



101 Great Ideas That Work: Leadership & Managing

Inc.

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LEADERSHIP & MANAGING

*Practical tips
and road-tested
advice from
leading American
entrepreneurs*

New!

INC. 101 GREAT IDEAS THAT WORK: LEADERSHIP & MANAGING

Practical tips and road-tested advice from leading American entrepreneurs.

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First Edition

Introduction

Wouldn't you like to tap into the most creative, innovative, entrepreneurial minds to help you lead and grow your company? At *Inc.*, we've been reporting and writing stories about smart and inspiring entrepreneurs since 1979 and, along the way, we've introduced our readers to topics and tactics that have the power to enlighten and transform. Over the years, we've learned again and again that big, bold, and audacious ideas are backed-up by seemingly small daily deeds that build a long-lasting enterprise. That's why we created our new "101" series of digital books. We've culled the very best actionable advice from *Inc.* magazine and Inc.com and condensed it into a format that we hope will motivate and inspire you. Don't (we repeat, *don't*) read all these at once. When you find a tip that strikes a chord, we hope you'll stop reading and take the first small step toward turning that idea into action. Read. Act. Repeat. You get the gist.

The first book in our series focuses on leadership and managing. It's one fundamental discipline that can make or break your company, and one that we bet you may have little time to perfect when you're juggling a million balls. Some lucky entrepreneurs seem born to the task, but most struggle mightily, preferring instead to focus on the pursuit of revenue and profit. Who has time for pesky HR issues when you have new markets to conquer? But the bottom line is this: if you want your company to grow, you must devote time and energy to create an environment where employees feel invested not only in their own success, but in the success of their co-workers, and in the future of your company.

Among *Inc.*'s 101 strategies, you'll read about:

- Kevin P. Ryan, the CEO of Gilt Groupe, and why he spends 20% of his time on human-resources tasks.
- Why Tony Hsieh of Zappos offers new hires \$2,000 to quit after they complete the company's initial training program.
- Meg Cadoux Hirshberg's advice on running a business with your spouse.
- How Nick Sarillo of Nick's Pizza & Pub has found a way to retain young hourly workers.
- Joel Spolsky and why he scrapped his flat, everyone-reports-to-me corporate structure at Fog Creek Software for a hierarchical one.
- Why Larkspur Hotels & Restaurants founder Karl Hoagland fired himself.

As a CEO, you need to keep a close eye on the changing day-to-day management challenges in your company and respond to them. But you also need to take care of yourself. So we've also included tips on time management, travel, and stepping away to recharge your batteries. We hope you'll be reinvigorated by what we've compiled and we invite you to share *your* best leadership and managing tips with us at Inc.com.

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Take good care of your employees. Follow the case studies of Patagonia, Fog Creek Software & more.

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Meg Cadoux Hirshberg, *Inc.* columnist and wife of former Stonyfield Farm chairman Gary Hirshberg, describes how to make your home a sacred non-work space, and other recommendations.

HIRING

1. Why You Should Recruit Every Day

“I used to think business was 50% having the right people,” says serial entrepreneur Kevin P. Ryan, the founder of DoubleClick and the CEO of Gilt Groupe. “Now I think it’s 80%. The best way to be productive is to have a great team.” To ensure that his companies hire the best possible people, Ryan invests some 20% of his time on human-resources-related tasks. For instance, he spends at least an hour every day interviewing a job candidate and meets with his HR director every two days to discuss recruiting and other issues. Why spend that kind of time trying to find the best people for the job? Ryan says knowing his staff enables him to delegate with confidence. “I take six or seven weeks of vacation a year, though I’m always connected,” he says. “When you’ve got the best people running things, you can take your kids skiing in France.”

2. How to Interpret the Labor Market

Even when unemployment is high, businesses looking for top talent can’t afford to be complacent about hiring. That means you need to be aware of what kind of skills will be in demand five years out, says Michael Metzger, CEO of PayScale, which operates the world’s largest database (35 million unique career profiles) of salary information. He predicts companies will continue to hire people who are fluent in the technology that is currently used in business; the language of tech is increasingly the language of work. And don’t think you’ll be able to get that kind of talent cheaply, as average pay hasn’t dropped much, despite the recession. Another driver of jobs and job titles is increasing use of sales and marketing via smart-phones and ultra-portable devices, says Metzger. He says he’s seeing more titles related to the Internet and marketing, like SEO marketer. And there will be a whole set of green-sector jobs that reflect the intersection of technology and function, such as fuel cell product manager. Thirty years ago, there were probably a few dozen wind-turbine technicians in the country. Now there are tens of thousands. In other words, if your business operates in sectors like these, prepare to pay up.

3. Four Ways to Hire for Creativity

Creativity is the root of innovation. But how can you find the right kind of inspired individual to bring into your fold? We asked some of the country’s best creative directors, marketing whizzes, and HR pros for their tips on hiring the most creative individuals.

Give homework. “When we’re talking about creative people, there’s no substitution for actually seeing the way someone manages a project and makes decisions. The best kind of homework is a scenario that asks a candidate to solve an open-ended problem. It puts technical skills, critical thinking and aptitude for communication on display. How does a candidate contextualize creative ideas? How do ideas impact the business? Does he or she show a track record of execution?”— Scott McDowell, senior consultant CHM management consulting

Look for a good character mix. “The best creative people need to know a lot about a little and a little about a lot. They naturally live on the edge but know how to exist in the middle. So look for people who’ve lived lots regardless of their age. People who’ve moved around plenty but were passionate about every place they’ve been. Ultimately, you’re looking for a dynamic mix of educated, eclectic and energetic.” — Philip McDougall, senior vice president, creative practice leader New York for Jack Morton, a brand experience agency has said.

Ask what they’re reading. “Creativity is really taking two unrelated things and making something new. They seem totally unrelated and somehow somebody stuck them together and made something new. Look for people who are incredibly inquisitive and curious about everything, read disparate things, if they’re a person who collects the points of interest, things out in the world, and those things eventually get put together in an interesting way. What are they

reading? What else did they read? You can kind of get an idea sometimes from people if they're very single minded or if they're eclectic." —Bill Winchester, executive vice president and chief creative officer with brand consultants Lindsay, Stone & Briggs.

Throw in a wildcard. "In the interview process throw out random ideas and see how they respond, such as: if you had a blank canvas and a giant paintbrush that was triggered off your thoughts what would the painting be? Or what color outfit and what accessory would a sea horse pick if he was hitting the beach in Hawaii? Random stuff that gets them thinking and see if the creative side of the mind can create at top notch." —Shaun Neff, founder of Neff Headwear.

4. To Hire the Right Salespeople, Try a Personality Test

There may be nothing more important—or more difficult—for a business than hiring a great sales team. No wonder many companies are turning to personality tests specifically designed to identify top salespeople.

These tests are similar to workplace assessments like the famous Myers-Briggs Type Indicator, which requires test takers to select statements and adjectives that best describe themselves. But rather than determining whether someone is, say, more logical or emotional, the salesperson tests assess traits such as dominance and empathy.

Testing providers use different terminology and offer their own spin. Some seek to separate "hunters," who relentlessly pursue new clients, from "farmers," who are better at nurturing existing relationships. One popular tool, the Caliper Profile, measures assertiveness and aggressiveness. The Hogan Personality Inventory measures prudence and interpersonal sensitivity, which are, of course, qualities important to building long-term customer relationships. Another test, the PDP ProScan, evaluates energy levels.

Experts say personality tests should be given early in the hiring process, say, between the first and second round of interviews. "Do the assessment after you've met, before you fall in love," advises Greta Roberts, CEO of Target Teams, a Cambridge, Massachusetts-based company that administers the DISC personality test. But don't expect the tests to do all the work. Even the testers say that personality profiling should account for no more than about 30% of a hiring decision. "My instrument is not a silver bullet," says Roberts. "I wish it were."

5. The Art of Interviewing

Interviewing is perhaps the most important part of the employee selection process. You want to ask questions that let you know if candidates can do the job, how they function under pressure, and how well they will fit in with your team. Here are five great questions to ask job candidates: **"What's something you're passionate about?"** This is an excellent question that has a tendency to catch people a little off guard. If the candidate answers timidly or unenthusiastically, run. If the person is able to effectively communicate what he is interested in and makes you interested, chances are he is a smart and passionate person – the type you're looking for.

"What weakness has most impacted your ability to succeed at your career?" Often, what potential employees think of their own abilities is what will be reflected in their work performance. Chronically tardy employees are usually bad at meeting deadlines. The good news is that they're already aware of the problem. The goal is to make you aware and to implement a system to curb their detrimental habits if they are, in fact, worth hiring despite their shortcomings.

"Describe a situation in which you had to work with a difficult person." This question represents a behavioral approach to interviewing, which can be more productive than standard interview questions, such as "have you ever worked with a difficult person?" Behavioral

interviewing is more indicative of future performance than traditional interviewing. Be sure to follow up with a question on the outcome of the situation.

“Do you volunteer within the community?” Extracurricular activities can reveal volumes about a candidate. Certain jobs, such as volunteering for Habitat for Humanity, can allude to traits such as physical strength, the ability to work alone, and, in the case of fundraising, exhibit trustworthiness with money. However, you should not specifically ask what organizations (except professional) the applicant may belong to. Asking a direct question could potentially reveal information about national origin or religious affiliations. You should not comment on the organization or ask the applicant what his/her relationship is to the organization, but rather the service that is being performed and what the applicant is getting out of it.

“What can I tell you about what we’re doing here?” The quality of questions candidates ask you speaks volumes about their interest, curiosity level, and overall knowledge about your company. Do they really want to work for your company, or are they simply looking for any job they can find? As Jason Fried, president of management software firm, 37signals, points out, you want to screen out people who ask “how” questions, and hire independent thinkers who ask “why?”

6. Pay Employees to Quit

You’ve hired a new employee and invested lots of time and money bringing her up to speed. After a month of intensive training the next step is...offer her money to quit? That’s what Tony Hsieh does. Hsieh, the iconic founder of online shoe retailer Zappos.com, which is now owned by Amazon, says the practice actually saves the company money.

During the first month of training, Zappos offers new employees \$2,000 each to quit, plus pay for their time worked during the training. “It sounds expensive,” Hsieh admits, “but in the long term, it’s not.” What happens is that the payout offer removes the wheat from the chaff, leaving Hsieh with quality employees who stay with the company.

“We want people to be here because they are passionate about customer service and because they like our culture,” says Hsieh. “We don’t want people who are just here for a paycheck.” Money-driven employees don’t last, he says. “Those people generally end up leaving six or nine months down the road. By that point, you have invested a lot of time and money in training them.” Not only that, but employees who are only motivated by money don’t add much to the company culture. Hsieh says they breed negativity during those unhappy six to nine months, and that spreads quickly among the staff. Bad mojo does serious damage, he says. “That costs the company way more than \$2,000.”

7. Find the Best Interns

How do you find great interns who have the potential to become great employees? La Jolla Group’s CEO, Toby Bost, came up with the idea for an intern selection process that mimics a reality show. There was a shortage of designers specializing in surf fashion (the focus of La Jolla’s O’Neill clothing line), and as the industry grew, he says, La Jolla and its competitors would frequently poach one another’s employees. “I knew that we couldn’t keep going on by pinching designers from each other’s backyards,” he says. “We needed to manufacture long-term talent by targeting students early and focusing them on a design career.”

To find the best interns for his Irvine, California, company, he asks budding high school clothing designers to compete with one another to be the next design intern at La Jolla Group. Every September, a handful of teens compete, each of them designing an outfit for O’Neill. The winner is chosen at a fashion show, where audience members send text messages with their mobile phones to vote for their favorite design. More than 500 attendees pack the hall to see the new

designs. The winner of the fashion show receives an internship at La Jolla Group, a \$4,000 scholarship, free clothes, and a mention in *Teen Vogue*.

Bost says that working with teenagers is also a great way to get some insights about the company's younger customers. "It gives us a chance to get inside the minds of our target audience," he says.

8. Know the Difference Between Employees and Contractors

If you're not sure if your independent contractors are really contractors, compare them with employees. Nikki Hickman, the former director of organizational development at the marketing agency nFusion (she is now with Facebook), decided that two of nFusion's 65 staff members had been incorrectly classified as contractors. Both worked part time and received no benefits, which is probably why the mistake was made. But both had regular workspaces at nFusion, with the same nameplates as employees. One had the title "interactive product manager," the same as several other managers who were classified as employees. The other's title was "consultant," but a number of regular nFusion employees reported to her. Hickman quickly reclassified both workers and began paying the requisite employment taxes. "You never want to wait for an investigation," she says. "You want to do the right thing."

Vector Marketing, an Olean, New York, company that sells Cutco cutlery in the U.S. and Canada, found out the hard way. The company hires college students as salespeople. After graduating, some of these students go on to become full-time district managers, responsible for renting their own offices and recruiting staff. The IRS, in two separate audits, ruled that the company's district managers were independent contractors. New Hampshire's state tax department disagreed, however, and demanded that several years of back taxes be paid. Vector contested the decision, but the state Supreme Court upheld it, saying the district managers would have had to work for multiple employers in order to be classified as contractors. Vector paid the taxes, which amounted to "several thousand dollars," according to the company's president, John Whelpley.

9. Recruit a Key Applicant by Wooing Family

There's no question that every company wants to hire the very best employees that it can. Sometimes that can mean resorting to unconventional techniques to lure the best and brightest, especially if you aren't based in a preferred destination. That was Jim Thornton's dilemma when he went about recruiting at his company, Provo Craft, headquartered in Provo, Utah. Not only was geography a problem for recruiting, so too was what the company sold: home craft products such as paper, fabric, and glue. Thornton, a Utah native who had welcomed the chance to move his young family from Chicago, recognized that he had to recruit executives willing to give up big-city sophistication by focusing on the pros of small town living, one being more family space. "I needed to recruit not only the executive but the entire family," Thornton says. He decided he would invite applicants who were under serious consideration to bring their kids and even grandparents along to Utah for a few days of hiking or skiing. Thornton also wanted to include spouses in interviews whenever possible. In one case, Thornton invited the entire family of a top recruit over to his house for dinner with his own family—something that helped sell the candidate on taking the job and moving his own family out West.

10. Find the Best Candidate in a Stack of Resumés

Finding the perfect hire is tough enough, let alone in times of high unemployment, when thousands of resumés are sent for a single solicitation. Here are five tips for culling the wheat from the chaff:

Stick to your industry. Find online job listing sites that are specific to your industry. Posting on Monster.com will lead to a response nightmare. Jobing has city-specific listings, Beyond has

industry-specific communities, and SnagAJob has hourly jobs. Whatever you choose, make sure the requirements are crystal clear, to get a thinner pool of qualified applicants.

Use applicant-tracking software. It used to be only large companies could afford it, but now low-cost programs are available that can ask questions and “knock out” unqualified candidates during the screening process. Check out Taleo, NuView Systems, or Accolo.

Test them like schoolkids. Screen candidates by testing their skills early in the application process. There are online tests that assess an applicant’s typing speed, proficiency at QuickBooks accounting, or even ability to sell over the phone. Check out companies such as PreVisor and Kenexa.

Utilize your social media networks. Asking trusted colleagues is a time-honored way of finding new hires, so extend it to your social media networks. Start with LinkedIn, unless proficiency at FarmVille is a requirement.

Have applicants record themselves. InterviewStream records online video interviews for a small fee. The candidate receives an e-mail invitation with a link. When he or she clicks on the link a prerecorded video pops up with an interviewer who asks questions chosen by the company. The candidate’s answers are captured via webcam. A similar service, VoiceScreener, conducts automated phone interviews.

11. How to Find an Enthusiastic Intern

Finding a protégé seems like a simple task. Heck, even *Seinfeld’s* Cosmo Kramer was able to find one for his nonstarter company Kramerica Industries. It isn’t always easy, though, when interns pass up a start-up for a blue-chip to pad their resumé.

Use your entrepreneurial ambitions to your advantage by seeking out young people who dream of running their own businesses. College entrepreneurship programs have proliferated in recent years, and they are a great source for the aspiring Richard Bransons of the world. Or check the old campus standbys: career centers. Sell yourself and your entrepreneurial story. Tempt candidates with the chance to labor shoulder to shoulder with a real, live, Am-I-crazy-for-trying-this? entrepreneur. Odds are, you’ll be able to find a qualified intern who shares your same DIY outlook.

