

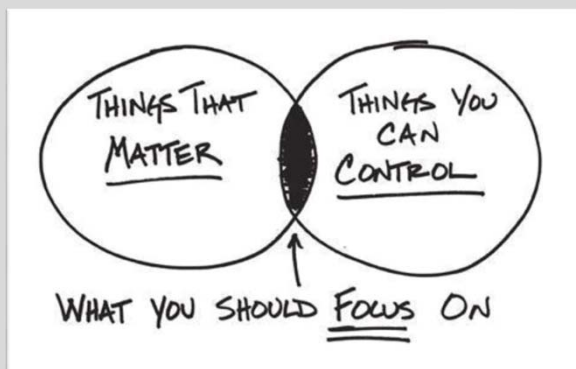
- 2013 Q3 Update
- Guest Article from John Lanier
- Reminder:
Milestone Award of Excellence

2013 Q3 UPDATE

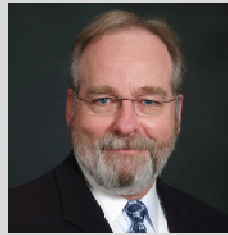
Welcome to this quarter's edition of the Milestone CEO Newsletter. It was a very productive and enjoyable summer around here from many angles. The deal flow environment has been choppy and, compared to prior years, Milestone's deal flow was down slightly, which is consistent with what we are seeing across the market. We have been working hard and aggressively pursuing new platform acquisitions and add-ons for our portfolio companies. Milestone completed two add-on acquisitions this summer and currently has signed non-binding agreements (LOIs) with another seven add-ons. 2013 is on track to be a record year in terms of number of preliminary bids submitted and management presentations attended. We also had the U.S. Open come to town and our beloved Merion Golf Club was well positioned and regarded by the golf world. Milestone had the opportunity to do a good bit of entertaining which was all fun.

Now, of course, we head straight into the fourth quarter and we must get ready for the drive to yearend in all of our portfolio companies and with the deal opportunities we are currently working. The fall weather in Philadelphia is cooperating nicely with the return of low humidity, crisp sunshiny days, etc. In comes the NFL season, the Fall Classic, College Football and the final PGA tour playoff – kids are off to school and the traffic is back (ugh!). Enjoy the change in the season – have fun driving your companies to year end and be well....

- Ric Andersen



GUEST ARTICLE



THREE WORLD CLASS LEADERSHIP COMPETENCIES

BY JOHN A. LANIER

John is the founder of Middle Market Methods. His career includes financing small businesses, overhauling business models faced with the competitive realities of the global economy, and maximizing enterprise value for investors.

Tel: 770-806-8768

jalanier@middlemarketmethods.com

Introduction

Middle market companies are as active in global supply chains as the Fortune 1000, perhaps only with less notoriety. Thomas L. Friedman published an intriguing book in 2005, *The World is Flat*, which examines variables with the potential to shrink the effective size of the planet. In addition to Friedman's points, interpersonal dynamics are among the dominant determinants of effective commerce. Consider the prima facie evidence that the international bestseller, *The Personal MBA: Master the Art of Business*, dedicates a material portion of its prose to psychological topics. The transcontinental aspect of supply chains injects intriguing challenges on "soft stuff" leadership competencies. Both directly and indirectly, the effective workforce is transnational and multigenerational. People execute the processes that create enterprise value. Accordingly, savvy leaders do well to ponder the consequences of their actions to avoid costly missteps.

Culture

Edward T. Hall was an academic whose stints included the State Department. His expatriate exposure compelled him to profile cultural norms. He communicated two overarching, interactive cultural spectra: (i) low-context versus high-context, and (ii) monochronic versus polychronic. Low-context cultures tend to be explicit, overt, blunt, and direct. High-context cultures package the core message with accoutrements. Since the majority of communication is non-verbal, phone calls and e-mails may be particularly problematic communication media for low-context initiators to high-context recipients. Going the other way (high- to low-context), the core high-context message may be lost in subtleties from the low-context perspective.

