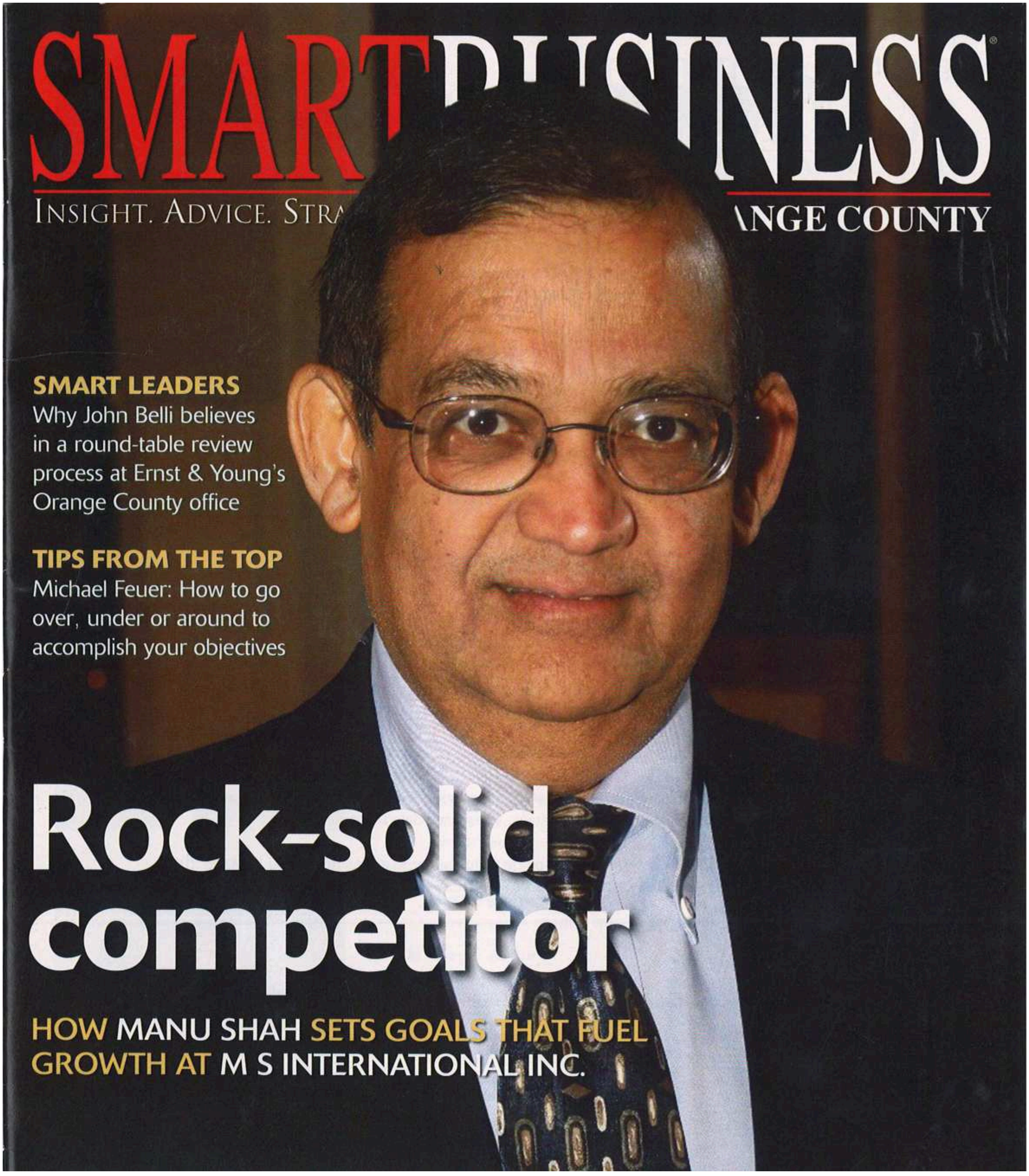
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HOW MANU SHAH SETS GOALS THAT FUEL GROWTH AT M S INTERNATIONAL INC.

Rock-solid COMPETITOR

How Manu Shah sets goals that fuel growth at M S International Inc.

BY BROOKE BATES

Manu Shah doesn't measure success in a vacuum. When it comes to setting and achieving goals, he believes that comparison fuels improvement. So he uses competitors as benchmarks and even encourages employees to stack themselves against each other.

"We try to look at our competition, and then we can tell pretty much whether we are growing or whether we are not growing," says Shah, who founded M S International Inc. after he emigrated from Bombay, India.

That quest for superiority fuels Shah's goal-setting. He sets targets that push his 400 employees to improve, driving growth for the natural stone distributor.

