

octane
The Entrepreneurs' Organization Magazine



EO

Entrepreneurs'
Organization

SEPTEMBER 2008

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Entrepreneurs' Organization

ETHICS

n. the rules of conduct recognized in respect to a particular class of human actions or a particular group, culture, etc.



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Upcoming Octane topics:

People/Human Resources

Health

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*fueling the
entrepreneurial engine*



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 “What began as an opportunity of a lifetime quickly became something altogether different. I learned that it is far more important to be ethical in business than it is to be wildly successful or rich. After all, you are only as good as your word.”

19 **Doing the Right Thing When Faced with Employee Illness**
BETH KLOOS, EO CLEVELAND
 “I’ve been tested before, but recently, I encountered an experience that truly challenged me as a business owner and human being. I had to deal with the death of an employee. I had to act quickly and protect both the employee and my business.”

THE CORNERSTONES OF SUCCESS

Trust and respect— they're the cornerstones of every successful business or personal relationship. They also happens to be one of the hallmarks of EO's core values. In business, integrity and character are essential parts of professional growth. At EO Global, we not only pride ourselves in fostering a community of entrepreneurs who embody these values, but we also make it a point to stress the importance of ethical behavior. Without it, there'd be no system of principles, standards or values governing EO members' conduct.



Beneath every thriving business lies a definitive set of principles that propel businesses from average to excellent. Behaviors, actions and attitudes have a strategic impact on an organization and its success. And like the mortar that holds the bricks of a building in place, ethics bind the familiar framework for success— i.e. world-class customer service, the alignment of products and services with a mission, data-driven strategies, dialogue and engagement, and organizational adaptability—with the values usually associated with remarkable organizations.

These values include doing what is right; taking pride in your work; believing that diversity of thought, perspective and opinion adds value to our community and work; demonstrating personal integrity and leading by example; treating people fairly and consistently; applauding innovation and engaging in reasonable risk-taking. And behind it all, the CEO facilitates visionary thinking throughout the organization and embodies his or her own company's values.

These leaders are EO members.

EO members are revolutionary business minds who must follow their internal moral compasses on their journey toward greatness. Sure, they may stumble occasionally, but it's that adversity and how they handle it that truly counts. It is in that crucible that we are all tested. That is what builds character. That is how ethics are formed and honed into a set of principles that will govern how we run our businesses and live our lives.

In this issue, you can preview our Annual Review to see how much this organization has grown in the past year. You can also read about entrepreneurs who have encountered, combated and triumphed over legal and ethical adversity. Learn how these members excelled when faced with insurmountable odds, and how they became experts in the field of ethics. I encourage you to consider their lessons learned and evaluate their best practices. You'll discover numerous ways in which you can take your business from success to significance.

And in the end, isn't that what it's all about?

Regards,



Bob Strade
EO Executive Director

Where can you turn for help?

EO solves your business ethics problems. You can:

- Ask other members
- Find a lawyer
- Share your experience

... all through Member Exchange!

For more information, e-mail support@m2mx.com or call +1.972.587.1615.

FY2007/2008 ANNUAL REVIEW

A MESSAGE TO OUR MEMBERS

I've been in business for 15 years, and throughout my experiences, I've found there is nothing as important or impacting as ethics. Ethics are a fundamental part of our entrepreneurial DNA—they guide us along the obstacle course of industry and establish us as esteemed experts in our respective fields.



Without ethics, success would be fleeting, core values would be futile and the well of universal inspiration would dry up.

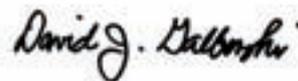
When you follow your moral compass as an entrepreneur, you're not only setting a precedent within your organization, you're inventing a pattern of righteousness that permeates your personal and professional relationships. Doing what's right, regardless of the consequences, is what makes us successful in business and in life. What's more, it is a large part of the EO member's make-up. For 20 years, EO has nurtured members along their path to significance. Thanks to our bedrock of ethics and core values, we've achieved resounding success on a global scale.

Now more than ever, EO is healthy, financially sound and primed for continuous growth. With 7,000+ members in 38 countries, we are entering a new era in EO excellence. It is an era that demands innovation, global unification and consistent member

support. This fiscal year, we will embody the "Success to Significance" theme by exploring and defining the impact we have on our families, companies, communities and the world at large. We will do all of this while executing the TEAL (Technology, External Awareness and Leadership) initiatives and instituting the second year of the Board's five-year strategic plan.

To keep you up to date on where we stand as an organization, we published our FY2007/2008 Annual Review. For us to excel and grow as a community of entrepreneurs, we must all be cognizant of the financial, member and regional health of this organization. As you can tell from the following information, we have had a landmark year. This is due in large part to your amazing efforts, unwavering support and belief in this organization's ideals. Enjoy this issue, and prepare for another stellar year of EO accomplishments!

Respectfully,



David Galbenski
EO Chairman

LOOKING FORWARD »

→ FY2008/2009 STRATEGIC GOALS

This fiscal year we will focus on specific goals to ensure our members receive the highest level of support. Our initiatives will be encompassed by a single theme, "Success to Significance," which represents the path to significance EO is pursuing. As we execute the second year of the Global Board's five-year strategic plan, we will stick to our core beliefs and focus on three key initiatives encompassed in a single acronym: TEAL.

→ "T" IS FOR TECHNOLOGY

We have instituted a huge paradigm shift in EO's technology arena. Through the launch of EOaccess, we are changing the way members leverage their network, connect with peers and engage in learning. A touchstone of this plan includes a highly customizable public Web site. And then there's EOTV, a marketing force that leverages the power of video technology in content distribution to our members. As we implement our plan, members will see a dramatic improvement in their technology experience.

→ "EA" IS FOR EXTERNAL AWARENESS

We are implementing more external awareness plans through various means. By increasing the amount of PR tools we offer members, we are defining our significance as an organization.

Whether it's through our PR PressPass, outstanding partnerships or Global Entrepreneurship Week, we're making it easier for you to serve as an EO messenger. We will continue to increase our external awareness while generating interest in our organization.

→ "L" IS FOR LEADERSHIP

The single greatest benefit an EO member can leverage is the ability to become an EO leader at the chapter or global level. In support of this belief, EO is launching several initiatives to increase the level of leadership among the membership. One of those initiatives includes the inaugural Leadership Academy for current and aspiring global leaders. By encouraging members to become leaders, we can do our part to launch EO on a path to 20 more years of success.