Emphasize, too, that the smaller the business, the greater the responsibility. Assign your intern one meaty (but relatively basic) project, such as launching an e-mail marketing campaign or stirring up buzz on social networks. Keep tabs on your intern through frequent check-ins, so you can be sure that your protégé isn’t lost, overwhelmed, or bored silly.

You should also keep in mind that *intern* and *free labor* are not synonymous. Unless your intern receives college credit, you must pay minimum wage, so sayeth the Department of Labor. But even when the internship counts toward a degree, paying a small wage can make the gig more attractive.

12. Lessen Daunting Commuting Costs

As fuel costs soar, it gets harder to lure job candidates if a long commute is involved. What are some cost-effective strategies to get candidates to accept a position miles from home, when telecommuting isn’t an option? The answer is smart recruiting and retention strategies. Chances are, many current employees share recruits’ anxieties about commuting costs. If you haven’t discussed the issue with employees yet, you should, says Michael Alter, president of payroll firm SurePayroll, based in Glenview, Illinois. Alter has dealt with gas-price panic at his own company

and has seen clients wrestle with it. If you don't address the issue with your current workers, he says, you may have as much trouble keeping them as you do attracting new ones.

Both current and prospective employees will tell you that they are feeling the pain of rising fuel costs. It's your task to figure out precisely how much, by finding out the distance your workers travel. Arming yourself with the numbers will help you determine whether to offer incentives, such as gas cards, and may help assuage employees' worries. "If it's \$1.50 extra per day, forgoing the daily latte can make up the difference," Alter says. "Without somebody helping them to do the math, employees and recruits might make a mountain out of a molehill."

Transportation bonuses, equivalent to yearly gas costs, may be appropriate for high-level employees, says Bob Kustka, CEO of Fusion Factor, a recruitment firm based in Norwell, Massachusetts. But you have several less expensive options as well. You could periodically give out gas cards, either as a spot bonus or whenever extra driving is required. Alter's workers, for example, get one whenever they put in a Saturday shift. You can also help organize office carpools. And if your employees are looking for more fuel-efficient rides, you may want to contact local car dealers to try to arrange discounts on hybrid vehicles.

Even if telecommuting isn't an option, consider flexible schedules. For instance, you could allow employees to work four 10-hour days a week instead of five eight-hour days. Or meet your employees halfway. When Kustka was a human resources executive at Gillette, he arranged for a shuttle to take workers to the office from the nearest commuter rail station. To keep great employees on staff, Kustka says, "You have to find creative strategies to get them to you."

13. Hire for Attitude, Train for Skill

At Gainesville Health and Fitness Center in central Florida, owner Joe Cirulli adds an interesting twist to interviews to determine if the candidate will be the kind of team player he needs. He performs what he calls the "chair test," wherein extra chairs are left in the interview room. He used it once with a candidate who had come through the group interview with rave notices. The candidate was sitting in the room when operations manager Shawn Stewart entered. "They need some chairs next door," Stewart said and began picking up the extra ones and carrying them out of the room. He kept doing this until only two were left. The candidate didn't move, except to take his feet off a chair when Stewart asked him to. "Well," said Stewart, "thanks for coming, but this place is really not for you." The candidate was taken aback. "But you haven't interviewed me yet," he said. "Yes, I just did," Stewart said, and ushered him out of the room.

It's not for everybody, which is intentional. "The whole selection process is designed to weed out the wrong people," notes Will Phillips, a management consultant who runs roundtables, including one Cirulli belongs to, for fitness-industry CEOs. "Joe takes very seriously the idea that you should hire for attitude and train for skill. When you hire people and try to convert them to your way of doing things, you create a horrible tension that training is supposed to 'fix' employees. That may be more insidious than having a selective, somewhat authoritarian goal-driven business like Joe's."

14. Initiate Your Employees

Before you engage in your next hiring spree, you might want to think about putting an employee initiation plan in place first. Institutions as diverse as religious orders, fraternities, and the military use ceremonies to welcome new members and communicate their beliefs. Businesses can do something similar. As long as they don't devolve into hazing, company initiation rites speed up assimilation by engaging recent hires in activities that convey the organization's character while creating an instant bond. Some rites are glorified icebreakers designed to transform strangers into friends as quickly as possible. For example, within 30 days of their hiring, all new

employees at CXtec, a supplier of data networking and voice equipment, serve coffee and doughnuts from a cart to everyone at the company's Syracuse, New York, headquarters. Each freshman is paired with a veteran staff member. "Initiation rites are an opportunity to create meaning for employees and a connection between them and their new employer," says Daniel Denison, a professor of management at IMD in Switzerland and CEO of Denison Consulting. The most effective initiations immerse new hires in the company's mission and directly involve the CEO. "Leaders can't always be there," says Denison. "And the best way to be felt when you're not there is to leave behind common stories and experiences that leverage your principles in a viral way."

15. Don't Hire Your Kids Right out of College

Allen Fishman, entrepreneur and author of *9 Elements of Family Business Success*, says it's not a good idea to hire your kids into your business right after they get their diploma. Why? Kids need to leave the entrepreneurial nest. Fishman says your children need to succeed outside the family business, or they will always question their abilities and wonder if they could have done it on their own.

For the parent/business owner, having offspring work elsewhere will bring in new ideas and skills. Large corporations offer expensive top-notch training lacking in smaller, family operations. Outside experience will also help nonfamily employees understand why hiring your child makes sense for the company and isn't just nepotism. (You want to avoid David Spade's initial disparaging view of Chris Farley in *Tommy Boy*.)

And if your child never ends up joining the family business? That's OK, too. Says Fishman: "Is that so bad? We all want our children to live their lives and follow their dreams and passions. If they find they have a passion working somewhere else and they are happy, so much the better."

16. How to Hire Family Members

It is hard to be objective about hiring relatives, especially a son or daughter. But you have to objectively ascertain people's strengths and weaknesses before you bring them into the business, says Wayne Rivers, president of The Family Business Institute in Raleigh, North Carolina. Here are some tips on hiring your family members:

Draft a family employee policy. This is an additional set of rules that exist beyond the company's employee handbook. It is important to have crystal-clear goals and expectations for family members in the business, supported by clear management roles. The family employee policy should spell out what to expect when hiring family members, regardless if they are coming into an entry position or at the executive level. This will help when you get those calls from Aunt Sarah, who wants her son to work in the business.

Define roles and responsibilities. There must be written job descriptions, defined roles, compensation rules, performance reviews, long-term and short-term goals or objectives – just like for a regular employee. You can revert to these formalities to ensure that decisions are not based on family relationships.

Avoid a sense of favoritism or nepotism. Developing a clear line of communication between the head office and the field is crucial. Hold regular forums or meetings. Get key personnel together and do a focus group; use them to help integrate family members into the business.

17. How to Hire Your Replacement

Being the boss isn't always easy, but handing the job to someone else can be even tougher. After carefully building a company from scratch, hiring someone else to be CEO can feel like giving

away your child to a stranger. Yet many company founders—especially those who are ambitious but inexperienced—eventually decide to hire a more seasoned replacement, in the hope of turning a scrappy start-up into a household name. Eric Ryan and Adam Lowry, co-founders of Method, a San Francisco—based maker of home cleaning supplies, have gone through the process twice. Here are some tips for making a smooth transition when you hand over the reins:

Have specific goals in mind. Take time to think about your long-term goals and strategies. Identify your strengths and weaknesses, so you can hire someone who complements you.

Don't make the decision alone. Get advice from your board, a trusted mentor, or a consultant. Allowing others to aid in the vetting process frees you to concentrate on the intangibles that others may miss.

Evaluate personalities as thoroughly as resumés. No matter how sterling their resumés, some candidates just don't click. To get a sense of candidates' personalities and managerial styles, interview direct reports at their three previous positions, suggests Dick Strayer, founder of Strayer Consulting, which advises firms on hiring executives.

Take time to adjust. The transition from a leading to a supporting role within your company can be disorienting. You may need to try a few positions at the company before you find the best fit.

18. If You Cut Staff, Cut Deeply

When layoffs are inevitable, many CEOs try to minimize the damage by keeping as many workers as possible. It's painful to cut workers loose, especially those who have been loyal to the company since its struggling start-up days. But, ironically, trying to limit the cuts may do more harm than good.

“It's very painful to do, but when you lay people off, it's important to make the cuts deep enough so that you won't have to do it again soon,” says John Mackey, CEO of Whole Foods. “Your employees will forgive you one round of layoffs. But if you do it a second time, you will lose their trust.” Remaining employees start to whisper and wonder if their own jobs are at risk, and the damage to company morale and productivity can be irreparable. It's smarter to make one decisive move, then invite laid-off workers back when things pick up.

CULTURE

19. Company Meetings, Oprah-Style

Dwayne J. Clark's leadership role model is Oprah. Clark is founder, chairman, and CEO of Redmond, Washington—based Aegis Living, which runs assisted living and other facilities for seniors. So impressed is this CEO with Lady O that he has transformed his company's annual meeting into a four-day celebration of the human spirit and seminar on personal improvement. Now, when top management gathers in January, gone are presentations about sales and the state of health care, "all the boring, nauseating things," as Clark says. In their place: Deepak Chopra discussing self-awareness; Jack Canfield, author of *Chicken Soup for the Soul*, urging attendees to take off after their dreams; Linda Biehl, who became close with two of the men who murdered her daughter, discussing the power of forgiveness.

Clark's Oprah-inspired initiative has a business rationale. After these meetings, managers not only grow as people but also are more caring and empathic with rank-and-file employees, who often end up in group hugs. "Employees in this industry don't get treated with a whole lot of respect or dignity," says Clark. "Employers use them for everything they are worth and then spit them out. It's not a very progressive attitude toward building a relationship with people."

He credits his company's caring culture with keeping turnover relatively low: 25% to 43% a year. That compares with an industry average of 70% to 120% for companies with facilities the size of Aegis's, according to Paul Williams at the Assisted Living Federation of America. "I think they are one of the great success stories in the industry," says Williams. "The work that they have done with employee relations is right at the top of the charts."

20. Think With Your Head, Not Your Heart

The road to entrepreneurship is paved with mistakes. "We all make them," says veteran entrepreneur and *Inc.* columnist Norm Brodsky.

Most mistakes share one factor, faulty reasoning, Brodsky says. "I'm constantly running into people who are about to make a major change in their business for reasons that have nothing to do with what's best for them and their company," he says. "Usually it's because their emotions have gotten in the way."

He cites as examples situations in which entrepreneurs wrestle with critical decisions, ranging from firing someone in a key position to selling all or part of the company, based primarily on the consequences for those affected. In some cases, he says, entrepreneurs make those decisions based on what they think is best for everyone *except* themselves and their businesses.

"Don't get me wrong," says Brodsky. "Compassion is a wonderful thing, and so is a sense of responsibility toward employees." But those emotions shouldn't become part of the decision-making process until the entrepreneur takes a hard look at what the business needs.

"You simply can't make good business decisions unless you are able to put emotions aside and analyze a situation objectively," Brodsky says, adding that doing so is among the most important—and toughest—skills to learn. "I'm not saying you should ignore your emotions. In the end, you may decide to go with them anyway, but at least it will be a choice you make with your eyes open, knowing what the tradeoffs are."

And, yes, sometimes those decisions will create pain. "Often, when you set your emotions aside and analyze a situation objectively, you come to realize that the right decision for the business

will cause hardship for people who are not at all prepared to accept it,” Brodsky notes. But the sooner you’ve acquired this analytical skill, the better decisions you’ll make.

21. Act Like a Start-Up

Ed Scanlan, CEO of Total Attorneys, a Chicago business services company that specializes in customer-relationship-management software for small law firms, wanted to create the “controlled chaos” his company had as a start-up. In the beginning, workers would write code on the fly, so they were constantly adapting to client needs. As the company grew, processes became more formalized and, thus, slower. Software was developed in sequential stages, there was a lot less interaction between varying departments, and, often, the clients’ needs had changed before the project was completed.

Scanlan decided to get back to start-up mode by using “agile development,” a process for creating software that aims to promote flexibility, speed, and teamwork. He broke down large departmental silos and created small cross-functional teams, reduced the scope of large projects by carving them into mini ones, gave the teams more freedom to make decisions, and set up short daily meetings in groups of 10 to 15 people. The “scrums” were designed to keep tabs on progress and to set daily objectives.

Shorter deadlines were also put in place so that pieces of a project could be built and evaluated quickly, rather than waiting longer to see if the end result hits the mark. An example was in sales, where three-week goals, instead of annual targets, were laid out. Everything started moving quicker at Total Attorneys, just like in the start-up days, which enabled the company to better meet customer demands. One downside was that it became harder to make accurate financial projections, so accountants started sitting in on the daily scrums to keep tabs on the company’s economic well-being.

22. Why You Should Be Paranoid

Jack Stack believes that anticipating, and preparing for, problems, even unexpected ones, is vital to being an effective company leader. The CEO of SRC Holdings, a mini manufacturing conglomerate of seven holding companies with 26 businesses and 1,200 employees, Stack says, “We’ve always been terrified of being forced to lay people off, and so we’ve spent the past 26 years trying to make sure we would never have to do that.”

Stack constantly analyzes company vulnerabilities. These can range from financial issues, to loss of a major client, to shifts in the marketplace, to unforeseen events like 9/11. By focusing on company weaknesses, even potential ones, and devising ways to offset them, Stack is able to conquer his biggest fear. He doesn’t have to let employees go because of mistakes he made by not being paranoid and planning ahead. Stack thinks that a layoff is a failure of management.

One benefit of paranoia leading to preparation is that it can open up new business avenues. Stack and his team looked at things that go up during hard economic times, such as aftermarket automobile parts, because people fix their cars rather than replacing them. That’s why SRC Holdings got into aftermarket auto parts, as a hedge against bad times, both internally and externally.

Diversity allows SRC to deal with unknown events, which, says Stack, are always going to happen. Be afraid, but be smart.

23. Go Ahead: Mix Business and Pleasure

How much time should bosses spend with workers outside the workplace? Office camaraderie is important, but if there’s too much fraternizing, you’ve suddenly morphed into Michael Scott.

Besides, lots of employees hate forced outside-the-office engagements, and serving alcohol can be tricky. Is it worth the potential problems? If you're Tony Hsieh of Zappos fame, then you quit worrying and get your groove on.

During Zappos's early days, long workdays would often spill into late-night socializing. Hsieh enjoyed this so much that he formalized it: Managers are required to spend 10% to 20% of their time goofing off with the people they manage. "It's just kind of a random number we made up," Hsieh concedes. "But part of the way you build company culture is hanging out outside of the office." There's magic in the mayhem: Amazon eventually paid almost a billion dollars for Zappos.

24. How to Manage Millennial Workers

Leaders of fast-growing companies are increasingly leaning on "millennial" workers, young people bursting with energy and new ideas. While those can be great attributes to bring to a growing company, they also present challenges in how to manage and focus a millennial workforce, a critical success factor for any company. One of the characteristics shared by most millennials, besides the fact that they are masters of digital communication, is that they are primed to do well by doing good, says Amy Gutmann, who has been president of the University of Pennsylvania since 2004. Almost 70% say that giving back and being civically engaged are their highest priorities, she says, which is reflected in the classes they select. For example, millennials flock to academically-based service-learning courses. That's where they get credit for doing projects out in the community, like helping the American Cancer Society develop a new fundraising model. So to the extent that employers can, they should offer work that in some way contributes to society.

25. Why You Should Welcome Conflict

Conflict is a lot like water—it spills over; it flows downhill; and, if left unchecked, it erodes whatever it touches, says *Inc.* columnist and CEO of 37signals, Jason Fried. And sometimes it's like red wine: It stains, he says. Conflict, of course, can be a downer. But Fried says managed conflict is a good thing; it's fertile ground for a great exchange of ideas. When people dig in and defend their positions, a deeper understanding of a problem is possible. As long as people are defending a genuine idea and not just their pride, much can be learned. Making a case to yourself is one thing; convincing someone else is something else entirely. It makes you think harder about what you believe and why you believe it. And sometimes that alone will help you see the other side—and maybe even change your mind.

26. Adding Management Layers Can Be a Good Thing

Joel Spolsky decided that he didn't want managers at his company, Fog Creek Software, located in New York City. He gave everyone on staff the title Member of Technical Staff, and everybody reported to him.

