INSIDE THE MINDS™

ESTABLISHING A COMPANYWIDE VISION FOR SUCCESS

LEADING EXECUTIVES ON UPDATING YOUR COMPANY'S LONG-TERM STRATEGY, SETTING AND ACHIEVING GOALS, AND MOTIVATING EMPLOYEES

C-LEVEL BUSINESS INTELLIGENCE · ASPATORE BOOKS

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The critically acclaimed *Inside the Minds* series provides readers of all levels with proven business intelligence from C-Level executives (CEO, CFO, CTO, CMO, partner) from the world's most respected companies. Each chapter is comparable to a white paper or essay and is a future-oriented look at where an industry/profession/topic is heading and the most important issues for future success. Each author has been carefully chosen through an exhaustive selection process by the *Inside the Minds* editorial board to write a chapter for this book. *Inside the Minds* was conceived in order to give readers actual insights into the leading minds of business executives worldwide. Because so few books or other publications are actually written by executives in industry, *Inside the Minds* presents an unprecedented look at various industries and professions never before available.

INSIDE THE MINDS

Establishing a Companywide Vision for Success

Leading Executives on Updating Your Company's Long-Term Strategy, Setting and Achieving Goals, and Motivating Employees

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C-LEVEL BUSINESS INTELLIGENCE • C-LEVEL BUSINESS INTELLIGENCE •

Inside the Minds Managing Editor, Laura Kearns; edited by Michaela Falls; proofread by Leah Jones

ISBN 978-1-59622-715-6
Library of Congress Control Number: 2007925927

For corrections, updates, comments or any other inquiries please e-mail editorial@aspatore com

First Printing, 2007
10 9 8 7 6 5 4 3 2 1

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Setting a Vision and Establishing the Steps to Get There

Diana Pohly

President

The Pohly Company

Being Successful

The Pohly Company is a marketing and publishing services company. Our mission is to create sustainable communications programs that connect customers to companies and help businesses grow. We define the "customer" as anyone who can positively impact our client's business, including buyers, employees, partners, readers, and members. We believe that feeling understood and valued is a basic human need upon which quality communication programs can be built and nurtured. Consequently, our efforts are dedicated to harnessing the power that emotion can wield in supporting and fostering a trusted relationship in a business context.

From a quality standpoint, the most important thing I can do to build long-term success at my company is have the ability to be very forward-thinking on behalf of the business. However, any CEO must also be able to bring that future concept back to the present. We must develop ways to execute in the present so that everyone within the company can understand the future vision and act upon it.

Creating the Vision

Often, CEOs do not have a strategic planning process, and instead, only have an annual budgeting process. Planning in longer cycles than just year-to-year is really important. I believe that the entire executive management and senior management team should be engaged in creating our strategic plan. This way, they have ownership, which results in more support and engagement. It is also necessary to write down goals, measures, strategies, and key tactics and then benchmark those goals to make sure they are being achieved. And of course, it is critical that a CEO be passionate about the company, its work, and its people.

Changing the Vision

Our leadership plan or vision is prepared in three- to five-year planning increments. We only change our plan if it's not working internally, or something changes in the market externally. Our executive management team gets together quarterly and reviews our current plan as it pertains to that year, as well as the current year's progress against our longer term goals. Major changes will occur only if it's needed. For example, when 9/11 occurred, our largest client was an airline. We not only had to immediately act in a crises management mode for the work we were doing for that client to be sensitive to 9/11 and its aftermath, but we had to completely reset our financial goals for the next two years due to the immediate negative impact on the airline industry as a whole. By having a detailed plan in place, it made it easier to adjust and to communicate effectively to our staff. Change would also be needed if we were to suddenly experience a decline in quality or a decrease in client satisfaction. Those problems would cause us to lose market share, so we would be forced to step back and try to determine the problems.

Setting Goals

We set goals for the company using a process called TopSheet planning™. This process calls for all goals, measurements, strategies, and key execution tactics to be written on one piece of paper. While there can be extensive documentation and analysis that sits behind and supports our TopSheet, keeping the critical elements in one easy-to-read document keeps everyone focused on the most important activities in order for us to be successful. I set goals working with the executive management team. As a team, it is our job to set the goals and direction. We then must also determine what the measurements are going to be for the goals, and the key strategies we have to employ to achieve the goals. We involve more people throughout the company when it comes time for identifying and taking responsibility for technical execution. We assign major items initiatives to very specific individuals within the company based on their area of expertise or because it will help them to grow in a new area. Staff that are assigned initiatives are wholly responsible for that initiative—although they may be leading an implementation team as well—and must produce an initiative outline that ties it back to a goal and a strategy. It must have milestones and schedules against those milestones. We review progress on those milestones on a quarterly basis and make adjustments as needed.

Checks and Balances

We have a checks and balances system with a significant number of measures against each of the primary goal areas. There are typically four significant areas in the company on which we are working: financial performance, quality service to our clients and subscribers, corporate culture, and career development for our staff. Everything we do tends to operate under one of those four platforms.

Engage the Team

This is a private company engaged in a service-based business. I work hard to keep my employees engaged and excited about their own job and career, about the work they're doing for our clients and subscribers, and about the direction of the company. If I can build excitement down at the grassroots level, it will build and blossom in the right direction. I don't expect everyone in the company to act like me or to be like me, but I do expect them all to be excited about the work that we do.

Difficult Situations

There are two difficult situations I am faced with on a regular basis, together with our management team. The first is the constant effort required to keep the staff interested and motivated. There are a lot of young people in this business. The average age of our staff is 28.5 years old. Many of them are only on their first or second job. It is difficult to keep them interested in the longer-term aspects of their career growth when so much else is going on during that stage of their life. Turnover is expensive and compromises the level of quality and service we can provide to our clients, so we must find ways to manage our employees' expectations and energy to keep them motivated and excited about their jobs. We do this through a strong orientation on team, which provides peers for employees to interact with and learn from. We also provide a good level of group interaction through weekly staff meetings and other company-sponsored gatherings. The second problem ties directly back to the first one, which is keeping quality high. We place a premium on high-quality execution, but we have to make an effort to make sure that the work doesn't become so repetitive that it loses its appeal. If people stop paying attention to the fine details, then the quality suffers, and consequently, the company suffers. To combat this problem, we developed a corporate culture that is heavily team-oriented as noted above. Even if the work is somewhat repetitive, working in a team will make it more interesting. We also reward staff for executing well on quality.

Our exhaustive quality control system makes sure we're efficiently moving pages through the production cycle, and that we're giving ourselves every opportunity to deliver high-quality and error-free work. We use programs like our "catch of the month" program—where we reward staff who catch errors—to emphasize the importance of this. Another program is our quality scoreboard, which tracks the quality of all of our publications and measures them relative to each other. Several times a year, we recognize and reward everyone on the leading team on the scorecard.

Common Misconceptions

The biggest misconception about being a CEO, I believe, is that as the senior person in the company, I have a lot of control over my day-to-day work life. The opposite is true, however. The higher up in the company you go, the less control you have over how your time is spent. The demands of the business, staff, and clients will always supersede any scheduled to-do items of my own. It is an ongoing struggle to put my time to the best use for the business and not to fritter it away on small items that others believe are important for me to deal with. It's a tough tightrope to walk. It's also something for people to keep in mind as they look to where they would like to go in their own careers. I think it's possible that there's an assumption of more freedom as you go up, but it doesn't really work that way.

Keeping an Edge

In order to keep my edge as a CEO, I like to attend industry events and participate in industry associations. I enjoy meeting with people in the marketing and publishing world. I also belong to a Vistage CEO peer group. Vistage is a global organization with more than 20,000 CEO members from a wide variety of companies. This group is invaluable to me, because it pulls me out of the day-to-day issues and problems of my company and forces me to think about concepts and planning. It allows me to look at the company from a different, less tactical angle. And I get great advice from my CEO peers.

Changing Role of CEO

In the past few years, the Enron scandal, along with others, has increased the need for accountability for actions and decisions made by the CEO. As a smaller, private company, we have always valued open and honest communication. There is very little that goes on within the company that the entire staff isn't aware of, and they understand that they can simply ask for information if they want it. But in the next few years, CEOs will be forced to manage the ever increasing information flow that comes in to a company and its people. Information is so enabled by technology today that it is difficult to do a good job at maintaining focus. The constant daily bombardment of information from so many sources can lead to misunderstandings and miscommunication within the company and outwardly to our clients. This also means that CEOs will have to find ways to manage distractions. There are so many ways to receive information now that it is challenging to block out the sound of the phone ringing, or an e-mail or instant message arriving. Quality work typically requires quality concentration and it's important to help the staff minimize distractions that will cause product or service quality to suffer.

The Golden Rules

There are three golden rules of being a CEO. The first is to set the vision and make that vision public to your staff and your clients. People like to know where they are going and why they are working on the project at hand. It's comforting to set a five-year vision and publicize the steps to getting there. Goal setting should be invigorating but it should also provide a sense of calm and satisfaction. The second is to manage execution effectively. I am a very big believer that success is in the details. It's a trick to oversee the execution without appearing to be over-managing, but if you don't pay attention to detail, it's possible the wheels will fall off of the wagon before you have time to react. The third golden rule is to maintain engagement. As noted above, it's important to communicate frequently and within a framework of understanding. Employees want to feel empowered, at the very least, to understand decisions that are not in their direct control. If you give them a platform on which to stand that they understand, day-to-day decisions become part of the fabric of that platform and are therefore easier to grasp and relate to.

Year-to-Year Goals

Our year-to-year goals focus on financial growth, clients and subscribers, corporate cultures, and employee growth. We have key goals under each of those four platforms, with each platform being equal in terms of significance. One platform cannot take the place of another. We try to spend an equal amount of time addressing each of those critical areas.

The Year Ahead

We have a detailed plan for the next twelve months, and we will revisit that plan throughout the year on a quarterly basis. We also hold a five-day off-site planning meeting to revisit our current efforts within the context of our broader five-year plan.

Measuring Progress

The TopSheet process reviewed earlier enables us to measure what needs to be measured. On the TopSheet, our annual goals are tied into the five-year strategic plan. I think that the biggest problem during any planning process is that there is the perception that there is too much on people's plates and they struggle to prioritize their time on those areas that are most important. It can be difficult to understand which parts of an initiative should be done first and how to get started. We like to provide a mechanism that will allow anyone working on an initiative to determine if progress is being made. Each initiative has its own planning document with scheduled milestones. Broken down into a number of smaller parts, we find it helps positive movement to happen in getting the project accomplished.

Industry Benchmarks

Industry benchmarks are available to assess progress toward year-to-year goals, though we don't spend a lot of time comparing ourselves externally due to the size of our company. We are not a top company in a large industry that only provides one service. Our multi-service approach in marketing and publishing means we are crossing a variety of industries and types of competitors. We keep abreast of activities that matter to us by actively participating in a number of industry events and associations. But in the end, we need to make our own plan happen, within our markets, and that is where we maintain our focus.

Incentive Programs

We have incentive plans in place to keep managers motivated to achieve year-to-year goals. For example, there are annual bonus plans. Each member of the company is also a participant in a profit sharing plan based on meeting financial goals. Senior managers and executive managers can also receive bonuses against scorecards that are tied to our strategic plan.

Improving Achievement

I'm satisfied with the goals we create and the progress we make toward those goals. The percentage of time I spend working on planning and setting goals is significantly more than it was when we were a smaller company. Plus, we work harder than we have in the past towards defining and quantifying measures that matter. I think that gives everyone at the company a sense of satisfaction that we are making good progress. If we need to improve in an area, we'll apply the planning process that has worked so well for us to that area and watch to see how well we do.

Impediments to Success

The most common impediment to achieving year-to-year goals is poor execution. In my experience, success is built less on a foundation of setting the right goals and more by putting the time into taking the steps required to reach the goals. Sometimes we may discover that a goal we've set really wasn't all that important and that's why little progress has been made towards achieving the objective we set for ourselves. But more often, it's about lack of execution. It's our job to figure out why. For example, not enough time was made available, or we don't have the right tools, or we have incorrectly defined the steps that will be required. But at least we have documented where we wanted to go. With that in hand, it's easier to change course and still try to get the right things done.

Best Practices

We are diligent about our evaluation process; it forms the backbone for helping each person at the company know what they can personally do to help us achieve our goals. We ask peers, as well as managers, to evaluate performance. We generally see trends of areas that an employee is doing well or areas where an employee could do better from the feedback on evaluation forms. We focus on individuals performing to the best of their ability and teams performing to the best of their collective abilities. Our "best practices" are the ones that satisfy our clients and keep employees fully engaged and motivated.

Determining ROI

ROI is an overused term, in my opinion. It is a buzzword that people too often hide behind. I believe companies should measure whether or not they are satisfied with progress that has been achieved based on their own plans and direction. If a company can affirmatively state that it is happy with its plan and the goals it has attained or is attaining, then that is a good ROI for the effort expended.

Communicating with Employees

We have regular manager meetings, and there are two business planning meetings a year to communicate information to employees about year-to-year goals. At those meetings, we lay out the business plan as well as our financial status. This helps people understand what we need them to do to help move the business forward. We try to keep the information simple and straightforward and convey it in an open and honest fashion. Communication helps people stay focused, which improves performance. By clearly communicating what we expect and where we are headed, employees are better able to evaluate the best uses of their time. In a recent employee satisfaction survey, 97.7 percent of the staff stated that they understand how their role helps the organization achieve success. I like to think we are doing a pretty good job if we have that many people clearly understanding their place in our collective success.

Diana Pohly is president of The Pohly Company, a diversified marketing and publishing services company that specializes in Customer Communications—creating and advancing programs that drive emotional relationships with a company's customers and best prospects. She believes in creating and sustaining brand affinity and brand advocacy through the work her company does in each of its five business groups: Media Sales & Consulting, Custom Publishing, Communications Consulting & Market Research, Design Communications, and its award-winning unconventional newsletter for marketing professionals, Fuel. *By focusing on providing high-value programs that reach and influence key constituencies, Ms. Pohly helps her clients' businesses grow and prosper.*

As president, Ms. Pohly has an unquestioning faith in the creative process that fuels The Pohly Company. She believes in approaching every client, every program, and every problem with a fresh, creative mind. This conviction guides all aspects of the company's work—from strategic consulting to creative services—and it produces smart, distinctive thinking that gets results.

Since purchasing the company in 1999 from Cadmus Communications, of which she had been president since 1996, Ms. Pohly has led Pohly Co. to consistent annual growth. She is an industry expert and has been quoted in publications such as Newsweek, Folio, AdWeek, *and on* CNNfn *and the* CBS Early Show. *She has been a vocal presence in promoting the value—and emotional connection—that customer communications bring to brands, publishers and major associations.*

In 2004, Fortune Small Business *and Winning Workplaces named Ms. Pohly one of America's "Best Bosses." She is also a founding member, past co-chair, and recent past board member of the Custom Publishing Council.*

Prior to her ownership of The Pohly Company and leadership position with Cadmus, Ms. Pohly was head of business development and a partner at Duval Woglom Brueckner & Partners, a leading marketing communications firm in Boston.

Leading a Path to Success

Cynthia Ambres, M.D., M.S.
President
Lifetime Health Medical Group

The Path to Success

One of the major things that has personally driven me to success, and that I've noticed in the people that I look to as mentors, is optimism. A CEO must be optimistic about the future of the country, of the world, and of what he or she is doing in the company. A CEO must feel like the company has a place in the future and that in some way it's enabling people to do something that they might not be able to do without the products and services the company produces. The CEO must believe that there is a place for the company's product in the market and that it is different than other products.

Keeping the Vision on Track

I visit, expand, or revitalize the vision every two years. In health care there have been rapid changes in reimbursement issues, and we are tied to changes at the state or federal level. Many different external environmental issues also affect us, such as the tremendous changes in technology that seem to occur every few years. In fact, the entire information technology-driven society has resulted in enormous changes for the health care industry. We are probably one of the last industries that has embraced technology and made it a part of how we serve our customers. When I study the vision, I try to consider the future from a global perspective and make sure that my vision hasn't gone off track from where the rest of the world is headed.

Setting Goals with Feedback

I rely quite a bit on feedback when I set company goals. I try to surround myself with very good leaders at the vice president, senior vice president, and manager/director level. I incorporate the thoughts and ideas of those individuals into the plan and into our goal setting. I also listen and pay attention to what other people in the company are thinking pertaining to what we're doing and where we need to go. During the goal-setting process, I look at our external environment to make sure that we're keeping pace. There is no greater compliment than to "reuse" someone else's good ideas, so I keep an eye out for good ideas that others have created in the industry. Health care is broken in our country. To fix the system, I need to reach out and find people with a similar vision to my own. Working together collectively we can shape our health care future.

A Focus on Patients

One of the most difficult types of situations I am faced with as CEO is handling people. The health care industry has not really looked inward and focused on the fact that we are a customer service industry until quite recently. We have to learn how to deal with people better. In the past, patients felt lucky if they could get an appointment and were resigned to the fact that the appointment time would have virtually no meaning. They would just have to wait to be seen. The industry was driven around the schedule of the doctors and the nurses. Now, we are starting to realize that we must focus on our patients as clients. As CEO, I have to be the agent for change—find ways to change the culture and how health care professionals behave. They have to understand the profession from the patient's point of view. Patients no longer feel lucky just to get in to see the doctor; since there is so much competition, they can simply find another, more patient-friendly practitioner. Thus, we have to find ways to stand out from the crowd. We have to teach our doctors that writing a prescription or making a diagnosis is not enough, that they must care about the patient and work as a team to get that patient the best care possible in the most efficient manner.

Common Misconceptions of CEOs

The biggest misconception about being a CEO is that people believe we are detached from the realities of the company, employees, customers, and market. Unfortunately, this is sometimes true. Some CEOs achieve that title and stop paying attention to what is happening on the street. Their feet don't touch the ground and they do lose focus on the common problems within the company. However, there are many CEOs who make sure to keep abreast of everything going on in the company, from the bottom all the way to the top. Sadly, they are considered the exception rather than the rule.

The Effect of the Internet on Society

The role of the CEO has changed in the past few years, due largely to the Internet. Overall, employee satisfaction is down in almost every major industry. People are less satisfied with their lives and with the world, and they just don't believe in their leaders anymore. It is a more cynical time. Leaders are challenged to build credibility in ways that CEOs in the past were not. Now, I constantly look for ways to make my employees understand what I'm doing and communicating how and why I make decisions. People are bombarded with information that is so easily and readily accessible on the Internet. Not all of that information is correct, and much of it is outside the sphere of company control. Thus, it is up to the CEO to stay connected with the way employees really feel about the company. They must be both aware of the issues in the external environment affecting them and simultaneously aware of what is going on internally at the front line. The CEO must actually lead and be seen as a leader by her constituents.

The Evolving Role of CEO

My role is constantly changing because I have to look at what's happening in the industry on a national and global scale. That information is now available to me through technology and I must incorporate it into my strategic thinking. The CEO role will continuously evolve with expansion of access to information. We have to keep up with the Internet and keep ahead of breaking news so that we can answer questions and be available for comments to the media. Twenty years ago, the media was not involved in the everyday workings of large corporations, but now they are right in the trenches with every industry.

Diversifying the workforce is essential to providing quality health care in the future. As we deal with more complex issues affecting people from diverse backgrounds and cultures, the ability to understand and successfully treat any individual will depend upon our ability to communicate effectively.