→ REMEMBERING EO GREATNESS

As we continue to work toward new measures of excellence this fiscal year, it is imperative that we not overlook the monumental accomplishments of FY2007/2008. From record-breaking University attendance to a milestone in membership, EO has excelled beyond imagination. With this in mind, we will continue to offer an intimate environment for entrepreneurs, and we will serve as a global support system for all members through innovative means.



20th Anniversary/2007 EO Las Vegas University

EO celebrated 20 years of explosive growth during the 2007 EO Las Vegas University, held 24-27 October. The University was the largest event EO has ever assembled, with 1,000+ members in attendance. Attendees were treated to once-in-a-lifetime events, including a private concert by rock legend KISS, a keynote session from famed developer Steve Wynn and exotic off-site activities.

Canada Launched as Fifth EO Region

In November, the EO Global Board recognized the uniqueness of Canada's chapters, the quality of its members and its ability to mature at a quick rate by making the country its own EO region. The unanimous decision emphasized EO's commitment to enhancing the Canadian membership experience.

Emerging Entrepreneurs

The EO Accelerator program entered its second year with gusto! An astonishing 150 Accelerator contestants participated in 10 chapters in 2007. Mirroring that success was the Global Student Entrepreneur Awards (GSEA), which crowned Fraser Doherty of Scotland as the first-place winner in the 2007 competition, the largest and most successful GSEA to date. More than 120 EO members assisted with the competition.

Welcome, Rock Star!

In March, EO launched its innovative new "Rock Star" program. The Rock Star status was developed by a member to provide chapters with an all-or-nothing approach to diagnosing potential areas of concern, and to identify how and where to focus their energy. Nineteen chapters that were strong, healthy and poised for success were recognized as Rock Star chapters at the 2008 Global Leadership Conferences (GLCs).

Executive Education Seminar Launch

In April, EO expanded its executive education offerings by partnering with world-renowned Babson Executive Education, a division of Babson College, the number one college in the United States for entrepreneurship. This partnership produced the first ever EO/Babson Executive Education Seminar, to be held 19-22 October 2008. The Seminar is designed specifically for 30 EO members who want to drive profitable growth in their businesses.



New Public Web Site Launch

On 14 April, EO unveiled a principle part of its EOaccess plan: the new public Web site. The impetus behind this major redesign was to encourage prospective members to learn more about the organization through a dynamic, highly customizable Web platform. Thus far, it has proved successful— in July, roughly 12,960 unique visitors visited the Web site, a new EO record.

Record-Breaking Global Leadership Conferences

EO hosted two record-breaking GLCs this year. The GLCs, held 8-10 May in San Francisco, California, USA, and 22-24 May in Dubai, UAE, attracted a total of 759 members— 98 more than the previous year. The conferences' success stemmed from expert learning sessions and outstanding peer-to-peer networking opportunities.

New EO Partners

EO welcomed several new partners into its family this year. They include Regus, Office Depot, FedEx and *Profit Magazine*, businesses that play an integral role in the lives of EO members. The addition of these esteemed partners allows EO to provide members with discounts in services, educational opportunities and exciting benefits.

EO Five-Year Strategic Plan

The Global Board finalized the EO Five-Year Strategic Plan, which focuses on five core components: Leadership, Membership, Personalization, Communications and Strategic Alliances. As a result of this plan, members will have a larger pool of entrepreneurs with whom to connect, better opportunities to strengthen a chapter's infrastructure and more outlets to get their voices heard.

EO Reaches 7,000-Member Mark

To cap off an exciting and innovative 2007/2008, EO announced in June that it exceeded the 7,000-member mark, thanks to three new members in the EO London chapter. This membership milestone could not have been reached without the continued efforts of EO's member referrals, chapter officers, staff and Global leaders. What a way to end the fiscal year!



What Was Your Greatest Lesson Learned in FY2007/2008?

"I learned that a business is not dependent on an individual, and that there are many good people out there who, if attracted by your vision and leadership, will readily come on board and give you their best."

ANAND JHAVERI
EO BOMBAY

"Looking back, I think it would be managing to bring a private equity fund into one of our companies."

HANI ALAALI
EO BAHRAIN

"I learned it is very easy to say no to a business proposal if their terms don't suit you. I've discovered that being an entrepreneur is about being able to convince and mold the proposer to your terms without appearing too hard-headed."

NIRAJ MITTAL
EO BANGALORE

"I've learned that without trust, doing business with someone would be impossible. Trust comes from a person's reliability to do the right thing."

ROBERT LUO
EO HONG KONG

"That EO events are invaluable! My greatest accomplishment was meeting new people at various EO meetings, as well as learning about how they run their businesses. Every day I apply the lessons I've learned in my work."

MIRIAM HERZ
EO COLOMBIA

FY2007/2008 ANNUAL REVIEW

ORGANIZATIONAL SNAPSHOT

(As of 30 June 2008)

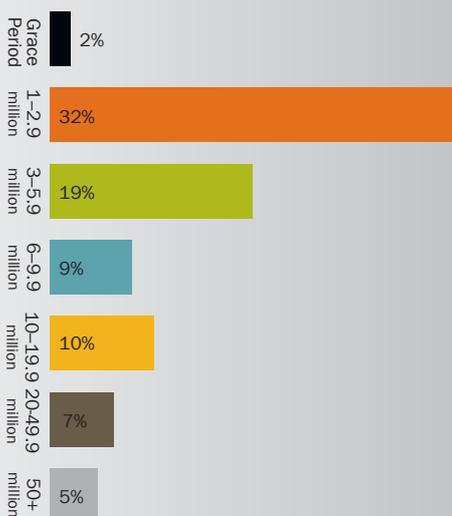


EO BREAKDOWN BY REGION

REGION	TOTAL
Asia Pacific	1,703
At Large	32
Canada	668
Europe	530
Latin America	451
United States	3,660
TOTAL	7,044

HOW LARGE IS YOUR CURRENT PRIMARY BUSINESS?

