** In my first years as an entrepreneur, my wife and I signed a personal guarantee promising to pay jointly for any debt the business incurred. When the business failed, we received a DEMAND FOR PAYMENT notice that a vendor wanted their \$40,000—which we did not have—immediately. Fortunately, we were able to pay off the debt, but we could have lost our home. Should we have signed the personal guarantee?
- **Sudden death of a partner:** A friend’s husband owned 25% of a very successful, established business that had no detailed partnership agreement. When the husband died suddenly, my friend inherited his share, but the other partners contended that they owed her nothing. She knew little about the business and was not interested in working there.

Fortunately, the partners eventually paid her for his portion, but only after she took them to court. Would this have played out differently if the business had a detailed succession plan and operating agreement?

I could go on and on about emergencies, crises, and problems that I have experienced personally and through my businesses or staff. Sometimes, even under ideal circumstances, disaster will strike! The bottom line is that you must obtain adequate insurance, try to predict problems, legally address as many potential issues as possible, and educate staff to recognize, prevent, and handle emergencies. We examined crisis management previously, but let's examine different ways to protect personal, family, and business assets in the event of such disasters.

Prepare to die or become disabled tomorrow! After 30 years in business, I have concluded that life is very fragile. I remember reading in the newspaper about a middle-aged doctor who died from complications days after a routine knee replacement surgery. A very successful, rich entrepreneur, he had owned several nursing homes. My accountant, who was familiar with the case, told me that the doctor had planned for his death and his business fortune was protected. Estate and probate taxes *could* have taken a majority of his assets, but because he planned ahead, his family will receive most of the estate without heavy taxation. Therefore, it is very important that you plan for your death from day one of your business.

The first item to understand is estate taxes. There are many changes going on right now in national and state estate taxation, so I will not speculate as to what the future holds for exemption limits and other details. Frank Thomas, CPA,^{xxviii} reported the following, which is federal law:

Under the "Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010," the federal estate tax was brought back to life in 2011. This new law set the rules for 2011 and 2012. During 2011 and 2012, the top rate will be 35%. For 2011, the exemption amount will be \$5 million per individual. At those levels, the vast majority of estates will not be subject to any federal estate tax. From a planning standpoint for 2011 and 2012, a nice feature of the new law is that it makes it easier to transfer the \$5 million exemption to a surviving spouse, so married couples can shield \$10 million of their assets from taxes. However, after 2012, things will change. Without new legislation, the exemption amount and estate tax rates will return to 2001 levels when the estate tax exemption was \$1 million and the rates graduated rates were as high as 55%. Because of the uncertainty regarding the laws relating to estate tax, you should seek counsel from a reputable estate planning attorney and/or CPA if you have significant wealth. After all, it is not what you make, it is what your family gets to keep.

Did you get all that? Now you know why you need the help of an experienced CPA to interpret all that stuff! IRS regulations can be very confusing and complex. If you die, your estate is appraised by a professional (such as a qualified CPA or commercial appraiser) and the IRS. If your spouse survives you, the estate (within limits) is passed onto him or her without taxation. However, when the estate is passed from the spouse to children, friends, relatives, or employees, the estate tax kicks in.

There are various ways to avoid some pitfalls of the estate tax while still adhering to IRS regulations. While federal law is consistent, please note that every state's estate tax is different, so you will still need the help of your estate lawyer and a CPA to prepare your plan.

- First, if your business is in the early stages of development, you may place some of the company's ownership in each of your children's names, while still retaining control of the business by being the 51% shareholder or through your operating agreement. As you prepare new company legal structures, you may want to consider them in the ownership

strategy. Of course, you will also have to examine how the distributions are taken out. You can address this in your bylaws if you plan to establish a corporation and in the articles of organization and operating agreement for structures such as limited liability companies (LLC). I never imagined that one of our companies would be so prosperous and should have done a better job structuring its ownership early on in the organizational plan! When I die, my children will already own part of my businesses without having to go through probate court (and expensive taxes) because of estate strategies I have taken.

- Second, you need to work with an attorney who is knowledgeable about estate planning, businesses, and taxation (usually a lawyer who is also a CPA). You can set up a structure that will send some of your assets to a trust but still allow your relatives to access the funds without going through probate court or estate taxation. This could include life insurance proceeds, business interests, and other assets. However, this action must be guided by an attorney and accountant who know what they are doing! You may want to contact your local probate court, lawyers you are friendly with, or your state bar association for recommendations. We use Alex Weatherly, JD, CPA.^{xxix}
- Third, make sure that your will is up-to-date and has been developed by a skilled attorney and reviewed by your CPA. When it comes to business assets, avoid using generalized will templates. Be very specific about how your assets are to be allocated. Imagine if you have a very prosperous company and you, your spouse, and your children are killed in an accident. Your business could be destroyed and its employees driven away if it is inherited by relatives who know little, if anything, about the business but try to run it!
- Fourth, be sure that you leave your power of attorney and a living will vested with your spouse or a trusted friend. Be careful here because that person essentially becomes “you” if you are rendered unable to make your own decisions. Giving power of attorney to someone else should be limited to extreme circumstances.
- Fifth, you will need to secure more than adequate insurance. Your life and accident insurance should be able to pay off any business, estate, and personal debts while supporting those who survive you. I have talked with angry widows and widowers who had been left to deal with business and personal debt or other problems. Term life insurance from a quality firm is relatively inexpensive and is much cheaper while you are still young. Be sure to get the 20-year term if feasible, which locks in current rates for 20 years. We use Ralph Giangrandi^{xxx} of Metropolitan Life Insurance Company, who is also an experienced financial planner. Disability insurance usually pays about 60% of your salary in case of extended disability. It may be more difficult to purchase, but if key individuals become disabled, it could put your business out of commission and leave you with no income. (I discuss types of insurance in detail in *Developing Salary and Fringe Benefits* in Section IV).
- Sixth, you want to obtain the skills of an experienced business CPA. There are many different types of CPAs, but I wanted someone with in-depth knowledge in the areas of legitimate tax shelters, business evaluation, and tax strategy. We use Frank Thomas, CPA, CVA.^{xxxi}
- Seventh, you will need the experience of a business insurance agent for workers’ compensation, liability, and other general coverage. I always recommend that a business have an excellent umbrella policy that covers broad risks. We utilize the skills of Scott Moseley of Irmo Insurance Agency^{xxxii}.

