

THE
KEY
TO THE
GOLDEN
HANDCUFFS

**THE
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TO THE
GOLDEN
HANDCUFFS
RUTH SCHWARTZ**

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Stop Being a Slave to Your Business
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Preface: What Are The Golden Handcuffs?

When I started coaching business executives, I heard their sometimes desperate desire to “be free.” I’d tell them about my path to freedom, and they would give me a look of disbelief. No matter how much or how often I repeated it, it just sounded too strange or too unlikely. So I decided to write a book about it. And I decided to find my past employees, if I could, and get them to tell the story in their words. I wanted them to tell the good and the bad. What they liked and didn’t like. I wanted them to be honest about why this was different. And I’m hoping it will give credibility to my experience—an experience you can have too.

The premise of this book is to inspire you to create a transparent, open-book company as a path to success. Part of that success is that employees are contributing partners in the business and are rewarded for being so by having compensation attached to the profitability of your company. Employees involved in decision making and problem solving at every stage and in any matter that affects them are people who feel valued and appreciated for their contribution, whether they work for money or not. That is the secret that is not so secret anymore.

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Being an entrepreneur is as exciting as it is fraught with peril. You have to be willing to risk your time, your savings, and often your sense of self in order to get off the ground. And it is hard. If it weren't hard, everyone would own a business, right? More fail than prosper. Those are the nasty statistics. If you are in the throes of starting a business, you know full well the stress it creates. And when you are starting your business, that is your first experience with the handcuffs. These are the metaphorical cuffs that lock you to your business. They lock you physically as you slave over your sales, marketing, and product development. Then they lock you into your bookkeeping, customer service, and operations.

Finally, if things start to work out, you will hire employees and the big kahuna handcuffs keep you managing others, which by the way is much more difficult than you thought it would be. Why? Because you can't leave employees alone for a minute. You aren't sure if you can trust them. They never do what you want them to, and so the idea that you are chained to your business, while not true for everyone, is true for many. You become cuffed physically, mentally, and spiritually. And if you are successful, they are golden. If you recognize these golden handcuffs, this book is for you. If you see these golden handcuffs in your future, this book is for you. If you want to avoid them altogether, this book is for you too.

I had golden handcuffs. I never read anything that told me what I needed to do, but I learned, through my own willfulness and accident, what it looks like when you have a business that works without you. A business that works without handcuffs. I found the key. And the key is *me*. The key is creating an atmosphere where everyone becomes a contributing partner in the business. As I write this book, I see mistakes I'd not recognized before. I am still learning. But I want to tell you my story and help you remove your golden handcuffs. You will not only set yourself free, but you will set free all of the amazing people who work for you. You hold their key in your hand too.

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I'm going to tell you the story how I became a punk rocker in 1979 at the age of nineteen. I wasn't a musician or in a band. I was a fan. I became a part of something bigger than myself. I was a disc jockey, a magazine publisher, a record producer, and an entrepreneur. I started Mordam Records in 1983 so I could support musicians, producers, writers, artists, and the scene by having integrity. I was in the right place at the right time. I started distributing Dead Kennedys' records and *Maximum Rock n Roll Magazine*. By the time Nirvana was hitting the pop charts, then Green Day went platinum, I was running a ten million-dollar company.

I could help you create a ten million-dollar distribution business. Instead, I am going to tell you what steps you can take to break away from your golden handcuffs forever. I learned the secret formula for freedom, and it is powerful. If you are ready and willing, you can run any business you want, in any industry, and you will be able to be free. You will be amazed at what your business can become when you have aligned everyone in it to give their best. I'm not going to preach getting rid of your employees. I think creating a great workplace is a noble endeavor, especially when people feel aligned and powerful within it. Ten million in revenue may just be the tip of that iceberg.

I would say Mordam was as much of a co-op, even more than the food co-op I left. So I definitely learned about that management style and I've never been able to repeat that type of work environment ever. It's too bad that other people don't have this process 'cause a lot of people go in for their MBAs and get all this academic business training, but they also have huge turnovers of employees, and training is a time- and cost-intensive process. –Max (Maria) Miccozzi

There are two audiences for this book. There are entrepreneurs and executives who want to learn about my unique path in order to create their own unique path. Also, Mordam Records is well known in its niche, and there will be a punk rock community interested in reading

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it. You may be someone who was connected to Mordam Records. I hope it is clear that this is not a history, a biography, or a tell-all. It is a vehicle to tell our story of alignment using real life experiences.

The interviews were done by two lovely women, Maiko Hara and Kim Stavers. These are the questions they asked:

- How was working at Mordam different from working at other companies?
- Share one story or situation you remember as illustrating how, for better or worse, working at Mordam was different from other companies.
- How was a situation with a coworker or manager or with Ruth handled?
- How was a situation with a customer or label handled?
- Tell a story about a memorable event: a staff meeting, getting hired or fired (yourself or others), moving the company, receiving a bonus payment, convention stories, a company party, learning a system, changing a system, solving a problem or making a decision.
- What is one thing you learned, and how did you learn it from working at Mordam?
- What did you think of Mordam's profit share, benefit plan, or philanthropic plan?

I love the work, the study, the game of business. After I sold Mordam, it was business I started to study. Here I am writing a book about business for business owners. But there is a strange irony in this. When I sold Mordam, I made a vow never to work with artists again. But what I am finding out is that artists and business owners are very much alike. In fact, now I see why working all those years with artists in business was so satisfying. Crazy making. But satisfying.

Introduction: The Start

I started employing people in 1984. I most certainly didn't know what I was doing. But I knew with certainty what I didn't want to do. I didn't want to recreate habits and behaviors I'd experienced in my prior jobs that felt utterly and terribly wrong.

For instance, what the heck is that nasty process of getting a raise? Up until and through college, I only held entry-level jobs or bluntly, seriously underpaying jobs. I could see the process to get more money was a proverbial brown-nose situation, as there were only two methods for getting raises. Either managers, owners, or HR personnel liked to play God and reward or deny any slight increase in pay. Or they were so uncomfortable playing God that they would give money to the person who made them feel the most guilty or uncomfortable.

What the heck passes as an evaluation process? We all crave feedback and will complain bitterly in situations where we don't get it. What I see now is that many managers simply didn't do it because the script they know is patently uncomfortable. Since it is a formal and subjective process, a manager will follow the program with no autonomy to divert from the script. The common script is that an employee is subjectively evaluated, maybe even asked for their goals, but the job or the employer is not evaluated in equal measure. Does

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that environment allow the worker to be truly successful? Employees know a lot about their jobs and often how to improve them. They aren't given the opportunity to even discuss it.

As an employee, you are in a terrible position. You want to do your best, but conditions don't always allow you to be your best. And traditionally, evaluations are tied to pay increases. I was used to being graded in school; I craved feedback in the workplace. I wanted to know what people really thought about me. I wanted people to know what I thought. And I didn't want it confused with groveling for money. I didn't want to be in financial jeopardy if I suggested an improvement or put voice to unfavorable situations. I was a good worker. But I often was told that I had a terrible "attitude." Consequently, I didn't get raises or reviews.

I didn't like the fact that I knew a ton about my job and was never being asked how it could be improved. That didn't stop me from interjecting my opinions. But I still felt undervalued for my knowledge, unappreciated for my efforts, and less than human for my suggestions. I have since, over the years, listened to hundreds of people complain bitterly about jobs in which they are expert and they believe that no one seems to care. Someone above them makes decisions about what they do. They are never asked for input. It is an uncomfortable choice to either speak up or suck it up.

What about meetings? The meetings I had witnessed up until that point (far and few, by the way) consisted of the boss or manager.... Blah blah blah. No one listened. No one was engaged. No one was asked or encouraged to be involved. No wonder people hate meetings. Utterly and decidedly boring! They really didn't matter either. No change resulted from them.

Since I've had all these jobs that really sucked, I don't think it's just me. I think it is epidemic. Business owners manage their employees by restricting their creativity. They micromanage and limit learning. They act like know-it-alls and fail to elicit the thoughts of others. They

lecture rather than discuss and debate. By doing tasks themselves, they underutilize others. By setting arbitrary goals, they keep others from understanding and achieving needed results. And in many cases, all these crimes are committed with a smile. While some people are mean-spirited, most aren't. Most managers and business owners are good people who are not aware that their actions are demotivating.

In a corporate setting where management training is prevalent, the skill of motivating can be a rah-rah type of activity that sets all intelligent eyes rolling. It can also be a contest that pits one employee against another. In some cases, management and leadership training are hollow training concepts, because the top tier doesn't really believe in their own responsibility to participate. There is no trust in this type of hollow motivation. It is demotivating.

Now let's look at the other side of the coin. Anyone who has been in a position to manage others has seen more stupid behaviors than they can believe possible. People fall short, make bad choices, make excuses, and are afraid to try. They don't reach goals, don't finish what they start, overreach their authority, and don't fix problems. The bottom line is that the people we manage don't care about our business and our customers the way we care about our business and our customers. We can't figure out why. After all, employees are supposed to be grateful for their jobs and their paychecks. Right?

Why such a disconnect between the employer and the employee?

Because managing, delegating, and motivating are a myth. You can't manage, motivate, or delegate another person. It is time to change our mindset. Rather than manage, delegate, and motivate, we need to lead, align, and communicate.

Here is the shift:

- Management to Leadership
- Delegate to Communicate
- Motivate to Align

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There are four parts to this story:

- Leadership
- Communication Systems
- High Performance Alignment
- Running an Open-Book Business

This book is about making the shift. I do not assume that it is easy or that you will make it happen now that you see the words. I know that many of our behaviors are difficult to change. I am also aware that behavior change is a slippery project, full of slipups and fallbacks. And I am also aware that just because you change, that doesn't make everyone around you change. That too, takes time and practice. But if you are willing to acknowledge that the shift needs to be made because the dance we do isn't working, then change you must.

Changing your behavior may make people think you are weird or that you are high on drugs. They may not trust you or the change. And they have a reason for that. Most people try things that don't survive, and people are going to keep the status quo until they have a reason to react. But as you continue to practice your new behaviors, you will feel better, and you will start to slowly see others respond positively to your changes. People will become engaged. They will weigh in and buy in. They will not just meet goals; they will surpass them. People will thrive. It will be magic.

For better or worse, here were the first decisions I made about employing people:

- No groveling for money. If you didn't mess up, you will get more. If there isn't more, no one gets more. If there is a bunch, everyone gets a piece of that action. When I do well, the team does well. And everyone on the team is valuable. Everyone has the opportunity to be an expert at their job and be compensated for it.

- Evaluations are dependable, two-sided, and completely separate from compensation. An evaluation is as much an opportunity to hear how you are doing as it is to air how your job is going, your co-workers, your boss, your needs, your expertise, and even your view of the company and its goals.
- Staff meetings are a time for opinions, problem solving, discussion, consensus, and decision making. Business owners don't know best or know everything. Meetings are a time for sharing and input. No one sees all the parts of the elephant. But if we come together, maybe we can see more of those parts. I know that I needed that as much as employees do. Everyone was expected to be a part of decisions. I wanted people excited to be at meetings because they were a part of a larger conversation.

This system changed gently over the years. And in retrospect, I can see that some things needed a complete overhaul. Believe me, no person I employed is going to tell you I was perfect. In fact, I was pushy, bitchy, and nervous. But it got better over the years. Considering I was in a dying industry, I created a living organism. And I matured as it matured. I became more confident, less nervous, and, I hope, less bitchy.

This is what I learned over time: The Key to the Golden Handcuffs distills down to a basic human premise that I learned and now understand at a visceral level: People want to feel valued and appreciated for their contribution, whether they work for money or not.

Here is what I did:

- Become a leader. I stopped managing and started leading.
- Be a communicator, not a know-it-all.
- Operate from trust and respect.
- Get everyone moving in the same direction.
- Don't do it alone.

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Here are the steps:

- You will articulate your clear and compelling vision.
- You will have open, consensus-building meetings.
- Your team will manage everything.
- You will open your books.
- You will tie compensation to the profitability of your business.

The industrial work model is defunct. Collaboration is the new model. The workplace looks and feels different. It is a trust-based workplace. Not top-down. Not horizontal. It is a dynamic design with unique interaction within each and every organization. A living organism.

Recently, as I was reading Daniel Pink's *Drive*, he debunked the idea of "empowerment," and the fur on the back of my neck rose. I was enthusiastically aligned with Pink. I was wide-eyed at the thought that his book is what my book is supposed to be. But now he was challenging my outlook. Empowerment was the word that best described my premise. But with a little time, I got it. Empowerment is last century's term that means the business owner has the ability, as the person in power, to give power to others. But if you believe that people come to the workplace with their power, business owners simply have to align people to their best results and let them have at it. In other words, we don't need to be empowered. We already are. The job of the business owner in this millennium is first to stop the bad habits of the industrial work model as described above, and second to let collaboration breathe and flourish.

Like George Orwell, I believe that "information will set you free." And while empowerment got debunked before I completed this book, open-book transparency didn't. There are shining examples of open-book management all over the country, and brilliant books by Jack Stack and John Case that stand the test of time. You will hear in this testimony why there is still magic in the numbers. If the fur on your neck just went up, John Case writes a better account than I when he wrote "why the hell not" in his classic *Open-Book Management*. So for you, reader, I say, it's coming in the story, so "man up!"

That said, don't let me make you feel that this is an easy task and that you are somewhat deficient. It is not your fault. We are the industrial model embodied. Depending on your age, you may have a harder or easier time getting out of that box. But, when you are there, you will wonder why your life became so easy.

If you want to have a company that shines and breathes with the life of all the amazing people who work there, keep in mind the steps you'll be learning, relearning, and in some cases unlearning.

Now I am a leadership coach and a facilitator of peer advisory boards. I speak publicly and hold workshops. It is this idea of The Key to the Golden Handcuffs and all its component parts that drive me and that people asked me about all the time.

I am decidedly un-techie, so this story is not about the tools that help us collaborate more fully with customers. I'm going to stick to the story of the people inside the company I ran and how they interacted with me, each other, customers, and vendors.

Magic exists in that story. The brilliance that I discovered is that I'm not alone. And that shocked the hell out of me. Tons of other business owners are doing variations of the exact same things I've done. It works. That excited me. When I burnt out on selling music, the game of business is what I craved. After I sold Mordam, it was business I started to study. Business is what I breathe. I want to be around businesspeople. Here I am writing a book about business. But there is a strange irony in this. When I sold Mordam, I made a vow never to work with artists again. Yet what I am finding out is that artists and business owners are very much alike. In fact, now I see why working all those years with artists in business was so satisfying. Crazy making. But satisfying.

1

An Ode to a Job

During the course of writing this book, I took a job at \$20 per hour at over 50 hours a month managing marketing events and sales flow for a development group. They were demanding many hours of work from me, and for their own protection, they required me to keep track of hours worked. While I looked at this as having a ginormous client (after all, I was a 1099), it had been thirty years since I'd been on the clock. I am so used to working for myself and measuring results rather than time. I also spent the last few years helping others manage. But here I was, slogging away at my to-do list and “managing” my bosses.

My bosses are all smart, highly accomplished people. Most of them are volunteers for their own cause, and still they made me feel small and worthless. I would spend more than one evening fuming at the way they spoke to me—rudely—or changed what I was doing, suddenly, giving me the feeling that I had done things wrong or improperly. And while I appreciate that they had no job description, they didn't know exactly what they wanted, and they worked tirelessly—when the results came, I was invisible.

I wanted some recognition. I wanted to make them see how their behavior made me feel. I spent hours thinking about how to effect

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those outcomes. In the end, I knew that there was nothing to say and no one to talk to. I was expected to be adult, suck it up, and do the work. The glory was mine to cherish alone.

There were individuals who thanked me and were gracious. But they weren't the ones who spoke down to me. There were individuals who took time to talk with me about how I stepped on toes. (I couldn't help but point out that without a job description and clarity on their part, the only way to avoid stepping on toes was to do nothing. Ultimately, I apologized and promised to be more communicative. How many other people would have chosen the do-nothing path?)

I am still wondering what they could have done to make me feel that my contribution was making a difference. I was sure that they would just "fire" me any time. And there were a hundred times I was going to "quit." All I could do was remind myself that I am a mature person and that I know which results I could take credit for and which ones not to. I was more than willing to give it to the team.

My premise is this: It sucks having a job. No, it's bigger than that: It STILL sucks having a job. I stayed for the money, but I would quit over my sense of worthiness and contribution. If I wasn't thinking about this subject a lot, or if I wasn't as understanding of workplace relationships, how would I have behaved? Would I have stolen time and pencils? Would I have slowed down my process so that I didn't upset anyone? Would I have acted out? Would I have quit and left them thinking I was some uppity loser? After all, the flaw is my personality, right?

Think about how people behave poorly in your workplace. Do they exceed boundaries? Fail to perform? Get lazy? What are they doing that is really upsetting you? Again, with great clarity, I can tell you that unless you have hired a psychopathic bad egg, those behaviors stem from you and the culture of your company. And it takes very little to upset the basket. Inadvertently, you may be helping people to feel incompetent, inconsequential, or unappreciated.

Needing money should not mean that a person loses their self-respect. If people stay happily working with you for a long time, you may not be producing jobs that suck. But if keeping good people is your issue, remind yourself, as I have been reminded: People love to contribute, but most of the time, they hate their jobs.

2

A Brief History of Punk Rock

I was recently interviewed for a student's Master's thesis on the history and relevance of punk rock. I was asked the proverbial question: Is punk rock still relevant today? This begged a flippant response: Well—yes. Er, no.... Who cares? But in answering, I realized that there is a depth to the question, like, was punk rock *ever* relevant? What was relevant about it? Why were we there? How do you define it? Like any political or social movement, we spent innumerable hours arguing that single question. It is no easier today. Therefore, this history lesson is a personal history.

Close your eyes and imagine the 1970s.

The end of the Vietnam War. Distrust of impeachable and tax-evading politicians. High levels of divorce. A generation of latchkey kids. Worn suburban communities. Oil embargoes. High levels of drug use. Disco. Arena rock. Corporate cover-ups, environmental disasters. A small generation of kids who have followed closely behind the Baby Boom's hippie culture and are sick to death of it. How do they express and differentiate themselves?

Punk rock.

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I was the kid who sat in her room with headphones on, rapt by her record collection. After a summer as a failed camp counselor for bratty kids in Ontario, Canada, I started my second year of collage as a volunteer DJ on the public radio station in Santa Rosa, California. I played new wave—the original geek music. But The Sex Pistols’ tour of the States was all over the news because it was bringing out the creeps. I watched in fascination at the newscasts of “riots” at their show in San Antonio. Out of Thatcher’s England came a group of scary cretins telling us that they had “no future.” That is as in-your-face and contrary as it gets. I bought my Winterland ticket that day.

I was eighteen years old. I sat in that balcony in San Francisco watching 1000 spiky-haired, leather-jacketed, black mini-skirted, pogoing punks going bananas to The Avengers, a local band. That means that there were rebels in my midst. That spoke very deeply to me. Decidedly anti-religion, -corruption, -capitalism, -racism, -sexism, -classism, etc. The message was one of free thinking, and that meant hope and it meant belonging. I had found my people.

This music came right out of the garage and into your face. But don’t let me lead you believe that everyone saw it the way I do. Too free? Not free enough? About music or an attitude? Is it rebellion or creativity? Political or anti-political? If it is relevant today, I think it is because it is all of that, and it gives a name to veering from the mainstream. Independent from capitalist conformist pressures and free thinking at its best. (And it’s loud!)

The other thing that punks deeply adhered to was the desire to do things themselves. If I have to narrow down what years as a punk has meant to me, it is DIY. And now what it means to me still and specifically is DIT—do it together. We had that in spades.

San Francisco was a hotbed of creativity. The punk rock scene there has its own special patina that has been written about and discussed at length. I was a product of it. I was a broadcasting student at CSUSF.

I was the music director of the campus station and joined “Harmful Emissions” late night programming at KUSF. And then I was invited to join “Maximum Rock ‘n’ Roll” at KPFA. KPFA had a reach throughout Northern California, and I still have a vision of all those kids on their mountaintops waiting for Tim and the Gang to play the latest punk rock. (We gained the interesting reputation of being the most popular and best-earning program on the station for many years.)

I became Tim’s legal partner while we started syndicating the radio show, producing compilation records, and producing the illustrious *MRR* Magazine. It was a very exciting time. We attended every show. Met every band. Worked and played hard.

An Ode to Tim Yohannan

Imagine 1980, San Francisco. Late night in the University of SF radio station. I was pulling records for my radio show when Tim walked in. If you had met Tim, you would have met a short, dark man of Greek descent. Earthy. In his 30s. In a t-shirt and Converse sneakers. A hairy elf with energy bursting out all over.

He had come to the radio station to meet me. “Ruth,” he demanded, “join me as a collaborator on my radio program Maximum Rock ‘n’ Roll.”

Heck yeah! This show was influential. Cutting Edge. I was in.

Tim was a firebrand. A hothead. A stirrer of the pot.

He was a leader. A persuader. A debater.

A man of convictions. He was passionate. He was intense.

He was a clock wound tight. He worked his pointer finger at you until you would back down or join his side.

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He was ready to change all he saw wrong in the world and he changed every person he touched.

Tim was the quintessential journalist. Always probing. He believed it was his job to right wrongs. To slam bigotry and hypocrisy

For years, every Tuesday night, Tim and I made our way to KPFA. First a bite to eat and then I followed the doctor on rounds...of record stores.

He was ten years my senior. He became my mentor and then he became my business partner.

He wanted to get the radio program far and wide. I syndicated the program. He wanted to produce a record. We produced two classic compilation albums. He wanted to produce a magazine. We were in the publishing business. *Maximum Rock n Roll* went on to become the largest punk rock fanzine in the world, selling a steady 10,000 copies each month.

When I decided to start a wholesale company, he gave me the money to start and eventually gave me the magazines to sell. He then became the most demanding label I had.

When Tim wanted a way to get obscure records at a fair price, Martin Sprouse and I started a mail order Company—Blacklist Mail Order. When Tim wanted to start a record store, we were in the retail business—Epicenter Zone. When Tim wanted a community center where bands could play, the historic Gilman Street Hall was opened. And all of these ventures were run as not-for-profits.

Volunteers ran it all. All were run in Tim's vision. All of these things happened from one man's tenacity.

But, it is impossible to be this dynamic without accumulating a little criticism. Not everyone liked Tim. Not everybody liked *MRR*.

Some called us the judges of morality. Some called us the mafia of San Francisco. Some called Tim a dictator of political correctness. And this got him even more fired up.

Over time, where he used to good-naturedly bring people to his side, he started to publish opinion without fact. Where he used to intelligently research, he started to muck-rake. And slowly, over time, he started to make enemies.

He and I debated. We had heated arguments.

He wrote scathing material in the magazine. He started to take friends to task, and then finally, he took me to task.

As the arguing between us became almost unbearable, he announced his diagnosis: non-Hodgkin's lymphoma. He was forty-eight years old.

We argued when his hair fell out.

We argued as his hair turned white.

We argued as they changed to more aggressive therapies.

We argued until I had no breath left for this bitter man.

Then, I stayed away.

In 1998, I gave birth to my second child. I was in the throes of new motherhood. On a beautiful April spring day, standing on my deck, with my infant son one arm and the phone in the other hand, I dialed Tim.

"Tim, how are you?"

"I'm ready, Ruth. My affairs are in order."

"I'm calling today to tell you that I love you. And while I don't think we will be able to resolve everything between us, as there is a lot of water under the bridge, I want you to know that you have been an important and meaningful person in my life."

"Thanks, Ruth, I love you too and I appreciate your call."

Three days later, early in the morning, I got a call from Martin Sprouse.

"I stayed up all night, pumping Tim full of morphine. He passed early this morning." I had never heard such a disconcerted man. Especially a young man like Martin.

"Martin," I croaked, "I truly appreciate your calling me, of all people, this morning. What can I do for you?"

"Please call all your old friends."

"Sure, Martin, I can do that. You know, Martin, I just spoke to Tim on Tuesday."

"Yeah—he told me. He appreciated that. He still thought that you're a capitalist pig."

"Yeah, sure."

I spent the morning calling old friends. We reminisced about all the projects we had worked on. And what a wicked guy Tim had become. But we'd forgive him. Eventually.

The Beef Between Tim and Me

Tim's heartfelt belief was that "capital corrupts absolutely." Therefore anything he touched would not be "for profit." Everyone volunteered. That is his legacy.

My heartfelt belief is that capital doesn't corrupt absolutely; assholes corrupt absolutely. Therefore, if you can create an alternative system of capital that allows people to "quit their day jobs" and not be assholes, I'm all for it.

We agreed to disagree. But we were both very successful. The irony is that he is one of the most successful people I've ever known. He just handled his money differently. He pumped it into projects and philanthropy. Mordam Records became very successful too. Most of the money went into the hands of artists, labels, and workers.

He believed I was a capitalist pig.

I believed he was in politically correct denial for how commercially successful he was.

RIP, Tim.

3

A Brief History of the Record Business: Where Did Mordam Records Come From?

Although there is a history of DIY independent record labels through the 1950s and '60s, it didn't gain any real traction until punk rock got going in the 1980s. Independent simply means not on a major label owned by a corporate entertainment company. Corporate entertainment companies have a long history of "all for us and none for you." Artists have routinely been at the bottom of the barrel in terms of rights, payment, and respect.

It wasn't since the early days of the record and radio business in the early 1950s that record labels would have artists sign contracts giving up their rights. You've probably heard stories of artists who never had a penny to their name and were at the mercy for charity from their record labels because they signed their rights away. Signing your rights away is like a reverse mortgage. You bet you'll make more today than you would tomorrow and you sign your ownership away to the bank. Your "rights" are equity, and it turns out they are worth everything.

