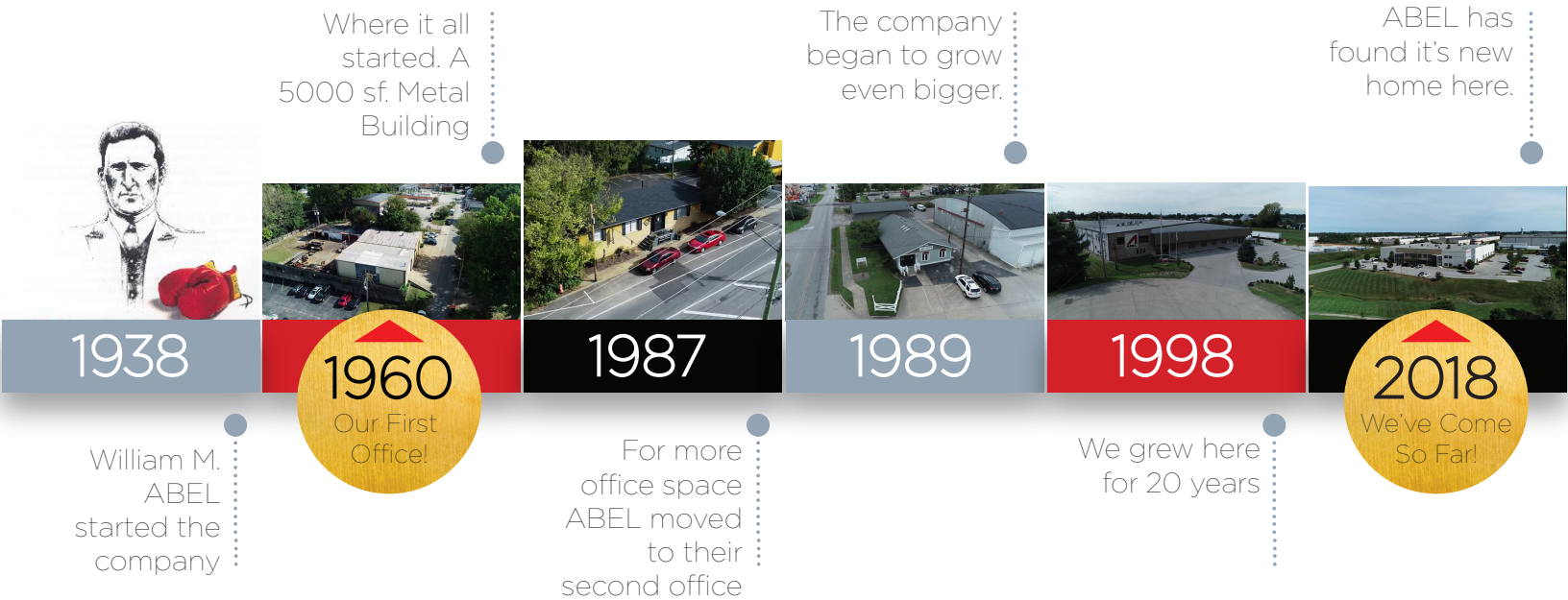


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A LETTER FROM BILL ABEL, JR. 80 YEARS OF GRATITUDE

Hard to believe it's already 2019 and it is starting off to be a great year! It's with great pride and sincere gratitude that I say THANK YOU to so many wonderful clients, dedicated and loyal employees, top rate business partners, my great family and friends.

ABEL Construction Company's gratitude far exceeds anything I could ever put into words. We just celebrated our 80th year of business. 80 YEARS! Of course, it would not have been possible without the help, belief and passion of so many people throughout the decades.

It's been possible only for the vision and hard work of my Grandfather. My Dad Bill, Uncle Bob and Mother Judy worked tirelessly to continue serving our clients and the great city of Louisville and the region as we grew in those early years. One of my favorite quotes is "Genius is the ability to apply imagination to intellect. Talent hits a target no one else can hit, genius hits a target no one else sees." I certainly think this is true of my family and their early leadership.

As ABEL started to grow, we added a very important person to the company. John Hays. His dedication and efforts for the past 39 years took the company to new heights. So much so, he's been serving as ABEL's President for the past 23 years. With the end of 2018, we are also celebrating with John as he's decided to hang up his tool belt and hammer! John's stories, construction knowledge and humor will be greatly missed around the NEW corporate office. Yet another reason for ABEL's gratitude for 80 great years! We've moved to 2401 Stanly Gault Parkway this October so if you're out this way, please stop in and visit us. John is a huge reason of our growth and success over the past 40 years. But one area I'm most proud of that John has always stressed is our Safety Record. With our current EMR of .56, it proves ABEL's dedication and commitment to always looking to "win" as John would say.

2018 also brought a new business classification for ABEL Construction Company. We are now classified as a WBE-Woman Business Enterprise. We will continue to provide our great service and quality on every level and changing as the future dictates.

Lastly, starting in 2019 ABEL will have a new President and a new direction with Derrick Anderson stepping into the President's office. Derrick has been a part of the ABEL family for nearly 20 years already. His career started out as a summer intern. After he graduated from Purdue, he's served in different positions and has learned the ABEL way the RIGHT way. I know we all are looking forward to the future of ABEL's continued growth with Derrick's leadership and strategic planning. From the ABEL team, thank you!

Sincerely,

Bill Abel, Jr.
Owner/CEO



Abel Construction Co., Inc.
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It's About Winning... and a President Retiring

by Jeff Doss

For the past 40 years, there's been a lot of changes throughout the business world. New technology and financial markets, connection to the world in seconds, geo-politics, reusable energy- you name it, we're seeing it or reading about it. The new buzzword is "disrupter" in the market place. There's also another new word- "influencer". Today's social media is full of them.

There's been a lot of changes in ABEL's 80 year history too. A few of the biggest took place in 2018. We relocated our corporate office from Beuchel in west Louisville out to a new location on Stanley Gault Parkway. ABEL also became a newly designated WBE certified business this past year. And Derrick Anderson was promoted to President.

However, one of the biggest changes for us happened to be the retirement of our long time President, John Hays. It was official as of January 2, 2019.

John worked for ABEL Construction Company for 40 years. That's four- zero. It's hard to comprehend this day and age with so many people job hopping. I'm sure you've read articles where it's even recommended these days. But not for John. He was hired by the founder's 2 sons, Bill and Bob. John was also semi- adopted by the family matriarch, Judy. Bill and Judy's own children looked to John as their older brother. But as it turned out, John has been all of those things and more to ABEL Construction.

The two new buzzwords mentioned earlier: influencer and disrupter are perfect descriptions for John and his career. I recently read an article stating: "In an ever changing world, maintaining established patterns time and time again makes you irrelevant." John saw to it that ABEL had to





make some changes so he influenced company processes from project management to project bidding and new ways of getting new clients. He was moving to disrupt Louisville construction by making ABEL relevant in the market place. ABEL was and still is a diversified general contractor but John knew where the business was in the area at that time; chemical plants and manufacturing, specifically heavy industrial projects. ABEL went after big clients in those markets. Hard! And John was not afraid to upsell ABEL's capabilities for some of the hardest, toughest jobs around. That's what made ABEL stand out in those early days. As a hard driving Project Manager, John started pushing the company to bigger and more complicated projects and taking on the new but well known clients in a growing Louisville in the 70's and 80's.