All of this—wills, power of attorney, and insurance—costs money, but avoid “blue light specials” when planning for disability and your departure from this life. It just is not worth the risk! You could just drop dead one day, be in a major car accident, or suffer a stroke. While you may not be able to prevent some of these disasters, you can prepare for most of them!

Succession planning: In 1990, I wanted to have a swimming pool installed at my home. After a thorough investigation, I narrowed my search to a top-notch pool company that had been operating for more than 20 years, had a great reputation, and was family-owned (including, as owners or staff, a father, two sons, a daughter, and other relatives). It was providing a very good income to many of the family members. The father was the backbone of the company (he oversaw all the administrative duties, conducted sales presentations, and led the company effectively), while his two sons installed the pools. I was in the midst of sending out bids to other companies (I had already obtained a bid from the father) when he suffered a heart attack. His sons took over the company, but they were not prepared to lead it. One of the sons responded to my second bid six months later and was the clear winner. But when he arrived at my home with the contract, the conditions changed and he wanted to increase the costs—the old “bait and switch” game some salespeople use. He was doing bad business that did not represent the company well. We negotiated the contract and they did a great job on the installation. However, two years later, the company was out of business! The father had not prepared his sons to take over, a mistake of many business owners. The business was too dependent on him and when he was taken out, it crumbled.

A parent’s dream is often to have a son or daughter take over the business they have built, but inexperienced family members can run companies out of business. As Jan Norman recommends in *What No One Ever Tells You About Starting Your Own Business*, “Never assume your children have the talents or interest to take over the business.”^{xxxiii}

The best way to view business succession is to see the company as a separate, living entity. It should be treated just like one of your children, in that you want to see it grow up healthy, mature, prosperous, smart, and independent. Thus, I recommend that you follow my strategy and tell your children and spouse that being a part of the family does not automatically put anyone in line to run the company. My son came to work for one of our companies in 2005 after graduating from college with degrees in business and psychology. He started at an entry level job with a windowless office. I also announced in front of all the staff that the management team and I would select the next president from the most qualified people in the company, which would not be him unless he wanted to work his rear end off. Everyone should be treated as equals when it comes to leadership, and family members must work their way up the corporate ladder like everyone else. It all goes back to my belief that everyone should be exposed to hard work. And as president, I must send a clear signal that everyone throughout the company will be treated fairly—especially when it comes to my son as compared to the other employees. In 2007, he began his own successful company, DuBose Web Group, and has done a great job running it! He is now prepared to step into my shoes when it becomes necessary.

My largest and most profitable company is a corporation. It is treated just like a separate entity and has been designed to keep on ticking without me. As part of the detailed by-laws, I have stated clearly that upon my death, my son, Blake, will assume the role of company president. My wife and children will assume ownership of my corporate shares, but the shareholder agreement prevents them from interfering with or controlling the day-to-day operations. The company cannot be sold or money borrowed unless there is an agreement between the shareholders and the management team. Corporate ownership must remain with

blood relatives and cannot be passed to non-blood relatives (prenuptial agreements are recommended). My wife (or our children in the event of her death) will also receive the same salary and financial package that I did when I was alive. The management team will assume day-to-day operations and decide how the company's leadership will be structured. The shareholders (my family) will be briefed on the company operations and financial status each quarter.

This detailed succession plan has been discussed, distributed amongst, and signed by my family and staff, who are aware of the order of succession. This not only sets the stage and plans for an orderly transfer of power, ownership, and leadership in the future, but also provides security for employees, reduces speculation and confusion when a principal of the company is taken out, and provides financial rewards for my family for the hard work and suffering they have experienced. Most importantly, the agreement sets up order within the company so it will continue to exist when I can no longer lead it. As Steven Strauss explains, "You need not only to create a succession plan for your own sake, but it is something you owe your employees, vendors, shareholders, and/or investors."^{xxxiv}

The next objective in succession planning is to prepare the next generation of leaders years before you retire, become disabled, or die. If you instill in them most of your knowledge, values, experience, and education, they can continue your legacy. As Hans Finzel says, "Organizations live and die on the basis of their flow of new leadership talent."^{xxxv} I told one company leader that my job is to work myself *out* of a job. I believe that you should tell future leaders that they are being groomed for leadership. Each should also understand that they are one of several people who will be coached, mentored, given assignments to help them grow, and guided into leadership positions. Never put all your eggs in one basket by naming a single successor; rather, prepare multiple leaders. Many of your current employees will not be there in ten years!

