N E W S L E T T E R

Ayers Report

SUMMER 2004

from The Ayers Group, Inc., a co-owner of Career Partners International

J&J Chairman Weldon Opens Ayers' Leadership Series

Close to 200 senior executives gathered at Manhattan's Union League Club on June 2 to network and hear William Weldon, Chairman and CEO of Johnson & Johnson, talk about the Credo and the Global Standards of Leadership that have made J&J the world's most comprehensive, broadly based health care company. The breakfast program was the first in a new series on leadership sponsored by The Ayers Group. Following are excerpts from Mr. Weldon's remarks.

On Strategic Principles

Our Strategic Principles have been around for a long time, and we constantly challenge them:

- *Be broadly based in human health care*
- *Decentralized management*—Instead of having one company with a hierarchical, centralized management, we have 200 companies. The people who run them have complete autonomy. We hold them accountable for meeting their objectives. This gives 200 leaders opportunities to go into small businesses, take a leadership position, and stumble a few times, learn and gradually evolve into larger and larger

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(left) Bill Ayers, J&J's William Weldon and Nick Valeriani, and Dennis Flanagan

President's Letter

Leadership Matters—More Than Ever

Leadership is always an issue in the business world. It's what lies at the heart of our practice in organizational effectiveness. But we at The Ayers Group have never seen a time when leadership was more crucial than it is today.

We're all operating in a business environment that is increasingly competitive and global, with cycle times that are growing ever shorter. It's an environment in which business news has become general news—consumed as avidly on Main Street as on Wall Street. Access to information has made customers, employees, shareholders, and other constituencies savvier. And in the wake of well-publicized corporate governance failures and scandals, pressure for transparency and the return of good stewardship has grown stronger.

Today, like never before, the ability to compete successfully is a function of having the right leadership in place at all levels throughout the organization. And future success is secured by having the right leaders in place tomorrow.

Johnson & Johnson Chairman and CEO Bill Weldon, who spoke at our first leadership breakfast program, summed it up in his response to a question his son once asked him: "What keeps you awake at night more than anything?" His answer: "The future leadership of the company—who's going to sit in my job when I leave."

That's what keeps me up at night, too, as it should any CEO. Not planning for the future—for a smooth succession that ensures business continuity—is a formula for failure.

Are companies paying enough attention to this? Are too many CEOs simply paying lip service to leadership development?

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Ayers' Leadership Series

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businesses. If you go into a multibillion-dollar business and stumble, you ruin your career. Decentralized management is part of the magic around J&J. When you think of yourself as a $42 billion company, how do you grow at 15 percent a year? We look at ourselves as 200 small companies. Each one grows within its market. It allows them to be so much more successful.

- *Manage for the long term*—Whether it's with products, companies, or people, it's a commitment to development. There are many 25- to 30-year veterans at J&J because there's an investment in their future and their development.
- *Ethical principles*—Our Credo is the true underpinning of J&J. The Credo has been around for 60 years and is the document that moves us forward. Every major decision starts with the Credo.

On the Credo

It starts with responsibility to *customers*…There are ethical decisions you have to make to protect your customers. It allows you to excel over time.

Next are *employees*. Our philosophy is that everyone gets treated with respect and dignity. That doesn't mean you don't make tough decisions. One of our companies was meeting every expectation but the infrastructure was much larger than the organization's needs. So we cut back a significant number of jobs, set up an outplacement organization to work with us, and placed over 90 percent of the people who asked for help. We paid so much attention to those being outplaced, we forgot about the people who were staying. Only in retrospect did we learn that we needed to pay attention to those.

Third is *community*. We do a lot in terms of community service but more than that, it's the individuals who volunteer their time in the community. And we recognize them for that.

If we take care of our customers, employees, and the community, everything works out well for our *stockholders*.

On Global Standards of Leadership

About eight years ago, we put together our Global Standards of Leadership. Each spoke on the wheel (www.jnj.com/careers/leadership.html)—innovation, collaboration, complexity and change, organizational and people development, customer and marketplace focus—represents an area in which management is responsible for achieving business results. At the center are the Credo values. We look at these standards all the time in evaluating our people. There's forgiveness on the numbers side but not on the Credo values. Business results have to be tied to them.

On Talent Management

We look at the individuals' track records for the past three years. Then we look at our Global Leadership Profile and the job requirements, expectations, and experiences. If they've been based in the U.S., we may send them abroad. If they're in our consumer business, we may move them into pharmaceuticals. Someone in operations who's been running a facility but has great skills and leadership potential may be placed in general management programs.