By the time I entered the business in the early '80s, there was a sneakier habit by major labels to contract so many "publishing fees" and "charge-backs" that royalties virtually disappeared, leaving

many artists famous and poverty stricken. My distribution company was a part of an independent movement to help record labels build their catalogs and reputations by doing the opposite: treating artists fairly, teaching artists how to produce themselves, paying better, and creating partnerships between labels and musicians.

If you fast-forward to today in 2011, there has been an incredible story about the undoing of major record labels (at their own hand, is my belief) through the inability to understand changes in technology. Their own role in creating the prevailing standard of free music is nothing less than interesting. Bono coming out and publicly blaming Apple for ruining the music business is a hoot! But the saddest part is that entertainment companies are still holding onto the unhealthy model of contracting ownership of copyright, publishing, and songwriters' royalties to themselves. Thankfully the culture of the Internet, while creating a missing link for monetizing music, has created a whole other tier of independence for artists.

In 1981, when I graduated from college, I got my first job in the record business working at Rough Trade Records as a wholesale salesperson. Rough Trade is a very famous English record label that built a huge distribution arm in the UK, and then a store and distribution center in the US. At that time many independent record companies in the States were considered "importers." They traded in records from other countries. Major labels lobbied to outlaw this activity because it competed with their US versions. To save their skins, these independent distributors began their own record labels. The only way for them to capitalize these labels was to not pay their bills to vendors. Independent artists and labels took a lot of that burden. It was a painful business to be in. And it was especially painful for small artists and independent labels who produced their own records. Match that with punk's DIY approach and you had a lot of people going hungry.

Rough Trade tried hard to be a good place to work, and they were for quite a while, but they happened to have two yahoos running the US

branch who were just smoking too much pot. Honestly, that and the company decision to push New Order's "Blue Monday" over being an indie trendsetter sent a few of us over the edge. When Rough Trade's managers stopped paying their vendors to fund New Order, I walked.

My entrepreneurial idea was to do it myself and to do it right. And I happened to be in the right place at the right time. I just had to invite my friends. I borrowed \$1000 from Tim and started with Alternative Tentacles Records and *Maximum Rock n Roll*. I had a hungry clientele from day one. And I took paying for each piece, on the day promised, very seriously. After all, what else would differentiate Mordam from any other distributor?

4

Passion, Vision, and Mission AGAIN

Passion.

This story isn't really about how I built Mordam Records. This story is about how to build a transparent company. As I listened to all the employee interviews that came in, the first theme I heard was that everyone was passionate. Everyone. Some came into the company passionate. Some became passionate. But passion oozes from their words.

Passion: Love what you do.

The common thinking these days is to go find your passion. You've heard it? Figure out what you're passionate about and then go start a business. Passion + Business = Success. Easy enough, right? Well, sometimes. You certainly can't sustain without passion, nor would you want to. On the other hand, many passionate people can fail miserably.

In fact, my anecdotal experience is that when people are asked about their most joyous work experiences, they will describe a shared experience. It is often unexpected, not formulaic, and is described

as rare. I believe what people are describing is a passionate team experience. It is the team working together that is so memorable. The ironic part is that a group of people can get passionate about anything.

Here are some situations that you wouldn't think of as being passionate but are. Flipping burgers: think In-N-Out Burger. Selling shoes: think Zappos. It isn't that they are passionate coming into it or that there was a prior decision to get passionate about it. Something passionate happens. They find something to be passionate about. It isn't the burgers or the shoes or in our case the records. It's the team working toward the same vision. In Mordam's case, it was the music that brought us together. But it was the team pushing in the same direction that made it special. I'm writing this book because I am sure it can happen to you.

Ruth created that environment of working with someone, and there's a big difference between *with* and *for*. So, at that time, when Ruth was owner of Mordam, I always felt with her and with my coworkers and with a team or a collective bunch of individuals that were working toward a common goal. When I left on that last day of working for Lumberjack Mordam, I felt like I was working for some people that I didn't really know that have taken over an amazing company that I completely enjoyed. At that point I was working *for* someone instead of working *with*. I didn't feel like it was a team anymore. I didn't feel like it was a punk rock distributor that I could've been proud working *for*. –Chris Brandstetter

When you feel a part of it, it fuels the vibe of the company. –Ace Morgan

Now I'm my own boss teaching classes for kids, and I

have two teachers that work with me. And I just always try to treat them as Ruth would treat us and kind of be very open about everything. In that way it's definitely affected me. I don't think I've ever had a job as great as that. Even though maybe I didn't make as much money as I might have in different other settings doing accounting for different types of business, I look back on those days as like, "Oh those were the best." I don't think I could ever replace that. –Katie Adler Shinden

It was, you know, we're workers, we're about the work. –Fred Hughes

Mordam really felt like a real team. It really felt like everyone there had really chosen to be there. And everyone was different in their own way. It sounds funny to say, but I really did feel like family. It was more than just a job. It was a choice. Something that people chose to involve themselves in. –Peter Jacobsen

You want these things to work because it's something we all chose as a group. –Cindy Mah

Ruth as the sales manager would try to get ideas from not just salespeople, but from all the staff as well. "We have these releases coming up and does anybody have any ideas on what to push where?" type of things. –Mike McNeil

Creating Your Clear and Compelling Mission and Vision

What exactly are a Mission and a Vision? Like you, I've seen them in corporate halls and Burger King bathrooms. It all looks like a bunch of BS. And a lot of them are. No one believes their empty words, including themselves. If you are able to put into writing something beautiful and articulate that really speaks for you, then you have the

basis of strategic thinking that will serve you for the lifetime of your business. It will be the reason that your decisions are made and you become successful. It will keep you aligned and on track. Put simply, a Mission is who you are and a Vision is where you are going. And they are your guides.

Bookshelves are lined with excellent tomes on creating a Mission and a Vision in your life, personally or for a business. I will not rewrite those excellent lessons. But I have to start here. Because no matter how old you are, no matter how long you've been running a business (or not), we often forget how important our Mission and Vision are to our long-term success. Go read Stephen R. Covey, Tony Schwartz, or Seth Godin if you really don't know why this is important. Then come back here to see how it works in context.

I have three points to make:

1. If you do the work of getting clear about your Mission and Vision at the outset, every decision, problem, and obstacle becomes easier to navigate.
2. A leader's job is to communicate clearly and often their clear and compelling Mission and Vision so that everyone around them knows it well.
3. This happened to me.

I didn't know this is what was happening then. I tripped through all of this just like any other young entrepreneur. I felt my Mission and the Passion, and it was in my character to express it. Now, a few years later, I can see just how very clear and passionate we all were about our Mission and our Vision and how little changed over the years. There were stressful times when we had tough decisions to make and we argued about whether we were changing our Mission. In fact, we sometimes rearticulated our Mission and our Vision. But in hindsight, we never changed it. Arguing amongst ourselves was distinctive of

the alignment that kept us true to our Mission. Don't underestimate the value of this process.

It was like a night and day difference, because the Mordam labels felt like they were really in tune with Ruth and her business practices and what her overall goals were and what she was trying to achieve in terms of the business relationship and business as a whole. You know, Ruth was trying to express in the best way she knew how to be able to get the business track issues along the ethical beliefs, the values and the ideals and the philosophies of what she was about, along with the Mordam philosophy when she instilled in that, and I felt like it was lost on the Lumberjack people. –Chris Brandstetter

Most people wanted to stay there for the long run. I told Ruth I was very honest that I would, if I could, work for her forever. Because I liked the policies and I liked how it worked. –Fred Hughes

My recollection is more about the relationship Ruth had with the labels, and I think that was very empowering. I think it created loyalty and trust and that it's very rare that people left, well, employees, too. I think the beauty of the open book that I recall has to do with the way the labels are treated. The power and the beauty of what she did created these relationships of trust with the labels, right? I don't think she even had contracts, but people could see where their stuff was sold. I think that, as simple as that sounds, you don't get that for the most part in the music distribution. I mean, maybe you do, but I know people that had distribution deals elsewhere and they just got screwed. –Cathy Ellis

People feel they have a bigger stake in it, and it's better because people feel their ideas are respected and it's something they're part of. It's good that it's back to that. –Ken Sanderson

Like some other reputable friends and companies, Dischord, Epitaph, and Rough Trade, Mordam wasn't in it just for the business. We were fighting an uphill battle against banality & monopoly propagated by Major labels who had run out of ideas. The company was a small example of when people believe enough in something, they can overcome the odds. We were changing the country, in our little way. A powerful motivator. – Peter Galenek

I have since come to insist that the business owners I work with take the time to articulate all this—Passion, Vision, Mission—and learn how to talk about it. The magic won't hold much weight until you do. Do yourself a favor: Strip it down so it is simple and there is no confusion. That is the hallmark of great missions. I know that now.

As I started coaching other business owners and teaching these rules, by way of example, I started to be able to recite Mordam's Mission and Vision by rote, as it was so ingrained in me. But nothing prepared me for listening to the interviews with past employees. One by one, they articulated Mordam's Mission and Vision. One by one, they were able to say with uncanny clarity what made Mordam different and special. They didn't know they were reciting the Mission and Vision. They didn't know that the person in the last interview, whom they may or may not even know, said almost the same words. It was an unexpected result for me. And it made me a little weepy as I listened.

Answer these questions for yourself:

Definition of a Mission: Who Are You and What Are Your Most Important Values?

Mordam's Mission: To be a completely independent music distribution company that supports bands, labels, and artists who are non-racist, non-sexist, non-homophobic, free-thinking, and independent by providing them essential distribution services in an honest, open, and fair manner with the autonomy to act on their own behalf and the control of their own materials.

Definition of a Vision: Where are you going?

Mordam's Vision: To remain a completely independent alternative to mainstream distribution in the music industry by creating a transparent, honest, and stable environment for employees, vendors, and customers while providing the best sales possible within its Mission. To be the exclusive sales department that consistently represents the best and the highest quality independent alternative artists and record labels, no matter how big or small.

Definition of a Value Proposition: What benefit do you bring to your customer? What makes you different?

Mordam's Value Proposition:

Sales of each label and artist are done fairly, openly, and systematically, and we pay for each and every item sold on time, every time.

Definition of a Critical Success Factor: of Mission, Vision, and Value Proposition, what is most critical?

Mordam's Critical Success Factor:

To pay for each and every item we sell on time, every time.

The reason why I wanted to work at Mordam was because, I guess, for a lack of a better term, that there was like a shared value system that a lot of people who are in the punk rock share. When we were based in San Francisco, there were employees that were like "No, we can't do that." And I think that was one of those decisions where the consensus ruled, where you know enough people were like, "No, we don't want to do that," that even though it would have probably been profitable or more profitable from the business standpoint, we decided that we weren't going to have anything to do with the major label release. –Mike McNeil

I think Ruth did a really good job of understanding at her core what she was good at and what the need was. I think she's good at a lot. But I tell you, one thing Ruth was good at was getting people paid, and you can ask her about that. Ruth got people paid. –Cathy Ellis

So, you know, I think there's a lot of...yes, definitely, the transparency business model was very important for the success, but it was also the personality of Ruth, and I've never seen it again. There's a lot of people that talk highly about other distribution companies, but when I find out about the split for the distributor versus the label, I'm just like, "Ha! Well, those artists don't make that much money." –Max (Maria) Miccozzi

If there was a problem and someone felt uncomfortable

with something, you know, there is a record that was released and I think it was a little bit, maybe it was racist or sexist or something and you know we voted on it and it went because it did make people feel comfortable and we wanted to have a product that everyone felt good about because...which I also enjoyed ...you know, if you're working at a place you, don't want to have something that you don't believe in that you're handling and getting out there into the world. It wasn't an environment where if you had something to say you weren't heard, or everyone tried to change your mind. Everything was taken into consideration 100%. –Cindy Mah

It might have been different if we were, I don't know, manufacturing computer chips or something, you know. But I think for what was going on and what we were doing, I think we managed to sort of in some ways foster and nurture people. We had credibility and I think that we were able to sort of foster and nurture people's confidence and you know, there was just sort of a running truth that went through the whole company I think, so people trusted us I think. I mean, it was harder when the whole situation started its demise and everything fell apart at the end, but I think for a good portion of the time the company ran, it was definitely like, it had integrity and the company was founded on sort of being trustworthy and having confidence with the people you're dealing with and stuff like that, being trustworthy and truthful and things like that. –Kristin Attaway

I think that was the consistent thing, that Mordam would be upfront, honest with the money, and you know people could depend and count on that. –Ken Sanderson

Communicating Your Clear and Compelling Vision

These people knew Mordam's Mission. They heard it over and over again. They rallied around it. It became their passion. What amazes me is that they *still* know it. How often can you find employees as dedicated to that passion as the founder of the company, many years later?

Reiterating the Mission is easy. Since Mordam doesn't exist anymore, the vision brings a sadness. In my heart of hearts, I wish I could go back and update that vision of seeing the employees take over that company. If they had, I think it would've had a better chance of surviving. Mea culpa.

How Do You Make Others Passionate?

Communicate the company Mission and Vision in a compelling and repetitive way. The most important step is to get others to be as passionate about your Mission and Vision as you are. You don't have to beat it into everyone or even paste it on the wall. Simply lead the way. And remind people why they are there every chance you get.

What makes a great leader?

- A clear and compelling vision.
- The ability to communicate a clear and compelling vision.
- The ability to gather others around a clear and compelling vision.

–Roger Allen

Every decision that people were called upon to make, every problem they solve, leads back to the Mission and the Vision. Everyone should ask, "Would that decision support the Mission or not?" It is as simple as that. Are you as clear as that?

Differentiate Yourself and Then Get Really Good at It

I think I was teaching a workshop about differentiation when I blurted out Mordam's simple difference: Pay for each record on time, every time.

It was there all the time. I just didn't know what it was called. And there wasn't anyone working there all those years who didn't know it. Vendors knew it. Labels stayed with us for years because of it. We had it down. In fact, we got so good at it that if a prospective label objected that we seemed too small to handle them, we would actually ask them if they'd rather sell more or get paid for what had sold. Getting paid usually won. (And for the record, we often could sell more too.)

What Is Your Company Culture?

In terms of company culture, you get to decide. You will have a culture. Will it be a culture of your choosing or will it be a default? You hear about the family over and over in these interviews. I still cringe when I hear it because my snide comeback was always that families are dysfunctional. But now, I am touched with these repetitive words. I didn't set out to create family. I set out to not repeat the most ugly and disrespectful aspects of having a job. I set out not to be a workaholic but to have a life. I set out to be transparent. What I got back was family, in all its untamed glory.

I think you just had to be prepared for it all and then you had to be willing to do anything at Mordam. I'd do anything I had to. If I had to go work in the warehouse, I'd work in the warehouse. If I needed to shelve returns, I'd shelve returns. I think I just learned to adapt to whatever was needed of me. You know, if I had to do sales, I'd do sales. If I needed to jump on a plane and go visit a customer, I'd do it. It didn't matter to me because I wanted to do the best I could for the company, so I definitely learned to kind of be

a jack-of-all-trades because of Mordam, and I think I just learned to deal with the whole different set of personalities, and I think Mordam was a whole different set of personalities more than probably any company I've ever worked for. –Che Brooks

I learned that it's really important to have a work environment where people trust each other and feel comfortable and safe and happy with each other. And that alone, you could almost beat half the battle. – Peter Jacobsen

The biggest lesson I took away was...I'd say that again, I know it hooks on the teamwork stuff a lot, but that if you don't play your part, the morale of the team is going to be affected and the team can be imbalanced because of it. So, I really wanted to play my part. It was very important actually, because when it functioned well on the team, everybody was doing their 100%, it was a very well-oiled machine, and that was most of the time. –Max (Maria) Miccozzi

Yeah, everybody cared about what was going on and everybody cared about each other and everybody cared about their job and everything. Everybody, like, took pride in that stuff pretty much. Oh yeah, that made me feel really good because it made you feel like, you know, you were totally part of the business. Almost like you had like a partnership in the business. I mean, you really didn't but, you know, you were totally involved in it and you cared, because Ruth let you get involved on all the voting of the labels, treated every employee the exact same, no matter if you're working in the office or you're out in the warehouse. Everybody was treated the same, equally. –Brian Hay

It kind of spoiled me a little bit because the jobs that

I got after that, everything was really hush-hush or really secretive. And it just kind of reinforces that you are working in the corporate world, you're in your office, do your job and don't ask questions. To have to spend 40 hours a week in that kind of environment is, I think, really draining, and knowing that there are other things out there and it doesn't have to be that way. –Ximena Quiroz

5

The Big Picture

In order to be strategic and aligned, you first must clarify your Passion, Mission, and Vision. For a business owner, this is the beginning of learning to be strategic. This is not a natural state to be. We are tactical problem solvers as a species. That means that we have to learn and practice this sometimes uncomfortable behavior.

You know, it's still an inspiration of what she tried to... what she did, what she accomplished. And you know there are people that still look at that, you know, and try to emulate and do that. –Ken Sanderson

So I believe if you have good ethics and you believe in a certain thing like Ruth did, that's how you would just do your business organically, but I'm glad that there's a book showing people that aren't punk rock how to do it. –Cindy Mah

She was the glue. And the labels, they had a certain amount of loyalty to Mordam, but I think in the end their loyalty was more to Ruth in the sense that they thought she would have their best interest at heart. –Mike McNeil

How to Become a Leader in a Few Simple Steps...

People don't want to be managed. They want to be led.

"People don't want to be managed. They want to be led. Whoever heard of a world manager? World leader, yes. Educational leader. Political leader. Religious leader. Community leader. Labor leader. Business leader.

They lead. They don't manage. The carrot always wins over the stick. Ask your horse. You can lead your horse to water but you can't manage him to drink. If you want to manage somebody, manage yourself. Do that well and you'll be ready to stop managing and start leading."

United Technologies ran the above as a paid advertisement in the *Wall Street Journal* in 1985. For many, it is an idea that reflects thirty-five years of leadership studies, books, speakers, and organizational theories. And it is one of my favorite quotes.

Think about the people you have worked with. Remember the ones you considered good managers. What words come to mind?

How about: managed work flow, measured results, provided performance evaluation, problem solving, decision making, meeting planning, training, hiring, firing, reporting, efficiencies, organization, resource procurement, etc.

What are the words that remind you of the leaders you've worked with?

How about: inspirational, motivational, coaching, resource sharing, visionary, principled, information gatherers, communicators, forecasters, strategists, etc.

When asked, managers will invariably say they value the quality of the leader over the manager. And given a choice, they would rather lead

than manage. In fact, this idea of leadership touches us and reflects our deepest desire to be the best we can be. We want to rise above the turmoil. We want to inspire and motivate. And yet, most executives and managers say that they are mired in workflow maintenance, day-to-day crises, problem solving, personality conflicts, and overseeing toxic teams that don't work. While we can tell the difference between management and leadership when we see it, the truth is, that most of us don't know how to make the shift from manager to leader within ourselves.

Let's take the volumes of written work done on leadership and distill it all down to three points.

Leaders have:

- A clear and compelling vision.
- The power to communicate that clear and compelling vision.
- The ability to rally people behind that clear and compelling vision.

- Roger Allen

Now, let's add in Roger Allen's exhaustive research on leaders. Allen proved six repeating practices that found what many others had been saying for decades:

- Leaders have a driving passion to realize their vision.
- Leaders are egoless.
- Leaders build and maintain relationships of trust.
- Leaders unleash the motivation and commitment of their followers.
- Leaders are social and organizational designers.
- Leaders act from positive beliefs about people and situations.

If we want to be around leaders, and if those of us who manage others crave to *be* leaders, then why do most of us tend to have the training and reinforcement for practicing management rather than leadership? Answer: because solving problems, meeting short-term results, and giving directives maintains the status quo. But additionally what we

need is people who initiate change, develop people, develop long-term strategy, and build commitment.

Therefore, we need to not only understand the difference between management and leadership; we need to understand and possess both skill sets. We need to be able make a shift from the practice of managing to the art of leadership.

“That’s easy to say, but how do I do that?” “How do I get ‘them’ to change their behavior and do what I want them to do?” “Why don’t these darn employees care about the same things I care about?”

In order to get to the “why,” you will have to ask yourself this difficult question: “What do I, as the leader, need to do differently to get the results I want?”

Answer: you begin a transformation one step at a time.

STEP ONE: Balance Your Roles

Leadership behavior can be grouped into five leadership roles. Think of them as hats that you wear. Sometimes you change from one to another hat quite quickly. There is no doubt you’ll recognize these roles:

- Tradesman: Does core technical work. Controls work flow.
- Manager: Controls the accomplishment of work. Planner. Keeper of the status quo.
- Designer: Builder of systems both social and technical. Has long-term perspective and strategy.
- Visionary: Innovator, looks to the future. Asks “What if?” Creator of innovation and chaos.
- Coach: Develops people, motivates, and inspires. Provides resources and training. Communicator.

We perform all five roles at one time or another. When a team is led well, the Tradesman and Manager are roles played primarily by team

members, not leaders. Which isn't to say that leaders don't ever get the fun of work and workflow if they enjoy it. Rather, leaders can choose what hat to wear because they want it, instead of feeling a burden of work, workflow, problem solving, day-to-day crises, and the rest of the frenetic activity we call "management." In fact, good leadership is the ability to leave the technical work and the management of it exclusively to the team and develop skills that allow everyone to develop leadership skills and possess both skill sets.

Most of us have a bias toward one or two roles and tend to neglect the rest. Think for a minute about where you spend most of your time. What are you best at and enjoy most? If you were to start to shift from a manager to a leader, in what roles do you think you'd have to spend more time? What roles would you start to shift to your team?

STEP TWO: Get the Big Picture

When organizational guru Edward Deming said that leaders should work *on* systems, not *in* systems, what do you think he meant?

Answer: that leaders add the most value when they are working on improving the team and not just doing day-to-day work, solving all the problems, handling crises, and managing relationships.

The greatest value that leaders can add is to focus more on the team than on the work.

Therefore, as a leader, you must view your team from the outside. The metaphor "get the big picture" suggests that one is observing from outside rather than being caught up in the bustle of the team. No one else on your team has the ability to understand all the elements like you do. Right?

Before you start to think that practicing leadership will require that you exit the building and not work anymore, start to think of yourself getting the big picture. But remember that "the big picture" is a

mindset, not a physical space. So how can you be in the middle of the action and still be getting the big picture?

- You can involve others in solving a problem rather than doing it yourself.
- You can explore a problem rather than solve a daily crisis.
- You can supply needed resources that serve your team.
- You can remain aware of the impact of your actions on the atmosphere of the group.

“Say that again? My actions impact the atmosphere of my group?” Be honest. Ask yourself: If your team is toxic, what are you doing to create that atmosphere?

STEP THREE: Make Your Team Your Product

Next, ask yourself, “When I get the big picture, what is my product?”

Your product as a leader is the team. It is now your job to make other people successful.

We may not have seen our jobs changing as we rose in our career. We might even wonder how and when the skills needed for success changed so dramatically. Was the change by design, skill, accident, or tenacity? By being aware of the five leadership roles and the various hats we wear, we become more aware of the skills we want to develop and the skills we want to develop in others. We start to see ourselves “getting the big picture.”

The pages of the latest business journals tell us that innovation and change are the values proving most valuable in this new century, this new economy. You know there is something to that, because your organization is changing, your job is changing—and you too can change into the leader you so admire and crave to be. But it takes practice. Innovate, and transform yourself. Then you will be ready to stop managing and start leading.

Keep in mind that the product or service of your organization becomes your team's responsibility—and the team becomes yours. Once you understand this concept, you can get to the work of looking at yourself—your habits, roles, and influence—and make the transition from managing to leading. Ask yourself, “How might the concept of getting the big picture change my personal leadership behavior? What roles do I need to practice to improve my skill as a leader?”

Ruth said it the best: It doesn't matter what you do; it really does take everyone to make this work. It doesn't make them any less of a person just because you have different skills. –Cindy Mah

When things got really bad, I was willing to take a pay cut just to keep my job and keep working there. That's how much I loved that job. I was willing to take a pay cut and be all, “You don't need to give me a raise, or you could cut my pay down, as long as we could stay on ship, you know what I mean? Keep this company afloat.” –Brian Hay

6

Beyond Delegation

Alignment is not the same as delegation.

Delegation means that someone is carrying out the directives of another without feeling any real ownership of that task. Empowerment, which is a giant leap above that, similarly assumes you're giving the power to someone. Alignment means that people take ownership for a responsibility and understand what it takes to fulfill it successfully and how they fit into the big picture.

Business owners always discuss delegation. "If only I could delegate that job." "I need to delegate that." "I want someone I can trust to delegate this work."

Delegate—verb: entrust (a task or responsibility) to another person, typically one who is less senior than oneself: he delegates routine tasks | the power **delegated to** him must never be misused. • [trans.]: send or authorize (someone) to do something as a representative: Edward was delegated to meet new arrivals.

However, delegation often brings the frustration of telling people what to do and then the possibility that they won't do it as well as we do it.

Because what we usually mean when we speak of delegation is “do what I do.” And for one reason or another, what another ultimately does is rarely what we expected, nor is it good enough. People fail under our delegation standards all the time. They either do too little or do too much. They assume the end product or they don’t think of the next step on their own. They pester us with dumb questions or we never hear from them. They come back too quickly or are way too slow.

Rest assured that it looks similar from the other side. You are too impatient or overbearing. You refuse to let go or don’t allow people to do it their way. You criticize. You don’t care. You micromanage. What the heck is your problem anyway?

Here is what businesspeople really want to know: Why won’t they do what I want them to do? How do I make people successful? How do I turn the key to the golden handcuffs? I am in my industry, not the coaching business. How do I align the people who work with me? What do I do?

In addition to being aware of your leadership roles, in addition to being in the big picture, comes a practice of very specific communication and coaching. Herein lies the golden handcuff key. But this is exactly where we often go awry. If you follow this bouncing ball, and talk about it in very specific ways, you will solve nearly every issue that debunks your ability to create alignment. I call this getting Beyond Delegation.

