

COMMUNICATION

THINK IN THREES

Harness a million years of human evolution to bring clarity and order to your planning.

BY FRED HASSAN

TWO THOUSAND YEARS AGO, “I came, I saw, I conquered” came from Julius Caesar of Rome. Two hundred years ago “Life, Liberty and the Pursuit of Happiness” came from the U.S. Declaration of Independence. Today, people in large parts of the world start an event, such as a race, with “Ready, Set, Go!”

Why? Because the human brain is wired to process information in patterns, and the smallest, most easily memorized and most easily repeated pattern is a pattern of three elements. This makes the “Rule-of-Threes” a component of the toolkit for most executives, especially CEOs.

In my present role as board member and chairman of two companies, as well as in past roles as chairman and/or CEO of six companies—one large, one small and two mid-size—I’ve used this Rule-of-Threes to help bring clarity and order, even as the world becomes increasingly complex and turbulent.

Here are a few practical examples in my toolkit: As a board member, when I hear a presentation on a strategic plan, I ask,

“What are the three levers that will really move the needle? What are the three potential plan-busters? And, what contingency mitigators do we have in place?” In assessing priorities for the company, I ask, “What are the three priorities that really matter, and how do we communicate those?”

In companies where I am the chairman, we use the Rule of Threes to very clearly indicate the individual behaviors and team behaviors we are looking for from our people.

The individual behaviors we value are: Passion, courage and tenacity.

People can contribute through their team behaviors to our high-performance culture by: being mindful, being likeable and rooting for the person next door.

In looking for potential successors to C-level jobs, we look for IQ, EQ and values.

We acknowledge that the “values” part is the hardest to assess. Being trustworthy is only part of “values.” Three special questions we ask in assessing “values” are: “Will he do the right thing, even if it comes at a personal sacrifice?” If nobody says “thank

you” after she did the right thing, will it matter to her or not? After successful wins, will he continue to show humility, keep learning and keep building energy for future wins?

In looking for the best leaders, we look for the individuals who are liked, trusted and respected. It is very common to see leaders have two of the three—and those few who have all three are the leaders we truly value.

Also, in my present family company, Caret Group, we regularly present three goals to our employees and discuss them in forums—again and again.

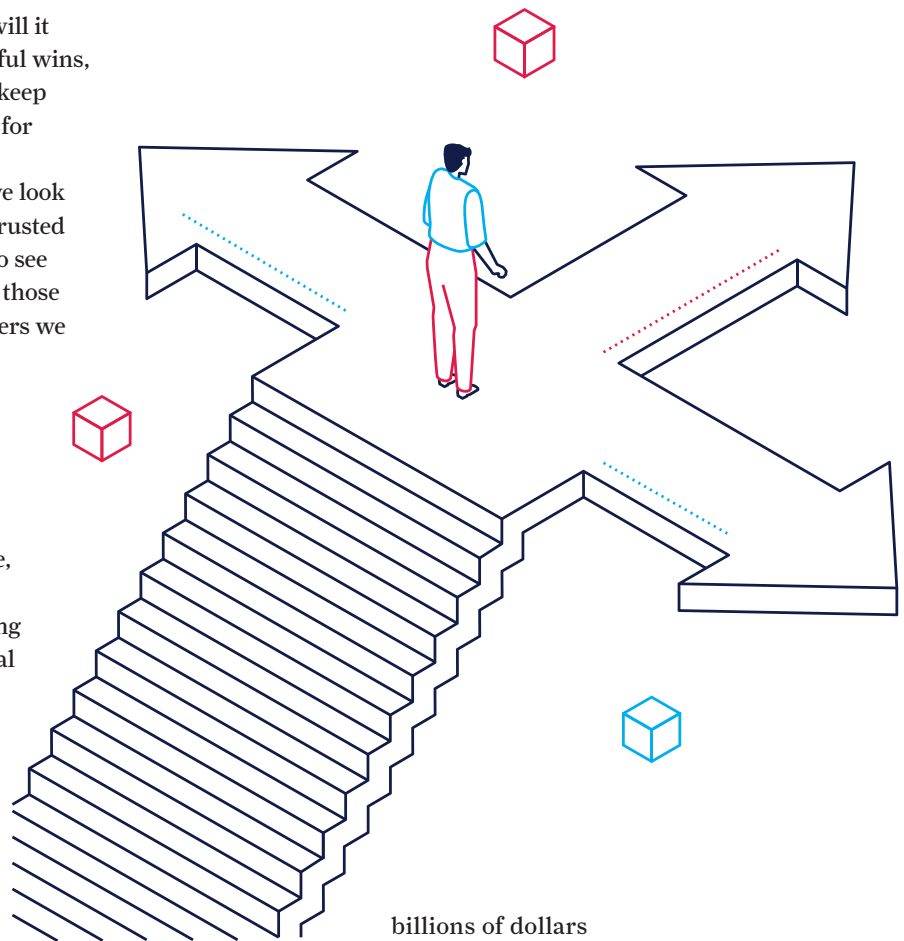
They are sales, profit and culture, specifically, “Grow sales—strong double-digit; drive margins to strong double-digit by 2023; build a special high-performance culture.”