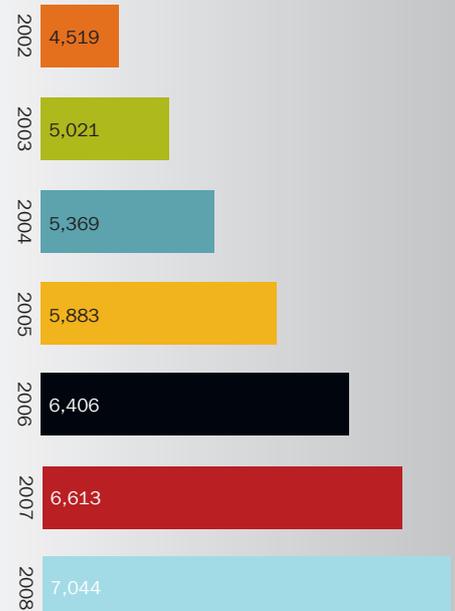
(Listed in US\$ millions)*



*16% - NO INFORMATION

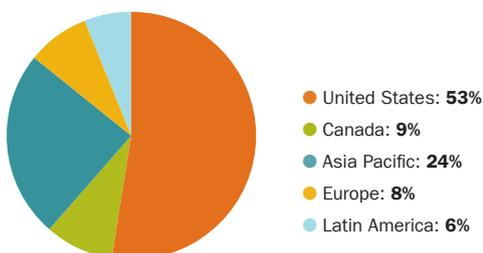


MEMBERSHIP GROWTH



MEMBERSHIP COMPOSITION BY REGION

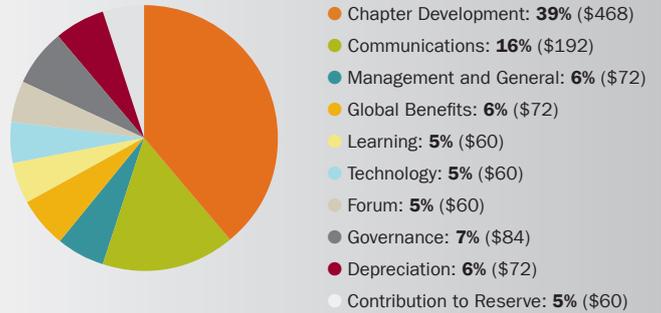
This chart represents the number of EO members in various regions of the organization as a percentage of the total membership.





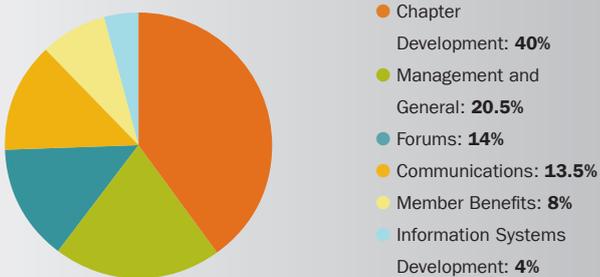
ALLOCATION OF MEMBERS' US\$1,200 GLOBAL ANNUAL DUES

A detailed breakout of EO's FY2007/2008 dues allocation appears below. The percentages include overhead (staffing, supplies, etc.) in each area. EO's detailed audit information can be found on EOnetwork under "About EO."



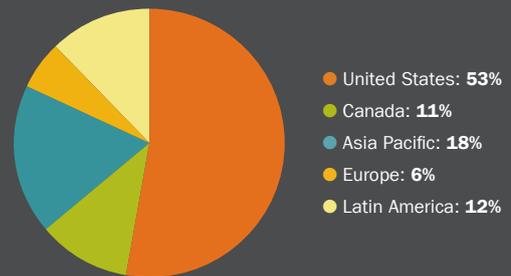
EXPENSES

Like any business, EO has expenses associated with delivering value to its members on a global level. Below you can see the breakdown of various expenses by percent.



MEMBER SURVEY RESPONSE BY REGION

The FY2007/2008 member survey was sent to all members in March 2008. Responses were collected through early April 2008.

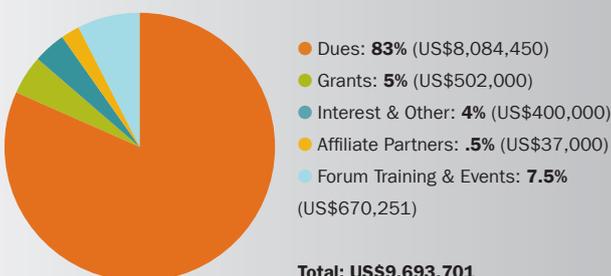


EO MEMBER SURVEY HIGHLIGHTS:

- » Members truly love this organization: 98 percent of respondents would recommend membership to another qualified entrepreneur; that's a 2 percent rise from 2007. Also, 43 percent of the membership plans to remain with EO forever.
- » Our chapters deliver a fantastic peer experience: 86 percent of respondents rated the quality of chapter members as a seven or higher on a 10-point scale, which is an increase of 3 percent from 2007. Member satisfaction with chapter activities rose in every area.
- » Respondents report strong returns: Member assessment of the overall value of their membership climbed to a 7.8 on a 10-point scale. Benefits satisfaction rose sharply as well.
- » EMP, Universities and the Forum experience received the highest satisfaction ratings, receiving 8.8, 8.5 and 8.3, respectively, on a 10-point scale.
- » Members aren't shy: 2,379 members responded to this year's survey, which represents 36 percent of the membership— both records.

FYE 2008 ORGANIZATIONAL NET REVENUE

Though EO receives support from several other sources, the majority of the organization's revenue comes directly from member dues. This revenue is then used to support the EO membership experience.





“In my foolish desire to take responsibility for John, I had kept him from his true calling.”

Maintaining That “Nice Guy” Image

BOB PRITCHETT
EO SEATTLE

John wasn't making it in the sales department. I tried placing him in a few different positions, but none were a good fit. John was a great guy, and I couldn't bear the thought of firing him, so I went ahead and placed him in a shipping management position that had opened up. After all, he couldn't do that bad of a job, right?

Wrong. Costs began to rise. John needed more staff than the previous manager had needed. Personality conflicts emerged. It got to the point where I was regularly leading meetings that focused on issues the department had never faced before. John had to go, but I dreaded firing him.

I worried about what he would do, where he would find work in our small town and how he would support his family. In my mind, I took on his responsibilities as my own. I put off the event for as long as I could until it was clear that the costs and conflicts were endangering the entire company. I had to take action.

I fired John. Soon after, the shipping began to run smoothly again, personality conflicts diminished and costs were reduced. We were back on track, and all it cost me was a small burden of guilt and failure. I thought I could carry that weight, until one evening when my mother told me she had run into John's wife at a local grocery store. I cringed.

“John's wife told me how glad she was that you let him go,” she said. “It forced him to think about what he really wanted to do, and he has decided to go back to school and prepare for the ministry.”

What a relief! I had not ruined John's life after all. And what a waste of time and energy, I later realized. In my foolish desire to take responsibility for John, I had kept him from his true calling. For nearly a year, I was keeping him in the wrong place and preventing him from following his dreams.