Keeping an Edge

In order to keep my edge, I do a tremendous amount of reading and connecting with other leaders in my industry. I try to consistently stretch my "information boundaries." Daily, along with my local newspapers, I read *The Wall Street Journal,* the *New York Times*, and *The Washington Post.* I listen to the BBC, CNN, and NPR and try to stay abreast of the major medical journals as well. I also track information about the pharmaceutical industry. I do a lot of public speaking. People want to know what I think of certain issues, as well as where my company stands on those issues, and I must be knowledgeable about what is happening in health care so that I can speak intelligently on those topics. I like being involved in public speaking events because the exposure to the ideas, thoughts, and concerns of other speakers and program participants broadens my own thought process on the issues.

Moving Forward

The advice I most often give to team members is that every day we should focus on moving our agenda forward. People lose track of their vision; projects can get very complex and daily issues or operational issues can bog a person down. Very often this will result in a type of inertia and people can't quite get themselves moving or get past the day's problems to look to tomorrow. The health care industry serves an important purpose and we cannot simply sit on our hands and continue to just plug along. It is in our best interest as well as the interest of the community to look to the future and try to improve ourselves on a consistent basis.

Golden Rules

There are three golden rules of being a CEO. The first is to carefully listen to the people who work for you. The second is to understand that their collective well-being drives your well-being. I like to think of myself as being ready every day to make at least one change. I enjoy challenging my staff. For example, on a Monday, I may ask them to e-mail me a change or improvement they made in their work by the end of the week. This challenges them to better themselves or their processes, and it provides me with insight into their abilities. The third rule is to be a doer so that people become comfortable with your leadership abilities. You have to show that you are aware of problems, understand them, and are actively working to solve them. People rally around someone who leads by example.

Leading a Change and Accomplishing Goals

I have been with this company just under two years. I was handed the goal of turning the company around by the board of directions and the CEO of the parent company. I had to take a company that was teetering on being in the red and move it solidly into the black. Clearly, financial viability was the most important goal. Without it, we do not have money to reinvest in our future.

I also had to lead a culture change and get buy-in from the staff at all levels. In order to achieve these year-to-year goals, I used process engineering. I asked staff, "How can we work better, please the customer, and become more transparent to patients so that they understand how hard we work to make their lives easier?"

I also tried to grow my people through succession planning. I wanted employees to know that if they stayed with the company and worked hard, they would be rewarded with opportunities to grow in their career.

Working Together to Achieve Goals

We have a lot of meeting and planning sessions to make sure that our year-to-year goals are being achieved. We start by having a large team meeting at the local level, instead of starting at the executive level. Within our group, there are eleven health centers, as well as some satellite offices. There is a team leader at each site who is very focused on goal achievement and linear progression. Each region then has a director who meets with the team leaders and site managers on a monthly basis to help focus on goals. The executive team also meets on a monthly basis to discuss whether goals are being achieved and to find ways to achieve them. When a problem arises, we try to make the team leaders and site managers find a solution. I try not to roll out solutions by mandate. Rather, I prefer to hear suggestions on solutions and then work together to reach a final decision.

Benchmarking Progress in Health Care

In health care, there are many state and federal regulations that measure progress and competition. When we set benchmarks, we don't focus on financials as much as published quality parameters around how the care is being delivered. We study standards in our community around access to care, such as how long it takes patients to get appointments. We don't have many groups as large as ours to compare ourselves against, so we simply try to learn the industry standards and set ourselves against those.

Primary Responsibility

In terms of establishing year-to-year goals, I am ultimately responsible for creating the mission and vision, though I do utilize information from my site managers and my operations directors. They make sure my expectations are reasonable and that my goals are achievable. If a goal is too much of a stretch, then you are sabotaging the entire process. The goal will more than likely not be achieved, and the employees will believe the company purposely wanted failure to avoid paying bonuses for success, which is incredibly demoralizing to the staff. If there are bonus structures in place around goals, then those goals must be achievable at some level, with a bit of stretch added in to receive a little extra.

Incentive Programs

At our company, there are financial incentive programs in place to help motivate employees to work toward company success. The physicians in my group are employees, so they have an incentive-based compensation as part of their overall remuneration. We have actually taken our providers and put part of their salary at risk. This forces them to meet our standards of care. If they want to be compensated at a certain level, then they must meet our standards. We find this to be more productive than allowing them to earn money based on how many patients they treat. Site managers, directors, and vice presidents receive bonuses only if certain goals are achieved.

Setting Clear Goals

I spend 10 percent of my time working on year-to-year goals. Once goals are set, I spend 25 percent of my time working toward achieving them. I think that amount of time is optimal. It is easy to get off the mark due to the day-to-day issues that inevitably arise and shift priorities. The most common challenge that arises is being pulled into the melee surrounding a crisis. In health care, this could mean changing legislation that really deters from our main focus, or that displaces a chunk of our revenue. I try to be more focused on long-term problems and less focused on short-term issues. I have learned that as a leader, it is important to delegate some of the less pressing items to my very competent staff. I have also learned that making sure goals are consistent across the organization and that there is buy-in from employees and managers is incredibly important. Goals have to be clearly communicated and employees should feel as if they had input into the making of those goals. When this occurs, everyone knows exactly what they should do to help reach those goals, and success is easily achievable.

A Vision for Best Practice

A best practice for effectively establishing year-to-year goals is to create a vision that stretches over the next three to five years. Benchmarks must then be established for each year. Those benchmarks should be well communicated throughout the organization so that you can help people to understand those goals and become part of the process of achieving them. The goals ultimately must be reasonable and achievable.

Communicating Goals

One of the ways to communicate the year-to-year goals to the employee population is through town hall meetings. On a biannual basis, I present goals to the organization and spend time answering questions alongside the COO and the executive team. Everyone has a chance to be heard and ask questions. I feel lucky to be part of an organization where this meeting could go on for a very long time because everyone wants to understand the goals and be a part of the goal-setting process. I also created a newsletter that publishes articles about national issues happening within the industry, as well as more internal issues such as how we stand on achieving our goals. A monthly e-mail is also sent from my office to the entire organization that further reinforces those goals. On a daily basis, our managers inculcate the standards and try to set the superior quality message.

The Difficulty of Determining ROI in Health Care

It is difficult to determine ROI for efforts toward establishing some of the year-to-year goals. For example, we can measure the ROI of implementing electronic health records throughout all of our centers by 2007. Though we are currently spending a lot of money on implementation, ultimately, it will result in less paper and less errors. It's very difficult to put a dollar ROI around the quality of care. While there is an intuitive ROI on providing quality care, it is difficult to prove how many dollars will be saved by having fewer mistakes made, such as patients receiving unnecessary care or medication errors.

Cynthia Ambres, M.D., M.S., has an impressive career history as a physician executive and health care consultant. She is now president of Lifetime Health Medical Group, one of the area's largest medical groups, with eleven health centers in Buffalo and Rochester. She is also president and founder of her own firm, Ambres Health Care Consulting.

Her scope of prior practice encompasses a wide range of areas including new program and business development; emergency department and ambulatory care redesign; clinical resource management; strategic partnering; quality improvement; case management; medical management; physician contracting; and corporate communications and advertising.

Prior to joining Lifetime Health, Dr. Ambres held positions as executive vice president and chief medical officer of Kaleida Health, a five-hospital system in Western New York, and senior vice president and chief medical officer at Blue Cross Blue Shield of Western New York, Blue Shield of Northeast New York (HealthNow New York Inc.). Dr. Ambres was chairman of the Department of Emergency Medicine at Beth Israel Medical Center and a senior manager in the health care practice at Ernst and Young in New York City prior to moving to Buffalo in 1998. She has held academic appointments at the medical schools at Mount Sinai, Albert Einstein College, N.Y., and the New York

University Wagner School of Public Service. She is a fellow of the New York Academy of Medicine.

Dr. Ambres earned her bachelor's degree in chemistry at Rensselear Polytechnic Institute and is a graduate of the Mount Sinai School of Medicine. She has a master's degree in health policy and management from New York University. Her surgical training was at St. Vincent's Hospital and Medical Center, N.Y., and she obtained her emergency medicine training at Georgetown/George Washington/Maryland Institute.

Dr. Ambres serves on numerous community, editorial and advisory boards, including the Hauptman-Woodward Medical Research Institute's Board of Directors and the University at Buffalo Council.

A CEO's Hands-On Approach to Leading a Company

Timothy M. Andrews

President and Chief Executive Officer

Advertising Specialty Institute

Qualities for Success

In order to be successful, a CEO needs to be truthful. When people listen to a senior leader, they want to be able to believe what they hear and they want to know plans are not going to change overnight because something is being misrepresented out of convenience.

A CEO has to be straightforward. Employees and customers need to understand what's happening, and not have to spend time trying to unravel a message to understand it. Being honest and straightforward sometimes means saying something another party doesn't want to hear. But full, honest, straightforward disclosure is important for understanding, buy-in and trust.

A CEO has to be caring. People want to be treated in a civil and professional manner. This is especially important when times get tough—if someone's performance means they need to leave the organization, for instance, the separation needs to be handled professionally, with respect for the individual. Cruel treatment is never respected.

When people realize that being honest about a problem is acceptable and even encouraged, they will become part of a company with a very strong fabric that can't be replaced by cash incentives.

Getting to Know the Clients

Vision is a continuous process, not a twelve-month cycle. My leadership style hasn't changed for many years, but that doesn't mean I don't change my business plan and vision from time to time. My main vision is to listen to customers exceptionally well and spend time with them in their own environments in order to understand their business needs and translate that into products and services my company can deliver at a fair profit. I need to determine exactly what our prospects or clients want us to do, and then execute against that knowledge.

In the mid-1990s, I gained the responsibility of running the online businesses for Dow Jones & Co. We had a number of meetings over the course of a few weeks so I could understand what we were doing—and planning to do—from a business strategy perspective. After twelve hours of meetings, I realized that all of the people who were working for me were good people, but they hadn't spent time with clients in so long that our conversations were unproductive. We were talking to each other about what we thought, but none of us were customers of our own products.

So, one Monday, I came into a group meeting and told everyone that the next week we were all going on a business trip. I rented two vans, and we made appointments for four days with clients in locations between our base in Princeton, New Jersey to Richmond, Virginia. In each city, we drove in with our vans and then split into pairs and visited clients. We had a list of questions and gathered important information during our visits. The vans held a collection of twelve people who were going to reinvent the business. We had technology operations staff, software developers, marketers, salespeople, and finance people. Every part of the organization was adequately represented.

At the end of the four days, not only had we gathered information from one hundred clients, but we had also created a very strong team. Over lunch and dinner each day, we spent time reviewing the answers we'd heard from clients and shared our observations of their work environments. By the end of the week, we had a very good sense of our clients because we visited them in their own offices. We knew about their challenges and their businesses. We knew what they liked and didn't like about our products and services, and we had a better understanding of our competitive landscape.

That trip was the beginning of a continuous process of trying to spend time with clients in their world. We came back and we were the talk of the company. The people in those two vans became champions of our customers' viewpoint. The trip served as a powerful mechanism to generate significant change in the organization and ensure that we were aligned around customer needs.

Since that trip, I've made spending time with customers—in their own offices, on their own terms—a cornerstone of how I operate, and how I expect others to operate.

Setting Goals Together

When I set goals for the company, I take a bottoms-up approach—whether it's a financial goal, a product goal, or a market share goal. I have ideas of where I want to go based on what I think is possible. But, during our annual strategic review and budget setting process, I ask my staff members to set their own goals for financial measurements and metrics, personal measurements and metrics, and product changes. I don't impose my viewpoint.

I find that incredibly talented employees, with high ambition, set their goals higher than I would ever set goals for them. They have the best knowledge of what they can accomplish. When they set a goal, they have 100 percent buy-in because they're the ones proposing it. It's hard not to buy into something when you establish the benchmark yourself.

During my review process with them, some goals actually become less aggressive, which further establishes buy-in. It makes employees feel more comfortable and confident because I'm not pushing them. I'm encouraging them to have a goal that we can feel good about, together.

Goal Breakdown

Our goals focus on three areas. The first area is our profit for the year. We strive to have a profit increase on a percentage basis that is better than the overall marketplace. We are in the marketing and media business. We can benchmark ourselves against publicly traded companies and private companies with information through outside firms and through our own knowledge of how our clients' businesses are growing. We look at their profit growth rates and benchmark ourselves to be at least even, if not higher. Profit represents around 40 percent of our overall goals.

About 30 percent of our goals are aligned around revenue growth, including an analysis of how much revenue is coming from new products or the rebirth (through reinvention and redesign) of existing products. So, in total, our financial goals comprise 70 percent of our overall performance objectives.

The other 30 percent of our goals are individual goals that people establish with help of their manager and my final approval. These goals help drive the operating income and revenue goals. They may be long-term goals that are a bit softer to measure, although we try to make them quantifiable—the date a product will be launched, the client renewal rate of a specific product.

Part of a Winning Team

We have monthly meetings for the overall leadership group. My top fifty managers all have individual goals and incentive programs. From an individual perspective, I spend time with my senior team evaluating how we're working toward each goal on a weekly basis.

We want to make sure that our goals are shared by a larger number of people in the organization. Frequently, goal setting in an organization occurs among a reasonably small number of people. One of the changes we've put in place is to share goals and information broadly.

I came to this company four years ago and no employees beyond the president and the chief financial officer knew what our budgets were or whether we achieved them. We are now much more open.

People want to win. They want to know that we grabbed market share from a competitor. They want to know that we launched a product that doubled its revenue in twelve months. They want to be part of the winning team, and they can only feel like part of a winning team if we let them know how we're doing.

Sometimes things aren't going very well and we have a problem. If thirty people are sharing their best ideas, we are much more likely to find a solution. If I only bring bad news to people and talk about the things they've got to fix without celebrating the things that they've accomplished, they're going to lose motivation. Celebrating our accomplishments 80 percent of the time makes the 20 percent of the time we have a problem much easier to handle.

Measuring Progress

We are able to measure our progress toward year-to-year goals against progress made by our competitors by using industry benchmarks for public companies. Public information is widely available, so we can measure our own performance in revenue and profit growth, as well as sales and revenue per employee and profit per employee.

From a competitive standpoint, we track market share in our magazines and other products versus our competition. We have goals for individual employees who can directly impact market share. It's very important that employees feel as if they have a direct impact on a goal. Market share is a goal for our sales organization, along with revenue.

Motivating Employees

We have a number of incentives in place to motivate managers to achieve year-to-year goals.

Salespeople obviously have financial incentives. A high degree of their compensation is variable and financial-based. We've reorganized many of our plans around the common theme of rewarding salespeople for every dollar of revenue they generate. They're rewarded monthly for those sales, and more if they meet their budget for the month. Then, annually, there is another reward if they make their total sales budget. Frequently, sales organizations have thresholds where people don't have an opportunity to make money on the first dollar they sell, but we've been well-served by having plans that allow our salespeople to make money on every single item and every single dollar, and paying that incentive monthly with an annual opportunity, too.

Non-sales staff receive incentives based on achieving the common goals of the profit budget and the revenue budget. In addition, each person in the incentive program has individual targets and goals that represent about one-third of their total incentive opportunity.

Our second type of incentive is non-financial. We have an opportunity for our best performers, selected by the senior management team, to gain access to tickets to sporting events and weekends away with their family members or a guest. These programs create an environment where non-financial rewards can be shared with the people our employees care most about.

We frequently offer non-financial rewards to a large group of people. A sporting event may include six employees and six guests, which creates an interesting dynamic. Employees from different parts of the company get to know each other at an offsite location and enjoy a bonding experience.

Our third type of incentive is public recognition. Employees can nominate each other and customers can nominate employees for recognition in the form of the President's Award. Each quarter, we select one to two nominees to be winners and give them cash compensation as well as public recognition. We make these awards at a quarterly all-company meeting where we discuss business plans, how we're doing versus our annual goals, and who in the organization is making the biggest difference for clients and therefore for the company.

Common Impediments

The most common impediment to achieving year-to-year goals is the top-down goal setting process that organizations often use. Some business units mandate that they must have 10 percent revenue or grow market share by five points without any recognition that there are other individuals and departments in the organization that have to make that goal happen.

People sometimes misjudge how long it will take to hit a goal. If a business unit wants 10 percent revenue growth and the organization hasn't had revenue growth for a number of years, 10 percent is almost impossible. It is important to understand how long it will take to reach a goal and what tools and actions are required to achieve it over that period. If the people expected to achieve a goal see it as unattainable the minute they hear it, then your goal is DOA—dead on arrival.

Sometimes there's a change in the marketplace that the senior team doesn't want to recognize. When you launch a product, that product may allow you to charge a high price because there's nothing like it in the marketplace. In three years, however, there may be several competitors with similar offerings. Your sales force could be hitting their heads against the wall; they can't sell more because the price is too high in the current marketplace.

Sometimes a senior team doesn't realize that there have been changes in the marketplace and they fail to listen to their employees and customers. Executives who aren't listening to the people around them and allowing the team to execute aren't serving their role. An executive's role is to lead and guide by listening, not just dictate desires.

The same rule applies to interference by shareholders or private owners. They need to hire people they trust, understand what is happening and what can be expected to happen, and then measure performance based on attainment of reasonable—or at least plausible—goals.

Best Practices for Benchmarking

The best practice for effectively establishing year-to-year goals is actively benchmarking. All too often, we think there is no other company that's like us. In reality, there's probably not a company in the world without five similar counterparts, even if they're in a different industry or marketplace. Every company has a number of companies they can benchmark themselves against. Benchmarking may not be perfect in every attribute, but it is possible to pick and choose metrics.

It is essential to talk to clients about their goals and align those goals with your own objectives. I may want to sell twice as much of something next year to my top client, but if I talk to them and realize they're only going to need 20 percent more, I would have to reevaluate my goals. If my goals aren't reflective of the marketplace, I won't ever be able to achieve them.

It is critical to listen to the people who know the marketplace. Often, these people are in sales or customer service. They speak to customers every day and have the best understanding of what's happening in the marketplace.

Seeking Advice

I often tell members of my team to communicate with each other. Senior executives can become too narrowly focused on their own direct responsibilities and fail to spend enough time communicating with each other. We often become focused on accomplishing what we want to accomplish and forget that what we're working on can impact other people and other departments in the organization.

Senior executives don't always ask for help when it is needed. Communication among team members is needed not only to inform others of plans, but also to seek advice and counsel from people who have had similar experiences and who can provide helpful resources.

After I received a promotion at Dow Jones many years ago, a senior executive—Bill Clabby—took me aside and asked how often I expected to "get it right" in the new job. I thought for a moment and answered, "Eighty percent, Mr. Clabby." "Maybe when you're my age," he replied. "Try for 40 percent right—just make sure you learn from the 60 percent you're going to screw up for the next couple of years." He wasn't far off from the truth.

Challenging Situations

One of the most difficult types of situations I am faced with involves employee performance. If someone isn't performing to my expectations, I have to deal with the situation by explaining what I'm seeing as a disappointment, what we need to do to correct that, and agree what reasonable time period is acceptable for the improvement. If they turn it around, that's great. If they don't (with proper coaching and support), then they have to leave. They'll be happier someplace else, and we'll be happier with someone else.

But it all has to be handled in a civil way. Nothing is worse than feeling as if a colleague wasn't treated well, and fearing that could happen to you someday.

Another challenging situation involves peer-to-peer interaction when people aren't communicating or are communicating in different ways. One person may need a lot of information to make a decision, while another may prefer to make a quick decision based on less information.

A third challenging situation occurs when a customer or prospect has different expectations of our products and services than the reality of what we can deliver. Sometimes we may have misstated the reality, oversold ourselves, or done something to mislead them in an inadvertent way.