In selecting people for our field force and, for that matter, for any job, we look for will, skill and fit.

At Schering-Plough, after the \$16 billion Organon acquisition in 2007, we laid out three clear objectives: Make the merger work; secure the topline, the bottom line *and* the R&D pipeline; save costs and invest wisely.

We repeated these goals again and again until we were able to get more than 80 percent of our 8,000 front-line managers to spontaneously repeat and emphasize these common global goals to their people. By repeating these three goals, we got our 50,000 people in 60 countries to make them their own big goals and to then to help the newly merged company move in the same direction.

Our merger turned accretive in the first quarter. Our R&D pipeline later produced a cancer breakthrough, Keytruda. Keytruda is now worth several tens of



billions of dollars in value to Merck, which later acquired

Schering-Plough.

CEOs can use this Rule-of-Threes to simplify, to prioritize and to communicate. Often, three big objectives can help CEOs create clarity and resonance when they communicate with their people.

As we transition into the Digital Age, there can be a tendency to declare old management principles obsolete. Some principles, however, are timeless. The human mind is wired to work naturally with the “Rule of Threes.”

Former chairman and CEO of Schering-Plough and Pharmacia, Fred Hassan is chairman of Caret Group. He also serves on the boards of Amgen and Intrexon.

TEAMS

TRUST FIRST

Your colleagues must be able to count on you before you can truly be able to count on them.

BY JOEL C. PETERSON



THE MOST COMMON REASON PEOPLE leave jobs is their boss—often because of low trust. The good news is that leaders can be intentional about building high-trust organizations. Based on nearly a half-century devoted to leading teams, I've frequently written and spoken about this topic. The thesis of the second edition of *The 10 Laws of Trust* (HarperCollins, September 2019) is that by understanding the nature of trust, one can be intentional about building a high-trust brand, healing from a betrayal and building a culture that is more fun and delivers more predictable and durable results.

The first law of trust is integrity. The difference between what a leader says and what she does is a “say-do gap” that, if allowed to persist, will not only destroy the trust others have in her as a leader but will infect the organization and begin to damage its brand. Closing this gap is easier said than done. Building trust is hard work. It happens one decision, one conversation and one promise fulfilled at a time.

Improvement starts with a leader asking, “Am I delivering the results others expect of me?” “Do I need to promise less or deliver more, as a starting point?” “Or some of both?” No spin allowed. Honestly assessing the current gap between expectations

and reality is the starting point for laying the foundation for building a high-trust organization.

This can be a challenge unless the ground is adequately prepared. First, set the standard for people that the best ideas win. Demonstrate that great ideas come from less senior team members by giving the spotlight to unexpected contributors. This kind of celebration encourages people to come forward even if the feedback is unpleasant or unwelcome. In trust-poor enterprises that frown on debate or unvarnished feedback, the tranquil veneer of equanimity may reign, but it's the type of quiet that one might find at a hospital—just below the surface simmers a much worse kind of disease.

