

CONVERSATIONS
WITH CEOS

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CONVERSATIONS WITH CEOs



ADIZES METHODOLOGY
IN PRACTICE

ICHAK KALDERON ADIZES

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Santa Barbara County, California



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*To my clients
without whom
all my work would be in vain.*

CONTENTS

	INTRODUCTION	9
1	A DECENTRALIZED INTEGRATION Russell Ellwanger, CEO, Tower Semiconductor Ltd. (TowerJazz), Israel	15
2	GREAT JOURNEY Eduardo Fabregat, Former President, Best Buy Latin America, Mexico	29
3	GUARANTEEING POST-DATED CHECKS Dr. Carlos Valdesuso, Chairman of the Board, Teledata, Brazil	43
4	A STRUGGLE AGAINST CORRUPTION Vlad Burda, CEO, Europroduct Corporation, Ukraine	55
5	A SELF-MADE MAN Eduardo Garza, Chairman, Frisa, Mexico	68
6	FROM COMMUNIST CITIZEN TO ENTREPRENEUR Gazmend Haxhi, Entrepreneur, Albania	82
7	THE CEO WHO WAS ALWAYS AVAILABLE Dan Maydan, Former President, Applied Materials, USA	98

8	THE RENAISSANCE MAN	101
	Ladd Christensen, CEO/President, Whitehall Corporation, USA	
9	FROM ALMOST BANKRUPTCY TO TREMENDOUS SUCCESS	122
	Lou Siracusano, CEO, Azzurro HD, LLC, USA	
10	A SMALL JEWEL OF A COMPANY	138
	Matjaž Čadež, Chairman of the Board, Halcom, Slovenia	
11	LARGER THAN LIFE	152
	Ricardo B. Salinas, CEO, Grupo Salinas, Mexico	
12	STARTING IN A GARAGE	166
	Yehoram Uziel, CEO, Soligen Inc., USA	
13	A STORY OF ETHNIC BONDING	183
	Zeljko Bozic, CEO, Alfa Therm Co., Bosnia and Herzegovina	
	POSTSCRIPT	196
	A New Bottom Line for Business	

INTRODUCTION

MORE THAN A YEAR AGO I was approached by Voice America, a communications company (not to be confused with the US government's Voice of America), which proposed that I start a program on their internet radio network. The end in mind was radio broadcasts about the Adizes Institute and its approach to management consulting, along with interviews of CEOs I had known over the years. These were professional executives whom I had helped restructure their companies and, in some cases, avoid bankruptcy or manage phenomenal growth sustainably.

It seemed like a sensible and an innovative way to promote the Institute: Here was an economically reasonable way of reaching a large international audience. While the Institute itself has been enormously successful, it remains a boutique operation in the professional world of management consulting. When I say enormously successful, I am not exaggerating. We have been around more than 40 years, spreading our wings in more than 52 countries, and in almost every instance helped corporations turn around a business that was either losing money or not realizing its potential. Some of the numbers are staggering. Revenues (and profits) changed from millions to billions of dollars. Nevertheless, the Institute still remained small...and not as widely known as I would have liked. It rankled me. I reasoned that radio broadcasts would be a step in the right direction.

There was also the added benefit that I like talking about corporations and the different ways they need to strategize and reorganize to meet change—whether it be change in their industry, in dealing with new technology, or competing in the global society in which they endeavor

to manage their business. That word “manage” is almost like catnip to me. I wondered: How would it work on radio?

The venue turned out to be relatively simple. I would broadcast each week from wherever I happened to be. Since I travel for my work as a consultant, I was usually somewhere other than home when I conducted the interviews. Often I seemed to be in Moscow, where I was consulting for Russia’s largest bank. The CEOs I conversed with were either in a studio in their native country or simply on the telephone at home. The recording studio itself was in Phoenix, Arizona. Oh, this modern world. Communication technology operating on a casual everyday level.

