

Combining Corporate Governance with Internal Leadership

To Revolutionize Your Competitive Edge™

by Jim Villwock and Dwayne E. Jorgensen



JOB DOCTORS™
INTERNATIONAL

www.JobDoctorsInternational.com



What is Corporate Governance?

Corporate governance refers to how everyone ranging from the board of directors to management, shareholders, suppliers, customers, and employees is monitored so that all stakeholder interests, including regulatory and society's interests are effectively protected.

The five key components of governance include: 1) Risk Education and Assessment, 2) Internal Controls Design based on Identification of Key Risks, 3) Identification of Existing Controls in Policies as well as Implementation of New Controls, 4) "Truthful Knowledge" through operating, monitoring, and reporting, and 5) Sustainability through Proactive periodic reviews of the Key Risks and Remedial Actions.

Why is Corporate Governance Necessary?

Whether from ignorance or intent, company stakeholders do not always align and follow the best interests of the company, shareholders, and society. Another way of stating it is that humans have a range of awareness, understanding, and competence and a range of self-centeredness, criminal intent, and honesty.

Even in the honest pursuit of revenue and profit, a natural tension exists between ***Business Risk versus Business Opportunity***.

For example, in the pursuit of sales, a salesperson may commit to pricing, legal terms, or commitments that may exceed his or her authority and violate the internal controls of the company. The reason for those controls might be to protect profitability, legal liability, or contingent liabilities which could have a major impact on the company. These controls can be viewed negatively as "sales prevention" or as a positive process to insure the right level of management reviews and concurs with the sales person, offers alternative suggestions, or declines the deal.

Another example might be moving operations overseas to a lower cost of labor location for short term profit improvements while potentially losing intellectual capital and a long-term strategic advantage. Governance reviews the risks and monitors the controls to balance risk and opportunity, and ensures that Truthful Knowledge is effectively communicated to all relevant parties.

Governance provides the systems, principles, and processes to inform and create the environment required to comply with legal, business, regulatory, and fiduciary requirements by directing and controlling members in the company in a way that allows the company to fulfill its goals and objectives while benefiting all stakeholders in the long term.

Ongoing reviews of relevant guidelines with employees should also become part of the training process to increase employee awareness and competence.

Who is Responsible for Corporate Governance?

Ultimately, the most senior leaders of the organization are responsible. This is the only way that a true “Tone at the Top” can be set. Company Boards and Senior Executive Management also have the primary responsibility. Employee compliance is required. Internal auditors validate compliance. External auditors provide an independent external verification primarily for the financial areas.

In smaller companies, the CEO and the CFO are typically the primary drivers for governance.

In large companies, the CEO and CFO are operationally responsible. In addition, there is typically an Audit Committee representing the Board of Directors and an internal audit function to oversee the companies compliance with Governance, external auditors to provide an independent assessment, and a delegated sharing of responsibility to all management levels.

What is the Risk / Reward of Governance?

Risk

Strategic
Regulatory
Financial
Operational
Legal

Reward

Investor Confidence
Public Confidence
Employee Confidence
Regulatory Confidence
Cost Avoidance

Depending upon the situation, severity, and type of violation, the risk can be internal and external to the company. Strategic risks can exist in every department and with any employee, not just at the Board or Executive levels. Regulatory risks are often changing rapidly and create a constant challenge. Financial risks range from theft to major liquidity or capital exposures that can destroy the company. Operational risks range from a manufacturing plant floor shutting down to a loss of intellectual property and confidential data. Legal risks, intended or unintended, may range from personal fines to jail time.

On the other hand, when the competition is in the news with a major issue, due to a lack of an effective risk management program, the core of governance,

the time and effort for effective governance pays off in confidence and cost avoidance. When compared to a less prepared competitor, governance can become a competitive advantage.

You would think companies would have a tight control on corporate governance. However, due to the rush and pressure of daily activities, sometimes surprisingly little attention is given to governance other than ensuring the entity’s business processes are in place and complies with minimum requirements. Why? Often the consequences are assumed to be an acceptable cost of doing business or assumed to be manageable without knowing the costs. As long as the company that blows up is some other company, life goes on with the assumption that “it won’t happen here.”

British Petroleum allegedly had employees who did not follow standard procedures on an oil platform in the Gulf of Mexico resulting in an oil spill that was in the headlines for over a year, cost the CEO his job, and resulted in fines and legal exposures starting at \$20 billion. Enron is a famous example costing the company and its shareholders billions of dollars with the CEO currently still in jail.