What I learned from this experience, and in the years that followed, is that once I discover that someone doesn't fit in a position, I need to act quickly and fire them immediately. If training, mentoring and performance reviews haven't addressed the problem, any further delay is a waste of time. What's more, keeping a wrong employee around is demoralizing to me, the employee and the employee's co-workers.

I still don't enjoy firing people. I want to be kind and generous. I worry on behalf of the employee: What about their mortgage? What if they can't find another job? And then I start to worry about my wasted investment in hiring and training, or my inability to quickly fill the position.

I want to protect my investment, my presumptuous feeling of parental responsibility, my time and energy, and even my reputation as a “nice guy.” But when I don't fire someone I should, my inaction is malicious. I'm not being a nice guy. Instead, I'm hurting our organization and wasting the staff's time by keeping him or her in a job with no future. My motivations are most likely selfish. At the very best, I am just being stupid.

Compassion is caring about others. Retaining the employee who should be fired is all about caring for me. Today I try to follow the adage, “Slow to hire, fast to fire.” And when it is time to fire someone, I keep things simple and straightforward. For every employee with a “fire me” problem, there is a job out there in which they can excel and be happy. Sometimes you just need to set them free to find that job. ☺



Bob is the President and CEO of Logos Bible Software, an electronic publisher of academic and Bible reference works sold worldwide. Bob is an Ernst & Young Entrepreneur of the Year award winner and the author of *Fire Someone Today, And Other Surprising Tactics for Making Your Business a Success*.

a lesson in ethics

PHILIP WILSON
EO GUATEMALA

“Good business ethics also means understanding your role in the greater whole.”



When I buried my grandfather 15 years ago in Guatemala, I was amazed at the people in attendance. There were folks from all walks of life— from community leaders and powerful businessmen to the poorest among them: a shoe-shine boy and an old beggar. My grandfather had been a successful entrepreneur, but what brought people to the burial that day was his integrity. He always did the right thing, even when it did not seem to make a lot of business sense.

As an entrepreneur, I know that doing the right thing can be hard, especially when there is constant pressure to create profit and remain competitive. It is easy to fall into having a short-term vision predicated on shortcuts and sneaky routes to success. I've learned that the only way to avoid falling for these unethical choices is to be deliberate about instilling the virtues of honesty, humility and generosity into your company. Here is how I learned to lay a foundation of ethics in my business:

1 I'm Honest With Myself

I try to stay self aware and truthful about my limitations and strengths. As an entrepreneur, it is tempting to be all things to all people. But being humble about your weaknesses allows you to delegate and trust others. In the long term, I've discovered it helps your business grow, even when you're not in the picture.

2 I Put People First

An employee must be treated with respect and fairness. Aside from paying well, putting people first means investing in their professional and personal growth, even when it does not have a direct effect on the bottom line. At my company, I provide free English classes to all of my employees, including those who will not interact with our English-speaking clients. I know that doing so will create life-changing opportunities for the staff, even if it is not with my company.

3 I Try To Be Humble

I try my best to accept errors with humility. This is particularly important with clients. Assuming responsibility and working to solve problems leads to trust and long-lasting relationships. A few months ago, one of our sales representatives sold a large and complex project to an important client without properly pricing it. A contract was signed and although we knew we would lose money, we fulfilled our part of the bargain. When the client learned what we had done, they gratefully sent us other referrals.

4 I Stay Generous

Good business ethics also means understanding your role in the greater whole. At our company, we donate numerous Web sites a year to worthy causes. Doing so has not only given us respect from our clients and employees, but it has also attracted new business to the company.

Since the passing of my grandfather, I make it a point to remember that good ethics equals good business. Leading with a strong sense of values puts the present challenges into perspective and allows me to make better choices. A dollar spent on an employee or in the community has a multiplying effect that leads to sustainability in the business world. And in the end, my principles will long outlive my profits. ☺



Philip is the Founder of Solucionweb.com, an international Web services company based in Guatemala. He also runs Ecofiltro, a water-filter project for the needy, and Finca El Pintado, an organic coffee farm. Philip can be reached at pwilson@solucionweb.com.

what's a handshake W€RTH?

JASON KULPA
EO SAN DIEGO

Most businesspeople would scoff at the idea of doing business based on a handshake. In today's litigious society, many deals that have been inked on paper and reviewed by teams of attorneys are still contested in bitter court battles. However, there are still a few stories of entrepreneurs doing the right thing simply because it is the right thing to do.

I'd like to think that I'm one of those entrepreneurs.

For more than four years, I owned Ad Authority, a business that helps other businesses reach millions of motivated consumers looking to acquire a product or service. After years of personal and professional success, I made the decision to sell the company. I was ready for a change of pace. After entertaining several offers, I finally found a buyer I could trust.

On 10 April 2007, I signed the final documents for my business to be acquired by Morlex, a direct-to-consumer Internet marketing company. Signing those documents represented the end of an amazing journey for myself and my team—one that had continually tested our patience, skills and perseverance.

In the beginning, my 10 employees took a chance on me and the company with only a verbal promise and a handshake. I promised to give them job security and a great environment in which to excel. When we started out in 2003, my staff shared a 600-square-foot room with desks crammed together. They were barely able to move, let alone work comfortably.

By and large, our inauspicious beginning was a 49-month-long journey across oceans of adversity. But I had assured everyone early on that if they stuck by me, they wouldn't regret it. As an entrepreneur, you're only as good as your word. I intended to honor my promise.

In January 2008, Morlex had officially committed to acquiring my company. At that same time, the financial markets went into a horrible slump. As a result, the purchasing process was delayed and the deal looked to be on the rocks. In return for our patience, Morlex granted me an extra 1.5 million shares of stock valued at around US\$5 a share.

I knew the value of the stock and was tremendously excited. I also knew the value of my team and how hard they had worked to get the company to this point. I had already built in a cash component amounting to nearly US\$800,000 to be dispersed among my staff when the deal closed, but I really wanted to show my appreciation for their years of service.

Remembering my handshake and promise, I decided not to keep a single share of the additional stock. Instead, I granted it—without any strings attached—to every full-time employee based on tenure. I had made a commitment to honor their perseverance, and I wasn't about to go back on my word. By relinquishing the additional stock, 14 employees shared more than US\$8 million. They earned every penny of it with their trust and hard work.

In the current realm of business, contracts are seemingly made to be broken. I come from a generation that when people shook your hand and looked you in the eyes, it was a deal. And that was all you needed.

