



WINONA AGENCY

INSURANCE AND RISK MANAGEMENT SINCE 1893

LEADERSHIP WITH STEVEN BLUE

Steve is the President & CEO of Miller Felpax Corporation. Miller Felpax is a multi-national company that develops and manufactures products for the worldwide rail industry. He joined the firm in October 1998.

Steve has held a variety of executive positions with several Fortune 500 companies including General Signal, Rockwell International, and Allen-Bradley Industrial Automation.

Prior to joining Miller Felpax, Steve headed up the global rail products business of Sasib S.p.A., a large international Italian conglomerate and later formed and directed its North American rail business. He was also the Publisher of the rail industry's largest trade publication, *Progressive Railroading* magazine.

Steve is the author of "Burnarounds: Unlocking the Double Digit Profit Code". He has been a guest lecturer at the *Harvard Business School* on complex and high stakes negotiations. He holds a B.S. Degree from the State University of New York and an MBA from Regis University.

Steve is Chairman of the Winona Health Foundation Board, and is a director on the Winona Health System and Winona Community Foundation Boards. He is also very active in a number of other philanthropic activities in the Winona area. Steve is a member of the Winona State University President's Advisory Council. He lives in Winona with his wife Ann and their children, Steven and Amanda.

Q. How would you define leadership?

A. Well, to me, there are two different strata of so-called "how to manage or lead an organization or department." You have the management group, those are, for lack of a better word, the people that need to control things. Then you have the leaders, which is a different stratum. You can be a leader in a small organization or a leader in a manufacturing department. To me, the essence of leadership today is somebody who basically defines a vision and then energizes the people who can execute that vision to put them in a position with resources and encourage them where they can make that happen. Of course, it's a whole lot harder to implement, but it's a simple framework.

Q. How would you describe your leadership style?

A. I'm a hands-off kind of guy if I get the right people in the right positions. What I do is identify opportunities and/or threats and then I mobilize the resources to beat them. Engage my staff and help them understand what the opportunity or threat is. In the rail industry, I can tell you that my entire team is the best that there is. I'd stack them up against anybody out there. And then what I do is I create a culture within... My job is to manage the senior management team, not the company. I create an environment with the senior management team where they can flourish, where they can feel like they're being challenged, have accountability, and where they can feel like they can make a contribution.

- Q.** You mention accountability. What would be some metrics that you would use for accountability?
- A.** My whole company, every single person, is measured based on the profit budget. I'll give you an example. I have a vice president of international sales, and I have a vice president of domestic sales. They have a base salary, and then they have incentive compensation, but that is not based on sales. That's based on the attainment of a profit budget for the year. Every single factory and office employee gets or does not get an incentive award at the end of the year based on percent of attainment. Below 90%, nobody gets anything, and we cap it at 110%. The entire company is measured on the one thing that matters: profit.
- Q.** To the newest person that walks in the door, how do you sell the profitability concept? How do you show them how they impact profit on a day-to-day basis?
- A.** That's a good point; they do. As a recent example, last December, whether we were going to hit our budget or not was nip and tuck. As it turned out, we did because we had an unusually stronger month than we expected, and it was a record budget, too, much bigger than the year before. My chief financial officer's in the restroom of the factory, and a factory worker says "You know Paul, I'm concerned we're not going to make our profit budget for the year." This is a factory worker. And he knows every single day what he can do about that because he knows whether he can work faster or slower, whether he can identify waste or not, whether he can suggest improvements to the process or not, whether he can say "this guy over here, he's kind of slacking off." When they're all tied to the same number, they all have an interest. Now you have to have a culture that supports that. We've been working on the culture in the factory for years, and the culture of the whole company. We are very selective about who we hire to begin with. We're very quick to fire people. We're very slow to hire. We use psychological testing. We have peer interviews. So when we're going to hire a guy in the factory, the people he's going to work with talk to him first. If they don't think that he's going to work with them in terms of the profit number, and fit in with the team, they just won't hire him. It's been a six- or seven-year process to get to where we are now. We're really happy with the workforce that we have.
- Q.** Training has to be a huge part of what you're doing. What are some keys in the training process?
- A.** Of course, we have the regular training programs that everybody does in quality and all, but we also train people in how to give constructive feedback. It's a way to give constructive feedback without offending the person. Because you'll see something that I don't. And especially in my senior management team, where it all has to start. We'll sit in the room, and one sales guy, if he sees something the other guy's missing, he's not afraid to say it in front of the entire group. There's none of this "don't say it in front of the boss, if you've got a problem, take it offline, talk to me later," that kind of stuff. We don't play those kinds of games. We think if there's an issue or an opportunity that needs to be identified, we don't care who's right; we care what's right. So that's where it has to start, is at the top.
- Q.** How about down in the organization? Is it a little bit different?
- A.** Of course it would be different than at the top, but we work really hard with the training and the feedback sessions that we have, and if we see it where it's not working the way it's supposed to, we ask the people that are not working to leave. And I would say the proof is pretty much in the pudding. We have about 40% fewer people today, with two and a half times the sales and three times the profit of six or seven years ago. So something must be working right in the middle.