Communicating with the CEO

The biggest misconception about being a CEO is that everyone who works for me does exactly what I say. I would never want that to be the case. I want my team to decide what we should be doing.

Not every form of communication is perfect. There might be a misunderstanding of expectations. Sometimes, what someone wants isn't the right thing for the company. It can be much more difficult to get something done in an organization than people perceive.

How Ease of Communication Affects Today's CEOs

The role of the CEO has changed quite a lot in the past few years. There's the obvious oversight of public companies and their financial disclosures. But that's just part of a bigger trend: The vast amount of information available to employees, prospective employees, customers, and prospective customers through the Internet and e-mail.

This helps us by getting our story out quickly and to a broad audience. But, as a CEO, I know that not all information is accurate. A misconception can easily be communicated to a large group in seconds, and I may not have as much control over the message as I would have had five to ten years ago.

Because of changing situations, a CEO has to be more skilled at communicating verbally. If I were going to announce an acquisition of a company in the past, I would have had a week or more to hone my message and put out a press release. Now, if I announce something, my customers can get on a message board and communicate immediately. My employees and competitors can see everything the groups are saying about our company. The new ease of communication has changed my role.

Intense, real-time information sharing is going to become even more pronounced and global in the coming years. Today, information sharing is mostly limited to textual information. Textual information is generally communicated on a Web site with words or via an e-mail or posting.

Multi-media is going to play a larger role going forward. CEOs are going to have to communicate in near time or real time in written words, video, and audio. Not every CEO can be eloquent in audio, video, and written communication in real time. Ultimately, the CEO's role is to set and communicate vision. We are companies' chief spokespeople, so we're going to have to be very comfortable in all forms of media.

Maintaining an Edge

I spent a lot of time with my top clients forming a relationship so they will be 100 percent honest with me. I also spend a lot of time with my senior team members identifying our top ten prospects and the ten customers that are the least happy with us as a business.

I've established some strong rapport with people who aren't large clients of ours, but who are large clients of some of our competitors. I also spend a lot of time getting to know my own employees. I establish who has the best insights and who can look a little further into the future.

I read and listen to a lot of sources regarding activities outside our industry. Some of the best ideas can be found in an article in a magazine or a TV show about a completely different industry. I try to bring an idea back to what I live and breathe every day. I read *The Wall Street Journal.* Whenever I finish a story, I ask what I can apply to my own business.

Timothy M. Andrews is president and chief executive officer of the Advertising Specialty Institute, the world's largest marketing and media organization serving the advertising specialty industry. He was recruited to join ASI in 2003 and is only the second president in the company's fifty-five-year history.

Prior to his position at ASI, Mr. Andrews served for three years at Primedia Inc., the second-largest magazine publisher in the United States. As chief executive officer of its Primedia Business Magazines division, he was responsible for leading business, editorial and product strategy for the company's eighty business magazines, one hundred Web sites, twenty trade shows and exhibitions, and its group of 450 books and directories. Under his leadership, Primedia Business Magazines performed better than its peers in weathering the difficult business-to-business advertising downturn.

Before Primedia, Mr. Andrews spent sixteen years at Dow Jones & Co., publisher of The Wall Street Journal, *where he launched the first real-time news alerting products in the industry and introduced a Web-based version of Dow Jones Interactive, long before other companies had recognized the importance of the Web. He also led the team that developed* Personal Journal, *an electronic newspaper that later became part of WSJ.com.*

His last position at Dow Jones was as founding president and chief executive of Factiva, a joint venture he championed between Dow Jones and Reuters that provides electronic news and research products and services. In this role, he was responsible for a company with revenue of about $225 million, 750 employees in thirty countries, and customers in forty countries.

Mr. Andrews has been profiled in the business sections of the New York Times *and the* Philadelphia Business Journal, *contributed to and authored articles that have* *appeared in publications such as* Advertising Age, ComputerWorld *and* The Philadelphia Inquirer, *and is regularly asked to provide expert insights for features in advertising specialty industry publications.*

He actively supports a variety of community organizations around the country, and among his activities, he issued a matching challenge to residents in a rural area in Indiana where he grew up, to raise one million within ten years for an endowment fund to provide scholarships and special projects, and also established a food bank endowment fund to feed hungry families. In less than two years, the 2,000 people in the farming community have contributed more than $120,000 to the funds.

He also serves as a board member of the American Red Cross, Lower Bucks County Chapter (Philadelphia area), where he was named a National Red Cross Circle of Humanitarians award winner to recognize his achievements in philanthropy and was invited to join the Benefactor's Circle of the Clara Barton Society—a group of selected donors who share the commitment and vision of Clara Barton, founder of the National Red Cross. He most recently joined the board of The Johnnetta B. Cole Global Diversity & Inclusion Institute, at the Bennett College for Women.

Mr. Andrews earned a degree in journalism and economics from Ball State University and was named Outstanding Alumnus and recognized by the Journalism Department as Outstanding Young Alumnus.

Leading an Innovative Company

Colin Angle

Co-Founder and Chief Executive Officer

iRobot Corp.

Qualities for Success

One of the key functions of the CEO role is dealing with uncertainty. It's the CEO's job to act as a sponge for ambiguity and allow the people around him to focus on more relevant issues. If a CEO wants long-term success, he has to be willing to delegate. Some CEOs have too much of a stranglehold on issues in the company. Far more success stories are driven by CEOs who are willing to relinquish control as the company grows. As projects begin to scale, successful CEOs allow others to run with them.

A CEO needs to communicate his purpose clearly and frequently. He should hire intelligently by seeking to empower key hires for his leadership team who possess capabilities beyond his own. He has to give his employees the power they need to allow them to execute their duties.

A Clear Vision

A successful CEO should have a clear vision about why the company exists and where it's going. That vision should start at the top, but it can be inherited from a predecessor. Without a solid vision, long-term success is going to be challenging, as change is inevitable.

Consistency of vision is important. If a CEO is changing the vision of the company every few weeks or even every year, it is not going to penetrate deeply or achieve credibility. There comes a time when a vision is no longer applicable and needs to change, but for the company's sake, it should be a very infrequent occurrence.

Setting Goals in a New Field

Our company is treading in uncharted waters. We are pioneers in the practical robot industry. When we approach our goals, we have to acknowledge that we may occasionally be wrong with our perceived ideas.

Starting mid-year, we have strategic planning sessions. We get input from our board and our managers and begin to imagine what is possible over the next eighteen months. As the year progresses, we start whittling down what we could do to what we should do.

We develop metrics for success as a group. If one person is being overly conservative or overly aggressive, someone else is going to raise questions. Having a leadership team that's willing to speak out is very important.

If we find ourselves falling short of achieving a goal early on, we give ourselves a reality check. It's easier to be honest that things are not going well early in the process than it is to fix a huge mistake down the line.

Future Investments

We run into challenges when we try to make our high level goals too detailed oriented. We have a general direction and our revenue growth, product margin, and divisional market targets are heavily focused on measuring. Our focus is on growing the industry. We want to increase sales and demonstrate that the margins our products are creating are improving as a result of innovation.

On the earnings side, our goal is to invest aggressively while still being profitable and demonstrating that our business model can work. At our current stage—where the value in the industry lies ahead of us—we commit seriously to our earnings targets and strive to achieve them, but if business conditions allow, choose incremental investment in our future over increasing earnings. We will make incremental investments in our future rather than show increased earnings. Of course, this philosophy may change as the industry matures.

Everyone has goals. We use the specifics of individual employee goals as a way of setting expectations for success between managers and employees. The top team's goals are shared with the entire company, and every quarter progress against those goals is shared company-wide as well.

Primary Responsibility

Establishing and achieving year-to-year goals is a flow-down process. We start brainstorming with a strategy discussion mid-year. We involve a significant portion of the company and emerge from the process with a list of major initiatives that we're planning to tackle the following year. That list gets thrown up against the constraints of the budgeting process.

There's a healthy tension as we try to figure out how to allocate resources and determine how many major initiatives can actually be funded. We end up with a plan at a division level that contains sales targets, advanced development targets, and other major initiatives.

When our major initiatives are defined, we imagine what success is going to look like for each one. I work with my team to come up with goals that are consistent with our objectives. My managers communicate our plan to their employees and take responsibility for subsets of major initiatives. We make the process public so people can understand dependencies.

Incentive Compensation Plan

We modify our incentive compensation plan (ICP) every year, making it more general and less specific over time. In the past, we had situations where we provided incentive for obsolete directions. We weren't always good at recognizing that we had changed course which required alternation of our plan that led to year-end frustrations.

As an example, one year we took our ICP budget and divided it equally among all employees. Given that it was very new to us at the time, the size of the budget, and people's expectations regarding ICP plans from other employers, we managed to alienate and offend people, despite the fact we were giving them unexpected checks. I gave some employees a $200 ICP check who would have been happier had I not given them anything. It was a frustrating learning experience, but we learned.

Common Impediments to Achieving Goals

We live with a lot of ambiguity. We are operating in a space that doesn't exist, except for what we make of it and what emerging companies can take on. Planning is challenging for us. As we continue to focus on the predictability of the business we find that it's still a very common impediment to achieving our goals.

Robots are incredibly complex, integrated devices. Designing things that have never been created before and that have the complexity of automobiles and airplanes is very daunting. Predicting the timeline that our development is going to follow has proven to be challenging.

It's not always clear which market factors we should care about and which ones we shouldn't. In the military, the evolution of the roadside bomb as a preferred method of attacking our soldiers created an urgent need for robots, and caused us to accelerate our work. We had to shift our goals around and abandon other projects in order to address the pressing need.

We've had to be flexible in the face of real-world market demands on several occasions. We live with a lot of uncertainty and need to be open to change at all times.

Advice for the Team

"What do you want to happen? No, seriously, what do you want to have happen?" It's a question that is asked far too infrequently. What does a good outcome of this meeting look like, so we can know if we have achieved it. Too often we let process and inertia guide us instead of an honest look at the desired outcome. And as a result, huge amounts of time can be wasted.

What do the results we are hoping for look like? And, let's document it, so when time passes and stuff happens, we can look back and see how we did against the original intent. Too often, we act like revisionist historians and declare what occurred to be our original intent. Many times what happens is different but better. In these cases, noting the change can lead to important insights. And when the results fall short, pretending otherwise only leads to repeating the pattern.

The Innovative Company

It's not enough for a company to call itself an innovative company. An innovative company has to earn its descriptor. Innovation means something concrete. For us an innovative product in the marketplace is a product that performs better than a less innovative product in some quantifiable way. Thus, you should either get a disproportionate market share, or be able to earn higher margins.

This innovation brings in the revenue required to support our engineering staff and create more innovation. If we want to be an innovative company, the economics of our products must support it. Plain and simple. If they don't, you might have an innovative product, but it would be a mistake to claim to be an innovative company.

The Challenge of Finding the Right Fit

iRobot has a unique culture. One of our biggest challenges has been dealing with good people who were bad cultural fits. Genius can occasionally trump team, but very very rarely. Team and culture trump skill. Robot building is a group activity and unless you can do it all yourself (see genius), you have to work with others.

Knowing when to kill an idea and move on is very challenging. In some cases, we know an idea is fantastic and can work, but time frames, competitive situations, business relationships, and bank account issues can create the need for project abandonment.

Challenges of Communicating to Employees

Many people believe that CEOs have more local control and influence than we do (or at least I do). Ironic as it may seem, sometimes a CEO's greatest challenge can be finding a way to influence actions within the company without causing more harm than good. Few things can be more demotivating to an engineer than being told "management says…," and few things are more important than finding a way to do just that.

The CEO Stereotype

Over the past few years, the role of the CEO has gotten less glamorous. The stereotype has shifted from esteemed business leader to greediness, and that is unfortunate. Additionally, the inherent financial risks of being a CEO are higher as the position has been made more difficult because of recent regulations and restrictions.

If the risk associated with being a CEO in a U.S. company continues to increase, and the esteem given to the CEO continues to decrease, it will be a shame, as the best and the brightest (how did I ever get this job?) are going to shy away from the position. We will end up with companies that are led by less capable people.

Seeking Support While Maintaining an Edge

One of the best ways to maintain an edge as a CEO is through membership in a CEO peer group. I am a member of one such group. We share our successes and challenges with each other.

Being a CEO is a lonely job. There are issues you must face where there are simply few people in your company with whom you can speak to. A peer group can help greatly.

It's remarkable to see that many of the challenges I face have been dealt with by other CEOs in the past. It's wonderful to see what others have done, and equally satisfying to help those facing issues that you have navigated.

Colin Angle's leadership has transformed iRobot Corp. (NASDAQ: IRBT) from a Massachusetts Institute of Technology spin-off to a $142 million business and a leader in the robot industry. One of the world's leading authorities in mobile robots with almost twenty years experience, Mr. Angle is a true pioneer in the field. Under his guidance, iRobot has inspired a growing consumer robot industry by delivering the world's first affordable home robot, the iRobot Roomba® Vacuuming Robot, with more than 1.5 million sold so far, and its newest sibling, the iRobot Scooba™ Floor Washing Robot.

A longtime sailor, Mr. Angle is known for his ability to bring together and inspire a winning crew. His vision for the future of robots and keen sense of business strategy is behind iRobot's successful identification and execution of expansion opportunities. By setting a winning course of team empowerment, collaboration and innovation, Mr. Angle is enabling iRobot to deliver cutting-edge, market-leading robots that save time and lives. Today, more than 300 iRobot's PackBot® Tactical Mobile Robots are at work in Iraq and Afghanistan. These robots have completed tens of thousands of missions and credited with saving scores of soldiers lives.

Under Mr. Angle's leadership, iRobot has joined forces with exceptional strategic partners—including The Clorox Company and Deere & Company—to create new and innovative robot solutions that build on decades of leading expertise from each partner's respective industry.

In iRobot's early days, Mr. Angle and his team designed the behavior-controlled rovers for NASA that led to the Sojourner exploring Mars in 1997. Mr. Angle's team won the NASA Group Achievement Award for its accomplishments, and his name is inscribed inside the case of the Mars exploration rover, Spirit, now on display at NASA.

Before co-founding iRobot in 1990, Mr. Angle was president of Artificial Creatures Inc., a robot design firm that ultimately become part of iRobot. Earlier in his career, Mr. Angle worked for three years at MIT's Artificial Intelligence Laboratory, where he first teamed with iRobot co-founders Rodney Brooks and Helen Greiner. Mr. Angle's master thesis at MIT introduced "Genghis," a six-legged autonomous walking robot that was later installed at the Smithsonian Air and Science Museum in Washington, D.C.

iRobot robots are highly decorated with awards, and Mr. Angle has also been honored for his leadership. In 2005, Mr. Angle was named one of Fortune Small Business *magazine's "Best Bosses." He also was awarded in 2003 the Ernst and Young New England "Entrepreneurs of the Year" Award with iRobot co-founder Helen Greiner. Mr. Angle has spoken at leading industry conferences such as International CES,* The Wall Street Journal*'s D: All Things Digital, Future in Review (FiRe),* Wired Magazine*'s NextFest, and RoboNexus. Mr. Angle has appeared on CNN and CNBC, and has been profiled as an industry expert in media outlets such as* Business Week, CNET, *the* New York Times *and* Newsweek.

Mr. Angle holds a Bachelor's degree in electrical engineering and a Master's degree in computer science, both from MIT.

Benchmarking MGM Grand's Culture of Innovation

Gamal Aziz

President and Chief Operating Officer

MGM Grand Hotel & Casino

Goals for Successful COOs

Growing up in Cairo, my father used to tell me that no matter where I went or what I did, I should take pride in my work and leave places better than I found them.

Those are big concepts for a young man, but I've kept them in the back of my mind all these years, and used them as inspiration in life and in business. They have helped me develop a passion for creativity and innovation, and an understanding that imagination plus collaboration can spark evolution.

Vision is also a necessity for success and leading change, especially as a COO. You can't get anywhere without it. Of course you must have integrity, be a good listener, and be passionate about what you do, especially about your people. If you can understand your impact on others, as well as what motivates them to succeed, then you can lead a team to achieve the near impossible and leave your company better than you found it.

As for my vision, it is continually evolving. I live with the constant belief that someone, somewhere, has a better idea. I begin each day reminding myself that no matter how good we were yesterday, we're nowhere near the potential that we could have tomorrow—we always have more potential than what we have accomplished. With that in mind, you must change and develop yourself and your vision accordingly. Those who stop moving and growing at the pace of the market are left behind. Someone is always changing the game, and if you're not constantly evaluating the playing field and adjusting your action plan, you'll never be able to stay a step ahead of your competition.

Setting the vision and goals for your organization takes collaboration and input from diverse perspectives. At MGM Grand, our executive leadership team goes on a two-day retreat each December to set our strategic goals for the coming year. There is much debate and discussion, but we come away with a consensus on our priorities for the next twelve months. Our strategic vision allows our leadership team to set individual, departmental, and divisional goals. We then follow up with bi-annual retreats to measure and evaluate our progress, and determine if our goals are still relevant.

Ideas and Passion: The Drivers of Your Competitive Advantage

An important responsibility of a COO is to continually encourage team members to bring new ideas into the company—you can't improve performance without them. When I was named president and COO of MGM Grand in 2001, we committed ourselves to develop a culture of innovation. MGM Grand was the world's most recognized brand in hospitality and gaming, but needed re-energizing to maximize market share. Our strategy was to open more than thirty-six major new venues in five years, generating continual buzz about the innovative restaurants, shows, nightclubs, gaming and retail that opened one after another on property.

To drive this continuous evolution for half a decade, I have advised my leadership team to get uncomfortable doing their jobs—to stretch themselves. Being too comfortable makes you less open to new ideas, thoughts, and perspectives.

The best way to keep motivated, ensure upward mobility, and grow the company is to get out of your comfort zone, take risks, and accept new challenges. Volunteer for responsibilities that push you into areas you've never explored. Find creative ways to continue your education—it can be formal or informal, such as taking development courses, reading trade magazines, or attending events. Whatever you do, learn something new because everything new is an asset to the company and to your personal growth. The best ideas sprout from inspiration discovered outside your comfort zone.

Comfort zones are a particular area to avoid as a new COO. My best advice is not to get comfortable with your title and responsibilities. So many C-level executives have worked their whole lives to earn their position and once they get it, they think they can relax. They feel like they've finally arrived. I look at it differently. To me, becoming a COO meant my career had just started. I finally had the opportunity to take all of my experience and test it. I had the chance of a lifetime to mentor and motivate people to achieve stretch goals, to make the hospitality experience better than guests could imagine, and I didn't want to waste it. Every experience I had since I was sixteen was preparation for this responsibility.

One of the best ways to lead a culture of innovation and to keep your edge as a COO is to train your eyes to see your company as you did the first one, two, and three months you started working. If you can maintain your ability to look at your organization from a newcomer's position, you will be able to innovate at a pace faster than your competitors. I also maintain my edge by drawing inspiration and input from those unexpected resources all around me, such as my travels, family, friends, my personal trainer, and the youngest members of my team. I've found that the best way to monitor trends is simply to ask those who are following them, and those typically aren't the people sitting around the boardroom. You can pay thousands of dollars for focus groups and research, or you can just start talking to people you see every day, including your employees and customers. You'll learn quickly who can add value to your perspective.

When you're new to your executive position, it's also important you work with an extraordinary sense of urgency and trust your instincts. You are going to introduce many new ideas. People resist change and will try to discourage you. To be successful at shifting a culture or a paradigm, you have to lead with passion and have confidence in your vision. Put your heart and soul into your ideas and execute them quickly so you don't allow time for failure—or allow yourself to be distracted by naysayers. The faster you can demonstrate success, the more quickly people will be convinced to follow and commit.

