Follow the LEADER

Jim Rooney highlights leadership lessons learned from his father, Dan Rooney

FRED KOURY
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Everyone desperately wants the coronavirus pandemic to fade away, which would enable a return to daily routines that have been turned upside down over the past two months. The difficult truth, however, is that no one knows when that will happen. A vaccine is likely more than a year away, leaving social distancing as the most effective strategy against COVID-19. Even when restaurants, stores and businesses do begin to reopen, a comprehensive plan to safeguard both employees and customers will be a must, says Ohio Gov. Mike DeWine. “Until there is a vaccine, this monster is going to be lurking around us,” DeWine said at one of his daily press briefings. Pennsylvania Gov. Tom Wolf added, “We must look ahead and take a measured, careful approach to prepare for the future while ensuring that we don’t undo all of our efforts.”

This reality presents business leaders with a challenge unlike any they have ever faced before. “There is no playbook for this,” wrote Microsoft CEO Satya Nadella last month in an email to his employees. Businesses of all sizes have been forced to lay off employees and scrap plans that made perfect sense only a few months ago. The thought of remaking a company to function in the midst of the coronavirus is daunting, whether you’re leading a small business, a middle-market company or a global technology firm.

“For me, the best way I’ve found to get past this anxiety is to focus on what I can do each day to make a small difference,” Nadella wrote. “Each of us, wherever we are, has the opportunity to do the same — take an action driven by hope, a small step that makes things a bit better.”

It could be something as simple as regular phone calls to your people to make sure they are safe and healthy. If you’ve had to lay off employees, keep them posted on your efforts to restore their jobs. Offer your gratitude to those still working to keep your company going during these difficult times. Nothing is easy these days as we await guidance on what will happen next. Now is the time to strengthen the bonds with your team and bolster the foundation upon which your company will build its new future.

“Strength does not come from winning,” said actor and former California Gov. Arnold Schwarzenegger. “Your struggles develop your strengths. When you go through hardships and decide not to surrender, that is strength.”

Fred Koury
President and CEO
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FROM THE CEO

Get your team ready
Build a foundation for your company’s new future

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On March 5, 2020, the Smart Business Dealmakers Conference, held at the Wyndham Grand Pittsburgh Downtown, welcomed over 400 guests with an all-star lineup of entrepreneurs, dealmakers and investors for a day of dynamic discussions and one-on-one networking.

Morning All-Attendee Panel featuring Leroy Ball, Kooper's Inc; Stephen Gurgovits, Tecum Capital; Jay Katarincic, Draper Triangle and John Lewis, Metz Lewis Brodman Must O'Keefe

Dustin Klein, Smart Business and Greg Lignelli, Systems One (2020 Dealmaker honorees)

Afternoon All-Attendee Keynote featuring Jim Rooney, Pittsburgh Steelers and moderated by Lynn Banaszak, Carnegie Mellon University

Smart Business Dealmakers Conference

Presented by Metz Lewis Brodman Must O'Keefe LLC
Jim Rooney set out to write a book about his father in part because he saw Dan Rooney as someone who could be both a good person and a winner. “I also thought about this idea that there are a lot of conversations about empathy in the workplace,” Jim told a capacity crowd at the Smart Business Dealmakers Conference in March. “And then there are a lot of conversations about winning. What I saw my father do well was blend the two. He was able to really find the balance between setting the highest standards possible and achieving outcomes, while also integrating having that respect for everyone who was involved in the process.”

In writing “A Different Way to Win: Dan Rooney’s story from the Super Bowl to the Rooney Rule,” Jim — co-partner of Rooney Consulting — highlighted his father’s approach through major, transformational initiatives in his father’s life. And he distilled leadership lessons he learned from his father’s philosophies and approach. “He was always looking at the big picture,” Jim said, noting that his father was known often to broaden the question. “If things were going well, he would ask the deep questions about what could go wrong. And when things were wrong, he always talked about what’s going well.”

BY SMART BUSINESS STAFF
Dan kept the long-game in perspective, making decisions based on the impact as far into the future as could be considered, and was focused on doing the right thing, or making decisions based on a larger set of circumstance than his own self-interest. From an organizational standpoint, Jim said, his father was disciplined in always trying to make decisions through the prism of those foundational philosophies.

“Going from values to output, for him, was pretty straightforward,” he said. “There were values, which centered around his beliefs. And the culture was about his set of beliefs but also other people’s beliefs and how people really embody those.”

**FINDING A FIT**

For Dan, the team — whether it was a management team or a football team — was responsible for execution. And in his eyes, there’s a direct pathway from buy-in to driving outcomes. In that process, culture is the engine.

