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CHAPTER 3

DEVELOP AN INNOVATIVE CULTURE FOR GROWTH

“In the early days of our company, we didn’t understand how to set up the culture at all. We tried hard to be nice to everyone, but we weren’t really being honest with each other. There were conflicts under the surface. No one was happy. Rumors were everywhere. Back stabbings and insults flew around. The culture really sucked. Then we learned to define and write down our values. We learned what it really meant to use honesty and candor as we tried to resolve conflicts. We learned how to identify and solve problems. We were then able to create the culture we really wanted. In fact, now I see culture as my main priority.”












Culture is the first of the six elements of an awesome organization that we address in this book because an empowering, supportive culture is the bedrock of every great company. Building a highly participatory, people-oriented environment that reflects and reinforces the company’s core values will stimulate creative ideas, high standards of performance, fun, and excitement. This, in turn, will enable you to attract and retain the awesome people your company needs to grow and to innovate. Because companies with cultures that foster innovation are clear winners in the marketplace, culture is truly a bottom-line issue.

A positive culture empowers people, holds an organization together, and supports forward motion. A negative culture is debilitating because it obstructs the energy,

innovation, and creativity that are at the heart of every growing enterprise. Companies with negative cultures lose their speed, agility, and flexibility, and are unable to accommodate the demands of growth. Review the Red Flags in the following box, “Red Flags: Warnings That All Is Not Right with Your Culture,” and check all those that apply to your company. If any of these Red Flags apply to your company, keep reading to learn what to do about these problems.

RED FLAGS: WARNINGS THAT ALL IS NOT RIGHT WITH YOUR CULTURE

You know there are problems with the culture when:

-  You hear many more problems and gripes than ideas and solutions.
-  There's a sudden increase in turnover.
-  There's a lot of activity and meetings, but not much is getting done.
-  You're worried that your culture is being diluted by new people coming from other organizations with different values.
-  The original excitement and passion have been replaced by tension and frustration.
-  You hear more complaints than usual about money — salaries, raises, and bonuses.
-  New people don't feel welcomed by the people who were “there at the start.”
-  Nobody knows what's going on.
-  People don't offer ideas and you're beginning to wonder how to tap into their brainpower.
-  You have no idea if people feel motivated by their work, and you doubt that people are working at their full potential.
-  You haven't defined your core values; people don't know the values; or they aren't acting in accordance with the values.

- ▶ People aren't happy; they say it isn't fun to work here any more.
- ▶ There's very little genuine teamwork.
- ▶ Departments have an "us versus them" mentality about other parts of the company, and sometimes even toward customers.

The most important message in this chapter is this: Don't leave culture to chance or relegate it to the staff in Human Resources.

Some entrepreneurs recognize the importance of having a great culture but think it's touchy-feely, intangible, and hard to influence.

"Culture *is* touchy-feely, but that doesn't mean it shouldn't be a top priority. If you read all the articles about the learning organization and worker empowerment, you realize American industry pays a tremendous price for not paying attention to culture. I think CEOs today understand the importance of these issues. If they don't, their companies are just not going to make it."



"If you keep culture and structure too loose, it can backfire and actually hurt growth. Eventually, your culture will fall apart if you don't put something in place to support it as you undergo rapid growth. In a way, it's like helping a teenager put in place the framework to guide them as an adult. We have a very autonomous, open environment that I desperately want to protect. We have a magical culture here, and I want to keep that while growing rapidly. But I figured out some time ago that we needed to add some structure, plans, and processes if we wanted to have the framework for growth."

The reality is that your culture has specific components that you and your top leadership team must explicitly define and develop to ensure maximum innovation and growth. If you continuously assess and strengthen your company's culture, you have a good chance of creating the kind of place where awesome people want to work and can thrive. (See the following box, "Vital Signs: The Culture Awesome People Want," for descriptions of the kind of culture awesome people want in companies they join.)

VITAL SIGNS: THE CULTURE AWESOME PEOPLE WANT

People whose CEOs identified them as awesome said they would join and stay with a company that had the following kind of culture:

-  A work environment that is supportive, creative, fun, and challenging
-  Autonomy and flexibility to produce awesome results
-  Big challenges, high expectations, and fair rewards for great performance
-  Team(s) of peers to respect, enjoy, and learn from
-  Managers who are accessible; are good listeners and communicators; who respect, trust and value their people; and show sincere appreciation
-  Opportunities to be involved in planning, decision making, and problem solving
-  Opportunities for growth and learning, mentoring, and feedback
-  Fair compensation, rewards and recognition, and an opportunity to share in the company's success
-  Meaningful vision and core values that provide focus and clarity for everyone in the company
-  Open, honest, and frequent communication about strategy, goals, issues, and financial performance
-  Opportunities to contribute new ideas and take risks that will make a difference for the company; as well as opportunities to be involved in planning, decision making, problem solving, and continuous innovation

Many companies are competing for awesome people. If you have the kind of culture they're looking for, they'll choose your company. An empowering culture can be your competitive edge when it comes to hiring and keeping awesome people.