I can be one of the many dozens of people to say that it worked! With the foundation laid by the ABEL family back in 1938 and throughout the early decades, John parlayed his skills and business acumen to company President in 1996. As he worked continuously to grow ABEL's client base he also worked hard to grow several other areas of the company; hard working, smart Superintendents and making ABEL a leader in Safety on the jobs. There's not a person working for ABEL now or in the past that will disagree with John's focus on one of a project's most skilled team members- our Superintendents. John has always worked hard on their behalf and they have always worked hard for him in return.

If a person wanted to stay employed at ABEL, you had to commit to working hard. John saw to that early in his career. It was totally out of respect though for the ABEL's, who gave him his job and allowed him to grow in his position by building the team with the RIGHT men and women and having them perform their jobs the ABEL way. A tradition that still holds true today.

There's not many of us that work for ABEL Construction who have not been affected or influenced in some way by John's footprint at the company. All of the Project Managers understood his direction with their priorities when it comes to working with our valuable sub-contractors, our Superintendents but most importantly, our clients. I mentioned earlier John's input with our Super's thru the years for they were the ones working with the Clients on a day- to- day basis. He made it perfectly clear to them of their roles in the big picture: Win the day and take care of our CLIENTS!

All of us got the message early on from John; it's about winning! He proved it repeatedly in his actions, in his efforts to build ABEL into the company we are today and helping everyone to understand our roles on the team in order to build a WINNER. John is a winner and worker so you better not ever bet against him!

Farewell to John; his stories, experiences and his passion for ABEL Construction Company. We'll all be telling John Hays stories for years to come.



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One Last Interview with John Hays

When were you first hired at ABEL?

Positions?

I was hired in November of 1979 and at that time there was Bob & Bill (Abel), and myself, taking care of the business. So we did Marketing / Sales / Estimating / Project Management / Invoicing and anything else that needed to be done. Also during this time frame of 79 – 80, Bob & Bill started Abel Bros. Ready Mix Concrete Co. which later became Advance Ready Mix in the mid-'80s.

What other jobs did you have prior to coming to work at ABEL Construction?

I started when I was 14 insulating houses during the summer when I was in junior high school. I was very fortunate to work as a Carpenter during my high school and college days on multi-million general contracting projects in the Louisville Area. After graduation from college I was hired as an Estimator / Project Manager for a Louisville based General Contractor. In the later part of 1976, I started my own Real Estate Development company and developed a 16 lot subdivision in Floyd County, Indiana. From 1977 to 1979, I worked as a Carpenter on the Audubon Hospital and a substation project for Hoosier Energy in Ramsey, Indiana.

Why ABEL?

By the time I finished my interview with Bob & Bill, I knew that I wanted to go to work for them, and I think they felt the same way. I can honestly say that after my first 6 months there, I knew that was going to be the company I was going to start and finish my career with.



What was the Company like when you started? How big? Where was the office then? Who did you report too when you started?

In 1979 we were in the \$800K range and the company's revenue was built on small volume concrete related projects. Our shop and storage yard was located at 1906

New Main Street. The shop building was approximately 5,000 SF with the majority of the space was used for maintenance and repairs. The 3 offices covered about 1,200 SF. Our workforce varied from 10 – 20 employees and project durations ranged from a few days to 3 – 4 weeks.



So in the early years were very lean and we knew that we needed to expand our market to move to the next level. Bob & Bill owned the company so they were my direct report, but it was an easy report because they would listen to different means and methods to complete the work.

What was the first big project you led for the company?

Our big break came in 1981 when we received a contract from Ford Motor Company to construct concrete pits and related facilities for (3) toe-in machines for the new Ford Ranger Program at the Louisville Assembly Plant. The contract was almost equal to our total volume in 1979. This project led to many more opportunities during the growth of the Ranger Program. Ford Motor Company remains as one of our premier accounts after 38 years of working together.

With so many years of service to the company, can you describe a few of your best days or memories?

In the early years there was a definite need to expand our business base. We were very fortunate to establish business relationships with Ford Motor Company, Phillip Morris, and General Electric in the early '80s. With these new accounts, we were able to increase our

revenue and expand our workforce. This also helped us expand into other business opportunities as we were building a reputation of being a contractor you could count on. These accounts did not come easy, so when we captured the account, it was time to celebrate.

I like to think that each time we have a successful project and a satisfied client, it's a great day, but there are a few projects that stand out!!

The Clariant Chemical Plant project that started out with a single contract and turned into multiple contracts, which became one of our largest projects to date. The project team and field forces exceeded on expectations of the Client and the Construction Manager.

The P-357 Program at Ford Motor Co – Kentucky Truck Plant where we were responsible for Design / Engineering / Construction / Process Installation / Startup for another one of our largest projects for CLT Super Duty Truck. There were (5) similar projects within the Ford system and we were the only contractor to finish on time and within budget. Needless to say, our Ford team received their share of at-a-boys.

Our chemical plant sector has remained solid for more than 50 years. We remain the contractor of choice in



Rubbertown. We provide a 24/7 service as well as handling their capital projects. Our crews work around the clock in these complicated chemical plants and achieve high production rates while maintaining a high-level safety program.

Your accomplishments are many in your ABEL career, what are a few that stand out?

I am very proud of the safety program that we have developed over the years. It is a program that strives on the basis of everyone working in a safe environment while being productive. We are the leader in developing a drug-free workplace for our office and field employees. Our efforts with the Labor Unions lead to drug testing for all members. The implementation and maintaining of our ISO Registration and our continuous improvement program that started in 1998 have been instrumental in developing quality standards for our office and field personnel. We are the only company in the region, and one of twenty





“Good luck to everyone and I wish each of you the very best in the years to come.”

contractors in North American in our classification, to maintain ISO Registration. These standards have raised the level of quality in both our office and field operations. The most gratifying part of my career has been helping provide opportunities for our employees to advance their careers. This company was built on promoting from within and we have rewarded those employees that have shown the initiative and drive to move to the next level. It is great to look back at the success stories that have evolved over the last 39 years.

Did you ever think ABEL would become the company it is today, size wise working all over the region and South East?

I am probably not as surprised as you would think. As our company grew, we were able to attract top-level personnel in Project Management, Design, Estimating, Finance and Safety. Because of our increased capabilities we were able to meet our client's needs as their business grew outside

the local area. Our clients knew they could trust us to complete their new business ventures based on our track record of completing projects on time and within budget.

**Where is the construction industry headed in the next 10 years?
What's NOT going to change in the industry in the next 10 years?**

One obvious concern will be the shortage of field personnel and management staffing. While there are programs in place to rectify these shortages, all indicators indicate that the demand will outweigh the supply for manpower.

The one thing that will remain the same is that the construction business is built on relationships and communication. This applies to all facets of our business including clients, subcontractors, suppliers and our own workforce.



You're a great storyteller, what else do you think has been most beneficial to you throughout your career, especially serving as ABEL's President for the past 23 years?

Understanding that client satisfaction and client retentions are one and the same. You cannot build a successful company without customer satisfaction. Bob & Bill understood this, which I am sure was passed down from their father. Billy and I were able to continue this business philosophy. I think over the years we have been effective in transferring this to our employees. This is very evident in the fact that we have clients that have 60 plus years history of working with Abel Construction.