(continued)



GUEST ARTICLE (CONTINUED)

“Polychronics” are interdependent multitaskers who are more content with directional accomplishment than deadlines. Their approach less inefficient, but tends to enjoy more change management buy-in. In contrast, “monochrons” are task-oriented and deadline-driven. Whereas in the States, tardy arrival to a meeting may be regarded as disrespectful, the Latino or Middle Eastern response may be more indifferent and accommodating. The low-context/monochronic profile is only about a tenth of world population, for which traditional Americans are stereotypical. In these simple spectra, the “ugly American” phenomenon is more clearly understood. Perhaps classic American behavior is tolerated because we are the world’s largest market for consumer goods. This bodes better for trade inflows than outflows, however.

Another mechanism for cultural comparison and contrast is the Geert Hofstede™ Cultural Dimensions tool that offers five categories for comparing and contrasting dominant country traits: (i) the “power-distance” relationship within organizational architecture, (ii) the degree of “individualism” versus collectivism, (iii) the skew of cultural “masculinity/femininity,” (iv) the risk aversion norms described as “uncertainty avoidance,” and (v) the gratification timing barometer labeled “long-term orientation.” Given the importance of Sino-Anglo trade flows, the juxtaposition of China to the USA might be amusing. Here’s the URL to get you started: <http://geert-hofstede.com/united-states.html>.

Generations

Embedded in global cultural phenomena is the generational variable. Baby-boomer leaders may be surprised to learn that the Xers poised to succeed them regard Boomers with analogous angst to that of Boomers displacing the Traditionalists (Tom Brokaw’s “greatest generation”). Hierarchical and “great man” leadership theories were among the norms for Traditionalists. Boomers respond more favorably to situational, contingency, and agency theories. Generations X and Y are more attuned to transformational, team, and open leadership styles. (Yers are also known as Millennials.)

Generation gaps are very real. Generations at Work is an excellent read compiled by Ron Zemke, Claire Raines, and Bob Filipczak. In addition to their profiling points, they offer valuable managerial suggestions. Two teasers are offered here. First, there is better understanding between skipped generations than adjacent ones. For example, Traditionalists relate better to Xers than to do Boomers. There is an implied grandparental phenomenon. This might be an unexploited mentoring opportunity. Another interesting data point regards motivation.

Boomers are poster children for agency theory, i.e., economics and power are sufficient to motivate anyone. However, agency theory is all but insulting to succeeding generations. Indeed, research substantiates that economic motivation fairly quickly becomes asymptotic, thus bolstering the argument for intrinsic motivation.

Paying dues is an anathema to the post-Boomer generations. The 9-5 routine is archaic to them. Inclusion, collaboration, and contribution are the prevailing standards. John M. Ivancevich encapsulates six recommendations for Boomers leading Xers and especially Millennials: (i) transparency, (ii) career customization, (iii) overt recognition, (iv) mentoring opportunities, (v) integrated technology, and (vi) participation. Juxtapose these recommendations with meteoric success stories such as Apple, eBay, Google, and Facebook whose intrepid engineers in these models disregard the clock. When things are smoking, they may pull multiple all-nighters. Contextually, the subject response to these scenarios is more inspirational than deadline-driven. Afterward, these professionals might rejuvenate with an eclectic activity such as mountain climbing. Interestingly, behavioral science research endorses their approach. In *Your Brain at Work*, David Rock debunks the myth of multitasking efficiency. His arguments lean toward laser-focus to expedite execution, followed by downtime to recharge.

Rock adds further insight about why empowerment works so well with Xers and Millennials. First, despite the fact that genuine control is an illusion, the perception of control diminishes anxiety. When less cognitive capacity is “on guard” against environmental threats, liberated bandwidth may be applied to the competitive challenge—and with greater effect. Distress is displaced by eustress, i.e., inspirational/motivational stress that may lead to creativity and innovation.

Intelligence: IQ, EQ, and PQ

If you noticed conflict between the previous two sections, you are correct. The points thus far are 80/20 benchmarks. Generational norms must be tempered by cultural dynamics, and vice versa. Stereotypes are problematic. Effective leaders must utilize IQ, EQ, and PQ to craft the right organizational ecosystem.