Q. What are some of your personal motivations as a leader?

A. You know, it's interesting – I'm just a nut on profit. I'm a nut on the numbers, and I've just always been very goal-oriented. I really get jazzed up in building high performance teams.

Q. Personally, what are the areas you're trying to grow in?

A. I usually read about four books a month. These days, what I'm mostly concerned with is increasing my understanding of the capital inflows and outflows between our country and the countries that we do business with and the impact of that on the exchange rate, which is pretty significant for us. I'll give you an example: We inked a deal with a company in Brazil a little over five years ago. The Brazilian (unit of currency) was 3.1 to one U.S. dollar then. Now it's about 1.5. And it's hard to grasp the meaning of that, depending on who's buying and who's selling.

Q. How do you develop that team around you, the people, and make them better? How do you take them to a different level?

A. Well, it of course starts with selection, and I have used the same consulting psychologist for probably 15 years in every position I've ever had. Before I hire them, they have a complete battery of psychological tests, written and verbal. It's a whole day with this guy. So I get everything from their social skills to their intelligence to how they'll react in certain situations. So I understand them better than the average bear would. And once a month, I have a teleconference with this psychologist, and he now knows my team very, very well because he's been involved in the hiring of every last one of them, and in the development of every last one of them. But what I do, as an example, I manage this team from about four contact points. The first one is that once a month we have a business review. We go over everything top to bottom, from P&L on down, all the projects that are involved, all the product developments and anything that needs to be talked about, that's about a four or five hour thing, so everybody understands exactly where we stand, and the senior management team, every month from a numbers point of view, and from what inputs into the numbers. Then once a week, I have what I call a "Quick Business Intelligence Meeting." It's no more than 30 minutes. Everybody in the team, wherever they are in the world, gets on the same telephone line, and we only want to hear about the big stuff. It's not an activity report. What does the team need to know about right now that's important? Then I have monthly coaching sessions. I don't do an annual performance review. I have a monthly coaching session every month, without fail, with every person. So if there is an issue, we attend to it when it's a little issue, and it never becomes a big problem. "You know, I'm sort of bothered by something you've been doing. Let's talk about that." Same thing on their end. They have something they're not happy about or they wonder about or it disturbs them about me or anything else, that's the time to do it. And it's amazing, when you have those 12 times a year, how much more in alignment the entire team is as you are with all of your direct reports, as opposed to the big bang. Those are the three touch points.

Q. What would be three things you would have done differently if you could have known the things you know now back when you were just starting?

A. I would have found a way to get involved in international business a lot sooner than I did. I would have learned a second language. I struggle with it now. I do a lot of business in Spanish- and Portuguese-speaking countries. I went for my MBA four years ago, and I did that mostly because I felt I didn't know enough about international business, even though I'd been doing it for a while. I could work my way through a P&L, but I felt I was weak on the balance sheet. (continued...)

(...continued from previous page) I got both of those out of graduate school, and it was worth the time, effort, and money, but I should have done that ten or fifteen years ago. It really does have a lot of value.

Q. You said you would have gone into international business sooner – why?

A. Well, knowing what I know now, every business either is or better be international. It just has to be, especially as a manufacturer. There's no way I think you can survive as only a domestic company, number one. Number two, this may not be the case in every industry, but it is the case in my industry, is that the margins are a whole lot better over there. And besides the diversification move between economies, which is particularly helpful these days, it's that the margins are a whole lot better now. There's a lot more complexity there and a lot more risk there and so forth. I wish I had diversified this company in international the minute I walked in the door.

Q. I know that you have a huge interest in philanthropic activities and issues. What drives that passion?

A. First of all, I didn't mention this before, but we have five core principles in the company, and one of them is community. A few years ago, we set out to discover what our core principles were. We didn't decide what they were and put them up in slogans. Let me give you an example of how I know that community is one, that it isn't just me; it really is a core principle of the company. When the floods happened last year, one of our employees lost everything. We were lucky it was only one. Every year, we have a company golf outing. Most of these people only play golf once a year, and they just love this golf outing. They're almost as bad as I am – they just love it! Since we don't do a Christmas party, it's a really important event. Last year after the floods, the employees came up to me because we hadn't had the golf outing yet, and they said "Would you give the money that you would have spent for the golf outing to Jesse?"

Q. How do you take business, those passions you just talked about – family – and how do you balance all that?

A. Easy – I'm really lucky I married a woman whose father was an executive and traveled a lot, so she understands that I have to be gone a lot. This year alone I've been in South Africa twice, South America four times, and Mexico once, and that's about average. So it's very tough to balance. And I'd say 60% of the time, I balance in favor of the business and 40% in favor of family. In an ideal world the split would be 60/40 the other way, but... At some level, I'm responsible for a lot of people, including my family, and to the degree that the company is successful, my family will be successful. I call them every single day when I'm out of the country – every single day, no matter where I am. I make sure I talk to them. If you don't really love what you're doing, you couldn't keep up that pace. Plus, looping back for a minute to the community involvement, if this company isn't very successful, it can't give back to this community. So I feel a burden on all fronts.

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