Choosing the interviewees was simple. I called the CEOs I had worked with over the years, some I worked with many years ago and some I am still working with over the long term. I wanted to see how the Methodology worked for them over time, whether its impact had sustainable positive results. For instance, Ricardo Salinas from Mexico had taken one company with 2,000 employees and 54 stores when we began working together in 1991 and expanded his corporate interests. Today Grupo Salinas has 80,000 men and women employed at the various companies that comprise the group, including mobile telephone companies, banking, retail, insurance, retail, mining, energy, and TV networks, just to mention few.

I knew, too, that I had to interview Željko Božić, CEO of a leading company in Bosnia and Herzegovina. He, like everyone else in the region, had been devastated by the war in the early 1990s when the separate regions in Yugoslavia came apart. The war was brutal, for the fighting concerned issues of nationalism and ethnicity, with Muslims, Croats, and Serbs fighting one another. When Adizes came to consult Božić’s company we brought with us local management experts we had trained in Serbia, although Serbs had been the enemy in his town a decade earlier. We began to work with the Methodology among a team of managers and workers who were Muslims and Catholics. The concept of mutual trust and respect is an integral part of our Methodology and central to our training program and, yes, we were concerned about its effectiveness in these surroundings. But with Božić’s enthusiastic assistance, and the cooperation of everyone on board, the program was an enormous success. Not only did the company develop and flourish, but the community *culture* slowly began to change.

It was clear I would choose to interview a CEO from Israel, my home from age 11 to my mid-twenties, when I came to the United States.

Perhaps it was prescience that led me to include Vlad Burda, a CEO from a company in Odessa, Ukraine. In the light of what is occurring today, as I write this introduction, with Ukraine's future uncertain and with Burda's company close to the Russian dominated Crimea, it might prove instructive to weigh his comments about surviving in a society that has been overwhelmed by corruption.

I also knew that I must interview my friend Ladd Christensen, a CEO from the US. He has almost effortlessly changed industries from skiing to gas to software to the cutting edge of modern technology. When I questioned him about the peripatetic nature of his corporate interests, Ladd replied, "Life changes and you have to move with life." To me, this is such an American stance.

A word here about the Adizes Institute's approach to consulting and why, almost inevitably, these CEOs became my lifelong friends.

At the Institute we do not practice management consulting in the traditional way. We are not like McKinsey, for example, where a team of Harvard MBAs and economic Ph.D.s swoops in, interviews all the relevant managers, combs through the books, analyzes the company along a grid or blueprint that seems to work for every company, and then writes a smart—often exceptionally smart—report explaining what is wrong, what needs to be changed, and who needs to be let go (that is almost always a given) to get the company back on its feet and its figures once again in the profit column.

We function more like organizational therapists. We bring the leading managers together for a three-day group session in which they define the problems of the corporation. We follow very closely the implementation of changes, decisions, and restructuring; finding the proper slots for men and women who excel at production, entrepreneurship, administration, and what I call integration. We hardly ever get involved in firing people. Instead of cutting costs we increase revenues. Turn fat into muscle. We help implement a reward system. And we bring into play the notion of trust and respect. What we are after is helping the company change its culture. We remain present throughout the entire process. We give the management of the company the tools and know-how to produce exceptional, sustainable results.

We do not make recommendations. We train. We follow up on how they use what they were trained to do. We certify people within the company to use those tools and concepts so that the company can be emancipated from our ongoing intervention. There is one common denominator to all the concepts and tools: how to increase mutual trust and respect in the company. We help our clients excel and free them from their dependency on us.

The process, which takes time, inevitably creates a bond between us and the leaders of the company. The result is that I know these CEOs and their families. (We have discovered that trust and respect in a company extends directly back into the family.) So the chance to converse with them, even long distance via radio and telephone, was, for me, a way to revisit the past and see how they appraise the Adizes Methodology after ten, fifteen, and even twenty years.