“If you look at the legacy that you leave behind as an entrepreneur, it’s not the products, customers, brand names, or technologies. In 30 to 50 years, our products will be obsolete, the technologies we use today will be obsolete, and the employee set at that point will be retired. We hope the brand will survive. But the real legacy you’ll leave is a set of values or culture, a way of doing things that allows new people to come in, learn, grow, and be better than they ever could be before — or alone — and then go on to do bigger and better things within our company, to create new and better ways to ‘wow’ our customers.”



“I believe that your only competitive advantage is your people and their shared values. The one thing your competition can’t have is your people. So what you do to build a culture should be a big deal.”

GETTING CULTURE RIGHT FROM THE START

Building a great culture with all of the elements described in the preceding Vital Signs box is not easy. And, it’s difficult to maintain the company’s original entrepreneurial culture during growth. But if you work at it, you *can* define and then keep alive the parts of your culture — especially the creativity and passion — that helped you build a successful organization in its early stages.

Many entrepreneurs in growth companies don’t think they can spare the time to work on culture because they need to focus on getting a product out the door, finding customers, raising capital, and generating revenue. They figure they can work on culture-related issues down the road when everything else is running smoothly. But, if you don’t focus on building the right culture from the very beginning, you will lose great people and/or hire the wrong ones. Then you’ll have to spend time weeding out people who don’t belong, hiring new people, and getting everyone re-focused — all of which will certainly put the brakes on growth.

Some entrepreneurs have a hard time defining the kind of culture they want, can’t articulate what is needed, or can’t figure out how to get their managers to transmit key messages about the importance of culture to the whole organization. When new people are added but aren’t told what kind of culture the CEO is trying to

create, it becomes much more difficult to keep everyone on the same track. But if you define the values and behavior that are important to you and your company, then communicate that to everyone, you've taken an important step toward creating a culture that will support growth. Core values help unify the organization. They help create a feeling of belonging to something that people can be proud of.

“One of our values is to work together like a family. One of our salesmen loves to barbecue. When he had a good sales day, he would cook lunch for everyone in his area. Then he started to do it on a regular basis. The next thing you know, people started saying, ‘I’ve got a special recipe; next week is my turn,’ and spouses were saying, ‘Maybe I should come by for lunch that day.’ Every company has to decide whether to foster things like this or nip them in the bud. In our case, it turned out to be a great opportunity for us to socialize, enjoy each other’s company, and a great way to reinforce our family-oriented values.”

CULTURE STARTS WITH CORE VALUES

Experienced entrepreneurs know it is not easy to stay entrepreneurial and innovative as the company grows. Some first-time entrepreneurs will not specify values, develop plans, or create processes because they believe that doing so will move them toward corporate bureaucracy. But, if you don't articulate your core values, you won't be able to hire people who share those same values, trust them, or hold them accountable for achieving the results you want for your company — in short, you won't be able to grow. Creating the culture for growth requires that you articulate and live the values, hold others accountable, and not allow people who don't live the values to remain in the company.

ARTICULATE AND LIVE THE VALUES

How do you create a culture that draws awesome people to your company? You start with a set of core values that you and your top team articulate, and then you demonstrate them every single day. The core values of your organization must come from you. These values are the guiding principles that reflect *your* deeply held beliefs about how people need to work with each other to achieve outstanding performance. You must clearly articulate the standards that guide you in life and that you want to guide your employees as you all work together to build a successful company.

While the values ultimately come from you, don't try to define them by yourself. Seek input from others, and think about what kinds of behaviors those values produce. This input will help you clarify your own values and beliefs, will build employee commitment to those values, and will help you identify the set of fundamental principles that you want to guide everyone's daily interactions. These will then become your values statement. (See appendix C, "Creating a Core Values Statement for Growth," for an exercise in creating a core values statement to support growth.)

"Every entrepreneur who starts a business has some feelings about how to manage, develop, and grow the business. But as a corporation grows, it's important to turn those feelings into words on paper, to have a single set of guiding principles that are known, understood, and practiced by everybody."