Everyone reading this paper can probably share a story about their company or a competitor who’s governance failures resulted in lost revenue, profit, or competitive positioning.

What are typical Risk Areas?

Assets at Risk

Cash & Investments
Inventory
Intellectual Property

Systems

Information Quality
Security
Disaster Planning
Equipment and Software

Operations

Procurement
Production
Material Handling
Sales
Services
Human Resources
Planning
Legal
Environmental...

Financial

Data Accuracy
Available Information
Completeness of Data
Accounts Receivables
Accounts Payable
Banking
Cash Flow
Capital Availability

As you can see, this is not just a CEO or CFO challenge. Every person in every department has risk and opportunity. While governance focuses on controlling and mitigating identified key risks, when we discuss Internal Leadership, we will show how to further re-

duce risk and increase opportunity through company-wide business alignment, engagement, and motivation focused on growing the business revenue, profit, and competitive edge.

What are Examples of Risk?

Functional

Business Processes

Alignment
Compliance
Contracting
Empowerment
Environment
Fraud
Health and Safety
Illegal Activities
Management Info.
Obsolescence/
Shrinkage Theft
Relevance
Unauthorized Use

Technology

Availability
Access
Functionality
Integrity
Penetration
Usability

Finance

Collateral
Counterparty
Credit
Currency
Derivatives
Interest Rates
Liquidity
Reinvestment
Settlement
Performance Metrics
Pricing
Resource Allocation
Suppliers
Technology Selection
Technology Deployment

Reporting

Financial Assessment
Evaluation
Financial Statements
Falsification
Regulatory Reporting
Taxation

Conversion

Authority
Bench Strength
Budgeting and Planning
Capacity
Communication
Cycle Time
Efficiency
Human Resources
Organization Structures
Reputation
Trademark Erosion
Intellectual PropTheft
Sovereign
Strategic Assumptions
Valuation

Strategic

Capital Availability
Competition
Financial Markets
Flexibility
Industry
Leadership
Legal
Regulatory
Product Life Cycle

Most of these examples go far beyond theft or negligence. While the list may seem overwhelming, it is not exhaustive. If some of these items surprise you, think how much further they are out of the mindshare of non-managers who are never even shown this list or taught about governance.

For more information on corporate governance, we recommend our white papers entitled:

- Corporate Governance Post Sarbanes-Oxley
- Tip of the Compliance Iceberg

You can find these white papers at www.JobDoctorsInternational.com/governance.

How is Governance Typically Viewed In Motivation Theory?

Governance goes much further than dealing with employees. However, employees do have a major impact on governance. Therefore, let's talk about the key stakeholders in governance who are working in the company...leadership and employees.

In our opinion, governance can be viewed positively as helping to protect the company, employees, and all interested parties. It can also be used to improve company competitiveness by helping guide and align employees, lower risks, and help the company brand. However, in practice, many companies use governance as a Theory X process to provide the comprehensive systems of controls for employee supervision. Theory X assumes employees have to be closely watched in a hierarchical structure with increasingly narrow spans of control and influence at each level. This can sometimes lead to compliance mindsets that are risk, change, innovation, and adaptability adverse.

Under Theory Y, the assumption and expectation is that employees will be self-motivated to become engaged, energetic, innovative, and aligned with the company for personal career success by adding value that supports company success. These attributes embrace risk, change, and competitive challenges. However, absent corporate governance, this enthusiasm for personal success may or may not be in alignment with the best interests of the company. Or worse, may result in intentional or unintentional damage ranging from fraud, disruptive internal politics, or other harm to the company.

Therefore, we are offering a governance program within Job Doctors International™ alongside a new way of looking at how companies can increase their competitive edge through a parallel process that we call Internal Leadership. By combining both programs, we believe a company can revolutionize their competitive edge by maximizing business opportunity while minimizing business risk.

So, what is Internal Leadership? Let's begin with defining External Leadership. Since we have already discussed governance, we will be focusing on driving revenue, profit, and a competitive advantage.

External Leadership

Every company, whether large or small, survives and thrives by driving more sales and profit. Simple, isn't it? Well, perhaps it is not so simple.



Most companies focus on product development, marketing, and sales. If there is no product, there is no reason to go to market. If the market is not aware of their product or if the company has a bad reputation, there are no sales. If there are no sales, there is no company.