The J&J Global Leadership Profile

- Integrity and Credo-based actions
- Strategic thinking
- Big-picture orientation with attention to detail
- Ability to inspire and motivate
- Intellectual curiosity
- Collaboration and teaming
- Sense of urgency
- Prudent risk taking
- Self-awareness and adaptability
- Results and performance-driven

The Executive Committee takes on a group of about 100 high-potential people we want to move along. Each of the group operating committees—pharmaceutical, consumer, and medical devices and diagnostics—and operating companies does the same thing, so you have this wealth of talent.

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With each individual, we draw up performance appraisals, identify needs, and create a written development plan with built-in accountability. Rewards and compensation are tied into the program. Part of that is performance driven. It all has to be tied together. And there has to be honest conversation about performance.

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One of our development programs is called Perspectives. The Executive Committee identifies major future challenges we'd like to better understand. The challenge we gave our people this year was how to make our marketplace a 50-50

"Leadership and people are one of the top five growth drivers in every one of our businesses."

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split between the U.S. and foreign markets over a five-year period. We selected 25 to 30 high-potential senior executives and put them together for six months. We gave them five or six questions to answer. They continued to do their jobs but spent three or four months visiting companies that have been very successful in growing their businesses outside the U.S. Then they assimilated the information and presented their findings and recommendations to the committee. We go from there and make decisions. It's a great developmental opportunity. They get to cross-fertilize, get a broadening experience, become better managers, and develop an infrastructure of relationships. They get to know the Executive Committee and we get to know them as they help us make decisions for the future.

"You can't become so metric driven you breed out innovation."

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Our ability to move our human resources around throughout the businesses brings such huge value and strategic advantage over time…We actively encourage people to find ways to bring value by working together in groups and finding opportunities…We don't believe in top-down management: telling people "this is what you have to do." It works better from the bottom up. Get people together and create an environment that encourages them to work together.

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It really is all about people—the individuals, the leadership, and the Credo…You have to be committed to people. It's the creativity and skills they bring that make a corporation great. This is something J&J has focused on throughout its history.

The presentation was followed by a lively Q&A session. Afterward, participants commented on the sincerity and honesty of the speaker, the breadth of his experience, and his ability to connect with the audience. "It was great to listen to an ethical leader," one executive commented. ■

To learn more about our programs, please call:
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College Day Coaches Grads on Competitive Job Campaigns

The Class of 2004 faces a more positive job market than its most recent predecessors. Surveys conducted by the National Association of Colleges and Employers (NACE) indicate that employers plan to hire 11.2 percent more new college graduates this year than in 2003. The outlook is best in the service sector (+16.1 percent), followed by manufacturing (+12.6 percent). Employers in the Northeast have the most favorable projections (+20.9 percent).*

This is good news for the 100 or so students who attended The Ayers Group College Day Seminar on June 1, as well as for their peers in the "millennial generation" coming of age in the new century. The full-day interactive program was designed to help graduates prepare for the realities of finding a job by providing intelligence about the current market and tools for launching a competitive job campaign. Developed and presented by a team of Ayers career-transition professionals led by Shelli Kanet and Jim Shattuck, it was hosted for a second year by UBS.

Morning sessions walked attendees through the pre-interview process: researching the market, writing attention-getting resumés and cover letters, and networking effectively. Afternoon breakout sessions focused on helping young job seekers present themselves in the best light during and after interviews. The program closed with a panel discussion involving recruitment executives from American Express, MetLife, MTV, TimeWarner, and UBS. Each attendee received a comprehensive workbook featuring sample resumés and cover and follow-up letters, resource lists, and exercises and tips on resumé building, networking, and interviewing.

The program drew rave reviews. "This was the next step I needed to boost my job search skills," one young attendee commented. "I will now be a much better representative of myself." "I feel much more confident about the interview process now," another said. "I did not give thought to project accomplishments before, which could help in an interview or on a resumé," a third student added. "I had not conceived of setting up informational interviews as part of networking. It was great job search preparation."

The Ayers Group offers College Day on a pro bono basis for students nominated by its client firms. "We've always believed in the importance of giving back to our community and of providing clients with value-added services," says CEO Bill Ayers. "This is one way to accomplish both objectives." ■

**NACE Job Outlook 2004 Spring Update www.naceweb.org*

Staffing/IT Consulting—

Intelligence From the Front

The drumbeat of good economic news is getting louder.

- GDP continues to grow.
- Payroll numbers have risen for nine straight months.
- Nearly 1 million jobs were created in the last three months alone.
- The global economy is also positioned for continued growth.