After a few interviews, I realized there was a certain amount of repetition. I was curious to discover how each of these men dealt with past mistakes; how they chose prospective managers; how they hit upon reward systems and remuneration. I also was curious about their responses to Adizes and its highly organized set of procedures—what worked for them, and what seemed most important in the entire process. In short, it was an opportunity to learn about how the Methodology is seen through the eyes of the clients.

So here we are with the transcripts of those lectures and interviews. I hope you learn something from these talks—about change, about leadership, and about the travails and rewards of being a manager.



Before you start reading, it is important to understand the concept of PAEI, to which many interviewees refer.

To be healthy every organization needs to be effective and efficient in the short and long run. For that to happen four roles need to be performed:

The role of (P)roviding for client's present needs makes the organization effective in the short run;

The (A)dmistrative role makes the organization efficient in the short run;

The (E)ntrepreneurial role, effective in the long run; and

The (I)ntegrating role efficient in the long run.

This PAEI code is like the DNA of an organization and can be used to analyze managerial styles, organizational structures, strategies, decision-making processes, reward systems, etc. For those who want to know more, the best introduction will be my book *The Ideal Executive: Why You Cannot Be One and What to Do About It* (Santa Barbara, CA: The Adizes Institute Publications, 2004).

Enjoy,

Ichak Kalderon Adizes

Santa Barbara, California

CHAPTER 1

A DECENTRALIZED INTEGRATION

Russell Ellwanger

CEO, Tower Semiconductor Ltd. (TowerJazz)
Migdal Haemeq, Israel

This interview took place in August 2012. In the two years since the interview, Tower Semiconductor has grown from \$94 million in revenue and \$60 million in cash losses, to an approximate \$1 billion annual revenue run rate. It has recently taken majority ownership in a joint venture with Panasonic creating TowerJazz Panasonic Semiconductor Company. This joint venture practically doubled Tower's manufacturing capacity, with ample capacity remaining to support strong future top and bottom line growth.

Dr. Ichak Adizes: We have as a guest here today Russell Ellwanger. He is here from Israel. I've known Russell for many, many years. How many years have we known each other, Russell?

Russell Ellwanger: Since '96. Sixteen years.

Adizes: Russell, please tell us about your company.

Ellwanger: TowerJazz has its headquarters in Israel where it is a dual-listed company on the Tel Aviv Stock Exchange and on NASDAQ. We have four manufacturing fabrication areas: two of them in Israel, one in Newport Beach, California, and one in Nishiwaki, Japan.

We have, for the past several years, been the number-one foundry in our sector, specialty analog factories—of which there are many, probably over twenty of some reasonable size—and we, in 2010, became number one in the sector, having broken \$500 million in revenue.

Last year, in 2011, we continued and expanded our lead to about \$611 million in revenue. And we're continuing an annualized first-half 2012

growth basis this year as well, so we expect to continue leading that segment.

Adizes: When you took over the company it had \$90 million in revenue, and a \$60 million loss in cash. Why would you take on a company in such a terrible situation?

Ellwanger: At my previous company—and that’s where Dr. Adizes and I had gotten to know each other; it was Applied Materials, the largest semiconductor equipment company in the world, at that time, under a great, great leader, Dan Maydan—I had been asked from 2000 to 2002 to be involved in the final integration of an acquisition the company had purchased in Israel.

Questioning everything and not taking anything at face value.

I went to Israel, worked there for two years, and we turned everything around very quickly, and strongly, and I was very, very impressed with the Israeli scientists. The mentality there, the questioning of everything and not taking anything at face value, all of this overwhelmed me.

So, I did a due diligence and during my first round of diligence I found something really fundamentally wrong in the Tower Company, and I thought that it would be an interesting thing to try to turn it around.

Adizes: What was so wrong?

Ellwanger: The structure.

Adizes: The structure was wrong. We are back to the crown jewel of the whole Adizes Methodology: structure. What was wrong with the structure?