For a while, Spolsky says, the "Everybody Reports to Me" system worked just fine. Fog Creek grew slowly but steadily. He didn't hire his fifth employee until 2005, five years after he started the company. Then a little later, he began to realize that things had changed. By that point Fog Creek had 17 full-timers working on two product lines but still no managers. And unbeknownst to Spolsky, people were getting grumpy. The staff members would routinely gather in one of the senior programmers' offices for gripe sessions.

It turned out that Spolsky's employees wanted management layers, which he realized when he met with some of them and they asked him what the "career path" at the company was. In other words, How would anyone get promoted if there weren't positions to be promoted into?

He addressed the problem by appointing leaders for two of the programming teams—in effect, creating the layer of hierarchy that he had tried to avoid. He says that afterward, people were happier with a little bit of middle management that created useful channels of communication versus one that overruled decisions employees could make on their own and made staff feel under-utilized and unheard .

Spolsky says that his job is to get obstacles out of the way so his employees can get their work done. Now his managers exist so that, when an employee has a local problem, there's someone there, in the office next door, to whom they can talk.

27. Jim Collins: Basic Entrepreneurial Skills Don't Change

Technology and society are forever changing, but Jim Collins, renowned author of *Good to Great*, says that the basic principles for building a company remain the same. For example, nothing suggests that the importance of the *who* has changed. Collins's research reinforces the idea that the most important decisions are always *who* decisions. Whether it was a business in 1812, 1950, or 2010, the principle that *who* comes first and *what* comes second is primary for a very simple reason: If you cannot predict the *what*, you have to be able to do a good job with the *who*, because the *what* is going to be constantly shifting.

To build a company around this principle, ask yourself: Do you have a culture of people who share a set of values, have very clear responsibilities, and perform? Those who build a culture around those ideas are building upon something that is largely unchangeable.

28. Management Crowdsourcing

Many entrepreneurs today struggle to create a company culture that will both support the leaders' overall goals and resonate with a younger generation of workers.

Striking that balance requires a change in mindset, according to leadership expert Stephen R. Covey. "True leadership comes from moral authority, not formal authority," says Covey, co-founder of the FranklinCovey management consulting and training company. "Unfortunately, most of our culture is based on competition and control, and most organizations still operate on outdated models of leadership."

The traditional model—a top-down hierarchical management structure—simply won't work for today's younger workers, says Covey, also the author of numerous books on leadership and management. "If you ask them, most Gen-X and Gen-Y employees will claim they don't need to be supervised," he says. "They are partially right: In the age of knowledge workers, accountability shouldn't be directed toward a single boss." Instead, he recommends organizing your company around group decision-making processes. As a manager, take a step back and let employees collaborate on key strategic decisions.

Consider breaking up that hierarchical structure by creating complementary teams, for instance, sales working with marketing, or customer service working with product development. "Each team should have a few key strategic goals, and each employee should focus on a smaller subset of those goals," Covey says. "Make sure employees know they are accountable to the entire group, not just a few top-level managers. This way, leaders will naturally emerge."

However, this approach's success depends on transparency, Covey warns. He recommends keeping a running tally, updated daily, of both overall strategic objectives and specific sales-based goals. "Make all this information public, and incorporate it into each of your teams' meetings," he advises. "Once people realize they aren't serving just one boss but an entire company, they will either begin pulling their oars or they will leave."

29. How to Ease Employee Fears Over Company Sale

As a fan of open management, Norm Brodsky was straight with his employees about the possible sale of his company, CitiStorage in Brooklyn. But as meeting after meeting piled up, Brodsky realized that the process took its toll on employee morale, especially senior managers.

During the sale process, CitiStorage saw three rounds of due diligence as employees watched a parade of potential buyers come through the company. Each group of strangers in suits served as a reminder of the uncertain future the employees faced. Brodsky could almost feel the anxiety level in the building rise whenever a new group showed up. Staff members couldn't help wondering whether they would still have jobs after a sale. Inevitably, the rumor mill cranked up, and Brodsky began hearing disgruntled noises from some key people.

The final upheaval occurred when Goldman Sachs pulled out of what seemed like a slam-dunk deal after raising a laundry list of doubts in the 11th hour. Brodsky knew he had to lay down some new ground rules for future potential buyers. First, he decided that there would be no more meetings in the CitiStorage offices. Second, potential buyers would have to deal exclusively with Brodsky and his partner. Third, Brodsky would not allow any due diligence to happen or discuss any terms of a sale until the prospective acquirer had resolved whatever questions it might have about the three issues that had ultimately led Goldman's people to kill the deal.

30. Invite Constructive Criticism

Justin Kan, founder of Justin.tv, believes in open discourse. He acknowledges he has made a lot of mistakes in running his company—probably as recently as yesterday—but his goal is to learn from those mistakes, and make Justin.tv a better place to work. As such, every six to 12 weeks, he conducts reviews in which he asks employees questions like, “What can we do to make you more productive?” and “What would make you feel more ownership of your project?” After one such review, an employee complained that the company office wasn't very professional. Kan agreed. The office was pretty casual, with no dress code and a staff whose average age was 25. Kan's takeaway: he could probably work on his professionalism. After the criticism, he wound up hiring someone to keep the office more tidy. He also started wearing a tie to work. “I actually like dressing professionally,” he says.

COMMUNICATION

31. Go Digital With a Suggestion Box

Often the most cost-effective source of new ideas is right in front of you: your employees. But how do you get them to speak up? The employee suggestion box you used to see in the office break room (and that few employees ever used) has been replaced by a slew of new online applications designed for collecting, discussing, and ranking employee ideas. Programs offered by companies like Imaginatik, Spigit, and Brightidea look and function like a cross between Facebook and Digg. In other words, your employees might actually have some fun using them. With Brightidea's software, for example, each employee has a profile that displays his or her ideas, the number of times he or she has commented on the ideas of others, and whether co-workers felt the ideas and comments were good ones. The program uses this information to tabulate scores for each employee and then ranks the top idea generators. The rankings are intended to create a spirit of competition that encourages participation. Such systems are also helpful when in-person meetings become awkward, either because of introverted employees or a scattered work force. Fleishman-Hillard, a public relations firm with more than 2,000 employees and 80 offices around the world, rolled out Brightidea's software to 150 of its employees starting in July 2010. The software, which starts at about \$15 per person per month, is a way for Fleishman-Hillard's dispersed staff members to pitch ideas together. "We used to brainstorm in face-to-face sessions using whiteboards and Post-it notes, which was a laborious process," says Kathie Thomas, a senior vice president at the company.

32. Shhh! Talk Less at Work

Excessive communication can kill a growing company's productivity. To help combat that problem, Joel Spolsky, co-founder and CEO of Fog Creek Software, strongly suggests eliminating company-wide mailing lists and large company meetings. For every project, assign a point person who understands who has "need-to-know" status for updates, he says.

As your company grows and jobs become more specialized, you need to become more selective about who receives certain information. "Everybody who doesn't need to be in that meeting is killing productivity," says Spolsky. "Everybody who doesn't need to read that e-mail is distracted by it. At some point, over-communicating just isn't efficient." The reason, Spolsky says, is that the larger the workforce gets, the more time consuming it becomes to maintain the connections among all employees. For example, a company with 10 employees results in a network of 45 connections. "Communications costs start to rise pretty rapidly until, on large teams, all anyone ever has time to do is coordinate with everyone else—and no one gets any work done," he says.

33. Good Communication Yields Significant ROI

Studies show that companies with highly effective internal communication programs are more likely to provide a significant return to shareholders and are also more likely to have higher levels of employee engagement and lower employee turnover rates.

But, how do you begin? In her own words, here are some tips from Nancy Mobley, founder & CEO of Insight Performance, a human resource consulting firm focused on emerging and mid-market companies:

Assess your senior management team. These key players set the tone for organizational culture and daily messaging to employees.

Ask your employees what they think. Do they feel communication is aligned with the mission, vision & culture of the organization? Is it consistent? Timely? Facilitate focus groups to hone in on the common threads.

Budget for communication vehicles. Depending on the timing, location and sensitivity of the message there a number of vehicles from which to choose. The Employee Handbook, Monthly Newsletters, Town Meetings and Social Media are all commonly used.

Choose your communication channels carefully. Think about your audience and how to best communicate with them. We tend to turn to e-mail first, but keep in mind that this is often the least effective way to get your message across. When possible, face-to-face communication tends to be the most effective because we receive an immediate reaction, are able to clarify any confusion and people tend to listen more closely.

The key to a strong employee communication strategy is planning, followed by implementation and follow-up. Taking the time to communicate with your employees will help increase employee productivity, boost employee morale and ultimately improve the bottom line.

34. Use Visuals to Communicate More Clearly

When words aren't getting your message across, try pictures. Mick Mountz, the founder of Kiva Systems, based in North Reading, Massachusetts, which makes warehouse robots for the likes of Zappos and Staples, uses visuals throughout his workday. Whiteboards line the walls in the company's hallways, making it easy to illustrate ideas during chance encounters with employees. At management meetings, Mountz will draw timelines on a whiteboard to reinforce a sense of urgency about deadlines and encourage coordination between different departments. When he's out in the field, Mountz takes lots of photos to share with his team back at the office, which help succinctly illustrate design and logistics problems that need a solution. "When I show a picture," says Mountz, "all of a sudden I get comprehension and action."

35. Don't Confuse Great Communication With Great Leadership

John Mackey, CEO of Whole Foods, says that in the early days of running his company, he was too impressed by great talkers. He "got snowed" by a few hires he thought would make great leaders because they were articulate. He learned there isn't always a correlation between being a superlative communicator and other aspects of leadership. Mackey recommends you assess character first and foremost. He looks for classic virtues such as integrity, honesty, courage, love, and wisdom—someone who is hardworking, candid, and ambitious but also humble. He also says it's worth seeking out people who have a high degree of emotional intelligence and a high capacity for caring. People with emotional intelligence usually have a lot of cognitive intelligence, but that's not always true the other way around.

How do you find these candidates? It's obviously much easier to identify those characteristics when you are promoting from within, which is what Whole Foods does most of the time. If candidates are coming from outside the company, you want to see a track record of leadership. Talk to people who have worked with the candidates, including bosses, peers, and people they have managed. Good leaders need to be able to connect to all of those around them. Pay attention to what the outsider's peers and subordinates have to say. A leader also needs to be someone with whom you can relate. If your gut says you won't be able to manage them, now matter how qualified on paper, best to look elsewhere.

36. How to Make Key Connections

A case could be made that the more people you have in support of your venture, the better its odds of success are. So how do you go about attracting people—venture capitalists, an angel investor, a mentor, coach, partner, or manager—to help you with key decisions? Much of it comes down to how well you click with people when you first meet. What follows are some tips

from Ori Brafman, co-author of *Click: The Magic of Instant Connections*, for business owners looking to assemble an inner circle of advisers, partners, and investors they click with.

Be vulnerable. Brafman's research found that we click with people who actually expose their weaknesses. As business owners, we're often tempted to puff out our chests when people ask us about our business, exaggerating how many people we employ or boasting about our revenue. It turns out, according to Brafman, that this tendency to brag undermines our ability to attract people to help us.

Meet face to face. Brafman's research revealed that we are much more likely to feel as though we click with people who are physically close to us.

Be present. "Being present is about showing up as a real person and a fully engaged human being," says Brafman. "When nurses are present for their patients, they get to know them as people, and it actually helps patients heal faster."

Find similarities. When you're trying to click with someone, Brafman found the number of similarities between two individuals is critical. In fact, the quantity of commonalities trumps the qualities of those connections, according to his research. Two people who share a deep interest in geophysics with little else in common will click less readily than two people who can quickly identify seven or eight trivial similarities, such as where they live or went to school, sports they enjoy, gadgets they like, and so on.

Share difficulties. The experience of going through something trying together and coming out the other side to safety makes people from different backgrounds feel as though they click.

37. How to Run an Effective Meeting

Meetings are the bane of the corporate world, but even small businesses can't avoid them completely. Here are three tips from Glenn Parker, a team-building consultant and the author of *Meeting Excellence: 33 Tools to Lead Meetings That Get Results*, about how to run your meetings without wasting time or money. While Parker outlines 33 tools in his book, he boiled down three key ways to keep your meetings from becoming time wasters:

Establish the goal of the meeting. The first tidbit sounds obvious, but so many people disregard it as to make it necessary. "Make sure there's a purpose for the meeting," Parker says. "Don't just have a meeting because it's Tuesday, or don't just have a meeting because you haven't had one in a month and you feel like you should." Phone calls, e-mails, and calling folks into your office can be valuable replacements for larger group meetings.

Clearly communicate meeting goal. Having a purpose for the meeting isn't enough, unless people know in advance what that purpose is, so they can come prepared. There should also be a list of agenda items that gets distributed to everyone involved, and ideally a specific amount of time should be allotted to each one to partially pre-empt digressions.

Invite the right people to the meeting. Finally, for a meeting to be successful rather than wasteful, you need to make sure the right people are there—no more, no less. Do you need multiple representatives from the sales department, or can one of them report back to their team? If someone consistently stays silent during meetings, you either have a shy employee or someone with nothing to contribute in the context of that particular meeting.

38. How to Rate Your Vendors and Suppliers

It makes no difference what business you are in - suppliers and vendors play a key role in your company's success. Having a formalized system in place to track and evaluate supplier and vendor performance is essential to the smooth operation and profitability of your company. Here are some tips to put such a system in place:

Establish performance indicators. At the onset of the vendor relationship, you have to determine what characteristics a vendor needs to have, demonstrate, or maintain to continue doing business with your company. Create specific performance criteria for tracking and evaluating your suppliers and vendors on a regular basis: monthly, quarterly, annually.

Classify multiple suppliers and vendors. If you have a huge number of suppliers and vendors and you intend to create a survey to evaluate them, it will be cumbersome to apply the same survey to each and every one. It is better to separate suppliers into levels (1, 2, and 3) based on how critical they are.

Determine who's calling the shots. Once you establish the criteria for evaluating suppliers and vendors, who in your company will be responsible for reviewing the data?

Maintain good relationships. Be up-front and transparent with suppliers and vendors. Make sure they understand your needs and expectations. Communicate often and openly. Avoid supplier and vendor conflicts by paying on time or at least honestly addressing late-payment issues and talking with your supplier or vendor about it.

Cut loose weak links. There may come a time when you have to let go of an underperforming supplier or vendor. In the end, the relationship with your supplier is a business partnership, and if both parties are working to make sure that the partnership is a success, it will be a success. You may or may not want to offer a chance to correct the situation. In the long run, having a win-win supplier and vendor relationship will be a competitive advantage for your business.

39. Connect Your Virtual Workforce

Matt Mullenweg founded his company Automattic, which manages blogs for large media companies, in 2005. Today, his employees all work virtually. He says that to communicate with one another, his team uses P2, which is sort of like a private version of Twitter that his company developed. Otherwise, they use instant messaging and e-mail. The danger in communicating this way, Mullenweg says, is that it's really easy to misinterpret someone's tone—for instance, thinking that they're angry when they're really just busy. That's why he'd like to have people talk more on the phone or do video chats. Once a year, the entire company gets together in person. During the day, they split into teams of three, and each team works on something they wouldn't normally work on with people they don't normally work with. The idea is to get some cross-pollination and to have people make personal connections. "In some ways, seeing your co-workers once a year is better than seeing them every day, because if you're only going to see someone for a week, you try to be nice, even if you don't like him or her," Mullenweg says. "We don't get the passive-aggressive stuff that builds in an office."

40. Conduct Productive Performance Reviews

No question about it: Formal performance evaluations can be stressful for managers and employees. But the following tips can make the experience less painful and more productive for both parties:

Pick the right time and place. A good annual review usually requires 40 minutes to an hour. "Give the employee your full attention—no interruptions," says Elaine Tweedy of the University

of Scranton Small Business Development Center. She recommends conducting the review in a comfortable environment, “preferably without a desk between you and the employee.”

Start with the good news. “When bad news is delivered first, you run the risk of the employee shutting down or fretting the rest of the time,” says Anne Barnas, principal at SmithBarnas & Associates in Valdosta, Georgia. Be honest when delivering the difficult news, but keep in mind the difference between honesty and negativity. Says Tweedy: “Tact and professionalism are essential.”

Strive for objective judgments. HR pros frown on subjective appraisals such as “You’re lazy” or “You’ve got a bad attitude.” Such statements are ambiguous, hard to act on, and inflammatory—and may even generate legal trouble. Instead, focus on specific behaviors, recommends Julie Freeman, a consultant in Montreal. Have examples ready, but don’t enumerate them unless challenged to do so. Avoid criticizing the employee for the negative behaviors; instead, recommend better ways to handle the kinds of situations involved.