Therefore, product development must be outward focused on what the client needs and wants to buy. Marketing must be outward focused on developing client awareness, branding, understanding of your value proposition, and lead generation. Sales must be outward focused on closing the deal, delivering the solution, getting paid, and repeating the process.

Most executives focus on this area because it is the core of what their business is! This is what I call *The Business*. Everything else is designed to support the business...and that is where the problem begins.

While senior executives are focusing externally on *The Business*, who is focusing on aligning everyone together to *do* the business? Who is strategically engaging everyone in the organization from the lowest level to the highest level to help you not only grow the business but to fulfill the vision that you have for the company? Who is providing the **Internal Leadership** while you are focusing on **External Leadership**?

In most cases...few to none.

**60% of Company Failures
are due to People Problems**

(Source: VC Industry)

Many companies have good people but how many of your people know your business? If they don't know your business, how can they help you grow your business? How many of your people are truly strategic

(1-5 year focus on growing the business)? How many can connect the dots between your business and what they should be doing to provide innovation, best practices, employee alignment, and motivated employee engagement?

Even if you have several people to strategically help and who can also tactically implement, do they represent the whole company or just their silo?

We are not pointing fingers. Even if you are engaged, the tyranny of the urgent (fires and alligators) often overshadows good intentions.

However, there is another way that can Revolutionize Your Competitive Edge™ in the **External Marketplace**. We call it **Internal Leadership**.

But before we explain Internal Leadership, what difference can it make?

The ROI and Competitive Advantage of Internal Leadership

What impact would it have if in a company every employee was thinking about how to compete more effectively, how to grow more revenue, lower costs, be more productive, increase customer satisfaction, extend your brand to their personal network, and increase profitable growth?

Sound like a dream?

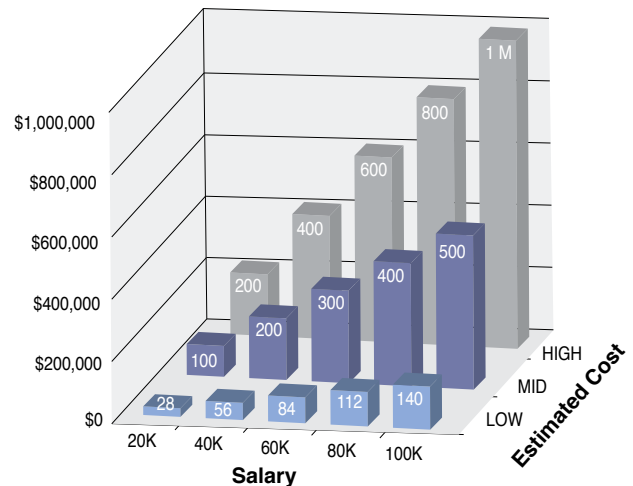
Let's dig deeper. Let's take seven examples and let you do the math for your company.

1. Turnover and Bad Hires

Someone leaves the company or you hire someone who you have to terminate in their first year. What is the impact to your business?

Depending upon the salary level the traditional HR response is from one to ten times their salary. It is not just the cost of hiring, lost time, transition, and new employee learning curve. It includes lost sales, lost knowledge, perhaps theft of property or Intellectual Property, or even legal issues. It includes the impact to their team and the support for other teams.

Low to High Bad Hire Cost v. Salary



One CEO shouted out to his HR manager, "See I told you so! That last sales person cost me \$6 million dollars!"

Think about your people in your company. What would it typically cost you if a low level person left or was terminated? How about a trusted direct report?

2. Employee Dissatisfaction

Studies have suggested that 60-70% of employees hate their jobs. The reasons may have nothing to do with your business. Perhaps they are in the wrong job, the wrong company, or the wrong profession. Perhaps they have expectations of entitlements that are unreasonable. Perhaps they are completely dysfunctional but you are too busy externally to notice or to deal with them.

What is the impact to your company if you have disgruntled or dysfunctional employees? How can they impact customers, team members, and even the energy in your company?

3. Low Employee Engagement

Some studies suggest that over 60% of employees are not engaged in the business. That means over two thirds of a typical workforce are merely going through the motions. This may stem from employees hating their jobs but instead of engaging in helping you build your company, these employees create negative energy. They may not hate their jobs but are they motivated and engaged in helping build your company?

What would happen to your competitiveness if most of your employees were fully engaged? How could that change your financial and competitive picture?

4. Wrong Cultural Fit

America used to be a melting pot of cultures. People from everywhere came to our shores but learned the “American Culture.” Today, there no longer appears to be an American Culture. Instead there is a diversity that, if not channeled into your predefined company culture, will create confusion and chaos.