How to Get Beyond Delegation

By the way, it is not your fault. We fail them without understanding why. The people who work with us fail without even being able to articulate why, because we don’t know or don’t have the language to explain it. You’ve probably seen and heard this: people griping about unacceptable results and unmet expectations on both sides of the

employment picture. What we need is to be able to articulate and gain clarity in the areas where people “fail.” There are seven specific areas where people fail. If you are aware of and discuss all seven areas, if you build the language that allows you to articulate what success looks like, people will align.

But you must be consistent and communicate each and every time, which means that you must remember to have the conversation with new hires, with each promotion, with each evaluation, and when adding any core or coordinating tasks to anyone’s job. Herein lies a culture of clarity. When you are not clear, you are responsible for failure.

The Seven Rules of Alignment

How do we make others successful?

This is meant to be a two-way conversation aiming for clarity. You may know what you want, but resist the temptation to make all the decisions and lecture. Remember: the blah, blah, blah ends here. You are free to prepare in advance, even write it down for your memory, but this is a conversation, and if you present it completed, you have defeated yourself and others. So put it in your back pocket and make your presentation live. Listen more than you talk. Ask questions and be inquisitive. Let others do the work.

Job Description: Whether for core work or coordinating work, people need a definition of their responsibilities. Many businesses provide a description, but this is where most of us stop. Job descriptions are only the beginning.

Boundaries: What are the limitations for fulfilling the job? What is within or outside the job’s responsibilities? How many times have you delegated a task and someone did twice as much as you anticipated, making you feel that they had overreached your request? Yikes—failure! Or conversely, how about when you delegate a task and

someone doesn't take it as far as you expected? I'm guessing your thought is "What is wrong with you?!" Failure again! Don't assume. Discuss.

Measurable Results: We often lump all seven rules into this broad idea of results or expectations. And when we say expectations, don't we really mean "my expectations"? Here is an opportunity to talk about everyone's expectations. It is important for you to ask what they are and to listen to the response. Then together you can create measurements for results. It is helpful to think of expectations as measurable results. Then it may not be as confusing and you won't fall back on parent-like behavior that diminishes alignment.

When you tell an employee that their measurable result is to answer customer requests within three minutes, did that include creating happy customers? Or not? You may laugh at this until someone does it differently than you expected. And besides, we all need to know what a happy customer looks like and how we plan to measure that. Possibly happiness isn't your measurable result. How do I know that unless we talk about it?

Authority: This is the one area that I find most powerful. People fail and frustrate each other in this area more than any other, and we don't understand why. Talking about how much authority is expected will clear up a thousand misunderstandings.

Level 1: Act when directed (do what I say).

Level 2: Act after approval or consultation (we'll decide together).

Level 3: Act and report (I just want to know).

Level 4: Act autonomously (I don't need to know).

Remember that authority level, more than anything else, changes. It is a moving target. People learn new skills or build proficiency, and together you decide to change the level. Someone gets in over their head and you scale it back. You think you want a Level 4, but in reality, Level 3 is a better plan. And the same is true for the other

people in the equation. An honest conversation about where you think someone is and where you want them and where they want to be will be an eye opener. Again, the conversation is meant not for you to instruct, but for you to ask and hear the response. “How much authority would you like?” “How much authority do you think is appropriate?” I guarantee you cannot anticipate the results of that one question.

The person who taught me this lesson was Joyce. She felt she could handle more tasks and asked for more to do. As a classic manager, I quickly thought of something on my plate that I could delegate to her. “I know—how about putting you in charge of finding a new phone system?” “No problem” was her response. I assumed I would hear from her within a few days with a researched list of possibilities that would suit our business. I also assumed she would produce a matrix for pricing, options, and her opinion as to the best choice to replace our antiquated system. Am I a great delegator or what?!

Weeks go by. I hear nothing from Joyce. But I’m busy and I assume—again—that this project is simply taking time, and I don’t want to be pushy so I let it go. But by the time a month has gone by, I approach her about this project. Her response: “I really didn’t know what you wanted. Was I supposed to price, research features, or just purchase?” I was shocked that she didn’t do *anything*. She didn’t even ask. She completely froze. You may be thinking what I was: that this was her failure. But the lesson I learned was not only that didn’t she have enough information and that we both had assumed a lot, but that she simply didn’t know what her authority level was. Lightbulb moment.

Time: What are the time constraints (how often, how long, deadlines, milestones)? How many times were you left waiting for something to happen, only to find out that someone didn’t understand the deadline or how often they needed to perform?

When we started rotating our meeting facilitation duties, one of the longest conversations was about how often someone would be

expected to perform any duty. You may be surprised that this was an issue, but the decision to rotate every month in every task clarified and simplified the process. We also decided that the first draft of an agenda had to be sent out a week in advance and that minutes had to be delivered within 48 hours—all time issues. Your team may not make the same decisions we did, but talking about deadlines and time constraints makes for much smoother sailing in any task.

Knowledge and Skills: Do people have the knowledge and the skills to do the job, and if not, when and how will they get them? Have you ever heard, “I would have done that, but I didn’t know how?” Even when you want to stretch someone’s ability, even when you know they have what it takes when they may not, ask the question: “Do you think you have the knowledge or skills required for this task?” Talk about it. It may be what holds someone back, whether real or imagined.

Information: Do people have all the information they need? Can they get access to it if needed?

How can someone create a budget without the necessary financial information? How do I even make sales goals without needed customer information? Or how do I create a customer service campaign without access to sales or R&D?

One of my first training jobs was with a local software company who brought me in to run a three-part customer service training. Only the six members of the customer service team were invited out of a staff of 100. We were doing fairly common relationship-building exercises and discussing how to listen well and talk in terms of what is in it for their customer, which in this company was new thinking. By the end of the third session, a few people started to talk about how isolated they were from the rest of the company. They thought that their department was an afterthought. They thought they were treated lowly and that there was no culture of real customer service in their company.

As I sat down to listen to them, they admitted that they really needed their research and development department to share with them. Not only because they really needed information to relay to customers about upcoming products, but because they had a lot of information about what customers were asking for. But no one seemed to want that exchange of information in the company. This seemed criminal to me. This is a software company peopled primarily by engineers who were isolated from customers. When I completed the session, I called two C-level people within the company, including the one who hired me, and offered to debrief. I was anxious to share this information. No one wanted to debrief. They paid me my money and (I suppose) felt they had met their obligation to “train” their people in customer service.

Sad.

Resources: Do people need tools, equipment, reports, money? Can they get access to them if needed? This doesn’t mean that if someone asks for money they get it. But you are creating a safe place to ask and discuss. If I don’t have the right software, I may not be able to create the documents you want. On the other hand, if I want more people and we are in a hiring freeze, I may require brainstorming with other departments on how to best use the resources available. I’ve seen people fail simply because they didn’t understand how they could use the people and resources available to them. Don’t fail to address this.

Support: This is undeniably the most important part of the conversation if you want to behave as a leader and coach rather than a manager and autocrat. What kind of support do they personally want and need? Can you be emotionally and psychologically available to them? Can they come to you with questions and share their successes and failures? How often? Casually or formally?

If you say you’ll be available for review on Fridays, make sure to be

available on Fridays. If you say, “We will review your progress each day,” review progress each day. If you want a culture of alignment, you must be the example and be reliable. But first ask them what they need. Negotiate, and please, follow through.

The Conversation: This is a conversation. Discuss all seven areas. Once you have the language for these seven areas of alignment within your company, you will become quicker and more comfortable with the process. In fact, I venture to guess that only orienting new hires will take extra time. If your job is making your team successful, this time spent talking, when people start their jobs, when people add new tasks, when people are in an evaluation process, will become second nature.

Ken Blanchard popularized the idea of situational leadership, the idea that helping others be successful is on a continuum of directing and coaching and is subject to situations and change. This idea of situational leadership demonstrates that people and teams are not stagnant and are ever flowing and realigning. People can improve and then regress. Teams have members come and go. And that means that even though you’ve had the conversation once, you need to develop a habit of discussion both one-on-one and in a meeting atmosphere on a regular basis.

Besides being willing to open up and have these conversations, a lot of us as business owners just don’t trust others to meet us halfway. You may ask the question, “What criteria can you use to be sure when someone is ready for more authority or responsibility?”

Maturity and experience, their willingness and your confidence in their abilities: these are the intangibles that must be assessed and trusted when you’re carrying out these conversations.

Liz Wiseman takes this a thousand steps further when she discusses in her book *Multipliers* that great leaders stretch their people and can get more than 100% capability from them because they “attract and

optimize talent, require people's best thinking, extend challenges, debate decisions, and instill accountability." If so many people can write such great tomes on trust working for so many leaders and managers, why not you?

I think employees are better suited to reaching their best potential when you're given freedom to realize that potential but always know that you can go to your employer in case you do have any problems or any questions, or you know that open door exists. It's always a very nice option to have in case you get stuck. –Chris Brandstetter

I'd say most of the people at Mordam knew what they wanted to do. Even though it was kind of a punk rock environment, it wasn't...our people would not let their workday run out and not get things done. –Che Brooks

Something that totally blew my mind that she had that faith in me or whatever to just kind of set me loose and see what I could do, you know what I mean? – Ken Chappaikode

Ruth gave us the freedom to be able to have the open door with her to come to her if there were any questions, via either email or phone call, and Ruth wasn't looking over us like a hawk, as I felt like with Lumberjack. –Chris Brandstetter

If you know what job this person has to accomplish and they do accomplish it, then you're in the clear, you're golden. There's no problem. You don't have to watch what they're doing every minute of the day. And furthermore, with the people like me, and there were others, often you ended up getting more. I would stay

until 10 to get something done and didn't charge her. It worked both of ways, depending on the employee. But she was very smart on who she chose, and she was smart and trusting, and you know, at least attempting to trust most of her employees. And in the end, I think it worked out quite well. –Fred Hughes

7

“The Golden Handcuffs”

Nobody has written a more defining book on a universal topic than Michael E. Gerber did with *The E-Myth*. In it he asks the question, “Do you own a business that can run without you?” This one question runs cold through many a business owner’s veins. Because, whether you know it or not, you want to own a business that can run without you. Universally, the pain that most of us feel in business is the pain of having to do it all. We have to solve the problems, make the decisions, run the operations. Even when we have a staff of people to do things for us, or we have a perverse joy in thinking that everyone we hire needs us, we still experience the pain in their not doing it the way we want it done, not being good enough, and ultimately, leaving us.

Do you run a business where you think of everyone as family, and yet you believe that you are never free to step away for fear it will all fall down?

Gerber says it is systems. “Systems run the business and people run the systems.” And I partially agree. I love great systems. But the other part is this notion of everyone pushing in the same direction. Of people understanding the clear and compelling vision. Of everyone

knowing where they are going and then, ultimately, understanding the rules of alignment. Even the creation of systems demands this umbrella of leadership at every level.

People have to understand the clear and compelling vision and participate in its design. Everyone must have access to information, be a part of decision making, have the ability to solve problems when and where they occur, and have broad job descriptions. When these things happen, the handcuffs will fall off, and what you are left with is pure gold. It is now your choice what your role as the owner will be. That is much more freeing than not having a choice. And no one, in this scenario, will disparage your role. In my experience, they may covet it. But mostly they like what's in it for them.

No matter how much you think things are streamlined, somebody is actually doing the job that's going to have another idea about how to do it better, and actually having a forum that's like open, like having it transparent where you can just be, like, "This isn't working; can we do something like this or make it work better?" –Deb Follingstad

I think that there was a lot more mutual respect that went around and it made everybody feel better. –Scott Presti

Well, I guess, the obvious difference would be just in the sort of fundamental way that Ruth ran the business. I would describe it myself as sort of a democracy but with veto power from Ruth. I like that there was a very open discussion about everything, policy decisions, all that sort of stuff was usually discussed in meetings, and everybody was allowed input and, typically, everybody was allowed a voice in a form of a vote. So policy decisions, adding record labels, all that sort of stuff was kind of handled by consensus, which I really

liked. It made me feel like my input was important, and my input was direct, and that what employees had to say was important. That was the obvious thing to me that was different. I think it worked because of the fact that you were allowed to be honest. And by that, I guess, I mean it was OK to disagree. Even if your opinion wasn't the same as Ruth's, it was still OK to say so, and your opinions would be considered.
–Mike Jones

\$500-an-Hour Activities: a few words about being valued as the boss

Six business owners sit around a table. John asks, “Why don't I ever accomplish those tasks that I have agreed to accomplish? Month after month, I know what needs to be done, and yet, I am not doing them.”

Ron says, “Delegate it.”

John reacts, “But I can't. If I don't understand the steps, and practice them until I get the results I want, I can't ask anyone else to do it.”

“Why not?” I ask. “Surely they can also figure it out.”

“They might not want to do it,” Sue says.

“There is no time to organize and train someone else to new tasks,” Craig states.

“It looks like I am unwilling to do it myself,” Faye answers.

“It makes me look bad if I don't understand all the skills required to complete the task,” says John.

“Wow. That is quite a headful of junk. I wonder what your employees would say if they could hear you. What do you really mean when you say those things? What is the thought behind the thought?” I ask.

“If I want it done right, I have to do it myself.”

“They don’t do it as well as I do.”

“I need to show my workers that I am willing to work as hard as they are working.”

“I look stupid if I don’t understand everything.”

“I won’t deserve my income.”

“They may not like me.”

My jaw drops as we sink deeper and deeper into the cesspool of unharnessed, illogical thoughts revealed by the comments coming out of the mouths of successful business leaders. It took months of meeting and getting to know each other to become quite this honest with each other. These thoughts are prevalent. Can this be the state of leadership?

I too have felt a tremendous sense of guilt if I sat at my desk seemingly immobile while I demanded that they—my employees—work their tails off for the good of the company. When would they figure me for the fraud I think I am?

I had a mentor, my CPA. He was the first person to tell me that what I was doing was a \$500-an-hour activity. This was in response to my telling him for the hundredth time that I felt terrible about how much money I made in comparison to my employees. They deserved more of my money and I would have to gift them, bonus them, salary them more. I was sure that they would appreciate it.

I’d tell Mike: I have to be a role model. I have to show them that I am working as hard as they are willing to work. I have to work at least as hard as I was asking them to work. That, or I couldn’t live with the fact that my pay was more than theirs.

Furthermore, Mike told me in no uncertain terms that if I sat at my desk to think about the company, its future, its competition, its direction; if I read, studied, or pondered profit, organization, or strategy, it may look as if I am doing nothing, but I was in fact engaged in a \$500-per-hour activity and that no one else in the company had that job. I was worth every penny.

My push back: “But it looks like I’m doing nothing.”

“You are generating more money per minute than anyone else in the company,” stated Mike as he firmly gave me permission to do my job.

Why are business owners in their own way?

And if we are, how do we get *out* of our own way?

First, we give ourselves permission to attend to the big picture. Others in your company may be paid to do \$15-per-hour activities or \$50-per-hour activities. But it is OK for you to attend to the \$500-per-hour activities. In fact, it’s your job.

Second, we need many skill sets to be competitive in today’s marketplace. How can you possibly expect yourself to know them all? We never think twice about hiring a professional outside our company with a skill set we don’t have: a web designer, attorney, or CPA. Why do so many of us feel that we can’t hire them *inside* our company? It is OK not to know everything.

Third, when we empower other people to accomplish tasks, we engender respect. When we order people about, not listen to them, not value their contribution, we build resentment. It is the way we delegate—not the *fact* that we delegate—that creates problems. In fact, those organizations that hold back power and don’t encourage contribution are those organizations that people quit. Give yourself permission to ask for help.

Fourth, key word: ask. When people have information and are entrusted with it, they can accomplish tasks with greater success. Provide information and then ask what you need to do to make them successful. It is often uncomfortable at the beginning for you to ask and for others to be asked, but once you break the ice, some great communication can begin.

Fifth, what is great communication? It's when each side of the equation trusts that the rest are looking for the win/win: the solution that is greater than the sum of the parts. We must stop being the know-it-all. We must stop with the lectures. We have to ask for the needs and ideas of others. We must learn how to repeat the vision we have of success and be willing to hear what others add to the equation. For leaders, great communication is knowing when to listen.

If you think people resent your income and think you don't work hard for it, they could be right. There will inevitably come a time when they need to know that you are thinking of the future and the big picture. You can give assurance to those people who work with you. If that's done right, they don't resent you—they admire you, emulate you, and want to be like you.

When asked, business owners will all say that what they want most is respect. Don't undervalue the impact of your actions on the atmosphere of your group.

What Is High Performance?

There have been many studies about what motivates people. And many a manager has asked the question, “How do I motivate the people who work with me?” It is important to throw away that thinking. You cannot motivate people, just as you cannot make the horse drink. Fact: People are motivated by their feeling of contribution and being valued. Period. If you take advantage of people by not paying enough, then people will retreat to their most basic needs: food, housing, clothing. If you are doing this, shame on you. This is why unions exist: to protect people from you. But with basic needs met, it is not money that creates the aligned, high-performing workplace. After I sold Mordam, I started to learn about organizational design. I read John Case and Jack Stack and was excited to find out that there is a movement to open the books and teach workers about managing business by the numbers. I had the opportunity to learn from Roger Allen, a psychologist PhD and organizational trainer whom I met through 360 Solutions, Inc. I learned from Roger what high performance organizations were about. I was amazed that people like Roger, highly educated, who had spent the ‘90s training in organizations like Proctor and Gamble, were teaching these rules. I thought I’d made it up all by myself. I think what I said to myself was “I’ve lived this!”

The practice of opening the books is awesome, as is high performance. But we have to practice both in order to create a truly amazing company. Let's talk about High Performance first. Here is what Roger taught me:

High performance is where every person within an organization is a contributing partner in the business.

High Performance Teams are self-managing, multifunctional groups of people organized around a whole process and empowered with full responsibility for their success.

A High Performing team has:

- A shared mission that motivates and inspires members.
- Autonomy and authority for task performance.
- Interdependence and shared leadership.
- Broadly defined jobs and many responsibilities.
- Meaningful participation in decision making.

In traditional organizations, managers set goals and policies and control information. Managers are the thinkers and planners, and employees are just the doers. For employees, this sets up an attitude of compliance. Their hearts are not in their work. They do the minimum required to get a paycheck. High Performance organizations create a culture in which all people participate in setting goals, making decisions and solving problems. When this happens, people are inspired to go beyond compliance to commitment. People want to be a part of the organization and are excited to contribute to its success and improvement. They feel valued for their contribution. And as I've pointed out, leadership is the most important factor to make this happen.

I have thoroughly described the necessary clarity of vision and mission in an organization that glues it together. Let's take a look at these other needs so that you can help your people to feel and act like partners in your business.

- Access to information.
- The ability to solve problems.
- Meaningful involvement in making decisions.
- Broad roles and responsibilities.

Access to Information

Ask most people who have a job and they will tell you that they really have no idea how or why decisions are made. Additionally they will tell you that they would be better at their jobs and have the ability to meet their goals more reliably if only they had enough information. And if we keep in mind that people are smart enough to be hired to do their jobs, and we've stipulated that people come to the workplace with power and imagination, then it is obvious that information will make them better at their jobs and make their jobs better for the company.

For some reason, business owners often think they have to protect their proprietary information from everyone. Anything from account lists to catalogues to financial information is deemed so secret that no one gets access. While there are a few realistic situations for hiding this information (usually legal), generally speaking the worst case is far less daunting than the benefit of sharing information with your team. People can't act like partners when they are in the dark. And by sharing information, I mean *any* information that your team deems necessary to function well.

Here is a list of informational needs that people I've met attending my workshops have come up with that they felt would be good to know:

What are our:

- Annual sales?
- Departmental sales?
- Cross-departmental job descriptions?
- Business objectives?
- Sales and marketing initiatives?

- Plans for upcoming products or services?
- Quality issues?
- Overhead expenses?
- Budgets?
- Company growth factors?
- Company key measurements?
- Personnel key measurements?

Who are our:

- Best customers?
- Major competitors?

What is our:

- Market share?
- Cost of goods?
- Dollar sales goals?
- Unit sales goals?
- Mission, Vision, Value Proposition?

What always amazes me is that they didn't already know these things and in certain cases weren't allowed access to them. As a leader, freely offer information, but remember to also ask the members of your team what they need to know and then find a way to supply it. They might not know what's available.

As we get into sharing financial information in the open books section, we will dive deeper into how to help people understand the information they are getting. Your job of aligning your team is intensified as leaders act as coaches to help people understand and thus make better decisions and solve problems with more success.

The general template was what impressed me the most, the transparency of the company when Ruth was running it, the flat chain of command. The flat—I guess it's called chain of command—hierarchy of

the company. I was always amazed at what level of candor she shared with us and how natural it was and how right it felt, and everything from the finances of the company to what was on her mind as far as what the direction of the company. And it was clear that she was the boss, but it genuinely felt like each of us had a voice and a say and a role in the company. And it made me work harder; it made me care more. Everything about it was a good idea, and after Ruth transitioned, now the company became Lumberjack Mordam, that above all else was what I missed the most, was that level of openness and level of communication.
–Jimmy Calancini

The Ability to Solve Problems

Everyone loves the Nordstrom example of customer service. Why? Because Nordstrom's mission is to have employees solve problems when and where they occur. Don't you hate going into a shop where the staff can't solve problems? Of course. But nothing frustrates business owners more than trying to get their staff to solve problems. Here is the brutal truth: Your staff doesn't solve problems because you won't let them.

Ask someone else's employee why they don't solve a problem. Here is what they will tell you if they are being honest.

I don't solve problems because my boss:

- Has all the answers.
- Does it himself anyway.
- Micromanages.
- Mandates arbitrary goals.
- Always knows better than I do.
- Never thinks I do it right.
- Will punish my mistakes.

- Is protecting his turf.
- Relies on detailed policies that I don't understand.
- etc.

The same is true for your employees. So stop it. The easiest way to stop it is to allow your employees to wholly possess the Tradesman and Manager roles and for you to step into the other roles (Visionary, Designer, and Coach). The easiest way to stop it is to allow for mistakes and believe that they are smart, can figure it out, and will ask for help when needed. Lead from the big picture. Create a high level of communication. And then get out of the way.

In 1992, ten years after starting Mordam Records, I left the Bay Area. I literally moved 200 miles away to South Lake Tahoe, California. The reason was personal. I wanted to raise my family outside of the Bay Area. It was kind of a crazy thing to do. With his blessing, I left Tommy Strange in charge. I commuted up and down the mountain a couple times each month and telecommuted the rest of the time. What I started to love about this arrangement was that I could come to San Francisco for a couple days at a time to hold meetings or anything that demanded face time. What I ended up realizing about this arrangement is that it aligned the team. They had to solve problems. They could reach me by phone or (in those days, fax) email. And I welcomed their doing so. But 9.9 times out of 10, they handled it themselves. And the bigger issues came to staff meetings. It was brilliant.

That said, some vendors complained, as did a few employees, that the edge wasn't as sharp when I was absent. "The mice will play when the cat's away." Maybe I just wanted my own way or had blinders on. And I hated being thought of as "the cat." Even though I can see that some people took advantage of my not being in the house, to this day I believe this arrangement worked. One reason is the decision-making process. We talked about everything, including my being off-site. We created policies around it. I still believe that it deepened

everyone's engagement. And it led the way to others working off-site and some unique strategies for team building. Today many businesses operate virtually, and great tools are available.

Ruth was the owner, but it wasn't just like pretense, like everyone having a say, like it really was like everyone having a say. Which is like really pretty unusual. It felt really comfortable. I wish the honesty was less rare. Because it felt really natural and normal and good. Ruth at Mordam wanted us to work really hard, too, but it wasn't at the expense of respect and it wasn't at the expense of decency and that we're all people. –Peter Jacobson

Ryan's Story

If you are so lucky to go through a massive growth spurt like we did at Mordam, you will find that managing that growth is not always fun. Every weakness you have will come to haunt you. The first weakness that busted our jeans was inventory control. The MBAs say that inventory control is the mother of all business controls. Control your inventory and you control your life. When we moved from 8,000 square feet of warehouse to 25,000 square feet of warehouse, inventory got the better of us.

We thought we had an orderly place. Aaron spent hours diligently organizing the floor by format and alphabet, getting better with each move. But one day I got the call. Dave Crider of Estrus Records was reviewing his sales and inventory statements and they just didn't add up. Scratching my head, I looked at the two computer-generated reports and had to admit that, indeed, they didn't add up. But I had no idea as to why.

After reviewing the reports with Katie in bookkeeping, I broke into a cold sweat. It appeared that either we had "lost" a lot of inventory or

we had underpaid a vendor. We could just pay Dave the difference, but that didn't solve the problem. And if we didn't pay Dave and make it right, we'd have a mutiny on our hands. Surely the other labels would start to look at the reports more closely—if not now, then as soon as Dave told them to. If his report was inaccurate, then wouldn't the rest be similarly inaccurate? We had thousands of units leaving our warehouse daily. The invoices numbered in the hundreds. What would you do?

Staff meeting!

Surely there were people in that meeting who were glad that someone else would be responsible for thinking about and heading the charge on this sort of problem. It was important that everyone know why it is a serious problem and together decide how best to handle ourselves.

The first decision made was to review all the reports and compare them to the invoices. That would require someone with the time and attention to detail that we didn't have in the house. Katie suggested a friend of hers who could hire on temporarily to add up and count every invoice line we had produced, starting now and going back as far as necessary to correct the sales reports. We had consensus to spend the money to make this happen. I confirmed that it was within our budget. Katie would call to set up and then work with both her friend and me to manage the project.

The urgency about how to handle ourselves should there be any outcry or communication on this issue from either Dave directly or anyone he may talk to was decided. We would be able to honestly state that we were at work on it and that they should speak to me for further news. We would report findings at future meetings.

While this took many months to reconcile, the result was that we had outgrown our computer and software systems and it was not tallying accurately. George, Katie, and I started the process of upgrading software and servers.

In the meantime, there had to be an inventory count to create a clean set of startup numbers. Until that time, we had counted inventory only as a year-end service. We didn't take it quite this seriously. We shut down for three days to do this particular count.