This experience taught me that to excel as an entrepreneur, and to maintain a productive and committed staff, I had to hold myself accountable to my own promises. The fundamentals of business would only get me so far—and it would all be pointless if I didn't embody my own principles. ☺

Jason is the former Founder and CEO of Ad Authority, an Internet marketing firm that reaches millions of consumers through e-mail, portals, SEO technologies, voice broadcasting and advertising network affiliations. Contact Jason at lakonainc@gmail.com.



THE ART OF TURNING DOWN BUSINESS

RICHARD ZWICKY
EO VICTORIA

When we first started Enquisite—a search marketing, analytics and metrics provider—we were trying to create an entirely new market that focused solely on search-related aspects of Web sites. Because this was a startup, I was pretty involved in the day-to-day activities of the company.

About six months after we launched our first product, we were approached by a relatively large agency that had clients in the highly competitive real estate industry. The agency handled their clients' traditional offline marketing and advertising, but they weren't well versed in the ins and outs of online marketing.

My sales rep brought me into the picture because it was a potentially lucrative deal for our company. A large number of licenses were being sold and there was the potential for additions as their agency grew. In our infancy, we could have used this boom for our sales figures, but we ended up turning down the business. Why?

It's simple. In our discussions with the agency, we realized that they were further behind the search marketing curve than we had anticipated. Basic Web concepts were foreign to this otherwise savvy firm. In our conversations with them, it became clear that we were providing them with an introduction to search marketing. It also became clear that they had many steps to take before they could truly benefit from what our application offered.

Looking back, I wholeheartedly believe that we could have easily sold that agency dozens of licenses. After all, we had developed a cordial relationship with them. We had taken the time to provide them with information and knowledge they didn't otherwise have, as well as explain search marketing to them in a way that they could

understand and appreciate. In short, they trusted us. And that's why we had to send them elsewhere. It was our responsibility as an ethical business to treat them with the respect they deserve, and in the process, do right by them.

We knew that they weren't at the point in their business to truly utilize what we offered, so we pointed them in the right direction for growth and success. We told them to give us a call or send an e-mail if they had any questions or needed any additional help. In the end, we turned down their business because they didn't fit our concept of an ideal partnership, and we wound up being stronger for it.

Was turning away that potential business the lucrative thing to do? As far as that month's sales figures were concerned, it most definitely was not. Was it the right thing to do? Absolutely. I feel confident that when their agency has grown to the point that they need a search analytics solution, ours will be the first and probably only solution they'll consider. Until then, they'll learn the ropes of the business and further their development in the process.

As an entrepreneur in a highly competitive industry, I've learned that doing "good business" refers to positioning your business for greatness, and more importantly, doing the right thing. And sometimes, the right thing to do is turn down business for the sake of future opportunities.

New business will always be available, but it has to be the right business for you and your company to make a lasting impact. In the end, I discovered that you have to take the high road and do what's best for all parties involved, even if it isn't exceptionally lucrative at the outset. That's good business, and that yields success. ☺



Richard is the Founder and President of Enquisite Software, the market leader in search analytics. A thought and opinion leader in search marketing, he is a frequent participant at major industry events worldwide. Contact Richard at zwicky@enquisite.com.

WHEN LEGAL AND ETHICAL PRINCIPLES COLLIDE

KURT THOMET
EO PORTLAND

WHEN LEGAL AND ETHICAL PRINCIPLES COLLIDE

WHEN LEGAL AND ETHICAL PRINCIPLES COLLIDE

What have I learned as an entrepreneur? Much more than I ever learned in school.

But what has really stuck with me is one principle that continues to define how I run my business: Being right is not always the best tactic in legal disputes. If you've experienced a lawsuit, you know that they can really mess with your view of what's right and wrong, good and bad, legal and illegal. In my case, it took more than a decade of experience, hundreds of thousands of dollars in legal bills and countless wasted hours to learn a very simple set of lessons.

In the 15 years that we have been in technology sales, we have had three very bad experiences with ex-employees—experiences that made me realize that being right isn't always what's best for you. Here are those experiences, as well as the lessons I was painfully and expensively forced to learn:

Know When to Walk

Our first bad experience was when an employee quit and began working for a competitor the following day. While this wouldn't normally worry me, he happened to bring our prospect lists and customers along with him. We chose to pursue a lawsuit, and we hired a forensic computer specialist to prove that he had stolen our lists. Unfortunately, when that specialist was presenting the evidence in court, he froze. His lack of person-to-person communication skills derailed our case.

After having spent US\$120,000 in legal bills, there was no victory. Thankfully, we were able to renegotiate with our law firm and reduce our bill to only US\$25,000. **Lesson number one:** Keep tabs of your legal expenses on a weekly basis as they pile up faster than the law firm can update you. More importantly, know when to walk, even when you are right. The ethical right versus wrong does not necessarily apply when you get sucked into a hole of legal disputes.

“Although you are right, and you fall in line with the letter of the law, it doesn't mean you'll necessarily save money.”

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Commission Confusion

Our second bad experience involved a legal dispute with an ex-sales representative. The situation spiraled out of control when we decided not to pay a commission to an employee who had left the company. Though we were enforcing our company policy of not offering commissions for incomplete receivables, we found ourselves in a quandary. Because our commission is based on a three-part sales system—selling, delivering and collecting—we do not pay someone who leaves on bad terms ... especially when that person starts a competing business.

Ethically, we have paid others in the past and they have gone on to be great allies. In this case, we did not pay and were promptly sued. In the dispute, the ex-employee tried to enact a state statute for sales representatives, which would give him three times the disputed amount. In Chicago, Illinois, USA, where the case was to be tried, they force you to work through non-binding mediation with a mini-trial and a panel of three ex-attorneys. We won our mediation when we proved that we had overpaid the employee by more than US\$20,000, and that he was not an independent contractor. You'd think that would have put an end to it all, but it didn't.

Unfortunately for us, the ex-employee came back for more, and they threatened to take it back to trial. Because of the expected high costs, we settled and paid US\$5,000 to be done with it all. **Lesson number two:** Although you are right and you fall in line with the letter of the law, it doesn't mean you'll necessarily save money. You are probably better off settling and avoiding the hefty legal bills all together.

Hawaiian Headache

You would think that we had learned enough legal lessons after two dreadful situations, but our third lesson was the most expensive and most painful. Five years into building my business, I brought on my old boss as a minority partner to run our sales. After four years of working well together, we decided to branch out into a new venture in Hawaii. Because the tropical state has a different business culture, our new Hawaii-based business partner was going to help us localize and adapt to these new ways of doing business.

