

KEY EMPLOYEES:  
ATTRACTING  
& RETAINING "THE GREAT ONES"

A WORKSHOP

**Available from**

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**DONALD J. JONOVIC, Ph.D.**, an advisor to business owners since 1973, focuses on the unique issues related to management development, growth and ownership transition in the successful owner-managed business. His professional consulting practice has included industrial and agricultural clients throughout North America, ranging in size from \$1 million to \$2 billion, with an emphasis on companies transitioning to successor management teams, including those with a significant proportion of non-family key managers.

**AREAS OF SPECIALIZATION.** Dr. Jonovic's expertise covers a range of areas, including:

- Development and management of shareholder communication processes
- Establishment of owner/partner policies, including risk and return standards
- Creation of comprehensive shareholder and partner agreements
- Transition of management to successors related or unrelated to current owners
- Development of key management teams
- Design and implementation of shareholder value-directed compensation systems
- Formation and management of boards and advisory teams
- Facilitation of business planning and strategic positioning projects

**BOARD SERVICE.** He has helped to create, serves on and chairs numerous advisory and formal boards in closely held businesses. In his board service, Dr. Jonovic chairs a number of compensation committees, and has been instrumental in the creation and implementation of incentive and growth-participation compensation plans for key managers. He also serves on strategic planning committees, frequently acting as facilitator of management, strategic planning, and positioning sessions.

**CONSULTING/TRAINING ACTIVITIES.** He has worked with manufacturers, banks, professional firms, and farm bureaus, designing and delivering client and advisor training programs to help those organizations assure business growth and continuity for their customers, clients and members.

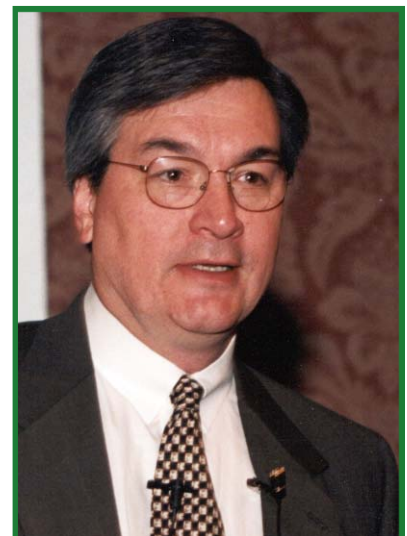
**PUBLICATIONS/BOOKS.** Founder of Cleveland's Family Business Management Services, and President of its publishing division, Jamieson Press, Dr. Jonovic is a frequent contributor to the business press. He has written eight books and produced a video on business ownership, family business transition, and the management of change in the closely held company:

- **VIDEO: Surviving Family Farming Whitewater:** A Transition and Succession Workshop on DVD
- **Ag-Planner/IV:™** An Agreement Builder for Family Agribusinesses (*with Pamela J. Jonovic*)
- **The Ultimate Legacy:** How Family and Closely Held Businesses Can Achieve Their REAL Purpose
- **Someday It'll All Be Yours ... Or Will It?** How to Survive—and Enjoy—Succession in a Family Business
- **Passing Down the Farm:** The OTHER Farm Crisis
- **Planmaker:™** A Growth and Succession Planning Workbook for Family Companies (*with Pamela J. Jonovic*)
- **The Second-Generation Boss:** A Successor's Guide to Becoming the NEXT Owner-Manager of a Family Business
- **Outside Directors in the Family-Owned Business:** Why, When, Who, and How
- **Someday It'll All Be ...Who's?** The Lighter Side of the Family Business

Dr. Jonovic's management column in *Successful Farming* reaches more than 1 million readers every month. Since the column's inception in 1984, it continues to be one of the most popular features in that magazine.

**EDUCATION/ACADEMIC AFFILIATIONS.** He holds a B.S. in Mathematics from Marquette University, and received his M.A. and Ph.D. in Communication at the University of Wisconsin at Madison. He is a former adjunct professor with the Communication Science Department of Case Western Reserve University. Dr. Jonovic has been a visiting lecturer at universities throughout the U.S. and Canada. He has presented workshops and served as advisor to businesses and agribusinesses in Australia and New Zealand, and has been a member of the faculty of the respected Texas A&M Executive Program for Agricultural Producers (TEPAP) since the program's inception in 1992.

Dr. Jonovic and his wife, Pamela, live in Shaker Heights, Ohio. He can be reached at Family Business Management Services, Post Office Box 201400, Cleveland, Ohio 44120. Phone: 216/752-7970; Fax: 216/752-4100; email: [djonovic@familybusinessmgt.com](mailto:djonovic@familybusinessmgt.com); Web: [www.familybusinessmgt.com](http://www.familybusinessmgt.com).