Early in my career, I developed a few mantras that I would repeat to remind myself of the changes I was trying to make in my “personal operating system”—the lens through which I saw people and problems. I may be the leader, but I won't confuse my identity with the organization's. I would repeat to myself the mantra, “It's about the mission, not about me.” As I repeated these reminders, sometimes several times a day when faced with challenges, they became second nature to me. Eventually, I didn't need them anymore to react more predictably and appropriately to events.

As my “say-do gap” began to close, others saw me aligning my behavior with principles I was articulating and delivering on promises. When I began to act more predictably, the team began not only to count on (trust) me but to make more—and better—decisions on their own. Their confidence levels rose as their trust in shared principles increased.

Joel Peterson is the chairman of JetBlue Airways, the founding partner of Peterson Partners, a Salt Lake City-based investment management firm, a faculty member at the Graduate School of Business at Stanford University and author of The 10 Laws of Trust (HarperCollins Leadership).

PLANNING

SEE THE GLASS AS HALF-EMPTY

**John Schlifske, CEO
Northwestern Mutual, Milwaukee**

While the economy and markets keep humming, Schlifske says now is the time for business leaders to reboot their perspectives on long-term growth patterns and prospects.

"The big thing we're working on," he says, "is the notion of whether, from a demographic and global perspective, we're in a very long period of low interest rates and low growth, and how do we, as a company, thrive in that kind of environment? This requires all sorts of changes in thinking in terms of what many of us have been through over the last 30 or 40 years."

The likelihood that economies, markets and nest eggs will falter at some point "requires shifts in how people prepare for their future and retirement. The market alone isn't going to create enough wealth."

Everyone from Northwestern Mutual customers to national governments, Schlifske says, must approach decisions about spending and investments through this new lens.

TRADE

SAY GOOD MORNING TO VIETNAM

**Justin Kittredge, Founder and CEO
ISlide, Boston**

Supply-chain disruption has become endemic in manufacturing these days because of President Trump's tariff wars piled on top of pre-existing trends, such as rising labor costs in China, that made U.S. companies increasingly wary of depending on factories there.

So, it's evident now, Kittredge tells CEOs, that they should explore alternatives like the one he has been implementing to ensure continued supply of his company's customized "slides" footwear. He began moving production to Vietnam from China about three years ago, after a lot of legwork found him a reliable factory partner there.

"It might be an alternative within the country you're sourcing from, or you might want to look outside it, but you've got to have that backup plan," Kittredge advises. "And do it now, because it is becoming harder, not easier, to find efficient and low-cost but high-quality manufacturing partners in a place like Vietnam."