Developing the right business structures: You will need to separate your business interests from each other by setting up different corporate structures and using different checking accounts, tax returns, tax ID numbers, etc. While it is easier and more cost-effective to have one company, consider breaking divisions off into separate companies as they grow. My attorney and CPA advised me to place all my companies' assets into one company and all the employees into another company with no assets, which protects me in case of an employee lawsuit. If you separate your operations, you should be careful to observe all corporate formalities,^{xxxvi} meaning that your organizations need to act and look like different companies. If you are involved in a lawsuit and have been mingling company and personal funds, an attorney may be able to pierce your corporate veil and prove to the court that you and your businesses are really one and the same. Thus, it is important to spend time ensuring that your companies do not share assets except through legal transfers, such as one paying rent to another one for use of a building, etc. Draw up documents as if one company does not know the other. Your highest-threat companies should contain the fewest, if any, assets. For example, I talked with an owner of a concrete company who had determined that his greatest threat was delivering the concrete from his mixing plant to building sites. Therefore, he set up one limited liability company (LLC) for the delivery service and another for his mixing plant. If one company was attacked, the other would be protected.

With the help of your attorney, you can design structures such as parent companies that contain your assets and stand at a distance to avoid liability threats. If you personally lend money to a company, be sure to document the transaction with a promissory note. If the amount is significant and is lent over the long term, a legal document should be developed to give you first lien rights on the company's property and assets. Be sure that you have more than adequate

insurance in all of your companies' proper legal names. Each company's assets (such as land) should also be owned in its legal name.

Of course, many small business owners may not have to resort to the different structures I have just mentioned, but I never thought that my companies would have prospered so much either. With a little bit of planning, you can protect yourself, your family, your companies, and your employees from excessive taxes, lawsuits, and other situations.

Contracts and personal guarantees: Before you sign any contract, read it thoroughly to confirm that it accurately reflects the agreement between you and the other party. Always sign any documents with a title behind your name (i.e., president, managing member, etc.) and initial each page over some of the text. One of the keys to executing a contract correctly is never to rush into signing it. (See the negotiation and purchasing subsections in Section V for more details.) People will try to slip all sorts of things into the contract, and courts will always go by the signed document, regardless of any verbal agreements.

Avoid signing personal guarantees. Most leasing vendors (and some others) will push for it, but stand your ground unless a personal guarantee is absolutely unavoidable. If that is the case, refuse to have your spouse jointly sign it so that you keep some of your personal and business assets out of the guarantee (some of your monies should already be under your spouse's name for protection). I believe that all business debts should be eventually paid, but sometimes, you may need time to regroup. When personal guarantees are involved, you put up everything you own to guarantee the debt, and that can push you, your spouse, and your business into bankruptcy if creditors demand their money immediately. If your marriage is sound, I recommend placing your home in the name of your spouse and never having him or her co-sign anything. That way, even if you lose everything else, you will still have a place to live!

Customer contracts: While your customers are your greatest asset, they can also be one of the biggest threats to your business. Contracts should protect both you and the customer but set limits for lawsuits, debt payments, etc. They should also outline responsibilities, deliverables, timelines, liability limits, termination clauses, and arbitration. Try to develop the first draft of the contract if possible, which gives you "a tremendous advantage in shaping the negotiations."^{xxxvii}

Employee risk reduction: Though the well-being of your employees should be a focus of leadership, the truth is that they can also pose significant threats and liabilities to your business. Prior to employment, all staff should sign a detailed employment contract that has been reviewed by an attorney and human resource expert. It should forbid them from using confidential company information when they cease employment with you, competing against your company, stealing customers or employees, and sharing sensitive information with others. Leadership should maintain zero tolerance for risky behaviors. Provide ongoing training in avoiding behaviors like sexual harassment and discrimination and clearly explain guidelines for manager and employee conduct. Clear, structured policies and procedures that have been reviewed by a trained HR professional will also help to clarify expectations.

Other insurance coverage: Next, secure a comprehensive business insurance policy that covers most perils. Your insurance agent can help you decide on a coverage limit that is high enough to take care of any problems. I suggest being liberal when accounting for the possibility of unforeseen disasters. I also recommend taking out at least \$1 million (preferably more—I have \$7 million) in liability insurance on top of your business' umbrella coverage (you can obtain this as a tie-in policy). If your company owns vehicles, the insurance will be higher due to accident risks. At our companies, we ask employees to use their own vehicles and reimburse them for mileage. We also outline their responsibilities and liabilities in our policies and

procedures manuals. However, even when employees are driving their own cars, if they injure someone while on official company business, your company could be held responsible.

You definitely want to carry Workers' Compensation insurance to cover any on-the-job accidents. Some business owners try to avoid this (though it is required by law), only to face penalties and lawsuits when an employee is injured while working. Many insurance companies require coverage for consultants as well, which can increase your policy costs.

In addition, I suggest that you contract at least \$1 million in personal liability insurance through your personal homeowners policy to cover any lawsuits dealing with automobiles, boats, and home accidents. A \$3 million personal liability policy for my cars, boat, and home costs me less than \$1,000 annually when combined with my homeowner's coverage.

I also recommend that you carefully examine your automobile insurance and take out higher coverage (like \$500,000) for personal liability, etc. Remember, if one of your family members causes an accident in a car you own, you expose your personal assets. My wife drives a car that is in her name. Avoid putting cars in both names because then both sets of assets are exposed.

Again, while doing all of this costs additional time and money, it is better to be protected than to lose everything—including your business—because you are underinsured. Because “asset protection planning, like income tax planning, is an on-going process which requires updates at least annually,”^{xxxviii} you should conduct a risk audit of everything I have just mentioned each year. This means soliciting advice from experts such as your attorney, CPA, and insurance agents to come up with a solid plan. All of this may sound overwhelming, but you must take one step at a time when climbing that mountain of success!

Thriving in Bad Economic Times

We are reminded every day that we live in an economic climate filled with adversity and chaos.
—Gordon Hester

I was thinking today, “What are my credentials to be giving all this advice?” I could try to impress my readers with my college and graduate degrees, but I have never taken a business course. I lasted three days in my college accounting class. I could describe the phenomenal success of our five current companies or talk about what we are doing and how we are thriving. But my greatest business feat was that I owned four failed businesses in the 1980s. Have you ever heard of someone running around bragging about their mistakes?