Ellwanger: At that time, the company had a central R&D that wasn’t broken down into any business units. One big central R&D was located in the factory in Israel while central sales and marketing were based in California.

The sales and marketing people would go out and make commitments to customers and had absolutely no capi to see that anything got done in Israel. The R&D was very project-based, not market-focused. So, there was just a big disconnect between the two.

Adizes: Disintegration. Capi is the authority, power, and influence within a corporation or organization. When you have capi, you have the authority, the power, and the influence; you can actually make things happen. The sales organization had no capi overseeing what would be developed, since the Research and Development was in Israel and they were doing their own research. Disintegration between sales and marketing, vis-à-vis R&D, was creating the trouble within the company.

What were the changes that you introduced?

Ellwanger: The very first change was to create business units. We called them “product lines” at the time. So, we took a central R&D group and we split up the R&D into four different product lines, each one with a general manager who ran the line. That was what we believed needed to be done, and we asked you, within my first few months having taken over as the CEO, to come and help us design it properly. I believe it was a three-day off-site that we did together with the senior managers in the company. We fundamentally restructured. Your big help then was in defining the specific groupings of the product lines.

But the restructuring was, at this point, not only to have the R&D broken down for a product line, but as well to have the product marketing also in the product line itself. The general manager was able now to define his own road map, indeed had the resources to meet his own road map—and the fact that the customer support was in the product line itself was really necessary. It meant that the general manager would have the ability to interface with the customers real-time and continue fulfilling all of his other responsibilities.

Adizes: It was a decentralized integration. We decentralized and then integrated each unit. And, moreover, we implanted development within the unit so the product line could be focused rapidly. Which reinforced decision making and implementation.

Ellwanger: And with the financials, then, each line general manager was given specific revenue targets and gross margin targets, and we tracked and followed up on that. We were able to start forecasting, and we turned the company around very quickly.

Adizes: It took you seven years to go from \$90 million to over \$600

million? It's almost a tenfold growth. And you were able to do that, first by changing the structure, and then by focusing the unit managers on measurable goals which they are supposed to achieve.

Ellwanger: The very first change was purely structural. It was decentralization. It placed resources and authority, capability, in the same hands, _____ and, at the same time, assigned very strong, specific

It's almost a tenfold growth.

_____ **Adizes:** But you also changed the strategy?

Ellwanger: Yes. But that wasn't immediate. When I went there, we had two basic types of semiconductors that we were producing. One was digital technology, which follows Moore's Law, which requires an extreme amount of capital expenditure. New tools continually; every technology node to reach volume manufacturing. Between the development and the investment for the manufacturing you are looking at somewhere between \$3 to \$5 billion.

Then there's the analog side where we were investing tens of millions of dollars. But it consisted of a reuse of existing technology nodes, only putting more content into it. One was bleeding edge and the other was leading edge with know-how. So we changed the strategy there and all of our growth since has been within the specialty analog.

Adizes: That's a major change. You first undertook structural change and then followed it with strategic change. That's very important to understand because most consultants do it the other way around. In Adizes Methodology, we engage with structure first, strategy second. Usually, other consultants start with strategy then proceed to structure.

We say structure first. Why? Clean up the mess first. So people have a focus, people have a responsibility that they can carry out. When you free the energy where people have been stuck, they are focused and organized, and can think clearly only then will the strategy emerge. Otherwise the strategy will emerge in the eyes of the consultant who will give you a thorough report, but one which will not be implemented because everyone is still stuck in a mess.

Ellwanger: That ties into the famous quote by Napoleon: "We engage and then we see." We first have to engage. We get the structure right

and so people become involved...and only then you begin to see what's happening.

We get the structure right and so people become involved. **Adizes:** Remind me about our first one-on-one meeting. It was when you were at Applied. You decided to come to me for coaching. I remember you were telling me something that really stayed with you: a change in managerial style. What was it that really impacted you the most from that one-on-one?