FUTURE-PROOFING

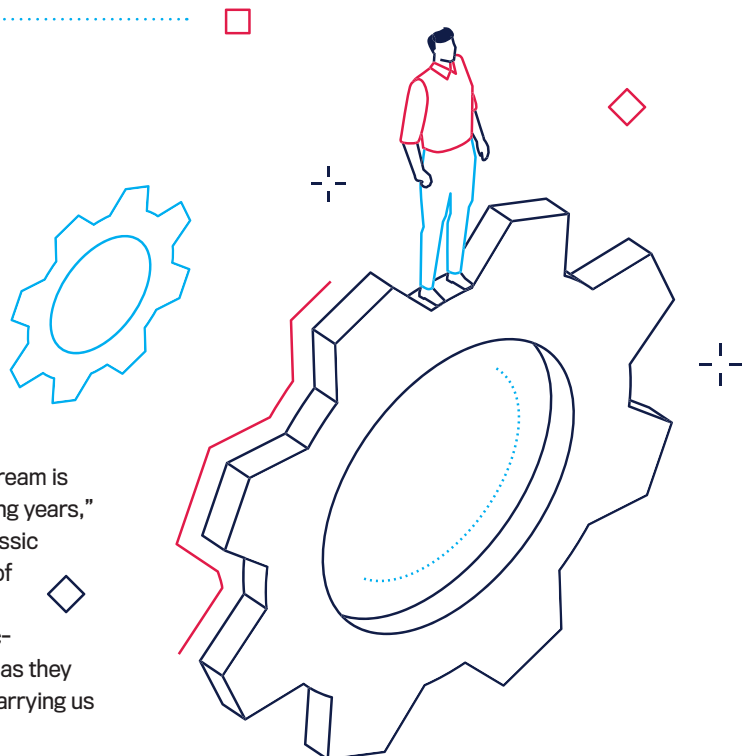
DUMP YOUR APPLE CART

**Bob Wheeler, CEO
Airstream, Jackson Center, Ohio**

Airstream has achieved top-of-the-market positioning in recreational vehicles on the back of its iconic "silver-bullet" profile, aluminum shell and visible rivets that lend an artisanal touch. But Wheeler believes CEOs should disrupt even winning formulas. For him, that means reimagining Airstream's proven recipe to snag the next generations of RV buyers with lighter-weight and less-expensive models.

"We really have to bear down and understand how Airstream is going to be relevant to millennials and generation Z in coming years," he says. "I'm not convinced that it's just a variant of our classic Airstream trailer. We have to shift direction in at least one of those things, maybe two."

Airstream also will be helping owners plan trips, book accommodations and connect with Airstream "communities" as they travel. "That will help us create a pretty good formula for carrying us ahead for the next decade or so."



METRICS

EMBRACE YOUR WEAKEST LINK

Identify cycles, not where to place blame.

BY FRED ENGELFRIED

MOST OF US THINK OF “weakest link” as a negative expression; but it isn’t necessarily. My first executive job taught me many lessons, one of which was that a weak link in an organization can be a sign of positive growth.

My responsibilities there covered a manufacturing arm structured around multi-year customer orders and a make-to-order shop that worked from order to order for many customers, some orders taking six days to produce, others six months. Just before my arrival, one of our top make-to-order customers decided to source its requirements elsewhere.

The shop immediately suffered. Job overruns spiked, which made no sense since labor was underutilized, quality slipped and so did deliveries; work tended to fill the time. In the eyes of others, the shop was now the weakest link! But was it?

From my perspective, the shop was not the weakest link; the sales department got that award. There was virtually no pipeline of pending orders to fill the gap created by the customer that had exited. And so began our journey—the process of strengthening the weakest link. The sales department re-energized, developed new customer targets and paid far more attention to those already on



board, soon creating an abundance of opportunities needing to be estimated and priced.

The department was now the strongest link, and engineering, responsible for estimating and pricing, became the weakest link in that it couldn’t keep up. Resources were added, and estimates, pricing and order input began to “hum” again. And—you guessed it—when the shop was at full throttle, if the backlog showed a major dip, the sales again became the weakest link.

Consider the opposite: a client retained me on the premise that his sales department needed corrective action. I spent a week or two looking at the metrics and then sat down with the president to give him the bad news. The sales department was not the weakest link!

In the prior three years, sales had grown an average of 5 percent but, over the same period, the company had lost about 10 percent of its customers. The customer losses were due to recurrent quality issues, and, as you might expect, the president knew that. So, manufacturing was the weakest link, and our focus turned to creating positive energy and positive results. The emerging cycle left targets of blame behind.

What’s the point? A weak link isn’t always a source of blame. The distinction could be earned by other links having gained in strength. If your organization is spiraling *up* through growth and continuous improvement, it is highly unlikely that each link in the chain will be of equal strength. Some functions will run ahead only to find themselves behind as others progress.

Carry the message: if the enterprise is spiraling *up*, let your team know that sometimes they’ll lead the pack and other times they’ll follow. You’re an extraordinary executive if you’re able to guide all functions at the same pace. If you’re spiraling *down*, e.g. 2008/9, the same is true but in reverse, namely the goal for all is to not replace others as the weakest link on the way *down*, but rather to reverse course and strengthen the enterprise’s links... one at a time.

Fred Engelfried is a director/chair of North Coast Holdings and its subsidiary Lewis Tree Service, and president of Market Sense.

SKILL GAPS GO TALK TO PEOPLE

Steve Skinner, CEO
KemperSports, Northbrook, Illinois

Golf is a declining industry, and the number of U.S. golfers continues to fall off, even as vacationers keep flocking to KemperSports' top-shelf courses, including Bandon Dunes and Streamsong. In a business where success depends on creating memorable experiences, Skinner is pushing a simple strategy down through the ranks of the company's 6,000 employees: Talk to people.