After we got the new computers up and running (no short story either), confident that we were getting good reports, our accounting team came back to a staff meeting to report that while we were happy with the new reporting, we had an additional problem. Already, inventory didn't match our records. If the reports are now truly accurate, then the problem lies with humans. We count incorrectly either when we do inventory, when we receive inventory, or when we ship orders. I was ready to kill myself.

Ryan Wells only worked at Mordam for a short time. He defected from the Rough Trade warehouse and came to join us during our peak years. He started in the Folsom Street warehouse and was a part of the growing team that moved us to *César Chávez Street*. Illustrating that answers come from the quiet corners of your business, my memory of Ryan is in this very moment when he matter-of-factly offered this piece of advice: "At Rough Trade we had a pick-and-pack system so that we were double-checking every item that gets shipped before it goes out the door."

Bingo. Just like that. The warehouse staff is now discussing how they can set up that system. The rest of the staff is eager to know how that may change their processes. Implementation starts immediately, Ryan at the center of the solution. I didn't find Ryan to interview for this book. In my mind he was king for a day. He may not see it the same. He may have thought we were a bunch of idiots who didn't know much about anything. My hope is that he had a feeling of accomplishment and belonging during that time. He was certainly appreciated.

Did this solve the problem? 90% yes. Like magic. And it led us to the final part of our inventory system: a quarterly inventory count that

could be done in a day. We got really good at it. And our inventory was never again off by more than 5% (anything else was caught and solved), proving that inventory should never be taken lightly.

Recently, this experience helped me while I was working with a paint and hardware retailer. He wanted to sell the business, but the recession had seriously impacted his cash flow and ultimately the value of his business. As we got deeper into his books, he had a suspiciously large inventory number recorded. I asked him if he really had that amount of inventory. If he did, there was his cash. He could solve his cash problem by creating a purchasing system. If he didn't, he had an inventory management problem. He claimed that he didn't have that much inventory and that that number was coming out of his point of sale cash register system, but it must be wrong. I encouraged him to look deeper at this number.

What he found is that he had no starting numbers. It turned out that he had never had done a full inventory count. He didn't really know what was there. His belief that he had less inventory was completely anecdotal. Additionally, his inventory showed, for example, that he had many 100-gallon barrels of paint, which he sold to contractors, that weren't there. I recommended that he close down his POS system so that he could do a proper count. I suggested that at face value, it appeared that someone was stealing 100-gallon barrels out his back door. And if the big stuff could be stolen, his "shrinkage" in the front of the store could be a problem. I explained that if I was looking to buy his business, I would stop short right here. At best he had a bit of a mess. At worst he had a serious HR issue.

Although he was nice about it, he didn't want to do this work. He fired me instead. I believe he still owns the store.

Meaningful Involvement in Decision Making

Business owners are always talking about how to get their staff to "buy in"—which only means that they have made a decision and

they want their staff to agree with them. This section is critical. This is about “weigh in,” not “buy in.” My position, innocently from the beginning, was always insecure. I don’t know everything, so I’ll have to ask everyone. There have been a few exceptions over the years where I learned to not ask first, because, as a rule, if you want to align people, use the best and brightest part of each person, let them know that their contribution is truly valued, and involve them in making decisions that impact them and your business. Even if you are not insecure about making decisions or trusting yourself, resist the urge to do it alone. And by the way, did I say every decision? For the most part, I do mean every decision.

There are two different types of decisions. One addresses work production:

- What are our systems?
- What are our deadlines?
- How do we handle quality control?
- How do we hand off work?
- How do we handle customer service? Production? Materials? Technology?
- How do we sell, market, and buy?

The other addresses the big-picture strategic decisions. We know that it is management that usually handles this big-picture strategic thinking, and that it is strategic thinking and planning that often go undone. In the light of day, business owners spend their time in the trenches. Therefore, even if this is challenging your thought process in this moment, it is important for you to stop making all the decisions and start engaging others in this strategic process. The payoff is huge.

Here is a list of strategic planning items and systems that business owners don’t need to do on their own. In fact, giving them over to the team, whether your whole staff if you are small, or a cross-sectional group, will not only release you of the heavy lifting, it will create a better result in terms of outcome and participation.

- What information do people need? How is it communicated?

- What does your organization chart look like? What jobs report to whom?
- What authority does each job have?
- How do we make decisions?
- How are goals set—individual goals, team goals, organization goals?
- How are goals tracked? Adjusted? Communicated?
- Vacation policy, sick leave policy, compensation policy, training policy, hiring policy, promotion policy, disciplinary procedure, grievance procedure, interpersonal conduct, minimum performance expectations, performance review and feedback policy, non-negotiable work rules
- Recruiting and hiring systems
- What skills should new hires have?
- What values do they have? What is your interview process? What are the hiring criteria?
- What is your ongoing employee development? Promotion policy? Continued training and education?
- What is your employee evaluation process?
- What are, and how do you handle, staff non-negotiables?
- What is your termination and exit procedure?
- What is the new employee compensation system? Is there a probationary period?
- What is the benefit package?
- What is your bonus policy?
- What is your profit share or stock ownership policy?
- How do you change policies and procedures?
- How do we run meetings?

Subsequent companies that I've worked for, even, I just took a job a few months ago and in my interviews, I definitely discussed...they asked what my preferred office environment was and I went straight to the Mordam office meeting. I went straight to that level of openness and communication; that's what I look for in future jobs. –Jimmy Calanchini

But, the longer I worked at Mordam, and to see how everybody, pretty much everybody, knew what was what, that was not at all what I expected. It was really nice actually to know what's going on. I think it's important that you know what's going on in order to prevent rumors from spreading. And especially with financials, not everybody has a brain for that kind of thing. –Ximena Quiroz

Why Consensus?

If you are old enough to even remember the 1960s, then you probably remember that consensus was a hippie conspiracy to make meetings really long. I had just enough of a taste of it in the '70s to put me off meetings altogether. What I have learned since then is that the term *consensus* was defined inaccurately. In those days we used to think that it meant "in agreement." Everyone in agreement. But what I learned is that consensus is reached when all members understand the decision, commit to it, and will support it, even though they may not agree with it; i.e., consensus means that we agree to live with the outcome of a decision.

The double benefit of consensus is that you get not only better decisions, but better alignment. And that is what was in play at Mordam. That isn't to say that we had to work our way through changing norms as times and people changed within the company. We remained fluid as we learned and changed as we went.

I learned with the help of everyone who ever worked at Mordam that there are times when a command decision needs to be made. There are times when people really want management to decide. High on that list are firings, high level finance, and hard conversations with outsiders. But the beauty of this is to decide together where those lines are. Then the decisions, just like using your mission, vision, and core values to make decisions, almost make themselves.

To keep our meetings manageable at Mordam, we instituted a super vote democracy system. If we could agree that we were finished discussing, we voted. Adding a label was a two-thirds vote. Other topics were a majority vote. And those rules changed at times too. There were times that we'd take a test vote only to see that we needed more discussion, and times when someone would get fatigued and call for a vote. Many hot topics got carried over for more discussion and research.

What I love about consensus is that everyone weighs in. You see and hear things you may not have thought about. It takes a little more up-front time, but saves in the back end.

Mordam had a reputation for having a very slow process for bringing in labels. For most of its history, I valued that process and the results it produced. I wanted everyone to weigh in. Not only because in that industry you can't know everything about every band and subgenre, but also because when everyone has a chance to see and hear compelling evidence, each person and department feels their contribution to the end result. The process was a great one.

There was one time in history when this reputation hurt us.

Losing Lookout! Records and moving to Sacramento happened over the course of a single year. We felt that we had many challenges meeting us, like new staff, new location, tight cash flow, and insecurity about our reputation. In addition to those major internal issues, the upcoming format change from CDs to digital files was raging and confusing. Labels, bands, and musicians were nervous about their futures, and labels started coming and going a little bit more than they had in the past, as they hoped their issues were simply distribution issues. I remember one of our early staff meetings in Sac where we were discussing the weight of all of these issues and the discussion of bringing on new labels came up. There was a lot of feeling that we should just go out and get a new crew of great labels right away. But

it was Fred Hughes who took the floor and presented his compelling argument.

“We simply take too long to bring in new labels,” he said. “New times demand new tactics. We absolutely have to make decisions faster.”

What did he propose?

“Everyone will reach out to labels and bring in information. We will have one week to review material. Then that material will be sent by round robin amongst everyone off-site. We will have an email discussion within ten days. Ruth will be authorized to negotiate deals immediately. New labels will be integrated within one to three months rather than four to six months.”

This was so different from prior policy. It could take us a long time to reach consensus. But the urgency of Fred’s suggestion remained memorable to me. He proved that we could turn on a dime and that we had become so good at this process that we could reach consensus quickly. And we did. 2001 was one of our best years ever.

I was pretty timid in the beginning, but I kind of wasn’t sure how the process was going to work with being a sort of a co-op situation, and I obviously had never worked in that kind of environment before. But maybe, I don’t know if it was six months or so into it, a label contacted me, and I brought that to one of our meetings and sort of advocated for the label and we ended up taking a vote and deciding to vote that label in, and I was super-excited about being part of the process. I had worked for people that had run labels and other things, but we did do some kind of discussions at Revolver and stuff, but I don’t think that I was instrumental in the process of bringing some things on. But with Mordam, with the vote style of

doing things, it was definitely new and unique. I knew it existed but I didn't really know how it was going to work really, you know. –Kristin Attaway

Learn to Love Your Meetings

Why do people universally hate meetings? Maybe your organization has meeting-itis? Maybe you have long, endless, aimless, rambling meetings? Or a coffee-and-gossip hour disguised as a meeting? Do people bring embarrassing personal issues to meetings? Or possibly your team comes together and accomplishes absolutely nothing? Do you do all the talking, accompanied only by a soundtrack of snoring and the tap-tap-tap of smart phones?

My observation from experience and the stories of most of the business owners I've met is that meeting time is a time they "talk to" their people. Meetings become the "blah, blah, blah" of the team leader. No wonder everyone tunes out. That's why business executives almost unanimously say that they either hate meetings or don't have them at all.

But my true life experience in growing Mordam Records is that meetings are an opportunity, a gift of time together with people to review, plan, discuss, understand, and truly communicate with one each other. There is no other time as valuable or profitable as meeting time. When they're done well, everyone knows what to expect and even saves up topics, ideas, and issues for meetings.

Over the years, this is how we developed our meetings and why they came to be so important to our process—so important that the first assignment I give to business owners I work with now is to start or restart having regularly scheduled meetings. But in order to get over the really bad meeting syndrome, these rules must be followed:

Rule # 1: Everyone is invited.

There is no position too small, no person so inconsequential as to not be invited to a staff meeting. Even the guy who does your deliveries part-time, the receptionists who job-share, and the bookkeeper should be there. They know more about your business than you'd ever imagine. In fact, in these examples, they actually have contact with customers. And they shouldn't be the people grumbling about not being important or making a difference. Everyone counts.

Yes, you have to pay them. Yes, you need to organize a time that works for the most. And yes, unless your team is working the emergency room, you can turn on the answering service and tell your customers you are in a staff meeting.

Rule #2: Meetings are for big-picture topics.

Anything less than this will be referred to as a huddle. (See huddles below.)

Here is what constitutes good staff meetings:

- You need to make a decision that impacts everyone.
- You have an issue that requires input from everyone.
- You have information to share that affects everyone.
- You need to review performance or plan the future.

In other words, meetings should be about the biggest picture possible. Any production meetings, department meetings, or personnel meetings should be handled separately. However, most of the same rules apply to those meetings too.

It takes some time to get used to talking about big-picture topics. But I assure you that once people understand, trust their value, and get in the swing of doing this, they won't tolerate aimlessness, petty

personal issues, or minor production issues that can be handled in a huddle or smaller group.

Rule #3: The team leader is *never* in charge of meetings.

I learned this the hard way. But in hindsight, it was one of the biggest revelations that ever came to me. After years of leading staff meetings to inconsistent results, I decided to delegate control of the meetings. As I am going to describe below about having a meeting about meetings, we eventually did have a series of meetings about meetings. Out of that came clarification of meeting roles and rules for our group. Letting go of leading meetings had a huge impact both on me and on the aligned state of workers. Now they were stepping up, weighing in, and best yet, monitoring me.

Not a great feeling at the time, but an amazing and repeatable memory is being told in no uncertain terms by a meeting monitor, to “Shut up and let someone else have a turn to talk, Ruth.” Bravo! When this happens to you, it may be a little embarrassing, but you know for certain your team is engaged and that the trust is very high.

Rule #4: You have to have an agenda.

I promise I won't go Robert's Rules of Order on you in this text. However, an agenda written in advance and delivered with enough warning can:

- Help people be prepared.
- Allow people to know what will and what will not be discussed.
- Keep people on task.
- Allow people to decide what is relevant to the group for addition to the agenda.

Additionally, make sure that these items live on your agenda for every meeting:

- Review of the agenda: late adds or deletes.

- Questions regarding past meeting minutes.
- Next meeting plans: dates and holdover agenda items.
- A meeting evaluation.

If you are already wondering how you will fit all this meeting prep into your schedule, or you are married to just bringing your list and winging it, here are some tricks for using an agenda to develop weigh-in for your meetings:

Delegate. Or better yet, rotate agenda responsibility amongst meeting membership. (Rotate every meeting or every few meetings.)

Prepare an agenda. Announce that a meeting agenda is being compiled a week prior to the meeting and ask for contributions. Deliver a first draft a day later. Give 24-48 hours for revision or additions. Put out a final agenda no later than 48 hours before a meeting. Post it, email it, hand it out. Make sure everyone sees the agenda before the meeting.

Stick to the agenda. This habit eliminates off-topic venting and gossip. When items come up between meetings, develop the habit of saying, "Put it on the next agenda." This helps people think about what they want to add, and better yet, what they don't want to add. If it wasn't serious enough for the agenda, it will not be discussed. And if you are the team leader, it will help keep you and your checklist from running roughshod over your fellow meeting members.

Rule #5: You need meeting minutes.

Minutes just have to be good enough for someone missing the meeting to get the salient points. Most importantly, the team needs a reminder of what decisions and commitments were made. Do I hear a collective moan?

Rules of thumb:

Rotate the job. Here's another opportunity to distribute the work while

making your team stronger. Nothing makes team members appreciate meeting minutes more than having to prepare them. But be ready to be flexible about a variety of reporting styles.

A first draft must be delivered—posted, handed out, emailed to everyone—no later than 24 hours after the meeting. Give 24-48 hours for revisions or additions. Keep a permanent file for meeting minutes that everyone has access to.

True engagement looks like this: When the minutes are sent out, people read them and then discuss and sometimes argue about what “really” happened in the meeting. This used to happen to us all the time. It may sound silly, but clarifying communication within this 24-hour time frame is brilliant. So many miscommunications were avoided. And those miscommunications will grow like hairy monsters in the span of time until the next meeting. In our case, that is a whole month of growth. Think about the adage “an ounce of prevention is worth a pound of cure.”

Rule #6: Assign, delegate, or rotate the following meeting roles:

The Facilitator

Develops the agenda (with input from everyone). Notifies people of changes to the agenda. Handles meeting logistics. Leads the meeting. Ensures accomplishment of outcomes. Manages the discussion. Contains tangents. Summarizes the information and calls for action.

The Recorder

Keeps minutes. Keeps list of commitments and action items. Maintains other team records. Circulates minutes after meeting. Notifies people of changes to minutes.

The Moderator

Pays attention to group dynamics. Reminds participants to use discussion skills. Ensures a balance of participation. Calls on people

in turn. Keeps time. Conducts evaluation of the meeting.

Rules of thumb:

Create weigh-in by rotating roles amongst meeting membership. Include the upcoming assignment of the roles in each agenda and meeting minutes. It is acceptable to start this habit by asking for volunteers, but eventually every team member should rotate through the roles. That's weigh-in in action.

The team leader should not be assigned these roles. Let the other team members lead and moderate you. A great meeting is one where the moderator asks you to listen so that others can talk.

Rule #7: Evaluate your meetings.

Even if you spend only the last five minutes of each meeting doing this, it is the surest way to improve your meetings while building trust and honesty about what your team likes and doesn't like about its own meetings. It is the time you spend to improve and make meeting time more constructive and valuable. Hint: Let the moderator lead this discussion, not the team leader. People can be intimidated by the boss asking if they liked her meeting. As the team leader you can feel free to offer an opinion, but delegate or rotate the moderator role.

OK—the truth: We only did this when someone asked or had a comment about the meeting. There is great pride in knowing that people had enough trust to comment on this subject on the spot. But given the chance, I'd institute this activity every meeting. It is a great way to check in and get better. We could have gotten better more quickly if I'd known about this process.

Rule #8: Your team needs to create meeting norms.

These are the rules that are agreed to that provide the atmosphere your team wants at their meetings. There is no better way to get everyone engaged than creating and enforcing team norms. Here are some sample meeting norms:

- Start and end on time. (What are the time, day, and length of each meeting?)
- Prepare an agenda prior to each meeting. (Who will do it? When will the agenda be delivered? How do we add to the agenda?)
- Keep minutes of each meeting (How and by whom will this be accomplished?)
- Encourage discussion and a diversity of opinions. (What skills do we need to become good at this?)
- Contain tangents. Speak one person at a time. (How can we protect this? Should we have a “speaking baton”?)
- Listen without judgment. Be kind.
- Evaluate the quality of each meeting. (How can we make our meetings better?)

Are you ready to accept the Mission: Impossible challenge? The assignment is: HAVE A MEETING ABOUT MEETINGS. Here is your agenda: Create an Agenda, rotate Meeting Minutes, discuss Evaluation, assign Roles, create Norms. Then watch how the team will run their own meetings and how it will change the way you all feel about meetings.

When I first started working there, there were a few meetings I remember where we discussed specifically some releases from a label that featured, like, women in skimpy outfits I guess on the cover. And there was a salesperson at the time who felt really strongly that it was demeaning to women and sexist to have like these cheesecake photos to sell the record, and we would spend hours going back and forth discussing it. And everybody that had an opinion that they wanted to express was given a chance to. And I think when you feel like you have a say in your work environment like that, it makes you feel like your opinion counts and if there is something that personally affects you, you're offended by it, or it's something that you believe

strongly. And that you would have your chance to lobby for it or against it. And usually, if there was an issue... specifically with label releases, we would discuss whether it was something that we were comfortable selling. And if that wasn't, then Ruth would literally go to the label and say, "Hey, you know what, we're not comfortable selling this for this specific reason, so either you're going to have to change this or we're just not going to sell this particular release." –Mike McNeil

A Word About Huddles:

One of my favorite articles appeared in *Inc.* magazine in 2007 called "The Art of the Huddle." Leigh Buchanan interviewed business owners and then categorized different types of micro-meetings that those leaders found productive. It helped me to see that there is a difference between huddles and meetings.

Huddles are short, small gatherings for the following reasons:

- Regular production.
- A quick update.
- A small work group communication.
- A quick or small problem solve.
- A quick or small decision that must be made.

Some of the standout styles included: right before lunch, standing up, or a 15-minute time limit. The thinking is that if you have core work, production topics to discuss—do so and do so as often as needed. Communication is everything, but save the big picture for meetings.

A Word About Virtual Businesses:

In *Rework*, Jason Fried wrote about hating meetings (quote) marring an otherwise worthy treatise. But he is one of many who have been discussing how to have meetings in a virtual business. My response to

this is the same as any other business: have a meeting about meetings. Use the phone, a conference site, or Skype—whichever suits your team. Invite everyone, create an agenda, keep minutes, create roles, and evaluate. Whether face-to-face or virtual, the point is the same. The team is engaged and weigh-in thrives when communication is high. My guess is that your team will eventually want some face time. If I were you, I'd do my best to make it happen.

Roles and Responsibilities

Most business owners and managers I have met feel overwhelmed by the quantity of work and tasks they feel responsible for. A traditional habit is to then hire a “manager” to take all the overflow. But this only pushes the problem over onto that manager. That traditional structure just keeps overwhelm and a lack of commitment flowing downhill. The high performing idea is that we are looking to everyone who works in your business to be responsible and aligned with your business.

When people only see their “part of the elephant,” it is hard to make good decisions or solve problems. Not only do most people function better when they can see the big picture; as a rule they enjoy their jobs and feel valued in a way they won't otherwise feel when they are only allowed a small-window view. This includes these traditional “managers” who are supposed to handle all of the coordinating tasks. In order to have a self-managed team, it is the members of the team who must manage their own selves and work product. Therefore, every team member not only sees and understands the big picture; everyone must do much more than just their narrow job description.

I mentioned above that people will often request information about other people's job descriptions. Additionally, I often walk into businesses where there are no job descriptions at all. People therefore not only don't understand their own job, they certainly don't understand anyone else's job. But there is tremendous power in understanding how each person impacts the business and each other.

Generally speaking, people think, “I will try to make your job easier if I understand your challenges. Furthermore, if I am to be a meaningful team member who makes decisions and solves problems, then knowing what everyone does and what their challenges may be helps me to have more imagination and understanding of the decision I help to make.”

Believe it or not, this is also true of business owners and their managers. Traditional managers often complain that their staff doesn't know or appreciate what their boss does. This is easy to cure. Even the boss can have a job description and make it public.

What is a coordinating job responsibility?

- Facilitating meetings
- Internal communications
- Hiring and interviewing
- Training
- Purchasing
- Goal setting
- Budgeting
- Reviewing
- Quality control
- Safety
- Customer feedback
- Some marketing and sales functions
- Employee benefits management
- Grievances and employee feedback

As an example, in a few businesses I've worked with lately, the efforts to bring in social media marketing has become a coordinating activity. Employees get involved with a blog, Facebook page, or Twitter, enabling the company to develop a presence without added expense while utilizing the abilities and desire of the staff they already have.

I recommend that you come at this from one of two directions. You can either approach someone individually and ask them if they are

willing to take on a specific task, or you can list coordinating tasks and bring it into a meeting as an agenda item to discuss choosing individuals or creating small groups responsible for each coordinating task. Oftentimes managers don't believe that anyone wants to do this stuff. And if you have a culture where people are not committed and only do the least they possibly can, it will take more time and persuasion to convince them that they can safely take on these roles, make them their own, and even make mistakes with them.

Some tasks can be rotated. But in any case, let people choose their roles and decide rotations, even if it is you asking for help. If they aren't comfortable with one, offer another. The real challenge for the leader is that you must coach people to be successful. Remember, your primary role is their success.

Steps to Take

If this is all new to you, here are some easy ways to take first steps toward being high performing. Keep in mind that any changes you make will be viewed as strange and will take time to build trust. Don't let people's reactions sway you. Keep to your path even when it is difficult. If anyone blocks the way, challenge them to be patient.

- Start having meetings. Have your meeting about meetings. Decide your meeting structure such as when, how long, and how often to hold meetings.
- Pick one big-picture, strategic item from your to-do list and have a meeting about that and that item only. Since you are no longer the leader of meetings, participate by asking questions and offering some opinions, but train yourself to let others communicate. It may take time. It may even take some uncomfortable silences. Resist the urge to manage it.
- With each strategic item on your to-do list, create a coordinating responsibility and ask people to volunteer to do

it. Then set the parameters for that responsibility: how long, how often, how many rotations, etc.

- Coach them to success. Review at the next meeting.
- Pick another strategic item from your list and do the same.

9

Regarding Employee and Company Evaluations

If you employ people, you know that they are relying on you for feedback. You don't want to let them down. You want to be the best boss you know how to be. You daydream about saying exactly the right motivational words that inspire everyone who works for you to greatness.

Your new hires ask how often they will get reviewed. Some employees hope to death that you don't "call them into your office." Others complain at the water cooler that they have yet to ever get a review on this job. When was the last time you talked to your employees or, better yet, evaluated or "reviewed" them? You may think, "Oh sure, I talk to them all the time." But in the back of your head you know that you haven't, really. You'd love to be the perfect communicator, but you think you're not. You may even have a business coach who recommends to you that you give regular feedback. "If you want great performance, you gotta talk about it. You've got to set performance goals, set the bar, let people know how they are doing. Listen to their needs." But you haven't taken any steps to do it.

"I do. I will. I'll try," you think. The day comes when you sit down to put it in writing. "I'm going to write an official employee evaluation,"

you say. Your pen hovers over the page like some bad Stephen King-style writer's block. You know what you want to say. You don't have a clue where to start. You don't know the fair and clever words that will open the door to communication rather than slam it fast. Your pen hovers. It doesn't hit the paper. "Crap," you think. "I've done so far, so good without this stuff. Who needs it!"

At any given time, of the twenty employers I coach, not a single one does formal employee evaluations with any regularity. They may "call people into their office for a talk" if expectations aren't being met. But most don't give any type of regular feedback. In fact, when things are going poorly with an employee, they are not really sure what procedure, if any, they can use to communicate their dismay. By the time I am listening to this lack of performance story, for many employees, it is too late. They can't redeem themselves, and they and their boss don't understand why.

This is a very real situation for a lot of employers. And it is not a good for anyone.

Years ago, in this same situation, Mordam's managers told me without mincing words that people wanted feedback and I needed to regularly give it. They told me to "man up," as it were. And I sat many times a month, with my notes about good qualities and those that needed improvement in front of me. Sweat dripped down my face as I reconciled not doing it at all with knowing that if I didn't do it, I was letting everyone down. And then I found a software package that neatly gave me human resource language on every performance measure and a scale of bad to great. It allowed me to cut, paste, edit, and personalize. The honest truth is that it made me look like an HR genius. I was Ms. Diplomacy. I developed some rules about how I went about humanizing this procedure: 1) One-page limit. 2) I sandwiched improvement qualities between good qualities—no matter how difficult either was to find. 3) I verbalized everything I wrote. Nothing on paper was a surprise. 4) I always asked my employees to review

the job, the company's performance, and whether it lived up to their expectations.

It took a while, but I did get told on a number of occasions that people looked forward to these conversations. I, too, started to like them.