Let’s illustrate. If you have one hundred employees who each speak their own language, do you have synergy and strong teams or do you have confusion and chaos?

In the new America, besides multiple languages we have additional complexities of different views of entitlements, politics, religion, national origin cultures, belief systems, values, and even common definitions. For example, is truth relative to one’s personal opinion? Is there a right and a wrong? Today, the new mantra seems to be more like, “Everyone is doing what is right in their own eyes.”

How is that working out for your business?

What is the cost to your business?

What would the value be to you to have one culture... that you defined?

5. Wrong Person in the Wrong Seat

Have you ever hired a great person who just wasn’t a fit for the job you hired them for? Is it possible that they could be a great person doing a great job in a different role?

Sometimes the most irritating person might be full of new ideas, innovation, wanting to change things, and rubbing everyone the wrong way! However, some of these people might actually be the future superstar who actually can connect the dots, visualize logical outcomes and impacts, and make improvements. They may be perfect in a future strategic role but are currently painful to put up with as they go through lower level ranks that “don’t appreciate their input.”

What if you could determine which behavioral roles fit each job and then could assess each candidate to see who is an actual fit for the roles you need filled today?

How could that impact turnover, team building, morale, and productivity?

6. Wrong Teaming Profile

Some companies are full of hard working, territorial, rigid people who believe it’s “their way or the highway.” They micromanage and create a high stress environment. Is that your company?

Some companies are more political with very likeable people who stab others in the back, take credit for other’s work, are never wrong, always have a scapegoat, and focus on building their own personal internal empire or silo of power. Have you ever seen such a person? Does that build up a company’s competitive edge or distract resources, money, and energy away from external competitiveness? How could such a person impact your company? In reality, since they are often very likeable, you probably do have them in your company. Is what they are bringing to the table worth the cost to the organization?

Other companies are full of hard working team players who share ideas, build each other up, give each other credit, help each other succeed, pay-it-forward, and are dedicated to helping their company succeed... even at the cost of personal time and energy.

You may choose to be a political company, a high pressure company, or a team results driven company. If you could design the Teaming Profile that you believe is right for your company, what would the value be to you?

7. Being Clueless About Your Business

Even if you have the right person in the right seat with the right culture and teaming profile who really wants to help your business succeed, how can they unless they understand your business, your products, your marketing plan, your sales strategy, your competition, and your customers?

How can they help tailor financial reports, human resource services, technology solutions, operational support, legal support, and whatever their roles are if they don’t understand or, worse, misunderstand?

How can a security guard help or harm your business?

How can an IT programmer help or harm your business?

How can a CFO help or harm your business?

Many of these people are good people with good intentions. But they may be unintentionally harming your vision of where you want to go, the lines you want drawn, and the expectations of your customers. What they do impacts the business...but most employees don't understand why or how.

We have all seen the CFO with too tight of controls stifling sales, the warehouse manager trying to reduce inventory but not being able to fill customer orders on time, the HR manager who wants to help employee morale by investing in programs that do not have a measurable ROI to your business, the programmer who wants to build a Lexus program when all you need is a Honda, the sales representative who is paid to maximize revenue even if the margins are negative, or the service technician who privately tells your customer what he or she thinks will be helpful but more often is undermining your marketing and sales messaging.

Who will teach them about your business?

What typically happens is that most employees try to do what they think is expected but don't realize their judgment is wrong simply because they don't understand your business and how they may even be sabotaging your success.

What impact would it have on your business if every employee understood your business, your culture, your expectations, and how they could personally succeed more by helping you succeed?

The answer to these questions is what we call **Internal Leadership**.

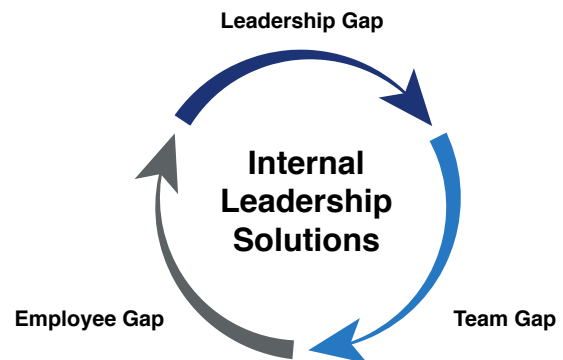
Internal Leadership Solutions

We believe there are three major internal gaps in most companies.