Educated as a mechanical engineer, the chairman and CEO is understandably meticulous about those goals — not only in setting them but also in measuring progress along the way. For example, he gives his employees access to a slew of statistics — measuring MSI's gross profit margin on more than a dozen different scales and a handful of various timelines — so they can monitor their own progress.

By empowering employees to adapt the company's long-term goals, Shah taps into their potential.

"Employees are the most important assets you have as a corporation," he says. "It's up to the management to use the assets the best possible way."

He maximizes that asset by involving employees in goal setting, which he says is one of the most important priorities of a CEO.

So by using one to achieve the other, Shah makes the most of both — and unlocks his secret to success.

Find adaptable people

If you're going to trust employees to break down a broad goal, you need to start with the right kind of people. Shah looks for adaptable employees who will be able to make adjustments as they track their progress toward a goal.

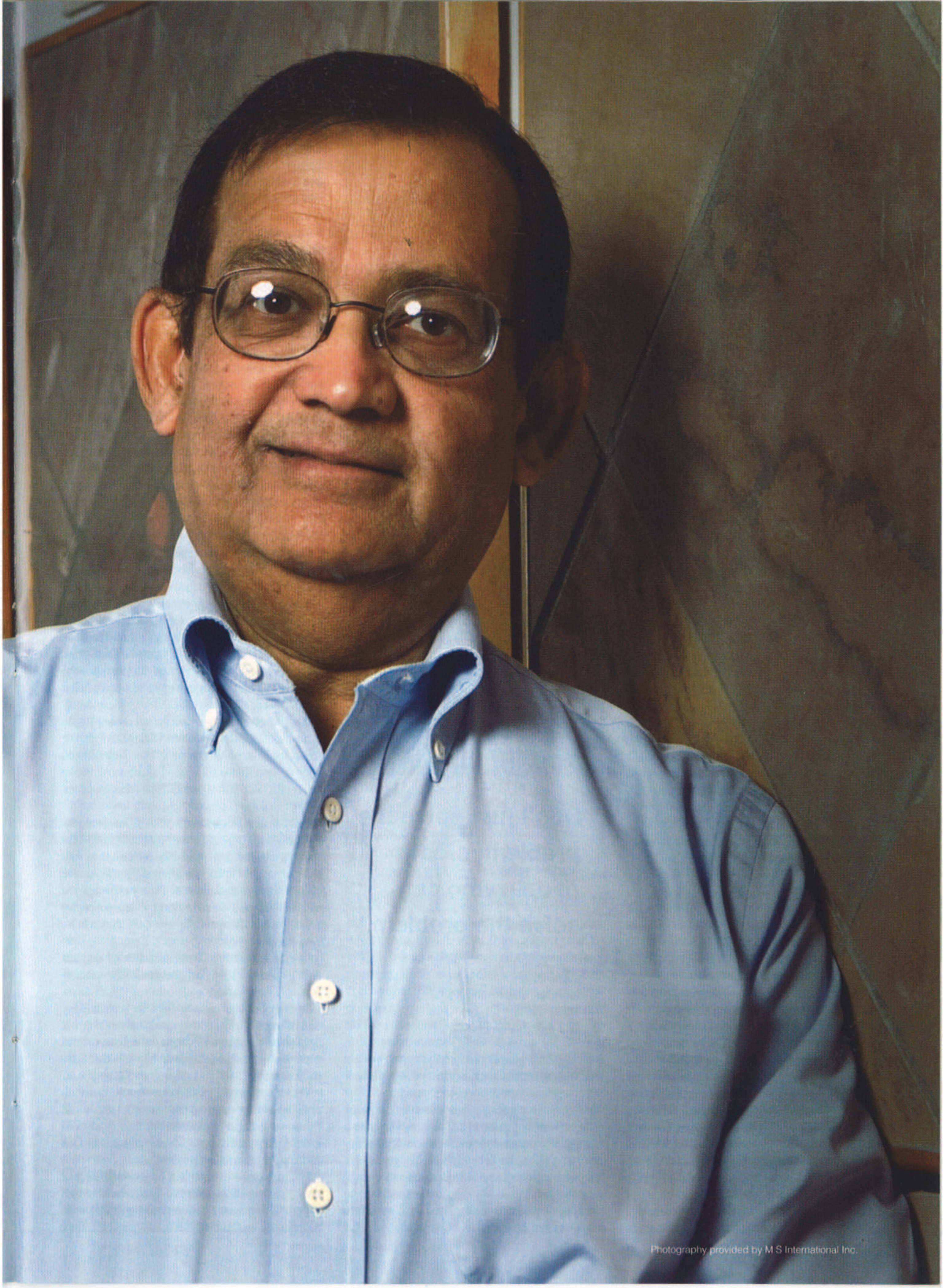
"Because the world is changing so fast, we wanted to make sure that the people we hire are adaptable to the changes and they don't mind multitasking," he says. "If you have adaptable people, you can adapt them to the changes much faster."

