

Learn the 10 habits of highly effective SMEs

A Forbes rich list alum shares tips on retaining talent. **CONRAD TAN** reports

FRANK Levinson, once ranked by Forbes magazine as one of the 400 richest people in the world, has a number of tips for small and medium-sized companies (SMEs) on how to attract and retain what he calls "great people".

Mr Levinson founded photonics firm Finisar Corporation in 1987. Headquartered in Silicon Valley in the US, with over 4,000 employees worldwide — 86 per cent of whom are in Asia — the firm is today one of the largest suppliers of fibre-optic transceivers and photonics in the world, which form the basic building blocks of the physical infrastructure of the Internet.

At the height of the dotcom bubble in 2000, Mr Levinson was estimated by Forbes to be worth US\$2 billion, placing him 129th on the list of the world's richest people at the age of 47, although he subsequently dropped out of the list when the share price of Finisar fell along with that of other high-tech firms.

He is also the founder and managing director of Small World Group, a public foundation with offices in Singapore and the US that combines venture philanthropy and engineering to further his wide-ranging interests in astronomy, global ecology and tropical rainforests. The Small World Group aims to help advance global awareness of a number of scientific issues and new technologies that may help improve the quality of life for humans. Its key collaborators include Finisar, the Singapore Institute of Manufacturing Technology and the Economic Development Board here.

Earlier this month, Mr Levinson gave a lecture at the Singapore Management University (SMU), organised by the UOB-SMU Entrepreneurship Alliance, which regularly puts together networking sessions, talks and workshops for small businesses and students.

Here, in his own words, are his tips for how SMEs can attract and retain good employees.

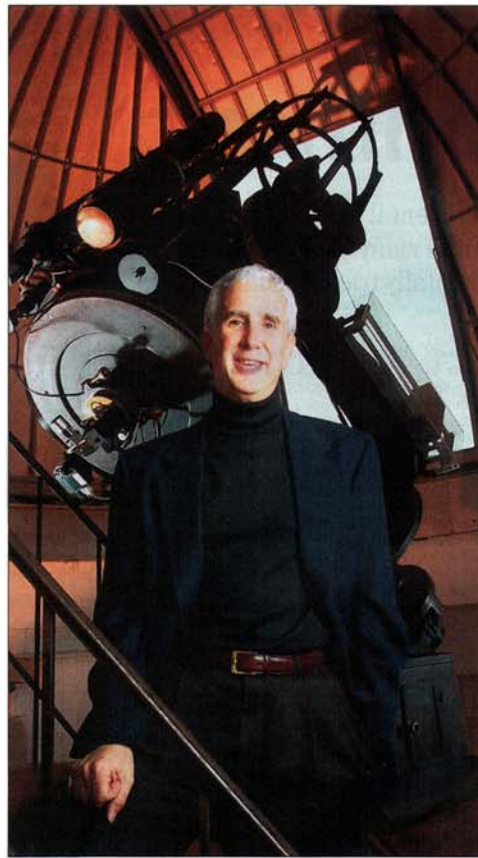
Hire people better than you

The first thing is to try and hire the very best people you can get and not be shy about that. I've been surprised how there are companies I've visited here where that is what is killing the company, where the founder is unwilling to hire people who are better than him.

Only hire nice people

In general, what's critical in many small and medium-sized businesses is that problems get solved by small teams. In a small team, if you've got somebody whose ego has got to be served all the time, who has got to be right and seen as right, that kills the team. They don't want to always be in the shadow of that person.

It's especially true with some of the best people — they're often humble. So if you manage to hire great people, many of those are going to be humble, but they're going



Mr Levinson: The founder of photonics firm Finisar Corporation was estimated by Forbes to be worth US\$2b in 2000

to resent someone who thinks he's better than they are and he's got to have the attention. You've got to have the courage to say that's not the culture we have.

You also do it by having long interviews, finding out what people like to do outside work.

Hire people others may overlook

If you get down to two people, and if you can't make up your mind and one of them is a woman, hire the woman. The reason is that if they got to that point and they seem equal to you, she worked harder to get there and it's almost always the right decision. It's especially true in Asian cultures.

Try to discern talent over pedigree. Choose talent. Don't let where they came from matter to you compared with what they're doing today.

Choose someone who's known and lived through failure. I started my first company in 1984, with a venture capital firm as a financial backer.

The company got started, we had a nice place to work... I got

fired. I deserved it, because I was a lousy CEO in 1984. But I learned a lot. And Silicon Valley didn't care that I had been fired and that I had made this mess. People who've gone through those kinds of challenges can be incredibly valuable, if they've learned from them.

Let go weak people

I know a lot of people don't like Jack Welch (former chairman and chief executive of General Electric until 2001, famous for firing the bottom 10 per cent of his managers each year), but you've got to be willing to let go of weak people. There are right places for people but it may not be with you. If you want to retain good people, you can't tie them to people who aren't willing to keep their pace. There's nothing that frustrates good people more than that — to not be able to run at the pace they want to.