Those failures, which led to the darkest period in my life, turned into a powerful gift from God. I secured knowledge on the correct way to run a business through being awarded an MBA in failure. I don’t want to go down that path again, but I would not trade all the depression, failure, mistakes, and sheer torture for anything. That’s my philosophy: you can turn bad events into wonderful learning opportunities. Eventually, I got up, dusted off my pants, regained my confidence, and started down the road to entrepreneurial success again in 1986. It has been great ever since!

My goal in writing this chapter is to give specific advice on how to survive (and in fact, *thrive*) in difficult times from a person who has traveled the roads of both success and failure. I have a passion for helping others, which is why I have written this book.

Fast forward to today. Never have I witnessed such dismal and distressing economic news. Not a day goes by that we don’t hear tales of tight credit, low consumer spending, stocks losing most of their value, spiraling unemployment, company layoffs, poor corporate earnings, and people simply scared to death. Mental health and liquor businesses are booming!

I once spent two days with Jack Welch, former CEO of General Electric, who authored the bestseller *Winning*. Jack compared the media during a bad economy to the meteorologists on the Weather Channel. When a hurricane is approaching, they go into a frenzy and begin to salivate. The media whips up bad economic times just like those meteorologists, making a bad situation even worse. They say, “Look! There’s more bad news coming! Let’s scare everyone to death!”

A few years ago, many individuals saw the glass half—if not completely—empty. Even the dreaded “d” word, “depression,” was being thrown around. In recent years, a record number of people and businesses have experienced failure and bankruptcy. Every person has been impacted as the pain trickles throughout our economy. I recently witnessed the fear that is circulating in our country when my wife, Debra, said that we needed to cut back. She is a very wise woman and if I had listened to her more over the years, I would have suffered less. I responded, “Why? We are doing very well, thank the good Lord.” She said, “Because it is so bad out there!” Now, her advice was good, but I could see firsthand how the media’s bad news is even infiltrating the minds of people like her. That, in itself, is creating a wave of panic.

Former President Franklin Roosevelt was right when he said, “The only thing we have to fear is fear itself.” But his wife, Eleanor, was also wise when she said, “You gain strength, courage, and confidence by every experience in which you really stop to look fear in the face...you must do the thing you think you cannot do.”

I would never wish business failure on anyone, even if I had enemies. But some weak competitors who have been undercutting prices and delivering less-than-quality service have disappeared and will continue to do so in this very tough market. Only the strong businesses will

survive over the next few years. Once the economy picks up, a smaller group of higher-quality businesses will be left. The storm is here and more uncertainty is on the way—but good times are ahead!

While many businesses are in crisis mode, others seem to be thriving. In fact, a fast food business owner recently commented to me, with a smile on his face (and money in the bank), “If we are in a recession, we didn’t know it!” But why do some business owners back into a corner while others come out fighting? Let’s examine ways to survive—or better yet, thrive—in these difficult times:

Don’t panic! The best defense right now is to do nothing out of panic. Take a calm, rational approach to analyzing your business’ current condition and where you plan to go. Making rash decisions out of fear could make things worse.

Exhibit positive, proactive leadership: Great leaders and staff believe their future is secure and failure is unacceptable. While you want to be open, honest, and realistic about what is going on around you without making false promises, great leaders shine during difficult times and crises. They are cautious optimists who say, “Yes, we will experience some bumps in the road, but in the end, we will not only make it, we are going to do well!” They stare defeat and failure square in the eyes and give them a swift kick in the pants! They build confidence and excitement amongst all staff and are constantly pointing to their bright future. They look through the front windshield and not the rearview mirror.

Increase revenue: I tell everyone that having successful business is easy—you just have to take in more money than you spend. But that is not as easy as it sounds, is it? Even in the worst of times, there is opportunity, but you have to seek it out. Tell everyone working for you that you need their help thinking outside the box for new ideas to increase revenue that are connected to the company’s purpose, mission, vision, and values. Now is the time to think of innovative marketing approaches (especially those that don’t cost much) to raise awareness of the company and its products and services. Don’t sit back and wait for business to come to you. Get energized! Marketing expenditures should actually be increased in difficult times. And get ready for the new niches that will open up.

While it is important to have a good dose of realism about what is unfolding around us and our nation, now is not the time to dramatically lower expectations or budget projections. Set high goals and maintain integrity and ethical behavior. Think outside the box, under it, over it, and around it! This is the time, no matter what the obstacles, to move forward. You want to inspire your employees by telling them, “See that mountaintop? That’s where we’re going...follow me!”

Decrease expenses: Your ultimate goal during an economic downturn is company survival. Dissect your budget line by line without emotion and hold every item up against these important questions: Will it impact quality if I cut this expense? Does it support our strategic plans? Will the reduction decrease morale? Will it diminish quality customer service? If you think your company will suffer during these times, you should eliminate nonessential items, which may mean reducing personnel. However, although payroll is usually a business’ largest expense, laying people off should be a last resort. Some business owners are giving staff an option of taking time off without pay (and letting them chose when). At least they are getting something in return!

If you must cut staff, do this very carefully with assistance from human resource experts. Focus on eliminating positions, not people. We use our co-employer TriNet and HR expert JoAnn Moss as guides when we face difficult HR issues. Obtain professional help if you are thinking about downsizing. Otherwise, you may meet your laid-off employee at an EEOC

hearing for discrimination or be sued in court for wrongful termination. As someone who has experienced both, I can tell you that you don't want to face such major distractions when your business is already in survival mode.