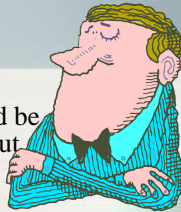


**Donald J. Jonovic, Ph.D.**

# Attracting & Retaining the "Great" Ones

"[E]mployees may indeed be our greatest liabilities, but people are our greatest opportunity".

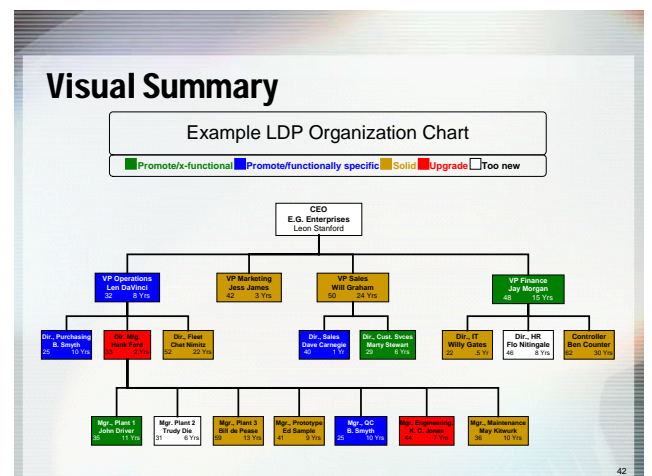
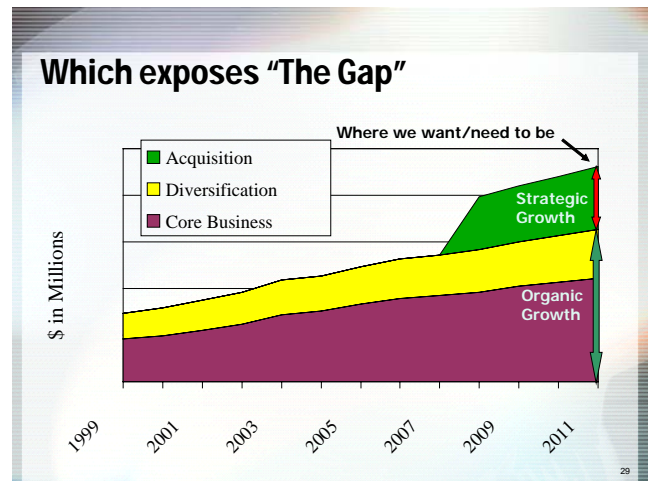
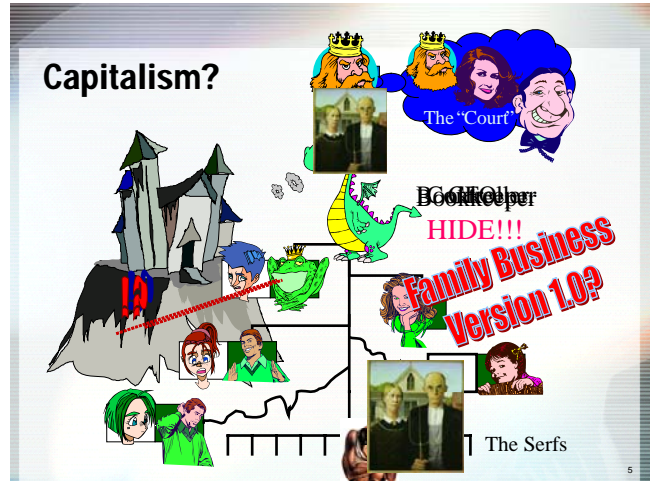
Peter Drucker  
2002



## Workshop overview:

- **The myths of "Capitalism."** Articles of faith underlie much of the philosophy of recruiting and pay design, among them the general belief, evidence to the contrary, that family businesses are capitalistic and democratic
- **Why a financial strategy is essential.** To point key people toward building shareholder value, we need to define "shareholder value" via a financial straw plan. This becomes the destination...and the compass driving incentive design.
- **The philosophy of sound pay design.** Consideration of key issues in designing effective compensation systems: base salary, incentive or bonus plans, and growth participation programs
- **Leadership Development.** Discussion of the reasons why personal and career-growth are essential to the business and the key employee...and programs for accomplishing that
- **Incentive program designs.** Designing short and long-term "bonus" programs, with examples of actual programs that have been tested and refined in the real world, with real key employees

## Workshop outline:



# Workshop themes:

On first glance at the typical family business income statement, it seems employees, particularly key employees, are one of the most significant *expenses*. This workshop takes a deeper look at these costs. Dr. Jonovic's perspective is that employees, particularly key employees, are actually an *investment*, perhaps one of the most important "capital" investments a business makes.