Ellwanger: It was recommended that I visit you for what I call "charm school." Not because I did something...

There were two very interesting things. The first dealt with the reason for me to attend charm school, and you used an analogy that I've used ever since working with our board, working with other managers in my company, but the specific issue doesn't really matter.

There was a particular political issue in the company. An analogy had been made, essentially someone had referred to the accumulation of a pile of dog crap in the middle of the board room. The board members knew to walk around it, so they wouldn't step on it, and over some short, finite period of time it developed enough crust that it didn't smell, so they didn't even think it was there because they wouldn't step on it. They walked around it. And it didn't have any odor. Then after several years I came along with a shovel and all I did was break the crust. So, now it began to stink and all of them thought I put it there.

Now, the person that breaks the crust shouldn't fundamentally get into trouble, but that's the reality. So, your statement was, "Never break the crust unless you have the power to remove the pile." Typically, you don't have the power yourself to remove the pile. That's where the (I) function comes in. You have to get partners. You have to get people behind you for any issue that you're going to bring up that's against the mainstream. Then when they're with you, the pile can be removed.

So, that was a very, very good lesson that I think is true with most aspects of business and life: It's much better to understand that when there's a pile here, before I address it I need to have people with me so I can remove it.

Adizes: What does it mean to have a problem? A problem means that

you have a solution. If there is no potential solution, it is not a problem, it is a fact. And if you don't have a solution, you are not a manager. The difference between an employee and a manager is employees point at problems, managers have solutions.

If you come to me and say, "This is the problem," and you put the monkey on my shoulders, and I am supposed to solve the problem for you, you are not a manager. You are an employee, just complaining and complaining: "There's a problem. That's a problem. This is a problem." A manager has to solve the problem.

What does it mean to solve the problem? You must have the capability to solve the problem. And that capability cannot be yours alone. You alone cannot do it. You have to identify whose cooperation you need in order to solve the problem. It's like the political process of building a coalition. You have to build the coalition to solve the problem.

So, when you came there and you hit the crust and made the whole room stink, obviously you did not solve the problem, you just made the room stink. Why would people like you? But if you come in, you identify there is a pile of crap on the table, and then you go and build a coalition and solve the problem and remove the crap, you are a winner. Leaders solve problems; they don't just talk about them.

Leaders solve problems; they don't just talk about them. Ellwanger: That was lesson number one. And lesson number two was a very, very interesting point that is absolutely universally true. You had asked me to draw, more or less, an atomic model with myself as the nucleus and to draw orbitals around myself with the person I'm closest to, who I get along with the best, who supports me the most, closest to me, and go point by point towards an outer rim.

You asked me: What does the person in ring number one need from you? And I told you what it was, very clearly, and you said, "Do you fulfill that need?" And I said yes, absolutely.

And we went on and on through each ring that I was less close to, and eventually we came to the one that I was the furthest away from and you said, "Do you know what he needs from you?" And I said yes. "Do you fulfill that need?" I said: "Sometimes." You said, "Okay, you are making a choice to have him at that distance from you because you are not fulfilling his need."

we've done. Because the interesting thing is that the company itself, myself as a CEO, can never really tell what the *is* state truly is. You need a third person.

That's why a great marriage is a great marriage: because your spouse holds up a mirror to you and tells you exactly what you are. You never know yourself. You know what your heart is. You don't know what your actions are telling the world.

The mirror has to be held up by a third party. In a company, especially a good company, you try to empower all your engineers. You give them as much empowerment as you possibly can. They will never, ever tell you about problems. They believe they can solve them all. So, maybe one out of ten times, a first line engineer will tell his manager about a problem. By the time the problem comes to me to be solved it's a disaster. The only way I know what's really going on in the company is by visiting customers.

So that Venn diagram—the *want*, the *should*, and the *is*—drove me to really know that I must always interface with customers. I spend as much time with customers as I do inside the company. Because they are the ones that tell me what the company really is. I can never find that out internally. I really can't. But I can definitely get it from my customers.