Bad economic times are a good chance to eliminate poorly-performing employees or non-profitable positions. Avoid cuts across the board. Though a "treat-everyone-the-same policy" may sound very fair, is easy to implement, and shares the pain across all areas, you are essentially punishing your best employees and profitable divisions along with the bad. This can cause your best people to leave—and your competitors will always make room for them.

All layoffs should be done with compassion, care, dignity, and, if possible, severance pay so impacted employees can survive while looking for work. You don't want to kick angry, bitter people out into the marketplace to become what the Denove and Power call "assassins" in their book *Satisfaction*.^{xxxix} Assassins make it their mission in life to tell everyone how your organization treated them unfairly, and those receiving the bitter information will pass it along. In other words, how you handle layoffs can impact your company's reputation and eventually your profit. The community is watching how your business handles difficult situations.

The people who are left behind will be watching too. For this reason (and because it is the right thing to do), show that you care about those you are laying off. When I laid off four employees from one of my companies in 2006, I went out to job fairs, called people I knew, and put the word out to help them find jobs. JoAnn Moss recommends that you consider outplacement services to help your employees find new jobs, adjust to the change, find a sense of direction, and refresh their skills. The quicker they find a job, the faster they are off unemployment benefits, and the less likely that they will sue you.

Eliminate negativity, fear, and introversion: Stress is high among American workers. As people are expected to do more with less, you need to produce a steady stream of positive communications to inspire, motivate, and encourage your team. Now is a good time to revisit the book *The One Minute Manager* by Ken Blanchard. Look for things people are doing right and recognize them. Think outside the box and keep staff energized with rewards. Above all, thank them for going the extra mile. Make them feel like a valued part of a professional family.

Keep your communication channels open, share important financial information, and hold regular, open meetings where everyone is encouraged to express their opinions, raise concerns, and pose questions. Tell them the truth, even if it hurts. They need to believe you; otherwise, negative gossip channels will flourish and kill creativity, productivity, and success. People will focus more on their insecurity and bringing others into their dreary discussions than getting the job done and making a profit!

Negativity is like a rapidly advancing cancer that will choke the life out of your business. If you lay people off, remove them from the organization immediately. Don't let them linger around as I have mistakenly done. If you do, they can infect others with their bitterness, gloom, and doom. Above all, don't make layoffs in waves. Implement all cuts at the same time and then let your remaining folks know that while you cannot promise anything, the budget cuts and layoffs are over unless things get much worse. Give them some relief and then promote excitement. Otherwise, they will spend their time at work worrying and looking for another job.

Renegotiate contracts: The Wall Street Journal reported on a recent study of 1,000 small business owners, noting that more than 15% said they had renegotiated contracts with partners. Try asking lenders, landlords, vendors, and others to reduce their fees or costs. They might consider lowering their monthly fees or payments and extending them for longer periods. A bank might change the terms of your loan from three to five years with more manageable payments if

you have adequate collateral. A landlord might lower rent if you agree to a longer lease. Everything is negotiable.

Be humble: When interviewing leaders of great companies for *Good to Great*, Jim Collins and his team found that truly great leaders tended to be extremely humble.^{xl} I would take that a step further by saying that great businesses need to be confident but humble. You cannot sustain long-term success through arrogance, especially in dire times. I recently interviewed a human resource director with a large Columbia, SC-based business who had seen ten company presidents come and go at the successful corporation. When I asked him if he observed a common thread amongst the bad CEOs, he immediately responded, “BIG egos!” When you think you are invincible, prepare for the fall.

Save, save, save! Our philosophy is to plan every day for future storms, like Noah with the ark. Therefore, we paid off all our debts and began putting savings aside to carry us through uncertain times. Don’t be greedy—a prime reason many companies fail. As the business owner, it was tempting to put millions in my pocket, but job security, safety nets, and the company’s long-range survival are paramount. If you haven’t saved yet, start now. It’s never too late.

Cash is king: Watch accounts receivable closely. Send out your bills before they are due and learn the names of the accounts payable staff at other companies so you can make personal calls if payments are late. With banks tightening up credit and having limited money to lend, organizations that owe you will stall on payments to help keep their cash flow positive. One of our companies is now seeing payment delays even from public institutions. Keep your cash flow solid and apply for liberal credit lines in advance instead of waiting until you need them.

Don’t let other failed businesses pull yours down: Watch your credit terms with other organizations because if they go under, they could pull you down too. When receivables reach more than 30 days overdue, be on the alert. Your staff should begin calling when payment is 40 days late.

Get everyone involved: I treat my staff like owners and leaders of the business. When you actively engage employees’ minds, create a culture of openness and candor, and solicit input, things run more efficiently and effectively. Staff in our companies’ culture are happier because they are helping craft their own futures. Use fun rather than fear to keep team members focused.

Exceed customers’ expectations: Great companies invest a lot of time and energy in their customers so that when tough times come, the investment returns. In bad times, customers focus their spending on companies they know, trust, and like. It’s everyone within the company’s job to make this connection. Our philosophy is to give customers what they want, when they want it, in an outstanding way. If you treat customers as partners and provide them service that is beyond simply “good,” they will return for more, even if it means paying higher prices. It is getting to the point where you have to guarantee that your customers are never disappointed. Nurture them, deliver exceptional customer service, and keep communication open. Columbia Conference Center staff created a slogan that they live and breathe: “We are here to serve!” Our clients have become what Denove and Power call “advocates,” reporting favorably on our services to other prospective customers.^{xli}

Most importantly, remember to stay in front of your clients. Some experts say that we lose 10% of our influence for every month customers do not see or hear from us, so form a written plan to communicate openly and closely with customers.

