

Leading Through Employees

Advanced Circuits

The Story | Corey Rosen, Executive Director of National Center for Employee Ownership, speaking at an SJF Institute/Winning Workplaces conference on employee engagement in 2007, offered a key lesson: “Employee involvement doesn’t happen because you allow it, but because you structure it.” Advanced Circuits, a 400-employee manufacturer of custom printed circuit boards based in Aurora, CO, provides a good example of how that rule works in practice.

Engagement Strategies | Advanced Circuits uses quick, daily standing huddles by department to discuss good news, hurdles, and goals for the day. Additional 10-15 minute weekly meetings and hour long, monthly company-wide check-ins keep employees engaged.

Company metrics such as on-time delivery rates, quality rates, shipping, and scrap volumes are discussed “every day, every week, every month,” according to President and CEO John Yacoub. These open book management strategies have resulted in Advanced Circuits holding the best-in-industry standard for on-time delivery and turnaround, says Yacoub.

To keep employees motivated, firm performance and profitability targets are tied directly to incentives, including profit sharing and tri-annual bonuses. “Everyone shares when the company hits a goal,” says Yacoub. Employees meet one-on-one with supervisors three times per year to discuss goals and expectations, establishing a basis for a performance bonus that could reach up to 10% of an employee’s salary or monthly hourly rate.

Likewise, the profit sharing program, at an average of 5% annual pay, is calibrated to a very clear set of goals. “Employees know where they stand at any given point,” says Yacoub. And, he stresses, employees are only judged by metrics they can control and are constantly informed about, such as booking, invoicing, customer complaints and shipping.

The company also has a tradition of establishing stretch goals that, when reached, have resulted

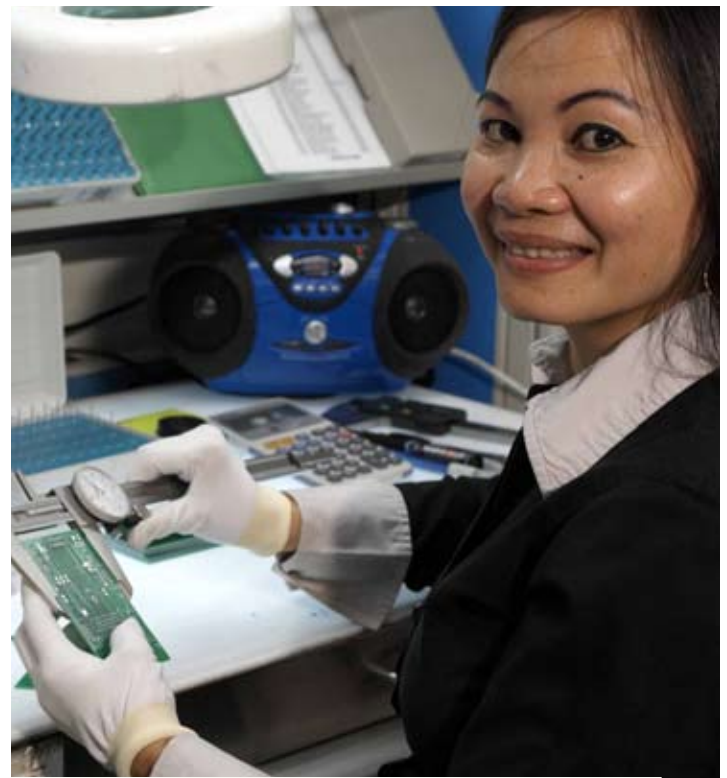
in several company-wide, all expense paid trips to Las Vegas. A buyout of the company's founding owner by a private equity firm made equity sharing with employees hard to structure. However, employees are made aware of the option to purchase stock in the publicly traded parent company, Compass Diversified Holdings.

Business Results | Yacoub says he "absolutely" sees a correlation between the company's performance and its incentives and initiatives. "The profit sharing program costs close to \$1 million per year," he told us. "I would not do it if I didn't see a connection to business performance." He adds that the company's current status as the most profitable in its industry is due to the hard work of its fully engaged employees.

The turnover rate is low – Yacoub estimates less than 6%. Not considering the 130 employees that were added after a recent acquisition, employee tenure is between 8-10 years. At least 50 employees (about a fifth) have been with the company for more than 10 years. Prospective employees often comment at job interviews that everyone is smiling.

And the company's high involvement hiring involves a personal interview with the CEO for any employee who will have contact with customers.

Advanced Circuit's strong employee culture



AT A GLANCE ADVANCED CIRCUITS

Business:

Quick turn circuit board manufacturing

Location:

Aurora, CO

Revenues:

\$52 million in 2009

Employees:

400

Engagement:

- open book management
- high involvement hiring
- teams and frequent huddles
- company-wide meetings and celebrations
- generous benefits
- profit sharing and tri-annual bonuses

Business result:

- low employee turnover
- high customer satisfaction and retention
- no layoffs during the recession

has only strengthened its relationship with its customers. For nearly ten years, the company sent out a survey with each order. Questions or complaints are followed up with personal phone calls from the company, not a third party. Afterwards, both the customer's concern and the company's reply are posted for all employees to see.

The high involvement culture also helped the company weather the last recession. In 2009, the company was faced with the possibility of having to let go of 30-40 employees. Instead, "we came together as a family and everyone took a bit of pain," Yacoub recalls. The jobs were spared because all employees, including management, took 10% pay cuts for six months. The company weathered the recession, and salaries were reinstated.

LESSONS LEARNED:

- **When developing employee engagement programs, structure them carefully and then continually monitor and change them as needed for success.**
 - **Assess and reward employees' performance only by metrics they can control.**
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