And then to focus on and say: “What *should* we be and what do we *want* to be?” And to always be balancing that because those three circles, it's very important to get them to overlap totally. Very few people ever achieve that in their life.

I do have a great benefit in my spouse. She has achieved it. Very few people do. Companies hardly ever do. But even if they can get close, it will fall apart unless you continually re-evaluate and continually change, because the *should* always changes. Customers' needs change. Change is the one constant. If you fail to understand what you should be, you can never align what you want to be to with what you should be.

But if the *should* and the *is* overlap, and there is no *want*, you can't sustain it because people have to want to do the right thing. You cannot enforce doing the right thing. And if the *want* and *is* overlap, but there is no *should*, you simply go out of business. That's just self-indulgent.

But to get the three together takes continual cycles of learning and continual change. That was an Adizes principle that has been the heart of our company's growth.

It's a tough thing to bring about, because people are resilient and resistant to change. So to always have to think about that and to work at it, what constitutes the *is* right now and how do we identify the *should* and simultaneously drive the emotions of the company to want to be the *should*—that is a very, very important principle to grasp...and to implement.

Adizes: Let me comment on what it means in one's personal life: There are three "yous." What you should do (what your mother and your father and your wife and everybody else tells you). There is "you" in terms of what you want to be. And there is "you" in terms of who and what you really are. And this is the one that you know the least about. We know the least about who we really are.

Now how do you discover what *is* going on? Something happens. Not just in your personal life; it happens also in companies. It happens in strategic planning. The question is: Are we doing what we *should* because the stockholders or consultants tell us to do so? Or should we do what we *want*? Or do we tackle what needs to be done because the situation calls for it?

It is difficult to differentiate between the three, but for change to happen you have to start with *is*. All change should start with *is*. The mistake is we usually start with *should* or what we *want* and ignore what *is*.

Why start with *is*? Every system has a limited amount of energy. You, as a person, have limited energy, too. There is no such thing as unlimited energy. If you are fighting for what you *want* and what *should* be, you don't have the energy to recognize what *is*. The way to recognize what is going on, what is really going on, you must remove the *want* and the *should*... Say, "I don't *want* anything. I don't insist on anything. There is no such thing as *should* be. I have no expectations. Now I can realize what *is* going on."

So often you need an external source to help you see the reality.

It's very difficult to do it by yourself. It is the outside forces who, by not being captives of *want* and *should*, can tell you what is going on. They'll tell you the truth. So often you need an external source to help you see the reality. Because you might be a prisoner of the *want* and the *shoulds* that were implanted in your cognitive thought processes.

Ellwanger: Let me add one other thing. The structure was the kickoff

of everything. But the whole concept of (A), (E), (I), and (P), to understand the personalities of (A), (E), (I), and (P)—that became a very, very important factor. It helped us to really know, within our staff, who was what. And also to know ourselves. We discovered most leaders don't have an awful lot of (A). So we realized you have to staff for it.

This is going to sound paradoxical. If you know your deficiency, and you try to focus on improving your deficiency, personally, your strengths become your weakness. Why? Because you don't focus on your strengths; you let them grow flabby. So you should staff for your deficiencies. Play to your own strengths and build up (with staff) the areas where you are weak. That's an Adizes thought: To understand what those weaknesses are, and then staff for them. And then make sure that you spend all your time on your strengths because that's why you're there, where you are. So, the (A), (E), (I), and (P) are very interesting. But beyond making the point about the personalities of your staff came a remarkable statement that you wrote on the (A), (E), (I), and (P), and how they can be implemented in marketing and sales.

I think you talked about that when you described the Body Shop. You emphasized that the highest level of sales is selling the (I). It's selling the values of the company. And that's so true. But it has to be at the right levels at the right times. And a CEO can do a great job of selling the (I). A salesperson can't. The salesperson has to sell sometimes the (E), and sometimes the (P).