My son, Blake, formed a web design company with a focus on personalized service called DuBose Web Group.^{xlii} He says that he builds more than websites—he builds relationships. Most

of his business comes from happy customers, and he turns down half the business that comes his way to maintain a focus on quality within existing customer relationships.

Create alliances with competitors: Examine the marketplace for similar, quality companies with whom you can build partnerships. If you cannot serve a customer, find someone who can. The customer and competitor will both remember you. I am sure you have heard the old saying “Scratch my back and I’ll scratch yours!”

Stay involved in your company’s finances: Everyone should be looking at balance sheets, income statements, cash flow, expenses, and revenue like hawks! Don’t turn over the finances to others. Ask tough questions, challenge the budget and cash flows, and use zero-based budgeting where every income and expense line is frequently questioned. I have seen many CEOs become distant from the financial process only to be stunned when their businesses suddenly failed.

Don’t go for the “good deals”: You don’t want to scoop up a deal only to become cash poor. A strong balance sheet looks good, but only if a lot of it is liquid!

Watch the toys: I own four classic cars and would sure love a corporate jet. But those things should be avoided in tough economic times. Take my wife’s advice and follow the leaner road, even if you have the extra cash.

Approach long-term contracts with caution: Try to avoid signing new long-term contracts until you can see how the economy will pan out. It is a great time to lock in good rates, but try to include annually renewable contracts so you have a way out if things go bad.

Stay focused on the prize: Don’t let bad times impact your purpose, mission, vision, and values. Avoid going for quick, low-profit activities that will distract you from the big picture. You do not want to be a “money chaser!” Maintain a clear strategic plan and keep driving toward your goals, doing fewer things really well. Hold everything that you propose to do up against your strategic plan, and if a new activity doesn’t fit, don’t do it.

If you don’t have a strategic plan, now is the time to create one. Our consultant Don Jenkins^{xliii} helped our companies create strategic plans that make clear what we are all about and where the team wants to go. That way, everyone works toward a common goal and purpose. Revisit your plan regularly with staff. Post it on your walls and keep talking about your mission, vision, purpose, and values every chance you get. Be flexible and willing to change the plan if necessary, but try to stay the course unless new information presents itself.

Follow the Hedgehog approach: Jim Collins discovered a very simple concept followed by great companies called the “Hedgehog Concept.”^{xliiv} He found that, while it is important to experiment and try things outside of your core business, greatness and success come from focusing on three things simultaneously: what your business does best, what you are most passionate about, and what is most profitable. So far, following our Hedgehog Concept has served our companies well.

Plan to fail: Every day, I know that any of our businesses could fail tomorrow. When Jim Collins wrote *Good to Great*, he used Circuit City as an example of a great business. Now look where they are! While we want to be optimistic, we must constantly have our ear to the ground listening for any signals that indicate losses, mistakes, and failures ahead. In nearly all cases, the signals will begin weak and slowly build until you are sitting on the railroad tracks with a huge train roaring down. It’s too late to recover then, so be ready to act at the first signs of trouble.

Spend time protecting your business: I spend about 20% of my time training my senior managers to succeed me. Carefully perform a SWOT analysis to determine your weaknesses and where threats may attack you. Use advice from experts like your attorney and accountant to

create a legal analysis and asset protection plan. You simply do not want to have to deal with a major, distracting crisis when you are trying to survive in a bad economy.

Set the stage: Everyone watches and listens to the leader. He or she sets the stage for the play. You need to smile and be friendly, positive, encouraging, caring, and above all, leading! That means practicing good ethics and honesty, which are the most important characteristics that employees (and customers) want to see in their leader and company. You simply cannot say one thing and do another. There have been times when there were a million dollars on the table and I allowed money to guide me down the wrong path. I tried to justify my unethical behavior to myself, but you have got to be consistent, no matter the rewards.

Continue to take good risks: Successful leaders and staff keep experimenting and reinventing parts of their company. People's zeal, enthusiasm, and excitement tend to stall in bad times, but it is important to feed the entrepreneurial spirit, allow people to dream, and seek good opportunities without risking all of your assets. Now is the time to invigorate that spirit, which creates success and profits. One of our companies' mottos is "We turn dreams into reality!"

Believe you will win! There is a great Biblical scripture that inspires me: "All things are possible for those who believe." Everyone in your organization must unwaveringly believe that while there may be bumps in the road, they will win in the end and good times are ahead. Keep the momentum going and as Larry Bossidy, author of *Execution*, once told me, "Celebrate victories, no matter how small!" Look for innovative ways to reward your people and keep their spirits up. Great, successful businesses and staff don't live in the valleys. They build the mountains and then climb them.

Thriving in bad times is not easy, but great companies do it. It's all about employing the right people, planning, sending the right message, having the right attitude, building great products, developing outstanding teams, exceeding customer expectations, knowing where you are going and how to get there, and—most importantly—having the right leadership. Above all, you just have to believe!

Conclusion

My goal was to write a simple, easy-to-read, and understandable book built on real experience, solid research, and expert opinions from leaders who have built great businesses like Jim Collins, Larry Bossidy, and Jack Welch. I cannot take full credit for the book's content because it is a recipe that was created by many. It is an extension of my passion for helping others succeed.

By employing most of the principles outlined in this book, you will be on your way to creating a great organization. If you are serious about building outstanding staffs and thriving businesses, view *The Art of Building a Great Business* as a resource and read it several times, as I did with Jim Collins' *Good to Great*. Then, assemble your own theory about what works for you and your company. No one person has all the secrets of success, and what works for one organization or leader at a given time may not work for others. I view running a successful business as a grand experiment: every failure or mistake yields rich information that leads to another piece of the puzzle. Think about how many different things did *not* work for Thomas Edison before he successfully invented the light bulb!