“If we’re running a company, we want it driven by our beliefs, and then we want Pittsburgh Steelers in 50 years — two of whom are in the NFL Hall of Fame. During a process that’s as competitive and nerve-testing as hiring an NFL head coach, the urge is to work fast before the best candidates are gone, Jim explained. But not Dan. His process with the hiring of current Steelers head coach Mike Tomlin was methodical, starting with 37 candidates, then cutting down to 12, then to four before landing on Tomlin.

“Taking that time, being that deliberative in the hiring process, he really got to see the fit — the social fit, the cultural fit, the fit from a moral standpoint, a belief standpoint — that he was going to fit into our organization,” Jim said.

**CREATING A COLLECTIVE FUTURE**

Jim had a front-row seat to see his dad work through the process of creating the Rooney Rule. At the time it was being developed, there were few blueprints in terms of diversity policies. So in its earliest stages, there were many conversations around ensuring merit was involved in the hiring, overcoming obstacles of bias and removing barriers.

As chairman of the diversity committee after the policy development, Dan continued to press owners to interview more diverse candidates for jobs that the Rooney Rule didn’t even require because he understood that the pipeline is important, Jim said. That required conversations around why this would be good for an organization or for the future of football.

There was also the negotiation of a tangle of related issues — from legal items to
developing the candidate pool — all of which had to be systematically addressed.

“You hear the Rooney Rule and you think it’s one policy, but it was much more of a process of facing the challenges of diversity,” Jim said. “And my father would be the first one to say the challenge is still here. We still have a lot of work to do. But his contribution, at least from what I saw, was pretty significant and pretty in-depth.”

Prior to the Rooney Rule, Jim said there were seven minority hires from 1920 to 2003. Since then, there have been 30. And there have also been significant increases in the number of minority assistant coaches and on-field officials.

Further, Jim noted, the Rooney Rule now has influence outside the NFL. Organizations like Goldman Sachs and Amazon have developed hiring rules at least in part modeled after the Rooney Rule. The legal profession developed the Mansfield rule, a sort of next-gen Rooney Rule that calls for 30 percent diversity in lawyers being considered for key firm roles, including leadership.

STEPPING INTO TROUBLE
Negotiating ambitious change, such as the Rooney Rule, meant stepping into a situation without the ability to have a clear sense of the outcome.

“But he stepped into them fully,” Jim said. “He dealt with the mess. He always felt that going through a mess was better than going around it, that you were going to get a better solution. You didn’t fear something because it was going to be hard. In fact, if you went through it you probably would come up with a better solution.”

That sentiment was there when Jim’s father started going to Ireland in the late 1960s during what was known as the Northern Ireland Conflict — a 30-year period of violence and civil unrest.

Dan funded education programs designed to put Catholics and Protestants into the same schools and funded business incubator programs. He would talk to entrepreneurs, teachers and the principals of these programs, bringing together people engaged in serious conflict and building relationships.

“He had conversations with people on both sides of these initiatives over and over again, but he just believed that you had to be there,” Jim said. “You had to be in those difficult situations if you were going to make any progress. And then you had to do that over a long period of time if it was going to be effective.”

FOLLOW THE LEADER
Jim said his father had great foresight. He was able to envision a future and then get people to rally around that vision. But he also had what Jim refers to as great peripheral vision.

“He had this great rigor,” Jim said. “He took time and really tried to understand all of the consequences. It was sometimes slower and sometimes more tedious and sometimes created some level of frustration, but he really tried to understand not just where you want to get to, but what are the ramifications of it? And then re-factor how he was going to get somewhere by the more information or the more perspective that he had.”

And so from Jim’s standpoint, the most important quality of his father’s leadership is what he called followership. “You do things that people want to follow,” he said. “And absolutely, unequivocally, the thing that I have seen that works the best is authenticity.”

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–JIM ROONEY, AUTHOR, CO-PARTNER, ROONEY CONSULTING
Hedge your risk
Strategies for companies with international currency exposure

INTERVIEWED BY ADAM BURROUGHS

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In a market crisis, investors rush to safe haven assets, which for the currency market tend to be the U.S. dollar, the Japanese yen and the Swiss franc, strengthening those currencies. At the same time, money moves out of emerging markets, which depreciates those currencies.

In this troubled market, a depleting demand for oil has caused crude prices to collapse. That has also had a negative effect on emerging market currencies that are highly tied to oil. These actions together have created significant risks for many U.S. businesses.

“Another unfortunate aspect of a crisis like this is that business forecasts just get totally thrown out the window,” says Jim Altman, Middle Market Pennsylvania Regional Executive at Huntington Bank.