End by looking forward. Close the meeting by setting goals and expectations for the next year. If possible, end on a positive note, says Steve Miranda, the former chief human resource and strategic planning officer at the Society for Human Resource Management. “When employees walk out of a performance management review, they should feel energized that the boss appreciates their strengths, values their contribution, and sees their potential.”

41. Make Company Meetings Compelling

Too many companies treat annual meetings as pit stops, a chance to drop briefly out of the race to recharge. Great annual meetings, however, are more like green flags, signaling the beginning of a new race.

Clate Mask, CEO of Infusionsoft, based in Gilbert, Arizona, follows the advice of *Built to Last* authors Jim Collins and Jeffy Porras in planning his software company’s annual meeting: he brings a “big, hairy, audacious goal” (BHAG) intended to motivate the entire team. The goal could involve product development, market share, profitability, or revenue growth. The only requirement: that it be major. Smaller goals—such as landing particular accounts or trimming IT costs—are fine but are the stuff of everyday meetings.

Like many other leaders, Mask holds his annual meeting off-site to eliminate distractions. “If you want to inspire employees to think bigger and better, you have to create the setting for that,” he says.

Assign pre-meeting homework, advises Steve Red, president of ad agency Red Tettermer in Philadelphia, who has employees read and discuss a particular book. Some selections relate directly to the companies industry; others are more inspirational. Once, Red assigned *Seabiscuit*, using the story of the unlikely champion racehorse as a way to discuss beating established competitors.

Finally, keep the momentum going. Use the meeting to generate a to do list for the coming year, with all items on it supporting those BHAGs. Assign small groups to meet at least monthly to discuss progress toward those objectives. And keep the biggest goal posted prominently on office wall, rather than leaving it to be erased from the conference center whiteboard. “I blow it up and laminate it,” Mask says. “If you don’t see it all the time, it won’t get done.”

42. Learn to Give Orders Rather Than Debate

As a law professor, Jeff Koeze operated under the assumption that the best argument among colleagues wins any given point. "Formal authority is rarely used," says Koeze, known since college as a tenacious debater. Inherent in that approach is the belief that people shouldn't be *told* what to do. Rather, they should be *taught* to decide what to do.

But the approach was foreign to the workers at Koeze Co., the family gourmet nut-and-candy business, as Koeze quickly discovered when he left his law school job to replace his father as the company's CEO (he now also part owns Koeze Direct and Nuthatch Software).

With some help from outside consultants, Koeze says he eventually realized "how unlikely it was that I was going to be able to argue people into doing things my way" at the century-old business in Grand Rapids, Michigan. "The other piece of it," he admits, "is my own reluctance to use authority."

Indeed, Koeze learned that he sometimes had to simply give orders. And sometimes he simply had to stop doing research and just make a decision.

So Koeze adapted. He became more patient and a better listener. And, most important, he listened to and changed his own speech. He realized he confused people by verbally debating with himself the very issue on which he was about to make an assignment. "It's made worse by a habit I have of thinking out loud," he says. "Somewhere in here, there's an order. That's all they're listening for: 'When are you going to tell me what to do?'"

These days, he's grown more comfortable with simply providing an answer to that question.

INNOVATION

43. Cultivating a Culture of Innovation

Hyper-growth companies often credit a culture of innovation as their primary driver of success. They deploy creative thinking to attack problems big and small. Here's how you can take a systematic approach to building a culture of innovation:

Fuel Passion. Every great invention, every medical breakthrough, and every advance of humankind began with passion. With a team full of passion, you can accomplish just about anything. Without it, your employees become mere clock-punching automatons. One key is to realize that passion alone isn't quite enough: You must also focus that passion into a sense of purpose. Steve Jobs wanted to "put a ding in the universe." Pixar wanted to reinvent the animated film industry. Pfizer saves lives. Your specific purpose must be your own, but the bigger and more important your purpose is, the more passion it has the potential to create within your team.

Celebrate Ideas. Nearly every business's mission statement includes words about "innovation," yet risk-taking and creativity are often punished instead of rewarded. Rewards come in many forms, and often the monetary ones are the least important. Celebrating creativity is not only about handing out bonus checks for great ideas—although that is a good start. It should also be celebrated with praise (both public and private), career opportunities, and perks. In short, if you want your team to be creative, you need to establish an environment that rewards them for doing so.

Foster Autonomy. An employee who has to run every tiny detail by her boss for approval will quickly become numb to the creative process. Granting autonomy also involves extending trust. By definition, your team may make decisions you would have made differently. The key is to provide a clear message of what results you are looking for or what problem you want the team to solve. From there, you need to extend trust and let them do their best work.

44. Use Diversity to Foster Innovation

Ziba, a top innovation-consulting firm in Portland, maximizes the value of a diverse workforce. The company's 120 employees are from 18 different countries and speak 26 languages. According to Sohrab Vossoughi, the firm's founder and president, "genetic diversity breeds creativity, much like it does with biology."

The company also has an "Ambassador Program," which allows employees to spend three months working in other disciplines, known as "tribes." During that time, the ambassador team member really participates as part of those teams. "This helps to create an understanding of another world," according to Vossoughi. That diversity of thought and perspective, in turn, can fuel creativity. It also translates to business results. Ziba is one of the most prolific and successful innovation firms in the world.

Diversity in all its shapes, colors, and flavors helps build creative cultures - diversity of people and thought; diversity of work experiences, religions, nationalities, hobbies, political beliefs, races, sexual preference, age, musical tastes, and even favorite sports teams.

The magic really happens when diverse perspectives and experiences come together to form something entirely new. One person's experience working as a college intern on Wall Street may fuse with another person's experience growing up in a small village in Italy to generate a fresh idea that neither would have considered independently. This melting pot approach can drive some of the most creative cultures, thinking, and ultimately business results.

45. Use Customer Feedback To Bolster Employee Creativity

Scott Cook, the founder of Intuit, says that when it comes to innovation, you should tap a broad pool of employees, as well as your customers, to come up with business ideas or new product features. He encourages this by allowing engineers and product managers in most of Intuit's divisions to devote 10% of their workweek to new ideas. Cook says that is how Intuit developed many of its products and features.

With this sort of ongoing innovation, it's important to run inexpensive, quick tests to make sure idea development is on the right track. For example, members of Intuit's payments group wanted to find a new way to help businesses pay each other. They had three theories about what customers wanted. Another department said that one of the three wasn't realistic. The point could have been argued for weeks, but instead they let customers vote through surveys. Cook says they quickly determined the answer.

When developing ideas, Cook reminds CEOs to think big. For innovations to succeed, they must solve a large enough problem for the customer. In the 1990s, Intuit created a product, Quicken Financial Planner, that helped customers create a financial plan to save for retirement or college. Intuit quickly took 95% of the market share, but the category was so tiny that Cook eventually killed the project.

The product manager told Cook that the company should have figured that out earlier, because when they looked for a focus group, they couldn't find enough people who had done a financial plan. Intuit just wasn't solving a big enough problem.

46. Get New Ideas From Your Front Lines

When it comes to finding new ideas to keep his family business humming, Roger Berkowitz, the CEO of Legal Sea Foods, says he starts as close to the customer as he can get. Namely, he makes time to talk to the people on the front lines of his business: the wait staff and bartenders and line cooks at his company's 32 restaurants. That's where he says the best information and ideas come from. Knowing that it was hard to talk to them while they're working, and that they may feel uncomfortable opening up in front of their managers, Berkowitz created what he called a "president's advisory council," or PAC. Now every quarter the council, comprising two hourly workers from each restaurant, meets with Berkowitz at his headquarters in Boston, where he lays out the state of the business, then breaks the council into four groups and poses a question. Examples include "How can we improve training or benefits?" and "How can we make the restaurants more kid-friendly?" Berkowitz gives the groups 20 minutes to hash it out among themselves. Then they give presentations, which are discussed. He closes the council with a forum in which anyone can talk about anything. "These guys have great ideas, and I act on most of them," Berkowitz says. Once, the council suggested that the company relocate not only veteran managers to restaurants launching in new cities but also bartenders, waiters, and hosts, who can pollinate the outposts with the company's culture—which Legal Sea Foods tried out when it opened a restaurant in Atlanta. Berkowitz tried a similar concept in which he convened restaurant management staff; that didn't work out as well. "They also have great ideas but tend to be more cheerful about the status quo," Berkowitz says.

47. Cross-Pollinate Creativity

How do you make sure you're tapping every available creative resource in your company? Once a year, West Paw Design's employees, from salespeople to seamstresses to the president, Spencer Williams, spend an afternoon designing and producing prototypes for new products at the Bozeman, Montana, pet accessories company. At the end of the day, staff members vote for their favorite designs. The winner receives the company's coveted Golden Hairball Award, an Oscar-inspired statuette topped with one of the company's cat toys. You might, for example, find Cheryl

Grisso, an accountant at the company who never thought of herself as a creative type, on the company's production floor scavenging for fabric in a garbage can and gluing pompon eyes on her own creation: Wooly the Mammoth, a squeaky toy for dogs.

The group's collaboration accomplishes one of the contest's major goals: to encourage cross-pollination of ideas from employees in different areas of the company. For instance, when salesperson Sarah Acker, seamstress Suzie Traucht, and Tonya Tuliback from the company's shipping department were thinking about making a dog bed out of the company's usual upholstery, Acker mentioned that more pet shops were requesting eco-friendly products. With that in mind, the team opted for a fleecy fabric made from recycled plastic bottles - a fabric that had previously been used for toys. Six months later, West Paw rolled out the design as part of its fall product line, and it was an instant hit. In 2009, the company began offering the bed in two patterns.

Grisso now dreams up ideas for new products on a regular basis and even won a virtual-brainstorm contest on the company's wiki recently. "Other companies just want you to do your job," she says. "This competition has given me the chance to offer my opinions."

48. How to Build a Creative Workforce

Innovative companies require innovative people. Here's what some of the nation's top innovation consultants advise for developing a creative workforce of your own:

Hire diverse cultures. Cultural melting pots produce inventive meals, believes Sohrab Vossoughi, CEO of Ziba, an innovation-consulting firm in Portland, Oregon. Ziba counts some 26 nationalities and 19 languages among its 120 employees.

Provide lots of free time to think. "The five last bastions of thinking are the car, the john, the shower, the church or synagogue, and the gym," says Joey Reiman, CEO of BrightHouse, an Atlanta-based innovation consulting firm.

Encourage risky behavior. Maddock Douglas, an Elmhurst, Illinois, firm that helps companies develop and market new products, gives an annual Fail Forward award, which is designed to celebrate endeavors both ambitious and disastrous.

Write it down. Frog Design, a San Francisco consulting firm, publishes *Frog Design Mind*, a print and online magazine that serves as a quarterly compendium of staff articles on subjects that excite employees.

Hire adapters. Chris Conley, co-founder of Gravitytank, a 30-employee firm in Chicago, is interested in how job applicants deal with criticism—whether they jump into a creative exchange or defend their first idea to the bitter end. "To innovate, you have to be very open to critique, to why things won't work," says Conley.

Bring in outsiders. Many top innovation firms tap the perspectives of outside experts—be they physicists, poets, actors, archaeologists, theologians, or astronauts.

Be flexible, very flexible. At InnovationLabs, in Walnut Creek, California, almost everyone is an outsider. That's because the company operates on the Hollywood model: It has just four principals and pulls together a new team for each project.

Do it for free. Creative folks enjoy applying their talents to noble causes, and, increasingly, their employers keep them happy by providing opportunities to do so.

Mix up your people. Some companies shake things up by letting employees loose in others' playpens, such as working in areas of the company different from their own.

49. Let Employees Solve Your Toughest Problems

Richard Ha, the founder of Hamakua Springs Country Farms, had looked at his numbers and realized that he would have to shut down his business, a 600-acre banana and vegetable farm on Hawaii's Big Island. But when he shared the news with his employees, Ha found that they were his biggest (and smartest) supporters for keeping it open.

Ha delivered the bad news to his nine full-time banana pickers on a Friday. When Monday morning rolled around, Ha was surprised to find that seven of the workers had shown up to plead their case for keeping the farm going. His farm crew members, many of whom had not graduated from high school, had a fairly sophisticated plan: planting a less labor-intensive variety of banana that would require less land and could be grown closer to the packing facilities. That would do away with the need to hire additional workers at harvest time. It was tempting. The last thing Ha wanted to do was close down his farm and fire his trusted full-time workers.

On that Monday morning, the workers huddled with Ha for several hours. Together they penciled out a plan that would eliminate 100 acres of apple bananas, which yield less per acre than regular bananas and are more difficult to pick. A second step was to move the remaining banana plantings much closer to the packinghouse and chiller room to reduce the workload and speed up turnaround. The workers argued that they could run the operation with a much smaller workforce and get nearly 10% more output per acre. The higher productivity would be sufficient to return the banana operation to healthy profitability.

The team members immediately began transforming the operations, pulling out apple banana trees and preparing the 100 acres to be leased to other farmers. Since the decision, Ha has been able to price his crop slightly below the imports and still hit his profit targets.

50. Consider a Young Social Media Advisory Board to Promote Your Company

Jen O'Neal and her co-founder, Nate Weisiger (who is now at UrtheCast), came up with the idea for a social media advisory board after hiring an intern to manage their company's blog, Twitter feed, and other social media efforts. Their company, Tripping, is a San Francisco-based Internet start-up that connects world travelers with local hosts, who offer sightseeing tips, conversation, and sometimes a free place to crash.

Some 200 young people applied for the board position. At the time, Tripping had just three employees and didn't have the resources to hire any more. But O'Neal and Weisiger thought the young people would make great advisers. To determine which candidates had the most creativity and enthusiasm—and ability to get the word out about Tripping—the co-founders decided to hold a contest. They went through the intern applications and challenged the 40 most promising candidates to vie for spots on the board. The contenders had three weeks to generate as much online buzz as possible about Tripping.

In the end, O'Neal chose 10 of the applicants for the board. The board members primarily act as brand ambassadors and offer the co-founders opinions, advice, and ideas. "They have grown up with technology in ways I didn't," says O'Neal, who is 31. "Some of the best ideas came from people who barely had any work experience." Board member Katy Birnbaum, for instance, came up with a feature called video validation, which helps travelers vet potential hosts in other cities. O'Neal loved the idea and had Birnbaum head up the project. Not only has the video validation

feature been popular with Tripping users, says O'Neal, but conducting Skype chats with hosts also provides valuable customer feedback that the company has used to improve the site. Board members aren't paid, but they receive training. While at Tripping, Weisiger taught board members how to write Web code and create Facebook ads. O'Neal helps them with job hunting, polishing their resumés, and conducting mock interviews and introduces them to other entrepreneurs in Silicon Valley.

The social media board has also become a useful recruiting tool for Tripping. Since creating it, O'Neal has hired four board members as full-time employees. And she plans to keep adding members to the social media board as the company grows. "It's so easy to see who is passionate," says O'Neal. "Some of them really shined."

COMPENSATION/BENEFITS

51. Don't Negotiate Salaries; Pay Every Employee Equally

Salary information is generally viewed as sensitive, but keeping it all a big secret is usually a way to avoid paying people fairly, which isn't good for any company. When *Inc.* columnist Joel Spolsky and his partner started Fog Creek Software, they created a transparent pay scale. Spolsky wanted an objective system that left managers zero leeway in setting a salary and only offers one salary per level.

In Fog Creek's system, every employee, from intern to Spolsky, is assigned a level. The level is calculated on three factors: experience, scope of responsibility, and skill set. Once an employee's number is determined, he or she makes the same as every other employee at that level.

Experience is based on the number of years of full-time experience. No work done while still in school counts, and certain types of menial work can't add up to more than a year of experience. Scope is determined by basic factors like whether the employee is primarily helping someone else do a job, has his or her own area of responsibility, or is running a whole product.

Spolsky says quantifying skill is a little bit harder, but he finds it possible to define a fairly objective continuum from newbie to expert. Once terms were defined, a simple chart was created (joelonsoftware.com/articles/ladder.html). Then, another chart was made listing the base salaries for each level. No wiggle room. Once a year, the management team sits down, reviews every employee's work, and recalculates every employee's level. Then the team looks at competitive market salaries using online tools such as Salary.com and Glassdoor.com, along with personal knowledge of the job market from the past year of recruiting.