The intelligence quotient (IQ) is a measured by standardized testing. We inherit about 40 percent of our intelligence. Despite the value of cognition, there is a poor correlation between high IQs and success.

(continued)

GUEST ARTICLE (CONTINUED)

The research nods in favor of two complementary forces: (i) the ability to apply acquired knowledge and (ii) the grit to persevere despite all manner of obstacles. “Knowledge” begs elaboration. There are two kinds. We derive explicit knowledge from institutionalized mechanisms, e.g., mathematics in school. We acquire tacit knowledge from worldly experiences, i.e., hard knocks.

Emotional intelligence (EI) is described by John D. Mayer, Peter Salovey, David R. Caruso, and Gill Sitarenios to include four contextual components, i.e., the dynamic between individuals and groups: (i) perceiving emotions, (ii) facilitating thought with emotions, (iii) understanding emotions, (iv) and managing emotions. In complement, Jonathan Haidt’s book, *The Righteous Mind*, posits an effective model: excite the emotions by engineering cognitive dissonance discomfort, then present an empirical, rational argument for how the challenge may be resolved. In the middle market, this may be as simple as “We must displace our staid product line with innovation alternatives, or else we will become extinct,” followed by “And here is an option for accomplishing the desired outcome” Even better, empower and challenge the Xers and Millennials to produce alternatives.

The leadership argument is rounded in Shirzad Chamine’s book, *Positive Intelligence*. Positive intelligence (PQ) is defined as “the control you have over your own mind and how well your mind acts in your best interest.” In practical terms, PQ measures how well a leader navigates EQ. One of my mentors expressed a practical application relative to dicey situations: “The first one to emote loses.” Rudyard Kipling’s classic poem, “If,” addresses the attribute thusly: “If you can keep your head when all about you are losing theirs and blaming it on you”

Whereas leaders “advertise” a leadership style, they default to a fallback style under duress. Superlative leadership in ambiguous times provides a values-reinforcing mechanism encapsulated by James Lane Allen: “Adversity does not build character, it reveals it.” To wit, the benefits of being “cool” are measurable.

Conclusion

Great leaders spend a significant portion of their time assuring that they have positioned the right people in impact roles. However, leadership goes beyond recruitment to include motivation. Effective human motivation attunes the mix of epinephrine (energy), endorphins (interest), serotonin (learning/memory), and oxytocin (trust/empathy). The intent of this installment was to challenge leaders to consider specific variables in their alchemy for capitalizing on opportunities and averting mistakes. In the realm of global commerce, the value-creating change agents are operating in an exponentially shrinking planet.

The most effective leaders not only do the right things, but they also do things the right way. “Soft stuff” proficiency is differentiable. However, the “soft stuff” is complicated by scope and mutation. Excellence today does not assure excellence tomorrow. Like anything else of consequence in leading people, the environment is dynamic and will remain so. Revisiting Kipling, “The Law of the Jungle” conveyed the point in these terms: “The strength of the pack is the wolf, and the strength of the wolf is the pack.” To wit, such strength is accomplished through change—not status quo.

REMINDER: MILESTONE AWARD OF EXCELLENCE

Now is the time to recognize someone in your organization by nominating them for the Milestone Award of Excellence!

This award is not for CEOs or Directors, but others in your businesses whose outstanding individual performance or behavior has had a significant, positive impact on the business in 2013. Excellence in leadership, teamwork, sales, customer service and operations are all in scope.

Award winners will receive round trip airfare and accommodations to attend, with a spouse/partner, Milestone’s 2014 CEO Retreat at the Hyatt Regency Coconut Point Resort & Spa in Bonita Springs, FL (www.coconutpoint.hyatt.com), Monday, April 7 – Wednesday, April 9, 2014. Award winners will be invited to participate in appropriate portions of the CEO Retreat program including afternoon activities.

The nomination form can be accessed at the following link, www.milestonepartners.com/Awards, or by following our website’s navigation bar to LOG IN > AWARD NOMINATION. Simply enter the password “**excellence**” (in small caps) at the bottom of the page to access the form and submit your nomination. We look forward to hearing from you!