Look for signs in candidates' backgrounds that suggest they've had to adapt before: transferring colleges, relocating for jobs, being promoted to a new position at the same company or simply switching jobs.

During the employee's first three months, Shah keeps a close watch to determine their strengths and reveal their weaknesses.

"When an employee's new to the company, most people don't realize that that's the time they are ready to adapt to the company's core culture and make whatever changes are necessary," says Shah, who uses the three-month evaluation to ask employees to work on one or two weaknesses.

"If you don't pay attention to the



Photography provided by M S International Inc.

first three months, a lot of things get set in their mind, and then it becomes more difficult to change what they're doing."

During that first evaluation, Shah also listens to employees' self-assessed strengths. If those aren't being tapped, he may give them additional tasks to test their aptitude in other departments. You know they're in the right spot when they stop requiring much help and instead start encouraging other employees in their tasks.

"Every musical instrument vibrates at the natural frequency and produces beautiful sound. You don't need much energy when somebody dances at natural frequency," says Shah, borrowing from his mechanical engineering terminology. "It becomes the source of energy. So similarly, rather than consuming energy, [employees] become a source of energy to other employees."

Once they're in place, Shah teams employees up by specialties: sales teams, which are generally geographically based; product teams, which are determined by end use, such as countertops or landscape; or service teams, which are divided into functionalities like accounting or shipping. Each is decked with a fancy name — like Topaz Team, Emerald Team or Sapphire Team — to give employees a sense of ownership when they talk about their team.

Shah designates a leader in each team. To find your top players, go back to the initial hiring criteria of adaptability and multitasking. Shah examines how they've performed so far, looking beyond execution to examine how well they've adjusted to new product lines or new customers.

Shah does consider the chemistry of the people he puts together, but the team's needs trump personality types. He relies on their adaptability to make up for it. Beyond that, the common goal glues each team together.

"Most teams work together much better if there is a bigger enemy, and that bigger enemy is the goal," Shah says. "By working together, we will meet that challenge."

Lay outlines for goals

Before you can empower employees to reach a target, you need to meticulously define each goal.

Shah's goal for MSI never really changes. He always wants to outdo — or at least contend with — the biggest competitors in any given realm. And by defining that realm, he clarifies the overarching aim.

"We like to have the goals be something we can measure in a small geographic area or small product line," Shah says. "Twenty years ago, we said our region was California and our business was monuments. When we become a little bigger, we find out that now, not California, but we want to be national in monuments. Then you say national in granite. Then you can say national in slate."

"So our goals, our definable measure, kept expanding," he says. "But in each case, we had a very clear goal that we should be the No. 1, 2 or 3 player within that goal, within that region or territory, or that product line."

"Don't just solve the problem; create people who can solve the problem."

Manu Shah,
founder, chairman and CEO,
M S International Inc.

Because competitors don't just hand over their information — and conducting your own research can be unreliable — Shah also uses easily accessible national data, like import statistics, to broadly set his goals. He relies on industry standards, such as average revenue generated per employee and average sales per square foot of material, to estimate competitors' financials.

By giving employees the role of gathering this data, you automatically involve them in the goal-setting process. Using the data they gather, helps them set the end goal by defining specifics, like the timeline.

"The definable goal should be achievable within six months to three years," Shah says. "The company doesn't change in less than six months. If you say, 'Next month I want to double your sales,' it's just not going to happen. It's better to set goals which are measurable but achievable."

In addition to the timeline, Shah defines goals in a range. For example, import goals are set between the third-place importer's numbers and at least half of the top competitor's imports.

"It's always a range. We don't set up fixed criteria," he says. "We say we should, in the first three months, import five to 10 truckloads. Then we bring up what is the best another importer is doing."

But breaking those broad goals down into steps — that's up to the employees.

Teach employees how to fish

Don't just tell employees how to reach a goal; give them tools to figure it out themselves.

Shah's goal-setting meetings with team leaders go beyond recaps of what the data revealed and where the targets are. He asks them to plan how they'll achieve that goal, from breaking it into monthly targets to requesting the manpower and equipment they'll need.

"Don't just solve the problem; create people who can solve the problem," Shah says. "Give them tools to solve the problem. Teach them how to use those tools and show how those tools can help solve one or two difficult problems."

As the adage goes, it's the difference between giving a man a fish and teaching him to fish. So, for example, Shah doesn't break the main goal into quarterly objectives. He gives employees access to their performance measurements, empowering them to make adjustments by seeing how far off they are — and where everyone else is.