I would also advise new COOs to find it in themselves to be a complete executive. A COO must establish balance within his or her life. Most of us are hardwired to spend seven days a week thinking about our company, but that's not healthy, nor does it benefit the organization. We need to make time to be influenced by society, inspired by others, and motivated by what we learn from spending time with family and friends, traveling to new places, and simply taking time to meditate and think. You'd be surprised how many executives forget to schedule time to think, but it's one of the most valuable exercises you can do to generate new ideas.

Talent: Your People Set You Apart

Besides ideas, talent may be your most significant competitive advantage in business. Some think their company's physical assets or products set them apart; I think talent matters most. And attracting top talent is one of the greatest challenges in today's highly competitive economy. To lead an innovative company, you must surround yourself with talented people who have different skills and experiences. In each industry, there are a handful of people at the top of their game that everyone competes to attract. The real art is in being able to identify talent outside your industry, both up-and-coming and established, as well as people from different countries, cultures, and educational backgrounds that can bring fresh ideas and vision into your organization.

One of the biggest misconceptions about being a COO is that we don't value non-revenue producing departments such as human resources. This misconception exists because these departments aren't in the spotlight and because their events and initiatives don't get enough publicity or promotion. In reality, a strong HR team is the backbone of every great organization. HR helps recruit, attract, and retain a top-performing workforce. They are your partners in creating your company's culture. The strength of your culture determines the level of employee commitment and buy-in, and employees determine the successful execution of your vision.

With employees tied so closely to your business initiatives, you must believe people are as important as your customers. If every business decision you make is for the benefit of your customers and your employees, then you're 90 percent of the way toward success.

The Changing Role of a COO: Be Inspirational

The war for talent will become a more significant discussion over the next decade as baby boomers retire and generations X and Y offer significantly lower population bases from which to replenish the workforce. Presently, the role of the COO is changing because of a slower economy that is forcing executives to get more creative. The competition for consumer dollars has never been higher. Five years ago a COO might spend the majority of his or her time overseeing operations. Now, a COO's job is to be the company's chief idea officer.

If you're at the top of your industry today, it's because you're bringing innovations to market faster than your competitors. You also understand that the market is full of lemmings imitating your ideas almost as quickly as you can generate them. That means that to maintain your market share you must be constantly aware of trends and understand what's missing and not being delivered to customers. Our role as COOs today is therefore not to be operational, but inspirational.

In the next few years, economic changes and globalization will continue to impact the role of the COO, as well as my vision for MGM Grand. In the future, COOs will be required to have a far better understanding of the global economy, as well as the ability to understand the dynamics that lead to success in the world market. COOs will be expected to be extraordinary marketers, idea men and women, great communicators, talent recruiters, and above all, role models.

The Golden Rules

No matter the economic or global conditions influencing your vision and business strategy, there are three golden rules that will always prevail for a COO who effectively leads change and drives profitability.

The first is to understand your customer in the market in which you operate, and to understand your employees and what motivates them. Understanding customers will allow you to provide the best and most attractive products in your industry, and understanding employees will enhance your productivity and service delivery.

The second rule is to establish and communicate short- and long-term goals. Review them often and update as necessary. Make sure they are easily understood by everyone—especially employees.

The third rule is to act with integrity and passion. Always. You must set the standard for others to follow.

MGM Grand: Benchmarking to Drive Innovation

In leading a five-year culture of innovation to improve products, services, and performance, benchmarking is a practice that has had a tremendous impact on my performance as a COO, but not necessarily in the way people traditionally think of benchmarking where you compare your numbers to those of your competitors. At MGM Grand, benchmarks are used in a variety of ways that influence our decision-making process, and not just for data support. We have leveraged benchmarking to improve the organization by analyzing hospitality companies, outside industries, internal performance, and most importantly, trends.

Benchmarking Within the Hospitality/Gaming Industry

At MGM Grand, we look at other gaming companies in Las Vegas as a cursory way to compare ourselves competitively, but we do not rely heavily on these metrics as we know that we have different standards and expectations. That said, as a company that thrives on innovation, we are consistently looking to introduce new metrics that allow us to move beyond traditional measurements in the hospitality industry.

Internal Benchmarking

When it comes to benchmarking within our organization, we have leveraged a wide range of data in order to create a holistic set of benchmarks. Each of my direct reports provides key metrics that help us gauge our performance on a daily, weekly, and quarterly basis. Internally, benchmarks are delivered by finance, marketing, casino operations, hotel operations, and human resources. This data is viewed in combination with external benchmarks such as mystery shops and measures of customer satisfaction and loyalty. We leverage customer scorecards and dashboards to keep the management team focused and in alignment.

Internal metrics allow us to evaluate our progress over previous periods and across seasons. Customer satisfaction and loyalty metrics allow us to create action plans and continually make improvements in service delivery. This approach is like being a marathon runner who continues to work on improving his or her own time over the previous marathon. We share benchmark scores with our management team during quarterly P&L reviews and quarterly manager's meetings.

Benchmarking Across Industries

Benchmarking across industries allows us to look at successful companies who are leaders in industries outside of the hotel business to see how our performance metrics compare to theirs. It gives us a perspective about what other people are measuring that we may not be focusing on, and may lead to implementing these metrics in our environment.

Trend Benchmarking

By far, trend benchmarking has been the most valuable to me throughout my career in hospitality, and especially during MGM Grand's culture of innovation brand evolution. There are trends happening all over the world in every industry imaginable. If you can identify the leaders in each segment and then adapt those trends for success in your own environment, you will lead your market.

My use of "trend benchmarking" developed by continually proving to be a successful business practice. For example, when I first moved to Las Vegas to work for Caesars Palace in 1995, the city had a decades-old tradition of viewing food and beverage as a loss leader—a giveaway to lure potential gamblers. Because of this approach, dining here was not sophisticated. The town was famous for 99¢ shrimp cocktail, $1.99 foot-long hotdogs, and $5.99 prime rib buffets. At that time, gaming made up approximately 70 percent of a casino's revenue, with food and beverage doing well to break-even.

Benchmarking the food and beverage world outside gaming, I approached Caesars dining from a perspective of turning a profit. This began a paradigm shift in the industry and garnered much attention. In 1998, Bellagio recruited me seven months before the resort opened to become their senior vice president of food and beverage.

Bellagio was opening as the world's first billion-dollar resort, but with Las Vegas traditional hotel-run restaurants. The hotel would attract customers who had an appreciation for high-end cuisine, but was not planning to offer high-end dining because historical data dictated that customers wouldn't pay for something they were accustomed to getting for free.

Benchmarking the rise in popularity of celebrity chefs around the nation, and understanding that Americans were spending more of their income on fine dining, I assembled a collection of award-winning chefs to create a fine dining enclave at Bellagio. Not only did this approach increase the property's profit margins from food and beverage, but established Las Vegas' first true dining destination which attracted a new customer demographic who appreciated haute cuisine.

This trend benchmarking began a culinary evolution in Las Vegas that continues today and culminated with Chef of the Century Joel Robuchon opening his first two dining outlets in the United States in late 2005 not in New York, Los Angeles, or San Francisco, but in Las Vegas. At the MGM Grand. What's more, today food and beverage contributes 20 to 30 percent of most Strip properties' revenue, with gaming contributing less than 50 percent.

Trend Benchmarking at MGM Grand

We've applied trend benchmarking to MGM Grand's evolution by studying how large hotel chains have created sub-brands over the last few years. Diversifying room products has allowed chains to increase their inventory and profitability. These differentiated brands appeal to customers outside their traditional consumer base and have helped the parent company increase market share.

At MGM Grand, we adapted this trend to our own environment, doing what no one else in our industry has tried—we created hotels within hotels. At MGM Grand, the world's largest resort with 5,044 rooms plus three new condo-hotel towers on property each containing 576 rooms (one is presently open and two are scheduled to open in the near future), we created five distinct and individually branded hotel products literally under one roof. MGM Grand now offers guests SKYLOFTS—a rare and private sanctuary of fifty-one two-story AAA Five Diamond accommodations with expansive views of the Las Vegas skyline; The West Wing—700 chic and stylish, high-tech rooms; The Mansion at MGM Grand—exclusive living at the pinnacle of luxury named "Best of the Best" by the Robb Report; The Signature—the world's first condo-hotel towers featuring a tranquil non-gaming, non-smoking residential-style environment; and the Grand

Tower—traditional comfort and sophistication. Now, no matter what experience a guest desires, our one property can deliver.

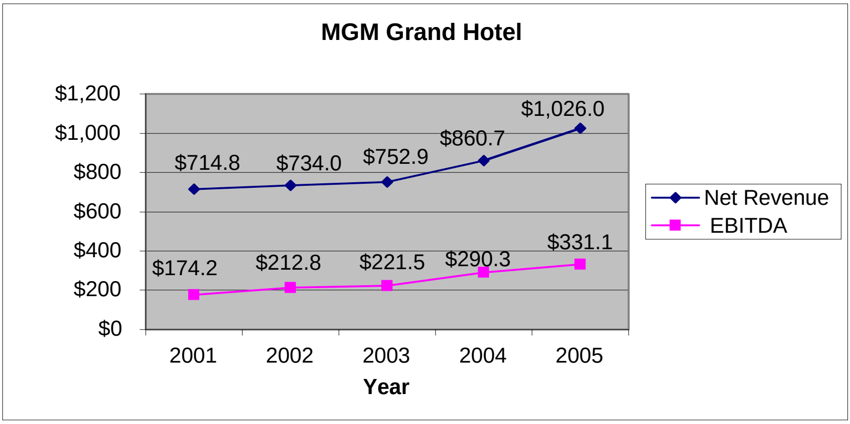
Another example of trend benchmarking involves sports. We have seen the rise of corporate sponsorship and popularity in purchasing box seats at sporting events. When MGM Grand remodeled our Race and Sports Book, we benchmarked this trend and created the gaming industry's first-ever Skyboxes—private suites overlooking all the action on more than one hundred screens in our Race and Sports Book. Not only do Skyboxes offer home theater-style seating and individual TV screens, but guests can also enjoy the latest video game system play, catered meals, and cocktail service.

In these examples, and in dozens more, we have benchmarked trends outside our industry, and integrated them into our environment with a great deal of success. More importantly, they have become paradigm shifters for the industry, with other properties on the Strip rushing to replicate our new products and services.

Benchmarking: Impact on Performance

Trend benchmarking has driven MGM Grand's culture of innovation and revenue growth since 2001. In five years, we have used the concept to completely reinvent the property, opening more than thirty-six major new bars, restaurants, hotel products, retail outlets, and entertainment destinations during this time.

Benchmarking for innovation has helped increase MGM Grand's revenue from $714 million in 2001 to more than $1 billion in 2005, and EBITDA from $174 million to $331 million.



Looking at individual outlets, creating the distinct West Wing brand has increased revenue per occupied room (REVPOR) 157 percent and average daily rate (ADR) by 37.6 percent over the former hotel product in those 700 rooms. Creating the Skylofts brand has increased room revenue 90.1 percent and average daily rate (ADR) 42 percent over our former suite product. And the remodeled Race and Sports Book with Skyboxes has helped us increase sports tickets written by 16 percent.

Working Backward: The New Benchmark in Benchmarking

The influence behind trend benchmarking is a business philosophy pioneered at MGM Grand we call "Working Backward" which basically finds us benchmarking an imaginary line to encourage innovative thinking and develop paradigm-shifting trends. If our culture of innovation dictates we don't compare our performance to others in a traditional manner, it also establishes that we set non-traditional goals for growth.

Working Backward, we are always looking at what our maximum potential is—the imaginary line—and benchmarking that number. For example, if you were to look at our restaurants, the traditional view might be to take MGM Grand's steakhouse performance and compare it to another similar property's steakhouse on the Las Vegas Strip. Another approach for growth is simply to set a goal to improve covers and average checks by 10 percent year over year. We don't do that. Instead, we look at the total seats in the restaurant and calculate the maximum potential revenue that could be generated in a perfect scenario—if we filled every seat the maximum number of times during business hours and if customers spent the most the market could bear.

From that number, we calculate the outlet's actual sales to discover the loss gap. This isn't a true loss since the outlet is making money, but it alerts us to how much more potential the outlet has if we can be innovative. The loss gap forces us to become creative and look for the latest trends to benchmark that will make our outlets distinct in the market. Innovative development inspired by trend benchmarking drives interest and traffic to our new venues, and ultimately leads to growth of revenue toward the outlet's imaginary maximum potential.

Where to Find Ideas

Trend benchmarking and Working Backward have helped MGM Grand establish a long-standing history as the leader in best practices for our industry. We were the first to offer a true nightclub in Studio 54; an ultra lounge in Tabu; a check-in desk at the airport so guests could go straight to their rooms upon arrival; and hotels within our hotel. We also brought world-renowned fashion designers and architects to Las Vegas; opened The Strip's first non-gaming and non-smoking condo/hotel with residential-style suites at The Signature; innovated gaming with Sports Skyboxes, and departed from Liberace-style glamour hotel suites by ushering in chic and modern yet sophisticated architecture and furnishings in Skylofts. In nearly all cases, our success is due to studying trends and then applying them in the Las Vegas environment.

MGM Grand's Operating Committee is instrumental in bringing best practices, trends, and ideas to the forefront. So are our employees. Within our culture of innovation, our workforce is encouraged to communicate freely with upper management. We have seen employees present fantastic benchmarking ideas over the years. The original concept to create skyboxes in our new Sports Book came from a Race and Sports employee. When we developed our poker room, a poker player in the communications department of human resources submitted ideas on what was missing from the Las Vegas poker experience. We applied her concepts to advance our room with new technology and services not offered in the market. Most recently, when we opened Rouge in August of 2006 and were looking to innovate the age-old cocktail, a waitress presented the idea of making ice cubes for fusion drinks out of fruit juice. A drink made with pomegranate ice cubes has become the bar's signature cocktail.

Again, inspiration for new ideas is everywhere you look if you create an environment that encourages and rewards innovation, and if you open yourself to the influences all around you.

The Role of Vendors in Benchmarking

Vendors can also be helpful in bringing best practices and trend benchmarking into your organization. Of course, it is imperative that they understand your goals and objectives before helping you refine these measures, but often they can present another opportunity to borrow best practices from other industries as vendors serve many diverse clients.

In leading our culture of innovation, my role as COO has included identifying and merging talent from outside industries. In creating Tabu, I wanted to develop an ultra lounge without a dance floor, because we already had one on property in the legendary Studio 54 nightclub. My vision was to have a complementary club where people could go before or after dancing at 54.

We pulled together a diverse team to brainstorm ideas, including a high school drop-out DJ and a Yale graduate. We found an up-and-coming company called Reactrix that was just developing a product that would project images onto table tops that consumers could interact with and manipulate in real time. Our goal with the music, interactive games, and bottle service was to encourage guests to linger longer. Not only did we engage Reactrix to help deliver on this vision, but we brought in Roger Parent—well known for creating the progressive imagery synonymous with Cirque de Soleil—and New York architect Jeffrey Beers. All working together, each a superstar in their individual industries, they took this ultra lounge concept to a level never before seen. The result was Tabu—Las Vegas' first ultra lounge. The huge customer appeal increased MGM Grand's market share and reputation in the nightclub business exponentially.

Dashboards to Measure Progress

With so many influences inspiring our culture of innovation from traditional metrics to trends, we have developed a marketing dashboard at MGM Grand that easily helps us see the value of benchmarking in our organization. We break the ROI into two segments: business drivers, which measure loyalty drivers and median spend per trip; and growth pipeline, which measures the additive contribution new products contribute to current and future EBIDTA. The pipeline also calculates the retained customer average lifetime value which measures the growth of business from existing customers and our ability to engage them over an extended period. Pipeline measurement also includes share of wallet, which calculates the success of our new product introductions in driving incremental spend and our ability to compete against like offerings by the competition. Finally, we measure growth of first-time customers, which indicates our success at targeting qualified guests, driving trial to transition to a new customer base.

The Metric Mix: Integrating Financial, Customer and Trend Benchmarking

Data analysis helps us evaluate a consistent set of metrics in order to understand trends and make improvements in operational efficiencies and service delivery; however, we are always looking at new and innovative ways to make our metrics more effective and leverage new technology. We know, for example, that customer satisfaction by itself is no longer enough. We are now looking at measures of customer passion, trust, and involvement with our brand—these are your loyalty drivers.

Currently, 35 percent of our benchmarking is financial, 35 percent customer satisfaction, and 30 percent focused on trends and other metrics. Both internally and externally, metrics are defined by the management-leveraging best practices both within the industry and from those outside that we perceive to be innovative. When it comes to traditional benchmarking within the organization, the industry, customers, and employees, the finance and marketing departments play the most significant role in gathering and distributing information. Marketing has also helped us identify key vendors for creating scorecards and dashboards that can easily collect information and disseminate it within the organization.

Benchmarking: What's Next

While our general approach to benchmarking is not likely to change in the next twelve months, what we benchmark definitely will. Las Vegas is a unique model. So much is being invested into this fast-paced city that you cannot ride any particular business model or benchmark more than about six months. When you are in our position of being the trendsetter for the industry with everyone following your lead, you have to keep modifying your business strategy, and innovating with speed and confidence in order to maintain this market-leading position.

To provide the most accurate and timely read on our market position, going forward we will continue to expand our knowledge of marketing ROI and dashboarding. Over the next twelve months, we will evaluate the metrics currently used to measure guest loyalty and satisfaction, as well as the effectiveness of our marketing and training programs, and will introduce new benchmarks accordingly. We are also developing new metrics related to drivers of employee engagement, and will use the information to modify how we train and communicate with our workforce and deliver customer service. We are a dynamic organization that is always adjusting and innovating at the pace of the market. Introducing a half a dozen new benchmarks a year is not unusual.

What Works and What Doesn't

At MGM Grand, we have been most successful when we put our key benchmarks of industry, internal, and customer data side by side to examine operational and customer experience benchmarks to ensure they are trending together. For us, it isn't good enough to excel over competitors using industry benchmarks, knowing that we still have the opportunity to advance based on our internal and customer data. We also tie benchmarks to ROI, correlating guest satisfaction to employee satisfaction and property performance, measuring if our training is translating to bottom-line results.

When it comes to benchmarking for growth, for years we have tried to measure gaming spend behavior in Las Vegas. This means we have tried to identify what group of customers in the market has a higher propensity to game at various levels. This would be helpful for marketing purposes so customers who fit our average spend profile could be targeted with special promotions and offers.

We have never been able to define predictive measurements to identify "gaming DNA." At a macro level, we have been able to determine certain cause and effect ratios, but not for individuals. External profiling, customer segmentation, and historical behavior over a customer lifecycle provide some metrics, but we have never been able to pinpoint for marketing purposes what specific profile of customer equates to an exact spend on gaming. If we could identify customers who exactly fit our spend profile in each category, there is a great potential to increase revenue per person per visit.

Not being able to establish metrics for "gaming DNA" may limit our ability to Work Backward to maximize potential revenue, but a larger deterrent to success is establishing ineffective measurements and benchmarks that don't accurately communicate a true snapshot of the business. Inaccurate metrics and benchmarking impact your decision making as well as your ability to respond to your employee and customer needs in effective and innovative ways. It's easy to create measurements, but you have to identify those that are going to be the most useful to you in accomplishing your strategic goals. For example, if you measure the satisfaction of your guests but not loyalty drivers, you will never know if you are truly creating ambassadors for your brand and lifetime consumers.