Looking back over your career, what will you miss the most working for ABEL Construction and the family?

People. This business is built on relationships with your clients and your company personnel. The second thing would be the challenges of putting a team together to

complete a project that most companies would not undertake and then the satisfaction of completing the project on time and within budget.

The Abel family will always be special to me. Over my 39 year career, I was afforded many opportunities to help develop, and lead the company for the past 23 years. I will always be grateful and to think it all started when I walked through the door of William. M. Abel & Sons on 1906 New Main Street in November of 1979.

Now that it's official, what are you most looking forward to for the next stages of your life and retirement?

I have six grandkids that I am looking forward to spending some quality time with. I've had a boat for several years and I plan on spending a lot more time on the river and at Captains Quarters. Last but not least, I will be on the road to Purdue University to watch the Boilermakers Football and Basketball games.





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How to Preserve Your Integrity

Consistently Making the Right Choices

Preserve your integrity.

You do not wake up one morning a bad person. It happens by a thousand tiny surrenders of self-respect to self-interest.

~ American writer Robert Brault

Nancy's boss has just let her know that her client's order is about to leave the company's warehouse. As she picks up the phone to call them, he tells her there's a problem.

"The shipment was damaged by someone on our warehouse team," he says. "There are some dings, but this shouldn't affect the product's performance. If they complain, we'll blame it on the trucking company that delivered it to us."

Nancy pauses, feeling uncomfortable. "But didn't our warehouse crew damage the product?" Her boss shrugs. "Yeah, but the customer doesn't know that. I'll just file a claim now, saying it was damaged on delivery. Don't worry, the client won't even notice the damage."

Nancy's boss walks out and she sits at her desk, unsure what to do. She knows it's dishonest to blame the damage on the trucking company. It's also dishonest to deceive her client, and give them a less than perfect product.

Many of us have to make decisions that define who we are and what we believe in. Most often, the choices we face

may seem insignificant. But this doesn't mean that they're not important to us: even the smallest action can have an impact on our self-respect, our integrity, and, ultimately, our reputation.

In a world where headlines are often dominated by people who make the wrong choices, people who make the right ones can seem to be rare. However, it feels good to live and work with integrity and, when we become known for this highly valued trait, our lives and our careers can flourish.

What Is Integrity?

Integrity is a characteristic that many of us value in ourselves, and it's one we look for consistently in our leaders. But what does it really mean to have integrity?

The Random House Dictionary defines integrity as:

- Adherence to moral and ethical principles; soundness of moral character; honesty.
- The state of being whole, entire or undiminished.
- sound, unimpaired or perfect condition.

Although the definition is sound, it can be a bit more complex to define integrity in our everyday lives.

You could say that integrity is always doing the right thing, even when no one is looking, and even when the choice isn't easy. Or, you might see integrity as staying true to yourself and your word, even when you're faced with serious consequences for the choices that you're making.



Alternatively, look at the second and third of these definitions. These were likely meant for structures, such as the integrity of a building. But we can just as easily apply this definition to ourselves. When we have integrity, we're whole and in perfect condition, and we're not compromised by awkward "inconsistencies."

When we live our lives with integrity, it means that we're always honest, and we let our actions speak for who we are and what we believe in. Integrity is a choice we make, and it's a choice we must keep making, every moment of our lives.

Why Is Integrity Important?

There are several reasons why integrity is so important.

First, living a life of integrity means that we never have to spend time or energy questioning ourselves. When we listen to our hearts and do the right thing, life becomes simple. Our life, and our actions, are open for everyone to see, and we don't have to worry about hiding anything.

When we have integrity, we gain the trust of our leaders, our colleagues and our team. We're dependable, and, when we hold ourselves accountable for our actions, we become role models for others to follow.

All of this, in turn, directly impacts our success in life. People who live and work with integrity are more likely

to be considered for promotions. Why? Because integrity is a hallmark of ethical leadership — organizations want leaders that they can trust, and when you demonstrate integrity, you show everyone you can be trusted.

How to Develop and Preserve Integrity

Your integrity is what determines your reputation, and, just as this proverb states, all it can take is a single bad choice to destroy a lifetime's worth of integrity.

So, how can you work on developing and preserving your own integrity?

The reputation of a thousand years
may be determined by the conduct
of one hour.

– Japanese Proverb

Step 1: Define Your Values

You can't live by values if you don't know what you truly believe in. So, start by defining your core values. These are the values that, no matter what the consequence, you're not going to compromise on.

Step 2: Analyze Every Choice You Make

Often, people cut corners or make bad choices when they think no one is watching. Having integrity means that, no matter what, you make the right choice – especially when no one is watching!

You'll usually know what's right and wrong, although sometimes you might need some quiet time to figure it out. If you're not sure what the right choice is, ask yourself these two questions:

"If my choice was printed on the front page of the newspaper for everyone to see, would I feel OK about it?"

"If I make this choice, will I feel OK with myself afterwards?"

Remember, honesty and integrity aren't values that you should live by when it's convenient; they're values that you should live by all the time. This includes the big choices and the little choices – the choices everyone sees, and the choices that no one sees.

Step 3: Encourage Integrity

People with integrity often have the same characteristics: they're humble, they have a strong sense of self, they have high self-esteem, and they're self-confident. These characteristics are important, because, sometimes, you'll be under intense pressure from others to make the wrong choice.

Work on building and improving these characteristics within yourself, so that you have the strength and courage to do the right thing when the time comes. Build your self-confidence and self-esteem, and work on developing character. Spend time getting to know yourself, and what you believe in. Develop friendships and work relationships with others who demonstrate integrity, and who will support your decisions.

Further Tips:

Learn how to be assertive, so that you can defend an ethical position from an adult point of view, without whining or being aggressive.

Avoid white lies. They may seem harmless, but tiny lies are still lies. Always tell the truth.

Learn to take responsibility for your actions. If you make a mistake, own up to it immediately and do whatever it takes to right the situation.



Keep your word, and don't make promises that you know you can't keep.

Keep in mind that in times of fear, disaster and chaos, the temptation is even greater to make a wrong choice. Use these opportunities to demonstrate your true character.

Avoid seeming self-satisfied or priggish when you're acting with integrity: stay humble and down-to-earth, don't look for approval, and, where you sensibly can, try to let people save face.

So, how should Nancy, who we mentioned at the start of this article, have dealt with her boss?

She should have dealt with the situation assertively, right away. She could have asked for a private meeting and said something like, "I'm worried about this. Even if the product works, the clients will be upset when they see the damage, and they may not want to order from us again. And the shipping company will be annoyed, too, and we use them a lot. Wouldn't it be better to tell the truth?"

Key Points

Having integrity means that you live in accordance to your deepest values, you're honest with everyone, and you always keep your word.

Integrity is a highly valued trait, especially in leaders. When you live with integrity, you're more likely to be considered for important promotions and leadership positions.

To develop and protect your integrity, start by identifying your core values. These are the values that you refuse to compromise on, no matter what. Next, analyze every choice you make to ensure that you're doing the right thing.

Then, develop a culture of integrity around you, work on building your self-confidence and self-esteem, and develop relationships with others who live with integrity.

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involved. We strongly emphasize our safety training processes to ensure that all employees on construction sites are safe and in compliance with resolutions and standards. Doing so protects our clients, employees, subcontractors and the general public.