Adizes: When you advertise your company and you promote your company, you can promote all your products. Take the example of a bank. You can say here's what the bank does. We give loans and we do this and we do that and provide these other services. This is what I call the (P) advertising.

Or you can "sell" your values. What does it mean to sell values? Tell who you are. What you stand for. And then the people come to you because they admire who you are. The products can change, but who you are does not change.

Take the example of The Body Shop. People were not as excited about the product as much as they were excited about the message of no animal testing and protecting the environment. And people came to buy the product because they wanted to support the message, the values that the company embraced.

What are your values? If it's profits, you are going to be in trouble. It cannot be just profits. It has to be more than profits.

Ellwanger: You had said that a good leader can be really any combination of (A), (E), and (P). But if they don't have (I), he or she is not a leader.

Now, the interesting thing, and this is something I think is 100% true, is that people are either creative or they're not. They're either a per-

Tell who you are. former or they're not. And they're either an (A) or they're not. You cannot create yourself.

What you stand for. If you're not creative, you'll never be creative. But everyone can learn to be an (I), an integrator.

And it's fundamentally driven through the values of the company. If you really do have values in the company and you hold to them consistently, and you really reward people because of their performance, pulling people into the company rather than pushing them out, managers and leaders will adapt that quality, will become an (I) or corporate integrator.

Now, there are some people who are natural (I)s. There are people who make the whole room mellow just when they enter. Everyone is content. Everyone's at peace. There are others, though, who need to learn the necessary skills for an (I). But I have no doubt that everybody can.

Of the (A), (E), (I), and (P), I think the (I) is the only one everyone can learn. It's behavioral, and you can cognitively change that behavior.

Adizes: You changed yourself?

Ellwanger: I believe I became much more of an (I). Extremely.

Adizes: This is a success story. I am really, really gratified, because I have known Russell from the day he joined Applied Materials. He was a (P). If there was ever a (P), it was Russell. That's why he was sent to me for what he called "charm school," to sit down and try to develop his ability to perceive and respond to other people's needs, rather than just to be the manager who was driving the task forward.

So all of this is so gratifying. I write my books and I give my lectures and I never really know whether anybody pays attention. Whether someone is actually "getting the message." It's kind of like putting the seeds in the ground and you don't know whether any flower eventually grows.

So, thank you, Russell.

So, you developed the (I). Did you have any difficulties in making these changes? Did anything resistant within you react to making the change? Because it's a major change, going from a (P) to an (I).

Ellwanger: No. I don't think I really had any difficulty at all. There are still times, as an executive, as a CEO, where you have to say, "Okay, this is what we're doing and I made the decision and we're going forward."

There are times where that's just part of the job. But still, as you said, you always have to form the coalition. After the decision's made, you go back and you pull in the supporters. You can't have a staff that's not with you. It just doesn't work.

But the biggest thing for change, and I really do believe this, is the desire to want to change. The same with a company. Why do most New Year's resolutions never work? Because people try to stop something without replacing it with something good. If you know that there's something good ahead of you, it's easier to relinquish one behavior and develop another one in its place. Because it's a higher-order principle you're going after.

As long as you believe in it, change is not so difficult. I mean, there are always little stumbling blocks, but you have to believe in something of a higher order, and it has to be a value that you truly desire.

Adizes: Have you ever made a major mistake, Russell? A mistake that you bang your head against the wall and say, "Why did I make this mistake?" Did you ever fail?

Ellwanger: I've made very, very big mistakes but I don't think I've ever failed. There's a very big difference between the two.

Failure deals with despair. It deals with being a victim. It deals with thinking you can never get out of the status that you're in. No matter how big a mistake you've made, you can always take what you've learned and turn it into greatness. I really believe that.

At Tower, before we became TowerJazz, I made a very, very big mistake with a customer. I took their word on something and it was a very big mistake. But it didn't kill the company. It was a setback. But we just went another route and made everything greater.