Half of all executives responding to a Conference Board survey in April expect a hiring rise in their industries—the highest percentage since 1991, when the survey began. As optimism returns to Corporate America and companies open their wallets, much of their capital spending is focused on the tech sector.

To get a first-hand look at the improving marketplace, the *Ayers Report* sat down with Ayers' President of Staffing Services, Bob Deissig, and Managing Directors Donna Held (IT Consulting), Bill Kirk (Rye), and Harry Plastik (New York, London).

AR: *Bob, give us an overview of what you're seeing out there.*

Bob Deissig
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DEISSIG: Business is very good, and the momentum in the technology job market continues to grow. March, April, and May were the biggest months our group has had during my 13+ years at Ayers. We are making placements at all levels across a wide spectrum of disciplines, and the number of consulting assignments has increased nicely as well. We continue to pick up new clients in financial services and other industries, including health care.

AR: *Is the activity focused here in the U.S. or in the new London office?*

DEISSIG: It's across the board. In fact, we recently added three new Senior Recruiters—two in London and one in Princeton—and hope to add another in New York on the consulting side.

AR: *You said consulting activity is up. What trends are you seeing in the IT consulting practice?*

HELD: We are doing more project-based consulting than right-to-hire placements at the moment, although there are some of both. Rates are beginning to increase. And there has been a change in the marketplace with regard to Project Managers. It's no longer enough to be the old-fashioned kind of Project Manager. Clients are looking for people with experience in Six Sigma or the Rational Unified Process® (RUP) programming methodology.

Donna Held
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AR: *What trends are you seeing in recruiting?*

KIRK: Employers are loosening their requirements. When it was a buyer's market, they could hold out for candidates with very specific, even exhaustive, skill sets. Now they can't afford to do that. When you lock in on a good candidate, you may find three or four firms competing against you—particularly in the case of candidates with very specific, highly sought-after skills sets or a hot technology in their backgrounds.

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DEISSIG: We've also begun seeing signing bonuses again, although it's not widespread.

AR: *So what skills are hot right now?*

KIRK: Candidates with technical skills in program trading and fixed-income credit derivatives—programmers, developers, analysts, etc.—can pretty much pick where they want to go. These are two of the hottest areas. We also have had success lately in the world of electronic trading.

AR: *That's a relatively new and highly competitive area, isn't it?*

KIRK: Yes, because electronic trading is faster and more efficient and cost-effective for block and high-volume trading. Some electronic trades are executed in an eighth of a second! That's why this new technology is taking a toll on some traditional trading desks. Right now, institutions with electronic trading platforms are out there trying to convince hedge funds and others to trade through them rather than going to the trouble and expense of building, staffing, and funding their own systems. It's a battle over who has the fastest, more effective, most technologically sound system—and the best people to market it! We recruit for the whole gamut of electronic trading—technical people, business managers, and marketing/sales—on a global basis.

AR: What other kinds of openings are you seeing?

PLASTIK: We are working on openings in every conceivable area—business-process reengingeering, infrastructure, development, telecommunications, etc.—all within investment banking, management consulting, and the software industry, as well as electronic trading. We recently placed a Managing Director and European Head of Fixed-Income IT and a Global Head of IT Resourcing, both at major investment banks in London. And we've filled a lot of senior positions at lower levels as well. Business is very good! ■

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Staffing Services Staffs Up

We are pleased to welcome three experienced IT recruitment professionals who have joined The Ayers Group as Senior Recruiters and Account Managers.

- Joy Breese has been recruiting executives and IT professionals for permanent, contract, and outsourcing positions nationwide for more than nine years. Her industry experience includes financial, insurance, legal, manufacturing, pharmaceutical, and telecom. Joy's clients have included AIG, Bear Stearns, Coach, Medco Health Solutions, Novartis, TD Waterhouse, and Verizon Wireless.
- John Hannam comes to Ayers with a background in finance, telecom, and sales. During his seven years in the field of IT recruiting in the UK, he has managed teams of recruiters across a variety of tech sectors. Earlier in his career, John worked in the spot foreign exchange markets on both the sales and trading sides.
- Helen Noble has been delivering recruitment services in the IT and telecom industries in the UK for the past six years and is also experienced in business development. Her clients have included Amdocs, Capgemini, EDS, HRM Software, Nortel Networks, and Synstar. ■

PRESIDENT'S LETTER

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In my experience, anyone who talks about the issue has most likely spent some time addressing it. Because once you put it on the table—especially in the current governance environment—dealing with it becomes obligatory. And you will be held accountable. I find that the ones who don't talk about leadership development really haven't done anything about it.