Additionally, being a reliable partner is a top priority. We want clients to feel confident in working with us, knowing they can count on us anytime – day or night. We provide 24/7 emergency service, giving you reliable coverage and peace of mind.

Customers for life.

The leaders of Intertech Mechanical believe in creating customers for life. Once we partner with a new client, we want to keep them...and we do so with great service and competitive pricing. We strategically aligned an extremely motivated team of experts who are committed to providing customers with the most safe, efficient and economical services required in today's market. Doing so has transformed our customers into partners. Just ask ConAgra, Norton Healthcare, GE, Jefferson County Public Schools, the Gault House or UPS.



Our roots.

Intertech Mechanical Services opened in February 2005 with just three employees, and today we have grown to over 180 employees at more than \$30 million a year. Our highly trained team comes from a diverse background in piping, plumbing, HVAC and electrical. Our vast experience within each of these fields allows us to maintain a “we do it best” mentality, offering clients a better quality for less cost. Because our team is so nimble, we can consistently focus on putting clients’ needs first. We aren’t a large corporation focusing solely on the bottom line.

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We value our strong partnership with Abel and congratulate them on a successful 80 years!

20 Reasons Why Herb Kelleher Was One Of The Most Beloved Leaders Of Our Time

Kevin and Jackie Freiberg, Contributor
forbes.com, January 4, 2019



Yesterday, the world lost an American icon and a maverick in the airline industry. Herb Kelleher, Southwest Airlines' affable co-founder, died at the age of 87. Sadly, we lost a friend and a mentor, as did countless others.

Herb was repeatedly voted as the best CEO in the airline industry. And Fortune magazine noted, "Kelleher was perhaps the best CEO in America." Herb has been called a pioneer, fierce competitor and innovator. All of those labels ring true, but Herb was more than that.

He changed the world.

Herb and the people of Southwest Airlines created the greatest success story in the history of commercial aviation. They did it with a disruptive business model and a hard-to-replicate culture that business schools tout in case studies and businesses all over the globe try to emulate.

Herb played the game of life full throttle. One of the most passionate people we have ever known, he had a zest for life, an indefatigable spirit, a contagious sense of humor, a servant's heart and an intellectual acumen that allowed



T. Boone Pickens ✓
@boonepickens

Herb Kelleher is arguably the most transformative figure and character in the history of modern aviation. He is the epitome of the can-do entrepreneurial spirit. My heart goes out to his family and all our @SouthwestAir friends.

5:03 PM · Jan 3, 2019 · Twitter for iPhone

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FROM TWITTER

him to carry an interesting conversation with anyone, anywhere about anything.

For almost 30 years we've been asking, "What if you could build a company that is as human as the human beings in it? What if you could create a culture that inspires passionate people to come to work fully awake, fully engaged, firing on all cylinders because they know they are doing epic work?" What if you could create a culture that inspires passionate people to come to work fully engaged, firing on all cylinders?

Herb did it.

Southwest became a beacon on a hill. Herb and the people of Southwest Airlines showed us that it is possible to love people (employees and customers alike), have fun

and make money simultaneously. Herb never believed that the discipline necessary to run an on-time airline with fantastic service was mutually exclusive with treating people like family and making work fun. He said, “I’d rather have a company bound by love than a company bound by fear.” Southwest has 46 consecutive years of profitability to show for it.

A friend since 1986, no one has taught us more about business or more significantly shaped our views about leadership than Herb Kelleher. He is an example of what it means to do epic work and live an epic life. He was a magnificent storyteller. Animated, emotional and usually told nose-to-nose, Herb’s stories were entertaining, engaging, unforgettable, and always riddled with lessons about business and life.

Here are 20 things that only begin to scratch the surface of the way this gifted leader lived his life. They offer some insight into why Herb was so compelling—and so loved.

1. Be Interested

The camaraderie between Herb and the employees at Southwest Airlines was remarkable. Many years ago, on Bosses Day, 16,000 employees of Southwest Airlines chipped in to purchase a full-page ad in USA Today to express their affection for the boss. They thanked Herb for helping load bags on Thanksgiving, singing at the holiday party and singing only once a year, letting them wear shorts and sneakers to work, being a friend, not just a boss, and remembering every one of their names.

The reason the people of Southwest Airlines have such a strong affection for Herb Kelleher is pretty simple. First, he was an incredible listener. When you were with Herb, he was 100% all there—totally engaged. He made you feel like you were the most important person in the world at that moment, and to him you were.

Second, break down his speeches, annual report letters, annual messages to the field and one-on-one conversations behind closed doors. You will find that he constantly showered the people of Southwest with gratitude because that’s the way he felt. He treated them with dignity and respect. He empathized with their failures and grief. He celebrated their victories. And, he showed them how much he admired them, valued them and loved them as people, not just workers.

2. Be Approachable

Herb had an uncanny ability to remember names. Many

employees at Southwest would verify that they met Herb once, met him again a year later and he remembered their name. When he was introduced to someone, he cared enough to learn about them genuinely. Herb loved to tell a story about being on an elevator with the CEO of another company who didn’t even acknowledge two employees who got on the elevator with them. When the CEO asked Herb how he could create a Southwest-like culture, Herb said, “You might start by saying ‘Hello’ to your people.”

Herb never met someone he couldn’t learn from. He had a beautiful knack for disarming you with his wit and self-effacing humor and then drawing you into a dialog that made you feel smart—as though your ideas were good and worthy.



AP Photo/Jacqueline Larma

3. Look Beyond Title And Status

Herb didn’t see a distinction in class, ethnicity or title when dealing with people. At a very early age, he learned from his mother—whom he respected greatly—that titles and positions are just adornments that signify nothing. They don’t represent the substance of anybody. “I learned firsthand that what she was telling me was correct,” Herb once said. “There was a very dignified gentleman in our neighborhood, the president of a local savings and loan,

who used to stroll along in a very regal way up until he was indicted and convicted of embezzlement. She taught me that every person and every job is worth as much as any other person and any other job.”

Herb deplored the class mentality. Years ago, one of his executive officers said, “Herb, it’s harder for me to get in to see you than it is for a mechanic, a pilot, a flight attendant, or a reservations agent.” Half-jokingly, Herb said, “I can explain that to you very easily, they’re more important than you are!”

4. Hire For Attitude, Train For Skill

Herb understood that you can’t build a great company without great people. If you’re an altruistic, outgoing person who enjoys serving others, and is team-oriented, you probably have what it takes to work at Southwest. If doing things for other people is the way you ennoble yourself instead of doing things for yourself, you fit the Southwest culture.

Once, the vice president of the People Department went to Herb worried that filing a particular job was taking too long and costing too much. She was somewhat embarrassed that she had interviewed 34 candidates for a ramp agent position in Amarillo, Texas. Herb’s response was, “If you have to interview 134 people to get the right attitude on the ramp in Amarillo, Texas, do it.”

If hiring for attitude seems somewhat subjective, it is. Herb made no apologies. He explained that part of the reason for an employee’s probationary period is to determine if he or she is genuinely compatible with Southwest’s culture. If they don’t fit, it doesn’t mean there is anything wrong with the person; it means they are not a match. Over the years, employees have written to Herb and said, “Hey, I got terminated or put on probation for purely subjective reasons.” Herb would respond, “Right! Those are the important reasons.” “Very often the most valuable things in life aren’t quantifiable,” he said. “Let’s stop trying to be little scientists and putting everything in a little box and weighing and measuring it.”