“When companies hedge, they often project out a year or two. But in a crisis like this, those forecasts are cloudy at best. It’s a paradox that in a crisis hedging is more important — you want to be protected and insulated against risk — but it’s difficult to implement because of the uncertainty in exposures. It’s a tough environment to deal with.”

Smart Business spoke with Altman about risk-hedging strategies for companies that have exposure to international currency markets.

WHO HAS EXPOSURE TO RISK IN FOREIGN CURRENCIES AT THE MOMENT?
If you are selling in foreign markets and the dollar strengthens, then the value of those foreign sales goes down, which can have a significantly negative impact for larger companies. If you’re manufacturing or purchasing material outside the U.S., the strong dollar could be beneficial because it gives you more purchasing power there.

There is also a second-level effect. If you’re a U.S. company primarily dealing in the U.S., you might not have direct foreign currency exposure but you might work with suppliers or customers that are foreign-owned or have operations that are heavily involved in international supply-chain activities. They might become impacted by foreign exchange rates or market impairments. And even beyond foreign exchange rates, international supply chains are facing challenges because companies have had to furlough employees or are partially or entirely shut down.

HOW CAN COMPANIES MITIGATE THEIR EXPOSURE TO RISKS IN FOREIGN CURRENCIES?
If you’re concerned about international risk, consider extending hedge tenors. A typical hedge might be inside six months or a year. But now you might want to consider looking out two years because you’re concerned about the longer-term risks to the business.

The other thing that you can do is increase hedge ratios. You may typically look to hedge 50 percent of your foreign purchases out a year, but now you might want to hike that up to 75 percent or all of what you anticipate purchasing because of the risk in the market.

When you’re very certain about hedging, you can enter into a forward rate contract and that’s what a lot of our companies use to enter foreign exchange hedges. But if you don’t have total certainty in the underlying exposure, then you should look for alternative hedge instruments, such as FX Options. That’s something to talk with your banker about to find the best strategy.

SHOULD COMPANIES NOW FOCUS ON RISK MITIGATION OR FINDING OPPORTUNITIES?
Initially it’s important to stop the bleeding, focus on shoring up core capabilities and be really diligent about your risk management framework. Identify and quantify critical risks in the context of your risk tolerance, then look for strategies to hedge the risks that exceed that tolerance. This process can be done with a banker or accountant, who can then help you come up with a plan to hedge risk. With the bleeding stopped, you can be on the lookout for opportunities with partnerships, investments and in the M&A space, for instance.

There is uncertainty right now that makes hedging strategies difficult. Working with a bank and developing a plan within your strategic framework can help you identify risks and develop a plan of attack.
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Innovation landscape

How established companies can secure game-changing innovations

There is global consensus that large companies across various sectors need to innovate, be agile and anticipate new technologies, new markets and new demand cycles to stay competitive.

“We are seeing a paradigmatic shift among large companies,” says Justine M. Kasznica, a shareholder at Babst Calland. “Not only are these companies seeking to attract a diverse and innovative workforce, they are pursuing business-optimizing innovation and solutions, which are often found outside their walls.”

Smart Business spoke with Kasznica about how established companies are finding and taking control of technologies that set them up for a bright future.

HOW DOES INTERNAL INNOVATION OFFER LARGE COMPANIES A COMPETITIVE ADVANTAGE?

While large companies have traditionally innovated from within, recently this model has matured. Now large companies are creating R&D labs with a tech transfer capability designed to be more agile than the parent company. These innovation centers have a distinct culture that’s more agile, nimble, able to sustain high growth. In this model, the company funds and owns the innovations outright and can decide the best course of action to bring them to commercial life — as an asset of the company or a spinout entity that licenses the technology from the parent company and grows independently.

WHAT SHOULD COMPANIES CONSIDER WHEN ACQUIRING COMPANIES FOR THEIR TECHNOLOGIES?

As an alternative way to innovate, many large companies search for and acquire companies to bring their technology and innovators in-house through M&A. In this model, due diligence is critical. In addition to financial assessment, it requires an evaluation of whatever technology is being purchased and whether the intellectual property (IP) is sufficiently protected. It further requires a review of employment, confidentiality and licensing agreements to ensure that the acquirer will be free to commercialize and develop the acquired technology assets.

HOW CAN COMPANIES LEVERAGE EXTERNAL INNOVATION TO ADD VALUE?

Increasingly, large companies search for and identify technologies and technology companies in the early and high-growth stages outside of their organization and work with them as commercial partners, often as a prelude to acquisition. Using short-term evaluation agreements, large companies can evaluate a particular technology and test its commercial viability through the successful achievement of key performance indicators (KPIs) or other milestone-based criteria. These types of arrangements typically include inbound licensing of the IP.