It's really not a matter of choice. Sarbanes-Oxley and other new governance rules and regulations have upped the ante. Savvy leaders in human-resource management today know they're going to be held more accountable for what they do in their practice. It all ties in to organizational development and effectiveness—leadership training and development, teambuilding, diversity, succession planning—which must be based on a solid understanding of the organization's culture, strategic direction, and objectives. There are implications for one of the most important issues we'll see in the next year: retention, which will become especially critical as the job market warms up. And it comes back to the basics: employee relations, mobility, and benefits and compensation.

Leadership also becomes more critical at a time when organizations have become leaner. The smaller the crew, the greater the need for a steady hand on the helm and good guidance. You need stronger leadership to ensure everyone's adherence to the organization's principles.

At our leadership breakfast, we heard about the ethics and the Credo that are central to Johnson & Johnson's business. With all the lapses in the business world in recent years undermining reputations, you marvel at an organization such as J&J that can stand proud. As a CEO, you have a responsibility to lead an ethical organization. From my point of view, it's a pleasure to manage people who have a strong degree of ethics.

Leadership development is a core competency, and it has to be a permanent part of any organization's strategy. This is something we at The Ayers Group can help you with, through our Organizational Effectiveness Consulting practice. And it's something we plan to continue exploring through our leadership program series. ■

When Coaching Fails

Coaching has surged in popularity in recent years, gaining widespread acceptance as a tool for executive/leadership development, talent management, and organizational transformation and effectiveness. As it comes of age, coaching has increased in complexity. Coaches and organizations alike face the challenge of using this high-impact tool effectively. Following are some of the most common mistakes made on both sides of the equation.

Mistakes Organizations Make

Mistake #1—*Not aligning coaching goals with organizational strategy*

When we undertake a coaching assignment, we always ask, "What are the objectives? What do you want to be different by the end of the engagement?" It's surprising how often there is no ready answer. If you don't coach by objectives, how do you know what the coaching is about? How can you invest in coaching without thinking about ROI? Any coaching that goes on within an organization needs to prove it's tied into the overarching business goals and strategies and meets organizational needs.

Mistake #2—*Forcing an executive into a coaching assignment*

The coachee's willingness to actively participate in the process is critical to success. How can a coaching engagement be successful if coaching is dictated as a next step? If a coachee doesn't see the benefits of coaching and merely goes through the motions because he or she has been told to do so, there will be no ROI. You have to make it a win-win situation and achieve buy-in. At Ayers, we help frame the engagement in a way that motivates the employee to change. It begins with ensuring the right coach-coachee fit and letting the two connect before the engagement begins. Sometimes people resist coaching because they don't believe they can change. A good coach can educate the individual about the process and show that the desired skills and behaviors can be taught/learned.

Mistake #3—*Disregarding the coach-coachee fit*

Some clients fall in love with a coach and want that individual to be the organization's coach. Some think having one coach will make it easier to spot organization-wide patterns. In coaching, one size does not necessarily fit all. Successful coaching depends on achieving the best coach-coachee fit—something you get when you work with a coaching organization that has depth of bench. Our model of profiling both the individual to be coached and the coach to find the best match in terms of expertise, personality, and chemistry enhances the likelihood of success. And we're highly attuned to spotting patterns. We debrief our coaches as part of each assignment and when we have multiple assignments within an organization, we often bring the coaches together to get a sense of the big picture—while maintaining confidentiality.

Mistakes Coaches Make

Mistake #1—*Taking an engagement outside their range of expertise*

As I said earlier, finding the right fit between coach and coachee is critical to success. But as business people, coaches don't want to disappoint clients and they don't want to turn down work—even when an assignment may not be a good fit. One advantage of working with a coaching organization over an independent coach is access to an army of coaches with a range of specialties. At Ayers, we have the resources to carefully match coach-coachee profiles, ensuring the optimal fit of personalities and needs/expertise and finding connections that result in good chemistry.

> *A 2001 study conducted among FORTUNE 1000 companies found that, for 100 cases studied, the average ROI for executive coaching was 5.7 times the cost of coaching.*

By Joan Caruso

MISTAKE #2—*Buying into unfounded rumors and corporate gossip*

Much of the value of an external coach is objectivity. But when coaches do a lot of work within an organization, they can become enmeshed in the company and its culture, jeopardizing objectivity. We use our debriefing process to watch for signs that the boundaries might be blurring and coach our coaches accordingly.

MISTAKE #3—*Encouraging an unproductive dependence*

A coach is a position of power. To be effective, you have to exert a certain degree of influence over the individuals you're coaching. Because there's a financial incentive to continue the relationship, deciding when to cut the cord can become an issue. This is one reason why coaching by objectives is so important. When the objectives agreed to up front have been met, you cut the cord. Which isn't to say a coach and coachee can't decide to establish a new set of objectives, as often happens. But then a new process starts.

