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The Savvy CEO
 Extraordinary Managers[™]

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Life as you know it has changed. You have private equity investors.

The trends are shifting. Are privately held companies becoming more like public companies?

The move for a privately held company to assume debt in the form of ownership by a private equity firm has changed the landscape. The private firm, once a stand alone entity, with the ability to make quick, responsive decisions, to invest in new projects, capital equipment as company needs dictate, now experiences the challenges of more structured decision making, more people involved in the decisions, more approvals, and most vexing, a requirement demonstrate quarterly profitability.

This last demand is a most onerous challenge. Now the leaders must approach their decision making much like public companies with quarterly results pressure and yet another 'boss' looking over their shoulders.

How will this growing trend change the world of privately held businesses?

In the nineties we experienced the dot com boom...and it seemed that dot coms could do no wrong... If you were looking for a place to realize terrific financial growth, invest in a dot com. We came to learn that the dot coms that succeeded were those who managed well. "Good

management is good management" said Harvard University's Rosabeth Moss Kanter.

Today the 'hot' area appears to be private equity. Lots of money flowing in, lots of opportunity to invest in privately held companies, turn them, make your fortune and move on.

"We had many notable achievements together. But the most significant contribution was that Lee was immensely helpful with advice in working with our investors. Now I am much more capable in dealing with private equity investors..."

**Derek Scott CEO,
Fosbel, Inc.**

The problem is the individuals companies are now managing significant debt. The good news: the company has been able to use the money infusion to penetrate new markets, generate higher profits, and create growth. Or perhaps, they are simply burdened with more debt.

But now the way the company is managed must change. Obviously some change is inevitable and

necessary...but managing to quarterly financial expectations can create barriers to innovation and reinvestment in the core business.

Some have seen great returns and maybe the only lesson is 'Shame on me' for not being a part of the investment team. So be it.

But if you are the CEO left to manage the lesson you may learn is, 'Be wary of quick fixes. They may bite more than you ever thought possible.'

Managing the new relationship with the equity owner is one more crucial mission for the CEO. This mission unmet can result in a new CEO at the helm. Life as you know it has changed.

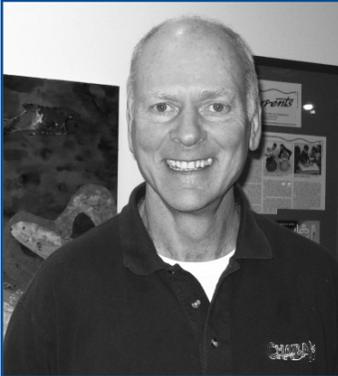
Managing the new relationship presents tremendous personal and professional demands. Yes, you know how to manage your company as it has been, but the world of private equity presents additional challenges. Get some help from someone who has learned to manage up successfully.

Before you sink, get some help.

The Nielsen Group works with the senior management of privately held companies in managing up, down and sideways. Contact us at 440-786-8800 or Lee at lnielsen@thenielsen.com.

The Savvy CEO

Extraordinary managers discuss extraordinary management



**Jim Levine,
Founder and President
of CHABAM,
The Educational Playcenter.**

CHABAM (Children Have Active Bodies and Minds) offers research-based music, art and movement activities bundled together in age and developmentally appropriate classes led by degreed educators in a fantastic state-of-the-art center located in Woodmere, Ohio. The unique program provides classes for children who can be left at the facility anytime, without prior reservation, while parents attend meetings, a luncheon, or just need a few extra hours to themselves. Now in its first year of offering services, but three years in development CHABAM is hugely successful.

Words do not describe the fun learning environment at CHABAM. It is a treat to stop in and visit. To learn more about CHABAM: call Jim at 216-464-8500, or visit the website at www.chabam.com, or better yet, experience the magic of CHABAM at 28700 Chagrin Blvd. Woodmere, Oh. 44122.

The Savvy CEO Speaks

Jim Levine, a recognized leader in the field of security operations, was co-founder of Vance International, a Washington, D.C. based security company that provides executive personal protection, training and consulting services in the U.S. and abroad. When Mr. Levine's business was sold, he was determined to participate in a quality opportunity to serve families and their children. CHABAM, a first of its kind child development business, is the result of this interest.

Like Vance International, CHABAM is unlike any other program offered. It is simply the best extra-curricular child development program available. "I find that CHABAM is completely unique in the ways they take children seriously and at the same time develop an astounding number of ways to play. The program is research-based to maximize building skills while having lots of fun", so says Dr. Arthur Lavin, nationally recognized pediatrician and Associate Clinical Professor of Pediatrics at CWRU School of Medicine.

Why CHABAM?

My wife and I have three small children. Upon our move back to Cleveland, we searched for a fun program that would support their growth and development and one that would work with our busy schedules. No existing program met our requirements. So we set out to do something really credible for kids, something that would be unique and different from anything we were seeing.