Relying on a diverse combination of benchmarks and metrics prevents our leadership team from being dependent on one measurement to make our decisions. When analyzing results, we also find it important to understand why benchmarks are trending one direction or another. Initially, a metric may raise more questions than answers, and I rely on my management team to further assess the situation. They must decide if a benchmark is a bad measure or if something of significance is impacting the results.

The best approach for effective benchmarking is to get the input of many minds, both inside and outside the organization. Your department heads will often be able to tell you what measurements would be the most useful to them. If a company uses trend benchmarking, it must rely on everyone in the organization to travel, read, network, and stay aware of communication shifts and trends in various markets. Without great communication and shared collaboration, not only will you not establish the correct benchmarks for your company, but you won't get buy-in for their results.

Acquiring More Knowledge

Benchmarking trends is something I began studying very early in my career. I would look for what was innovative in the market, compare it to the existing operations where I was working, then modify the idea to create new direction based on my learning. Given that I see globalization having the biggest impact on business and leadership in the coming years, I would like to acquire more learning on urban planning. In the future, I think the hospitality industry will be given new opportunities to develop not just individual projects, but multiple projects on hundreds of acres around the world.

The more knowledge you can acquire now, the faster you can make decisions in the future.

Conclusion

As a C-level executive, your goals in any industry are to increase revenue, shareholder value, brand loyalty, and employee engagement. Enhancing your skills and learning in leadership, innovation, collaboration, and benchmarking will help you not only accomplish these objectives, but will help you leave your company better than you found it.

At MGM Grand, we're proud of doing just that. Our culture of innovation led a multi-year evolution that grew revenue more than $300 million in four years to $1.02 billion. We grew jobs for employees by nearly 15 percent and opportunities for career advancement by far more. We developed trend benchmarking and Working Backward to innovate the market and re-energize the property, ultimately changing the experience of an escape to Las Vegas for generations to come.

Our team of top talent leaders worked together with urgency and confidence to accomplish in five years what some never get the opportunity to do in a lifetime. It made us uncomfortable to open thirty-six award-winning venues at record pace, but as somehow my father must have known, it was worth the journey.

At MGM Grand, we're proud of our accomplishments. But tomorrow we start again. After all, our potential is always more than what we have achieved. Our best still lies ahead.

Gamal Aziz serves as president and chief operating officer of MGM Grand. Before his promotion to president, Mr. Aziz served as executive vice president of Hotel Operations for MGM Grand from September 2000 to July 2001.

Mr. Aziz's responsibilities entail the daily management of MGM Grand, one of the world's largest hotels, which includes four additional sub-branded hotel products under one roof: the exclusive Mansion at MGM Grand; SKYLOFTS—a rare and private sanctuary of fifty-one two-story accommodations with expansive views of the Las Vegas skyline; The West Wing—700 chic and stylish rooms, and The Signature—the world's first condo-hotel towers featuring a tranquil non-gaming, non-smoking residential-style environment.

As one of the world's most exciting destination resorts, MGM Grand offers luxurious accommodations, five pools located in a tropical setting, a state-of-the-art conference center, and a 30,000-square-foot grand spa specializing in signature treatments. MGM Grand also features unparalleled entertainment with the world's most renowned nightclub, Studio 54, and the 17,000-seat Grand Garden Arena that hosts premier sports events and live concerts by headliners such as Elton John, U2, Madonna, and the Rolling Stones.

As president of MGM Grand, Mr. Aziz has overseen a multi-year evolution in the resort's offerings that has led the property to debut more than thirty-six major new venues since 2001. As a result, MGM Grand has earned more coveted AAA Diamond awards than any other resort in the world—forty-nine in all—and is the only company to ever have seven AAA Four Diamond restaurants and one AAA Five Diamond restaurant within a single property.

MGM Grand's five-year evolution has included the addition of eleven dynamic new restaurants such as NOBHILL and SEABLUE from internationally acclaimed chef Michael Mina; Craftsteak and 'wichcraft from award-winning chef/owner Tom Colicchio; Fiamma Trattoria from SOHO's successful developer Stephen Hanson; and

Emeril Lagasse's New Orleans Fish House and Wolfgang Puck's Bar & Grill from the internationally recognized celebrity chefs. Other restaurants include Shibuya, offering a Japanese dining experience complemented by an unrivaled sake cellar; Pearl, Chinese featuring contemporary presentation; and Diego, Mexican cuisine with interiors by James Beard award-winning designer Vincente Wolf. The crown jewel of MGM Grand's dining evolution was the addition of Chef of the Century Joel Robuchon's first two dining outlets in the United States in late 2005. L'Atelier de Joel Robuchon and Joel Robuchon at The Mansion offer unparalleled French cuisine in two distinctly elegant settings.

MGM Grand's transformation has also seen the introduction of such exciting entertainment options as the French revue "La Femme" direct from the Crazy Horse in Paris; the city's first ultra lounge, Tabú; 32º, a stylish frozen drink bar; and most recently Rouge, a decadent fusion bar designed by architect Adam Tihany. The pièce de résistance of MGM Grand's entertainment offerings is Cirque du Soleil's KÀ, a multi-million dollar production that advanced theatre many years by introducing innovations in technology, multimedia, sound, pyrotechnics, and acrobatics. Mr. Aziz is also responsible for the remodel of the "Dome" outside Studio 54 to include Centrifuge Bar, a twenty-three table poker room, and a new Race and Sports Book that features Skyboxes—the first of their kind in Las Vegas. He also introduced celebrity stylist Cristophe's newest salon.

Mr. Aziz is recognized as a leader in the hospitality industry and has an extensive hotel and gaming background that spans twenty years. The Nevada Hotel and Lodging Association named Mr. Aziz its "2005 Nevada Hotelier of the Year" for his contributions to the resort industry, and in 2006 the Las Vegas Review-Journal *named him among the "Top 10 Most Influential People in Las Vegas." The property has also been recognized in 2005 and 2006 as Southern Nevada's "Best Place to Work," and the MGM Grand University was ranked number twenty-nine on the prestigious "Training Top 100" that ranks the nation's leading corporate universities.*

Prior to joining MGM Grand, Mr. Aziz was senior vice president at Bellagio and played an integral role in the resort's opening. Mr. Aziz has worked in senior management roles at some of the country's most prominent hotel and gaming properties, including Caesars Palace in Las Vegas, The Plaza Hotel in New York City, the Westin Hotel in Washington, D.C., and the St. Francis in San Francisco.

Mr. Aziz earned his Bachelor of Science degree in business administration from the University of Cairo in Egypt.

Culture: A Critical Driver of the Corporation

Douglas W. Stotlar

President and Chief Executive Officer

Con-way Inc.

Transportation businesses operate in the marketplace in a diverse manner, but regardless of the operating model or the service product, there is one distinctive element—culture. Culture defines a company by defining the company's service proposition, its perception in the market, its ability to attract, engage, and retain employees, and its commitment to the broader stakeholders that depend on the company. Transportation and logistics is an intensely competitive industry—and it's an industry that relies more on people than many other businesses. For most transportation and logistics providers, the biggest expense and largest component of service delivery is labor. And ultimately the culture that underpins a company defines how that labor performs and therefore defines the success or failure of the company.

Con-way started in 1983, shortly after the deregulation of the trucking industry. This was a tumultuous time that brought forth bare-knuckle competition, resulting in a generation-long reduction in logistics costs as a percent of GDP. And, while the consumer benefited from this reduction, carriers had to reinvent themselves to survive. As we emerged from deregulation, the economy was rough and we flew into additional turbulence as many trucking companies had little business and clambered for market share. As Con-way emerged as a viable player in the first half of the 1980s, our company went to market with a service proposition that focused on a next-day freight network for less than truckload deliveries. From the beginning, Con-way's work configuration and job designs stressed a level of flexibility that most competitors could not match. This required a strong cultural foundation to ensure the consistent, fair, equitable and universal treatment of all employees. We knew our long-term success would hinge upon the creation of a corporate culture that would engender trust and the sharing of information with our employees in every interaction.

Articulating the Company Culture

Every company has a corporate culture, whether they recognize it or not. It can range from one end of the spectrum to another, but few companies spend enough time succinctly articulating it and even fewer put processes and programs in place to manage it. After over a decade of developing and refining our culture, we realized that it was time to codify it. In 1997, the organization set out to document and articulate the values and culture of the company. Our commitment to this process was evident from the beginning and it took two years to produce the end product. In 1999 we first rolled out a program to our employees that we still refer to as "The Power of the Dream." The program was built on a corporate constitution which was comprised of three key elements:

1. Our vision and mission
2. Our values
3. Our expectations for behavior and performance

For our employees, the formalization of our culture became a watershed event. While they had always known what we stood for, this initiative created clarity and helped them contribute to the company's success in more tangible ways. Clarity came as a result of a common language and an effective set of communication tools. The lexicon and the tools enabled employees to measure their behaviors and to determine whether the decisions they made would be consistent with and uphold the company's values.

Culture management is so important at Con-way that when I became CEO, I appointed a vice president of culture and training to become a member of my staff. Her primary role is to initiate, manage, and maintain cultural initiatives and programs throughout our enterprise. One of her key support systems is a large group of volunteers at every location throughout the company called the Values Task Force. At a local level, this group encourages the company to live our values every day in everything we do. In addition to the local presence, there is an Enterprise Values Task Force consisting of chairs who manage values-related activities in all business units in addition to their normal job responsibilities

The work and efforts of the Values Task Forces and the vice president of culture and training come to fruition daily, but are spotlighted once a year as we recommit to living our values during "Keeping the Dream Alive Week." During this week, there are celebrations and a system-wide re-dedication to the company's corporate constitution. Among other activities at each location, all employees are invited to symbolically re-dedicate themselves to personally upholding our values by signing the constitution which is then framed and put on display for the remainder of the year until the next celebration.

Any company's culture is difficult to define in a single word and Con-way's is no different. But at Con-way, we have articulated it to our employees this way: values-driven. Our employees understand the work environment, know what to expect from their co-workers and leaders, and are empowered to make decisions, in a manner that will be consistent with company values. They know the universal language of culture across the organization calls for integrity, commitment, and excellence. Within individual business units, these three core values are extended to a fourth to include a unique value of importance to that company. Safety, leadership, or collaboration round out the constitution for each of Con-way's primary business units. It's this sort of clarity that attracts many to us who become successful and have great careers with us. And it's the same clarity that may repel those who cannot work in an environment that defines itself with such clarity and strict adherence to values. We have found that people whose personal values align with the company values are very successful here and people whose personal values do not align with company values will probably not become a long-term employee.

When employees understand the vision and mission of the organization, they conduct their business in a manner consistent with the company's expectations. This approach provides good results for the organization because everything is aligned. Alignment supports common processes and consistent customer and employee experiences. Con-way has been called the "marine corps of trucking" because of our emphasis on discipline, processes, and values. We expect the corporate culture to be our true north and we expect leadership to demonstrate that they live and manage by our values everyday.

This is particularly critical in a labor-intensive service industry such as ours, Employees should understand how their behavior affects customer perception and the company's ability to be productive and meet customers' expectations. And those factors make a huge difference how the company performs financially.

Customer Service

The company culture permeates every aspect of our service proposition, but it is particularly evident as a guidepost to our delivery of excellent customer service. Because our employees understand our commitment to our customers, everybody holds their counterparts across the enterprise accountable to perform to the customer's level of expectations. People know what is expected of them and are willing to go beyond that if it will deliver excellence to a customer. They check on daily deliveries, on-time customer pickups, careful freight handling, and anything else that can make a difference and improve the customer experience. We also know that service comes to the fore every time one of our driver sales representatives makes a pickup or a delivery. Every day, our brand and our culture are alive and well on the roadways and at loading docks across North America and around the globe. As a result, the company delivers a product that is measurably better in the industry and we do it with productivity that is considerably higher than the industry average.

Staffing to the Values of the Enterprise

Many transportation companies, especially values-driven companies like Con-way, tend to promote from within. However, to introduce new skills or diversity of perspective we sometimes need to fill new positions from the outside. In the past year, we have successfully hired two senior managers from outside the organization. While it could have been a challenge to find senior-level talent whose values align with the company's values, we took extra care to ensure that we did. We started by collecting and reviewing appropriate resumes to determine whether they have the technical expertise for the positions. Then we had the top candidates interview with the VP of culture and training who has experience in human resource. If they did not pass her screen, they simply would not advance—regardless of their technical skills. This speaks volumes as to our commitment to managing our culture from the top.

Consistently Reinforcing the Values

Once employees are hired, they experience "culture orientation" during their on-boarding. After that, we hold everyone accountable to the company values. Across the company, on an ongoing basis, we deploy communication tools to enable better dialog about the role values play in our success. We use a formal employee recognition program to encourage and support our employees in their efforts to uphold our constitution. At the grassroots level, we have a process called Star Cards, which offers opportunities for employees and managers alike to commend their fellow employees for demonstrating company values. Employees write a handwritten note on the Star Cards to an employee whom they have witnessed exhibit one or more of our values. We try to encourage people to deliver the notes in a group setting, so people are rewarded in front of others. Each Star Card has a tear-off stub indicating who sent the card and who received it and for what. This information is then sent to the human resources department, where it becomes part of the employee's personnel file. Over the last seven years, we have issued nearly three quarters of a million Star Cards.

At the next level of recognition, on a quarterly basis, employees can submit a nomination to honor employees who consistently and persistently demonstrate the values. Recipients of this award are given the distinction of being quarterly leaders. All those who receive this honor are then considered to be candidates for the annual Presidents Club Award. All Presidents Club winners are vetted through personal interviews and then go into a pool as candidates for the CEO Constellation Award, the highest award in our enterprise. As CEO, I get the opportunity to spend a day with the winners to help shape program and corporate development.

The bottom line is our values serve as an underpinning for every employee, regardless of their role. The environment is transparent and the company expects employees at all levels to "do the right thing." This is a common phrase used in our company. We ask employees to give feedback as to whether management is making decisions consistent with the values. We evaluate this feedback thoroughly, which is part of the rigor of the organization—and it makes the company better.

Culture manifests itself in real and tangible ways. For instance, the line-haul model in our less than truckload division is a specially designed, critical component of our service proposition. By providing high velocity, coordination, and superior execution, they ensure their counterparts produce unbeatable time in transit and consistency for our customers. The system simply would not work without a highly efficient and well-developed culture that places a premium on and articulates the values of safety, commitment, integrity, and excellence. Everything must work together to really make the gears mesh.

In other areas of our business, superior productivity, efficiency, and service that we enjoy as a result of Con-way's culture all affect the bottom line. Because of our speed and customer satisfaction, we are able to attain slightly higher price points and margin than our competitors. This translates back to benefits for our shareholders as you examine our company's return on capital and asset utilization.

Misconceptions about Company Culture

We have found that while our culture is well defined, it is still broad enough for individuals to flourish without feeling stymied. Everybody paints the company culture to fit their own personal needs or perspective on a situation. For instance, as CEO, I look at company sustainability, potential returns for shareholders, and decisions that potentially have a five- to twenty-year tail. Other employees take a short-term perspective, focusing on their immediate role. The beauty of a culture such as Con-way's is that regardless of the area or level of responsibility, all of our employees find key elements of integrity, commitment, and excellence within their jobs.

Culture Starts and Stops with the CEO

The company culture supports a collaborative environment in which communication lines are open and information flows in both directions. CEOs must be secure in their role as leader and be willing to be questioned by management and other employees. If the CEO is not receptive to feedback, he short-circuits the process and shows employees that he does not take the role of culture and values seriously. And that bodes ill for everyone in the organization.

Above all, the CEO must set the tone for the company's culture through his or her words and behaviors. I believe one of the key reasons for my selection as CEO was because I have always linked my decisions and modeled my behavior in accordance with the values and the service proposition that is our foundation. If I do not overtly set the tone and consistently follow the culture, no one else will. And, in the end, culture will be the defining quality that wins in an intensely competitive industry.

Douglas W. Stotlar is president and chief executive officer of Con-way Inc. (previously known as CNF Inc.), a $4.2 billion transportation and logistics company with businesses in less-than-truckload motor carriage, truckload and brokerage services, logistics, warehousing, supply chain management, and trailer manufacturing. As the company's top executive, Mr. Stotlar is responsible for the overall management and performance of the company. He was named to his current position in April, 2005.

Mr. Stotlar previously served as president and chief executive officer of Con-Way Transportation Services, Inc., CNF's $2.8 billion regional trucking subsidiary. He had held that position since 2004 and was responsible for the day-to-day management and long-term strategic planning of a company operating a network of regional trucking units throughout the United States, Canada, Mexico, and Puerto Rico. He also directed several other large, diversified elements of the enterprise throughout his tenure. Before being named head of Con-way, Mr. Stotlar served as executive vice president and chief operating officer of CTS, a position he had held since June 2002. From 1997 to 2002, he was executive vice president of operations for CTS.

Mr. Stotlar joined the Con-way organization in 1985 as a freight operations supervisor for Con-Way Central Express, one of the company's regional trucking subsidiaries. He subsequently advanced to management posts in Columbus, OH, Fort Wayne, IN, and Milwaukee, WI, where he was named northwest regional manager for Con-Way Central Express responsible for twelve service centers.

A native of Newbury, OH, Mr. Stotlar earned his bachelor's degree in transportation and logistics from The Ohio State University. He serves as vice president at large and is a member of the executive committee of the American Trucking Associations. He is also a member of the board of directors for the American Transportation Research Institute (ATRI). Mr. Stotlar is based at Con-way's headquarters in San Mateo, CA.

Acknowledgements: *I would like to acknowledge the contributions of Pat Jannausch, Con-way's VP of culture and training.*

Guiding an Educational Institution to Success

David Adamany

Chancellor and Laura Carnell Professor of Law and Political Science

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Creating Success

In order to be successful, a university president needs a strong understanding of the core business and he or she must be strongly committed to working steadily and vigorously at the core business without being distracted by peripheral activities. And he/she should have a clear idea of what success is for his or her university.

In many private companies, profit tends to be the principal measure of CEO success. But financial results are only one measure of a university president's success, and far from the most important measure. A university president faces the challenge very early in his/her service of defining clear measures of success and communicating those to the board of trustees and to the university's internal and external constituents. This is probably the most difficult challenge a university president faces, and a very large number of institutions simply never develop measurable benchmarks for success.

Goals of an Educational Institution

As an educational institution, we change our vision or leadership plan only at long intervals, most commonly seven to ten years. This may seem long by private sector standards but many undergraduate students must now work part time, and they take about six years to complete their degrees. The service of university presidents is, on average, also within a six- to ten-year time frame. So the passing of student generations and of executive leadership tends to define our planning horizons.

Like the private sector, we have clearly defined financial benchmarks, but they are only secondary to our core benchmarks which are related to our core educational mission. So we are certainly concerned with maintaining a balanced budget each year, to develop some reserves as a cushion against unexpected reductions in enrollment or governmental support, and to have a strong balance sheet that will gain favorable ratings from Standard & Poor's and Moody's so that we can borrow money at reasonable cost.

Our core goals, however, are offering educational opportunity to those who can benefit from what our institutions offer, stimulating high educational achievement by our students, our discoveries and innovations in research and scholarship, and the service we provide to society at large.

We have short-term objectives that support our core goals. These may vary from institution to institution and from time to time. But they often focus on student access to education measured by enrollment levels, student credentials, student achievement, grants and fellowships received to support our research mission, the research, scholarly and artistic work produced by our faculty, and community service initiatives that translate the knowledge we develop into tangible benefits for the public outside the university.