Every great company takes a different route to success. When you arrive, it becomes tough to stay there. Like the childhood game "King of the Mountain," your competitors want to see your company fall off the mountaintop—or even worse, will push you off! There is not a lot of room up there; you can be great one moment and fail the next. Only the strongest and smartest survive in the "great" category. Staying on top is a continuous process of having the right vision, being constantly alert, pushing ahead every day, maintaining flexibility to change with the market, looking around the corners, and above all, maintaining an outstanding, happy workforce that consistently generates high-quality services and products that exceed customer expectations. You can never sit still and say, "We have finally arrived. Now we can relax and enjoy the fruits of our labor!"

Being great is not an overnight operation. It takes years to build a united team of passionate staff who believe they are on an exciting journey that they helped create.

Our journey began in 2006, and after more than seven years, we are not there yet. We see greatness in the future, but as with this book, I could keep adding chapter after chapter as we travel the golden road to the beautiful sights ahead. We never learn or know it all.

The exciting part of having a great company is that every day I, and many of our staff, wake up and look forward to coming to work and running our businesses. We are a close-knit family of professionals who enjoy working together and have an unwavering belief that we will succeed. We are part of something that extends far beyond any one person. As Jack Welch told me, "It is all about winning," and our staff loves to win!

We are living a dream at our companies. My advice to you is: dream big, believe that your business can be great, and dare to succeed. Then, turn your dreams into reality!

Mike's Suggested Readings

Section I. Building Strong Leadership

<i>Execution: The Discipline of Getting Things Done</i>	Larry Bossidy and Ram Charan
<i>Winning</i>	Jack Welch and Suzy Welch
<i>The Leadership Challenge</i>	James M. Kouzes and Barry Z. Posner
<i>Authentic Leadership: Rediscovering the Secrets to</i>	Bill George
<i>Creating Lasting Values</i>	
<i>The Servant: A Simple Story About the Essence of</i>	James C. Hunter
<i>Leadership</i>	
<i>What Got You Here Won't Get You There</i>	Marshall Goldsmith and Mark Reiter
<i>Cut to the Chase</i>	Stuart Levine
<i>The One Thing You Need to Know</i>	Marcus Buckingham
<i>Now, Discover Your Strengths</i>	Marcus Buckingham and Donald O. Clifton
<i>Leading at a Higher Level</i>	Ken Blanchard
<i>The 21 Irrefutable Laws of Leadership</i>	John C. Maxwell
<i>Lead Right</i>	Steve Ventura and Michelle Sedas
<i>Developing the Leader Within You</i>	John C. Maxwell
<i>Less is More Leadership</i>	H. Dale Burke
<i>The Leadership Secrets of Billy Graham</i>	Harold Myra and Marshall Shelley
<i>Jack Welch and the 4 E's of Leadership</i>	Jeffrey Krames
<i>Hesselbein on Leadership</i>	Frances Hesselbein and Jim Collins
<i>How to Lead and Still Have a Life</i>	H. Dale Burke
<i>The Effective Executive in Action</i>	Peter F. Drucker
<i>Management</i>	Peter F. Drucker
<i>The Top Ten Mistakes Leaders Make</i>	Hans Finzel
<i>Winning With People</i>	John C. Maxwell
<i>It's Our Ship: The No Nonsense Guide to Leadership</i>	Captain D. Michael Abrashoff
<i>The Leadership Compass</i>	Ed Ruggero and Dennis F. Haley
<i>The 4th Secret of the One Minute Manager</i>	Ken Blanchard and Margaret McBride
<i>The World's Most Powerful Leadership Principle</i>	James. C. Hunter
<i>Good to Great</i>	Jim Collins
<i>Monday Morning Leadership</i>	David Cottrell
<i>Deming Management at Work</i>	Mary Walton
<i>The Leadership Wisdom of Jesus</i>	Charles C. Manz
<i>Making Smart Decisions</i>	Harvard Business School Press
<i>Delegating Work</i>	Harvard Business School Press
<i>The Heart of a Leader</i>	Ken Blanchard
<i>Better than Good</i>	Zig Ziglar
<i>The 360 Degree Leader</i>	John C. Maxwell
<i>The Essential Drucker</i>	Peter F. Drucker
<i>The E Myth Manager</i>	Michael E. Gerber
<i>The One Minute Manager</i>	Ken Blanchard and Spencer Johnson
<i>The 10 Rules of Sam Walton</i>	Michael Bergdahl

<i>Who Moved My Cheese?</i>	Spencer Johnson
<i>Why Smart Executives Fail</i>	Sydney Finkelstein
<i>Street-Smart Ethics: Succeeding in Business Without Selling Your Soul</i>	Clinton W. McLemore
<i>There's No Such Thing as Business Ethics</i>	John C. Maxwell
<i>Full Steam Ahead! Unleash the Power of Vision in Your Work and Your Life</i>	Ken Blanchard and Jesse Stoner
<i>Six Disciplines Execution Revolution</i>	Gary Harpst
<i>It's Not What You Sell, It's What You Stand For</i>	Roy M. Spence, Jr.
<i>The 60 Second Organizer</i>	Jeff Davidson
<i>The One Minute Entrepreneur</i>	Ken Blanchard and Don Hutson
<i>The On Time, On Target Manager</i>	Ken Blanchard and Steve Gottry
<i>107 Ways to Stick to It</i>	Lee J. Colan
<i>Getting Things Done</i>	David Allen

Section II. Selecting the Right Workforce

<i>Good to Great</i>	Jim Collins
<i>HR Executive Special Report: How to Fire Employees Without Getting Burned</i>	Julie Athey
<i>Toyota Talent</i>	Jeffrey K. Likert and David P. Meier