52. Staying Legal but Flexible in Employee Handbooks

Every employment manual pits consistency against flexibility. Codifying policies and then following them consistently will generally help protect you against lawsuits. But there are legal and necessary kinds of discrimination—between productive and unproductive workers, for example—and your manual shouldn't be so rigid or specific that it limits your ability to make such distinctions. For example, you may want to give a star salesperson extra vacation time. How to strike the right balance between consistency and flexibility? Rick Galbreath of Performance Growth Partners in Bloomington, Illinois, recommends emphasizing in the handbook's introduction that these are merely general guidelines. And throughout, avoid language that locks you into a course of action. For example, use "we may" instead of "we will." Most states define employment as "at will," which means that either party may end the relationship without notice, for any reason or no reason at all. In practice, case law has put limits on that blanket discretion (most obviously, employers can't fire people because of age, race, or gender). More to the point, courts have in some cases decided that statements made in employee handbooks amount to a contract that limits the employer's at-will prerogative. So it's crucial that nothing can be construed as a contract or promise. In fact, make that disclaimer explicit and early. Avoid expressions such as "permanent employee," "probation," and "introductory period." And be sure to state that you're entitled to change the policies at your sole discretion. In other words, keep it flexible.

53. Employee Handbooks: What the Lawyers Should Write

The relationship between employer and employee is governed by more laws than you probably realize. Some even apply to businesses with just a single employee. Even the most basic employee handbook needs to reflect the most important of those laws. Experts say that while a small business may decide to write its manual internally, there are three categories where it pays to get input from an HR consultant or lawyer:

Harassment and discrimination. In general, statements should do four things: one, affirm that you are an equal opportunity employer in every respect; two, make plain that you do not tolerate harassment or illegal discrimination and outline the steps an employee can make to report violations; three, describe the steps your company will take in response to discrimination or harassment claims; and four, make it clear that an employee who makes a complaint will not face retaliation.

Wage and hour issues. Identify, as generally as possible, the days and hours of the workweek, as well as the rules for breaks and meals. Because salaried employees are typically exempt from laws that, among other things, mandate overtime pay for hourly workers, you should establish guidelines for determining which employees fall into which categories. Specify the overtime formula. This is also the place to define full-time, part-time, and temporary employment if you want to distinguish employees who are eligible for benefits from those who are not.

Safety. Companies that operate in potentially dangerous work environments should detail a safety policy that accords with state and federal regulations. Here, as in all areas of labor law, “federal law creates the floor, not the ceiling,” says attorney Marc Jacobs of the Chicago-based firm Seyfarth Shaw. Indeed, your state may have other laws that require a policy statement; check with an employment attorney or your state’s department of labor.

54. Five Atypical Employee Benefits

When companies take good care of their employees, it has an impact on the bottom line. A common trend among the 2010 winners of the Top Small Company Workplaces was to offer employee benefits outside of the typical package offerings. Here are a few examples:

Sabbaticals, paid and unpaid. Providing time off to improve professional skills is not so uncommon. However, many companies offer it with or without pay and vary the weeks offered based on years of service. Outdoor clothing retailer Patagonia, based in Ventura, California, provides 16-week, unpaid sabbaticals at every year of service. Meanwhile, Pittsburgh-based technology consultancy MAYA Design offers six weeks of paid leave at five years of service.

Childcare Beyond Assistance. A Yard & A Half Landscaping, based in Waltham, Massachusetts, provides breastfeeding/pumping accommodations for mothers; and St. Louis-based general contractor Tarlton Corporation, has a family room furnished with books and games on their premises where children can spend the day. Patagonia offers adoption assistance of up to \$5,000 per employee and has an on-site childcare center.

Ambitious Health and Wellness Programs. Air quality consultant All4 in Kimberton, Pennsylvania, provides full meals, enlisting a vendor to deliver ready-to-eat healthy dinners that employees can elect to purchase and take home to their families. San Diego-based e-business strategy consultancy Red Door Interactive offers on-site seminars on both stress and time management, and electronic ID technology supplier Biomark, based in Boise, Idaho, went so far as to intentionally locate their office in an area that would allow for a maximum number of workers to walk or bike to work.

Unmatched Flexibility in Flex Work Arrangements. A Yard & A Half Landscaping lets religiously observant employees opt to work on a company holiday in exchange for taking their own religious holiday off with pay. Daphne Utilities a water, natural gas, and wastewater services provider in Daphne, Alabama, allows workers to work split duty in divergent roles in order to satisfy their personal needs for challenging work—or a little sunshine. For example, a receptionist works part-time as a meter reader to get some time outside the office.

Perks That Make Life a Little Easier. Dixon Schwabl, an advertising and marketing firm based in Victor, New York, offers both a Defensive Driving Day for employees with an auto insurance provider and a free financial consultation with representatives from several financial services firms to encourage employees to invest in their future. And Ginger Bay Salon & Spa in Kirkwood, Missouri, offers the extremely-uncommon-for-their-industry benefits of legal assistance and identity theft protection.

55. Spell Out Expectations for Employee Behavior

Every employee handbook should have a section covering basic guidelines for employee behavior. Among the issues to address are attendance and tardiness; a dress code; personal use of the phone, the Internet, and e-mail; and confidentiality. This section can also detail a drug and alcohol policy, including notice about testing.

As companies grow, they tend to adopt policies as circumstances demand. These policies can cover topics such as wearing perfume in the office and what can be posted on the break room bulletin board. But ironically, many HR advisers argue for keeping rules limited, noting that a lot of heavy-handed guidelines can undermine an otherwise healthy corporate culture. Focus on the company's core needs and regulate just those behaviors that are most incompatible with those needs. If it doesn't matter whether an employee arrives at 8:30 sharp to do his or her work, then you may not need to articulate a tardiness policy. If your employees interact with customers only over the phone, you may not need a dress code.

Similarly, resist repeatedly reminding employees of the punishment they face for each infraction, which is a strategy employers often use to avoid paying unemployment benefits to a fired worker. "I consider a handbook a good-news document," says J. Reed Roesler, an employment lawyer in Peoria, Illinois. "You don't want to be reading about losing your job on Day One." Besides, few employers confront the worst-case scenarios they write rules for, and when they do, the conduct tends to be so egregious that an explicit rule isn't necessary. Aim to lay out the discipline procedure in general terms; for guidelines, see "Detailing Discipline."

56. Offer the Right Benefits

State and federal laws require companies to provide certain benefits, which should be spelled out in an employee handbook. Businesses with 50 or more employees, for instance, must comply with the federal Family and Medical Leave Act. They also have to allow for jury duty and workers' comp leave. Many states demand other leaves, such as for military service.

In addition, companies can choose to offer voluntary benefits. These, of course, depend on the state of the labor market and the sort of corporate culture the business is aiming to create. Besides insurance and retirement accounts, these can include employee assistance programs (wellness programs, say, or substance abuse or other counseling) and family and bereavement leaves. One interesting change in time off is that more and more companies are abandoning separate vacation and sick leave policies for combined "paid time off." This discourages employees from taking unused sick days at the end of the year, notes HR consultant Jan Petersen of Employer Success in Reno, Nevada.

57. Employee Handbooks: Don't Spell Out Disciplinary Action

Many companies make the mistake of putting a formal "progressive discipline" policy in writing. For example, a first infraction gets a verbal warning; the next one gets a written warning; the next, perhaps a brief suspension; and only then termination. This isn't always the smartest way to write a handbook, experts say.

The problem is that codifying that process “can obligate you to do things that you don’t always want to do,” says Fred Holloway, an HR consultant in Medford, Oregon. You might want to cut a trusted, long-standing employee some slack, even after a flagrant infraction, for example, or immediately fire an underperformer for a relatively minor one. And formal progressive discipline policies can undercut your “at will” status in the eyes of a court.

Instead, Rick Galbreath, president of Performance Growth Partners in Bloomington, Illinois, suggests writing a policy that focuses on encouraging positive behaviors and avoids threats. Begin by articulating the expectation that employees will practice self-discipline and meet performance goals. Then explain that, in the unlikely event that an employee fails to meet those standards, the organization will provide the coaching, counseling, and, in some cases, discipline necessary to assist the employee. This sort of language, says Galbreath, “tells employees that your goal is to help them succeed, not fire them.”

As always, the tradeoff for this flexibility is a potentially weaker defense in the courtroom when you are contesting discrimination or wrongful termination suits. Your corporate culture will determine whether it’s a tradeoff worth making.

58. Write Your Own Employee Manual

HR and legal consultants who work on employee handbooks can charge \$1,000 to \$5,000 and even more. No surprise that many entrepreneurs undertake the effort on their own. But be warned: Many start with the employee handbook of another company, substitute their own name, and end up adhering to laws that, say, wouldn’t ordinarily apply to small businesses.

Instead, look for software or downloadable forms to create your own employee manual, often for \$100 to \$200. If you go this route, be prepared to rewrite. A good manual “reflects the intent and spirit of the owner,” says Casey Willson, a Maryland-based retail and restaurant consultant.

“When you get into boilerplate, it becomes a protective device rather than an enabling device.” Although you will definitely want an employment lawyer to review your handiwork, don’t hire one to write the handbook for you. “It’s like having an electrical engineer change a light switch for you,” says Rick Galbreath president of Performance Growth Partners in Bloomington, Illinois. “This is a practical document, not a legal document.”

59. Establish Pay-for-Performance Rewards

Experts and CEOs alike love the concept of pay for performance, but making the most of such a system requires some finesse. Here are some tips for doing the job right:

Avoid surprises. If your employees’ raises or bonuses depend on hitting certain performance benchmarks, communicate those requirements well in advance. That creates an environment of fairness, which is more likely to drive the desired performance. And, of course, if you promise pay for performance, be sure to follow through.

Start simple. Experts recommend mastering the performance-review process and focusing on merit raises before moving on to incentive bonuses, which are more complex to calculate.

Set extremes. The greater the disparity between what top performers and underperformers receive, the more effective the system. Many companies withhold merit raises, bonuses, and even cost-of-living increases from poor performers. But any rebuke should come with a carrot: a remedial period followed by re-evaluation. Employees who improve should receive raises.

Rise or fall together. Rewarding individual efforts is essential, but it's also worth tying a portion of the bonus pool to overall profitability. That puts everyone on the same team and inspires people to contribute good ideas, even outside the scope of their jobs.

Review fairly. Avoid common evaluation mistakes such as the “contrast effect,” or comparing employees with one another rather than against performance criteria; the “central tendency,” or giving everyone average scores regardless of performance; and “desire to please,” or giving higher marks than warranted to avoid confrontation.

60. Creating an Employee Performance Evaluation Program

Want to establish an effective method for employee performance reviews? Take the following steps to build a strong foundation—well before any reviews actually take place:

Set clear benchmarks up front. The process can start even before a position is filled if the job description includes benchmarks for evaluation, such as skills, knowledge, and behavior needed and the responsibilities or tasks required. When introducing a review system for existing employees, involve those workers in defining their own tasks and performance goals.

Be specific. Performance goals, consultants say, must be “SMART”—that is, specific, measurable, achievable, realistic and time-bound. If a performance goal is, say, “becoming a strong leader,” define how to reach that objective, for example, transferring skills by mentoring, and then demonstrating that mentees have learned those new skills.

Make it personal. Thoughtful companies also adapt some goals to further each worker's individual development. For instance, some employees want to move into management, while others see themselves as specialists in a particular skill. “For someone who wants to be a manager, we're going to set goals that include taking on more responsibility,” explains Harriet Cohen, a consultant with the Small Business Development Center in Ventura, California. For a specialist, “we'll ask, ‘What are you doing to learn more about your field? How are you developing your depth of knowledge?’”

Schedule frequent meetings. Performance reviews shouldn't be isolated events. Instead, they should cap a year of planned discussions. Says Courtney Berg of CourtSide Consulting in Broomfield, Colorado: “There should be no surprises when you sit down with employees at review time.” One possible timetable could include quarterly conversations about what's working and what needs improvement, balanced with an annual review involving more in-depth appraisal using a formal evaluation document.

61. No Bonus? Make Sure Employees Know Why

TGaS Advisors was having a banner year in 2008. The East Norriton, Pennsylvania, company, which consults for the pharmaceutical industry, made the Inc. 500 with a three-year growth rate of 1,380%.

Despite the success, founder and managing partner Stephen Gerard realized that employees would not be getting their bonuses because, while the company was prospering, it had still fallen short of its goals. “It's hard,” says Gerard. “How do you go from one meeting where we're saying, ‘Hey, we made the Inc. 500’ to the next where we're telling them, ‘We missed our goals, so you are all getting goose eggs?’”

For CEOs facing this kind of predicament, open communication is key to avoiding a revolt, says Eric Mosley, CEO of Globoforce, a Southborough, Massachusetts, firm that sets up employee reward programs for Fortune 500 companies. And that openness must start at the beginning of the

year, when bonus targets are being set. Mosley says managers should sit down with employees or team leaders and discuss the targets, and then keep them apprised of their progress throughout the year. "Set up an outlandish target, and you'll end up with very disgruntled employees," Mosley says.

Because TGaS followed this plan, employees weren't shocked. The goals were laid out in January at a meeting of the company's five senior managers. At the time, according to Gerard, the goals seemed doable. He kept workers apprised of their progress at monthly meetings, distributing printouts that detailed the financial position of each department and the company as a whole, as well as the numbers that needed to be reached in order for the bonuses to kick in.

The poor performance didn't start to show up until midsummer. The company hadn't lost any clients, but attracting new business had proved harder than expected, in part because of the weakened economy. And Gerard says the company lost focus. "You get so sucked up in the day-to-day that sometimes you forget to do other things, like making sales calls," he says.

In August, Gerard began alerting employees that they were unlikely to receive their full bonuses, if they received anything at all. But he knew he needed to provide some sort of carrot to keep up morale. Instead of money, he made it easier for employees to earn equity in the company based on hard work, not just on meeting their numbers. That gave Gerard leeway to reward a manager whose sales calls didn't reap immediate returns but may have laid the foundation for a long-term relationship with a client. "We still have to be cognizant that these people are increasing the value of the company," says Gerard, even when bonuses aren't an option.

RETENTION

62. “Trust and Track” Your Employees

Nick Sarillo’s \$7 million business, two restaurants called Nick’s Pizza & Pub, is thriving these days in large part because, unlike similar businesses, his employees tend to stick with him. Case in point: in an industry where a 200% turnover is typical, Sarillo has to replace just 20% of his workers. Sarillo invests time and money training his employees how to run his business, and he trusts they will stick around long enough to make his investment pay off. His secret sauce in getting young employees to stay on the job: a management style described as “trust and track.” It involves educating employees about what it takes for the company to be successful, then trusting them to act accordingly. The alternative is command and control, wherein success is the boss’s responsibility and employees do what the boss says. “Everyone I knew who’d had a business told me, ‘No one cares like an owner. No one works as hard as an owner,’” Sarillo says. “They said, ‘Watch out. People are going to steal.’ I set out to prove them wrong. I wanted a place where everyone worked hard and cared a lot; where people enjoyed coming to work, felt good afterward, and weren’t motivated to steal. If I couldn’t have that kind of business, I didn’t want to have a business.”

63. To Keep Employees Engaged, Go Out on a Limb

How do you boost employee morale and inject excitement into an established company? That was Fritz Maytag’s problem. Maytag, the founder of Anchor Brewing in San Francisco, realized that sometimes a company needs to look back to move forward; in Anchor Brewing’s case that meant a return its innovative roots to remind employees what it felt like to be in a risk-taking start-up. “We had an employee back in the ’90s who said to me, ‘I wish I was here in the ’60s and ’70s, when we were revolutionizing the beer industry worldwide,’” Maytag says. “I thought about it and said, ‘You know, those were the days.’ We were making wonderful beer, and the world was beating a path to our door.” By the time Maytag’s employee made the observation, the microbrewery industry was well established, with competitors around every corner. The comment got Maytag thinking about ways to differentiate Anchor Brewing without spending a ton of cash. He decided to try making something very different from the company’s signature boutique beer: rye whiskey.