"We have new generations of workers who've grown up tied to a device," he says. "So, we're focusing on getting front-line staff members to put their phones down and interact with guests." Skinner is overhauling both new-employee orientation and worker-refreshment training to emphasize human-interaction hacks as simple as paying attention and making eye contact.

And Skinner will be booting execs out of their headquarters chairs to get in the field more. Travel expenses will grow, he says, "but it will be well worth it."



AMAZON YOURSELF PULL NEW IDEAS OUT OF STORAGE

Hasan Dandashly, CEO
Dematic, Atlanta

Dematic is leveraging distribution to help retailers compete effectively in the e-commerce era. For example, this year, Dandashly is expanding capabilities for installing "micro-fulfillment" warehouses in stores that are trying to keep up with consumer demand for curbside pickup and home delivery.

"E-commerce has gone from being a two-day delivery window to, now, as little as two hours," Dandashly says. "But retailers have got to optimize delivery costs end-to-end to stay profitable when their margins already are very low."

Micro-fulfillment employs Dematic warehousing equipment to turn unused real estate at existing stores into decentralized distribution depots. Retailer CEOs also need to do more integration of what are now "disconnected ecosystems" of their warehouses, Dandashly says. And with shoppers accustomed to easy-breezy merchandise returns, companies must figure out "how to get such items back to being sellable very quickly," he says.

TECHNOLOGY EMBRACE ALL THE UPHEAVAL

Steve Jones, CEO
Allied Universal, Santa Ana, California

Fewer businesses are based more on human beings than the traditional security industry, which for decades has featured flashlight-wielding uniformed guards languidly making their way around a protected facility.

That's why Jones keeps pushing a technology overhaul of Allied Universal that features remote-video devices, security robots, a new app and an artificial-intelligence-based platform combined into a repositioning as a "one-call security-solutions company." He believes CEOs should scout out and use game-changing technology before it changes their companies.

"We're learning how to take a sleepy guard industry and the integration industry, and put them together and create this disruptive new service and a unique company," Jones says.

Artificial-intelligence-powered heat maps can even analyze criminal activity patterns "and tell you where you should shift your staff to reduce liability or risk," Jones says. "This is creating significant opportunities for growth for us in 2020."

COMPENSATION

PAY UNEQUALLY

Not everyone in your C-Suite is a superstar—and that’s okay.

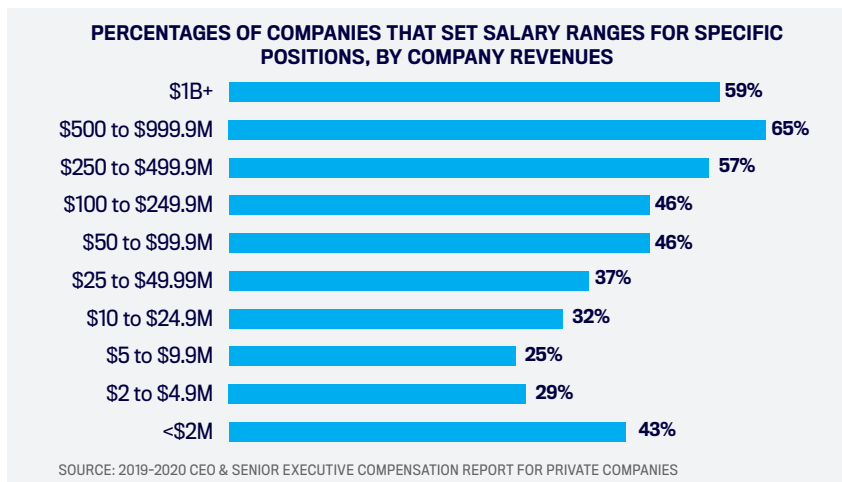
MELANIE C. NOLEN

FAIR OR NOT, IN BUSINESS, CERTAIN functions are more important than others, and their compensation should reflect that. Yet, *Chief Executive’s* CEO & Senior Executive

in every C-Suite position. For instance, at an early-stage biotech company, the head of research and development may be the most critical person, so you’ll need a superstar

vs. just a good or very good performer. The vice president of sales and marketing? Maybe not as important in this type of organization at this stage of the game (though that could change when you’re ready to go to market).

