The Fable

SHOCK

Brian Bailey never saw it coming.

After seventeen years of serving as CEO of JMJ Fitness Machines, he could not have guessed that it could all be over, without warning, in just nineteen days. Nineteen days!

But over it was. And though he was better off financially than he had been at any time in his life, he suddenly felt as aimless as he had when he dropped out of college.

What he didn't know was that it was going to get a lot worse before it got better.

PART ONE

The Manager

BRIAN

Early in his career, Brian Bailey came to an inescapable conclusion: he loved being a manager.

Every aspect of it fascinated him. Whether he was doing strategic planning and budgeting or counseling and performance appraisals, Brian felt like he had been created to manage. And as he experienced more and more success as a relatively young leader, he quickly came to the realization that his decision to forgo college made him no less qualified than his peers who had been to business school.

But then again, he hadn't had much choice about leaving school. Brian's family, being lower middle class to begin with, fell on particularly hard times when the Bailey walnut orchards in northern California were hit two years in a row by crippling frosts.

Being the oldest of five kids and the only one out of the house, Brian felt a sense of responsibility not to drain the family resources. Even with the financial aid programs offered at St. Mary's College, keeping him in school would have been a serious burden for the Baileys. And Brian's academic focus on theology and psychology didn't make the economic justification for staying in school any easier.

So, answering an ad in the newspaper, Brian took a line manager position in a Del Monte packing plant, and spent the next two years on a factory floor, ensuring that tomatoes and green beans and fruit cocktail were stuffed into cans as efficiently as possible. Brian liked to joke with his employees that he had always wanted to visit a "fruit cocktail farm."

As his father's orchard rebounded and the family's financial situation improved, Brian had a decision to make. He could go back to school and finish his degree—or continue to work at Del Monte, where he was on a fast-track to promotion and a possible shot at running his own plant one day. To the chagrin of his parents, he opted for neither.

Instead, Brian indulged his curiosity and took a job with the only automobile manufacturing plant in the San Francisco Bay Area. For the next fifteen years, he blissfully moved up various corporate ladders at the plant, spending equal time in manufacturing, finance, and operations.

Outside work, he married a woman he had briefly dated in high school, and who, ironically, attended St. Mary's after Brian had left. They moved to a small but growing community appropriately named Pleasanton, and raised a family of two boys and a little girl.

By the time Brian was thirty-five, he was vice president of manufacturing for the plant, working for a dynamic COO named Kathryn Petersen.

A few years after joining the plant, Kathryn had taken a personal interest in Brian because of his modest educational background, his work ethic, and his desire to learn. She kept Brian at one job or another in her part of the organization for as long as she could. But Kathryn knew it couldn't last forever.

THE BREAK

When a headhunter friend of Kathryn's called and asked if she would be interested in interviewing for the CEO position at a relatively small exercise equipment manufacturer in the central valley, she declined. But she insisted that her friend recommend Brian as a candidate for the job.

Looking at his résumé—and his lack of a college degree—the headhunter decided there was no way Brian would be hired, but—as a favor to Kathryn—agreed to let him interview. He was shocked when his client called two weeks later to say that Brian had been "the best candidate by far," and that he was being hired as CEO of JMJ Fitness Machines.

What impressed his interviewers at JMJ, and would continue to impress them on the job, was Brian's ability to communicate with and understand people at every part of the social spectrum. He seemed no more or less comfortable on the floor of the factory than he did in the boardroom, demonstrating a combination of competence and unpretentiousness that was rare among executives, even in the world of manufacturing.

As for Brian, he felt like a kid in a candy store, blessed to have the opportunity to do something he enjoyed. JMJ would benefit from that blessing.

JMJ

Located in Manteca, California, a small bedroom and agricultural town sixty miles east of San Francisco, JMJ was a relatively young company that, for most of its first decade in existence, had merely survived. It did so largely by tapping into the relatively cheap labor in the area and mimicking its more innovative competitors. Though the company had managed to turn a modest profit, it was a minor player in a relatively fragmented industry, garnering less than 4 percent of the market and a position no higher than twelfth in terms of market share.

And then the company's founder and original CEO decided he'd had enough, prompting the call to the headhunter who ended up finding Brian.

The first year of Brian's tenure was no picnic as JMJ found itself enmeshed in a frivolous but distracting lawsuit. Ironically, that situation provided Brian with his first opportunity to prove himself as a leader, and provoke him to make some strategic changes.

For the next couple of years, Brian repositioned JMJ in every way possible. Most visibly to the outside world, he shifted the company's strategic focus almost exclusively toward institutional customers, which included hospitals, hotels, colleges, and health clubs.