5. Put Employees First, Customers Second

Herb believed that employees should be treated like customers and celebrated for going above and beyond the call of duty. He explained it like this, “In business school, they’d say, ‘This is a real conundrum: Who comes first, your employees, your shareholders, or your customers?’ My mother taught me that your employees come first. If you treat them well, then they treat the customers well,



AP Photo/LM Otero

and that means your customers come back and your shareholders are happy.”

Apparently, this approach works. Southwest has been recognized for the most productive workforce and the best customer service ratings in the industry which means it can turn more planes, faster, with fewer people, and better service.

6. Jettison Tribalism And Office Politics

Herb felt that tribalism is the deadly opponent of teamwork. He didn’t talk about labor-management relationships at Southwest because those labels set up two different groups within the company and an us versus them mentality. He believed that when you have people who are prone to point fingers or who lack empathy for the needs of their co-workers you’ve got significant problems. Herb was quick to show people how their language reflects a tribal mentality. “A guy said to me the other day, ‘In my department...’” Herb once laughed, “And I said, ‘Oh, are you not a part of Southwest Airlines anymore? Excuse me I didn’t realize you’d split off. Have we notified the SEC?’”

Under Herb's leadership, Southwest instituted a Walk-a-Mile program. It was about developing empathy and a deeper understanding of the pressures people are under in other jobs. For example, pilots dressed as ramp agents loaded bags for a couple of days and learned how hard that job is.

7. Be Yourself. Allow People To Be Themselves.

Regarding personality and style, Herb wasn't prescriptive about how employees should behave on the job. People at Southwest are encouraged to express their individuality. His philosophy was if they want to tell jokes they can. If they want to be creative, they can be. If they want to play pranks on their co-workers they can. "We've never thought that you should have to come to work and assume a mask...and look like you're a bunch of little lead soldiers stamped out of a mold. We give people license to be themselves." Herb understood that a liberated spirit is essential to the kind of imagination and innovation Southwest seeks from its people.



Photo: Laura Buckman/© 2017 Bloomberg Finance LP© 2017 BLOOMBERG FINANCE LP

8. Be Trustworthy

Herb cultivated a level of trust with his employees and between management and Southwest's unions that is unprecedented in the industry. In 1995 Herb and his team negotiated a historic contract with the pilot's union. The agreement amounted to a five-year wage freeze for 10-year stock options. Many airlines have asked for wage concessions, but usually as a matter of survival in difficult economic times. This agreement was consummated when Southwest was strong and profitable.

At one point during the initial negotiations, Herb suggested that the number of stock options that the pilots wanted was too low. Herb knew that it wouldn't be as good of a

deal for the pilots in the long run. He suggested they ask for more. Unlike many business leaders, he wasn't going to take advantage of the situation and sign a contract that he didn't think was fair. After the deal had been negotiated, Herb went to the pilots and said, "what's good for you is good for me as well" and froze his wages too.



Photo: Mike Fuentes/Bloomberg News
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9. Leave Your Ego At The Door

As long as we've known Herb, he always chose to have an office without windows. He believed that it eliminated the jockeying for choice offices that goes on in organizations. Consistent with his egalitarian spirit, it sent a message that the team is more important than the individual. So, who gets the room with the best view at Southwest's general office? Everyone, because it's the cafeteria which overlooks runway 13R at Love Field. Why not make the best view in the building the place where employees gather the most?

10. Be Irreverent

This doesn't sound like a strategy appropriate for business. Or does it? Irreverence can promote a healthy level of independent thinking. It encourages people to challenge the status quo, question deeply-held assumptions and



Photo: Mike Fuentes/Bloomberg News
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not accept things at face value. Many years ago, when Southwest had closets on the airplanes, Herb tried to hang a coat up in the flight attendants' closet. The flight attendant, not knowing who Herb was, asked him to move it. When Herb tried to explain that it was okay and he was Southwest's chairman, the flight attendant replied, "Yes, and I am the King of Siam." Herb promptly removed his coat and put in the appropriate spot.

11. Be Tough But Not Mean

Anyone who has ever competed against or worked with Herb Kelleher knows he could be tough. How do you run an on-time airline with strict accountability and superior performance if you're not tough? But Herb felt there is a difference between being tough and being mean. Mean is dehumanizing, shaming and belittling. Mean creates a fear-based culture and sucks the life out of people. Herb essentially told his managers, "Be tough, have high expectations and encourage your people to dig deeper and reach higher, but "mean" will get you fired.

12. Don't Take Yourself Too Seriously

In 1999 Herb underwent radiation treatment for prostate cancer. It didn't slow him down though; he worked right through the treatments. In light-hearted Kelleher fashion, he said, "I wish it was called the M.D. Andersen Acne Center or the M.D. Andersen Hemorrhoid Center, but it isn't. On a conference call with Wall Street's financial community, one of the analysts asked Herb if the radiation treatments impaired his ability to run the company in any way. Herb responded, "No, but I am very concerned about my uneven tan line!"

Herb even brought his sense of humor to the hospital and tested his doctors. "One day I walked into the exam room with a lighted cigarette," he said, like a little boy with a mischievous grin. "I just wanted to see what would happen. They went berserk. They said, 'You can't do that! Put that out!' And I said, 'I don't have anywhere to put it out. If you want a smoker to put out cigarettes, you ought to have ashtrays. You want me to put it out on the floor?' They laughed and said, 'Get out of here!'"

13. Spend Time On What You Value.

Thousands of requests for speaking engagements, presidential commissions, legislative issues, and business meetings related to the airline industry all vied for Herb Kelleher's time. But Herb's priorities were always the people of Southwest Airlines. Ask Vickie Shuler, Herb's executive assistant of 30 years, and she will tell you that Herb would not change his schedule if a business

meeting came up that interfered with an employee event he promised to attend.

If you want to know what someone truly values watch the way they spend their money and their time. It's easy for executives to say "people are our most important asset," but reallocating their time to support that statement is yet another story. During the filming of a customer service video, Tom Peters asked Herb what advice he would give other executives. Herb said, "Stop spending so much time with other CEOs, spend more time with your people."

14. Cultivate A Warrior Spirit

Herb voraciously devoured books on war history. He was enamored with the battle strategies of great military leaders. And it's not just because the game plans and tactics of famous generals make for good after-dinner conversation over a glass of Wild Turkey. It is because Herb was continually thinking about how he could apply the things he learned from the great warriors in the current scenarios Southwest faced. "I love battles," he said. "I think it's part of the Irish in me. Patton said, 'War is hell, and I love it so.' That's how I feel. I've never gotten tired of fighting. For the past 35 years, my job has been helping Southwest Airlines get through one battle after another."

Southwest's early battles formed the basis for the company's warrior spirit. Three incumbent carriers—Braniff, Continental, and Texas International—drug Herb through three and a half years of litigation and 42 judicial and legal proceedings, including one in the U.S. Supreme Court before Southwest really got off the ground. Since that time, whenever Southwest has been under attack from a competitor the employees have always rallied—often decked out in camouflage and fatigues.