And I wanted to leave a legacy. I want my kids to be respectful of what dad does. Born and raised in Cleveland, it was critically important that I could walk within the community, with my head held high, knowing that CHABAM was providing the best possible skill development program to children and their families. I was fortunate that my brother Bob, with a family of his own and with a strong senior management business background, was interested in participating in this venture.

So our company, CHABAM, is less about profitability and more about providing a high value service. I, along with the teaching team, have heard from educators and parents that CHABAM has become the model for

excellence for children's programs. The credit goes to the educational team and research-based programming they created.

So how does someone move from a security business to educating children?

Actually there are some interesting similarities. Security and education are people-to-people businesses versus retail or manufacturing where you are essentially dealing with products. The core philosophy of the two businesses are the same: have the best possible people, respected in their fields, who will by their nature provide service at the highest level. Like the security business, at CHABAM ours is a multi-disciplinary team of experts: all enjoy learning and working with each other. There is true respect for each other's accomplishments. Our staff is excited to be affiliated with an "over the top" quality program.

I knew we needed to hire the very best teachers to work with us, to research and design the programs and to provide the hourly programming. Because I am a neophyte in early childhood education, I needed to access the finest educators available to ensure our services are of the very highest quality. The credentials of the staff, and all they bring to the table, are the vehicles to achieve that.

We made a commitment to hire our director, Jeannie Fleming-Gifford, two full years before we opened. Amongst her many accomplishments Jeannie has a M.A. in Child Development, and is the former education director for the Columbus, Ohio Symphony. Jeannie and CHABAM consultant, Dr. Arthur Lavin, a renowned pediatrician, spent two years creating the framework for our research-based age and developmentally appropriate curriculum. To round out this commitment to excellence, we then hired our full time, multi-disciplinary, teaching team (all degreed educators) a full 6 months prior to opening our doors.

How do you stay informed of what's important in your company?

My staff and customers keep me informed. Word of our business, especially our classes that allow parents

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Get inside your customer's head

Every business owner wants customers to open up their wallets. But before you can get inside your customer's wallet, you need to get inside their head. Deep inside their head, so you understand them on both the rational and emotional levels.

Most companies engage in customer analysis today and there are sophisticated statistical tools available that promise to segment your market and model your customer's behavior. You probably receive data from most every retailer you do business with so you know exactly what sold at each store, precisely which day it sold, and maybe even the demographics of who bought it. It's good to know what your customers bought. But all data warehouses, no matter how large or sophisticated, focus on what you have already sold rather than on what you could be selling.

Getting inside your customer's head puts your focus on the future and on growth opportunities. You'll learn the real motivation for using your product and how it affects people's lives. You'll learn how people compensate and discover that your "competition" goes far beyond companies selling similar products. You'll learn what customers value in their lives. You'll start thinking about opportunities you hadn't even considered in the past: Products to enhance customers' lives in ways you didn't know existed; Opportunities to impact the lives of new customers; Opportunities in new channels of distribution.

How do you get inside your customer's head? It begins by meeting them in their world and gaining their trust. Sometimes this means talking with them and observing while they use a product in their home. It may be observing and talking with them as they shop,

consider the alternatives, and make the final purchase decision. It can mean talking with them amongst a group of their peers and learning as they interact and challenge each other. But it always means going below the surface, peeling away the layers until we get to the innermost feelings and emotions, to understand how their lives are really affected. And it always means listening to them.

REALLY listening.

So don't just talk to your customers.

Listen to them. Go beyond what they like and don't like about your product. Take time to get to know them and to understand the full context of how your product fits into their lives. Get to the emotional level. Be open to hear surprises. And remember, what they don't say can be just as important as what they do say.

Get inside your customer's head and discover the growth opportunities!

Karen Bartelme, Principal of Bartelme Market Research, has been helping organizations get inside their customer's head for over 20 years. She can be reached at (440) 582-0129.

The Nielsen Group is Five!

We are thrilled to announce we have been serving our clients for five years!

And we have been so fortunate to have wonderful clients in these five years who have become delightful colleagues. Our clients have worked through difficult people situations and emerged stronger and better able to manage people challenges in the future. We are meeting our goals of helping our companies manage their people resources to the highest performance and with most positive work environment possible.

We're excited about the next five years!

The Nielsen Group works with growing companies in creating exceptional performance through strategic people strategies, dealing with significant people challenges and much more.

Contact The Nielsen Group at 440-786-8800 or Lee Nielsen at lnielsen@thenielsengroup.com.



Now Serving Charlotte, NC

The Nielsen Group is now serving Charlotte, North Carolina as well as Northeast Ohio. If you are in the Charlotte area or know of companies in that area who would like to talk to us, please contact us at 440-786-8800 or Lee at 440-552-8575 or at lnielsen@thenielsengroup.com



The Savvy CEO provides the free exchange of ideas and reflection on the art of exceptional management.