Applying what I learned from my past two experiences, I invested in a "deep-dive background check" before purchasing our new partners' business. I kept him on as a partner and local manager. Two years later, we obtained e-mail trails that revealed how our new partner was an embezzler. We also learned that he had done this to major sports franchise organization in the past. Apparently, he had avoided jail by paying off his other "mark" with our money, which he bought the company with. This one really hurt and could have taken us down if the rest of our business was not setting growth and profit records.

As of today, we are still involved in a lawsuit to recover from this trust violation and the many laws that have been broken. Because we've faced similar situations, our past has taught us to work on contingency billing with our legal team and to offer a settlement as soon as possible. **Lesson number three:** We have learned that if you must obtain a partner, a trial period of six months is required to learn how issues are resolved and what the true character of a potential partner is. I call it getting to know the family— and how that family deals with stress, pressure, problems and opportunities.

As optimists, it is difficult to spend any time with our setbacks. We have learned to respect the past, plan for the future and to creatively resolve our difficult situations. Instead of looking back at these dilemmas and agonizing over the results, I've learned to apply the many lessons I've learned to my present-day business. As entrepreneurs, we're going to be faced with difficult legal decisions— they are just a part of what we do. The important thing is to embrace those experiences, learn from them and move on to the better parts of life. ☺

“The important thing is to embrace those experiences, learn from them and move on to the better parts of life.”



Kurt is the President and Founder of Quest Solution, a leading integrator of mobile data collection systems offering solutions to improve business processes, production and profits. To reach Kurt, you can e-mail him at Kthomet@questsolution.com.

getting back on the right path

VIVEK GUPTA
EO KOLKATA

I own Sanmarg Private Limited, a company that is at the forefront of the media industry in India. For the most part, our success had been fruitful; we were, by and large, quickly becoming giants in our business community. That was all put in jeopardy when some of our properties became vacant and we were not yielding the revenue or cash flow we expected and desperately needed.

To avoid immediate cash losses for the month—such a loss would put us at a disadvantage in our competitive industry—I sold the property at terms, which was neither ethical nor, as I later discovered, commercially beneficial. The only thing I got out of it was cash to match the expenses ... and a ton of PR aches and pains.

While I knew what I did wasn't particularly moral, I didn't anticipate a chain reaction of negativity and destructive behavior. As it went, karma kicked into gear and the fallout came a little later. One of our clients regularly demanded low rates that we could no longer offer thanks to my decision to sell the property. When we refused to meet his lofty demands, he stopped doing business with us. Unfortunately for us, he went on to spread bad news about our business and the rates we gave him in the market.

This hurt considerably, and soon our existing base of clients began to demand lower rates than our overhead costs could cover. When we refused to give the lower rates—doing so would have put us out of business—we were immediately perceived as an unethical company.

The damage was extensive, to say the least, but I quickly applied what I learned from years of business building and

“As hard as
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with immoral
and unethical
opportunities.”

counteracted the problem with good old-fashion elbow grease. I undertook a massive PR exercise. I also had to renegotiate rates and/or give extra benefits to our clients. Though this was not desirable, I knew I had to do what I could to obtain their confidence. In time, I was able to renew my personal contact with the clients, but it cost me a lot in the process.

It has been two years since the debacle, and I'm pleased to say that more than 95 percent of the clients are back with us. Just as important, our reputation has been repaired and our standing in the community is close to the level it had once been.

What I've learned throughout this tumultuous experience is that the temptation to achieve short-term success must be weighed against one's long-term vision and goals. In the end, I realized I should have resisted the short-term, unethical temptations because they wind up boomeranging in the most unpleasant manner. Because I went for the easy, more lucrative solution to my problem, I put my business in a position that could have easily resulted in a public and private downfall. To say that I dodged the proverbial business bullet is nothing more than an understatement—I simply lucked out.

As hard as it is to face situations that require immediate decision making, it's even more difficult when you have an easy route to freedom ... even if that route is paved with immoral and unethical opportunities. Thankfully, I was able to right my business by accepting my mistakes and working toward recovery. That's the true mark of an entrepreneur, when you can acknowledge your wrongdoings, learn from your mistakes and get back to work. ☺



Vivek is the owner of Sanmarg Private Limited, Eastern India's leading Hindi newspaper. He has been an EO member since 2002. Vivek can be reached at sanmargkolkata@gmail.com.

in the **WAKE** of a **CHEAT**

DIANE DUFOUR
EO OTTAWA

My reputation, both personal and professional, is everything to me. After all, you are nothing if you are not true to your word. I don't believe there's such thing as "business ethics." You can't typecast ethics in a category. Ethics are ethics whether it's personal or business. It astounds me that some people can and do differentiate between the two in the name of profit.

I've run Accurate Design and Communication, a marketing and communications agency, successfully for 20 years. A couple of years ago, the reality of my naiveté to backroom deals, golf course camaraderie and nepotism tainted my view of human kind—but only briefly.

My firm forms alliances with companies that offer complementary services. This often includes communication strategists and commercial writers. About eight years ago, I invited a firm to join me in a bid for a substantial, annual government-funded contract. We were the lead in the bid and they were our sub-contractors. With some mutual hard work, we won.

“ It takes 20 years to build a reputation and five minutes to ruin it. ”

-WARREN BUFFETT

During the next few years we'd win, lose, win, lose— always against the same firm, our friendly rivals. My alliance with this writing firm grew strong, and we were close. Then, in 2007, the project grew into an even more sizeable account both in deliverables and dollar value. The deadline to submit the proposal response was also ridiculously tight. Because the stakes were so high, some underhanded activities ensued on the part of the client, my sub-contractor and our rival firm.

As I tried to write our proposal submission, our sub-contractor dropped us to join our rival firm; I got phone calls from the client's staff attempting to "level the playing field"; and I received a late-night, not-so-sober call from a remorseful, former writing sub-contractor. What I considered to be odder, though, was that I received calls from my sub-contractor's

employees who were upset at what was unfolding. As it went, some of their former employees who had expertise on the file called and joined me as the new sub-contractor on the bid.

It was a messy affair, to say the least. And yet, I pressed on knowing that there was a selection committee, and not just a single person, signing off on the winning firm. Despite the fact that our rivals were getting "extra guidance" and information for their bid, I put together the best proposal I could have ever penned. I was proud of what I had accomplished, and better yet, how I went about accomplishing it.

In the end, the rival firm won. That was it. There was no Hollywood ending. I didn't walk off into the sunset. There was no cordial pat on the back. I had lost the bid.

It has been a couple of years now. The wound in my back has healed but there is still a scar. In the wake of this cheat, I've come to realize how money can make nice people do not-so-nice things. Our rival won the job, but was it at a higher cost—the cost of their integrity?