"We never give individual sales goals to a salesperson. ... We set the goals by measuring and comparing with others," Shah says. "The best solution is a tool in which they can compare with somebody else. Then it becomes a yardstick from which they can measure. Let them be judged with the data they can see."

These performance metrics should be available to everyone on your intranet or some other accessible medium. And they should measure as many things in as many ways on as many timelines as possible.

"We measure everything by every different way, and we allow everybody to see it," Shah says. "We measure sales and gross profit margin by individual item, by product line, by warehouse, by salesperson, by team, by branch, by customer, by channel of distribution, by region, by state, by ZIP code, by vendor, by country of import, all of that."

Employees should be able to see these stats in context, so provide trends across the last week, month, quarter and year. It's also important that the data is updated in real time so employees can continuously track their progress and monitor how much slack they have to pick up.

"We don't believe in annual or quarterly goals but rather long-term goals, missions and making real-time changes to achieve those missions," he says. "We believe that having annual or quarterly goals means we are taking too long to assess what changes need to be made. Changes should be made in real time: weekly, monthly, quarterly."

Giving employees the power to make those adjustments increases productivity all around.

"We let people compare with other teams how much other people are shipping per employee," Shah says. "And pretty soon, those who were ahead were feeling proud and wanted to stay ahead. Those who were behind want to see what they can do to [improve]."

That's where you should step in, guiding employees to self-improvement while trying to dodge the jealousy this kind of comparison can foster. Shah works one-on-one with employees to reveal personal growth opportunities, but mostly, he relies on the incentive system to curb competition.

"That's the risk we are taking," he says regarding jealousy. "The power we get by letting people make their own decision is too powerful for the occasional bad apple we may lose."

Reward employees' initiative

Complete the process by rewarding employees who meet their goals. That means striking a balance to recognize individual achievement while fostering the teamwork that makes it possible.

Shah breaks his bonus plan into individual results — which determine the largest percentage of the incentive — as well as team and companywide results. That way, bonuses are pretty consistent across the board. But the weighted system still motivates employees to improve.

"Any plan should have a component where everybody wins when one area or product or team wins," Shah says. "So if they lost sales but another team got it, they still win. Not as much as if they got their own, but they still get it."

Companywide rewards ingrain a mindset of teamwork in employees. It will help them think of success in terms of the company rather than just themselves. But the comparison piece also lets them see what role they play in that.

"Plans should have a component in which individual performance, team performance and company performance are measured and visible," Shah says. "I can see what I did, what my team did, what the company did."

While results drive the bulk of employees' rewards, Shah also looks a layer deeper by conducting 360-degree reviews for everyone. Have people who work with, under and above each employee evaluate that employee's performance. Shah divides the review into 15 categories, from oral skills to market knowledge to planning and organization.

Shah makes those reviews available on the intranet, as well, where ratings are compared against groups and the entire company.

This transparency and comparison encourages employees to look beyond themselves and consider how they can make the company successful.

"Before we do any firing, we really encourage them to change, and change based on the numbers, based on visibility and transparency," Shah says. "We are not asking him to change because we think he could have done better. We are asking him to change [by saying], 'Look what other people have done.'"

By motivating employees to meet goals through empowerment and rewards, Shah fuels his company to keep growing.

"It took the first year to reach $1 million. Another 10 years to reach $10 million. Another 10 years to reach $100 million in revenue," says Shah, whose company has grown for 14 years and reported 2008 revenue of $261 million. "And we are on the way to some day becoming a billion-dollar company. We are still growing." <<

HOW TO REACH: M S International Inc, (714) 685-7500 or www.msistone.com

The Shah File

Born: Mandvi-Kutch, India, 350 miles north of Bombay in the desert region

Education: Master's degree in mechanical engineering from Purdue University

First job and what it taught you: Development engineer in Cleveland. I learned how to communicate with everyone from factory workers to peers, supervisors and customers.

What's your definition of success?
Success is a fun journey. Think of driving a car on a freeway. So many are ahead of you, and if you look in the rearview mirror, so many behind you. The truth is: Each one wants to reach his own destination, so no one is ahead or behind. It's always fun going up the mountain. And when you reach the top, you see many more peaks yet to climb.

Your workday is off to a bad start. How do you turn it around?
Think something positive. Touch a few steps where the outcome is positive, then go back to the divisive or negative part.

What's your favorite part of your job?
Coaching an employee — when the employee achieves the results beyond his own dream and becomes another source of energy.

What's your proudest accomplishment?
Innovating one of the oldest professions in the world. Helping over 100,000 people around the world in 35 different countries.

Where we've seen the company's stone: In 1981, M S International Inc. won the contract to provide black granite for the Vietnam Veterans Memorial in Washington, D.C.

If you weren't in your current position, what might you be doing instead?
I am a mechanical engineer. I would probably be retired by now.