**Publisher: Lee Nielsen, President
The Nielsen Group**

The Savvy CEO is published quarterly by The Nielsen Group, trusted advisors to executives dealing with people challenges. Published quarterly since June 2001, subscriptions are available for \$42 a year. For more information on submitting articles or subscriptions, contact Lee Nielsen at 440-552-8575 or lnielsen@thenielsengroup.com.

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to leave their children anytime throughout the day, has spread quickly. We serve very discriminating customers. Our parents expect the finest for their children and are quick to compare us to the best programs out there. Many were quick to realize the difference between our teaching team and facility from educational businesses that target kids and their families. Practitioners in the field: pediatricians, educators, administrators, business, community leaders, and of course parents and caregivers, speak their minds freely with us. And, we talk with the kids. My own children attend CHABAM regularly. My wife is active in the community, and she hears from other parents who have no reason to hold back in sharing their thoughts, and comments about CHABAM.

Our highly educated and skilled teaching team is free to comment and make recommendations for improvements. I am comfortable seeking out recommendations from them. I am not a professional colleague; I don't understand the nuances of their profession so I don't insult them by trying to micromanage. I have to let them do their best. I sought the best and am comfortable they will make the best decisions.

In the security business, we could not hesitate to use any needed resources to help us made the right call. Improper planning or bad judgment in that business could be catastrophic. It was a natural fit, when starting a children's education business, to rely on credible research and professionals in the field to guide the programming.

What are the some challenging decisions you had to make?

I had a lot to learn. The initial concept called for a certain type of educator. There were many applicants and I had to be comfortable in the recommendations from my director, and from my brother, who has a strong human resources background.

Now CHABAM is a pioneer in building a collaboration between the medical and educational community. Jeannie and her team understand the teaching field while Dr. Lavin, our pediatric industry expert, was initially and continues to be an essential contributor to the creation of CHABAM. Dr. Lavin, comes with impeccable credentials: Harvard, MIT trained, a pediatrician, Associate Professor of Pediatrics at CWRU, a government expert

on early childhood development. He has been an invaluable help to me and to CHABAM in sorting out the research, serving as a reviewer of our curriculum development and as a personal advisor to me, my brother, and teaching team, as we created our programs and built our space. I meet with Dr. Lavin once a week to discuss progress and ideas for the future. He consults on our behalf to others in the field as we continue to explore new research for exciting class offerings.

How did you learn to be a manager of people?

It probably helped that in Vance International, I was in partnership with a former US Secret Service Agent. We had a former director of the agency, several deputy directors, and other senior military, federal and municipal law enforcement professionals. We needed to manage by objective and we needed to be the best at our jobs. Most times there are no margins for error in the security world.

"You simply have to be at the top of your game. So hiring the best, setting clear objectives and letting the employee do their best work was our basic philosophy. And it still is."

Who influenced you along the way?

My father taught me important lessons; one was "If you are going to do something, do it right or don't do it at all." At CHABAM, we do it right!

What are the most difficult aspects of your work?

Well, the CHABAM concept is an industry first; it is all new and very challenging and it is quite hard to set priorities in an industry where I am not an expert. Our concept has been so well received, it is challenging not to grow too fast. I have been bombarded with requests to expand, both locally and nationally: just this month developers from Chicago and from Houston.

I am convinced there are perfect venues, the right demographics in most metropolitan areas where this family service would flourish. It has

been exciting for the team to see the interest, while at the same time difficult to hold back while we allow the business to cycle through before we entertain any expansion. We need to have the time to understand our customers better and their use of our services before we step off another steep cliff.

Of course, the major risk was the first one, creating CHABAM. We now have our physical environment well thought out...and it is a wonderful safe, clean, magical space...and we have over seventy different research based FUN classes up and running, and though we are working on 70 more, it will be a much simpler task to open the next CHABAM. We invested very heavily in our space design and curriculum development and our signature classes are created so many of those substantial up front costs are behind us.

But the primary concern is always one of managing a multi-site operation with the same high standards we have here. And we would, of course, have to find the best possible people for any new location. That takes time.

What advice would you give someone newly in the CEO/President's role?

If you really want to enjoy the ride, don't compromise your core principles. For me, it is not all about financial growth. We are committed to proving service at the highest possible level. We know we are not for everybody. We want to be recognized for, and are serving those customers who are looking for the best extra-curricular child development programming anywhere.

And then, surround yourself with the best possible staff and working environment you can afford to provide, especially if you are a service company like CHABAM. Your customers will be quick to recognize this commitment to excellence. Recognize, too, that self-motivated aspiring staff, must be provided personal and professional growth opportunities. They have to truly believe you care in their personal and professional growth. If you can do that then challenge them to keep charging ahead to create the professional service they are accustomed to providing. This will continue to set your company apart from the pack.

It really is "Always about People".