The first gap, and most important, is the **Leadership Gap**. We already described the challenge Business Owners and CEOs have to simultaneously focus on External Leadership and Internal Leadership. We strongly recommend spending most of your time on your external business while taking the time necessary for your internal business. Depending upon what type of company you are, that ratio will vary. However, all three gaps are ultimately a leadership issue...your issue.

The second gap is a **Teaming Gap**. This is where you either have dysfunctional teams, silos, politics, and chaos or the right people in the right seat aligned to support your external growth success.

The third gap is an **Employee Gap**. This is where you either have personal dissatisfaction, sabotage, theft, obstruction, misdirection, and misbehavior, or motivated employees focused on personal career success by helping the company external growth success.



We discussed the benefits for each of these three gaps to be filled. Now we will outline the steps we recommend to close the gaps.

Leadership Gap

The **first major step** is for you, the Owner, CEO, or Decision-maker, to **Define Your Business** by communicating to each employee what you need, want, and expect. Otherwise, how can they help you if they don't know how to help you?

Another benefit is to adapt the tools below to make you more competitive in the eyes of your clients, suppliers, and potential funding efforts with outside sources such as Private Equity. Most of your competition will not be clear in their communication. Your Internal Leadership can significantly impact your External Competitiveness.

Depending upon the size of your company, it may only take a day or two to set up the foundation or it may take a consulting project to develop the consensus foundation that you can build upon later. In most cases, getting started with a foundation is all that is needed to go to the next level.

The **second major step** is to **Design Your Team Roles**. Only you really understand what the teaming characteristics are for each seat. We recommend senior executives take the step, with help, to strategically design the roles based upon the needs of *The Business*. Once the design is completed, we recommend delegating to HR and Operating Management for implementation.

The **third major step** is **Corporate Governance**. The First Step is for you to help your employees help you by enabling, empowering, and leading them. The Second Step is to be sure you have the right people in the right role who are the right fit for your culture. But you still need to ensure compliance with external laws and regulations, reduce business and legal risk, and put up fences and reporting to guide and monitor the behavior of your teams.

We place governance third because if you have not defined your business, vision, mission, culture, values, expectations, and metrics, why bother with governance? Further, how should governance be uniquely designed for your company? If you have people in your company who are not engaged, are discontented, or self-focused, the risk of failure in performance and governance is high.

This is an opportunity for companies to close the leadership gap by applying and integrating all three steps.

Notice this is all about you and your business. This is Strategic Leadership. NO ONE else can do this for you.

Teaming Gap – a Tactical Implementation of Your Strategic Leadership

Here is where we recommend assessments of every team member to validate if they are in the right seat and fit the culture you defined. If there are gaps, we recommend talking to us to evaluate the business risk and return potential for every action. We also recommend a gradual phase-in to reduce risk and employee concerns.

When you are recruiting new employees or contractors, we strongly recommend the same process. Here, done right, there should be little to no internal political concerns.

There is a modest charge for each assessment report but, as you grow, this is a tactical process that HR should be able to tactically implement and Finance should be able to track the financial impact. We can help you with the initial implementation.

Finally, I strongly recommend a summary report to be included in the leadership dashboard. I use it to remind myself of everyone's profile and how I should work with them. Every profile prefers a different style. This will help you work with them the way they respond best. The dashboard can show progress, the ROI, and areas of opportunity.

Employee Gap – a Tactical Implementation of Your Strategic Leadership

Most employees don't really know what to do and are too scared to ask. You can guess the impact to your business.

The same is true about employees not knowing *how* they can add more value, help your business, and help their own career success by helping your success.

The larger your company, the bigger this issue becomes.

So, how can you help the employee learn your business, learn how to add more value, help your business, and be motivated by seeing how their career can grow by helping the company grow?

The answer is through a curriculum we designed just for them. While not everyone needs the full offering, we find that just one golden nugget of an improved attitude, one innovation, one suggestion can change their life and help close the gap. The curriculum includes books, webinars, workshops, and coaching. In fact, the program includes a truckload of golden nuggets which can change their life, improve their value to you, show them how to become motivated and engaged because they now have a roadmap to their own personal career success – in alignment with focusing on company success.

We call this curriculum, “Jobpreneurship™”, which is how the individual can take control of their own life, learn to fish, and be held responsible and accountable for the results of their own actions, or lack thereof. This program has rave reviews, including the number one business thought leader in the world in 2011. Marshall Goldsmith’s endorsement and many others are on our website (www.JobDoctorsInternational.com).