There’s no set rule as to what that blend is or which position warrants top-quartile or decile compensation—every company will need to figure out the right formula—but a good starting point in getting the formula right entails weighing the following:



Compensation Report for Private Companies, which reports on compensation practices at more than 1,600 private companies, shows that too many firms do just the opposite, averaging out executive compensation across their entire team in search of “fairness.”

According to our research, companies across all revenue sizes—and more so at the higher end—report setting specific salary ranges for specific positions. The problem with this compensation strategy? You lose your ability to reward, retain and motivate superstars for key positions. And you need superstars to win.

But—contrary to what you may think—you don’t need all your top people to be superstars. The trick is to determine where you need them—and pay what you need to pay to get them—and cut back where you don’t. A top-decile executive (paid a superstar top-decile executive salary) is not going to be warranted

- Your company’s growth stage
- Your industry and business model
- Compensation benchmarks for your industry and specific roles
- Your ownership model
- Your overall balance sheet

Once you do that, you can figure out who on your team should be given a superstar salary and who just needs to be a good performer. That, in turn, will enable you to better understand how you should divvy up the executive compensation pie by further benchmarking what your rivals are willing to pay. This can also lead to potential opportunities to recruit superstar executives to fill specific needs.

For more best practices on executive compensation strategies, visit CompReport.ChiefExecutive.net.

Melanie C. Nolen is Chief Executive and Corporate Board Member’s research director.

SALES

DON'T BE FULLY DIGITAL

Andi Owen, President and CEO
Herman Miller, Zeeland, Michigan

Less than two years into her tenure as head of one of the world's largest furniture makers, Owen has brought an urgent attitude from her career in fast-forward fashion to an industry giant that has been high on product design and quality, manufacturing prowess and reputation—but lacking in branding, marketing and recognition by end shoppers for its home furnishings.

One of her responses is to boldly push Herman Miller further into retail—an option that she believes other CEOs of B2B companies should consider. The company will be consolidating its control of Hay, a Dutch brand that aims directly at young urban consumers and excels at integration of bricks-and-mortar and online commerce.

"A handful of players have managed to understand the connection between the two types of experience," Owen says. "We see an excellent white-space opportunity for us."

WORKFORCE

SEEK TALENT AT HOME

David Stern, CEO
Experity, Rockford, Illinois

Experity needs lots of digital talent to finalize the merger of the two top players in software for urgent-care clinics, to develop more telemedicine technology for clients and to complete a new software platform by January 2021 that will comply with changing federal standards for electronic medical records.

But Stern plans to find all the tech talent he needs in Experity's digitally unassuming hometowns of Rockford, Illinois, and Sioux Falls, South Dakota. "We have an advantage because we're not known as hotbeds of tech talent," he says, "but people move back here or are willing to commute from 50 or 60 miles away."

A key is to build a willowy company culture on the plains. "We may not be as expressive as some West Coast companies, but there is remarkable positive energy when you come into our building," Stern says. **CE**

PERSONAL PRODUCTIVITY

SEE THE FOREST FOR THE TREES (AND ALSO SEE SOME TREES)

Vince Benedetto, President and CEO
Bold Gold Media Group, Honesdale, Pennsylvania

CEOs must communicate continuously, but this year Benedetto is determined to be a bit less reachable than during the 14 years he's built a chain of local radio stations in Pennsylvania and upstate New York. That way he can focus on leading his company.

"You need to make sure you're running your organization and not the other way around," Benedetto says. "That means spending 80 percent of your time on your goals and objectives instead of minutiae and distractions. The productivity increase will be enormous. And, as a leader, if you get one or two big things done, that's a good day."

So, increasingly, Benedetto is "compartmentalizing things" by deciding what "needs to be responded to now or not until the next hour, or until the next day." And he more often is silencing his cell phone entirely.

