

## Women in Leadership Seminar Highlights



April 20, 2012

**Topic:** "The Human Side of Business Transformation" featuring Stacie Hagan, Chief People Officer, EarthLink



Stacie Hagan described the last several years at EarthLink as "a true survival story." The death of CEO and co-founder, Garry Betty, coupled with sharp financial losses created an environment that forced EarthLink into transformation. She spoke about her experience personally coping and leading others through transformation.

As Chief People Officer, Stacie was faced with the difficult task of sizing back the staff. Overall, restructuring of the business impacted 63% of the EarthLink workforce in 2007. Hagan was forced to reduce the size of her own department from over forty people to 25; and within the two subsequent years, to less than 10. Stacie says "it felt like a series of funerals."

EarthLink had a reputation of always doing right by people and Stacie was determined to ensure that didn't change. Hagan boldly proposed retention bonuses across the entire company: by this time, only high-potential employees were left and they had to stop the bleeding. Her #1 priority became retaining the right people, for the right jobs, for the right amount of time – no small task in a company lacking a strategic plan. The additive effects of the deteriorating economy, declining confidence in the company, and the long process of evaluating alternatives left EarthLink in a fog of ambiguity for three years.

Stacie identified five reasons why people stay at a company: 1) brand reputation; they want to be proud to tell people where they work, 2) challenging work, 3) fair rewards and recognition, 4) opportunity for growth, and 5) great people. Hagan emphasized transparency and made it clear that EarthLink could not offer all of these things at the time. She believes that making these things "discussable" was essential to retaining key people. Stacie shared her "3Cs" of retaining talent:

1. **Communication:** complete transparency; giving as much notice as possible when she foresaw the end to a position (as much as 15 months notice!)
2. **Culture:** creating a culture defined by the need to create value and create better business people
3. **Compensation:** bonus plans & appropriate incentives that allowed employees to share in the success of the business

The executive team worked to redefine "winning" at EarthLink and steadily gained credibility as a strong management team. The company repurchased shares, paid employees large bonuses and began to initiate dividends. On October 1, 2010 EarthLink announced that it was purchasing a communications company (which became the first of seven acquisitions to follow in 12 months). In a period of four months, EarthLink expanded from 550 to 3300 employees. After three years of ambiguity and near failure, EarthLink had turned itself around.

With this new found success, Stacie is currently faced with a new “human transformation challenge”: integrating and unifying the hundreds of new employees from newly acquired companies under a common EarthLink mission and vision.

Getting through and leading others through transformation has taught Stacie to clearly define her mission, vision, and organizing principles. Stacie used the image of a hay stack to explain. Because hay is very loose and difficult to organize, farmers place a stacking pole in the center of the pile, allowing the hay stack to take shape. The hay represents all of the events and decisions we are required to make. The stacking pole represents our organizing principles. Stacie shared her ‘stacking pole’ organizing principles with us:

- Everyone innately has worth.
- At work, people want to contribute to something bigger than themselves and be valued for their contributions.
- The primary function of any business is to connect resources to a need in the market place in a way that creates value.
- The leadership challenge is to optimize value by aligning the unique talents of people with the strategy.
- Leadership success: optimizing value by aligning the unique talents of people with the strategy in an environment that enables continuous growth and transformation.

Hagan challenged us to define our own organizing principles. What is your personal mission, vision, and purpose? What is your stack pole?