In addition, we teach individuals how to treat themselves as a business. What is their product that you should want to pay for and what new product features will you want to see to promote them? How are they marketing themselves so you know who they are and their value to you - especially if they are several levels down? How are they selling their ideas up to you to help your business in a way that you understand them and understand the value of their ideas - with minimal political fallout?

In other words, we teach them how businesses sell to other businesses just as you sell to consumers or businesses. The ultimate picture looks the same:



Now you might think this is overkill for a security guard, analyst, or clerk. But do they know how to help you? Do they know your business? Are they engaged? Are they personally motivated to help you because they see how the results can help them? Will they understand your business better because they are motivated to learn how to view themselves as a business needed to develop, market, and sell?

Our curriculum is based on solid business thinking that applies to any business and to any employee but you may be thinking, “My business is different.” We agree. So, we encourage you to consider our curriculum as a solid business foundation that you can adapt and build upon for your unique business. In other words, we provide the instruction for the best practice foundation. You help your people apply it to your unique business.

The additional secret to our program is that we are not asking you to mentor anyone. We encourage you to mentor the few you have time to help but this program allows you to extend the same knowledge to everyone – to provide a level playing field to allow future superstars to grab onto. The problem is that most of us don’t know who they are. People mature. People change. When they get hungry or experience a significant emotional event, even the least likely person can surprise you if you give them the chance.

So, how do you teach them? First, by giving them our materials (books, webinars or workshops, and perhaps virtual phone coaching) and then **Advising Them**. Notice that I did not say mentor them. Our materials ask tough questions that encourage employees to think through each area. Then they write down their answers and schedule a 15-30 minute meeting with you to ask your **Advice**. Most of us can schedule 15-30 minutes. Most of us don’t mind giving advice. Only you can explain your business, vision, culture, and how they can add value to you.

In large companies, the advisors may be the employee’s manager or someone further down the management chain - which is why we recommend this be a companywide program.

This model works because we rarely know what questions our employees have. They are often too scared or too uneducated to know how to ask the right ques-

tions that can help them help themselves by helping your company's success. Now, all you have to do is to pontificate based upon your unique knowledge of your unique business, culture, values, beliefs, and everything they need to know to become successful. Besides, how else will you have genuine communications going bottom up?

You will find that many employees will still not want to be engaged and participate. But what if 20% do? How can that help your company and them? If 20% become more successful, is it possible another 30% may want to join the success track? What would the value be to them and to your company?

An additional benefit is you will be giving everyone a level playing field. I believe every employee is entitled to that opportunity. The results are own their shoulder, not yours.

For those who don't want to learn or who do ask for advice but don't follow it, as long as they are value workers, you will probably still give them an opportunity. But for those who do not participate and are not value workers, between the assessment and this process, you might want to consider bringing in others who do want to grow and contribute to company suc-

cess. After all, actions do speak louder than words.

Over time you can change the company culture of engagement, innovation, contribution, and motivation with everyone seeing how success ultimately comes from company growth with higher margins and promotional opportunities.

We believe this process will help close the Employee Gap while also helping employees communicate new ideas, suggestions, observations, and help your company become more competitive from the bottom up. Now you have communications from top down and bottom up.

To learn more about Internal Leadership, we recommend our special report that explains how we help close the gaps.

For more information on Internal Leadership, we recommend our white paper entitled:

The Secret Weapon...To Revolutionizing Your Competitive Edge™.

You can find this white paper at www.JobDoctorsInternational.com/leadership.



Jim Villwock

Founder of Job Doctors International, LLC, is an award-winning author, speaker, innovative thought leader for revolutionizing company and individual competitive success, and a former Fortune 500 global executive whose leadership created new businesses, new paradigms, and made significant profit contributions. If you wish to learn more, we encourage you check out our website: www.JobDoctorsInternational.com.



Dwayne E. Jorgensen

CIA, CFE, is an expert in Corporate Governance and Internal Audit Services. Mr. Jorgensen created the Sarbanes-Oxley Services & IT Governance global practice for Computer Task Group (CTG), and was North American Practice Director of Internal Audit Services for Jefferson Wells International. He oversaw the growth and development of both firm's internal audit service lines in the United States, Europe and Canada.



JOB DOCTORS™
INTERNATIONAL

T: 888-420-6861 | E: Jim@JobDoctorsIntl.com
www.JobDoctorsInternational.com