You need a culture that is accepting of mistakes

In management, you get what you reward and if what you reward is mistake-avoidance then you get a business filled with people that

won't take risks. You've got to be willing to make mistakes yourself if you're on the way up.

Plan and pace

Great people know when the leader is lost and when the pace is slow and when you have those situations you can't retain them.

Monitor, measure, celebrate

At Finisar, we have a saying: what is monitored, people will do. What is measured, people improve. What is celebrated, people become. But you can't celebrate what you haven't measured and you can't measure what you haven't monitored, so you've got to do all three. Great people like to know how they're doing and they like others to know how they're doing. Losers don't like to be measured because it makes them stick out.

Run lean

Money fixes very little. It more often corrupts success by covering pockets of failure.

Integrity throughout leadership

Think about integrity in new ways. Integrity more than just honesty, it's about courage to meet the demands of reality. Be the first to articulate a problem. There's nothing worse than a manager who directs people to go down roads they know lead to nowhere. Smart people who work for you will know. You're going to make mistakes; own those mistakes, have some fun, laugh and move on.

(Do exit interviews properly) It has become very formulated. Find out why people are leaving, what's better about the other job. Most of the time it's not more money, most of the time it's them thinking they're not going to get some place with you.

Winning trumps money

Great people love winning more than money. It's especially important for young people. They need to learn how to win. So many young people end up working for a series of ventures and they never get to win. My company was named Finisar because I worked for a lot of big companies and never got to finish anything. So I named my company Finisar, saying I'm going to finish something this time.

And finally ... lessons learned from trying to work in Singapore

There're a lot of teams here that are working hard but aren't going anywhere. I don't know how some of these leaders have emerged. I've been frustrated. Singapore's such a great city, but in some places where I've tried to bring suggestions or ideas, it didn't work.

Really good ventures don't happen fast. I think one of the biggest challenges in Asia is that you think it happens fast. We took 10 years (at Finisar), and there were lots of difficult times.

Motivating great people – in a nutshell

Hire people better than you

Great people like to hang around other great people. It all starts with this step.

Only hire nice people

A few ego-maniacs and difficult people ruin a culture for all, which means poor retention. Venture companies are small teams of people who have to work together for long periods of time and under high stress in many instances. I have not hired very strong people, with clearly superior capabilities, when I felt that their egos would need feeding ahead of the teams that they would be a part of. Moreover, I have provided counselling for team members that we did hire where this was a problem. Finally, I have fired people who after counselling still did not get it.

The myth of the "venture star" is generally not true in spite of the few highly public examples like Steve Jobs. All of the counselling and firing can be avoided if you develop the knack of hiring nice people. You do this by longer interviews, talking carefully to references with specific questions about this.

Hire people others may overlook

Great people you hire in this category will form a core of strong loyalty for company. Frumpy, difficult, different all are adjectives of often very good hires. Seeing through the physical to the talent will provide you with someone who will stay and lead and help you grow.

- ◆ choose the woman

- ◆ choose frumpy
- ◆ choose talent over pedigree
- ◆ choose motivated over grades
- ◆ choose someone who has known and lived through failure
- ◆ choose the better references over the better resumes

Let go weak people

You will lose great people if the results are paced by much slower people.

You need a culture accepting of mistakes

Great people will make mistakes larger and faster but also correct them faster. Expect it.

A business climate that rewards risk taking and does not punish failure is a prerequisite for an entrepreneurial high-tech community. Most high-tech ventures fail, so a climate in which the stigma of failure hangs over the unsuccessful entrepreneur serves as a powerful deterrent. This is especially true if the rewards for risk-taking are not sufficiently high. In Silicon Valley, there are many examples of entrepreneurs who have failed and successfully started over. These entrepreneurs view failure as a learning experience.

Plan and pace

Great people know when the leader is lost and when the pace is slow, which means poor retention. Great people like to know where they are going. And they like a plan that will get them there fast and reliably.

Monitor, measure, celebrate

Great people like to know how they're doing and they like others to know how they're doing. Losers don't like to be measured because it makes them stick out. The greatest job satisfaction comes from a well-conceived and executed project. But at the start, every project has challenges. To celebrate and retain employees you need to monitor, measure, correct and alter course.

Run lean

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Integrity throughout leadership

Integrity is more than honesty, it's about courage to meet the demands of reality. Be the first to articulate a problem. There's nothing worse than a manager who directs people to go down roads they know lead to nowhere. Smart people who work for you will know. You're going to make mistakes — own up to those mistakes, have some fun, laugh and move on.

Do very thorough exit interviews. Don't delegate them entirely to human resource. Find out what is wrong when someone leaves. Then face the bad news and learn. Fix the problems at the sources.

Winning trumps money

Great people like winning more than money. Young great people need to learn to win.