When entering into a pilot or evaluation agreement, both parties are encouraged to protect their investment in the relationship by setting it up to convert to a long-term agreement if certain performance indicators are met. These KPI ‘gates’ present each party with an ability to shape the relationship, share in the development and enjoy the benefits of the innovative output. They also help each party mitigate the risks of overcommitting, with each gate presenting a chance to walk away.

Of course, contractual safeguards must be put in place to ensure the security of company IP, data and customer information, as well as regulatory compliance and other risk-mitigating protections.

HOW DOES STRATEGIC INVESTMENT ENABLE ACCESS TO NEW TECHNOLOGIES AND INNOVATIONS?

Some large companies establish investment divisions or entities, often run independent of the company, that operate under a venture capital model. These strategic corporate investment groups scour the world for high-growth, disruptive technologies and innovations, which they then invest in. Some corporate venture arms invest in high-growth targets as a way to make money for the company and broaden its value base through revenue. More commonly, they invest in companies developing technologies or innovations that strategically align with the parent company’s interest, where the portfolio company, if successful, becomes an acquisition target for the parent company.

Whatever the approach, large companies should work to understand the innovation landscape and the ways they can leverage it to stay ahead of the competition.
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Exit stage right, fade to black

What do these theatrical stage directions have to do with being a business leader?

To get people to follow, buy into your goals and objectives, and then execute the plan, leaders must connect with those who will make it happen.

The first step is getting people to listen, not just hear, your words, lest your big message fall on deaf ears. This requires a presenter who’s part-orator and part-evangelist. The first reveal of any unique, new concept must stop an audience in its tracks. The more out of character or unexpected the better. A provocative statement or challenge can be an effective launch to something that deviates from the norm.

The next hurdle is convincing those assembled that what is being proposed not only makes sense but is achievable. Don’t confuse achievable with easy. Introducing a stretch and near-audacious goal can engage, excite and motivate an audience and keep them on the edge of their seat. It can also start them wondering and wanting to know more.

Good examples are the techniques used by Tesla’s over-the-top leader, Elon Musk, who frequently makes seemingly absurd comments about the future of the electric car — like something out of science fiction — and then translates his ideas into a more-likely-than-not scenario. Sir Richard Branson, the off-the-wall entrepreneur of Virgin Galactic and rocket ship mogul, initially had naysayers scoffing at taking tourists on adventures to Mars. That reaction was soon followed by tens of thousands of wannabe adventurists inquiring about and signing up for this fantasy-inspired 67.8-million-mile round trip to the fourth planet from the sun. After getting people to listen to the unlikely, the critical next step is getting them to buy into the idea. This necessitates unwrapping pieces to the puzzle with an initial road map to the master plan, which is likely to be a bit sketchy on details at this early stage.

The other ingredients in the secret sauce of motivating listeners and getting them to embrace a goal is to break down the journey into recognizable waypoints and how the score will be kept — explaining the big picture of what might be in it for converted believers. The prize does not necessarily have to be monetary. It can be as simple as bragging rights, with badges of glory for being among those going where others have never dared to go before.

Many a good idea has likely never made it off the launch pad when the initial introduction bored the listeners. The magic of selling something new takes creativity and generous doses of energy. It also takes preparation, as well as a bit of thespian, so that the words get attention, invoke interest, stir desire and then reach crescendo with a call to action. These are the cornerstones, be it for selling trips to Mars or convincing others to join a winning team.

And, to cap off a bombshell presentation, employ an equally dramatic ending by silently exiting stage right, as the presentation fades to black much like a great TV show or movie that abruptly ends. This really starts people thinking and ensures that they remember the message.

Even if you’re not planning an earthshaking announcement, just think how effectively any of these techniques can enhance and sell your next major undertaking.

Michael Feuer
Co-founded OfficeMax and in 16-years, as CEO, grew the retailer to sales of $5 billion in 1,000 stores worldwide.

Today, as founder/CEO of Max-Ventures, his firm invests in and consults for retail businesses.

Serving on a number of boards, Michael is a frequent national speaker, and author of the business books “The Benevolent Dictator” and his newest book “Tips from the Top.” His long running nationally syndicated Smart Business magazine column has received more than 10 awards for excellence.

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Visit Michael Feuer’s website www.TipsFromTheTop.info to learn more about his columns, watch videos and purchase his books, “The Benevolent Dictator” and “Tips From The Top.”
Do you have the foresight to envision solutions beyond problems?

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