I know so much more now. I know that the younger the employee, the more frequently they want feedback. I know that understanding authority levels and having real company information, key performance measurements, and transparency adds greater depth of understanding. I understand how to create commitment on the part of the employee and the power of that commitment. I understand better than ever that it is a two-way conversation that is ongoing. And lastly, if someone isn't working out, the conversation that has been ongoing takes no one by surprise.

However, I can jump up and down about how great this is, but that doesn't motivate my clients. They still sit sweating with their pens or keyboards hovering. They know that they will see the beauty of communication once they get going, but it is a gigantic leap of faith. I can encourage them to try, experiment, and then I thought that possibly a tool, some newer software solutions would help them find their voice.

I Googled. There are hundreds of HR solutions. It is a multimillion-dollar business. And many of them cost some serious money. I thought, maybe I should partner or affiliate myself with one, vet the best, and offer it up. But I didn't know which to choose. My clients were happy to let me do this work. They also liked the idea of a tool. But there is a huge range of prices and systems. I decided that a small, inexpensive but poetic solution would work, like that software of years ago. Then, like any good researcher, I took it to LinkedIn.

This was only the second time I had asked a question on LinkedIn. The first question had vetted some helpful advice. Feeling optimistic,

I asked the question “What is the best off-the-shelf, inexpensive employee performance software for a small business?” This question brought an avalanche of criticism. I was told that a brain was all that was needed to write reviews. I was chastised for sinking to the use of software tools. Didn’t I know that an automated solution was demoralizing? Did I realize that annual reviews were a hateful procedure that nobody wants? I was told to go back and read Deming. I received *Harvard Business Review*-style analyses of developmental systems.

There was an assumption that using software was one-size-fits-all in the responses I received and that reviews would only be used annually. There was another assumption that there would be no coaching or agreement on performance goals and measurements. In fact, there was so much assumption that I left that thread each day wondering if those people answering had ever had to deliver an evaluation in their lifetimes. If they had ever owned a business that required this skill—the skill that makes strong people weak and smart people sweat—they may not have been so judgmental. I can also guarantee that if I showed this thread to my clients, they’d never, ever do an employee evaluation.

Then I was pointed to a book by Garold L. Markle called *Catalytic Coaching: The End of the Performance Review*. Markle discusses exactly the same ideas I am, but he helped me to apply the leadership role of The Coach to the review activity. And more importantly, he illustrates how to separate the performance review from your compensation system. Brilliant. Some great things can come from LinkedIn.

Here is how it informed my thinking: With your team, develop your evaluation system in terms of how often to evaluate. Supply the employees with a worksheet that helps them to evaluate themselves in terms of what they are doing well, what they could improve, what they are committed to as short-term goals, and what they are committed to in terms of long-term professional development. At the same time,

management is preparing and answering the same questions. But the key here is that it is their commitment. Even if you come with your list of ideas, suggestions, and sometimes even required improvements, they are the ones who have to commit.

I also believe that it is essential that any employee be able to review the business and give that feedback as to how the business is meeting their needs. What is the business doing well; what could it improve in terms of their experience inside that business? Even though I am attempting to get your whole staff working together with a high level of communication, this one-on-one time is priceless. Most people are more comfortable in a one-on-one setting, especially when they know that each side is coming prepared and with good will, and it is not a time when someone picks on them or their compensation. You will get priceless insight about improvements. In the worst case, you will get an earful of drama. Often I would hear office drama of the kind I would have never heard of otherwise. That is insightful if for no other reason than to show the character of the storyteller. But sometimes it leads to solving problems with people or systems that you might not have known you had.

In Mordam's case, evaluation time was also a part of our grievance procedure. People could complain when they had my ear. But they had to be able to answer the question "What do you want me to do about it?" followed by "Do you want this on a meeting agenda, and are you willing to take this to the team?" Nine times out of ten, they just wanted to vent, and they honestly said that was the case.

When you actually meet to do this kind of evaluation, the discussion is prepared and elevates to a performance-based discussion with both sides' input. You can coach more easily by creating measurements and assessing results. For both sides of the equation, this style of review takes the pressure off and creates a feedback system that is actually enjoyable.

Workers had regular reviews, which were pretty

thorough and pretty honest and also with being able to discuss things openly in meetings. I think most gripes that people had were brought to the table and dealt with in a meaningful way. Just the fact that everything for the most part that was important was out on the table. So there were no secrets, there were no surprises. Ruth was pretty forthcoming with all that sort of information. So, yeah, I do think that it helped to squelch gossip, or rumors, or that sort of thing. – Mike Jones

And the coolest thing was what Ruth would call your review year. So when your year was up, you'd be working and Ruth would be all, "What's up Brian? So, how about going to lunch today for your review?" And I'm like, "Cool." She was all, "Where do you want to go?" And I'm like, shit, she would ask you where you wanted to go eat, so you got to pick out where you wanted to eat, she would take you out, and go eat. She would totally get personal with you. So how's everything going out there? Is everybody cool? You know, is there anything, you got any questions for me that I can make better within the company or the warehouse? Do you got any problems with anybody? Is there anything you need to say? You know what I mean? She would ask you what is going on and how is it going out there, you know. She would get really involved. –Brian Hay

Performance Expectations

Let's talk about the elephant in this room: unmet performance expectations. What do we do when someone is not meeting expectations? When asked, most employers will tell you that they do "absolutely nothing." This is where the chicken hits the road. And this is why so many employers don't do evaluations. There is the notion

that this is what they are about: telling people to shape up. But this is only what a few are about. Let's separate them.

For most people, pointing out what must be improved in an evaluation setting, even if it means telling them that their job depends on it, is enough to gain their commitment to improvement. The most important part of this unpleasantness is that it should not be avoided. Because you are a leader, your people are watching you. Even if you have managers and human resources personnel who handle some of this, they know whether you have a climate where poor performance is tolerated or not. When you avoid it, you let everyone down. Your staff knows who the low performers are. They want a system by which those issues are handled. Work together to create that system. And remember that the rule of thumb here is that a bad apple spoils the barrel. Every time.

George's Story

If you had known George, you would have met a pleasant enough guy, at the time in his late 30s and small, soft kind of guy. The type who never played sports and by this time had a bit of a tire going around his middle. He called himself a writer and enjoyed intellectual pursuits and the world of ideas. He was a counter-culturist at heart. He was always out to buck the system.

Two clients introduced me to George in 1992. He was moving from San Diego to San Francisco to help publish our music magazine. George was a perfect candidate for our job opening in the marketing department of Mordam Records.

His first assignment was as a data processor. First in line with our clients, he collected their materials for our assorted materials and typed, proofed, and scrubbed them for one-sheets, fliers, and catalogs. A number of months in, Deb, my dedicated and lovable if not sensitive graphic artist and the lead in that department, told me in no uncertain terms that George was on her nerves.

If I had asked you what you might have done, you might have told me to: Fix it! So I fixed it. I told George that it was his responsibility to get along, and then I moved George into the admin office, where he started processing invoices and receiving records and the like. In this assignment, George made himself indispensable by effectively becoming the company's first IT manager. He loved gadgets. Since the company was in explosive growth—and bursting a technological seam, as it were —George became my hero. He retrieved data, set up Ethernet wires, made workstations talk to each other. I was happy with George.

After many months, Mike in the warehouse told me at his own performance review that he'd be hitting his shipping numbers if it wasn't for George having it in for him and not processing the packing slips he needed in time. I was a bit shocked that anyone could do this. I had no idea. George was busy setting up a new accounting system and was working with the consultants. He was invaluable to me. I'd talk to George later. And I did, in passing, mention the importance of reliability.

It seemed like many more months when Tommy told me that Jennifer and George were in a cold war, making his office very frigid indeed. He begged me to have a talk with Jennifer. Jennifer was a bit of a whiner, so I put off asking her. But eventually I did ask (at the Tommy's insistence) exactly what was going on between her and George.

"I'm doing all of his work. If I didn't do it, it wouldn't get done and everyone would be in a fix. I pick up the slack for them." She pointed at the warehouse. "George works on his book all day and jumps when you ask him to do things. But really, I'm the one who makes things happen," Jennifer explained.

Before the new accounting system had gotten up and running, we lost a week of data when our drive took a dump. George had worked nights and weekends to get us up and running again. I had been happy with what he had done and wasn't sure how to handle this

at all. Reluctantly, I grabbed Tommy and had another “talk” with George.

“Yeah, Ruth,” he said, “I will be a better person and correct my bad behaviors. You can count on me.”

Deb, the graphic designer, grabbed me one day to tell me that someone has been stealing her stuff—discs and backups and things from her desk.

“Deb,” I said, “are you sure you’re not just misplacing things? This just isn’t possible.”

“Ruth, something weird is going on. I think it’s George.”

“Deb, without proof, I’ve got nothing. I think it’s just because you don’t like him that you’d say that. Let’s not jump to conclusions,” I countered.

Then, one night, I’m rooting around looking for a log-in code and there, in George’s desk, is Deb’s stuff. Darn!

Monday, I grab Tommy and have the inevitable conversation with George.

He isn’t nice about it.

He rails at me for my insufficiencies.

He rails on his co-workers for their ineptness.

He rails on the company for being pretentious.

And then I ask him to clean out his desk—as I watch—and leave.

I sat for a long time in that same chair. Reflecting and licking my

wounds and slowly one after another of my employees start a parade by me. And they say:

“I thought you’d never do that.”

“What took you so long?”

“That’s the best thing you’ve ever done.”

That’s when I learned the moral of that story: They blamed me.

Here are the steps to handling unmet performance expectations:

First, you must have a firing policy in your HR handbook. You have to protect your company from lawsuits as well as have everyone understand how you do things. And as always, you can create these policies and systems as a team from scratch or with the help of an attorney or a supplier of human resource materials. Typically these are “three strikes” rules and the like.

In Mordam’s case, we settled on one verbal warning, followed by one written warning and then a written termination document. Document everything to protect yourself. Make sure all documents are signed by and copied to everyone involved. I used to say, “You don’t have to agree, but you do have to sign.” Sometimes people signed and wrote their disagreement on the document. That’s fine.

Take the emotion out of the conversation. Oh yeah, you have to have a conversation. But if you follow these steps to help you to remove your own emotions, the job becomes much easier. It is the emotions that create crazy outcomes.

- State what you observe happening: “You have been late eight out of ten days this payroll.”
- State the consequences of that observation: “When you are late, customers aren’t cared for and coworkers have to cover for you.”

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- Pause and let the other person speak. In some cases, they speak and speak and speak. Resist, I mean *resist* the urge to reply. Let them talk it out, no matter how silly or obnoxious. Bite your tongue.
- Restate your observation: "All that said, you have been late eight out of ten days this payroll."
- Restate the consequences: "When you are late, customers aren't cared for and coworkers have to pick up the slack."
- Ask for commitment. Ask them to make it specific and time-bound. "What are YOU willing to do about this situation?" Don't tell them what you want them to commit to; that doesn't create any weigh-in. It must be their idea or they will not follow through.
- If they commit, set a follow-up date. "Great. I will expect to see you on time all ten days in the next period. Let's get back together at the end of next week to see how that goes. Sign here."
- Be sure to follow up. Not following up sends a message of unreliability you don't want.

There is a chance that they will be angry or denying and they will not commit. Be firm. If they will not commit to solving a problem, they are deciding to leave.

"You're wrong. It doesn't matter. You don't understand."

Your reply: "If you can't commit to what others on your team are committed to, then you must be committed to leaving. Is that what you are going to do?"

"I quit."

"Sign here."

...or

“I can’t believe you are trying to fire me, you *#%*#@#^^.” Storm away.

“Before you leave, sign here.”

These situations are laden with emotion. Don’t buy in. Every business book on the shelf supports the idea that when you raise the bar, people will meet it. When you lower the bar, people will meet it. You decide.

10

The Magic of the Numbers

“A company performs best when its people see themselves as partners in the business.” –John Case

For over 100 years, an industrial model has been the norm in business. From factories to multinationals to public service to small business, this model has permeated what we think of as the way to run a successful business.

Once upon a time, that may have true: bring many people together, give them very narrow job descriptions, keep the line moving, install a manager to keep people’s noses to the grindstone, produce more, create greater profits for the company. Grow grow grow, faster faster faster.

During the last century, many a variation has emerged: Total Quality Management, Kaizen (continuous improvement), Lean, Six Sigma, ISO9000, Zero Defects, even High Performance. All of this, along with the Labor Movement, as an effort to improve upon or even humanize the industrial model.

And bless the industrial model, as it gave us the Labor Movement. No

matter what you think of labor unions, it was with much effort that workers, laboring under this industrial model, championed the five-day workweek, benefit packages, sick time, workers' compensation, medical leave, unemployment insurance, and vacations, to name the tip of the iceberg.

However, there has been a sticking point. Employees, for the most part, only care enough about the profits of the company to maintain their jobs. Why should they care? If the rich owners want to get richer, we will react by protecting ourselves as workers. As an owner, your frustration with your uncommitted employees and their view of you as a "fat cat" is nothing short of mind-boggling. And so the industrial cycle repeats itself.

Welcome the 21st century. We are no longer beholden to our geographic location. Business works at the speed of a nanosecond. Customers have millions of choices at their fingertips. The world's resources are changed. Young workers are demanding flexibility. Labor unions are big business. How are you going to run your business and survive all of this? Open the books.

In the beginning, I didn't have a plan. I didn't know this was what I was going to do. I was learning every day what it meant to be a business owner. I didn't know that people all over the world were practicing open-book policies. It just made sense to me. I knew in my gut that if I could teach even a fraction of what I was learning, we'd all be smarter. My team would be smart. I would benefit. They would benefit. We would be happier. I have nothing to hide. That was my motivation.

I did what I advise every business owner to do: open the darn books. Teach what it is to be in business. Everyone should understand profit, revenue, and cost of goods. Everyone should understand expenses, payroll, and margins. Employees and employers are adversarial because employers learn about business and employees are in the dark. Employers often wonder why their words fall short. It is because

they are speaking a different language than their employees. Those employees can only hear the tone and gestures of the words. They have to guess if those words and intentions are benevolent or not. Sometimes they guess wrong. Knowledge and clear communication are indeed power.

A word about confidentiality. I am a very open person and I couldn't imagine how someone could hurt me with this information. For the most part, they couldn't. But it only took one time for my financial numbers to end up in a stranger's hands for me to simply have everyone hand back their copy of the spreadsheet at the end of a meeting. But I was never seriously hurt. Nothing serious ever came from open information. I believe that your ability to be hurt is more in your mind than anything else.

John Case writes a beautiful chapter in *Open-Book Management* in which he asks, "What are you afraid of?" That you will prove what employees are already thinking? You are a fat cat? Or your competitors will use the information against you? How is that? I promise that you have only to gain when everyone is on the same page, understands what they are doing, how they personally impact the company, and that they are valued by being smart enough to learn what you did. Imagination is always more wild than the truth. That's why transparency works. It supports the truth.

What Stops You From Opening the Books?

"Open Book Companies see the dangers of secrecy as more problematic than the risks of openness. In fact, the level of employee engagement gained through their openness gives companies a huge competitive advantage." –Jack Stack

"I don't want people to know how much I make."

"I don't want my employees to know what the other employees make."

“My employees aren’t really interested in knowing about this stuff.”

“My competitors will have access to this information.”

“I don’t have the time.”

You don’t have to show anyone but the IRS your tax return. Opening the books is about engaging employees in caring about key results and creating a culture of ownership. You can distill your books down into their simplest or most intricate detail. Many open -book companies want salaries on the table as a way to prove fairness within the company. Examples are some companies keeping executive salaries at no more than ten times the starting salary or showing no special favors within departments.

If you have a salary-sensitive workplace, or you are just scared by what may happen, simplify the number by creating subtotals. Understanding how payroll, expenses, and liabilities impact the profits of your company is a critical measurement for employees in almost every company. In fact, I’ve never met an employee who wasn’t blown away by how much payroll impacts a company. The minute employees start to see that they cost more than anything else, their problem solving and decision making processes change. For a business owner, that change can only be good.

One caveat: risk.

Until you put yourself on the line, it is unlikely that you will understand risk. What I found is that I spent a dozen years hoping employees would buy Mordam Records. When push came to shove, they were not risk takers. Even if they understood risk, and understood a bit about business, they were happy to let me take the risk. What I found out is that they were also happy to let me take my fair part of the gain. When the cat is out of the bag, no one cares if she’s fat. (How is that for a strange metaphor?) If you are truly transparent and fair and teach business, people will not envy you—they will want to *be* you.

Unless you are an asshole, take advantage of people, and treat others poorly, no one will root against you. And conversely, even if you are transparent, if you do any of those terrible things, people will work against you. But generally speaking, with transparency come great rewards.

When I decided I wanted out of the company and I wrapped my head around the fact that I may be able to sell it (it took a full year of coaching for me to even see that that may be possible), I approached my management team about my plans. I asked them if they would like to buy it. I suggested that they meet with each other to discuss that and to involve me when they were ready. They decided to bring in a small circle of long-term employees to have this discussion and, I assume, to see if they could get a critical mass.

A few weeks later they returned to me and said that they didn't want to take on that responsibility. Here is my hindsight view of that process, keeping in mind that I wasn't a part of that conversation and that the gentleman who did buy it tanked it in short order:

If I were to do it over again, I would have spent more time preparing them and helping them become financially prepared. They could easily have done it. My understanding of their discussion is that there was one key player who wasn't on board, and the rest wouldn't go without him. I think if I had been more patient, I could have helped to solve that issue, regardless of his decision. The lesson is that these key players were already running the company in most respects, but they had to jump the final hurdle; they had to put skin in the game. They had to take risk.

How to Open the Books

Step One: Know the Numbers

“I’d rather poke out my eye with a blunt stick than look at the financials.” –Steve Leach, founder, RCD Engineering

If you don’t understand the numbers in your business, you are at a disadvantage when it comes to running it. It sounds kind of silly to say it out loud, but you know if this applies to you.

Many small business owners in particular don’t understand the key result areas within their business. Do you know yours? Payables? Receivables? Cash flow? Return on assets? Market share? Sales ratios? Return on investment?

Can you articulate: profitability, operational systems, customer satisfaction, product quality and reliability, and how they impact the bottom line?

When you understand enough about how your company functions financially, then you can decide when and how to engage your employees. Sharing the numbers starts first with deciding which numbers are key and thus what number to share. Get help from a qualified bookkeeper or CPA if you don’t understand your numbers.

When I first started in business, I knew nothing. I was lucky because one, my mom is an accountant, and two, we still did most bookkeeping by hand. I kept ledgers and learned slowly at the tutelage of my CPA. When my business got big enough to require some accounting software, I remember being panicked about setting up a chart of accounts. I spent a weekend at my mom’s and begged her to help me understand what I had to do. And thus my understanding of debits and credits, assets and liabilities, revenue and expenses emerged. There is no way around it. You need to know the difference between your Profit and Loss Statement and how it intersects your Balance Sheet. You need to know your margins and your ratios. If you want to

have a great company, you don't have to do the books, but you must understand the key numbers.

Because I've been through, you know, multimillion-dollar companies that have been at the top of the heap and two years later they went bankrupt. And in companies like that you don't know what's going on. You don't know, day to day, who's getting fired and who's staying on. And at Mordam, at least, you knew, "OK, we didn't hit our goal last month, but then the next month we shot our goal and went way over." You know, it just helps. I think it just helps everybody kind of focus and know what's expected of them month to month and day to day. –Che Brooks

I believe that most people did understand what was going on, and I think it really did affect decisions. You know, there were times where the business is up or down and we knew that had to act in certain ways, and yes they did. It led people to understand what we needed to do, where we had to go, and they knew that we weren't just making stuff up. I do think that that certainly helped steer the business in the right direction. –Fred Hughes

That (open book) was really interesting. It made you feel like you were involved and it made you feel like you were even at least mentally an investor, so I can know what's going on. It didn't feel weird at all like, I was like, "Okay, this is really cool." Like, Ruth had no problem letting us know like what the sales figures were and...it was really good 'cause it was like, "Okay, this is where we're at." "I want everyone here to think about where we should be or want to be next quarter." I just thought that was really cool. –Deb Folingstad

Step Two: Teach the Numbers

“A recent study found that two-thirds of employees reported interest in learning how their company was doing as a business. Three-fourths felt they would work harder and smarter if they could read and understand their company’s financials.” –Jack Stack

When employees look at the critical numbers of a business, it can be like learning a foreign language. At first it is exotic and illegible and they don’t think they really want to know it. But then the patterns start to emerge and they start to be able to apply it to their everyday work. It is an incredible transformation that begins to happen: they start to care about the wellbeing of the company.

But you have to teach them. They don’t come in knowing it. Probably you didn’t come in understanding everything about your financial information. And many business owners still don’t know about their financial information. So how do you teach the numbers? In your meetings. This is how I did it.

I ran quarterly Profit and Loss Statements. I exported them into a spreadsheet and I shortened the sheet by creating totals of general areas that I wanted everyone to focus on. For example, I totaled all the payroll expenses into one number. I later delivered a lot of detail. As people got better at this, I wanted them to notice the cost of worker’s compensation insurance versus medical insurance, for example. The only rule of thumb here is that you are not cooking the numbers. They must be accurate.

At the next staff meeting we would agenda a financial review or state of the business. I’d hand out the spreadsheet for everyone to review. I would summarize what I saw in the particular quarter. Maybe it was more or less sales, more or less expenses, returns, cost of goods, etc. Then we would do a group analysis and a Q&A. Remember that everyone is in this meeting, including the bookkeeper. This means that you are not alone. You can have help teaching.

I found that once enough people understood what they were looking at, they could carry the people who had more trouble understanding. And that new hires would acclimate very well. Even those people with no mind for numbers or interest appreciated the process.

One way for you to start is to pick one set of numbers or a concept you want to teach. Maybe you currently have a cash flow problem. So you want to teach about accounts payable and receivable. Possibly your profit is down, so you want to teach cost of goods versus expenses or gross margin. You need to get your inventory under control, so teach about inventory count or purchasing. Or how you are considering making a capital expenditure. Nothing engages your employee more than being trusted to help make a decision about buying a piece of equipment or hiring someone new. These are all decisions that you make as a business owner. If you want your team to act as if they care about your business, they need to get their heads into the game. And nothing is too sacred a subject. If it isn't too sacred for you, it isn't too sacred for anyone.

We spent many years growing and adding people pretty quickly. It was common for people to show up for a meeting begging for another set of hands. And we did hire. But as the company leveled off and the industry started to change, hiring up was not always the smartest answer. I was amazed at many staff meetings at how much people were willing to look to more creative solutions to managing work flow other than hiring another set of hands. Once they were looking at the numbers, they just weren't willing to spend. There were very few times that I needed to insert caution. In fact, often they were more conservative about spending than I was.

I mean the open dialogue definitely was important, and you know at first the open financial books weren't tremendously interesting to me. I mean it became a lot more interesting to me after the move, and because once we moved to Sacramento I definitely feel like I

had personally a lot more invested in the company.
—Mike McNeil

Brian's Story

I was sitting at a restaurant in Sacramento when I heard a loud, “Don’t you point that tooth at me!” The minute Brian’s wife Nicki gave that edict, she pointed her finger at his chest from across the table. I had just met Nicki and I’d been wondering who it was who had married Brian. Now I was deeply in love with them both.

Brian is a compact, stringy, snaggle-toothed, tattooed elf of a man and he was our first hire, on the first day of interviews for our new warehouse in Sacramento. He didn’t look like a particularly hireable guy. A manual laborer. A hard-partying punk rocker. But at the end of that day, Aaron and Mike knew for sure who their first hire would be. They had fallen head over heels—for Brian.

He’d been unhappy working in the Tower Records warehouse. They didn’t appreciate him. Well, they didn’t appreciate anyone. He was a hard worker. He had a heart of gold. And he was perfect for us.

Shortly after our first staff meeting, Brian approached me in my office and said, “Dude, I’m sorry, I love you and your company, man, but I just don’t understand numbers, dude.” To which I responded, “No worries Brian, just do your best.... Ugh, dude.”

It was only a few more meetings before Brian, sitting deeply into the couch during a staff meeting, Profit and Loss Statement in his hand, looked up from his papers and asked, “Hey, why is this freight expense so high this quarter?” All the rest of his shipping team looked up, gave him a sideways look (as if he were showing off a difficult stunt), and echoed, “Yeah, why’s that?”

Why indeed?

Fred Hughes dug around for the answer to Brian's question. In fact my memory is that he leapt up to get the detail of those freight bills and to explain them. But it was everyone who discussed and then implemented the solution to the problem with freight expense. They built efficiencies. They double-checked their work, both on the floor and on paper. They created a task force to find cheaper inbound freight carriers. In a short time, their pride met up with their desire to get their profit share. And that sense of pride often won out. Even when the cry of "You're spending my profit share" would ring out over a staff meeting, they wanted to do well by Mordam, the labels, and themselves.

Yeah, she would let us know that and it was really awesome like "Oh, we made like, you know, over a million dollars this month..." That was the thing too, she paid her bills off. Like the other companies owed some people so much money, she made sure all the labels got paid first, all the employees got paid first. She was all, "This is what we got left and you know, we can have a party this month," or like around Christmas time, she was like, "This is what we got and this is the leftover money after paying everybody off. I'm going to divide this up between all you guys." And she had the books open like every month; she would tell us what we were doing and compare it from last year and it would tell you, you know, the last few years or whatever, what we're making. Every month, we knew how much we were making. Like she'd be all, "This month, oh my God, I hope I could pay you guys 'cause this month was really crappy. We only had three releases out, they're not doing good, but I'm going to make sure to pay you guys so don't worry," and you know, everything was out on the table. All the money, how much money was going on and everything on the books. –Brian Hay

Step Three: Identify Critical Numbers

Financial numbers are just the beginning. I guarantee that it took you a while to understand how your inventory controls your cash flow. You know that, right? If you are in retail or manufacturing, inventory does play a critical role, and often inventory turnover is the key measurement that you keep your eye on. Or maybe it's revenue per square foot. This is critical if you are a retailer. If you are a professional, you may find that your profit per billable hour is key. It may be your gross margin if you work by bids and contracts. What I have found is that there are standards across industries and business types, but often there is something very particular in your business that you want to track.

