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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President and Chief Executive Officer
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A CEO's Hands-On Approach to Leading a Company

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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.

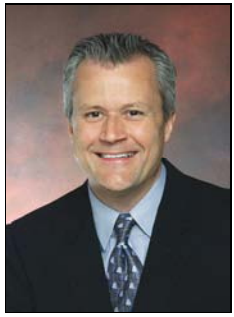
Multi-media is going to play a larger role going forward. CEOs are going to have to communicate in near time or real time in written words, video, and audio. Not every CEO can be eloquent in audio, video, and written communication in real time. Ultimately, the CEO's role is to set and communicate vision. 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.

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