The company already had some of the necessary machinery, and only put one employee on the project, in addition to Maytag. Anchor released the whiskey, Old Potrero, in 1996, after approximately \$100,000 in start-up costs. Maytag says that because the expenses were so low, the ROI on the project was good. But that’s not really the point. “It has helped the company qualitatively more than quantitatively,” he says. “More than anything, it has increased morale, given us a new edge, a new personality, and a nice little feather in our cap. Sometimes, you forget how fun it is to try new things. And you don’t have to bet the ranch to do it.” By the way, Maytag sold Anchor Brewing to the Griffin Group in April 2010.

64. Why Praise Pays Off

“When you are going through rough times, it’s easy to have depressing meetings and talk about things that aren’t working, instead of reminding one another about the things that are.” So says Chip Conley, founder and now strategic advisor to Joie de Vivre Hospitality, a boutique hotel chain in San Francisco.

In 2002, when the hotel chain was suffering through an economic downturn in the hospitality industry, Conley decided to try ending his weekly executive meetings a little differently. During the last 10 minutes of the meeting, any of the 16 executives in the room could raise his or her hand and recognize someone else in the company for outstanding work.

“For example, our VP of operations once commended a bellman named Joe at Hotel Rex who worked 16-hour shifts, two days in a row, when the only elevator in the hotel wasn’t working,” Conley remembers. After the meeting, the VP of IT decided to go thank Joe in person. “Just something small like that has had big, positive effects on our business,” Conley says. “For that day, Joe was probably a burst of sunshine to everyone he came into contact with.”

Conley says the change brought unexpected benefits as well. “We really helped build interdepartmental relationships. In a downturn, everyone starts to point fingers, and the silos between departments really start to kick in. But in Joe’s case, he starts thinking that the IT department is pretty cool, because the head of IT took the time to come to him and thank him.”

65. Empower Employees to Train One Another

One mistake that companies often make with employees is skimping on training, says Patrick Gray, president of Prevoyance Group, a Fort Hill, South Carolina, consulting firm that specializes in IT strategy. “The more training employees receive,” he says, “the greater the chances that the project will be a success.” Gray says rolling out new technology over a period of months, while employees continue to use existing systems, helps iron out unforeseen problems. Because employees don’t all learn the same way—some may prefer more formal sit-down sessions, while others would rather just learn on the fly—organizations benefit when they take a multipronged approach. He recommends giving extra training to “power users,” select employees who will be able to guide their peers and help reduce the number of calls to the IT help desk.

Barkley, an independent advertising agency in Kansas City, Missouri, has taken this concept to another level by creating an internal training program it calls Digital Ninja. Every month, employees meet to learn about the latest technology in advertising. Employees who have earned the distinction of “subject matter experts” teach the lessons, says Mark Logan, who headed the program. “This helps us get everyone in the company fired up about the latest tech trends,” he says.

66. Making Changes? Offer Employees Incentives, Not Ultimatums

Business owners often don’t give employees enough motivation to use new systems or processes. After an early attempt at creating a paperless office tanked when he ordered an overnight change, David Zugheri of Envoy Mortgage, knew he needed to create an incentive to help employees go paper-free. Zugheri decided to offer a more flexible work schedule. First he paid a programmer about \$30,000 to devise an electronic mortgage application, a tool for accepting electronic signatures, and a program to organize the company’s electronic documents on its servers. Zugheri then spent about three months designing a formal process for the saving, naming, and virtual handling of the files.

When he finally gathered his employees to demonstrate the new system, Zugheri emphasized the benefits for his workers, many of whom commuted an hour or more each day. Because the customer files would now be stored on an Internet-accessible server, employees would be able to work from home on Fridays, stay home with a sick child, or take a weeklong vacation without worrying about losing track of their accounts. “I could literally see their attitudes change through their body language,” Zugheri says. “And I felt confident that when we left that room, we were all moving in the same direction.”

Zugheri’s company employs about 475 people and has been praised by mortgage industry publications for its use of technology and for cutting back on paper waste. Though Zugheri concedes that his firm will never be completely free of paper, he is excited about the progress his employees have made—and that he is saving about \$150,000 a year on paper and toner. But perhaps the greatest benefit of Zugheri’s new system came when Hurricane Ike devastated the

Houston area. Even when 80% of his employees were unable to make it to the office because of flooded roads and debris, business continued to hum, as many of them were still able to log in via the Internet and do their work.

67. How to Motivate Young Employees

The key with today's young workers—often called “millennials” —is to provide structure for them in the workplace and at the same time find ways to channel their energy, engagement, and desire to help solve problems. It's up to business leaders to provide opportunities that drive profits while also encouraging these young professionals to take on ever-larger challenges and apply what they've learned. The millennials want to be out in the field with clients, where they can work in teams and solve problems collaboratively, not just sit at desks. And they expect to be rewarded for their creativity and productivity. Many very prominent businesses have found that offering new, extremely talented employees the ability to do pro bono work with a high social impact is a big draw. This type of activity can be used as a reward for your most talented.

68. Foster Healthy Employee Competition

Nick Friedman is president of College Hunks Hauling Junk, a \$3 million franchiser headquartered in Tampa. The company's franchisees employ mostly college students and recent grads; even about half of the franchise owners are in their 20s. Friedman motivates employees almost exclusively through internal competition.

Friendly rivalry, of course, is endemic to college life, and the company's early employees translated their frat-war sensibilities to the job. Shortly after College Hunks's launch in 2005, haulers from its Virginia branch went out to their truck one morning and found it lathered in shaving cream and draped with a University of Maryland flag. They retaliated with a dead fish in the Maryland branch's truck. Rather than reprimand the offenders, Friedman and CEO Omar Soliman fanned the flames.

“We wanted to harness that competitive, prankster enthusiasm and channel it for good,” says Friedman. “So we challenged the two locations: Who can haul the most junk by summer?” He offered a Bahamas vacation to the winning team. Maryland triumphed, and a culture was born. The founders soon dispensed with volume of junk collected in favor of key performance indicators as the bases for contests. They developed a dashboard—available to the entire company over an intranet—and created competitions around the numbers tracked there. Most employees check the dashboard every day for their own and rivals' latest standings. To keep things fresh, Friedman and Soliman periodically add new contests.

Though in-house rivalry is College Hunks's meat, for other companies, it can be poison. “I've seen a fair number of contests where—if the prize is something people really want—they will begin to sabotage each other,” says Cindy Ventrice, founder of Potential Unlimited, a consultancy specializing in employee motivation. “The priorities get all mixed up.” Employees might fail to, say, report problems in order to win safety competitions. Contests must be designed with care, she warns, so they reward only desired behavior.

Ventrice adds that not every company—or every employee in every company—responds to competition with equal enthusiasm. “College Hunks is the ideal kind of culture for this, because it's playful,” she says. “There are other companies whose cultures are not in the least playful. If you start putting competitions in, then they get very serious. That's not necessarily a good thing.”

69. Happiness Is a Warm Employee

Tony Hsieh considers happiness to be an essential reason why Zappos is such a successful company. And let's face it, disgruntled or apathetic workers aren't going to fulfill, let alone

exceed, expectations. Hsieh himself is a happy guy—not just because Zappos sold to Amazon for almost a billion dollars but also because he gets to build companies focused on the wellbeing of his employees. Zappos routinely ranks high on lists of the best places to work. Hsieh believes that making employees (and in turn, customers) feel good is the company’s primary function. And you can’t argue with Hsieh’s success. Here are three ways he ensures that Zappos’s employees remain happy:

1. All new Zappos employees receive two weeks of classroom training. Then they spend two weeks learning how to answer customer calls. At the conclusion of the program, trainees are offered \$2,000, plus time worked, to quit. Paying them to quit saves the company money by weeding out people who would jump ship anyway and allows those who remain to make a public statement of commitment to their new employer.
2. The company library is filled with multiple copies of two dozen business and self-help books. Employees are encouraged to take whatever they want. One of Zappos’s core values is personal growth, so books are given out to help employees grow with the company.
3. Of course, nobody except Hsieh works at Zappos to save his or her soul. But even in its hiring process, Zappos creates wildly different expectations. Prospective hires must pass an hour-long “culture interview” before being handed off to whatever department they are applying to. Questions include, “On a scale of 1 to 10, how weird are you?” and “What was your last position called? Was that an appropriate title?”

70. Keep Up Morale as Growth Slows

Slow growth can be a big drag on morale. And unhappy employees won’t do much to help you jump-start growth. You have to interrupt this cycle somewhere; the unfortunate fact is that getting rid of unhappy people is probably the best way to do it. Some people simply aren’t cut out for a slow-growth environment. To wax Jim Collins-y, the right people for a company that’s doubling in size every year may not be the right people for a business that’s wallowing in the single digits. Some people get cranky. They fall asleep at the wheel. Vance Patterson, founder and CEO of Patterson Fan, fired 20 disgruntled employees—a third of his staff—after sales flattened and morale collapsed in 2004. “You may have the wrong people, and that’s OK,” Patterson says. “You just have to recognize that.” Delaying action will only make things harder. If cut you must, cut soon and cut deeply. Then, of course, you have to work extra hard to get your remaining employees to stay, and to get them excited again. Lay out your long-term plan. Explain what has gone wrong. Then set a realistic goal for when you expect to dig in the spurs again. Don’t be surprised if the news doesn’t produce cheers and a group hug. Some employees will walk out of the conference room, go straight to their desks, and pull up “resume.doc.” You will have to lavish a little attention on those you can’t afford to lose. Take them to dinner and invite their significant others so they can hear your plan as well. When employees sign on with an entrepreneurial company, he points out, they are not the only ones taking risks; their families are as well. In the end, however, nothing inspires workers quite like the prospect of a payout down the road. You can buy loyalty by giving your A-players a small equity stake or some extra stock options in anticipation of better days. About 10 years ago, Patterson handed shares to eight employees. “Every one of them stayed through the rough times,” he says.

71. Build a Culture of Employee Appreciation

You want your employees to feel appreciated, but there is often a disconnect between what employees want and what managers think they want. David Brown, founder and president of Datotel, a St. Louis IT services and data-storage business, realized that his employee-of-the-

month program wasn't helping morale (winners got a \$25 gift card, a perfunctory e-mail, and a mention on the company intranet). Informal conversations with employees suggested that a less rigid, more personal approach was in order. He made the discussion of outstanding employee work a regular part of phone calls and meetings with company management. When employees did something praiseworthy, Brown encouraged someone other than their manager to say thank you in person, and he made an effort to thank employees several times a week, often with handwritten notes mailed to their homes. "It made me feel important to get something so personal and unique," said engineer Stephanie Lewis, the recipient of a note.

In addition to boosting morale, thanking employees regularly can help them accept criticism better. "If you make it clear that you are trying to make employees better at what they do, positive and negative feedback become a regular part of the conversation," says Rick Maurer, a consultant based in Arlington, Virginia. And a culture of appreciation tends to build upon itself. Danielle Hopely, vice president of operations at online marketing company WebiMax, initially had to remind herself to walk around the office looking for opportunities to praise members of her staff, but her efforts rubbed off on her co-workers. "I hear the sales guys complimenting each other every day," says one employee. "It's not just corporate showing appreciation. It's happening on a daily basis with the whole team."

72. Train for Perfection

What do blackjack players and air traffic controllers have in common? They can't afford to make mistakes. Bill Kaplan learned how to train for perfection when he was running a student blackjack team, and he applies those rules today to his online database company, FreshAddress. Kaplan demanded perfection from his card players, because the difference between making money and losing it was paper-thin. He devised a series of staged tests, or "checkouts," everyone had to pass. Newcomers would first learn basic strategy. Then, the checkout: two straight hours of play without a single mistake. Pass, and the aspiring player would learn to count cards, followed by a second two-hour checkout.

"Every few rounds, we'd ask them, 'What's the count?'" says Kaplan. "If they were off more than once, or by more than one, they failed. They also had to make the right bets. The pressure would mount. Everyone would crowd around. They'd yell, 'He's never going to make it!' People are calling out numbers. They're doing everything they can to throw him off."

The final checkout—three two-hour sessions—took place at a casino. Again: No mistakes allowed. Blow it, and the player would have to practice more and try again. Pass it, and he could gamble with the team's money.

Similarly, at Kaplan's company, FreshAddress, employees receive thorough training in the company's industry, competitors, services, and internal processes, and then undergo oral and written examinations before they can start work. In addition, the company conducts weekly sessions to refresh salespeople's knowledge of subjects such as countering customer objections and legislation regarding electronic messaging. At staff *Jeopardy!* games, employees respond to questions about FreshAddress trivia.

Kaplan has also retained the audience-participation aspect of training. New employees practice leaving voice-mail messages with prospective clients, and their colleagues critique them.

"Everyone sits around and says, Honestly, I would never return that message. It was way too gruff or way too long. You didn't mention I visited your booth at a trade show. You made it sound like a cold call," Kaplan explains. "Like in blackjack, we not only grade what they know but also how they perform."

PRODUCTIVITY

73. Keep Your Schedule Open

A big part of being a productive leader is being an agile leader, says Scott Lang, CEO of Silver Spring Networks, a developer of smart energy grids, based in Redwood City, California. To that end, Lang suggests leaving lots of blocks in your daily planner open. On his average day, for instance, Lang fills only 50% of his schedule, although occasionally that gets as high as 80%. The key, he says, is to leave enough room to take advantage of opportunities that come out of nowhere. For example, Lang had an important new partner come to his office, with, unexpectedly, the company's CEO in tow. Fortunately, Lang had a window in his calendar to take the meeting. And, at the end of the hour he and the CEO spent together, they had identified new markets and positioned the company to be a global as well as a domestic partner. And free time can be put to other productive uses as well, Lang says. "If I have a free block and nothing presents itself, I catch up on industry reports, self-education, and big-picture thinking," he says. "In a packed schedule, those things can get neglected. They shouldn't be."

74. Get a Life: Delegate Your Job

Karl Hoagland founded Larkspur Hotels and Restaurants, in Larkspur, California, in 1996. He admits that he was all over the map for years after that, operating at both 30,000 feet and 1 inch. He would get directly involved in whatever he thought was a priority on that day or at that moment. Even as his company grew to 23 hotels, he was still approving the hourly wages of every housekeeper. He couldn't stop himself. That's when he put himself "in a cage," as he puts it. He named a new CEO and installed himself as chairman. "It was the only way I could stop being a distraction," he says. Now, Hoagland has only one direct report—his CEO—and 99% of his substantive conversations about the business are with him. To successfully delegate your job, Hoagland says, you need to have a second in command who shares your values and whom you can trust.

75. Worry Less, Smile More

Jason Fried, CEO of software company 37signals, thinks of himself as wildly ambitious and unapologetically lazy. We've all heard about the good things that come from ambition and how laziness gets a bad rap, he says. That's unfortunate, since he can attribute a healthy chunk of his success to the positive returns of laziness. The problem for most entrepreneurs is that they chase the wrong priorities. Most of the stuff you agonize about just doesn't matter. Truth is, things are pretty easy and straightforward—until you make them hard and complicated, says Fried. "I love work, just not hard work," he says. "I think hard work is overrated. My goal is to do less hard work." And what he suggests is to stop doing things you don't enjoy doing, such as writing elaborate proposals you don't believe in, or flinging mud at the competition. That's hard and horrible work. Instead of long proposals, Fried suggests, write short ones. Instead of worrying about competitors, ignore them. The result, for Fried at least, was that his company got more work, he found better clients, he slept better, he woke up rested, and he was happier. And, most of all, running a business became a lot easier.

76. Fewer Interruptions = Greater Productivity

Jason Fried, who launched Chicago-based 37signals in 1999, believes that hands-off management is the most effective.

He usually arrives at the office between 10 and 11 a.m. Employees, many of whom live outside Chicago, come to the office if and when they feel like it, or they work from home. Fried doesn't believe in the 40-hour workweek: "We cut all that BS about being somewhere for a certain number of hours. I have no idea how many hours my employees work—I just know they get the work done."

Fried says he hates treating his employees like children. “I hate it when businesses block Facebook or YouTube because they want their employees to work eight hours a day,” he says. “But instead of getting more productivity, you’re getting frustration. What’s the point? As long as the work gets done, I don’t care what people do all day.”

Meetings are rare. “They’re a huge waste of time, and they’re costly,” he says. “It’s not one hour; it’s 10, because you pulled 10 people away from their real work. Plus, they chop your day into small bits, so you have only 20 minutes of free time here or 45 minutes there. Creative people need unstructured time to get in the zone. You can’t do that in 20 minutes.”