MISTAKES BOTH MAKE

MISTAKE #1—*Not holding the coachee accountable for change*

Coaching doesn't lead to change unless the person being coached is motivated, expectations are established, and both coachee and coach are held accountable for achieving them. Again, that's why coaching by objectives is critical. Everyone involved in the process needs to be clear about the objectives. The coach and coachee have to work as partners. The coach has to make it clear, "It's not my job to change you; it's your job to change. I'm not the one who's going to be out there on the playing field, you are. If you're going to change, you need to do things differently. So here's what I expect from you."

Working with a strong coaching organization such as The Ayers Group can help illuminate the mysteries and eliminate the missteps of coaching, ensuring a high ROI. ■

COACHING AND THE RECOVERY

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Ayers Report: Has coaching activity picked up with the improvement in the economy?

CARUSO: Coaching activity never quieted down, even as the economy got bad. What happened was that it shifted focus.

AR: To what?

CARUSO: As hiring freezes forced companies to make the most of what they had, we saw an upturn in remedial coaching assignments from late 2001 into '02—mostly for serious problems. That was followed, into 2003, by a wave of developmental engagements focused primarily on transition/assimilation coaching for executives promoted from within. Coaching was generally reserved for senior levels. We also got calls from many companies that couldn't afford salary increases or bonuses and were looking for coaches to help their managers get that message across. What they really needed was a training program to help managers present the reality in an honest way, and we did many of those.

AR: And now?

CARUSO: We're seeing a return to the norm: a variety of coaching assignments focused on middle as well as senior executives for a variety of reasons. ■

Ayers Helps Community Banks Planning to Take the Merger Plunge

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Buoyed by the ongoing economic recovery and improved earnings, global M&A activity has risen to a level not seen since late 2000. During first-quarter 2004, dealmakers in the U.S. forged more than 2,000 domestic and cross-border agreements with an aggregate value of over $278 billion—up from $75 billion in first-quarter 2003. This renewed activity is a clear signal that business leaders are looking to the future with confidence. It also means we can expect new rounds of corporate restructuring and layoffs.

Financial services was one of the most active industry sectors. Although megadeals—J.P. Morgan Chase and Bank One—get most of the attention, 90 percent of the past decade's bank mergers have involved targets with assets of under $1 billion and 75 percent have involved institutions with assets of under $250 million. This consolidation of community banks is driven by geographic imperatives and/or the search for critical mass and efficiency in the face of heightened competition.

The Ayers Group has become actively engaged in supporting community banks—in the under $1 billion to $20 billion range—throughout the M&A process. There are a number of issues in the initial phase of a merger or acquisition common to these institutions and the broader corporate community. But community banks evidence a number of characteristics that affect planning, execution, and success.

- They generally have been established to meet the needs of a specific community or population and branded accordingly.
- Most have grown organically rather than by acquisition.
- Often not large enough to be on common, industry-defined platforms, they tend to have unique systems and processes.
- Their HR staffs are usually lean and focused, of necessity, on tactical support.

Mergers are never easy. There is often a tendency to focus more on the strategic and financial aspects and less on the equally important human aspects. Integration adds exponentially to the workload of HR professionals. Leanness of the HR staff combined with the other characteristics I just mentioned underscore the need for expert support and guidance, particularly in the following areas:

- Creating a detailed project plan
- Identifying and working with all key stakeholders
- Structuring and executing a communications plan
- Creating and executing policy and practice in WARN notifications, skills-gap analysis—tied to business plans—compensation and benefits analyses, severance, and retention

These all are critically important in the pre-integration phase of a merger or acquisition. Also important, and too often overlooked, is the need to plan as early as possible for what will happen *after* the legal act of integration has been accomplished.

How will the cultures be blended? How will the skills of each institution's role incumbents be assessed in light of new business objectives? Will the identities of the institutions be retained or merged? How will product conflicts be resolved? How will the new value proposition be presented to employees, customers, shareholders, and other stakeholders? How does all this support the new institution's expected revenue pipeline?

The success of a merger or acquisition depends on how effectively the transition is managed—especially in the earliest stages. That requires planning. The Ayers Group has extensive banking-industry M&A experience, in both premerger integration planning and execution and post-merger integration and implementation. We work with company leaders and HR, providing strategy and operational support, insight into best M&A practices, tactical implementation, and advice and counsel.

The Ayers Group/CPI white paper on M&A is available online at www.ayers.com. ■