Photo-Southwest Airlines

With the support of Ad Agency GSD&M, Herb showed a flair for creative marketing. When Braniff tried to drive Southwest out of business in a fare war, Herb offered a fifth of liquor to anyone who bought a full-fare Southwest ticket. The tactic appealed to business travelers with expense accounts who could buy a ticket on their company's dime and take home the booze. For a short period, Southwest became the biggest liquor distributor in Texas.

15. Forget Strategic Planning

Herb didn't think much of traditional strategic planning. His famous line was, "We have a strategic plan. It's called doing things." He believed that a plan articulated in a big, three-ring binder was too bureaucratic. His view was that if you have a strategic plan that has been approved by the board and a window of opportunity opens in the market, you must be able to spring into action. If you have to create a new plan, polish it up for board approval, run it up to the board and let them debate it for several days or weeks before acting, the opportunity may be gone.

Herb preferred "future scenario generation" which means considering all of the possible, ever-changing scenarios that could happen and being prepared for each one. If number one happens we do this; if number two happens we do that, and so on.

16. Manage In The Good Times To Protect The Company In The Bad Times

This is another way of saying, "No matter how good things are, you can never get cocky and overspend." Given Herb's personality and the wacky marketing campaigns Southwest has employed over the years, many people think that the company is flamboyant. And, from a marketing perspective, it is. But financially, Southwest may be one of the most conservative airlines in the business. Herb, who deplored debt, saw to it that the company never overextended itself. Southwest could've grown much faster over the last 46 years, but instead, the company has chosen to pursue a slower, more methodical expansion.

We remember being interviewed with Herb one time when a reporter asked him what his vision was for Southwest in the next ten years. Herb got very serious and responded, "My vision is to keep Southwest Airlines job-secure for our people." It is remarkable to think that up to the time of Herb's passing, Southwest has never had a furlough or layoff.

17. Be Decisive, Move With Speed And Agility

Herb felt that there is no perfect knowledge. You'll never have enough data to guarantee success. Endless planning, study and "chewing the cud" over a significant decision is another way of hiding, of avoiding risk. When your major capital asset travels at 500 mph, you can be almost anywhere fast. Southwest is lean and light-footed. It has proved over and over again that it can respond with a sense of urgency to windows of opportunity that open and close very quickly.

Herb subscribed to the ready, fire, aim approach because if you spend too much time aiming you may never get to fire. He said, "When USAir announced it was pulling out of six cities in California, I got on the phone and said, 'Get out there.' I called our properties department and told them to get busy getting those gates...because they'd only be available for a nanosecond. I called finance and said, 'we probably need five or six airplanes just as soon as we could get them...if you don't do it, someone else is going to!'"

What makes this work are employees who are encouraged to make decisions at the local level knowing that if they make a mistake, they won't get crucified emotionally or lose their jobs. Fear of failure constipates an organization and slows things down. Freedom is the key to making things happen fast.

18. Culture Is The Boss.

If you asked Herb about Southwest's unique culture, he would tell you that it simply started with treating people the way he wanted to be treated and treating them the way they deserved to be treated. In other words, the culture of Southwest Airlines emerged out of the personalities of the people. Herb believed that culture is integral to Southwest's success, "One must realize that we have become what we are today because of that culture," he said. "It is a culture that recognizes the value of the individual, which encourages an entrepreneurial spirit, which helps people to find the career that makes them happy, and which encourages people to have fun at work. These are the very reasons for our success."

When Matthew Breilis of the Boston Globe asked about life after Herb at Southwest Airlines, Herb quipped, "I think it's hopeless." Then he laughed and said, "The real answer is we have a very strong culture, and it has a life of its own that can surmount a great deal." Even with

his bigger-than-life personality, Herb believed that the culture is infinitely bigger than any one person, culture is the boss.

19. Define The Business As A Cause

The people of Southwest Airlines believe that their work is more than just a job, it's a cause or a crusade. They give ordinary people the freedom to fly and the opportunity to go, see, and do extraordinary things. They are in the business of freedom fighting for the grandmother on a limited income, the child whose parents are separated, or the entrepreneur who wants to expand her business into multiple cities.

Why do the people of Southwest believe this? Because Herb gave them a direct line-of-sight from their daily contributions to a noble, heroic cause.

Thus, the ramp agents know that when on-time performance suffers habitually, more planes must be added to the system to maintain the schedule. The capital to acquire these planes will come from higher fares, and this is an affront to the business of freedom. It hurts the airline. It jeopardizes job security. But most important, it hurts the consumer. And with the people of Southwest that becomes personal. Herb said, "If people are really devoted to their company as a cause, a crusade, it leads to higher job satisfaction, greater innovation, and higher productivity."

20. Herb's Golden Rule: It's Okay To Break The Rules

Herb let his values and his passion for fairness drive Southwest's operating strategy; not the behavior of other carriers. He wasn't afraid to question established ways of doing things. He said, "Conventional wisdom put a hell of a lot of airlines out of business."

Herb believed that Southwest is in the customer service business and happens to be an airline. If you're in the airline business you do what other airlines do; only you do it better. If you're in the customer service business, you redefine the business and therefore the industry by doing what makes sense for the customers you serve.

For example, when other carriers thought the short-haul market was chump change, Southwest developed the niche and expanded the market. When other carriers assumed that the only way to make efficient use of an airplane is the hub and spoke system, Herb built a point-to-point infrastructure at Southwest Airlines.

While other carriers assumed that your dead if you use a cattle-car approach to boarding passengers and don't offer first-class, Southwest offers no first-class seating. It seats customers on a first-come-first-served basis. While other carriers assumed that people would never fly if you don't provide them a meal, Southwest serves minor snacks. While other carriers thought it was professional to make gate agents and flight attendants wear suits, Southwest said, "We want our people to be comfortable."

An Iconic Legacy

In a commencement address to graduates at the McCombs School of Business at the University of Texas, Herb said, "Our mortality signifies that we have one earthly chance to make a mark—to be remembered—as a leader who accomplished something constructive for humankind."

Godspeed Herbie. Your mark is profound, and you kept us laughing the entire time. The world is better for having you in it.

Save a Wild Turkey for us. We miss you!



AP Photo/Mike Stone

The Two Roads of Life



"I shall be telling this with a sigh,
somewhere ages and ages hence:
two roads diverged in a wood, and I-
I took the one less traveled by,
and that has made all the difference."

~ Robert Frost, *"The Road Not Taken"*

I don't know precisely what "yellow wood" Frost was thinking of when he wrote that poem, but I know those roads. You probably do, too. One road leads to mediocrity and excuses. The other leads to mastery and excellence.

The Road to Mediocrity

They say that "The road to hell is paved with good intentions." I'll let the theologians debate that one, but I know about the road to mediocrity. It's paved with decision after decision to take the easy way.

That's what we do unless we choose otherwise. We choose the easy way instead of the best way.

We spend all our money instead of investing some of it. It's easier that way. We watch a few hours of television instead of reading something that makes us better. It's easier that way. We declare a project "good enough" and head for bed instead of putting in an extra hour to make it excellent. It's easier that way.

It won't be easy forever. Many of the choices we make that make today easier make tomorrow harder. They just seem easier at the time.

The Road to Excellence

If you want to achieve excellence, or mastery, or greatness, you must choose the hard road. There are no alternatives and there are no shortcuts. The road to excellence is hard, but you wind up in a better place.