Brian also injected a sense of inventiveness into the company by bringing in a few creative engineers and exercise physiologists from other industries. The net result of both these moves was a higher selling price for JMJ products, and unbelievably, higher demand for them too.

But as important as these changes were, nothing had a greater impact on JMJ's long-term success than what Brian did to its culture.

Like most other manufacturers in the area, the company had been plagued by relatively high turnover, low morale, and unpredictable productivity, living under the subtle but constant threat of unionization. Brian knew that turning around the organization would require him to change all that.

Over the course of just two years, Brian and his team managed to raise employee engagement and morale to unthinkably high levels, allowing the relatively obscure company in the Central Valley to establish a reputation for workforce satisfaction and retention. As a result, JMJ wound up winning more industry awards for being "A Great Place to Work" than it could cram into the glass trophy case in its lobby.

When reporters asked Brian for his secret to accomplishing this, he usually downplayed his role and told them that he simply treated people the way he would like to be treated. Which was mostly true, given that he had never really developed a specific methodology.

And as much as Brian publicly deflected credit for the cultural turnaround at his company, he quietly took great pride in the fact that he had given his people, especially the less privileged ones, more rewarding and fulfilling jobs than they would have found elsewhere in the area. More than any revenue goal or product innovation the company had achieved, this made Brian feel like his own job was meaningful.

Which is why selling the company would be so painful for him.

TREMORS

From a financial standpoint, JMJ was as solid as any medium-sized company could be. Under Brian's leadership, the firm had generated fifteen years of solid results, leapfrogging to become the number three—and at times, number two—player in the industry. With no debt, a well-respected brand, and plenty of cash in the bank, there was no reason to suspect that the privately held company was in any danger.

And then one day it happened.

It was a two-paragraph article in the *Wall Street Journal,* announcing that Nike was thinking about entering the market for exercise equipment. To most people reading the paper that day, the news was insignificant. For Brian, it was the precursor to an earthquake.

The chain reaction actually began two days later when Nike publicly identified the company it planned to acquire—FlexPro, JMJ's largest competitor. Before anyone knew what was happening, companies that had been operating independently for decades were positioning themselves to be swallowed up by brand name conglomerates from a variety of industries that were now interested in the exercise equipment market. For Brian and his 550 employees, it was only a matter of time.

CONSOLIDATION

Within just a few days of reading that fateful article in the *Wall Street Journal,* Brian and his board numbly came to the conclusion that they would have to sell JMJ, and quickly.

As difficult as that might be, denial was not something Brian or his company could afford. After all, he didn't want to be the only company left standing when the music stopped—to find himself and his employees, all of whom owned stock, unrewarded for all their years of hard work. So he called one of his friends at an investment bank in San Francisco and asked him to help find a buyer for the company he loved.

Actually, Rick Simpson wasn't so much a friend as an old acquaintance. The two had lived for a year in the same suite in a dormitory at St. Mary's. Though never terribly close, they had managed to stay loosely connected ever since.

Brian had always found Rick to be brilliant and occasionally hilarious, as well as arrogant and insensitive. But for some reason, he could not bring himself to really dislike the man. As Brian explained to his puzzled wife, Rick always seemed to know when he was pushing the limits of obnoxiousness, and then recover by doing something genuinely redeeming.

In spite of his personality quirks, Rick had succeeded wildly in his career, developing a reputation as one of the best investment bankers in the country. In fact, he had become something of a celebrity in his field.

His response to Brian's initial call was typical. "So you've had enough of that cow town, huh?" Though that was certainly teasing, Brian was not in the mood for it.

"Well, I actually live in the Bay Area and commute over here. And I don't mind the valley so much. But I do need to sell the company."

"Why?"

"I don't have much of a choice. Nike just bought Flex-Pro, and if we try to compete against companies with that kind of marketing power, we're going to get crushed."

"Oh, right. I remember reading about that somewhere." Rick seemed to be rifling through some papers on his desk. "But aren't you moving kind of fast?"

"Well, everyone's going to have to bail out eventually, and the smart ones usually go first."

"I can't argue with that," Rick agreed. "So you want me to help you find a buyer?"

"Yeah. And someone who sees our business as a strategic fit, and who understands our unique value."

"And what exactly is that value?" Rick wasn't being skeptical. He just needed to know.

"Well, our market share is nothing to sneeze at. Somewhere around 20 percent. We're a strong number two or three in a fairly fragmented market, depending on how you slice the pie."