At Mordam Records our margin was consistent at 15%. If I checked that once a year, that was enough. We tracked monthly gross sales by format and by vendor. We tracked returned to sold units of product and we also tracked sales in cycles. Although it took a few years, my CPA was able to deduce that our industry went through eight-year cycles during the time I was in it. We could predict returned product on a fairly consistent basis. Pretty cool, eh?

If you are just starting to think about your critical numbers, engage the help of your team. This seems complicated, but when everyone's head is in the game, you'd be surprised at how simple the outcome. Ask each person or department what they count.

For instance: A salesperson is tracking calls per hour and sales per order. A shipping person is tracking orders pulled and boxes packed per day. A returns processor is tracking units per vendor. Marketing is tracking new releases per month.

I have found that whether or not you pay attention, each person is keeping a rhythm, a count to the beat of their job. It is everyone's job to capture those results and understand what they mean.

Step Four: Keep Score

Just like setting goals makes us more likely to achieve them, keeping score keeps us looking at the end game. That means that you must keep score of the critical numbers. Jack Stack calls this the game of business. And if you wish to play games, I wholeheartedly support it. It supports the learning and recognizing the pulse of your critical numbers and ingrains them. Whether is it a game or you just keep track, let your team keep score.

Here are some examples of games that have been played by my coaching clients:

Cash Flow Game:

An engineering company had a need to raise an additional \$100K. In order to raise more cash, the staff developed a game by which each department had to look at how they impacted cash flow and find a way to improve it. Engineers had to become quicker at turning in their billing reports, accounting had to impact collections, sales offered discounts for certain services and early payers. They created a deadline and tracked their results. If they hit the deadline, the staff would share 10%. Not only did it work, but the learning of how it took everyone's head in the game helped them all understand cash flow and gave them a great sense of contribution at all levels of the business.

Cost of Goods Sold Game:

An IT business was focused on looking at billable hours and knew that their technicians weren't as careful as they needed to be with their time. In fact, the average tech was working at 55-65% billable time. Since billable hours were their key measurement and possibly their only cost of goods, they developed a chart to track billable hours and how it impacted their gross profit. They taught everyone that the break-even point for the business was at 75% billable hours for the technicians. If the techs could spend three months at 85% billable hours, they would split the difference with everyone in the company.

That meant that everyone, not just the technicians, had to look at their productivity and support the 85% billing. Once everyone could see their own impact, they rarely dropped below 85% ever again.

Net Profit Game:~

The net profit game can be many things, but for one plumbing company it was all about overhead. Expenses were exceptionally high. Traditionally business owners and their bookkeepers will look at overhead and start slashing, which is exactly what happened for most small businesses around the time of the financial meltdown of 2008. Slash and burn. But this company decided to play the game by asking all departments to take a look at what they spent. And that included payroll. They needed to reduce their overhead by 25%. But rather than pay a dividend at the end of the game, this was serious enough that just keeping jobs was the payoff. When they hit their goal, they simply celebrated with a potluck party. But that didn't make their victory any less sweet. There were many meetings to look at every line item. When they got to payroll, they negotiated furloughs and reduced benefits. They decided to let positions go by attrition. The end result was a leaner and meaner but profitable company. The party was well earned and the teaching was spectacular.

Step Five: Develop Compensation Plans

Do it together. When we first start businesses, we do it all and we scrape together enough money to pay ourselves. When we do first hire, we try to pay as little as possible. Period. But eventually a livable and equitable wage becomes part of your plan. If your goal is to become a great place to work, if your goal is to become a stronger more profitable company, you must talk about everything. That includes the compensation plan. When people understand the numbers and are ready to act like partners in the business, they definitely don't want to be babied around the topic of compensation. They can handle the big bad truth. They can understand that payroll is the biggest part of any business. They can understand what they cost the business. They can

understand what their coworkers cost the business, and lastly, they can even understand what you cost the business.

My position was always that even though I wasn't always successful in minimizing unrest, I wanted everyone to be heard in the consensus process and ultimately satisfied with the results for themselves personally as well as each other. And as I've stated earlier, when you do this, people do not begrudge you your earnings. After all, you are the visionary and trailblazer. You focus on \$500-an-hour activities and you take the risk. They can understand that.

What no one understands is CEOs who make 1000 times more than the entry-level worker. What no one understands are huge discrepancies that don't make sense. Shy of that, when you are transparent, when you are fair, you're OK. If you are not transparent, then people use their imaginations. Sometimes that means that they will inflate your net worth because they don't understand the difference between gross revenue and net profit. Once they understand, they are often amazed at how little you make.

Secondly, if you really want people to care about your business and act like partners, you must tie compensation to the profitability of the business. They make more when you make more. Then everyone has a direct link to increasing profitability.

Profit shares, ESOPs (employee share ownership plans), and benefits tied to results are destined to help the business and each person in it. For one, it is scalable. Spend what you have to spend. Secondly, it's motivating. Thirdly, there is the potential for great individual reward when things go well.

Untie Performance From Compensation

People crave feedback but hate reviews. Employers love to give feedback but hate reviews. We have to put the enjoyment value back

into the evaluation process. The fastest way to nullify your employee goal-setting is to reduce employees and their performance to a number, a letter, a grade, or a dollar amount. Compensation systems should be done at a separate time and with a separate system.

Here is an example from Markle's *Catalytic Coaching* of a raise system that is somewhat merit-based but not tied directly to performance evaluation. I fell in love with it and would have implemented it at Mordam. I will when my current company demands it. It is a simple uptick from what we had, and it is brilliant.

- Pick one common date for all employees. (You may have to make a one-time prorated adjustment to convert.)
- Create a budget for raises.
- Divide the budget with a preferred calculation amongst all employees at all scales.
- Make adjustments for individual performance.
- Remember to keep to your budget: to raise one is to lower another.
- Create a fair and equitable process based on contribution, development, and the meeting of goals.
- Double-check your numbers. Make sure that a manager, financial advisor, or other responsible party checks your distribution for fairness and defensibility.
- Don't give raises to anyone who has jeopardized employment.

Had I continued with Mordam, I would have moved to this program. It satisfied my need to keep objective with a bit of merit blended in. And it takes into account goals met rather than performance *not* met—a much more positive way to institute a compensation system. Keep in mind that you can create this system together with your employees. To do it again, I would have put a committee together to create their best calculations and then bring it back into a staff meeting for review, and then adjust it until we had consensus.

You were autonomous, basically, and everyone I know

you started at the same rate no matter what they did, which I appreciated, you know, that type of system because you know your value was not...there wasn't a value based on, like, if you're in the warehouse or graphics or sales. You were all the same because it all took the same type of...you know everyone was needed to make the machine work, so there was no, like, hierarchy and this is better than this position, so it was nice in that way. –Cindy Mah

Profit Share

I didn't start a profit share until there were profits. In fact, when it started in the mid-'90s, there were a lot of profits. That first year paid off really well for people like Tommy Strange who had been around the company for a long time.

Now it is easy for me to tell you how people whose compensation is tied to the profitability of a business are more engaged. To be truthful, I didn't know that. I started it out of a sense of fairness.

The idea came out of the argument I'd always had with Tim Yohannan. He thought that money corrupts absolutely. I claimed that when there is money, it doesn't corrupt if everyone shares it. And so, I set out to share with a type of democratic belief that people will be happy and do interesting things with their money. And the byproduct was that they became more deeply engaged in the company's success. They had a deeper and more personal reason to understand and participate in the numbers. It is true that in many successful businesses, the cat really does get fat. But in really great businesses everyone shares in the rewards.

Here is what I did. First I went to my CPA to ask for advice. To this day, I believe that Mike Whipple would shake his head and wonder why I was giving away my money. And each year he would ask me, "Have you become a Republican yet?" He would say, "People with

money eventually turn into Republicans.” My answer to him was always “Not yet!”

His sage advice was this: “You can give it away any way you want.”

He taught me the rules of SEP IRAs and 401K plans and how they would save me tax money too. I eventually put those into place. But the rest is my design. And I tell any company now, “Do it. The results are scalable and people work hard to protect it. Nothing bad comes of a profit share.”

I took 15% of all net profits, before taxes and depreciation, and split it to all employees based on salary level. Originally, I’d pay it all at year end. People love a year-end bonus. But it got to be painstaking to do the accounting at year end as well as a 100% payout. So I’d estimate at year end and pay the balance at the end of April when taxes were finished. That date was for accuracy and cash flow, not to put taxes into the equation.

There were a few years without profits. Then profit share was not paid. I felt terrible. But you must stick to your plan! When profits were there, they paid handsomely. As we would sit in quarterly financial staff meetings, there was never a point where people didn’t mention that it was their profit share they were considering. Now they were thinking of company money as their own. It is powerful in many ways.

When the SEP IRA went into effect, Mordam automatically made the 3% of their earnings payment to the SEP IRA, and if there were additional profits, each person could choose to save it tax-free in their IRA or spend it as a payroll check.

For a few years, I instituted a philanthropic program as well. 1% of the company net profit went to the charity of the employees’ choice. I would split the 1% and give each employee an equal dollar amount. They would choose the charity they liked to give it to and we would

cut a check plus add a letter of explanation, naming that person as the giver. Some years, especially leaner years, the staff would vote to give to one or two places as a company together.

Let me repeat, people's engagement increases when their job is tied to the profitability of the business. Remembering that motivation doesn't necessarily come from financial reward, but from feeling that your contribution is important, instituting a profit share allows for both to blossom.

Ruth broke up the account basis as evenly as she possibly could. She knew each one of our strengths. She knew how to get the best out of every one of us with all the accounts that we had individually, and I like the idea of everybody being the same but also working for a common goal of having that opportunity to get just as much as the other person in terms of profit share. –Chris Brandstetter

Of course no employee will complain about profit sharing. I think it did have a weakness though: When the company expanded, it had to add many unskilled workers, who were treated equally in the plan. The profit share was based only on time in the company. I feel that it could have been calculated: $\text{time} + \text{skill level} = \%$. But, generally speaking, people were very happy to have it and definitely felt more connected to the company, and the company's growth, through it. The basic idea is a valid one. – Peter Galenek

The profit share check at the end always kind of made it all worth it, like everybody puts in their hard work and then at the end you're like, oh wait you know, all that hard work *does* count, and regardless of what your role is in the company, it takes every single stroke

to make the wheel go 'round. –Deb Follingstad

A word about ESOPs:

I have always felt it was my shortcoming for not creating an employee-owned business. ESOPs are the state-mandated method for doing so, and I support and applaud any business that does this. But often even ESOPs don't have profit sharing programs. They have stock ownership, which means people can profit by selling their stock. And they do generally upon leaving or retirement. But often that paper doesn't mean anything to the people who own it. This may be an ignorant view of the process; someone within an ESOP may take me to task. That said, I believe that even ESOPs could do well by instituting a profit share. ESOPs also need to engage their workers in the profitability of the business.

Here was the complete compensation package at Mordam:

- Raises: annual cost-of-living raises.
- Profit share: 15% of the net profit, split between all employees by salary level.
- Philanthropy: 1% of the net profit, split between employees to give to the charity of their choice.
- Medical and dental: covered 100% for the employee and available to family.
- Vacation: one week paid during year 1; two weeks paid during year 2; three weeks paid from year 3 on out. Unpaid leave available if convenient and no more than three weeks consecutively. Family leave paid as above and the balance paid by disability and unpaid leave.
- Seven paid holidays per year.

Raises: This policy was tied to my hatred of brown-nosing your way to a raise and eliminated the need to subjective judgment in the matter of raises during performance reviews. I wanted to create a sense of security that people often don't have in their jobs. I wanted

people to know what they can count on. My experience is that even though people may be paid adequately, when they don't sense any movement, no matter how minor, they feel stuck and disrespected. I wanted to remove that feeling.

Along the way, there was some criticism of this methodology. That people who didn't merit raises, who may have been mediocre, received raises anyway. I've even heard that it created a system of entitlement. Here is my hindsight view. The perspective that this didn't work well has merit. There were times when raises were given as agreed, even though someone might not have merited that raise. Even when someone was put on notice for low performance, their annual raise would go through. I see that that can be perceived as a contradiction. The thinking is that, left unchecked, this will lead to mediocrity of the same kind that can happen in a tenured position. However, what I realized since that time and in preparing other companies' compensation practices is that it is vitally important to separate performance evaluation from your compensation package.

Scott's Story

I went from nothing to medical and dental and paid vacation, and a *lot* of paid vacation, and you know, worker's comp benefits, and I actually ended up hurting my knee. I needed knee surgery and you know, that was when I hurt my knees, when Green Day first broke and we kind of grew out of our warehouse on Folsom Street to...we had to...we literally had to walk on top of pallets of Green Day CDs and we didn't have ladders. There really wasn't any space for rolling ladders, and I was climbing a shelf and my ACL tore, and so I ended up having to have knee surgery. And the recovery for that was like four months, and so while worker's comp paid two-thirds of my salary, and while I was gone for that four months, she was

actually paying me the other third of my salary on top of what worker's comp was paying me. So, I thought that was really cool.

I think maybe that she felt guilty or she's just generous. I mean, obviously she's generous. She treated us really well. But maybe it was partially like, "Shit, that's happened at my establishment where I employ people." But I mean there is probably a certain amount, she probably felt, I mean, I guess guilty might be the wrong word. Maybe she felt like she should take that responsibility, but I mean I don't really know. It seems like something a generous person would do if like they thought about it. Like well, this person is only going to be getting two-thirds of their salary because of something that happened at the job site, I guess, I don't know. But yeah, it seemed more of like a generosity thing than a guilt or responsibility thing I think. But yeah, definitely not necessary. –Scott Presti

Here is what I know that Scott doesn't know. I had 5000 square feet of warehouse space with 20,000 square feet of product in it. I was running an adolescent company in a growth spurt and we didn't know how to keep up. If I knew then what I know now, I would advise that company to be sure that they enlist the help of their insurance agent, attorney, and real estate agent as quickly as possible. I was not only *not* OSHA compliant, I was a hazard.

Was it really generous to give Scott the other third of his pay? In truth, I have met many a business owner who would fight that payment on principle. But this guy walks away thinking I'm the best woman on earth, when in reality I was simply protecting my interests.

Why do disability, unemployment, OSHA, and wrongful termination suits make lawyers rich in the first place? Because employers and

employees become adversaries. Sometimes this is unavoidable. Some people are just crazy. But if you have a transparent company, consider this:

These agencies and programs are designed to protect workers from companies that don't comply with the lowest common denominator. It is easy to be a better employer than that. You can be better than any agency will mandate. Workers who are vested in your business or are involved in an employee ownership program don't need to protect themselves from themselves. In a collaborative environment, you will take care of each other. There's a natural tendency to protect the company, and there is usually an agreement to be fair.

Tommy Strange Is a Wobbly

As in *Industrialized Workers of the World*. Tommy and I worked together for sixteen years. In reality, Tommy's and my views were never that far apart. But he believed that Mordam would be better as an IWW shop.

Here is what the IWW wiki says:

“The IWW contends that all workers should be united as a class and that the wage system should be abolished. They may be best known for the Wobbly shop model of workplace democracy, in which workers elect recallable delegates, and other norms of grassroots democracy, self management, are implemented.”

During our growth spurt in the mid-'90s, about the time we were hiring like crazy at our warehouse on Folsom Street, Tommy brought in the idea of a union. It made me crazy. I thought that I may be reacting like any manager to the idea of having to negotiate with a third party. And possibly I was. I thought that maybe I was just knee-jerking because Tommy was the manager. But I truly believe, even in

hindsight, that I freaked out because Mordam could be better than any union, that in fact the union would bring down the level of pay, relationships, and transparency within this company.

If unions are meant to bring the workers up, and these workers are already up, then ultimately the union will bring this business down. That was what I thought. That said, there is a lot of law around this. I could not interfere. I could only wait. I don't know what was said and if there were meetings. I wasn't there. There was never any forward motion with a union. I looked hard for Tommy to tell the story in this book. I know he had a reason to do it and I wish I could hear it now.

Conventions

In 2000 we held our first and last Mordam convention in Sacramento. Moving to Sacramento was very stressful and we felt it was important to get our labels there, in the warehouse, to see that life actually existed in Sac. We learned this was a huge mistake. First, it was blazing hot in August. Imagine all that black clothing and white skin. All I remember is looking into sunglasses. Second, we had a picnic. This forced the unhappy vampires out into the daytime. Lastly, no one likes Sacramento except for people who live there. Most people ran back to the Bay as fast as they could. All that said, the reason I am remembering that convention first is that I left my photo album in that park. That photo album, pulled out each summer, was the cumulative photo experience of years of conventions. Without it, I am afraid that my memory will not serve me. What a piece of history to leave in a park. We went back to SF for subsequent conventions.

The first convention took place at Epicenter Zone. It must have been 1991. I had a dream of getting all the record labels we represented into a room at the same time. What would having a few beers and talking together on all the topics that we discussed one-on-one look like? So I did it. And I made it compulsory. Everything I was learning about meetings would be used here. This would be productive

communication. Who was at the first convention? Tim Yohannan, Jello Biafra, Al Flipside, Long Gone John, Lawrence Livermore, Lee Joseph, Blake Wright, Tommy Strange, and a few more. Talking, drinking beer, and looking through the bins. It was a struggle to keep to the agenda. I don't remember what was on the agenda that year. Could it have been "How to keep free of major labels"? Probably.

I knew nothing of conventions and conferences. I'd never attended any. (In fact, in all those years I only went to one NARM conference in 2002.) The second year, we went to the park and played softball after the meeting. We brought a keg. It grew from there. By 1998 we had over 100 people attend. We had multiple breakout sessions. I prepared a State of the Industry report. We invited customers. We invited vendors. We tried all kinds of stuff. But mostly it was about face time and lots of drink. Every convention was worth its weight in gold (1991-2005). If you have the opportunity to do this for vendors and/or customers, do it. Here's why:

For Mordam staff, the most common reflection was that they now had faces behind the products and real issues of concern to vendors and customers. Workers who didn't necessarily interact directly with customers and vendors saw how what they did each day impacted those people in a real way. Workers who did deal daily with vendors and customers felt an additional bond. This annual event did more for morale and engagement than anything else. Our to-do lists were serious and personal starting the day after. (Or two days after. Each convention required sleep-off time.)

Today you can't hold a party like that with employees and laugh about who wins the "most wasted at the convention" award. The liability is too high. But we always had that award...announced at the next staff meeting.

All of the staff worked on the convention. After the first year, we formed committees to create the convention. From content to logistics

to budget, everyone engaged. In fact, I remember a music committee. What music we would have was taken quite as seriously as what food we would eat. It was a group effort and the rewards went to the group. Bravo.

11

The Hard Decisions

Moving Mordam

or Why is Lookout! such an important story to tell and what did Mordam learn from it?

It may not be more important than the Faith No More story or the Dead Kennedys' story, but Lookout! Records came on board at Mordam with five singles; the first for us was The Yeastie Girls. It was 1989. We took them because Lawrence Livermore was a friend at *Maximum Rock n Roll*, and Lookout! was poised to be the sound of 924 Gilman Street, the community center that was one of the grandest projects that *Maximum Rock n Roll* had taken on.

Larry was always a good friend and a provocative debater, even if his demons were in his way. I have fond memories of Gilman shows and Lookout! bands in our warehouse. Chris Applegren later bought Lookout! from Lawrence Livermore. I supported Chris as best I could. I fondly remember sharing space with Lookout! and Chris drawing wacky pictures of our staff to put on our catalogs. He used to come visit me in the country. He was like a little brother.

For us, Lookout! was typical of any launch of a new label. But in

1994, after two LPs and three singles by Green Day, *Dookie* was released by Reprise Records, escalating overall sales at Mordam to a new stratosphere.

Mordam went over the \$10 mil revenue mark in 1995 with the sales of *Kerplunk*. Even though there was a bit of a backlash or “recession” in 1996, and my recollection is that we were slaughtered with returns that year, many of them Green Day, Mordam was growing at a quick pace to keep up. We moved to our biggest location at 2020 César Chávez during that time. That was 30,000 square feet. We had a staff of twenty-four. We reconfigured all computer and accounting systems. That was the period of time when we built our first website, built an Ethernet network, and started a profit share and a philanthropic program.

This kind of growth stimulates all kinds of problems and solutions. We ran as fast as we could to keep up. Systems in every part of the business matured, were reassessed, and were up for discussion.

In the spring of 1999, Chris called me to a meeting. We met at a coffee shop in Berkeley near Lookout!’s offices. There, he commenced to break up with me. While I was sad they were leaving, because Mordam and Lookout! had grown up together and it was quite a ride, mostly I was panicked.

When Lookout! left, they were 25% of Mordam’s gross revenue. That coincided with two other really big events. One, our lease at César Chávez was ending; two, we were in the middle of a historic event: the dot-com boom. There was a zero vacancy rate in the Bay Area. Prices were crazy. Our rent alone was set to triple. Stress was very high. It was a seller’s market, which created middle-class flight from the Bay Area. If you weren’t a venture tech company, there really wasn’t a place for you in San Francisco.

Mordam was to start some of the most important meetings of our life. I wasn’t even sure how to discuss it. In order to stay alive, the

company had to survive a reduction of 25% plus the strain on cash flow that a departure creates, while at the same time face a 200% increase in rent. We started by reviewing our overhead expenses and planning for cuts. Would it be jobs? Would it be equipment? The stress of that time was intense. People stormed out of meetings. People said regrettable things. The trust level fell to all-time lows. Even in a business as transparent as this, facing this type of stress is bound to create some bad feelings.

When I walked into meetings, I was told that I had already made up my mind what to do. The irony is that I am just not that clear or smart. The more people told me what I had already decided to do without them, the more they planted the seeds of thought. If they told me I would move, I thought about moving. If they told me about losing staff, I thought about losing staff. The numbers were big. The shortfalls were huge. The stress and lack of trust were debilitating.

But I remained painfully transparent. In fact, the learning in this is that I had to learn to be a little bit less transparent when the stakes are this high. But answer me this: if you want to gain trust, can you do it differently? Being transparent meant that I kept the information and conversation going. I never stopped talking. We had a series of uncomfortable and contentious meetings. People's emotions were raw. But we talked and studied. We looked at neighboring communities. We looked deeply at overhead expenses. When it became evident to me that to realize the changes we needed, we would have to leave the Bay Area to regain any traction, I was honest and transparent. I took the brunt of the anger. But the answer was: run. And it was painful.

The writing on the proverbial wall. We couldn't reduce the overhead of the business by the cumulative 35% without leaving. We couldn't pay the rents for both the business and its employees by way of salary. We couldn't pay for long commutes and what that would do to our lifestyles. We couldn't undo problems as big as Silicon Valley was for us. That was a threat that we had to respond to. If everything internally had remained the same, we may have made it through that time. But

this was the perfect trifecta.

This is what we did: I brought my management team together. I discussed moving to the Sacramento area with them first. If they would weigh in and then buy in, I would move forward. Tommy Strange quit on the spot. Aaron Arroyo and Mike Jones not only decided to stay but decided to move with the company. Once that was settled, the three of us made a plan about how to approach everyone and save as many jobs as possible. The plan was this: Offer to pay a moving bonus that was enough to cover the expense of a move. If anyone's job did not require them to be physically located with the business, offer the same money to cover the expense of an at-home office. If anyone decided not to move forward, offer a bonus to stay on through the move so that business would not stop and the intense effort of a move would be accomplished.

We labored over the plan, and then I had the job of communicating the plan. Our decision was that it had to come from me—one-on-one. Then the other two would be in a backup position to reinforce the decision and help people work through their decision process. The result: out of twenty-two people, four set up home offices; besides Aaron Arroyo and Mike Jones, only Mike McNeil moved to Sacramento. Of the fifteen left, three walked off the job, and the rest stayed until everything was moved and cleaned.

I remember reading Tony Hsieh's book *Buying Happiness* recently. What I remember now is that he discusses his move from San Francisco to Las Vegas. It was almost a happy chapter, and I wonder if it was. I wonder if it was more like my experience. And I wonder if he makes it sound glossy, just the way I may be making it sound glossy to some others reading this who lived through it. Many companies move businesses. But when you are transparent, it can be a wrenching experience. I wouldn't take it back for the world. But it was one of the two most difficult decisions I ever made. What say you, Tony?

Therefore, Lookout!'s leaving precipitated our move to Sacramento.

For me, that move was, in the end, one of the best things that ever happened. That transition was painful in many ways, but it created a renaissance for the company. Keep in mind that this was just before the White Stripes did for Mordam what Green Day had done before. (And Faith No More before that.) The process of starting over with a new crew was as much fun as it was challenging. Those stories live all over these pages.

A few last words about Lookout!

They decided to move their business to Relativity Entertainment Distributors. I always thought that RED would eat them alive. I think the legacy is that they ate themselves alive. It wasn't until Billy Joe reluctantly pulled the Green Day catalog years later that it was clear that they had gotten in way over their heads. I went to war with Tim Yohannan over his attacks in *MRR* about their mistreating bands. I was always available to work with bands when labels weren't kind, but I hated to see Tim take them to task publicly.

As far as RED is concerned, I really hate them. I had really bad dealings with their management team when they were Important Distribution. I pulled our catalog when they changed their business model. However, let's call a spade.... Relativity Entertainment is the one company that has successfully made a profitable transition to content music management. They aren't nice. But I am impressed.

People often ask me if Lookout! was the beginning of the end of Mordam. Absolutely not. That failure is the direct result of my selling the company—the second-biggest decision of my life. Selling the company to Dirk Hemsath was a bad idea. In fairness to Dirk, it was a terrible time to be in music distribution. I sure didn't want to be there anymore. But he trashed it. He gets the credit for that. I get the credit for selling it to him. *Mea culpa*.