The Critical Choice

You can't be excellent at everything. God didn't make us that way. If you want to be excellent at something,

you must concentrate on it. You must do the things that make you better and that means choosing not to do other things you may like. It's a hard choice.

My friend and co-author Tom Hall built the excellence of his advertising agency on the question he asked every client. "What do you want to be known for?" When you know the answer to that question you can make choices about what to do and not do.

The way of excellence is the hard way. You don't achieve it by putting in a little bit of half-hearted effort every now and then, when you feel like it. You achieve excellence by giving it all you have with all you were given.

On the road to excellence you'll be uncomfortable a lot. That's because the road to excellence is a road of learning, and learning pushes you outside your comfort zone. The road to excellence calls for you to do your best and then a little more.

The Really Hard Part

The really hard part isn't just the work and the extra effort. The really hard part is doing those things that make you better day after day after week after month after year. It's doing those things with unremitting diligence. It's not just today. It's every day. Even when you don't feel like it. Even when you'd rather do something else.

Bottom Line

"Pick your hard." I love that line from a Weight Watcher's speech. You can pick the hard work and dedication of striving for excellence and greatness. Or, you can pick the hard of living with mediocrity and regret. Choose your road.



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Opportunity Zones and Kentucky's P3 Statute: Providing the Potential Solution for Some of Kentucky's Infrastructure Needs

by J. Christopher Coffman and C. Michael Shull, Frost Brown Todd LLC

By now you have likely heard of the potential tax benefits of investing in development projects located in “Opportunity Zones.” While much of the hype appears on the surface to be too good to be true, there is no denying the fact that federal opportunity zones incentives could provide a significant boon to investors in qualified investments. With Kentucky's recent enactment of legislation permitting public-private partnerships (“P3s”) and the law's allowance of unsolicited proposals to state and local entities, private equity can now propose privately-funded improvements to state and local infrastructure needs. Infrastructure improvements that are either already needed or could be located within an Opportunity Zone should therefore be the choice targets for developers and investors.

Opportunity Zones: A Brief Overview

In order to maximize the effectiveness of an investment in an opportunity zone project, there are several compliance issues investors and their advisors should consider.

What are the Incentives?

The federal opportunity zone incentive offers substantial tax benefits to investors in qualified opportunity funds. Investors may also be entitled to similar tax benefits at the state level. These benefits are intended to encourage investors to access unrealized capital gain from their existing appreciated assets through a sale or other

disposition and then use that gain to reinvest in businesses and development projects in economically distressed areas that the U.S. Treasury and IRS have designated as Opportunity Zones. There are over 8,700 designated Opportunity Zones across all 50 states, the District of Columbia, and five U.S. possessions.

Temporary Deferral

Investors can defer recognizing the reinvested capital gain as income until the 2026 tax year under certain criteria. They must reinvest the gain in a qualified opportunity fund (QO Fund) within 180 days of when they would be required to recognize the gain for tax purposes (generally, when the asset is sold). Any asset that generates capital gain when sold qualifies for deferral. This includes publicly traded stock, real property or a privately-owned business.

Reduction of Deferred Gain

Because an investor in a QO Fund is acquiring an equity interest in the fund using tax deferred gain, the investor's initial basis in the investment is zero. Investors who hold an interest in the QO Fund for at least five years receive a 10 percent increase in their basis in the investment, which reduces the amount of the deferred gain the investor realizes in 2026 by 10 percent. The basis “step-up” amount increases to 15 percent if the investor owns the interest in the QO Fund for at least seven years. This



increased basis amount is important because it reduces the amount of income that the investor must recognize with respect to its initial investment in the QO Fund when the temporary deferral period ends. Therefore, an investor with an investment of \$1 million that holds its interest for 7 years would only recognize \$850,000 of the deferred gain in the 2026 tax year.

Permanent Exclusion of Appreciation

The final, and perhaps most impressive, tax incentive provides a potential permanent exclusion of any gain from the investor's eventual sale of its investment in the QO Fund. Investors holding an interest in a QO Fund

for at least ten years can elect to exclude any appreciation in the value of the investor's interest above the amount of its original QO Fund investment when the investor sells its interest. For example, should the investor in the example above sell its interest in a QO Fund in 2029 for \$3 million, the investor can elect to permanently exclude the \$2 million of appreciation in the value of the interest above investor's \$1 million investment.

What is a QO Fund?

A QO Fund can be an entity with multiple investors and a fund manager managing a national portfolio of qualifying investments. A QO Fund can also be a local investor



looking to redevelop a single commercial building located in an Opportunity Zone. A QO Fund is simply an entity (partnership, LLC, or corporation) that serves as a vehicle for investors to deploy capital into qualifying businesses and property in opportunity zones. It can self-certify and does not need prior approval from the IRS to operate as a QO Fund.

What property can a QO Fund own?

At least 90% of the QO Fund's assets must consist of qualifying property. Generally, such property consists of either an equity interest in a business operating in an Opportunity Zone (a QOZ Business) or tangible property (including real estate) used in a trade or business activity in an Opportunity Zone (QOZB Property). At least 70% of the tangible property owned or leased by a QOZ Business must consist of QOZB Property.

If the original use of the qualified tangible property does not begin with the QO Fund or a qualifying business owned by the QO Fund, the fund or business is required to substantially improve the property. Accordingly, if a QO Fund purchases a commercial building in an opportunity zone, the QO Fund must substantially improve the property for it to qualify.

Substantial improvement requires capital improvements exceeding the purchase price to the property during the 30-month period after purchase. The IRS has issued guidance stating any portion of the purchase price attributed to the value of the underlying land won't be included in the amount necessary to substantially improve the building located on the land. Additionally, IRS guidance provides for a 31-month working capital

safe harbor for cash held by a QOZ Business consistent with a written plan for the acquisition, construction, or substantial improvement of opportunity zone property.

Public Private Partnerships and Opportunity Zones

Kentucky has seen a smattering of P3 projects over the past couple of years, such as the Capital Plaza Complex Redevelopment Project. Such projects are already attractive to developers and investors, because P3 deal structures (for example) of build-to-suit with a long-term lease, provide a guaranteed return on the investment via payments from the public lessee. Unfortunately, the number of P3 RFPs being issued by state and local agencies has been less than what was hoped for, likely due to a lack of familiarity with the various possible P3 models or financial capabilities.

With the refinement of Kentucky's P3 statute, however, savvy and industrious developers can identify attractive potential areas for infrastructure improvements or municipal needs and submit an unsolicited proposal to public owners for the same. Take an already-attractive investment vehicle, add to it the potential benefits of Opportunity Zone tax incentives, and suddenly infrastructure projects previously thought to be incapable of finding financing may now suddenly be viable. Over two-thirds of Kentucky's counties contain at least one Opportunity Zone. If a county or city needs a new community center or agency office building, a P3 arrangement which locates the improvement within an Opportunity Zone and offers a long-term lease, may solve the public's needs and provide excellent returns on private investment.



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Multiplying the Effective Intelligence of Your Organization



“Perhaps the only sustainable competitive advantage is increasing your ability to learn faster than your competition.”