In the twenty-one years that I served as a university president, at two different institutions, I attempted to build measures of these short-term goals and to incorporate them into our annual budget process. We use the annual budget process as a planning document to identify and achieve short-term objectives that support our core goals.

Many of the short-term goals set in the annual budget are recurring or renewable. We set enrollment targets each year, for instance. Some short-term goals may take several years to attain, such as development of a new area of scientific research that requires the recruitment of faculty, the renovation of laboratories, the purchase of special equipment, and the acquisition of research grants. In such cases we renew the goal in each annual budget cycle and we provide budget support each year until the goal is met. But even in such cases, we have a clear idea of how many years of budget investment will be required to achieve the goal, and we expect to see regular measurable progress each year of the multi-year period leading up to the scheduled completion of the overall goal.

In the administrative sectors of the university, we have goals that generally seek to improve performance and achieve economies. We review our contracts with outside vendors to see if we can gain price reductions or increase shared revenues. We seek increases in the volume of activity that can be achieved by each office and department without additional budget resources. So a challenge during periods of rising admissions applications is what steps the Admissions Office can take to timely and accurately process increased numbers of applications without additional budget resources. In these administrative sectors we have goals similar to private sector enterprises: to increase volume, maintain or improve quality, and constrain costs.

Checks and Balances

To create a checks and balances system to ensure that goals are met, there is a year-end progress report assembled in each part of the university on each of the goals that were set in the annual budget. Sometimes this review leads us to conclude that a goal was not as important as it seemed when originally set and we discard it. We sometimes modify goals as we have some experience implementing them. Most important, we look carefully at goals on which we're not making expected progress and formulate steps to accelerate our progress.

In addition to the annual budget review of goals, as president I met periodically during the year with university vice presidents to review progress on some of the goals that seemed to be difficult to achieve, so that we could take additional steps to push those goals along. We often involved other staff and managers in those meetings both to gain their insights and to emphasize the importance of making progress on these goals.

The budget process also involved a review of the past year's goals in each academic school or college and in the administrative units to see whether those goals had been met as well as to formulate goals and budgets for the following year. That review of past-year goals was a critical part of the evaluation process for deans and officers. Evaluations of performance were made and written feedback sent to the deans of the academic units and to the administrative officers. Annual compensation adjustments were linked in some measure to the successful achievement of annual goals. Of course in universities we do not have the opportunities for significant bonuses, stock options, and other compensation arrangements available in the for-profit sector.

Goal Incentives

Budget allocations were sometimes adjusted during the course of a year to acknowledge goals that had been set in the annual budget. An academic unit that exceeded enrollment goals, for instance, received additional funds in that same year from the additional tuition revenues generated from that enrollment. And academic colleges or schools that fell short of enrollment goals were expected to return part of their allocated budget. We also made arrangements that allowed academic units to receive funding based on their volume of external grants and contracts for research, instruction, and service. And, of course, academic units that were successful in raising money from alumni, friends, foundations, and corporations retained that money to support their programs. And, as mentioned above, annual compensation increases were based in part on meeting annual goals. So there were both unit incentives and individual incentives for achieving goals set in the annual budget.

Benchmarking Institutions

In order to determine whether we were making progress toward our core goals, we used benchmarks derived from other institutions with similar missions. Both institutions where I served as president had large undergraduate student populations, graduate programs of various sizes, professional schools, and research missions. We looked at "benchmark" institutions—usually the nation's top one hundred research universities or the major urban research universities, since both the institutions I headed were urban institutions But we sometimes looked at national data encompassing all universities and colleges to derive benchmarks for our core goals. Each university that attempts goal setting must select the appropriate set of benchmark institutions for comparative purposes. And it must then set a target for its own performance: does it wish to be among the nation's fifty largest institutions in serving students, among the top one hundred institutions in research funding, among a top group of institutions in the academic credentials of entering students, and so forth.

Unfortunately, some benchmarks that have become popular with public officials and with the press don't really make much sense. Four-year graduation rates, for instance, do not reflect the reality of a world in which students may take six or more years to complete undergraduate degrees because they may work many hours to earn money to pay tuition and living expenses or where students may change their majors as their life goals become clearer to them. Students these days may take semesters off to bear or nuture children, to travel abroad, to care for parents or other loved ones, or to work full-time in public service activities or private endeavors. The traditional four-year college experience was a norm of the 1950s and 1960s, but hasn't had much real pertinence to many students for at least two decades. Similarly, institutional graduation rates no longer tell us much. Students transfer between institutions because of family moves from one state to another, to be with spouses or partners, to experience different parts of the country, to pay less tuition, to find a curriculum that better serves their changing career goals, and for many other reasons.

Unfortunately, data to examine some of the most important benchmarks of educational success are not readily available. There are not, for instance, widely accepted methods for evaluating student knowledge and skills in their major field or generally. So we often turn to secondary measures: How do undergraduate students perform on examinations they take for admission to graduate and professional schools? How do professional school graduates perform on licensing exams? How well do graduates perform in their first and second jobs, as perceived by their employers? In a democracy it would be helpful if we had some measure of whether the college and university graduates participate effectively in the political process.

During the last few years of my most recent presidency, we began to gather some of this information and we began to evaluate our institutional performance by these measures. It was, I believe, a rude awakening for many of us and for our academic faculties and deans to learn that we were not performing as well on some of these measures as we had believed.

There is room in America's higher education for the systematic collection of these and other data that would help universities measure their performance. And the proponents of some types of testing of student knowledge and skills upon graduation as one measure—*but only one measure!*—of institutional performance may not be totally wrong.

Challenges to Goal Implementation

A major impediment to achieving year-to-year goals is the differences of opinion within colleges and universities, and especially within our large institutions, on the importance of goals announced by the institutions.

Many of our faculty have tenure and therefore have lifetime appointments. They may have goals that are either personal to them or unique to their academic unit. These goals may be quite different from the goals of the university leadership or even at odds with the institution's stated mission. University leaders have very limited ability to direct the goals of faculty and even less ability to change institutional personnel because of the tenure system.

Thus, disagreements easily and naturally arise over the goals of the organization, yet university leadership does not have the usual tools to address these differences in aspirations. We can, of course, appeal faculty to adjust their aspirations to come closer to institutional goals, but faculty may often be more attentive to the goals and norms of their professions nationally than to the goals of their home institution. We can develop budget systems that favor those academic departments and colleges that are in tune with institutional goals. We can provide a small measure of incentives for achieving institutional goals. But we can't follow a private sector model of closing units, or spinning such units off, or selling them, or making significant changes in personnel through down-sizing or closure, or taking similar steps that fundamentally change the personnel and operations of academic units that simply don't support university-wide goals or don't achieve those goals.

In universities with strong leadership, these disproportionate allocations of resources to those academic areas whose activities, goals, and performance support university-wide initiatives may be quite pronounced. Such an approach must be carefully undertaken, however, so that it does not deprive students enrolled in dissident academic units of the resources needed to achieve their educational goals. A strategy of differential allocation to units that support institution-wide goals also leads to uneven growth and quality within the university; but over time most units will adjust their activities to more nearly support institutional goals. This gradual process is another reason why strategic plans and goal formulation come at relatively long intervals of seven to ten years, as mentioned previously.

Another challenge to goal implementation is that universities are readily affected by market factors. Enrollment rises and falls based on the economy and on twenty-year ago birth rates. If there is a recession, and employers are not hiring in certain fields, then enrollment in those fields is likely to decline. Yet in the future, there may again be a strong demand for people in those specialties. Similarly, government and private research funding may shift from one specialty field to another, as societal and world conditions change, as scientific knowledge expands, and as markets dictate.

We must constantly expand and contract our academic programs to try to achieve a reasonably good fit to enrollment demands of students and societal needs reflected in governmental and private sector support. To do this, universities increasingly attempt to strike balances between academic personnel we appoint who will achieve lifetime tenure and other academic personnel who may work on contracts for defined periods and whose contract renewals may depend in part on trends in society to which universities must respond, at least in part. We do not, however, have the opportunity in our academic units of contracting out for services or goods and then terminating or non-renewing those contracts as demands change, a practice now widespread in the for-profit sector. And we have only limited opportunities to support our academic programs through "just in time delivery," another common practice in the for-profit world.

Even as we respond to current demands for educational and research services, university leaders must be aware, in setting goals, that our institutions are repositories of knowledge as well as important sources of contemporary teaching and research. We would not eliminate our classical language programs because there is only a very small demand for the study of Latin, ancient Greek, Aramaic, or other areas related to human history and cultural roots. For years, as we know, there was scant demand for the study of Arabic; and many universities discontinued or greatly shrank their programs of Arab language teaching. Today our government and private sectors both find themselves with profound shortages of Arab-language speakers. So our adjustments of university goals to societal needs are prudential and marginal. We rarely should set goals or make decisions that entirely discontinue fields of human knowledge, as the Ford Motor Company did with its Lincoln automobile line in 2001.

Establishing Communication

The broad goal of the university is to provide access for students to earn an education, to provide them an education of high quality, and to expand the body of human knowledge. These goals are widely shared in academic life and on most individual campuses. By evaluating our response to student demands for higher education, studying the quality of student academic achievement, and examining the volume and quality of research and creative endeavors, we can communicate both internally and to the public at large our success or failure on those broad goals.

It is more difficult to persuasively communicate to individual academic units that they may be required to significantly change what they are doing in order to improve institutional effectiveness on those measures. Each unit has a rationale for what it is doing and is quick to differentiate itself, when convenient, from national trends or measures of performance elsewhere. The difficulty of communicating goals and performance measures is compounded because much of the communication must be undertaken by academic deans, who may have aspirations for their own academic areas that are not consistent with overall institutional needs or who may wish simply to avoid controversy within their faculties. At best, the communication of goals and performance standards to the many academic units within a major university is a slow process and one that requires steady repetition and patience.

Some goals, however, such as our emphasis on improving customer service to students, employees, alumni and citizens are communicated to non-faculty employees quite effectively by our human resources department and by the senior leadership in the various administrative units. In these administrative operations, universities and their leadership are more nearly similar to enterprises in the for-profit sector.

Measuring Against the Competition

It is ironic that universities are relatively poor learners when it comes to studying goal-setting and achievement measuring activities of other higher education institutions. Good practices at a few innovative universities have spread very slowly. Institutions are inclined to rest on their legal autonomy, to resist change because of their local culture and internal political arrangements, to readily develop rationales why they are different from institutions that are innovating in goal-measuring activities.

Most important, however, is that much of the information that is necessary to benchmark goal achievement against other institutions is simply not collected or is not centrally available for us to study.

Resistance to benchmarking is heightened because widely-read journalistic rankings of universities and academic progress are badly flawed and give benchmarking a bad reputation in academic life. They often measure "inputs," such as entering student credentials, or student educational decisions, such as institution-to-institution transfer or graduation rates, that largely do not reflect the realities of today's society. Actual student educational achievement and post-graduation contributions to the economy and society are largely unmeasured and certainly are not published in these rankings or elsewhere.

Difficult Situations

The most difficult situations I faced as a university president involved evaluating and recognizing people. This is especially true of working with faculty, since they work in many different specialties, have many different working styles, undertake work whose real impact on students or society is often difficult to measure or becomes known only years later (the time from scientific discovery to award of Nobel prizes is an exaggerated but useful example), and earn lifetime tenure in their positions. Also, they are often guided by the aspirations, beliefs, and goals of their academic professions rather than by the goals of their home institution.

Another difficulty is the mistaken perception of presidential power or authority. It is a common belief that the president of a university has considerable power. However, power in a university and the ability to both make and implement decisions is very widely dispersed among the colleges and academic departments. I sometimes try to put this in physical terms by saying that the centrifugal forces in a university are much more powerful than the centripetal ones. A university president has only a few tools for holding together the vast number of largely self-directed academic enterprises as a single, reasonably coherent institution with common purposes rather than becoming simply a piece of earth on which many different academic encampments dwell side by side, isolated and only sometimes civilly.

It is difficult and often controversial work to steadily, consistently, and purposefully use the limited tools of the presidency to focus the institution on a limited number of institutional purposes, core goals, short-term steps to achieve those goals, and common measures for evaluating success in teaching and the development of knowledge.

Constant discussion, persuasion, and steady strategic use of personnel, financial and administrative decisions, even mid-level decisions, together with a well-articulated vision for the institution are necessary to make even modest progress.

Keeping an Edge

To keep my edge as president, I spent time constantly thinking about the issues and challenges that face the university. I didn't simply study the results of the business operations or the financial reports. Instead, I focused on the larger academic environment and looked at ways we could contribute to a rapidly changing world. I thought constantly—and worried a great deal—about how we know that we are serving students so that they would have the capacity to become better people, better citizens, and more productive workers. I tried to focus not on what we thought we were doing but on how we can demonstrate that we are doing it. A professor, who didn't care much for my insistence on validating what we thought, told a faculty audience that he wanted "more judgment and less metrics." I wondered how we might make good judgments about our achievements without having those judgments informed by good metrics.

I also spent a lot of time talking to people outside of the university. They have a totally different perspective about the world, how it is developing, and which trends will have the largest future impact. They are also far more skeptical about the effectiveness of our universities than most of us in higher education.

Changing Role of University President

The role of the university president has changed over the past twenty years because of the enormous escalation of demands on our time and the broadening of expectations. In the past, we were largely campus figures. Now there are seemingly unlimited demands on our time to be engaged with alumni, to raise money from corporations, foundations and individuals, to work with political leaders on issues of regulation and appropriation, and at the same time to remain engaged on the campus.

Demands and expectations by students, citizens, alumni, public officials and regulators, funding agencies, and the press have made the job much more demanding and much faster paced. The availability of instant information and the expectation of instant response have imposed a tremendous additional burden on university presidents, as they have on others in leadership positions in our society. I have learned the hard way that I do not have to answer every question that is asked, or respond to every piece of information that is provided by every source, or act on deadlines set by the press or by student protesters or angry faculty.

What I couldn't seem to learn was how to find enough time to think thoroughly and wisely about the myriad of issues that came through the door, make the host of decisions that faculty, students, government officials, the press, and trustees insisted be made "at the top," and still maintain a personal presence and touch on the campus. Toward the end of my service I deliberately valued the last of those more than the others. I attended more student gatherings, ate regularly in the dining hall where students could easily speak to me, took a few minutes on many days to stroll the campus. And I found quite a bit of satisfaction in doing it my own way. As far as I can tell, my decisions were better and the university did pretty well, even though some who demanded instant decisions or time on my calendar went away unsatisfied.

Useful Advice

The advice I most often give university administrators is to do the right thing. They should not cut corners, take undue advantage of others, or play politics. The best decision on the merit is almost always the best political decision as well. I learned that during a stint as Wisconsin's revenue secretary, with the principal responsibility for collecting taxes, many years ago. I tell colleagues not to fall into the habit of thinking that personal satisfaction is found in our work. Instead, they must keep their eyes on the goals of the university and find satisfaction in the success of others, especially students.

The best advice I have ever received came from another university president. He told me that if I ever begin to feel sorry for myself because of the pressures of my job, then I had stayed too long.

The Golden Rules

There are rules that I tried to follow in guiding my work as a university president. First, remember that the people are everything. Therefore it is necessary to know what constitutes quality performance by faculty and students. It's not all the same. One must look closely at the activities and outcomes to see whether students are gaining real benefits, not just good grades or test scores, and to understand whether scholarship or creative work is likely to have a lasting impact or is just popular or fashionable at this moment. Second, be modest about your abilities. Stick to the core academic mission of the institution and don't stray into peripheral fields where you lack knowledge and expertise. They will distract you, they will consume your time and energy, and in the end you're likely to do them badly. Third, always be thinking about the second and third turn in the road ahead, not just the one right in front of you.

David Adamany is chancellor and Laura Carnell professor of law and political science at Temple University. He served as president of the university from 2000 to 2006 and served as president of Wayne State University in Detroit from 1882 to 1997. Previously, Mr. Adamany served as Dean of the College at Wesleyan University and as vice president for Academic Affairs at California State University, Long Beach and for the University of Maryland System. He held professorships in all of those institutions and at the University of Wisconsin, Madison.

Mr. Adamany was acting CEO of the Detroit Public Schools under legislation that reorganized the school district in the 1999 to 2000 school year. He has served on the *boards of directors of two multi-hospital academic health systems, two foundation boards, and three corporate boards. He also served as pardon counsel to the governor of Wisconsin, a member of the Wisconsin Public Service Commission, and a member of the Michigan Civil Service Commission, among other public and civic posts.*

Mr. Adamany holds Bachelor's and law degrees from Harvard, Master's and doctoral degrees from the University Wisconsin-Madison, and four honorary degrees.

Diversity & Leadership

Lita M. Abele

President and Chief Executive Officer

U.S. Lumber Inc.

Necessary Skills for CEOs

Fundamentally, a CEO must possess skills that embrace a clear corporate vision while maintaining flexibility in how he or she approaches challenges that threaten the corporation's financial viability.

When I served as an expert commentator for south Jersey's largest newspaper and offered commentary on the 2004 episodes of *The Apprentice*, I looked for an individual among the prospective candidates who had CEO potential. The qualities I sought among those interviewed were superstar tendencies, strong teamwork qualities, attention to detail, and an ability to be innovative under pressure to get the job done.

In strategic hiring among larger corporations, I am sure that when young, talented people are recruited, there is attention paid to whether they have the ability to rise in the company and contribute in strategic ways.

In my family-owned lumber company, I am the largest stockholder, with my husband owning the minority share. My children also work at the company, and I have twelve outstanding employees who helped our company earn over $6 million in sales in 2005. At this time, I am not hiring senior management professionals, but if I were, I would employ a talented person who understands finances, and who could help negotiate strategic partnerships among larger corporations seeking to retain women and minority-owned firms as consultant partners. I would want a professional who embodies many of the outstanding qualities of individuals who applied to be Donald Trump's apprentice.

My clients have my cell phone number, and often will find that I have surprise visits to their construction sites or offices where I can receive an instant assessment of how well my company is doing in quality control and the delivery of outstanding services.

Appropriate Times to Change an Organization's Vision

Usually, my leadership vision will change in moments of crisis, and in particular, if profitability falls. The changing global marketplace has required my business to implement outstanding business practices for superb customer service practices. Sometimes, even when my company is operating at peak performance, there will be changes in procurement or CEO vision at one of my client's firms that may still result in my losing this business. But I know that the decision had little or nothing to do with the manner in which U.S. Lumber conducted professional relationships with clients. Sometimes, it just has to do with other strategic considerations beyond my control. In the case where I may lose a client, I communicate to my employees what happened and how it was beyond all of our control.

The Effect of Globalization

With the emerging global market in all private-sector industries and services, my business must be a lean operation, with no or little waste, and outstanding customer service. I recognize that my clients also are under the same constraints and seek to maximize their profitability, as do I. Part of my CEO strategy involves being a hands-on customer service representative for U.S. Lumber, Inc.

Best Piece of Advice Frequently Given to Employees

The best advice I give my employees is, "Work hard, and you will be rewarded." As a hands-on CEO, I am in the business every day, and see operations and my employees. I employ men and women who are polite, hard working, and take pride in their jobs. Many are immigrants or former immigrants like me, and they have been personally touched by the American dream when they came to America. To show my appreciation, I will cook lunch for them, bring them watermelon and other fruits on days of excessive heat, and I cover all their medical expenses through the payment of the health insurance premium and no co-payment.