I have no hard feelings toward anyone at Lookout!. I always had a policy that we would make exits as graceful as possible and always

do the right thing even if we don't feel like it. We made their transition as easy as we could. There was some push by RED, but in the end, it was all handled very professionally.

As far as the way it was handled, I'm not sure that there would have been any other way, because when it all came down, Mordam was still a business, and because it started as a family and a community I think that the business decisions were hard on everybody.
–Deb Follingstad

If that's what Ruth needs to do to keep the company afloat, then you know, that's what she needs to do. And I mean, I just kind of felt like, from some of the older-time people who worked there, that they would rather see the company go out of business than, you know, maybe adapt itself and be able to continue. My thought was that it didn't really make any sense to me. Although, I could certainly empathize with them being upset and everything. I always kind of thought that Ruth just had to sort of put the company first, you know, at that point. I just figured, if the company was really in that kind of trouble, it just kind of needed to do whatever it needed to do. –Ken Chappaikode

I don't think ultimately when Mordam had to make those really hard decisions about moving to Sacramento, the company was less transparent than it was the other times I worked there. You know, just the only thing to take away from that is just that in those time of crisis, don't waver from the rules of what you do. They could have got a small sales office and have the sales office here, and had the warehouse be in Sacramento. But that's not how Mordam wanted to be; Mordam wanted to be an egalitarian thing where the

sales was shoulder-to-shoulder with the warehouse. I think there was a feeling that if that was done in Sacramento, that would create that difference. –Ken Sanderson

Well, it was definitely a really tense and kind of uncomfortable time frame. Again, Ruth was pretty open about what her intentions were, and at that time, it was really about the survival of the company. Our lease was up and our landlord had informed us that he was going to triple our rent, and with the thin margin that we worked on, it just wasn't going to continue to be viable. So she had to do something dramatic to reduce expenses, and at the end of the day, that meant pulling up stakes and moving to keep a rent. And while I certainly think it was the best move in terms of the survival of the company, in hindsight, I don't know that she could've really handled it any differently. And having said that, I felt like Ruth above and beyond what would be expected in terms of trying to make it as painless as possible for everyone. She offered sort of different types of packages for different types of situations. She made an offer that if there was a way that you could do your job off-site, that she would be willing to support that and allow workers to telecommute. She offered financial incentives for workers who wanted to move from San Francisco, and I thought they were fairly generous, and also laid out very specific timelines for everything so that there were no surprises, and offered to keep people employed right up to the very end. So I think that she communicated everything very clearly and very openly, and I think that she went above and beyond in terms of offering financial incentives and offering situations where people could telecommute.

So in that regard I think, again, she tried to make it as painless as possible for people but, unfortunately, you can't please everyone. –Mike Jones

To Magazine or Not to Magazine

Mordam came through twenty years of punk fiefdom. I know that the way people viewed Tim and the gang and the San Francisco scene (as opposed to the East Bay scene) was that we had unwavering rules and discipline. There was always an ongoing debate about how to be a punk. And love him or hate him, Tim created some rules for his fiefdom that made others unhappy. Of course, you didn't have to play in the fiefdom.

What kind of rules are we talking about? How to be politically, socially, and economically correct. One such long-winded rule was that in order to be a politically correct publisher, you couldn't take advertising money from corporate interests. In other words, selling out was by far one of the worst things that a band, zine, or artist could do. Staying independent was valued above all else.

The big sellouts of our day: Husker Du, Chumbawamba, Green Day...these artists took a lot of flak from their fan base. Since I hate a hypocrite, I had a rule. If a band or zine had a stance that was politically correct and *then* sold out, they are being opportunists. If they only postured as pop stars, then they had always postured as opportunists and there is really no harm done.

I sense I am being snide here. But really, I still believe in this with all my heart. If you truly want to be independent, you can't take money or make money for corporate interests. Most of those corporate interests are, if not corrupt, then simply not interested in your wellbeing, the wellbeing of culture, and, well, the wellbeing of the planet. Why work for them when you can work for yourself or other well-meaning organizations? To this day, I say, make your own damn money!

Side note: I am in the process of negotiating some coaching work with a group of angel and venture investors. This very topic picks at my brain. Are these people honorable, or will they destroy everything they touch? Will I do the work but secretly wish to keep these upstart companies independent of these interests? Or are these guys really “angels” just trying to make a few bucks by doing good deeds? It is the very same questions we debated so many years ago.

The good news is that younger generations are creating responsible and alternative businesses. It is now cool to be socially and environmentally responsible. There are more and more great places to work and more corporations with a conscience. But then, I can hear Tim’s voice: “There is no such thing as a corporation with a conscience!”

The Publisher’s Revolt of 2002

Jeff’s Story

Since day one, Mordam sold magazines. Selling *MRR*, *Flipside*, *Punk Planet*, *World War 3 Illustrated*, *Hitlist*, and *Gearhead* was an honor. These were all fine publications and represented our catalog perfectly. But you must know that each sale lost us money. Back in the day when we sold 20,000 *MRR* every month, we came just ahead of break-even. The reason to do it was to create regular cash flow. These were our loss leaders. Buy magazines each month; fill the box with records. That was the deal, year after year.

We held firm to the “no corporate advertisers allowed in our halls” rule. Part of that policy also came from the Nirvana years of the early ‘90s, when you would open up fanzines and see page after page of major label advertising. They figured out where their customers hung out, paid a low price for those ads, and could practically own a magazine. And those fanzines would often kowtow to those advertisers because they were putting food on the table. It appeared exploitive and left a nasty taste.

But by 2002, small publishers were in a great deal of pain. All but one major book distributor had folded up. Most of the magazine and rack distributors had done the same. The business of periodicals was done for, and most had to go electronic or die completely. They were desperate for any advertising they could get. For us, distribution was not just a loss leader, it was simply a loss. Mordam had to face a decision: to sell magazines or not.

The staff debated this topic very seriously. We were fans of fanzines. We were fans of many of the publishers. We decided to eliminate slowly. Take the smallest and most difficult zines out of the catalog first and not add any new ones. Then we scheduled a discussion with the remaining publishers at a convention, a “state of the publishing business” powwow of sorts.

What we didn’t expect was their prepared ambush, with Jeff Bale, my oldest *MRR* compatriot and editor of *Hitlist*, as their spokesman. They demanded the right to remain at Mordam and have freedom of advertisers. They were contentious and angry and demanding. They were somewhat unaware of the process that we were undertaking internally, looking at the sales and finances surrounding the sales of publications. We were unaware of exactly how angry they were with our long-held policy. We retreated from that meeting with the promise to review and return shortly.

Jeff and I ended up having words over this. Their financial squeeze was stressful and he genuinely believed that we had a knee-jerk policy. I needed time for our consensus process to lead us to a decision. And I hated his yelling at Mordam staff and jumping to conclusions. I know that he felt we were unresponsive.

I believe to this day that this is one of the great decisions we made at Mordam. It took two more staff meetings to talk it through, but the staff came to a consensus that that policy was indeed antiquated. If we were going to keep selling these publications, we had to help them survive in any way we could. We reversed the policy.

I sent an email to all the publishers to tell them of this decision. And in one of the most honorable moments I can remember, Jeff called me on the phone to apologize. He didn't take our discussion process seriously. He thought our process was hollow. But he was wrong.

What a gracious guy.

A Last Word About *MRR*

MRR pulled the magazine after this because we had reversed this policy. We knew that this was a possibility when we debated the issue. The hard part about consensus is that you really have to learn how to be true to yourselves. We were sad they left. But I still feel good about the decision.

A Word About *Flipside*

We eliminated *Flipside* from our catalog years before this happened. We did vote to do this partially because they had a lot of major label advertising at that time. But primarily we found them to be flaky and unresponsive on the record side of their business. We were frustrated by unfilled orders and no communication. (Remember Beck?) That said, we learned a reverse lesson in this instance. We cut them off cold and got a terrible reaction. I am not sorry we eliminated them from the catalog, but I am sorry about how we did it. *Mea culpa*, Al.

I remember the meeting when *Flipside* left, which I think was a mistake in retrospect, but there's no better option because it basically killed *Flipside*. But they were just hanging on by a thread, and that was sort of the reason we gave them the "boot" because they just, "Hey, we need you to call us back I think," and they'd never call us back and stuff like that. And then, I think, you know it's funny, I got interviewed by this guy who was writing a book on like a...what's the word...like academic book on '90s punk labels, this Canadian

guy. And he had really specific tailored questions about Mordam. And he had very specific questions about like, “Were you at the meeting in October 1998 regarding the decision not to carry Equal Vision?” I was like, “Yeah.” And eventually I got mad at the guy.
–Ken Sanderson

Layoffs

Deb’s Story

After a painfully low revenue year in San Francisco, and an expensive move, we managed to turn 2001 into one of the best years in the company’s history. There was a little band called the White Stripes responsible for that too. The new crew in Sacramento was quick to realize that they were the turnaround crew. Their attitude was a breath of fresh air. They had a hard set of tasks to learn. But were they great.

I am so grateful for the handful of people who stayed on with the company. They were stable and the real mentors of the Mordam culture. We didn’t know that we weren’t over the hump. We didn’t know that 9/11 was coming. I could tell the story of what happened at Mordam on 9/11, as there isn’t anyone who doesn’t remember where they were that day. And just like anyone else in any business, we were impacted suddenly and inexplicably. 2002 turned into a miserable year. Revenue plummeted and expenses rose. (Contrary to popular thought, the move was paid off within a few months. The move itself wasn’t responsible for this situation. 9/11 was.) At some point during that year, I knew we were going to have to make substantial changes in the form of cuts.

And with that in mind, I started the conversation with Aaron and Mike as to whether to cut jobs or not. This is one time when I didn’t take it to a staff meeting. I was learning that some things are just too painful. We pored over the numbers, looking for the amount we needed. We agreed that there would be one position in each department

eliminated. We each picked a department and would reconvene with our suggestions.

I knew that Deb's position was a luxury. She had been with the company for a long time, and her job had changed over that time. I could ask her to return to multiple tasks and go back to being a one-woman department. But I knew that would make her unhappy. She was one of the highest-paid, and I knew that I could outsource her graphic design job. In fact I could, and then did on occasion, outsource it to her.

Deb was delightful and loyal. There were great arguments about a layoff including her. I decided to drive to San Francisco do tell her myself, knowing how unhappy others were with me for doing this at all. Aaron was so upset he went home, and Mike notified the rest of the staff. Blake Wright from Empty Records called and not only cussed me out but insisted that I reinstate her. (If he would have paid her paycheck, I'd have been glad to.) It was an awful, dark day. But I know now what I knew then, that it was the correct decision.

There were two other layoffs that day. I know it made many people very unhappy. It was the only time in the company's history that I "laid off" people. It was a decision best made outside of meetings, but best made as a management team.

At the moment I totally understood. I've learned to be adult, but I went home and cried for like six hours.
—Deb Follingstad

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Building the 21st-Century Transparent Company: The Generation Gap

Civilization has gone through many sociological models. Namely I'm talking about the shifts from hunter-gatherers to agricultural society to industrial society, etc. How did that really play out? Let's imagine, if you will, a father-hunter who raises his son in all the skills he needs to hunt. But one day, the son tills a plot of land, cultivates it with seed, and stands over it beaming with his cleverness. His father shakes his head and says, "Oi. I am a fool. I didn't prepare my son properly to make his way in the world."

Or later the family farmer, who works tirelessly to feed his family, then watches his son leave the farm and set up a factory. He cries, "You are a fool, son; you will come back when you realize how cruel and hard the world really is and that your new ideas are a waste of time."

Hard as it may seem, we are in another transition. Think about it. These young kids with their newfangled ideas and ways are ill-prepared for the world, as we know it. But not as the world is going to be. Welcome to the conceptual age. The clock won't turn back.

Where older generations grew up thinking sequentially, we now have two generations of digital thinkers: Generation Why and Generation Z. These are people born after the year 1980. And in the case of Generation Z, they have no memory of the last century. They are called digital natives. They multitask. They process information—a lot of information—in an unstructured, non-sequential way. And while this talent can often be viewed as a detriment or can be very frustrating to their Baby Boomer and Generation X parents, it is a talent that must be cultivated and rewarded in new ways.

According to a Pew Research Center Poll, 81% of eighteen- to twenty-five-year-olds said getting rich is their generation's most important or second-most important life goal. 51% said the same about being famous. They don't understand starting at the bottom. They genuinely feel that the best person for the job is the one who does it best. Analog thinking is "Pay me for my time." Digital thinking says, "Pay me for results."

Let's start out by taking a look at the qualities of all the existing generations. And please keep in mind that these are gross generalizations.

The Traditional Generation: Also called the War or even Silent Generation. This Generation was born approximately between 1930 and 1945. They survived the Depression and World War II and they don't want to shake the tree, as they've seen what the sky falling looks like. They grew up in a world of order and clearly defined roles. They were taught frugality: "A penny saved is a penny earned." They trust institutions and have been loyal to their employers or employees. They believe in hard work. They climbed the ladder of success so that they would receive a retirement, but more importantly, recognition. They learned to delay reward. The motto of this generation is "Pay your dues."

Baby Boomers: Born between approximately 1946 and 1960, this generation represents the biggest spending, best educated, and most

sophisticated group in human history. They like working with and competing with their peers but hate rules for rules' sake. They will fight for a cause, work hard, and play harder. They work not for recognition, but so that they can later indulge. Do you realize how many cottage industries there are now specifically designed to cater to their love of indulgence?

Like their parents, they value hard work and will climb the success ladder because it gets them to the next level and creates change. Everything they have touched as kids, teens, parents, and now retirees is changed. It's their M.O. I've been following closely behind them my whole life, and I've had the benefits and sometimes the detriments of all that change.

Let's talk about Generation X: 1961-1980. This is a generation of latchkey kids. Most of their parents were divorced and their mothers worked. What did that teach them? Independence and self-reliance. They've become, out of necessity, entrepreneurial, interested in their own careers and their own personal development. When they came into the workforce, presidents were impeached and there was double-digit inflation. They don't trust institutions or job security. They don't show loyalty easily. Generation X has been called "slackers," but that is just because they work to live, not live to work. They want balance in their lives and have clung to the concept of work/life balance. Generation X will climb the success ladder, but only if it furthers their personal development and long-term careers, which are, generally speaking, at many professions, jobs, or businesses. They refuse to defer gratification.

Generation Why (born between 1980 and 1995) has been coddled and pampered by the most prosperous times and generation ever. They are the first generation whose parents both worked, weren't home, relied on day care, and created the "play date." These kids have never been left alone. Their world came equipped with cell phones, video conferencing, text messaging, MySpace, Facebook, Game Boy, PlayStation, Wii, online banking, ATMs, and sadly, AIDS.

This Generation has been led to believe that they are special. And that created ill-prepared workers with great big imaginations. They are herd animals. Connection with their peers is very important. They expect lots of feedback and interaction. Generation Why needs us to sincerely tell them “Why.” And not the “why” for us, but in the way they understand: they need to know what is in it for them. When you genuinely answer those questions—not always easy to answer—you will have the hearts and minds of one of the most loyal generations in over a hundred years.

Generation Z were born approximately between the years of 1995 and 2010. Not all of them are babies anymore. Lots of people are talking about them, from teachers to merchandisers, and it is not all about text messaging. This generation is growing up in a depression of unknowable degree at this writing. They have no memory of a pre-9/11 world. They are inheriting some enormous economic and environmental problems. They are growing up fast and have a lot of pressure on them to succeed. Their parents are staying home to raise them. They are social but prefer their online social network, and they expect to be allowed to be creative. Everything online is designed to allow them to personalize and give input. Here is a fully integrated digital thinker who will require multiple-stream feedback, instantly.

Where does that leave an employer? If you want to successfully employ people in the coming years, here are some ideas that will engage any worker but speak directly to the youngest ones.

Be authentic. Tell them your story. Tell them your history. Tell them your passion. If you don't tell them why you care, they won't figure it out for themselves. And please, fight the urge to demand respect. Demonstrate who you are and what has made you successful. They are loyal to leaders and teams, not companies. You must show them you are worth their respect. Embrace your chance to shape their professional expectations and their perspectives of your company. Harness their imaginations and creativity, and help them learn.

If the reason for having a rule is “we’ve always done it that way” or “because it’s best,” ditch it. If the “why” sounds lame, even to you, imagine how these generations will see it. And that doesn’t mean having rules that aren’t enforced. Managers of all generations should know this: high performance is born of high expectations. High expectations mean that harmful behaviors are harnessed. Be fair and be consistent.

Reward the behaviors you want. Do not create a culture of punishment. I think this story has played out at many businesses, especially those that hire a lot of young people. Pick the battles that are important, and pick the battles you can win.

Digital thinking also means “Make it fun and interactive, make it challenging but don’t boss me. Mentor me. Teach me a little and then let me practice. Then teach me more. And by all means don’t bore me with lectures.” I guarantee they will take your ideas one step further than you will.

Let me digress for one minute. I have heard it said in many presentations on this topic that Generation Why has a unique connection with Traditionals. That’s their grandparents. That unique connection is not so much the same trust in institutions, but rather a willingness to conform and the desire to connect and commit. It is the shared concern for being a part of something greater than themselves. Use that connection. Set up mentoring programs in your workplace.

And let me remind you of one important point. That is that even though the Baby Boom is retiring, they refuse to retire. They are in fact reinventing retirement. For those who are creating second or third careers, or for those companies that are facing a brain drain: mentor, mentor, mentor.

I was sitting with the wife of a client one day. We were waiting for him to show up, shooting the breeze, and I asked her how many young

people were employed by the business. She claimed not many, but what did I think about it? We started talking about this material and digital thinking, and she suddenly looked at me and said, “Aha! Now it makes sense to me.” “What is that?” I asked.

It turns out that her twenty-year-old son had recently taken a job at Trader Joe’s. Trader Joe’s is a specialty grocery store, in case you’re not familiar with it, and they are considered an excellent Generation Why employer. She said her son explained to her that at the end of his probationary period, he would get a raise based on a sliding scale. That scale is based on three elements: how many compliments he gets from customers, how many compliments he gets from co-workers, and how many times he is caught doing something over and above his job description. He told his mother he intended to get the highest raise. And she said to me that she barely recognized her own son. The moral: Let them know where they are going, how to get there, and what you value.

Make sure you have a recognition system suited to these generations. The day of the annual performance review is *over*. Depending on your industry and size of the workforce, monthly at least; weekly is best. These kids need lots of feedback. Keep them informed of both successes and defeats in your company, and make sure they are aware of their personal successes too. Give daily recognition for their accomplishments.

I heard this story from a client when I asked about his young people. He owns a small chain of tire stores. It’s not always pleasant work; it’s physical, it’s open to the elements, and it doesn’t pay that well. His turnover was not bad for his industry, but still a small problem. He had two young guys who were part-time who were interested in advancement and commitment to longer-term employment. He liked them and offered them the promotion. A couple weeks later, they called their manager and said that they quit and were leaving the area. I asked him if he knew why they left. He had a confused look on his face and said that his manager told him that they thought that

he—the owner—didn't appreciate them. He was visibly confused... hadn't he just offered them advancement? I told him that he may or may not have told them he appreciated them. But because of their age, they need *lots* of feedback. Not saccharine or fake feedback... they can spot insincerity a mile off. Just repeated, honest feedback.

Shout it from the rooftops. "What a great job John did!" "Jill made it on time seven days in a row!" Do it often and do it loud. These are trophy generations. Bring it on! I remember speaking with an independent burger stand owner who was having a terrible time keeping his employees. I told him to recognize them. Give gifts— theater tickets or espresso gift cards—regularly to someone who displayed a behavior he liked, and add kind words with an explanation of specifically what they did that he liked. Even a twenty-dollar bill can work wonders. Don't let them expect it. Be random. Surprise them with recognition.

And now the elephant in the room: money.

It is becoming well known that money alone will not buy passion, engagement, or commitment. Generations Why and Z are not going to work just because of money. However, according to a 2007 poll of 2500 HR professionals across all fields, 87% of them said that most Generation Why people felt more entitled to greater compensation and advancement than other people. My response to that is simply this: if you want them to give a darn about your business, make certain to pay them at least better than your competitors, and give them some vested interest in the profitability of your business. If you are tying salaries and bonuses to the profitability of your company and you are explaining regularly how the company is doing, you will accomplish commitment based on compensation.

Measure retention rather than turnover. Make it your goal to keep people, not just avoid losing them; find out how *they* want to be communicated with and then do it that way. If communicating your way isn't working—change it. Remember that information is power. If you hoard information, this information-centric generation will

sense your withholding of power. People make better decisions and engage more wholeheartedly the more information they have. Share the wealth of information that you have.

As hard as it may seem, stomping your feet as a form of authority has no impact with Generation Why or Z. In fact, the impact will be to drive away your people. Just do what you do best and keep genuine. They'll get it.

I gave this presentation at a Toastmasters conference. At the end, a gentleman stood up and told that audience that this had been worth the price of admission, because he had struggled to get a group of new Navy recruits organized in his department. He had employed every management skill he had in his arsenal and was failing to get them producing. In utter frustration, he gathered them and told them the problems they were facing and the results he was looking for. He then walked away. That team then became fully engaged and inventive. They became the best performers on base. Until my presentation, he hadn't understood what he had done and why it had worked.

Create team players. Make sure your people understand how you measure results and engage them in the process. And a word to the wise: Never have employees compete *against* each other. Always have them compete *together* toward a goal they set. Reward the entire team for results. Statistically, employees who are engaged in goal-setting tend to create greater goals and achieve greater success than those teams that have management set goals *for* them. This has never been truer than now.

According to CareerBuilder.com:

(Only) 15% of employers (polled) said they changed or implemented new policies or programs to accommodate younger generations. If they change, this is what the changes are:

- More flexible work schedules.
- More recognition programs.
- More access to state-of-the-art technology.
- Increased salaries and bonuses.
- More ongoing education programs.
- Paying for cell phones.
- More telecommuting options.
- More vacation time.

And here are some ideas brought from educators about adjusting for Generation Z in particular:

- Access to social networks.
- Ability to media multitask (such as music, social networks, and video).
- Less email, more text messaging.
- Less boredom, more entertainment (such as in training, communicating, or task management).
- Allowing for lots of input and creativity.
- Games, games, games.

Even if you just chose a few of these ideas, or you scoffed at the increased pay, you can still position yourself as a great employer.

Additionally, young people understand the need for a life/work balance and they are demanding it. Companies need to change to create a new standard for workplace success. We are in a worldwide economy now that requires a new, high performance mindset in business. Whether we are employing, educating, or working with a young person, it has become ever more important to take off our own generational blinders. I read a great line the other day from the *Journal of 2020 Foresight* (as in the year 2020):

“While each generation is distinct in values and beliefs, one thing we all have in common, especially starting out, is that the important

events in our world began in our childhood—not before.”

When I have engineers—mechanical engineers in particular (not computer engineers) —in an audience hearing this presentation, their response is the perfect illustration of this point. Engineering firms are having problems right now keeping their pipelines filled. Young people in the US are not as a rule interested in going into mechanical engineering. Older generations of engineers ask me questions like these:

- Why aren't our schools as good as when I went to school and learned math?
- How can we get new engineers?
- What are we going to do about China? Or Russia?
- What are we going to do about outsourcing?
- Don't these kids realize that we are losing our leadership position in the industrialized world?

These are deep questions. And the discussions that can ensue are complicated and interesting. But what I hear is a deep generational pain for the people asking the questions.

In May of 1961, JFK told the US and the world in his famous “man on the moon” address that the US (who had just lost the world's first orbit to the Russians) was going to the moon. “This nation should commit itself to achieving the goal before the decade is out of landing a man on the moon and returning him safely to the earth. No single space project in this period will be more important for the long-range exploration of space, and none will be so difficult or expensive to accomplish.”

That vision mobilized an entire generation of people. Most of these Traditionals and Baby Boomers who were kids and young adults in the '60s who became engineers and worked in the aerospace industry did so because of this vision. Imagine their dismay that younger people don't understand the sacrifices they made and the sense of accomplishment they feel in terms of the space race. How could they

not see how important our world leadership position is? This changing dynamic is failure to them.

But I can't give them comfort that China won't "win." But think of this: what if we had a leader like JFK to ignite Generation Why to a cause? There would be no stopping them. What would that leader have to do? That leader wouldn't be saying "they have no respect" or "they don't have a work ethic." They'd be saying something like "it's never been more important to us to consider truth, honesty, and perspective in our communication."

Don't forget the feedback. Create an intellectual and emotional connection and get their feedback. Ask often. Ask sincerely and show you are listening. Ask in multiple communication streams. Use social media and face-to-face meetings. That recipe will engage even the youngest people. Showing you care *always works*. And lastly: Bring the love. Bring the truth. Be authentic.

What About Generations at Mordam Records?

I didn't get this until I understood this generational piece: As a group of Gen X-ers, we didn't understand what Gen Why was bringing to the table, and we suffered. For example, new hires didn't stick around very long. "Why not?" we wondered. We are so cool. Aren't we?

And more importantly, we struggled to get younger labels not only involved but sticking. If we interested a new label in our services, we discovered that they didn't have the same indie mindset that we had, nor did they have the same sense of loyalty. They wanted to stick around for a few months and then try something else. We died behind that because we felt that we worked very hard and our payoff would come much later. What is wrong with them that they don't understand that? Why did our best attempts to teach them fall on deaf ears?

We also couldn't understand why younger punks didn't have the same utter distaste for corporate involvement that we did. Their sense

of branding was different, and we didn't "approve." Now I see that we, just like any other employer, were stuck wondering why these young kids don't have a "work ethic." We were as stuck in our ways as the rest of the planet.

What should we have done?