– Arie de Geus, former head of Strategic Planning,
Shell Oil Company

Are you getting the best results from the people—the embedded collective intelligence—in your organization? Do you feel that there is something missing in overall performance, or your team and/or enterprise could achieve even more? Most senior leaders with whom I have worked would answer, “We can achieve more and be better if only we could work smarter and more effectively together.” The name of the game today is figuring out how to multiply the Effective Intelligence (E.I.) of your organization. Here is where you can gain a great competitive edge that is sustainable and also leads to more innovative and effective ways of getting things done.

Research and experience demonstrate that the only difference between so-so organizations and high performing ones is the quality of the teamwork and the collaborative networks that exist within an organization. This makes sense if you understand brain physiology. It is not the absolute number of neurons that determines intelligence; it is the number of dendritic connections between neurons that determines overall processing power and intelligence. The greater the number of connections, the higher the level of collaborative networking, which equals greater intellectual capacity to problem-solve and create solutions. The term I have coined to describe this capacity for teams and organizations is “Effective Intelligence.” What great

leadership does is to use presence (demeanor and modeling), practices and processes to multiply E.I., thereby increasing the performance and capabilities of a team, a department or an entire organization.

Is your enterprise actually engaging and making the full use of the collective intelligence embedded in the human system (people, team work, relationships) in your organization? Is your organization realizing its potential and performing at its best? Are you multiplying the E.I. of your organization by how you are leading and encouraging the engagement of individuals, teams and departments? Perhaps you share the opinion one CEO gave me recently, “There is truly room for improvement; I just know, good as we are now, that we can do better than we have been doing to date.”

If you see room for improvement, then how can you increase the E.I. of your team, your department and your organization? The answers will sound simple yet applying the insights to multiply effective intelligence will take all three forms of critical leadership capacity: guts, heart and head. It will require that you focus your attention and processes on the following dynamic development as outlined by Wayne Gerber and Staub in *Dynamic Focus: Creating Significance and Breaking the Spells of*

Limitation. Please consider the question at the end of each of the eight process steps below.

Increasing the Effective Intelligence (E.I.) of Your Team and Organization:

1. Expanding perspectives. This means seeing beyond the obvious and challenging conventional thinking. The status quo and old ways of thinking are the enemy of higher order processing, innovation and increased performance. “Good enough” is the death of being even better, let alone great. What are you doing in your leadership and in your workplace to help expand the thinking and to promote a wider strategic picture or way of looking at the business and how work gets done?

2. Clarifying and focusing attention on your core Purpose, your WHY. Astute leaders know that when the people in an enterprise know WHY it exists—in other words, the purpose and mission it serves beyond the usual answer of “making money”—that they perform better and expend more discretionary effort. They are more engaged. (See Simon Sinek’s Start with Why TED Talk.) Do the people in your organization know the fundamental WHY of the business? Do you use that to rally them and challenge them to help everyone step up to more active learning, interactions, collaboration and teamwork?

3. Consciously creating psychological safety in your organization. Google research on the core factor fostering high performance teamwork finds that a sense of “psychological safety” is key. \ This means people feel “safe” offering different opinions, ideas, suggestions and, as outlined in the research and findings in Jim Collins’ book Good to Great, engaging in “vigorous intellectual debate.” If people feel they will be punished, belittled or put down, if they do not feel it is safe to speak up, they won’t and you are then minimizing the E.I. instead of increasing it. How well are you creating a sense of psychological safety for your employees, teams and those around you? Do you have healthy, positive, vigorous intellectual debate around best practices, new ideas and better ways of moving the enterprise forward?

4. Leveraging strengths, focusing on what there is to celebrate. Research in the fields of psychology and sociology have revealed that human systems (from individuals to groups) get stronger by focusing on,

leveraging and building upon strengths rather than by fixating on what is wrong. Yet many executives still manage by “exception,” ignoring what is right and working well and spending supervisory time on problems and issues. Are you focusing on strengths, on what is right and working well? What strengths in your people, teams and organization have you been celebrating? How have you been building on or leveraging the top 2 or 3 of these strengths?

5. Failing forward. This means giving reward and recognition for a specific category of mistakes instead of punishing for or treating all mistakes as the same, as if they are all “bad.” Mary Kay Ash of Mary Kay Cosmetics and Soichiro Honda, founder of Honda Motor Company, both subscribed to and taught “failing forward” as a way to promote innovation and growth within their organizations. Most executives and employees do the exact opposite. By treating all mistakes the same and seeing them as “wrong,” the E.I. of an enterprise is diminished instead of increased. Do you know which kinds of mistakes should be rewarded, or do you treat them all the same? Are you using the practice of “failing forward” in your organization?

6. Using Power Questions. Power questions enhance learning and improve performance. A great question is often more valuable than a good answer. The greatest danger you have as an executive is to be blindsided by issues or to miss key opportunities in your organization. One of the ways to minimize this is to make a practice of asking “power questions” – namely, Pareto- based questions that focus on quickly getting to the core or root cause of an issue or opportunity. For example a poor question is asking, “Is there anything here we need to improve?” A better question is “What do we need to improve?” A power question is, “What is the one thing we could do differently here that would make the biggest positive difference?” Asking power questions and teaching those around you to ask them will be a key part of increasing the E.I. of your enterprise. How are you and those in your organization doing with regard to asking power questions of each other, of customers, of key suppliers?

7. Knowing the difference between Symptoms and Root Causes. When you and those in your organization know how to recognize symptoms and use them to focus on root causes, you are helping to multiply the E.I. in



your enterprise. For example the following should all be considered symptoms: poor teamwork, low employee engagement, quality issues, unhealthy conflict, customer complaints, lower market share and declining sales numbers. Do you know what the root causes of those kinds of symptoms are? For example, the symptom of low employee engagement has as a root cause a failure in management practices and leadership behaviors. The research shows that people quit supervisors as opposed to quitting companies. How a supervisor treats, talks to, engages, coaches, corrects, supports and otherwise makes an employee feel about the supervisor's valuation of him or her is a huge determinant of how engaged and motivated that employee is. How effectively do you and your management focus on addressing root causes versus chasing symptoms?

8. Identifying and Utilizing Essential Behaviors as Core Leadership Practices. To address critical operational as well as human systems issues, make the best use of the seven practices outlined above. You will need to identify which essential behaviors you want to train for, expect, model and reinforce in all levels of your enterprise. Do you have a set of 4 to 6 essential behaviors that you know are clearly outlined, coached for and reinforced from front line supervisors up to the CEO? If you are like the vast majority of organizations and leadership

teams, the answer to that will be a resounding no. If you want to really increase the effective intelligence of your enterprise then you will need to have an agreed upon core set of leadership practices, or essential behaviors, that are being used consistently throughout all levels. Do you know which essential behaviors will give you the biggest return on your investment of time, energy and supervisory development? Examples of essential behaviors include: active listening, using power questions, knowing how to design and engage in courageous conversations and making use of systemic-accountability. What are you doing to ensure there is consistent, effective modeling of powerful leadership behaviors? Are you living and modeling those behaviors with your teams and employees?

If you take the eight suggestions above to heart, and if you are working on engaging all of them, you will multiply the effective intelligence of your organization and can expect improved productivity, greater innovation, superior employee engagement, high performing teams, less waste, better quality, more loyal customers, better talent retention and higher profitability. The only barriers are either not following through or a lack of experienced guidance. Are you willing to build a learning-based, higher performing enterprise by multiplying the effective intelligence of your human system? What are you waiting for?



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