



September 21, 2007

Watco Team:

We spend a lot of time talking and writing about leadership and the development of new leaders, but today I want to spend time talking about the backbone of our Watco Team. Jack Welch, former head of GE, said you can break down a company's workforce into three components: the high performers that usually equal about 20% of the company, the bottom performers that represent about 10%, and the middle performers that represent the other 70% of the company. It is this group of middle performers that I call the backbone of our Watco team.

This very important part of our team does the heavy lifting everyday by moving, repairing, maintaining, loading, unloading and administering our Customers' rail cars and locomotives. Without our Watco backbone we could not provide the service for our Customers in the quantity and quality manner that we do. In this great group of people rests the future of Watco because it is from our backbone that many of tomorrow's leaders will come, and it is where our knowledge base on how to serve our Customers, profitably, resides. I will always be grateful for the outstanding men and women who represent the backbone of the Watco team.

Because this part of our team is so important, I want to share with you some ways to develop the people of our Watco backbone that was shared with me, by another great Watco person. Mark Murphy of Leadership IQ, says there are 5 key groups of people that fall into the category of middle performers. They are the folks who feel maxed out, the folks that don't know how, the folks with little confidence, those that feel higher performance will cost too much and those that feel the benefits are too low.

To those who feel maxed out, make sure we always tell them how much we appreciate all they do and the importance of it. As Mr. Murphy says, this group may not win the race but they know how to get to the finish line and that is very important. To those who don't know how, it's our whole teams responsibility, especially our leaders, to take the time to coach, teach and train with clear expectations on what we consider a success and how they can help us win. To those with no confidence, we must always insure that we provide enough positive feedback so they fully understand the value of what they produce and they understand the important service they provide for our Customers. To those who believe the costs are too high, we must teach them it's not the amount of time spent working that counts, but the quality of service provided that creates value to our Customers and Watco, which matters most. Finally to those that believe the benefits are too low, we must reach out to insure they fully understand the true rewards of being a high performer.

It's easy to spend most of our time talking positive about the high performers and complaining about the low performers, but the future success of Watco depends mostly on the development and strengthening of our Watco backbone. I intend to spend a lot of my time assisting those great people who are the strength of our company and expect everyone to assist as well.

Thanks for all you do for us.

*Rich*