This program deals, in depth, with the needs and perspectives of the "knowledge" executive who has become so essential to family businesses in our volatile economy. It focuses, particularly, on the purpose, design, implementation, and potential challenges of designing management leadership development programs and compensation systems that help meet the strategic challenges of today's changing markets and industries.

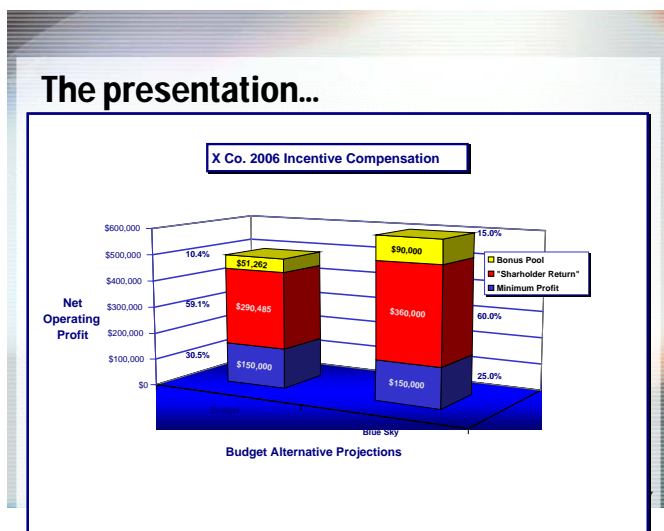
### Performance-based incentive plan

X Company Performance Incentive Program (PIP): FY 2006

	Senior Management	Business Unit Management	Business Unit Teams
<b>Corporate Goals</b>	<b>66.7%</b>	<b>50%</b>	<b>33.33%</b>
1. Revenue	1/3	1/3	1/3
2. ROIC	1/3	1/3	1/3
3. NOP	1/3	1/3	1/3
<b>Business Unit Goals</b>		<b>25%</b>	<b>33.33%</b>
1. Revenue		1/3	1/3
2. NOP		2/3	2/3
<b>Individual Goals</b>	<b>33.33%</b>	<b>25%</b>	<b>33.33%</b>
1. Managing Human Capital	1/3	1/3	1/3
2. Set by Supervisor	1/3	1/3	1/3
3. Set by Supervisor	1/3	1/3	1/3

**1** *Rethinking the Family Business Key Executive: Employee or Partner? There are four retention myths that must be eliminated before sound compensation design is possible.*

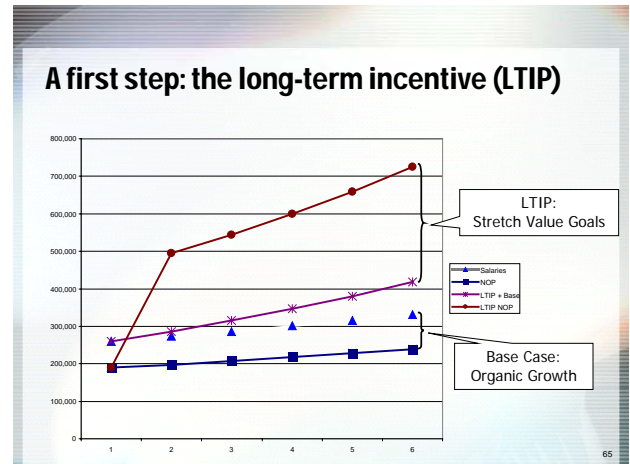
(1) *"They don't notice."* Key employees notice how the family treats the business, the quality of leadership, and the clarity of organization. (2) *"We're Capitalists."* Compensating appropriately is difficult as long as profit is a tax fantasy and pay is based more on need than contribution. (3) *"Employees are an expense."* It may be defined that way on the income statement, but it's time to shift toward seeing employees as an investment. (4) *"Money*



# Workshop themes (cont'd):

**2** *Executive Compensation as a Strategic Tool.* Properly designed executive compensation helps the closely held business **avoid a natural tendency toward socialism.**

The effect of a strategically designed pay system is to replace “from each according to ability, to each according to need” with **a system of rewards for building owner value.** By the simple expedient of rewarding management performance that produces greater company value (however the owners define “value” in this sense), talented employees are much more likely to put their motivation to work in ways that result in a win for everyone. Also, today’s knowledge worker tends to respond quickly and positively to the respect and the status that