For me trust is a little tougher to come by, and I look over my shoulder a little more often now. We no longer deal with our once-close corporate writer friends, and today I'm far more selective regarding with whom I will associate. In the end, I realized that there are some things you can afford to lose, but your integrity is not one of them. ☺



Diane is the President and Owner of Accurate Design and Communication, an innovative team of account managers, designers and writers specializing in turn-key communication solutions. To reach Diane, e-mail her at dufour@myaccurate.com.

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what's in it for me? how i define company ethics

TODD PALMER

EO DETROIT

To me, business ethics is simply about doing the right thing. What that means may differ from company to company, but the principle is universal. For my company, Diversified Industrial Staffing, our success is dependent upon the key corporate values we've defined and to which we are committed. The concept is simple: if we did something outside of our corporate values, that behavior would be unethical.

For example, we're a staffing company, and one of our core principles is the belief that employees should earn a fair and reasonable wage for the work they do. If a prospective client wants to pay our candidates below market wages, we will pass on that opportunity because it is unfair to the candidate. We know what values are important to us, and those values govern our actions.

Determining a core system of ethics is invaluable for a company. That's the first lesson I learned—the importance of defining your company ethics system in the form of mission, vision and value statements. In my experience, this will provide a road map for hiring great employees who will believe in both the company and what it stands for. As an entrepreneur, it is my responsibility to define those guidelines prior to hiring even the first employee.

Starting with the hiring process, I look for candidates who already follow our value system. I will always hire someone who is a cultural fit over someone who has great experience. After all, you can teach a skill, but you cannot teach a cultural fit. Many of the people I hire don't even come from the right backgrounds, but if they have the right enthusiasm, work ethic and values, sometimes that's more important.

In my company, we have a staff handbook that we give to all of our new employees. The first page outlines what we're about and explains our mission and vision statements. These are the key ideals of what I would consider to be our ethics system. I also include key senior employees throughout the interview process as our way of introducing our values to prospective employees. Before the candidate commits to working for us, we want him or her to know what we are like as a company and what our company culture is.

Obviously, company ethics are important in determining the actions of the company as a whole and of its individual workers. I have terminated internal employees who did not reflect our company values or who did not fit into our company culture. I find this is always evident within the first 30-60 days of their employment. I refuse to sacrifice the company culture or values for the sake of any one employee.



"I give copies of our staff handbook to all new employees, but that's as far as our orientation goes, at least in the formal sense."

While each person's values will differ to a point, I've learned that one thing is universal: People operate from the WIIFM (What's in it for ME?) position in life. This philosophy is a part of human nature; it cannot be helped or overcome. It must be allowed for—embraced, even—in our expectations of peers' and employees' behavior and values. In my opinion, it is our job as entrepreneurs to use that position to maximize what we do: To help companies acquire great people and to help great people get great jobs. That's what ethical business is all about. ☺



Todd is the Founder and President of Diversified Industrial Staffing, a provider of skilled labor talent in southeastern Michigan. He is the incoming President of EO Detroit. Todd can be reached via e-mail at tpalmer@diversifiedindustrialstaffing.com.

Everything I Learned Not to Do in Business, I Learned from Business

MICHAEL VANN
EO BOSTON



I was recruited out of my corporate consulting gig to become the number two in a small, but rapidly growing, service business. From all appearances, the owner—let's name him "Bill"—was a successful entrepreneur. He had multiple houses, luxurious cars and a business that practically minted money. He was also a lifelong friend of the family and had a board comprised of influential people, which happened to include my father.

What began as an opportunity of a lifetime quickly became something altogether different. Bill had the tendency to ignore the people around him. He would undermine his team every chance he could, as well as berate and manipulate his staff to the point that some would get ill and others would cry. Worst of all, he would flaunt his wealth by driving his Porsche to work while he paid his employees not much above minimum wage.

Bill's business was a cash business, and it was successful because he convinced his customers that his collection system prevented theft. It did no such thing; it just protected him. The first time I became aware of this gross dilemma was when a large customer became concerned about their collections and announced they were sending in an audit team to look around. The staff was directed to recreate collection reports that would tie into the customer reports. When the staff expressed their concerns to me, I told them not to do anything they were uncomfortable with. Bill chastised me for not being loyal; a flaw that, he said, made the staff lose respect for me.

Against my better judgment, I stayed with the company.

During the next few months, our relationship drastically deteriorated. One day, while I was reconciling collection reports with deposits, I found a glaring variance between two reports. I did some digging and discovered the reason. Instead of keeping my mouth shut, I left the company and became a whistleblower. I went to the board and detailed my allegations, and they promptly confronted him.

When he wouldn't disprove what I said, the board was subsequently disbanded. After several years of what appeared to be misguided investments and bad business decisions, Bill had to sell the company. Publicly, he was able to make it appear like he had made tens of millions; however, court records from the resulting lawsuit painted a different picture.

With nowhere to go after leaving the company, I decided to start my own business. I did so largely because I never wanted to be involved in a situation where business wasn't done the right way. Bill seemed to create a wake of misery with his every action, and I vowed to never be like that. Now, every time I have a difficult business decision to make, I pause and ask myself: What would Bill do? And then I always do the opposite.

At the time, I didn't think about how much influence the impact of this experience had on me. Now, looking back, I realize that it has been a major influence in how I run my business and life. Nine years later, I'm successful because of the nine months I spent learning what *not* to do in business from Bill. I learned that it is far more important to be ethical in business than it is to be wildly successful or rich. You are only as good as your word. I know that if I continue to follow my moral compass, I will position myself and my company toward continued greatness. ☺



Michael is Principal of The Vann Group, a professional advisory firm that assists companies in transition to unlock their value. Michael regularly writes about the highs and lows of business in his blog, "The Vann Report." He can be reached at michael.vann@vann-group.com.

Doing the right thing when faced with employee illness

BETH KLOOS
EO CLEVELAND

I've been tested before. Like most entrepreneurs, I've dealt with ornery customers, economic downturns and powerless leaders. After all, that's part of the entrepreneurial experience. It wasn't until recently, however, that I encountered an experience that truly challenged me as a business owner and human being.

I had to deal with the death of an employee.

I run a successful business that prides itself on employing hardworking, loyal and passionate people. Every day, my staff overcomes business challenges using their many years of experience. However, one employee faced a serious, non-business challenge: leukemia. For 27 months, he battled with the illness, only to pass away at the early age of 21.