Best Advice Received From Another CEO

The best advice I received from another CEO was to be open-minded and creative. I apply this advice daily, because I try to empathize with those who communicate their viewpoints about U.S. Lumber, my team, and business in general. Communication can only occur when we are listening to each other. Therefore, being opened-minded is key to engaging in a dialogue.

Resources for Staying Current with Industry Trends

Being active in the following organizations enables me to be on top of trends for my industry, the work of minority- and women-certified firms, and organizations that advocate on behalf of Asian-Americans: American Subcontractor Association; Greater Philadelphia Chamber of Commerce; National Association of Women Business Owners; National Association of Women in Construction; National Minority Supplier Development Council of PA, NJ, and DE; National Pan-Asian American Chamber of Commerce; National Women Business Enterprise; New Jersey Asian-American Chamber of Commerce; New Jersey Association of Women Business Owners; and Chamber of Commerce of South Jersey. As CEO, I must decide where our company's visibility is most effective for strategic partnerships and opportunity for business growth.

Establishing and Maintaining Brand Identity

CEOs of small corporations are often viewed as the firm's brand identity. I am the voice of U.S. Lumber. When I am interviewed for *Enterprising Women Magazine*, *Asian Enterprise Magazine*, *Philadelphia Business Journal*, *NJBIZ*, *Courier Post*, regional daily and weekly newspapers, people listen to my advice because I am a nationally recognized entrepreneurial leader. In business, we cannot afford to make unnecessary adversaries, and I work very hard to maintain a professional advocacy role for my company, in addition to leading on behalf of women- and minority-owned companies.

Three Golden Rules for a Successful CEO

My three golden rules for successful CEO leadership are:

- Never lie
- Always remember that you are in business to please your customer
- Be professional, courteous, and kind

My advice to would-be CEOs is to always tell the truth, because once your credibility is compromised, there is no return to grace. I am proud to say that my word stands true. We must also remember that without our customers, our businesses would close. Therefore, be considerate of your customers and work with them to implement a vision that allows your business to thrive while providing excellent service. I cannot emphasize how important it is for CEOs to maintain a professional demeanor while being courteous and kind. I do not like mean people, and do not surround myself with anyone who is rude. As I have said in my speeches to business and community audiences, treat people with the respect levels that you demand from yourself and others. Kindness goes a long way, especially when it is genuine.

Three Tips for Success in Life

I also offer three tips for success in life:

- Embrace who you are, and accept your unique assets
- Never hide your talent
- Always be thankful for those who helped you

Embrace Who You Are and Accept Your Unique Assets

Let me highlight the first tip for success in life. Some people automatically dismiss individuals with accents. For example, New Jersey is such a melting pot, a true land of opportunity, which has been the new entry for many immigrants. Many of us had family who arrived in America through the Port of New York, and our parents, grandparents or great grandparents had accents. Unless people were brought here as slaves, most of our families came for the promise of opportunity, to make a better life, and to seek freedom.

That's why I came, leaving behind my life in the Philippines. I still have my accent, which is an important part of me. My accent is my best public relations tool because no one forgets me after we meet. I embraced my accent and it helps me grow my business daily.

Never Hide Your Talent

I began my new life in America as a domestic worker, and was held against my will by my first American employer. I remember those times with sadness, and then I remember that I triumphed. One day, I had the courage to call for help. I called the very agency my employer threatened to call to have me deported. I called in the Immigration Naturalization Service, the INS. That call helped save my life and my soul. It takes great courage to stand up against a tyrant, and from the moment I began my "new" life in America, I promised that I would never hide my talent and abilities to allow another person to feel powerful. This idea is central to my personal philosophy, and a good CEO knows that by harnessing the true talents of others, the company wins.

When I received numerous national honors from 2004 to 2006, an amazing opportunity opened for me. My recognition gives me an opportunity to speak and showcase my life experience as an immigrant, an Asian-American, and a woman who owns a non-traditional business. Why would I silence my voice? People listened as I discussed the need for more corporations to embrace diversity and share resources and power with those of us who have other cultural experiences. Be proud of your background and your unique attributes, and through your leadership others will follow. When each of us speaks freely, we educate others about our experiences, and open the door for growth opportunities.

Always Be Thankful for Those Who Helped You

As an immigrant who came to America and then was held against my will and threatened with deportation, my story may be a little different, but gratitude and thankfulness is still the same.

For me, America has provided me with many experiences, and from the good and the bad, I have constructed some life lessons on how wonderful my life has become through a vision of optimism, experiencing unexpected opportunities, and finding love. It is still my faith in the goodness of people and the power of love that moves me, and I hope moves others.

When one gives from the heart, in my case, time, advice, and resources, the honor of recognition is never considered. Coming from the Philippines, I knew arriving in America would change my life forever. But my life is so different from what I expected, and becoming a CEO of a successful company was one of the unexpected by-products.

Lita M. Abele, president and CEO of the family-owned and southern New Jersey-based U.S. Lumber Inc., has successfully "gone against the grain" and positioned her certified woman and minority-owned lumber and building materials company as a regional leader in sales. Her outstanding leadership in a non-traditional woman-owned firm has been recognized in the past nine years with ten national, regional, and local business awards. They include being named one of 25 Women of Influence by NJBIZ *magazine in 2005 and* Philadelphia Business Journal *in 2004.*

When she left her homeland of the Philippines in 1981 to seek new opportunities in the U.S., Ms. Abele initially took a job as a housekeeper for a Filipino family in New York. Now, with her husband and minority percentage business partner Merrill L. Abele, she directs U.S. Lumber Inc., a leading lumber supplier throughout New Jersey, Delaware, Maryland, and Pennsylvania. In 2000 and 2001, U.S. Lumber Inc. was ranked by the Philadelphia Business Journal *as one of the top twenty-five fastest-growing companies in the region. In 2003, revenue topped $5 million; by 2004, it had reached $10 million.*

Past and present clients include Dupont Company, Philadelphia Gas Works, Exelon Peco Energy, Merck & Company, Madison & Carson Concrete, Mumford & Miller, and, most recently, Atlantic City's newly opened Borgata Casino. The Philadelphia Eagles stadiums, Trenton Rte. 29 Tunnel, and Temple University all contain materials supplied by U.S. Lumber.

Ms. Abele has served under Gov. James E. McGreevey as one of the forty-five commissioners on the New Jersey Asian-American Commission charged with representing the concerns of the Asian-American community. One of the founders of the New Jersey Asian-American Chamber of Commerce, Ms. Abele serves as its executive vice president and has a seat on the board of directors. She is also a member of the U.S. Pan-Asian Chamber of Commerce.

Dedication: *To my husband, Merrill L. Abele.*

The “Hole” Scoop

Lorri A. Keenum

President and Chief Executive Officer

Midwest Trenching & Excavating Inc.

Qualities of a Successful CEO

As a CEO, it is important to be clear about your expectations, and then allow your staff the freedom to fulfill your expectations. I am not as concerned about how my staff achieves my desired outcome as long as decisions are based on what's best for the organization and customer, including integrity in the process. Therefore, the ability to convey expectations clearly and hold these expectations accountable in a respectful leadership style is highly important.

Goal setting is a component to clear expectations. Our goals are set collectively by both owners of the company with strategies and actions being established by the Midwest executive lead team. As owners, we establish what we want, but through the executive lead team, all parties collectively establish how we will get there. Goals are established with checks and balances done a number of ways—all of them following measurement tools of accomplishment regarding revenues, margins, award rates, etc. Collective input from all members of the organization is utilized to measure non-monetary goals—i.e., culture of the organization.

I am passionate about numbers; I review numbers with the staff on a regular basis, comparing current numbers with their parallel to historical. Besides having revenue targets, we have margin targets. We are also a very "live" office, which means that all information is continually updated through the support team that services project management and field personnel. Project managers have up-to-the-minute production goals that are compared with estimates prepared during the bidding process. As a result, we are growing the revenue but also maintaining historical margins.

Challenges of the Position

Amongst many challenges, company culture is the first that comes to mind. When Midwest was founded, it was surrounded by an energy to succeed and fed by the newness of the organization. Those involved were passionate to break through the challenges of starting a new business. Shortly after its conception, Midwest began to surpass all goals regarding projected revenue and margins, feeding more positive energy into the organization. As the company progressed over the last fifteen years, the culture has focused on maintaining a leading spot in our industry nitch.

A single negative factor can affect the culture of the organization in a large way—for example, when you do not have a team player, or even your own reaction when receiving public push back from staff about their role in the organization. I typically handle this situation in several ways. One, I try to clarify that a directive was given, not a suggestion. Second, I offer to bring the issue at hand to a progress meeting and ask for peer review help. Third, because I am a female in a male-dominated industry, it is my belief that I am approached in a "delegate-up" fashion. Meaning, an employee will ask me to do something for them that they would normally request of a support staff member. I consider this "delegating up." I try to redirect them according to the company structure and specifically to who is best qualified to assist them.

In contrast to challenges, I think the advantage of being a woman in a male-dominated industry is I stand out in a room of 300 men, whether at a business meeting or networking event; I tend to be remembered. Additionally, if I call a perspective customer and convey my desire to have a few minutes of their time to visit with them about Midwest, their curiosity takes over, which opens doors for me.

The downside being, while I can get through doors and while people will remember me, when it comes to construction and deals/contracts being awarded, what is referred to as "the good old boys network" is very much alive. As a result, I have trouble breaking into the inner circle of decision makers. For example, if there are eight guys going to go out golfing all day or putting together a hunting trip, I'm seldom invited or involved. They are engaged in a type of male-bonding activity where they find it uncomfortable with a woman in their arena. Doing business in construction, along with many industries, is about establishing relationships outside business boundaries resulting in business payoffs.

I am a huge believer in being a continual sponge for information and education. Whether with books, seminars, or personal mentor/protégé relationships, I have found it imperative to stay on top of business and leadership practices through exposure to other practices and upcoming trends. The time this requires can be very challenging when balancing work and family.

Paying Attention

There has been an emphasis on the CEO working on their business rather than in their business. It's my belief that empowerment is a key component. Additionally, I believe that current trends are acquiring or finding associated businesses to feed the revenue of your organization.

I have a small crystal helicopter that sits on my desk as a constant reminder that I do not need to be in the trenches to run the company effectively. Occasionally, I may have to go out into the field and place my hand on the pulse of our operations because I am still a founder of the company, and I want to ensure that quality, company values, positive culture, and safety are being fully embraced. I think CEOs today are working at the strategy level within their company and empowering staff to work more effectively. It's been my experience over the last fifteen years that CEOs are much more open to input from their staff and outside consulting than in the past. I don't believe a company can survive long term based on the CEO alone, but, rather, a collective effort of everyone in the organization who contributes to their success and reputation.

People always ask me for the single best piece of advice I have received regarding my role as CEO, and I always refer back to the speaker from my daughter's high school graduation. The speaker's message to the students was to "pay attention" as they moved forward in their lives. This really resonated within me, because I believe that by observing successful companies and leadership styles, one can find parallels within one's own company. I've always been able to gain knowledge when sitting quietly in many business arenas and observing (paying attention).

Essentials to Meeting Goals

Goal setting is one subcomponent of three critical planning essentials: the strategy plan, the action plan, and the task. Our strategy is to secure more revenue and our hit rate is 17 percent. The collective group determines the action plan is to achieve a hit rate of twenty to twenty-five. In our industry, we know we can achieve that because research into similar nitch contractors has proven this is possible. The task would be taking a closer look at estimations compared to our current costs.

The process for establishing year-to-year integrated actions with overall business planning is separated slightly. While we have representation on the executive lead team for the support side within the company, the actions are captured by the executive lead team. We want to track this end result and figure out how to add it to the task. So it is not integrated in the strategies as much.

From the daily reporting—to which the project managers have access—to monthly reporting—that only the executive lead team receives—there are several benchmarks that can be used in order to determine whether we're reaching our current and future goals. Are we on target? Are we within historical goals? Our benchmarks are not determined strictly by monetary revenues; we have what we call value goals. While we have values within the company, we must ask, does everybody understand what they are and is everybody living them?

We communicate information about year-to-year goals to our employees through the executive lead team, which then trickles down. We encourage open communication from direct reports to the president, following the protocol of hierarchy. The positive ramifications of open communication are both underestimated and underutilized. Employees need to hear the plan reinforced, and every level of leadership in the company is responsible for sharing that information.

Determining ROI

Return on investment is not necessarily the balance sheet or financials, but the culture of the company and upheld values. Beside gross margins, what was our net profit with the company? Was that the expected outcome? We do a lot of what we call the 360s here. We have outside facilitators come in and if it is not yearly performance reviews, we conduct upward reviews, which mean staff members will do a performance review on their leadership. This is both a culture and value indicator as to how things are being handled. Our reality may not be customer perceptions. I've found a very effective method of measuring staff and customer perception is through an outside resource.

Lorri A. Keenum is the president and CEO of Midwest Trenching & Excavating Inc., which was formed in 1991 with current revenues of more than $8 million. The company provides a complete line of excavation solutions to the St. Louis and national construction market. The company employs more than 60 management and field personnel.

Midwest Trenching & Excavating was profiled in the October 2000 issue of the St. Louis Business Journal and listed as one of St. Louis' "Fastest Growing Private Companies" for two consecutive years. Ms. Keenum was also recognized as one of the "25 Most Influential Business Women" by the St. Louis Business Journal. Named eight times as one of St. Louis' top women business owners by St. Louis Small Business Monthly, Ms. Keenum was also named a "2005 Enterprising Women of the Year" award winner by Enterprising Women magazine and "Distinguished Women Business Owner" by the St. Louis Chapter of National Association of Women Business Owners.

Ms. Keenum's community activities include fundraising and financial support for the Humane Society of Missouri, YWCA of Greater St. Louis, American Society for the Prevention of Cruelty to Animals, Girl Scout Council of Greater St. Louis, and Franklin County Habitat for Humanity

Dedication: *"Opa," to whom I never had the opportunity to share my appreciation for his profound influence on the business decisions I would make throughout my life. Bill, my husband of twenty-five years and business partner of fifteen, who has always encouraged me to step into unfamiliar arenas, enabling my ability to grow personally and professionally. And to my children, Kolby and Keaton, who always made the decision of work and family balance comfortable for me … Kolby and Keaton, you are my greatest accomplishment.*

Measuring Corporate Performance to Achieve Success

Nikki Olyai

President

Innovision Technologies Inc.

The Successful CEO

To be successful, a CEO must have a positive outlook, strong personal drive and confidence, excellent ethics and instincts, and a desire for quality results. Other personal skills necessary for long-term viability at a company include a strategic mind-set, financial management, marketing, operational capabilities, effective change management, and continual process improvement. The successful CEO must also possess the ability to develop and lead a great team of employees, while at the same time driving to create strong business networks.

A CEO's long-term business achievements can be measured easily if the company has prepared and implemented a strong, strategic business plan. Additionally, success can be obtained by having sound financial backing, and by utilizing effective leadership during company growth, challenges, and changes. The business plan includes projections for company growth and profitability, and the success or failure of a business can be measured by how, and when, these projections are actually met. To be successful in the market, a CEO must clearly define the company's products or services, its target markets, and its ideal customers. The CEO must also understand and be able to effectively position the company against its competitors.

Creating a Leadership Plan

When creating a leadership plan or vision, the CEO must associate with accomplished leaders, and surround the business with positive people. As CEO, it is imperative to know your own values and stay true to them as you develop and run your business. You must also gain as much knowledge as possible about your industry and your business, and utilize the industry's best practices to operate your business effectively. By doing all of the above, as well as hiring the very best team of employees, and developing them to provide the highest level of value, you will be able to create a strong leadership plan.

Changing the Leadership Plan

To promote the growth of the business, you must continually update your strategic business plan and your corresponding leadership plan. This plan should be updated as often as your goals, the industry, economic climate, and your competitors change. The market is continually in a state of flux, evolution, and growth. If you and your business are not changing with it, you will be left behind.

Setting Goals with the Corporate Vision

At Innovision Technologies, we set long-term and short-term goals on an ongoing basis, aligning them with our corporate vision. One major goal is to exceed our corporate objectives in the areas of cost, quality, delivery, customer satisfaction, profitability, and market share. We use several performance indicators and standard metrics to determine business performance in these areas. The indicators allow us to measure our successes, and adjust our course of action, if needed, so that we can move forward in a positive direction. Receiving buy-in to improve our corporate performance from both our internal and external teams is also crucial to meeting our goals. Thus, corporate performance is communicated regularly through the executive management team and multiple cross-functional teams. Additionally, we choose to utilize the services of select quality-minded suppliers, who meet our performance requirements.

Useful Advice for Team Members

The advice I most often give to team members is that our primary objective is to build the very best organization we can, through every employee's effort. To this end, very little should be set in stone except a quality commitment to our staff and customers. The best advice I have ever received is to be highly discerning in the assessment and selection of our customers, and to strategically invest in the customers who are willing to become our *"customer of choice,"* as we strive to become their *"supplier of choice."*

Difficult Times

The most challenging situation we have faced was to keep the business growing during unsteady economic times. The tragic events on September 11, 2001, had a profound impact on many businesses. We have prevailed, and have regained our strength through continued diligence in our desire to deliver quality services and to provide intense customer satisfaction and service. We have employed effective and timely corporate reorganizations, developed strong strategic plans, and we are moving forward with a fresh outlook.

Correcting Common Misconceptions

The largest misconception about being a CEO is that it is a glamorous, jet-set lifestyle, filled with perks. There is the perception that if you are the CEO, then you are in complete control. Yes, there are some nice benefits derived from reaching the level of CEO, being at the helm, seeing your company grow and succeed, and watching your employees flourish, but there are many personal sacrifices to make as well. The drive to succeed includes many, many long hours, stretching one's finances to the ultimate degree, and sacrificing precious family time to run the business.

Ways to Keep an Edge

The best resource that I have is an extremely strong network of business friends, family, and mentors. I have been blessed with some wonderful mentors over the years, who have encouraged me to be all that I could be, supported me during the down times, and have cheered for my success. For me, keeping one's "edge" means paying close attention to the overall business picture, making course corrections, producing quality work, learning from errors and mistakes, being willing to look objectively at challenges, and making difficult decisions and adjustments when necessary.

Changing Role of CEO

In the past few years, I have become much more "hands on" than in the past. I have become fully engaged in, and aware of, all of our business operations. It is critical to know what is going on in all areas of operations, while still maintaining focus on the overall vision, strategic course of action, and forward motion. In the next few years, technology will certainly change everything from the speed and method of communication to the economic climate in which we work. CEOs must stay abreast of technology, the industry, and the economic climate, while specifically observing how these factors might affect their clients. Through the application of technology, we will maintain our comprehensive and visionary approach to delivering value and quality services to our clients. Our vision is strong and focused, but the implementation of this vision will always be a work in progress.

The Golden Rules

There are three golden rules of being a CEO. The first is to maintain a winning attitude and a positive outlook. The second is to create your own strategic roadmap to deliver value and quality for your customers. The third is to grow your personal knowledge base and constantly fine-tune your operational management techniques.

Corporate Performance Objectives

Innovision Technologies, Inc. is an advanced engineering and information technology consulting company. The company is dedicated to delivering superior products and services on time and within budget, and to providing a quality response to its clients' business objectives. As a service-oriented business, we highly value our team of first-class consultants, and we strive to develop a lasting relationship with every member of our corporate family. The company operates with clearly stated policies, procedures, best practices, and metrics. The company updates and adjusts its strategic plans as necessary to reflect the direction of the company's goals and growth.