There are things in hindsight that I would have done differently. I've

made mistakes with staffing. There are times that you hire someone, you really believe that they're the right person for the job, and you find out that they're not.

But the biggest mistake with mistakes is not to correct them quickly. If you make a mistake with staffing, it's to the benefit of that person to have him go elsewhere. It's not to their disadvantage. And that's where a lot of people make mistakes.

Even as the company grows, the person who was the right person on your staff for some period of time can possibly no longer be the right person. It's fair to them and to you, and certainly to your customers and shareholders, to give them an opportunity to leave. Because they'll be more successful by going elsewhere.

No one, in the long term, is better off by being in a role where they can't flourish.

Adizes: Great distinction. A mistake you do not learn from, that you do not correct, that's failure. But a mistake from which you learn, which you correct after you learn what to do, that's not a failure. That is a learning experience. You do not learn without having problems. Without having what you call mistakes. How can you learn if you don't have a mistake?

It is not the mistake that's the problem. It comes with a territory called "living." You are alive and making decisions. You are not going to make 100% correct decisions all the time. You are going to make mistakes, especially when you are trying something new and when you are driving very hard. If you don't learn from it, and if you don't change and don't take the corrective action, that is a failure. The idea is to learn and to make the corrective action fast. This is the secret.

Russell, where do we go from here? You are going to be a billion-dollar company by the year 2014. Then what? What is your goal? What are you aiming for, personally?

Ellwanger: There's a quote that I truly love from author Orson Scott Card. It's from the Ender's Game series. He says, "Changing the world is good for those that want their names in history books. But happiness is reserved for those who write their names in the lives of others and hold the hearts of others as the treasure most dear."

I really enjoy seeing the company grow. I receive a lot of joy from that; I

truly do. The greatest joy is seeing people's lives change. As a company becomes successful, as you identify people, especially young engineers, when you give them big challenges to take on and watch as they become successful and develop confidence, that's a pleasure that's hard to surpass.

There's a real truth in the fact that a confident man or woman, if they go home having met big challenges, being successful with big challenges, they're much better fathers and mothers. They're much better husbands and wives. Because they don't go home frustrated. They go home feeling excited and invigorated by their job. People spend so much time at work that when they come home invigorated they are better parents, the family unit is better, the community becomes better, everything becomes better.

So, the job environment is absolutely essential for the functioning of society. And the responsibility of a CEO and a management team is to provide people with big challenges, no matter what level they are at, so that everyone in a company, even those who are below average, they still should be met with challenges, the ability to be successful at those challenges, and go home with a good feeling about what they've done. That's when the company has really done its part in society.

That's exciting for me: to take young engineers, high-potential people, to identify them, to give them great opportunities—it moves the whole company forward.

We have 3,300 people in the company. No leader can identify at that scale every high-potential young engineer. But as long as those that you have are high-potential, and you give them opportunities and visibility, then all the other high-potentials want to prove they're just as good.

You develop an incredibly strong group of great people because they want to show they can be just as good as the one that was given the opportunities. If you don't identify these young people and give them opportunities, you have mediocrity throughout the company. It is an exciting thing to identify, to give people the chance to grow, to have the people excited, have passion, want to show passion, to show that they're just as good. And that's what is exciting about being a leader.

Adizes: In order to get these opportunities and to pass them along, you need to have the right structure, the right process, the right direction, the right focus, everything. All of this requires exceptional management. Otherwise, leadership will be an empty word.

ABOUT THE ADIZES INSTITUTE

FOR THE PAST FORTY years, the Adizes Institute has been committed to equipping visionary leaders, management teams, and agents of change to become champions of their industries and markets. These leaders have successfully established a collaborative organizational culture by using Adizes' pragmatic tools and concepts to achieve peak performance.

Adizes specializes in guiding leaders of organizations (CEOs, top management teams, boards, owners) to quickly and effectively resolve such issues as:

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