Instead, Fried uses a group chat tool called Campfire. He built it when the company started growing, with employees in different cities. Fried wanted to be able to communicate easily as a group. “Campfire is like an all-day voluntary meeting,” he says. “If I’m busy, I can close the window. And when I’m free, I can check it and chime in. If people have questions for me, they will post them, and I will answer when I can.” Fried says very rarely is a question important enough to stop people from doing what they’re doing. “Everything can wait a couple of hours, unless it is a true emergency,” he says. “We want to get rid of interruption as much as we possibly can, because that’s the real enemy of productivity.”

77. Best Practices for Managing Telecommuters

“Being a virtual manager requires structure and planning,” says Trina Hoefling, founder of the Denver-based consultancy GroupONE Solutions, which advises clients on best practices for virtual teams. “People need more clarity.” In other words, spell things out for remote employees: responsibilities and protocol for dealing with customers. Arm employees with as many answers as possible, because working remotely, they are less likely to ask questions.

Also spell out how often you expect them to communicate. Scheduling check-ins is especially important for younger hires, says Lou Hoffman, founder and CEO of the Hoffman Agency, a San Jose, California, PR firm that allows most of its 50 employees in the U.S. to work remotely. “Someone early in their career doesn’t always understand the concept of managing up, communicating how you’re doing and where you need help,” says Hoffman.

Technology can lend a hand. Inexpensive Web-based software (such as Basecamp, Zoho Projects, LiquidPlanner, 5pm, and Wrike) lets you assign tasks and deadlines and receive updates when milestones are reached. Many programs allow dispersed users to collaborate on documents and share files. Aliza Sherman, head of Conversify, a Denver-based social media marketing company, supervises her staff of telecommuters using 5pm for project management and Google Apps for document sharing. “I recommend using each tool for its strength rather than trying to find something that’s good at everything,” she says.

Still, unless you’re going to go all *1984* by installing webcams in home offices or using keystroke-counting software, sometimes you will have to trust. So hire workers with the right skills and character for unsupervised labor. “You need someone who is independent, self-directed, with the ingenuity to figure things out on the fly,” says Hoffman. And Sherman points out that as long as you are happy with the product, how it’s produced shouldn’t matter. “If they get it done in two hours instead of five hours,” she says, “who cares?”

78. With Outside Vendors, Go Ahead and Micromanage

Micromanagement gets a bad rap these days, when enlightened business leaders are supposed to hire brilliant people, give them a little direction, and just let them work. But when you start depending on outside vendors to make you look good, being too hands-off can backfire. That’s what Joel Spolsky, co-founder and CEO of Fog Creek Software, learned when he outsourced

preparations for a series of software-development conferences to an event-planning company. Complex technical issues—like getting good Wi-Fi in a room with hundreds of laptops—require that your vendor understand hundreds of technical details. You can count on at least one person at the top of every company to really care and want to deliver an outstanding customer experience. But as you work your way through an organization, you find pockets of people who don't care that much. The minute you cross that line, from the people who care to the people who want to go home, you have to micromanage: checking in on people, inspecting their work, and signing contracts in blood demanding that if the Wi-Fi isn't perfect, it will be free.

79. How to Analyze a Process Failure

Columnist Joel Spolsky recommends the following exercise for analyzing problems that occur with outside vendors, but it is equally relevant for problems within your own company. It's called the Five Whys, a problem-solving technique developed by Toyota after World War II to improve its manufacturing process. The idea is to ask "Why?" five times to get to the root of any failure, so you fix the core problem instead of the symptoms. In Spolsky's case, a big problem was that conference presenters were unable to switch quickly between video presentations. Why? Because they were using a cheap switch purchased at an office superstore. Why? Because Spolsky assumed the venue operators would provide a high-quality switch, which they didn't. Why? Because the venue didn't have his list of AV requirements. Why? Because he didn't get it there in time. Why? Because Spolsky's vendor didn't yet have a standard checklist of procedures for each conference: what to do one month before, one week before, one day before, etc. The solution: Develop better checklists in the future.

80. Manage Time, Not Work

Jim Collins, renowned author of *Good to Great*, says that in today's world, you need to be continually learning. Many business owners constantly fight the losing battle against the old chestnut that there are not enough hours in the day, so manage your time and not your work. Distractions abound, so try to keep a laserlike focus on doing first things first, which requires having a ferocious understanding of what not to do. The question used to be which phone call you wouldn't take. Now, it's the discipline not to have your e-mail on. The skill is knowing how to sift through the blizzard of information that hits you all the time. That's a different skill from what you needed 50 years ago, but the fundamental principles don't change.

81. John Kotter: Creating Urgency in Good Times and Bad

Hard times force companies to embrace a sense of urgency. But in too many cases, that urgency translates into panic. And that's bad, says Harvard Business School professor John Kotter, author of *A Sense of Urgency*. Frenetic activity and 14-hour days don't necessarily produce anything new, and they demoralize and drain people. Rather than encourage employees to take on more tasks and hours, a leader should encourage employees to streamline, eliminating anything that doesn't move the business toward the specific, near-term goals you've set out.

When you're enjoying success, the challenge becomes maintaining a sense of sense of urgency. It's good to celebrate success, says Kotter, but keep in mind that history is no guarantee of future results. "Reward the people who helped you grow 30% last year," says Kotter, "but then ask them what's on the calendar for tomorrow that's going to help us grow 30% next year?" In addition to new customers, seek out new competitors. When you broaden your definition of competition, you go from being a complacent dominant player to an upstart in a much bigger pool. Another exercise: Come up with a company that doesn't exist. Bring people together and make them the management of that company. Their job: kill your business. Do that in the morning. In the afternoon, flip the script, and talk about how to kill the new competitor.

82. Create a Results-Only Workplace

Profits had been sluggish at J.A. Counter & Associates, an insurance and investment advisory firm in New Richmond, Wisconsin. The company was lagging 15% behind industry benchmarks for revenue per employee. It turned out that president Linda Skoglund had been overmanaging. Skoglund thought she was doing the right thing. She had recently started doing more comprehensive performance reviews, increased the company's sales goals, cut expenses, and fired a couple of employees. Those adjustments boosted the bottom line slightly, but at a cost. She was constantly being forced to put out minor fires, which prevented her from focusing on sales. "I was tired of problems always ending up with management," she says. "I wanted to move away from KinderCare."

Skoglund decided to implement a new way of managing: a system known as a results-only work environment, or ROWE. Now, J.A. Counter's employees can leave the office whenever they please. They don't have to tell anyone where they are going or why. If an employee chooses to share the fact that he or she is taking the afternoon off to go to a baseball game, no one's allowed to make muttering comments about his or her work ethic. It's no surprise that this system has boosted morale; perhaps more significant, Skoglund says, it has improved productivity as well. To make it really work, Skoglund had to create clear, written expectations for every employee and track progress weekly. But she lets employees figure out how and when work will get done. "Managers have to learn not to be hall monitors," says Cali Ressler, one of the creators of the ROWE program and co-author of *Why Work Sucks and How to Fix It*.

Step Two was to eradicate negative language. Snarky asides about the number of hours people are putting in at the office can undermine a results-only effort. Question that kind of talk the instant you hear it.

Finally, Skoglund had to take a few afternoons off herself. ROWE may be more appealing to employees than to workaholic owners determined to do anything to ensure success. But the boss has to show employees that it really is OK to leave the office.

Skoglund says that not only did morale improve immediately after ROWE, but so did accuracy on investment and insurance forms. She attributes the latter to a more attentive and engaged staff.

83. Use Tech Tools to Simplify Your Schedule

Picking the best time for a meeting can be frustrating, with countless e-mails shooting back and forth between organizers and attendees. Several online scheduling tools can help, including GatherGrid.com, JiffleNow.com, TimeBridge.com, Tungle.com, and WhenIsGood.net. All work roughly the same way: The organizer chooses potential times, using an online calendar. Then he or she notifies attendees, who select their most convenient times. Some of the sites allow the organizer to pick the final time; others do it automatically, often calculating time-zone differences.

Another Web-based scheduling tool, Doodle.com, lets the organizer create a poll (a tabular display of available time slots), then invite potential participants to cast their ballots for the best times and days.

Several sites now synchronize with other scheduling tools—in other words, you plan a meeting on the site, and it automatically shows up on Microsoft Outlook, Apple iCal, or Google Calendar, among others. Some have developed mobile applications for iPhones, Androids, BlackBerrys, and others; some integrate with Facebook, LinkedIn, and other social-media networking sites. These tools increasingly offer multiple options, typically a simple free version and a more sophisticated "premium" option with additional features and services.

TECHNOLOGY

84. Let Employees Choose Technology Upgrades

The most common mistake in implementing new technology occurs when the selection comes solely from the top, says Stephen Andriole, a former chief technical officer who teaches business technology management and corporate strategy at Villanova School of Business. Employees bristle at being force-fed new ways to do their jobs, especially if the technology is difficult to use and actually makes those jobs harder in the short term. “Many users will happily nod their head as the technology gets deployed,” Andriole says. “But within days, they have figured out ways around it so they can do their job the way they always did, which results in a big waste of time and money all around.”

Ben Swartz, co-founder and president of Marcel Media, an interactive marketing firm in Chicago, learned that the hard way when he spent several hundred dollars on software that was supposed to help employees find the best search-engine keywords for clients. Months later, he discovered that employees had stopped using it. They told him they got better results using their own methods and the free tools offered by search engines.

Today, Swartz goes about things differently. He holds weekly meetings at which his employees are encouraged to discuss ideas about new software. “By getting employees involved from the beginning, we no longer run into issues of buy-in,” he says. For example, when the company began shopping for new project management software, a group of employees researched programs and tried several demos. When it came time for a decision, Swartz allowed employees to make the call. “We operated like a jury room,” he says. “We didn’t move forward until we had a consensus from our employees.”

85. For Top Security, Choose Hacker-Resistant Passwords

Data security measures are useless if a hacker manages to get an employee’s password. And yet most people are pretty lazy when it comes to passwords. Security experts recommend using a different password for each application, but a survey by Sophos, a security firm, found that 81% of respondents used the same password for multiple sites. About a third of them used the same one for everything.

Weak passwords are no match for automated password-cracking tools, which can check more than a million password variations in 28 hours. Passwords composed of random strings of uppercase and lowercase letters, numbers, and punctuation can usually withstand an attack, but those are tough to remember.

Fortunately, there are some ways to create strong, memorable passwords. Two words connected by a number can thwart many attacks. So can using a full sentence, such as *Jane Smith’s Salesforce login is password*, or a line from a song or a nursery rhyme. For online applications that restrict password lengths, try a mnemonic, or memory aid, such as an abbreviation.

Vaclav Vincalek, president of Pacific Coast Information Systems, an IT and security consultancy in Vancouver, British Columbia, uses a different mnemonic. He picks a pattern on his keyboard, like the triangle formed by the *c*, *b*, and *n* keys. He enters the keys of the pyramid twice: once in lowercase, once in uppercase.

Some programs (Passlogix, Imprivata, and myOneLogin) let companies manage employee passwords for applications inside and outside the firewall for a small monthly fee. Such programs tout their ability to give workers a single sign-on, one login for access to their corporate network, e-mail, and applications.

There's also software that keeps tabs on whether employees use strong passwords. Password auditing programs, such as L0phtCrack, apply various hacking techniques to check user password strength. More sophisticated—and more costly—security tools such as Cloakware, Cyber-Ark, and e-DMZ Security can bar an employee from using the same password for, say, logging in to e-mail and for checking the company financials.

If that sounds too complex, Bruce Schneier, a security expert who is chief security technology officer at BT, recommends a low-tech solution: Write your passwords on a sheet of paper, and store it in a safe place. Hackers are less likely to break into a locked desk drawer.

86. Make Logging In Simpler

If your company requires employees to log in to several different programs on a regular basis, it can be tough to remember a dozen passwords. And it's even harder if you make each one unique (a basic rule of good security). Here are two tools that allow you to abandon passwords and use one master login instead.

One password. RoboForm stores all your login information on your computer, in a file protected by a master password. Once you log in to RoboForm, it takes one click to log in to a password-protected website. The service costs \$30 for unlimited passwords, but you can use it for free for up to 10 passwords.

One account. Instead of giving your employees separate passwords for each software program they use, give them all myOneLogin accounts. They can access Web-based applications such as Basecamp, Salesforce, and WebEx through myOneLogin's interface, and they don't need to know the passwords they are using to log on. It's convenient, and it comes with security benefits: If an employee leaves the company, just cancel his or her myOneLogin account instead of worrying about each individual software program. The service costs \$3 per user per month, with discounts available for large accounts.

87. Use Collaborative Software

Companies frequently complain about how difficult it is to get all decision makers in one location at the same time. Technology has helped free business owners from the constraints of needing a physical boardroom. But while e-mail remains the primary method of office communication, businesses—particularly those that rely on a remote work force—are increasingly turning to programs designed specifically for office collaboration. According to a recent survey of 118 organizations conducted by the Institute for Corporate Productivity and HR.com, an online community for human resources professionals, about 22% of companies use real-time collaboration tools for online meetings; another 24% use document-sharing software.

E-mail has limitations, especially as a project management tool. Information gets buried in inboxes, team members get left off of important e-mail chains, and questions such as “Do I have the latest version of the document?” and “When was that deadline again?” pop up frequently. Low-cost tools (including Basecamp, Box, Huddle, Jive, and Socialtext) are making project collaboration much easier and centralized. “Companies have been looking for ways to make up for the overreliance on e-mail as a collaborative tool,” says Jeffrey Mann, an analyst with Gartner. “Now we're seeing the evolution of tools that tackle everything e-mail is bad at—like allowing users to follow a discussion, share files, monitor workflow, and get the latest status on tasks and projects.”

88. Choose the Right Collaborative Software

How can you tell which of the many new collaborative tools is the best fit for your organization? The key is carefully analyzing the needs of the employees, says Jacob McNulty, president of Orbital RPM, a Denver consulting firm that helps companies improve collaboration. “Too often,

firms get caught up looking for the newest feature rather than spending the time to understand the problem they're trying to solve," he says.

To help his clients choose the right tool, McNulty gives each employee a survey about the people with whom he or she frequently interacts. He looks for possible bottlenecks and gaps in communication. If, for instance, employees often collaborate on documents, a wiki may be the easiest solution. That's what McNulty recommended for the Shackleton Group, a 15-person consulting firm in Lakewood, Colorado, that specializes in training programs and management strategies for the defense industry. Its employees travel frequently to meet with clients, and the firm's major challenge was keeping track of projects and making sure everyone had the most up-to-date versions of client documents. McNulty suggested the employees use Socialtext, a wiki-based tool, to help them create and maintain a central location for their important information. McNulty recommends that small and midsize companies use hosted tools instead of installing software on their own servers. Although some companies worry about security and system downtime, McNulty says, the advantage of a hosted system—letting someone else deal with managing the actual technology—outweighs the risks. "Vendors are aware of this fear and have advanced technology to mitigate data loss, even if the system were to go down temporarily," he says. To minimize these sorts of system outages, McNulty suggests that businesses avoid free tools. By using a paid service, he says, companies can demand a written guarantee that the system will be accessible.

89. Preventing In-House Tech Sabotage

Unfortunately, it happens. Wand Corporation in Eden Prairie, Minnesota, fell victim to a former employee who launched a so-called logic bomb, malicious software code designed to disrupt a company's IT infrastructure or destroy its data. Fixing this mess, including sending new computers to customers via overnight delivery, cost about \$49,000. Scary stuff, but there are some basic steps business owners can take to protect their companies.

Passwords matter. After layoffs, companies should immediately eliminate password access for ex-employees and have all remaining employees change their passwords. Changing passwords created for training sessions or test accounts is also a hedge against fraud.

Separate IT roles and responsibilities. At least one person typically needs full access to a company's systems. But experts recommend separating duties when possible. Instead of giving the entire IT staff free rein, clearly define and limit who has access to each system. For example, an engineer who has been hired to maintain your e-mail servers should not have access to the accounting systems.

Actively monitor for logic bombs. Tech-heavy companies that work with sensitive information may find it worthwhile to invest in software designed to detect logic bombs. Applications from companies such as Tripwire will monitor a company's IT systems and flag any suspicious changes. If an employee discovers what appears to be a logic bomb, contact the FBI right away. Unless your business has a computer forensics specialist on board, company staff members trying to investigate insider sabotage could damage key evidence needed to identify and prosecute the culprit. For more research on IT sabotage, visit cert.org/insider_threat.