Measuring Corporate Performance

Some time ago, Innovision Technologies implemented an ongoing company-wide Quality Operating System (QOS) to ensure the highest quality of operations and client satisfaction. Our QOS includes a company-wide management operating system which utilizes standard tools and practices to manage the company, as well as the means to achieve increased levels of customer satisfaction. Our QOS provides us with performance indicators to determine business performance in areas such as cost, quality, delivery, customer satisfaction, profitability, and market share. These indicators drive continuous performance improvement by quantifying customer expectations and identifying the critical processes and sub-processes that impact our service deliverables. By analyzing these measurables over time, we can predict future performance and utilize corrective actions to address any issues that do not meet our business objectives.

Corporate Performance Parameters

We utilize QOS and several standard business metrics as well as industry best practices, which were originally developed to measure the operations and performance of high technology companies. We have implemented several processes that measure deliverables, cost, performance, quality, and customer satisfaction such as quarterly reviews of customer distributed performance metrics, monthly reviews of corporate financial performance, and annual reviews of employee and managerial performance. We also implement corrective actions to continually improve customer satisfaction and business performance. The company also utilizes a structured Corrective Action Process to systematically implement solutions and improve performance. The process entails problem description, interim action/containment, root cause analysis, permanent action, verification, control, and prevention. Additionally, we perform trend analyses to improve business performance in response to external variable fluctuations in general economic movements, business and investment trends, supply and demand of goods and services, target client market movements, and industry core competency movements.

Many of these metrics and processes were developed to measure the effectiveness of our business operations based on industry best practices. These processes are highly effective. Measuring corporate performance, by using standardized metrics, offers a totally objective measurement of business performance. It emphasizes customer expectations, allows us to analyze all the measurables over time to predict future performance, and it provides a structured approach to corrective actions to address issues and to continually improve business. This process supports our company in achieving high levels of client satisfaction and ongoing business growth.

Improving Performance

Effective measurement has helped to improve the performance of the company. The measurements drive improvement efforts in every area of our operations, shape our strategic plan, and provide the foundation for improved processes and procedures. We have identified a champion for each measurable. The champions are the leaders who are responsible for the process associated with the measurable, and they are given the necessary resources to meet the stated requirements. These champions are also responsible for problem-solving and quality improvement of any issues identified by our quality operating system. Our effective measurements coupled with utilizing proven problem-solving methods such as Deming's Plan-Do-Check-Act and Six Sigma have also helped us improve our performance.

Management Responsibility

In our organization, primary responsibility for measuring corporate performance falls to our chairman and CEO, our president, and the champions responsible for each measurable and key process area. All of our employees, consultants, service providers, and clients are involved in this process, and we receive and integrate their feedback into our overall process improvement efforts. In fact, everything we do revolves around meeting our goals and objectives to ensure optimal corporate performance.

Improving the Measurement Process

To improve the measurement of corporate performance in our organization, we have recently undergone a complete reassessment of our operations and our associated organizational structure. Each position in the company was closely examined. We realigned responsibilities and developed new job titles and descriptions to create the most effective team. We also evaluated all of our service providers and made relevant changes to improve operational efficiencies. On an ongoing basis, we conduct a detailed evaluation of our ideal client profile and align our business development strategy accordingly. These adjustments are designed to keep us on track for growth and profits, reflecting the company's business and financial requirements, and prevailing market conditions. The impact of these improvements is the creation of a high-performance team, which works efficiently within our more efficient business operations and our enhanced corporate structure.

The Role of Consultants

As a company totally committed to performance measurement and process improvement, we are very open to working with external consultants and other outside resources. In fact, corporate performance measurement and improvement is our area of expertise. Our consultants are our first line of action, not only with our clients, but also internally within the company.

Setting Benchmarks

We review our QOS, strategic and standardized metrics, and best practices in order to set benchmarks and to keep our corporate performance on track. We frequently update key processes and procedures to stay on goal. Many of our clients also have corporate performance measurement processes in place, and they regularly send us "report cards" with ratings to measure our cost, quality of products and services, management effectiveness, and timeliness of delivery and responsiveness. A sample client report card might measure our corporate performance in areas such as program management, subcontract management, management responsiveness, on time delivery, timeliness of performance, and quality of performance. The report cards are generally provided by our clients to their suppliers on a quarterly basis.

Common Impediments

The most common impediment to effective corporate change management is a lack of desire from the corporate executive teams to truly and honestly look at their operations, their internal structure, client base, and the quality of their products and services. However, this pitfall can be avoided with: management's commitment to progress and performance which firmly supports the corporate vision; regular communication; employee initiatives and involvement; and with innovation which promotes the future growth of the business. It is important to keep a clear vision and observe objectively, with the desire to measure your performance and be willing to embrace strategic change.

Best Practices

We utilize many best practices for effectively measuring corporate performance. For example, we operate QOS and several standard business metrics, as well as industry best practices to measure our operations and performance. We employ quarterly reviews of customer distributed performance metrics, monthly reviews of corporate financial performance, and annual reviews of employee and managerial performance. We also take corrective actions to continually improve customer satisfaction and business performance. The Corrective Action Process systematically implements solutions and improves performance on problem description, interim action/containment, root cause analysis, permanent action, verification, control, and prevention. Additionally, we perform trend analyses to improve business performance in response to general economic changes, business and investment trends, the supply and demand of goods and services, fluctuations in our target client market, and industry core competency requirements and changes.

Determining ROI and Client Satisfaction

We can easily determine the ROI for corporate performance measurements because measurements require the investment of both financial resources and time. However, a good ROI for this process will surely be realized, almost without fail, if you effectively and regularly measure performance, and quickly act to make any necessary strategic changes. While a healthy ROI is one of the best indicators of the value of these activities to the organization, ultimately, client satisfaction and employee retention must also be considered in the equation. Over time, these two measurements provide the true value of excellent corporate performance.

Communicating with Employees

We believe it is important to achieve buy-in at all levels of the organization in order to achieve higher levels of performance. We encourage our employees to act as a team as they represent the company, and encourage them to provide their very best services. We inform them of all process and procedure changes, so they can perform at their optimal skill level for our customers. Strategies for measuring corporate performance are communicated to the employee population in a number of ways. For example, we send them corporate communications in the form of memos, e-mail, and regular mail. We also distribute newsletters and hold all-hands meetings and formal corporate presentations. Our employee handbook, given to each employee, contains all of our corporate processes and procedures for their personal reference. At our international locations, we employ the same processes and procedures, with the additional aspect of being sensitive to regional cultures.

Nikki Olyai is the president of Innovision Technologies Inc., an advanced sciences, engineering, and information technology company, with a focus on strategic leadership and technical performance, leading edge technologies, engineering best practices and innovative solutions. Ms. Olyai and her company are dedicated to providing the highest level of quality, on-time delivery, competitive cost structure, technological foresight, and continuous and proactive support.

Ms. Olyai received a Bachelor of Science degree and a Master of Science degree in computer science from Oregon State University. She has also benefited from executive educational programs at The Wharton School, MIT's Sloan School of Management, and the Kellogg School of Management. Ms. Olyai's career specializations include advanced engineering and information technology, technical leadership, strategic planning, process re-engineering, risk management, and quality assurance.

Ms. Olyai has received a number of awards from business organizations, local and U.S. Federal Government agencies, non-profit organizations, and educational institutions, based on her strategic, technical performance, and her contributions to the community and our nation.

Dedication: *I am dedicating this chapter to my dear family, friends, and business associates who have been my greatest support system throughout my career. I am especially grateful to Dr. Renaldo M. Jensen, who has been my mentor for several years, and now provides his remarkable leadership and guidance as Innovision Technologies' chairman and CEO. Thanks also go to Diane Weldin, for her valuable support and her insightful execution of Innovision Technologies' corporate and marketing communications. I would also like to acknowledge the dedication of the entire Innovision Technologies' team, who convey our high-quality business vision every day in their work.*

Leading a Successful Transit System

Gladys W. Mack

Chairman, Board of Directors

Washington Metropolitan Area Transit Authority (WMATA)

The Washington Metropolitan Area Transit Authority (WMATA) is a unique regional agency governed by a compact consisting of the District of Columbia, the states of Maryland and Virginia, and the Federal Government. The goal of the system is to provide transportation services to able-bodied and disabled people who live in and visit the National Capital Region, with leadership of the system rotating annually among the three jurisdictions involved. This year I am serving as chair of the board, bringing a particular emphasis on the regional Metrobus system.

Over the past thirty years, the D.C. Metro System has focused primarily on building Metrorail, the "monumental Metro" as former President Lyndon Baines Johnson called it. The rail system now extends 106 miles, serving eighty-six stations. With over 700,000 average riders a day, it is the second largest subway system in the nation. In addition, Metro operates the fifth largest bus system in the country in terms of ridership, with nearly 1,500 buses in the fleet.

In recent years, the Metro Board has become a staunch champion of alternative fuels in a region where poor air quality and environmental sanctions are a constant threat. Accordingly, we have added about 700 new buses to the fleet. As a result, approximately half the fleet is now operating on compressed natural gas powered buses, along with electric hybrid and clean diesel vehicles.

Concurrent with this, we are bringing bus service squarely into the twenty-first century through an $834 million, multi-year capital improvement program to bring down the fleet age by replacing the oldest buses and adding expansion buses for new and improved service. Both the board of directors and management are committed to providing bus customers with additional, faster, more reliable service. Continuing robust ridership gains on Metrobus clearly show that customers are responding.

Funding Issues

The public transportation industry in most of the world is substantially subsidized with public funds. Metro, for instance, has a $1.2 billion operating budget for the current fiscal year. Of that total, approximately 45 percent comes from public dollars. The remaining 55 percent comes from farebox and non-passenger revenues such as joint development initiatives on Metro property at Metro facilities. Paid advertising in the Metro system, another significant source of non-passenger revenue, will generate $33 million this year.

We recently stepped up our already aggressive advertising program to include dynamic ads in the subway tunnels and also contracted with a local bank to place ATM machines in many stations. Another revenue-building undertaking that we are considering is leasing space in stations for retail. By leveraging Metro's assets we generate additional revenues that help underwrite operating costs and keep fares stable. Nevertheless, Metro each year must turn to its funding partners throughout the region to secure the subsidies required to keep the system running.

Given its location in the nation's capital, it is both difficult and surprising to comprehend that Metro is the only major urban mass transit system in the United States that lacks a dedicated source of funding. Therefore, every year Metro competes with schools, health care, law enforcement, and roads for public dollars, while most other transit systems automatically receive a percentage of a gas and/or sales tax. We have worked relentlessly to secure dedicated funding, and thus far we have not been able to reach the regional consensus required to make it a reality.

This year, Representative Tom Davis from Northern Virginia, who chairs the District Operations Committee in the U.S. House of Representatives, introduced legislation in the Congress that would provide $1.5 billion to the Metro system. To ensure the federal dollars, the bill would require Maryland, D.C., and Virginia to likewise enact a dedicated funding source of a matching amount. The District of Columbia has already passed the requisite legislation, and legislation is pending in Maryland and Virginia. I anticipate that Maryland will pass one of several such bills in the very near future.

Although the Virginia General Assembly ended its last session deadlocked over funding for Metro, I believe that we will ultimately gain that dedicated funding; until then we must keep seeking support from the treasuries of the jurisdictions that fund Metro along with turning to fares in order to close the fiscal gaps that we face annually.

Customer Service

As Metro has transitioned from an agency dedicated to building a system to one that operates it for 1.3 million riders a day, we are focused on the customer's experience with Metro, from the first contact to the final destination. Moreover, we are actively seeking out customer input as we refine and improve both transit and customer services.

For example, the board recently established the Riders Advisory Council to provide input and advice on the desires and needs of customers. We have held Town Hall Meetings in the jurisdictions, conducted online chats, and have opened up board meetings to public comment. Management of Metro service also has been decentralized with managers focused on the Metrorail lines and greater street supervision of Metrobus routes. At the same time, Metro has introduced state-of-the-art technology so that customers can get transit information any time of the day or night, 365 days a year, via the Internet, call center, or handheld devices such as Blackberries and cell phones that continue to flood the market.

Indeed, because of erratic gasoline pricing and ever-increasing traffic congestion in the region, market demand for transit service is at an all-time high. Therefore, Metro has to be more attuned to customers as they experience SRO conditions in rush hour periods. At the same time, Metro is exploring and advancing ways of making transit riding more environmentally friendly and car free by promoting walking, bicycles, and connecting bus-rail services.

Working Together

As the operation of a major urban transit system is a dynamic partnership of policy makers and operations managers, the Metro board of directors works hand in hand with the general manager and top staff. Externally, the board works with publicly elected officials, appointed state and county managers, and other key public stakeholders. In Washington, D.C., the Metro board of directors also interacts with local Congressional delegations and the transportation committees in the House and Senate. In our Metro system, we interact with and seek funding from nine jurisdictions, including the District of Columbia, two Maryland counties, and six jurisdictions in Virginia.

To ensure cooperation with multiple jurisdictions, the Metro system has a Jurisdictional Coordinating Committee with staff from all nine funding jurisdictions. The committee meets regularly and provides input on all major policy issues that that board or management contemplates. It provides a formal way to ensure that our partner jurisdictions are comfortable with whatever actions Metro might take.

The board of directors consists of twelve members committed to public transportation. Each state has four members, two voting and two non-voting. Board members from Virginia are always elected officials while members from Maryland are generally from the private sector. The District of Columbia members include two elected officials (typically City Council members) and two others, including the head of the Department of Transportation (DOT). Decisions can be made with four affirmative votes, but must include at least one vote from each state.

Measuring Success

The Metro system has specific performance goals. Metro staff works hard on budgetary considerations, marketing, customer service, technology, and security. On the budgetary side, the board consistently balances the Metro budget without needing to ask for supplemental funding during the year. Indeed, we have been able to return funds to our funding jurisdictions over the past few years.

Another major goal is managing increased ridership and ameliorating overcrowded trains. To this end, we have acquired additional rail cars and will soon increase the length of about 15 percent of our trains to eight cars during rush hours. Concurrently, we are exploring other means of relieving pressure points along the system to provide even more reliable service.

Security is, of necessity, a major focus for the regional transit system operating in the nation's capital. Accordingly, we have taken steps to protect customers with additional police officers, bombing-sniffing dogs, biological sensors, and other devices and systems.

Keeping up with technology is another challenge that public transportation faces. We have the reputation of leading the way in several of these areas. For example, Metro was the first major rail system back in 1999 to introduce a microchip smart card—SmarTrip®. Accepted on Metrorail and Metrobus, it will soon be available on sixteen connecting transit systems, thus providing for truly seamless travel throughout the region.

We also are concerned at the cost of fuel. This is a major cost driver and one that is totally unpredictable. We routinely track the cost of fuel in the market to determine whether to buy now or wait. Perhaps the price of fuel is going to go up, so we should lock in now, or perhaps it is artificially high now and will drop over the next few months, in which case we should wait. The industry is very dynamic, so management must be ever attuned to what is going on.

Board Chair

Being chair of the board brings many challenges. Perhaps one of the greatest challenges is the one-year tenure of the chair, which encourages short-range goals but makes it difficult to set long-term policy. For instance, last year's chair focused on customer service, while this year I am emphasizing "the year of the bus."

One advantage to serving on a board over the long term is the sense of history it brings—specifically how the board has historically made decisions and come to consensus around controversial issues. I am the longest serving board member of the Metro system, having served for more than twenty years, and thus I frequently draw on my experience to develop new strategies as issues continue to come before the board in an unending flow.

Communication is critical to a successful public transportation board chair. There are times when a board chair has to make decisions that affect the board or the organization. However, in order to lead effectively, board chairs must talk with board members to make sure that a consensus can be build around issues. It has been my experience that when members are expressing their views together, good decisions evolve. I also make sure that I have touched base with management. Access must flow in both directions between management and the board. The board chair must also touch base regularly with all stakeholders, including customers and others such as local government elected and appointed officials who fund the program.

Pricing Strategies

Determining fares is a complex process. Fares must be reasonable for riders of all economic levels, particularly those who are transit-dependent. The Metro system has determined that fares should cover at least 55 percent of the operational costs of running the transit system. As costs go up, so must fares and/or subsidies provided by the local jurisdictions. The public is never happy when fares rise. Often they do not realize how heavily subsidized public transit is already; fares cover approximately 80 percent of the cost of rail services, but only about 30 percent of the cost of bus service.

For a long time—eight years to be precise—we did not raise fares. In hindsight, that proved to be a mistake, because when we finally did, the public was even more upset than they would have been if we had raised fares incrementally each year. Now, we are talking about indexing the fares to inflation or to the costs of providing Metro service. While we do not raise fares due to an increase in any one variable, such as electricity, we do struggle with raising fares due to overall increases in the cost of providing public transportation.

Currently, the fare for bus service is $1.25 for local service and up to $3 for express buses. The base rail fare is $1.35 and it increases by mileage to a maximum of $4. We have been asked why we do not have a single flat fare throughout the system. The reason is that the system encompasses three states; people who live in the District of Columbia take much shorter trips than those who live farther into Maryland or Virginia. As a result, we graduate fares in an attempt to achieve equity in pricing.

Other States

Most public transportation systems try to keep in sync with other public transit systems. All systems have the same goal—mobility, moving people to their destinations. Keeping in touch enables systems to learn from others and increases efficiency. The Metro system is considered a leader in the industry, and other transit authorities turn to us to determine how to approach certain issues or technological matters.

Continuing Improvement

One innovation the Metro system has incorporated is the peer review for the various modes of transportation. For example, last year a peer review was conducted on the bus system. We assembled a panel of properties around the country that run bus services and had them conduct a week-long review of how we operate our bus system and make recommendations. We incorporated some of those suggestions into our funding package. Similarly, we recently had a peer view of our information technology (IT) system by IT directors from Montgomery County, Fairfax County, and the District of Columbia. The American Public Transportation Association helps assemble the people for the peer review. By reaching outside of the organization to other transit systems, federal and state agencies, the private sector and academe, Metro maintains a momentum of continuing improvement required to sustain its hallmark service to the people of the National Capital Region.

Gladys W. Mack is currently serving as chair of the WMATA board of directors. She represents the executive branch of the District of Columbia, has served as a member of the board for over twenty years, and has twice before served as chair. She received a Mayoral appointment to this volunteer position on the board when she was the assistant city administrator for budget and program development. Because of her financial management background, she has had a keen interest in finance and cost containment, and she has frequently assumed a leadership role as chair of the board's budget committee. Ms. Mack also has a reputation for promoting a diverse workforce at the management level, and she has led efforts to ensure that Local Small Disadvantaged Business Enterprises (LSDBE) participate actively in Metro contracts. Moreover, she has consistently been a leading advocate for improving and expanding Metrobus service, most recently dubbing 2006 as "The Year of The Bus."

Ms. Mack currently is chief operating officer for the United Planning Organization (UPO), a private nonprofit agency in the District of Columbia. She came to her position at UPO in 1992 after retiring from the District Government where she held several cabinet level positions over twelve years. In addition to her position as assistant city *administrator, she served as the director of Policy and Program Evaluation in the executive office of the Mayor, general assistant to the Mayor, and chairman and chief executive office of the DC Board of Parole.*

Ms. Mack is a graduate of Morgan State University and has done graduate work at Catholic University. She also attended the Program for State and Local Government Executives at the Harvard Kennedy School of Government. Over the years, Ms. Mack has served on a number of boards and committees including serving as president of the National Association of Paroling Authorities, International. In 2003, she was inducted into the DC Hall of Fame in recognition of her career in the DC Community.

***Acknowledgements**: I would like to thank Ray Feldman and Murray Bond of the Washington METRO for their assistance in writing this chapter.*

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