Besides knowing that the end was nigh, of course we should have changed the model completely to a marketing, content management company of the long-tail variety. I knew it intuitively but didn't really see the whole picture at that time. Additionally, I sadly didn't want to shoulder the pain of that change. It would have made moving look like a tiny speed bump. But it also could have prevented the pain of tanking the company.

But we could have developed short-term programs to ramp up small labels, developed tiered plans so that labels could move around easily and change their strategies fast. We could have added interactive marketing planning to help develop particular online strategies along with hard sales, built different types of partnerships. We could have made things move faster.

And that list of flexible, fast-working, instant feedback internal systems would have helped us all to not expect that everyone thinks the same. Like any other company, we should have been nimble rather than digging in our heels.

Does the learning never end? Apparently not.

13

The Internet Is Not a Territory

In the later part of the 1990s, there was great confusion about digital music, and we all together had great arguments and discussions about what it meant and how to handle it. Ironically, many of those same arguments are still prevalent in the industry, and I can't believe that they still haven't articulated the missing link. The result is that music distribution turned into content management, and delivery was handed to the computer industry. I say "handed" because in the music industry's classic style they chose to legislate rather than innovate. And to make matters worse, they even chose to litigate. It was 1999 when the RIAA (Recording Industry Associates of America) went after Napster, one of a dozen of the first P2P applications.

The saddest day for a participant in this industry was the day the FBI and members of the RIAA brought in the media to film them charging into the bedroom of a twelve-year-old and busting her for illegally downloading music. They took her out in handcuffs. They thought that by publicly scaring kids, they would stop the freight train of technology. All I saw was my colleague busting my customer. In the words of many a punk rocker: "Digital music is killing the record industry, and it's about time." Game on!

In these years we'd been asked to participate in some convoluted and downright thieving schemes. I hadn't yet met a method worthy of our effort. My clients thought I was ornery. Maybe so. Let me tell you what makes me ornery: sleazy pitchmen sent in to try to buy the rights to music for—no pun intended—a song. A way for new music companies to literally buy ownership of music by misrepresenting their intentions. And a concerted effort to corner a market that most people didn't even understand. Ornery wasn't even the word that comes to mind—even today.

It started with a company called CDuctive. Jordy made the rounds. His thick New York accent made him seem sleazier than he probably was. What proved interesting to me is that I represented over two dozen of the hottest independent record labels of the day, and he tacitly avoided me. But slowly I started to hear about him and his offer. More than half of my clients called me to discuss his lucrative offer: His company will buy the rights to their music for one big magnificent payday. In the case of the people I worked with, that could be up to \$10K. To cash-strapped record labels, this looked pretty good. In return, he'd sell their music in a new territory that no one else was exploiting: the worldwide web. The Internet.

Remember I told you about labels manipulating artists for publishing and songwriting royalties and copyright? Well, twenty years later, here we are again, this time arguing amongst each other about the selling of rights for the Internet.

Long Gone John said, "It's money for nothing, Ruth. No one will ever sell music through the Internet."

Mike P. said, "Ruth, You aren't selling on the Internet. So we should sell there any way we can."

Jello said, "This isn't your concern; our agreement with you says we can license music in other territories."

My lawyer said, "No one understands what is going to happen here in

terms of intellectual property. But in the eyes of the law, the Internet is clearly not a territory. There is no physical space you can go to. This isn't selling music on Mars. This is legally a new format, albeit hard to control, but not a territory."

And I explained, over and over again: "This distribution company has an agreement to sell all of your formats in each territory you give us. So we will sell digital downloads ourselves if for no other reason than to protect you from unscrupulous companies that want to buy your rights. There are two issues here: my ability to stay in business as new formats evolve, and more importantly, the ownership of your rights. If you don't own your music, you will own nothing. Wait until the time is right. Wait until the model works. Don't give away your rights. Eventually there will be more honorable companies entering this market."

Then Apple announced the launch of iTunes—not a music company, but a computer company. Of course.

Mike Jones and I are in Cupertino. The land of Apple. In a small auditorium on the Apple campus, on Apple Circle. Appleland. We are surrounded by other independent record labels and distributors that have been invited to hear about the launch of Apple's new online music service, iTunes.

It is a wet spring day in 2003. We know about it already. They have enough of the major record labels on board to green-light this project with lots of leaked publicity. Today they brought independent "content providers" together to tell us that we will soon receive a nonnegotiable contract and then a link to the software we will use to upload everything they need to start selling digital files on iTunes.

It is a simple plan. Apple is paying a flat rate to content suppliers for every 99-cent song. Finally, a model that is brilliant in its simplicity and an example of using a model that has worked for a long time. Wholesalers of all types sell by this equation: they charge 50% of the

retail price to retailers, thus allowing retailers a 100% markup. What gets paid to the producer is then negotiated with the wholesaler. In my distribution business, we paid 85% of revenue, keeping us cheaper than most of our competitors, who paid 70%. Apple was using this model: 50% of retail to the content provider. We'd pay 85% of that. Ownership, rights, and royalties stay intact. Pinch me!

"Mike, is it me, or is this what we've been waiting for all along?"

"OK, Ruth, I'm going to pinch you again."

And then came the other retailers: eMusic, Rhapsody, MSN, Napster—each selling downloads, subscriptions, or Internet radio. They don't own the music. They sell it, stream it, or subscribe it for the artist. And eventually, when it becomes too hard to control and sell digital files, they will become vast archival sites. In my view, Mordam had to reposition itself as a digital content provider of independent music. I wish I'd had the strength and the attitude to do it.

14

Selling Mordam

Aaron's Story

Until I became a business coach and saw this happening in other businesses, I didn't even know how to process what had happened to me. This is a story about risk, and it is a story of a different type of misalignment. It is what happened to me and my number-two guy. And it is with great sadness that I tell the story.

I hired Aaron in 1994. At that time he was the boyfriend of one of my salespeople. He was working at Esprit's warehouse, he played in a band we were selling, and he wanted a job in our warehouse. We were growing fast and needed people. Salespeople who knew him encouraged me time and again. But I had the notion that when you hire a boyfriend, ultimately you will sacrifice one employee. When they broke up, which was more likely than not, it would be too uncomfortable for someone. And it was. She left. He stayed. Aaron became warehouse manager in 1996 and then general manager in 2000 when Tommy Strange departed.

This story is about the relationship between an owner and a number two. There are many stories on this subject of having or being number

two in an organization. A number two has to manage staff and the owner. A person who is good at being number two in a company has a fine line to walk. This story is about how those lines get muddled.

Aaron was well loved and respected by everyone in the company. You hear about him a lot in these pages. Additionally, he understood his position and how to work with me to make my life easier. We had many years of being able to read each other, work together, and respect each other. He was able to coach people and look out for their higher good. He understood and embodied the mission of Mordam. Even though we had very different personality styles, we worked well and we learned from each other.

But after a couple of years in Sacramento, an emerging pattern appeared to me. I noticed he was keeping information, particularly about people (staff and labels), from me. Instead of encouraging open, transparent communication, he would tell people, "You don't want to upset Ruth, I'll talk to her." He would tell me, "We have a problem. It is confidential. I can't tell you who said it. Just do what I tell you and it will be better." Over time, it bugged me.

He became frustrated if I didn't do what he asked of me. I got angry with him. It became a very broken relationship. When I started working with a coach to figure out what I wanted to do next, I was able to articulate how broken we were. By the time I was ready to sell the company, and even though I offered it to him first, I was even angrier. I promised him I'd stop being angry and handle myself differently. I requested that he improve communication on his side too.

I now believe that it was this power struggle that made it easier for me to sell to the Hemsaths rather than to the employees of Mordam. I understand that because I've now seen this power struggle happen in other companies.

When a business owner tells me that their number two is assuming

control of the company and making decisions in a way that doesn't represent the owner and the company any longer, I now think of this as the "all the responsibility, none of the risk" problem.

If you are able to talk it out and reverse the damage, that's great. But nine out of ten times, if left too long, the damage is done. There must be a parting of the ways. If a number two takes the position that they know more than the owner, or that they can make decisions that affect the owner without consultation, they have overreached their authority. In fact, they have overreached transparency and the well being of the company by allowing their own egos to get in the way. The imbalance is that their authority now outreaches their risk. It is transparency gone bad.

The problem I have telling this story is that I don't think anyone else at Mordam saw this happening. I don't think anyone from Mordam can appreciate it. This is an owner's issue alone. Aaron and I couldn't have continued to work together. He knew it, and he left the minute he saw that the new owners—for better or worse—wouldn't let him be. He tried very hard to upset the deal. And I am sure he still doesn't see it this way. I am sure that he sees it as protecting Mordam from a bad owner coming in whom he couldn't support.

But this story is about deep misalignment. Where are the lines between making employees feel like owners and really *being* owners? If deep alignment is the goal, then you have to keep appropriate levels of authority if you are not responsible for risk. Did Aaron understand that he was exceeding his appropriate level of authority? And what should I have done when I realized that he wanted to call the shots and I got to hold the bag? It is a moment of truth for any team. The trust fell apart. And I wasn't clear enough to articulate it. It was only later when I admitted that it was a relief for me that Dirk would be the one to fire him. Unless he walked first. Which is what happened within days of the sale.

If I had to redo, I would have been more involved with getting the

key employee team to buy the company. I wouldn't have let Aaron lead that group. When he told them he wouldn't buy, I don't believe they understood that he may have felt he didn't need to risk anything because he was already in control. They may not have understood either of our motivations or their own ability to assume control of the company. I left it in his hands when I should have done it myself. And now I have the clarity to help others when I see it. Been there. Be better than I was.

I am grateful to Aaron for so much. But I shouldn't have relied on him to keep the team together at that juncture and buy the company. That was my job, and we would have all been better had I done it. I hit a bump. I should have done better.

My Decision to Sell

When Aaron made his decision to move with the company, he asked an important question: "Is this your exit strategy?" He didn't want to move with the company if I was on my way out. My answer was "absolutely not." And I meant it.

In 2003, I had made friends with a woman in a neighboring town who had a daughter the same age as my young son. We would have play dates together, romping at the river or playing at our homes. I remember a picnic one day when, miserably, I explained how tired I was and what I felt I needed to do to make my life work. I was exhausted and depressed and had too many obligations. I couldn't see that there was a way around them.

I had acted as a Visionary for many years. I'd explained to anyone who would listen that the writing was on the wall for physical music distribution. A new format will trump all we've known. I talked with labels and artists about how they may or may not be able to make a living. I predicted that someday, this place will not ship units. Those units will live on servers. I told my staff that that was a good thing. Good for the planet not to be shipping pieces of plastic on diesel

trucks and planes. We were actively digitizing the entire Mordam catalog, setting up a retail website, creating digital contracts with both online stores and our labels, becoming an aggregator.

But the business was stressed. My warehouse staff started to become anxious. How much longer would they be needed? And in hindsight, the industry had created a situation people would be happy to accept: free music. If free is the new model, there would be no fighting it. The only way out for distribution was to morph into marketing. Tastemakers and mavens would eat. Aggregation alone would be more difficult.

But as I explained all of this to this friend, who knew nothing of this world, she stopped me and asked the simple question “Why do you have to be the one responsible to change it?” Those pivotal moments in one’s life are simple like that. At the time, I just slumped over and told her that she didn’t understand. I was overwhelmed by responsibility and obligation. It took a few days for me to take the question seriously. Why indeed?

This is part two of the story of the Golden Handcuffs. When do business owners transition from master to slave? How do we handle burnout? And how should we handle that wall when we hit it? I hit the wall of burnout with full force. Twenty years in. Slam.

I spent the next year working with a life coach. She had owned businesses and understood me. And I told her that it was possibly time for me to do something else with my life. But I didn’t know how to do anything else. With my Gen X habits running amok, I knew that I was not ready to stop here and rest on these laurels. Life was for living, not for being safe. But I didn’t know anything else. I had done this my whole life. I was very unhappy. She supported my decision.

I asked some of my labels who had worked with me for many years and who were hardly selling any records anymore why they kept doing it. And the answer always was “Because I have always done it.” And that sealed the deal for me. My epitaph would not be “She did it

because she didn't know what else to do." Life's too short, you know. Surely, there was something else to learn.

I started on the sales job of my life: selling Mordam Records. My assumption was that the business was so much about me that it wasn't worth much. I had an assessment done of the business and was pleasantly surprised at what the business may be worth. If I played it right, I could get enough to set myself up in another business.

I had already contacted my A list before I approached my employees. I wanted confidentiality before I let this cat out of the bag. I actually had a buyer in hand that I felt very good about. But his business partner pulled the plug. It was a sad day for us both.

The reason my A list didn't want to buy Mordam was twofold. Either it was: physical distribution? No way. Or it was: no contracts? No way.

Mordam Records started by doing business with a handshake. That was how punks did business back in the day. In fact, when contracts came into our lives, there was the school that had contracts and the school that cried, "sellout!" In trying to keep Mordam on the fine line of professional and grassroots, I kept Mordam as an at-will distributor. Exclusive, yes. Term, no. We had to earn the right each day to sell for our labels. And I knew that to come back and ask for a term would have shaken the tree. It was becoming more difficult to keep labels and add young labels. This would further jeopardize the catalog. If you add to that the shrinking customer base, brick-and-mortar stores and chains closing daily, I didn't have the stomach to change.

Most people who looked at buying the business saw no way to keep this business thriving. My A list was smart.

Here are some important things I learned about selling a business:

- Selling a business starts years and years before you do it.
- Don't wait until you are desperate.

- Understand your weaknesses and strive to fix them before you look for a buyer.
- Get a business assessment early, so that you understand what your business is worth long before you want to sell it.
- Create a good succession plan long before you want to sell it.
- Don't assume that when the employees or family members say no, they mean no. They may not understand what you are asking.
- Carrying the note for the sale is risky.
- Seek out peer advisors.
- If you can, take a leave from your business while you catch your breath. Do that first. Things always look different when you are rested.

When my employees said no to the business, I moved on to my B list. The Hemsaths (Lumberjack Distribution) bit. End of story. Did I know their reputation? Yes. Did I talk long and hard and honestly with them? Yes. Did they blow it by tanking the business within three years? Yes. Did they hurt me and dozens of other labels? Yes. Guilty as charged. Am I responsible for selling it to them? Yes. Am I responsible for their failure? No.

Here comes hindsight.

What if I had taken a significant amount of time out of the business and gone on a learning walkabout? Would I have returned ready to make changes in the business that required guts and energy? Could I have found the energy to turn Mordam into the biggest indie aggregator on the Internet? Would I have had the guts to change the staff and talents needed to develop a marketing company? Would those changes have been as painful as or even more painful than the change as it happened? What if I had spent more time with employees working on the ultimate learning—risk? And truly helped to engage some of them into taking over the business? What if. What if.

There are days when I wake up happy not to have to think about new

singles and Best Buy. There are days when I think a huge opportunity was missed. Each of us gets to judge.

When I became a franchisee with The Alternative Board in 2008, I embraced the value of peer advisory. Other people in business give a perspective to each other that is priceless. I immediately saw myself as the perfect board member. If I had known this type of support was available, I think my outcome could have been different. I believe that invariably we all hit the wall in our businesses. What we do and the support we have can make all the difference. To do again, I'd want peer advisory in addition to the coaching I had to gain the insight and support I needed.

I thought it could work, but it became pretty clear that their management style was drastically different than Ruth's. Their level of communication was drastically different than Ruth's. And it became very frustrating. It contributed to the breakup of my relationship at the time without a doubt. It contributed to piles of frustration in my life at the time because there was no clear guidance, there was no clear communication. In fact, there was conflicting communication. I would hear things about the company from customers. All of that notwithstanding, their style of running a company was a more traditional top-down style and it...given where Mordam had been, what I had been used to not three months before, it was...it wasn't OK. It wasn't something I want to be involved with. I mean, that's how real companies work, I guess. –Jimmy Calanchini

Ruth had told me that she was trying to sell the company and I kind of told a couple of different places that, you know, I'm kind of loyal to Mordam as long as Ruth is running it. But if she's not going to be running it anymore, then like yeah, we'll talk, you know. –Ken Chappaikode

We knew that she was looking for a buyer. The hard thing is this with the company that's like that, like my company is me and I think in a way Mordam was Ruth. You know like Ruth's business skills, Ruth's energy and ability to organize stuff and to look at the financial way things work and realize what the best decision was. And it's a scale that a lot of people in punk rock definitely don't have, and a lot of people in business don't have beyond that. But in punk rock it's a real anomaly to have someone who's that good at business, but just clearheaded about it because the two mix like oil and water and certainly you can't. And I don't know how I felt; I think it was just like, oh, that I think we knew that was coming. So it wasn't like a surprise, and it wasn't necessarily what I would have liked to see happen, but you know I'm really glad I did not work at Mordam anymore. —Ken Sanderson

When she sold the company and left, the glue that held everything together was gone. —Mike McNeil

Epilogue: Dirk's Story

I'm sitting in Cirino's Main Street bar in Grass Valley, California. Jello Biafra is doing a spoken work performance at the Center for the Arts. Dirk Hemsath, the new owner of The Lumberjack/Mordam Group, is working at the warehouse in Sacramento and drives up to see the show and have a couple of drinks with me. He's telling me about what's been happening.

And here it is...drumroll, please: "It's just that your past employees are just so, so—well, entitled!"

I must have snorted in my wine. And because this guy now owes me a lot of money, I say as diplomatically as I can, "Some see entitlement. I see alignment. You can't put the cat back in the bag. Once your eyes

are open, you can't stop seeing," etc. Of course I follow with, "Can I help you to become a more, shall we say, empowering manager?" No. Not on your life.

Yup, this guy doesn't get it. His first mistake was raping the bank account on day one. All that beautiful cash flow. He now has set the stage for not paying his vendors. His second mistake: he has to hire a new manager, and he hires from the outside rather than listening to the wisdom from within. He has set the stage for losing employees. Two costly and maybe fatal mistakes in an unforgiving industry that is dying on the vine. That company needs someone to reinvent it. Well, it did get that. Sort of.

Mordam Records, 2009, RIP.

We were selling something quite valuable to a company or people who may or may not get the whole philosophy of Mordam in terms of the collective, the unified workplace that it was, the democratic workplace, the collective as a whole, if you will, of fifteen, sixteen employees, you know, special small business that had been pretty much revered in the punk rock world. –Chris Brandstetter

Well, I guess, if nothing else, it made me truly appreciate the way that she ran the business, because my post-Mordam experiences weren't necessarily the same, and, I guess, that would be with Lumberjack Mordam as well as jobs that I've had post-Mordam. It's just not a common business practice, I guess, and I miss it. I really missed Mordam, and I think maybe I even missed the idea of Mordam more than I missed Mordam itself. –Mike Jones

15

What is the Practice of Living without the Handcuffs

What are you going to do to now that you know there is a solution to the problem of the Golden Handcuffs? Will you choose to live without them? I've told you the story. Next, I'll give you the steps so that you can get started.

A concept that struck me most when I went through coaching certification was this idea: "If I was talking too much, I was working too hard." Bingo. I already know that from Mordam. Here I am, years later, having to practice that concept again.

When you get this leadership practice in your bones, you will suddenly feel the weight of the world lift. So this practice, like many behavior changes, is not so much about what you will do, but about what you will *not* do. Stopping longtime habits can be a difficult and frustrating process. Can you stop having all the answers? Can you coach rather than do the work yourself? Can you work on the team rather than the delivery of your product? Can you stop solving all the problems and making all the decisions?

It may seem like the hardest thing you've ever had to do. (Next to quitting smoking. That was the hardest thing I ever did.) Often that feels

like two steps forward and one step back. And when you experience that sensation, you often experience dejection and frustration. You decide the old way worked just fine. You decide it is unfair. You may talk yourself out of the new behavior. You may cheat: stop having meetings, stop the coaching, stop the alignment conversations, stop providing information, etc. I've seen that happen a number of times.

So, don't do it alone. Get reminders along your journey. Listen when others observe you standing in your own way. You must have the determination and belief that life will get better. That you are human.

The Energy Project in Florida changed my life forever. In *The Power of Full Engagement*, Loehr and Schwartz describe how to stress and rest in equal measure, like an athlete. And most importantly, they prescribe ritual as the path to behavior change. Can you develop a ritual from this leadership teaching? Yes. All you have to do is ritualize the communication of your vision and mission, ritualize your meetings, and ritualize your study of key measurements. Do those three, and your handcuffs will fall off. But you cannot do it occasionally. You can't do it only when you feel like it. You must do it all the time. You must build trust by being consistent.

Let's talk about trust for a minute. When you start the shift in your leadership roles, when you start talking about your vision, when you start talking about alignment and making your employees successful, they will think you are a bit strange. They will wonder how you hit your head and how they will help you return to your natural self. As you persist, you will start to see a change in your relationships with your employees. Some will immediately start to inexplicably blossom. Some will tell you how excited they are and how they see their broadening role.

Others will *hate* it. They may quit or they may try to sabotage you. Remember in these moments to be an observer, to keep your coach role securely fastened, and to understand that this is inevitable. The people who quit will save you from firing them. They are not good

players on your new team. The ones who sabotage without quitting may have to be removed. Mourn the loss and move on. In 100% of the cases I have seen, you will have a feeling of relief as the team self-selects. As your handcuffs fall off, you want people around you who function best without handcuffs. Which is, remember, most of us.

If you think you have a vision for the life you want to lead and the business you want to own, why wait? Let's get started!

Free yourself from your Golden Handcuffs successfully within one year.

First Quarter: Leadership

- Create your clear and compelling vision.
- Define your mission and your value proposition.
- Define your expertise and your differentiators.
- Start meetings to discuss and communicate the big picture.
- Observe your leadership activities and roles and start to purposefully shift your attention from your product or service to your team.
- Stop being the tradesman and the manager. Shift those roles to your team.
- Start acting as a Visionary, Designer, and Coach.
- Your new job: making other people successful.

Second Quarter: High Performance

- Start having great consensus-making, big-picture meetings and separate them from huddles. Start with a meeting about meetings.
- Move beyond delegation by communicating the seven rules of alignment, one-on-one.
- Teach your team to: ask for and use information, solve problems, make decisions, have broad job descriptions, one meeting at a time.
- Create communication systems, evaluation systems, and performance expectations.

Third Quarter: Open the Books

- Get your numbers in order and learn what is key in your business.
- Teach your key metrics and get people thinking about how to create, aim for, and hit goals.
- Play metrics games in your business.
- Create compensation systems that tie compensation to results and the profitability of your company.

Fourth Quarter: Practice, Practice, Practice. Start to fine-tune, and watch your cuffs fall away.

16

On Business Coaching and Peer Advisory

In 2006, when I went to train with Roger Allen and 360 Solutions, I heard there about CEO round tables. I became so enamored of the idea of business owners and C-level executives having access to each other that I wrote peer advisory groups into my business model.

Within the first year of public speaking and training, I had the opportunity to speak to a local Vistage group. This was my first exposure to the “round table,” and as a newbie I was given access to a second in-command group. As I spoke, they lost patience with me. In fact, I’ll venture to say that I was eaten for lunch and humiliated beyond recognition. I just didn’t know my subject as well as they did. After all, they were professional consumers of business information. I was simply not up to their standard.

I can safely say that I learned from them a few very important things. One, I learned how insanely valuable their group was. They were very lucky to have access to each other and all those experts on a monthly basis. Two, I learned that if I had had access to a group such as that, my life and my choices would have been different. I think I really missed out.

Would my group have advocated Mordam's sale to the Hemsaths? What would my group have said about my management issues? Changing technology? Deep-seated fatigue?

In the time that I have facilitated peer advisory boards as a franchisee with The Alternative Board, I've seen all of those issues dealt with, discussed, processed. And as a leadership coach, I have some hard-learned information about how those topics can play out. I've helped people have better outcomes than I had. If you find a coach you connect with and an available group, run toward it with gusto. I truly wish I had known to do this. It can change your life for the better.

Are You Ready?

If you've been wondering why your business, instead of making you feel proud and accomplished, is making you feel enslaved...now you know: the Golden Handcuffs. Maybe you've risked your time, your savings, your sense of self to give birth to your "baby"—your dream business—only to discover that your "baby" requires constant babysitting.

If so, you are not alone. Many entrepreneurs, business owners, and executives feel that way.

Here's the good news: It's amazing how easy it is to break free of the Golden Handcuffs once you know what to do. Not only did I develop Mordam Records into a \$10 million business, I earned employee loyalty that is nearly unheard-of today.

"Everybody was treated fairly." "People trusted each other." "Everyone was allowed to have an opinion." "I really felt like people wanted to be there." "Ruth was never on our backs or in our faces." "When you feel a part of it, it fuels the vibe of the company." "I'm happy and proud that I worked at Mordam."

When your employees are saying things like this about you and your

business, you have a sense of shared ownership that traditional-thinking companies just don't have. And shared ownership is the key to your freedom.

Maybe I could help you create a \$10 million business. Or perhaps that's not your goal. My coaching and consulting clients are publishing books, launching web products, doubling revenue...even in the current economic climate.

Yet your freedom might be worth more to you than any amount of fortune or fame. I've told you how I broke free of the Golden Handcuffs. I'd like to show you how *you* can too. I offer:

Worksheets for each of these steps are available at:

<http://www.highperformanceadvocates.com/workbooks>

Leadership coaching to support your shifting roles is available at:

<http://highperformanceadvocates.com/schedul-a-free-30-minute-sample-coaching-session/>

Mastermind groups are forming now:

<http://highperformanceadvocates.com/join-a-leadership-mastermind-group/>

The Key to the Golden Handcuffs: it worked for me. That's what this book has been about. It can work for you.

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About the Author

Ruth is an internationally certified coach trained by the Academy of Coaching and NLP. She is a facilitator of business, peer advisory boards, owns the management development and marketing company High Performance Advocates is a published author and a professional speaker.

Ruth lives in the rural community of Camptonville, CA in The Tahoe National Forest. She is married to her husband of 24 years and has two children, two dogs, three cats on her ten acre piece of the forest. She is an avid yogi and walker. She enjoys reading, writing and rock n roll.