This employee worked at my company for only four months before he was diagnosed. During this very difficult time, I wasn't sure how to handle the situation, what to say or how to proceed. All I knew was that I wanted to make sure I did the right thing. I found myself in a unique situation, and I wasn't prepared to handle it.

As entrepreneurs, we're prepared for almost everything under the sun, and then something like this occurs and it tugs at your heart as much as it challenges your decision-making skills. In this particular situation, I encountered people who said, "Too bad for you— what's that doing to your health insurance costs?" Or they said, "Wow, is there any way you could terminate that employee and get him off of your benefits before your next rate renewal?"

I had a difficult time hearing these things, and I feared the type of decisions I'd have to make regarding this sad and difficult situation. And yet, I had to act quickly to protect both this employee and the business. In this particular circumstance, I worked hard to make sure that all of my "i"s were dotted and "t"s crossed when it came to my decisions. As it turns out, this young, at-the-time-healthy employee had filled out all the necessary paperwork when he was hired. Thankfully, he subscribed to our policies and procedures.

When this employee became sick, I thoroughly reviewed our benefit plan documents. I considered the following questions during my review: What constitutes eligibility? What are qualifying events? When do employees qualify for independent health insurance? What deadlines should I be aware of? Thankfully, I was fortunate to have a good broker

and a good benefit plan in place before the employee became ill. This afforded me an opportunity to handle the situation elegantly.

After I confided with some more of my peers, I began to think about where the employee was coming from. How was he handling this fatal news, and what were his concerns from a financial standpoint? What happens when he has to take off a substantial amount of time, but is still in need of benefits and a paycheck? How do you continue the paycheck benefits and keep the work going at the same time? As you can imagine, there were a lot of questions to consider.

This is where I discovered a secret. For me, the secret was having short-term and long-term disability insurance. Because our benefits included disability insurance, this employee was allowed to take time off without worrying about a missing paycheck. I found that the disability benefit was the one benefit that tied all the benefits together. It allowed me to maintain my compassion while reassuring his family that they wouldn't lose their house in the process of losing their son.

In the end, this unfortunate event tested me as an entrepreneur unlike any event ever has ... and I'm a better businessperson for it. ☺

.....
OVERALL, I LEARNED A LOT FROM THIS EXPERIENCE. BECAUSE OF THIS UNEXPECTED SITUATION, I LEARNED THE VALUE OF OFFERING PROPER BENEFITS TO AID THE ONE GROUP OF PEOPLE YOU'RE DEPENDENT ON FOR SUCCESS: YOUR STAFF. HERE ARE SOME OTHER LESSONS I LEARNED ALONG THE WAY:

1. Know and understand your plan documents before a catastrophic situation occurs
2. Audit your benefit invoices and applications monthly, or at least quarterly, to ensure those that should be covered are, and vice versa
3. Have a good broker and good benefits before you need them
4. Know "the secret" of what will help you continue to be a compassionate and honorable employer when things get tough
5. Avoid the situations/decisions that could "keep you up at night" and prevent you from doing the right thing when it comes to dealing with benefits and employees faced with illness



Beth is the Owner and President of R and J Corporation dba: Haynes Manufacturing and OCS Process Systems. She has been an EO member since 2002. Beth can be reached via e-mail at bkloos@haynesmfg.com.

QUOTED & NOTED

Dallas Member Highlighted in Journal

EO Dallas member Adrienne Cornelsen was recently profiled in the *Dallas Business Journal*.



The InSite Interactive Founder talked about being an early pioneer in the field of Web-based marketing and discussed

her passion for creative design and technology.

Recruitment Firm Named to Inc. 5000 List

EO Los Angeles member Deam Roys' company, Roys & Associates, was recently named to the 2008 Inc. 5000 list of the fastest-growing private companies in America. In the past decade, Roys' recruitment firm



has made hundreds of placements nationally and has saved its client companies hundreds of millions in soft and hard dollar costs.

Jaipur Member Featured in India Times

Ajay Data, EO Jaipur President and Founder of Data Infosys Limited, was recently profiled in the *India Times'*



India Emerging section. In an article on e-mail SPAM, Ajay discussed Spamjadoo, his innovative software that allows

programmable e-mail and validates sender's e-mails addresses to let in only legit mail.

Marketing Firm Ranked Top 10 Greenest Business

EO Atlanta member Lisa Calhoun's company, Write2Market, was



recently named by StartUpNation and MSN as one of the "Top 10 Greenest Companies" in the US. Lisa reduces paper usage through streamlined processes and digital workflows, and she actively engages in local environmental causes.

Former EO President to Speak Alongside Donald Trump

EO Brisbane member and former EO Global President Troy Hazard has been tapped to present alongside Donald Trump at Australia's "Think Like a



Billionaire" seminars. He will discuss his experiences as an entrepreneur and his ability to overcome obstacles. Afterward, Troy will prepare for

the American launch of his new book, *The Naked Entrepreneur*.

Colombia Company Wins Microsoft Award

EO Colombia member Felipe Botero's company, Education y Tecnologías de Información -ITTALENT, was recently given Microsoft's "Learning Solutions Partner of the Year 2008" award for the Latin America and Caribbean region.



The award recognizes partners that delivered exemplary learning solutions to customers.

EO Member Named SBA Small Business Person of the Year

Founder and CEO of Capstone Brokerage and EO Las Vegas member



Jade Anderson was named Nevada's Small Business Person of the Year for 2008 by the Nevada district office of the U.S. Small Business Administration.

Minnesota Member Recognized for Excellence

EO Minnesota President Joe Keeley was named one of the "40 under 40"



by the *Minneapolis - St. Paul Business Journal*. Keeley is the Founder, President and CEO of College Nannies & Tutors Franchising.

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EO ASKS:

What have you learned about business ethics?

"I've learned that being ethical is not just about what you do, it's also about what you don't do and staying on the right track. I think that once you break out of your ethics path, you're subjected to the boomerang effect— unethical practices will return at the least expected moment!"

EDWIN FISCHER
EO COSTA RICA

"In my experience, business ethics are only tested in lean markets. Organizations that 'actionize' their values through good business ethics will, in the long term, earn much higher profits and goodwill— this is the belief that keeps me going."

YOGI SACHDEV
EO BANGALORE

"I've discovered that it's important to be an ethical business person because, if nothing else, it will give you peace of mind knowing you're doing the right thing and that you will be rewarded eventually."

PHILIP MOK
EO HONG KONG

"That it's a non-negotiable. If my management team has our core values within its bloodstream and it's referred to regularly, the core values become a part of our larger corporate culture."

LAURA VERALLO DE BERTOTTO
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