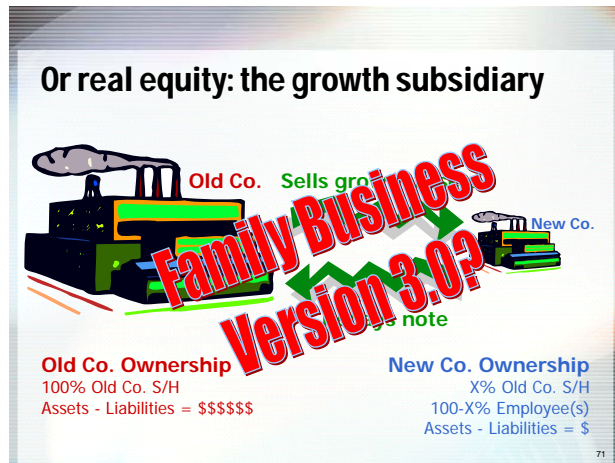


## Compensation is an investment

- Because well-designed compensation:
  - Can act as an antidote to socialism
  - Can serve as a “shareholder value” compass
  - Can ensure we treat our employees as investments, not expenses
- Because, in the Knowledge Economy, compensation can be a strategic tool:
  - To attract and focus key employees
  - To serve shareholders, and
  - To support the financial needs of the company

**3** *Compensation Program Design.* There are a number of **constituencies who are interested in how a company pays its key people.**

There are the shareholders, of course. The key employees, as well. But design also has to consider the health of the company and the attitude of the various “publics”: the banks, the IRS, and potential investors. **Goals and objectives should be public and clear to these constituencies,** and arise best from a concise statement of the owners’ Investment Strategy, defining growth expectations, risk tolerance, distribution and reinvestment policies. Only once all this is established is it time to begin looking at the design of salary brackets, incentives, and growth participation programs.



**4** This workshop deals in detail with **specific incentive designs and the most common plans for sharing equity growth** with key people.

*In the knowledge economy, key people are much more than employees. As key partners in the growth process, they earn and expect a share in the benefits of success. They don't necessarily require actual ownership (although that is an option), but some form of wealth growth beyond salary and incentive is almost certainly appropriate. Various approaches and models are explored.*

## Reactions of sponsors...

### ...and participants:

“Very good and lively presenter. A lot of old ideas presented in a new way which catches your attention. One good idea, too, on basic board structure.”

”The practical approach, there were always examples you could relate to. Also the humor injected which kept it interesting. The presentation was well done and very professional.”

“Very well organized and precise about solving family business problems.”

“Great visuals and equipment. Excellent knowledge base of speaker. Definitely hits home. Great sense of humor and presentation skills.”

“This was the best presentation yet. Also liked the format vs the usual ‘case study.’ Very practical.”

“Probably the best seminar I have been to.”

“Clearly—the presentation was a winner! You did a terrific job with both content and presentation skills. No surprise—but always reassuring, especially with this demanding crowd.”

**Paul Karofsky**  
Director, Northeastern University Center for Family Business

“Your presentation...was magnificent. Everyone thoroughly enjoyed you and your sense of humor, not to mention the fact that your message hit very close to home.”

**Ann Johnson**  
Director, Indiana Family Business Forum

“It felt a bit like Comedy Night at a local club, as Don Jonovic kept Family Business Center members rolling in their seats with one quick one-liner after another. But underneath the laughter were some very important messages. [H]e focused on setting the core agenda for a business: the overall goals that will inform every decision every day. And, he pointed out, many business owners go about this all wrong.”

**Shel Horowitz**  
UMass Family Business Center



## Sponsor references:

- ASHLAND UNIVERSITY**—Paul A. Sears, Ph.D., 401 College Ave., Ashland, OH 44805 (419/289-5212)
- CANADIAN FARM BUSINESS MANAGEMENT COUNCIL**—Susy Kilby, Ottawa, Ontario K1R 6K7 (888.232.3262)
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- ELIZABETHTOWN COLLEGE**—Mary Beth Matteo, Alpha Hall, Elizabethtown, PA 17022 (717/361-1275)
- FARM CREDIT SERVICES SOUTHWEST**—Gary Dyer, 3003 S. Fair Lane., Tempe, AZ 85282 (602/431-4139)
- KING'S COLLEGE FAMILY BUSINESS FORUM**—Patrice Persico, 133 N. River St., Wilkes-Barre, PA (570/208-5900)
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- UMASS FAMILY BUSINESS CENTER**—Ira Bryck, 358 N. Pleasant St., Amherst, MA 01003 (413/545-1537)
- UNIVERSITY OF NEW HAVEN**—Paul L. Sessions, 300 Orange Ave., West Haven, CT 06516 (203/932-7421)
- UNIVERSITY OF PITTSBURGH**—Shelly Taylor, Family Enterprise Center, Pittsburgh, PA 15260 (412/967-1533)
- UNIVERSITY OF TOLEDO**—Debbe Skutch, Center for Family Business, Mail Stop 103, Toledo, OH 43606 (419/530-4058)

## For more information:

*This workshop is available in varying lengths, and can be sequenced into a workshop series, each segment building upon the previous program. For fee and schedule information, please contact:*

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