90. Preventing IT Disasters

No one comes to work expecting an IT crisis, but heart-stopping technical meltdowns happen every day: Important files get wiped out, or thieves get hold of sensitive data. Data disasters of all sorts hit especially hard at small and midsize companies, where file backups, data security, and sometimes even basic protections like antivirus software frequently get overlooked in the

scramble to make payroll and meet project deadlines. Here is how to handle and possibly prevent three common IT catastrophes.

Laptop theft. For about \$40 and up per laptop per year, services such as MyLaptopGPS and Absolute Software's Computrace LoJack for Laptops may be able to get the computer back. If you have installed one of these programs, the stolen machine will report its location to the authorities as soon as the thief connects to the Internet. Some services let you remotely wipe all data from the hard drive or will even covertly download files from the stolen laptop for you. Without one of these tracing programs, the best you can do is report the serial number to the police and the manufacturer and hope it winds up at a repair shop. The best defense is a good offense: Encrypt the hard drive so thieves can't read it; guard it like you do your wallet.

Hard drive failures. If your IT team can't bring your computer back to life, the only option is to send the drive to a data recovery service, which can charge anywhere from several hundred to several thousand dollars to rescue your files. The services aren't always successful. Sean Marx recently suffered through that. He's CEO and co-founder of Give Something Back, an Oakland, California, which supplies environmentally friendly office supplies. Marx spent \$1,500 at a local data recovery shop, but almost all the files were corrupted. He was able to recover many files attached to e-mails that were archived on the company's server. The moral of this story: Back up your hard drive often!

Virus outbreaks. Install antivirus software on all company computers and keep the virus definitions up to date. And make sure to back up your data frequently, just in case you need to revert to the last system-restore point before the virus hit.

91. Learning to Live With a BlackBerry Addict

Inc. columnist Meg Cadoux Hirshberg is the wife of Gary Hirshberg, former president and CEO of Stonyfield Yogurt ...and a BlackBerry addict. How does she handle living with a man fused to his smartphone, which she calls "Bond Girl"? Like the rest of us, it's a balancing act. An important start is that she realizes the BlackBerry is an essential business tool, and more realistically, it's not going away, even if she wanted it to. Meg also looks at the positives of being eternally connected, such as a recent college-shopping trip Gary took with his daughter, made possible only because he wasn't stuck talking on a phone. Meg has called a truce with the BlackBerry, saying, "I'm trying to mentally recast Bond Girl as Miss Money Penny—an indispensable sidekick but not one to make me jealous."

That being said, Meg believes the BlackBerry is a major distraction that basically ensures Gary's always working. Looking for answers, she sat in on an executive M.B.A. class at the Wharton School, taught by Stewart Friedman, about the relationship between "work/life integration" and leadership. He preaches the importance of being fully present, no matter what you are doing—e.g., when you're with your kids, *be with your kids*. Give your family, your community, and your personal life the attention they deserve, and your work will benefit also.

Friedman asks his students to try a series of experiments related to this concept. Many students, not surprisingly, start by placing some controls on their BlackBerrys. Meg took the idea back home where she and Gary are trying experiments of their own. He doesn't bring Bond Girl to soccer games or the dinner table anymore. It's a start, but, as Meg says, "now that I've reclaimed the kitchen, I'm optimistic about the bedroom." Oh, and she's looking for vacation spots where satellites can't reach them.

WORK/LIFE BALANCE

92. The Road Warrior Workout

Many runners will tell you that the best thing about the sport is that it's free and travels easily. Thankfully, Westin Hotels seems to agree: the company's hotels in 30 cities employ a "running concierge" who leads guests on three-mile runs three mornings a week, free of charge. And at more than 100 Hyatt Hotels & Resorts, free running route maps and GPS armbands are delivered to your room. Of course, there's another free option: planning your own run. To find the best routes, check out MapMyRun.com. It lets you choose among 775,000 U.S. routes, provides precise route details and a map, saves the route to your GPS device, and even calculates the calories you will burn.

If you are willing to pay, you can find longer, tailored runs in many cities. City Running Tours has guides in New York; Chicago; Washington, D.C.; Charleston, South Carolina; and Austin. There are also a number of city-specific tour outfits: SF Run Tours in San Francisco, for example. Typically, a running guide takes you on a scenic jaunt from your hotel, at a time and pace of your choosing, while pointing out landmarks and answering questions about running or the city. Most charge about \$45 per person per run.

93. Prioritize Your Personal Life

Grace Ueng doesn't remember the accident that changed her from a hard-charging entrepreneur into someone who appreciates the rest of life as well. She just knows she was lucky to survive it. In September 2005, just before her 40th birthday, she was cycling down Sonoma Mountain in Sonoma County, California. A motorcyclist found her lying unconscious; Ueng had broken her neck and suffered a brain injury that temporarily robbed her of short-term memory. The cause of the accident was never determined, but Ueng, an avid athlete who had competed in triathlons, speculates that she hit a rough patch of road and lost control.

After months of physical and cognitive therapy, Ueng was back to running, swimming, and working with clients at her consulting firm, Savvy Marketing Group, in Research Triangle Park in North Carolina. Getting back on the bike was harder. Three years later, she participated in her first outdoor cycling event since the accident, riding with her former triathlon coach, Paul Nowicki.

"The bike represents a comeback to me," she says. "The ripple effect of my accident has been a revived passion for life. Before the accident, it was Push, push, push. I'm still very determined, but now I overlay a dose of reality."

94. Don't Wait Until It's Too Late to Spend Time With Your Family

There is a reason that the Ebenezer Scrooge story of a hard-driving businessman who ignores his family for his career—only to regret it when it's too late—is Hollywood boilerplate. Even now with work/life balance a common mantra, the overwork phenomenon still exists.

Larry H. Miller was a successful business owner who died in 2009, at the age of 64, from complications of Type 2 diabetes. Among his many business ownership successes were a string of 39 car dealerships, the Utah Jazz, a minor league baseball team, and a \$100 million auto-racing track. The year he died, the Miller Group's 80 companies employed about 7,000 and had sales of more than \$3 billion.

Miller was famous for his intensity. His son Greg, who is now CEO, says he resented the amount of time his father spent at work while he was growing up. Just like in the movies, though, Larry Miller took stock as his health failed. He publicly voiced regrets about missing his kids'

childhoods. “In his final months, he kind of let his guard down,” Greg says. “He became the dad and the leader and the mentor that I wished he would’ve been. He was just a good guy. It was really enjoyable to work with him the last six months of his life.”

Heed Miller’s example. You don’t want to be one of those people who ends up getting visited by three ghosts next Christmas.

95. How to Run a Business With Your Spouse

Many couples meet on the job, and office anxiety follows them home. But when one spouse goes to work in the other’s company, there is no relief in railing against the boss or fantasizing about going elsewhere. Even when one spouse doesn’t report to the other, the entrepreneur usually wields implicit authority—not ideal when you’re trying to sustain a marriage of equals. The work environment may reveal quirks or irritating habits in both of you that never surfaced in domestic life. The most routine operations can generate a dozen new issues a day on which you disagree. And home ceases to be a sanctuary when dinner-table conversation picks up where the afternoon huddle left off. One reason spouse-employee arrangements sometimes sour is that so little thought goes into them, says *Inc.* columnist Meg Cadoux Hirshberg. Fortunately, she says, there are obvious ways to avoid the pitfalls:

Declare boundaries. Establish job definitions and working conditions up front.

Make sure all are on board. Reinforce the message to each other—and to everyone else—that you are in this together, pursuing a common goal, even if one of you plots strategy while the other restocks shelves.

Leave work at the office. At home, carve out inviolate time in which office talk is verboten.

Say thank you. Perhaps more important, ensure that the spouse receives the same appreciation and recognition due any talented, hard-working employee. “The gratitude thing is key,” said *Inc.* reader Ginger Molthen, who works with her husband, Tom, in his salsa business, Pepper Dog Specialty Foods. “Otherwise, I feel like, Hey, I don’t need this. We’ve both sacrificed for what he wanted.”

Review if it’s working. After six months or a year, take a step back to evaluate the arrangement. This isn’t a performance review; it’s a relationship review, with the option of reconfiguring either spouse’s role. You may conclude you’re simply not happy working together. But that doesn’t mean you shouldn’t be together. As reader Michael McMillan puts it, “The most important thing is to commit to saving your personal life before you save your professional life.”

96. Enjoy Your Layover Time at the Airport

Thanks to delays and overcrowding, airports are a second home for many entrepreneurs. If you find yourself facing a four-hour wait, you could get a little work done. Or you could try these guilty-pleasure options.

Play video games. Some airports now offer a true escape from reality. Charles de Gaulle Airport in Paris offers PlayStation games kiosks in several terminals and a video games room in the Terminal 3 departure area. Singapore’s Changi Airport offers Xbox 360 and PlayStation 3 consoles in its Entertainment Deck recreation area.

Get pampered. XpresSpa offers massages, manicures, facials, and waxing treatments at more than a dozen major U.S. airports and at Amsterdam’s Schiphol Airport. Some airports feature multiple XpresSpa locations: New York’s JFK International boasts seven; Dallas/Fort Worth has three.

Play golf. Passing through Hong Kong? Hit the links at the SkyCity Nine Eagles Golf Course. The nine-hole course is a free, five-minute shuttle ride away from Terminal 2.

Order takeout. JetBlue's Terminal 5 at JFK offers meals at the gate. Find one of JetBlue's Re:vive kiosks, place your order, and pick it up a few minutes later.

Lounge away. Several airports offer pay-as-you-go lounges open to all travelers, regardless of airline or seat class. The reLAX Lounge (\$30 for three hours) in the Tom Bradley International Terminal at the Los Angeles International Airport offers complimentary beverages, snacks, Wi-Fi, and computer use; beer and wine are available for purchase. The Plaza Premium lounges at Vancouver International Airport and Toronto's Pearson International Airport (\$30 Canadian for three hours) offer buffet meals and alcoholic drinks; some of the multiple locations in Toronto even offer showers.

97. Extreme Personality Makeover, the CEO Version

Selina Lo had a reputation as one of Silicon Valley's best salespeople. She was also notorious for a management style that included yelling, fist-pounding, and sarcasm.

Lo got a wake-up call when she became CEO of Ruckus Wireless, a start-up in Sunnyvale, California. When she wooed executives she knew with generous offers, they turned her down—and explained why. Says Lo: "I didn't realize I was making people physically sick." As CEO, she felt an unfamiliar obligation for the happiness of the people she had hired. In a previous job, "I could go nuts, and the damage would be limited," she says. "When the CEO screams, the impact is much greater. I can't build a company with nervous people."

Disenchanted with the classes-and-books route to better leadership, Lo opted to reform on her own. Impatience, she recognized, was her greatest foe. She knew she likes things settled, which meant that, in the past, arguments ended when she left the room. So Lo instead adopted a group decision-making process that forces her to consider others' opinions. When a disagreement arises, she convenes a meeting of herself, her disputant, and one or two other people affected by the decision to get additional feedback on how to proceed.

She also gets group help in matters of emotional intelligence. She asks colleagues to help her recognize when and how to dole out kudos—for example, suggesting that she acknowledge someone's good work at an all-hands meeting.

These days, she takes some things more slowly. Once a multitasker, she forces herself to stop everything when employees come into her office. She has weekly drinks with them so they can see her relaxed and social. And she's even learned to laugh at herself.

At one time, Lo viewed work as a never-ending quest to be the smartest person in the room, to win every battle. Now, she says, "I no longer compete with people inside. I need to focus all that energy against my competitors."

98. Consider Stepping Aside

After six years of hard work, First Global Xpress, a New York City shipping company, had a roster of blue-chip clients. But new growth was elusive, and revenue was 30% below projections. And despite his extensive industry experience, founder James Dowd was starting to believe that the main obstacle was himself.

In addition, FGX's internal processes, which had developed over the years in an ad hoc way, needed a serious overhaul. Dowd felt stretched too thin to attack both problems simultaneously. He reconciled himself to the need for new leadership.

Dowd asked Justin Brown, the company's young star employee and minority stakeholder, to take over as CEO while Dowd served as COO. Brown would be the company's new public face, responsible for hiring, strategy, technology, and sales. Dowd would focus on improving operations and increasing efficiency. "I knew if I gave him the title, we would be able to make a quantum leap," Dowd says. "I'd had my shot at it already."

Brown dug into growing the company through market research, technology investments, and an image overhaul. Dowd, meanwhile, moved his desk from his former private office to the operations floor, where he took a hands-on approach to observing and improving the company's processes.

A year after the transition, revenues had risen 20%. Not surprisingly, the gains came with some conflict between the partners. To address those issues, Dowd and Brown met weekly with a business coach. Ultimately, though, the two parted ways and Brown now runs the company on his own.

99. Don't Let Boredom Force Your Hand

Many times entrepreneurs, no matter how successful they become, still get bored at work. The challenge, though, is never to let boredom be a good reason to sell an established business that gives you a good living, says *Inc.* columnist Norm Brodsky. Rather than divest yourself of your cash cow, Brodsky suggests, find other ways to recharge your batteries. You might start a new business on the side. You might try mentoring young entrepreneurs or getting a teaching job. Or maybe you've simply set your sights too low in your current business and need to challenge yourself with more ambitious goals. The world is filled with opportunities, and you don't have to sell your company to find them. It's quite possible you would live to regret it if you did.

100. Build a Stronger Business by Taking Time Away From It

No reader of *Inc.* needs to be reminded of the challenges of going into business. But how much have you thought about the challenges of getting away from it? asks *Inc.* columnist Norm Brodsky. Before selling his company, Brodsky had set a goal of spending 16 weeks annually—yes, that's almost a third of the year—traveling or skiing or simply taking time off. He says he reached the goal and continued doing it for years. In doing so, however, he says he became increasingly aware of the mistakes other people make when they take a break from their companies. Those mistakes, according to Brodsky, fall into two broad categories that roughly correspond to the age groups of the people involved. The first group is made up largely of younger people who think they are taking a vacation when in fact they have simply moved their offices outdoors. They spend most of their time doing work. The second group includes all those baby boomers for whom vacations are no longer enough. What they really want is a change in lifestyle. But because they haven't done the necessary planning, they wind up alienating their customers, undermining their employees, and damaging their businesses. Brodsky notes that it's not always wrong to be engrossed in your business. Until a company reaches viability—when it can sustain itself on its own internally generated cash flow—you really can't afford to spend time away from it. But thereafter, you have a choice. Brodsky says it took time and determination to tear himself away from his business on a regular basis. He started out taking one week of vacation per year and gradually worked up to four, timing his breaks to coincide with the periods when business was slow. The more time he took, the better he felt, and the more he appreciated just why vacations—real vacations, on which you clear your mind and don't think about business at all—are so important. He would come back from one feeling rejuvenated and able to take a fresh, uncluttered view of the business. He could see issues and problems with clarity he hadn't had

before. It was obvious to him that he was a bigger asset to the company on his return. Plus, when it came time for him to sell his company, his investors were impressed that his business could succeed without him—something that helped him get a better price for his company.

101. Tailor Your Workout to Your Management Style

It can be a challenge for a CEO to include exercise in a day packed with meetings, management, and finances. The key is to find a workout that is so much fun, and suits your personality so well, that it keeps you going back for more.

Barbara Lynch, restaurateur and CEO of Barbara Lynch Gruppo in Boston, has made a career out of being tough. A blue-collar Irish upbringing in South Boston led her to a colorful life that has included being part of Boston's racially tense school busing program, running numbers for bookies, and preparing meals for a houseful of Catholic priests. She started cooking at age 13, and never finished high school. Today, the James Beard award winner runs a company that oversees six high-concept restaurants. To keep herself motivated to fit exercise into her busy day, Lynch chooses a workout that befits her scrappy background: boxing. "To deal with tension and get in shape, I box in Southie," she says. "I work out hard: I'm training to be a fighter. I haven't sparred with anyone yet. But I'd love to."

When he's not designing Internet products or creating videos, Kevin Rose of Digg goes to a climbing gym in San Francisco, where the company is based. A few times a year, he goes bouldering, which involves attempting short, difficult climbs without using ropes. "In bouldering, each climb is called a problem, because it's not about strength," he says. "It's a puzzle that you have to figure out." It's a lot like the work he does at Digg, which mostly involves solving problems related to the way people use the site. "The way I work best is sitting down in my cube alone with a piece of paper, sketching and drawing ideas," says Rose. "The last thing I need to do is worry about managing folks."