Rick didn't respond, but Brian could tell he was writing it down, so he continued. "And we've got a solid balance sheet, a good brand name, strong sales projections for the next five quarters, and a few patents that won't expire for another couple of years."

"Sounds good so far. Is the market growing?"

Brian didn't hesitate. He knew the industry as well as anyone. "Projected at nine percent next year, though I think we'll come in somewhere closer to twelve."

"Sounds like you've done a hell of a job in that cow town."

Brian knew Rick well enough to appreciate the sarcastic compliment.

"We've done okay. Anyway, there's one more thing that I think a prospective buyer should know about us." He hesitated before continuing, not wanting to provoke another jibe. "We have the highest employee satisfaction in our industry. In fact, we're one of the best in any market. We've been named one of the top fifty medium-sized businesses to work for in America."

Rick didn't say a word at first, then chuckled. "Well, I'll have to adjust my valuation upward by a couple hundred dollars then."

"What's that supposed to mean?"

Brian's tone made it clear he was annoyed, so Rick backed off a little.

"I'm just teasing you, Brian. I'm sure you've worked very hard to build a nice culture over there, and I'll definitely put it in the package." He paused. "But I'm not going to lie to you. I don't think it'll translate into anything meaningful in terms of selling price."

"Well, it should." Brian knew he was sounding proud and defensive, but he couldn't help it.

As usual, Rick didn't mince his words. "It doesn't in my book. I mean, when I look at a company, I just want to know how fast the market's growing, how much of that market it owns, and whether it's in position to increase its share. I'm not big into the soft stuff. If it really matters, then it should be reflected in the bottom-line numbers anyway."

Nothing tweaked Brian more than being called soft, and he was tempted to slam the phone down right then and call someone else. But he knew that it wouldn't be in the best interest of his company. And somewhere in the darkest recesses of his brain, he feared that his cynical friend might be right.

So he took a breath. "You know, Rick, you can be a real jerk sometimes."

Rick laughed. "But you love me anyway, don't you, Brian? And you know what? I'll get you more money for your company than anyone else can."

Brian didn't respond, so Rick continued in a more conciliatory tone. "Hey, I don't want you to get the wrong idea. I'll admit that I've been following you and JMJ off and on for the past ten years or so. I have a pretty good idea about what you've done over there. In fact, I've even got one of your elliptical machines in my basement."

Brian silently accepted the muted apology. "Anyway, let me know later this week what you think we need to do."

"I'll call you Thursday. We'll do this right for you, buddy."

Brian said good-bye and hung up, amazed that Rick had not changed at all. And that he still couldn't hate the guy.

DONE

When Rick called on Thursday, Brian was expecting to hear that he'd made progress. After all, he was one of the best in the business. But Brian could not have guessed that Rick would have already identified a buyer and negotiated an informal ballpark selling price, one that exceeded anything he had imagined.

Rick's strategy was to exploit the "first mover advantage" card on both sides of the table, and he played it perfectly. He convinced the potential buyer to move quickly before other suitors could bid up the price. This made them a little more generous than they had intended to be. And he encouraged Brian to act before his other competitors entered the game, which would crowd the playing field and dilute his value on the open market.

So, after just a week and a half of conference calls, visits, and negotiation sessions, Brian signed the papers that gave control of his company to the country's largest medical equipment supplier. He would later admit that he was not at all prepared for the consequences of that signature.

BAND-AID REMOVAL

JMJ's acquirer was not new to the acquisition game, and its executive team had adopted an extremely aggressive strategy when it came to integration. Their rationale was that it was better to accelerate a transition by moving quickly, even if that caused disruption, than to wait and let lethargy and fear take hold. "Like ripping off a Band-Aid in one fell swoop," their CEO explained before the ink on the contract was dry.

Their plan called for the name of the company to change immediately, which included everything from the way receptionists answered the phones to putting a new sign on the front of the building. It also meant that executives who weren't part of the company's long-term plans—which almost always included the CEO—were to be moved out as soon as possible. Brian's last day was set for just seven days after he had signed the company away.

Throughout the next week, Brian attended a number of emotional farewell luncheons and company celebrations marking the end of what had once been a humble little independent company. Though he deeply appreciated the overwhelming expressions of gratitude and affection from employees, especially the long-term factory workers whose lives had changed drastically during their time with the company, he found the experience to be so emotionally exhausting and overwhelming that he was quietly yearning for it to be over.

Finally, on a rainy Friday evening, after even the janitors had gone home, Brian packed his office and left the building for the last time. Preemptively wiping his eyes to keep any tears from escaping, he drove away wondering what the rest of his life would be like.