Section III. Planning for the Future: Building the Company around the Customer

<i>Customer Service for Dummies</i>	Karen Leland and Keith Bailey
<i>Satisfaction: How Every Great Company Listens to the Voice of the Customer</i>	Chris Denove and James Power
<i>Connecting With Your Customers</i>	Harvard Business School Press
<i>Everything I Learned About Business I Learned at McDonalds</i>	Paul Facella and Adina Genn
<i>The Starbuck's Experience</i>	Joseph A. Mitchell
<i>Killer Customer Care</i>	George Columbo
<i>180 Ways to Walk the Customer Service Talk</i>	Eric Harvey
<i>How: Why We Do Anything Means Everything</i>	Dov Seidman
<i>The Search for Satisfaction</i>	David H. McKinley
<i>The Corporate Compass</i>	Ed Ruggero and Dennis F. Haley
<i>Streetwise Business Plans</i>	Michelle Cagan
<i>Small is the New Big</i>	Seth Godin
<i>What is Total Quality Control? The Japanese Way</i>	Kaoru Ishikawa
<i>Working With Purpose: Finding a Corporate Calling for You and Your Business</i>	Jane A. G. Kise and David Stark
<i>Starting Your Own Business</i>	Jan Norman
<i>The Small Business Bible</i>	Steven D. Strauss
<i>Our Iceberg is Melting: Changing and Succeeding Under Any Conditions</i>	John Kotter

<i>Full Steam Ahead! Unleash the Power of Vision in Your Work and Your Life</i>	Ken Blanchard and Jesse Stoner
<i>Six Disciplines Execution Revolution</i>	Gary Harpst
<i>It's Not What You Sell, It's What You Stand For</i>	Roy M. Spence, Jr.
<i>The 60 Second Organizer</i>	Jeff Davidson
<i>The One Minute Entrepreneur</i>	Ken Blanchard and Don Hutson
<i>The On Time, On Target Manager</i>	Ken Blanchard and Steve Gottry
<i>107 Ways to Stick to It</i>	Lee J. Colan
<i>Getting Things Done</i>	David Allen

Section IV. Creating Employee Happiness

<i>The Carrot Principle: How the Best Managers Use Recognition to Engage Their People, Retain Talent, and Accelerate Performance</i>	Adrian Gostick and Chester Elton
<i>Happy for No Reason</i>	Marci Shimoff
<i>Whale Done! The Power of Positive Relationships</i>	Ken Blanchard
<i>Lessons in Loyalty</i>	Loraine Grubbs West
<i>Fish! A Remarkable Way to Improve Morale and Boost Results</i>	Stephen C. Lundin, Harry Paul, John Christensen, and Ken Blanchard
<i>Great Business Teams</i>	Howard M. Guttman
<i>Ouch! That Stereotype Hurts</i>	Leslie C. Aguilar
<i>Small Business is Like a Bunch of Bananas</i>	Jim Blasingame
<i>Live Learn Lead</i>	Don Soderquist
<i>Living the Seven Habits</i>	Stephen R. Covey
<i>Confidence: How Winning Streaks and Losing Streaks Begin and End</i>	Rosabeth Moss Kanter
<i>Jeffrey Gitomer's Little Gold Book of Yes!</i>	Jeffrey Gitomer
<i>The Seven Habits of Highly Effective People</i>	Stephen R. Covey
<i>Masters of Success: Proven Techniques for Achieving Success in Business and Life</i>	Ivan R. Misner and Don Morgan
<i>High Five! The Magic of Working Together</i>	Ken Blanchard and Sheldon Bowles
<i>Blink</i>	Malcolm Gladwell
<i>Creating Success from the Inside Out</i>	Ephren W. Taylor
<i>Attitude 101</i>	John C. Maxwell
<i>Who Moved My Cheese?</i>	Spencer Johnson
<i>Toyota Talent</i>	Jeffrey K. Likert and David P. Meier
<i>The 8th Habit: From Effectiveness to Greatness</i>	Stephen R. Covey
<i>The Power of Nice: How to Conquer the Business World with Kindness</i>	Linda Kaplan Thaler and Robin Koval
<i>Letting Go of Your Bananas</i>	Dr. Daniel T. Drubin
<i>100 Ways to Simplify Your Life</i>	Joyce Meyer
<i>Everyday Communication Techniques for the Workplace</i>	Deborah Roberts
<i>The Last Lecture</i>	Randy Pausch
<i>It's Not How Good You Are, It's How Good You Want to Be</i>	Paul Arden

Section V. Maximizing Financial Success and Efficiency

Who Moved My Cheese?
The Small Business Bible

Spencer Johnson
Steven D. Strauss

Section VI. Preventing Threats and Failure

What Got You Here Won't Get You There
The Top Ten Mistakes Leaders Make
Crisis Leadership: Planning for the Unthinkable
Crisis Management
Managing the Unexpected: Resilient Performance in an
Age of Uncertainty
Crisis Management: Planning for the Inevitable
Crisis Management: Muster the Skills to Prevent
Disaster
The Small Business Bible

Marshall Goldsmith and Mark Reiter
Hans Finzel
Ian Mitroff
Harvard Business Review
Karl E. Weick and Kathleen M. Sutcliffe

Steven Fink
Harvard Business Essentials

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Thank you for reading this book! My purpose is to share the mistakes, failures, and missteps that have propelled my success. Keep in mind that what has worked for us may not work for you or your organization. Our guidance is just that—a suggestion. You will need to consult your own attorney, Certified Public Accountant, human resource person, and other experts to ensure that what you do is right for your business and adheres to IRS, federal, state, and local laws and regulations. Use the advice found in this book at your own risk!