"Before we developed our values statement, when I sensed a misalignment in decisions or behaviors, it seemed sort of diffuse. I couldn't pinpoint or articulate the problem. But now that the values are written down, we're recognizing people for living by them. Now, when people go off track, it's much easier to discuss the behaviors I expect from people, and to keep everyone aligned with the values."



"These are our values. They're very simple, but getting them down on paper and sharing them with everyone has had a big impact. Unwavering accountability to these guidelines and their definitions has really helped in making decisions and initiating actions.

- **Customer-focused** To help our customers succeed and win.
- **Flexible** To be nimble and agile in responding to feedback, both positive and negative.
- **Honorable** To act with integrity; to do what is right.
- **Innovative** To create new, useful, easy-to-use, cool products and processes.
- **Open** To be open and honest; to be approachable by others on difficult matters, professionally and personally.
- **Passionate** To work hard, play hard, and live hard; to care enough to give yourself to your tasks.
- **Persistent** To not give up, and to treat all feedback as an opportunity to do better.

- **Results-oriented** To be driven by achieving concrete results; to measure success by external variables.
- **Team-oriented** To work and think well in groups of people; to respect, listen, and value the opinions of others as a critical means for the organization to succeed and function well.
- **Winning** To create win-win-win situations.”

HOLD PEOPLE ACCOUNTABLE TO THE VALUES

Your core values show what you will tolerate and what you won't. Once they're written down, and the behaviors and actions that demonstrate them are described, the core values become the code of conduct throughout the organization that define how people treat each other and how they treat customers, vendors, and everyone the organization touches. Everyone should know these values and live by them.

“I have a basic mantra that expresses my values, and I talk about it all the time. It's that I have high expectations, but I'm also extremely flexible. I think everybody starts out having high expectations for their business but most are very rigid on the back end in terms of the flexibility they show employees. We don't really have a start time or closing time at work; people come as early as 4:30 in the morning and some as late as 11:00 AM. Some work until 10:00 PM. I generally don't believe in having to count sick days or get a lot of permissions to take time to go to the dentist. You just need to have coverage and get your work done. Our values include work hard/play hard. People manage their own time. The theory is pretty easy to understand, but it's very difficult for some managers to accept. However, we've gotten unbelievable work out of the entire group of people as a result of setting the expectations very high and letting people enjoy their jobs and have some flexibility about doing their work.”

Make sure your core values are not just presented as motherhood and apple pie. They need to have real meaning. People need to have examples of behavior that are consistent with your values. Ewing Kauffman built a very profitable, multi-billion-dollar company where people were highly productive, morale was high, and turnover was low. One of his values was “Treat others as you want to be treated.” For him that meant providing information ahead of time so people could prepare for meetings, answering phone calls on the first or second ring, returning phone calls within a few hours, arriving at work and at meetings on time, striking deals with partners that were win-win for both parties, and being thoughtful and considerate in conversations and actions.

When you have a set of values, but people don't behave in accordance with those values, they need to be made aware that they are falling short. If they continue to ignore the values, you must move them out of the organization. You can't capitulate or compromise on values; if you do, your culture will suffer irreparable damage, just as it will if you fail to adhere to the values yourself. Mr. Kauffman had a brilliant VP who did not treat his people the way Mr. K expected him to do. He called meetings at the last minute, was late to meetings, and was generally inconsiderate of others. Mr. K tried to mentor and coach him and provide feedback on his behavior. But, as Mr. K said, "He didn't change, so he had to go." Mr. K knew that if he tolerated this behavior and kept the VP, regardless of how brilliant he was, employees would question Mr. K and his values, and that would begin to destroy the culture he was trying to build.

"You're on display all the time, whether you like it or not. And if you do something, it must be acceptable behavior. For example, too many entrepreneurs say, 'I'm paying for performance' but what they're really paying for is results. If you send the message that all you care about is results, you'll get in trouble. If you pay for results and you don't care how people get them, don't be surprised if your employees begin to cut corners, not tell customers the whole truth, or make promises they can't keep. Ultimately, that comes back to haunt you."



"When someone doesn't match the values, that's a big test. Many companies go too far by saying, 'We'll keep this person because we have a people-oriented culture.' They think 'people-oriented' means automatically keeping everyone. Actually, they're destroying the culture because everyone else wonders why this person is still there."

DO NOT ALLOW PEOPLE WHO DON'T LIVE THE VALUES TO REMAIN IN THE COMPANY

Don't hesitate to ask others to help you evaluate how effectively people are adhering to your core values. Violations of your core values are red flags that you haven't selected people who share your values or that you haven't done a good job defining and communicating the beliefs you hold dear. If you allow the values to be violated, no one will take them seriously. Whatever the problem, you have to fix it immediately. If you don't take action, the awesome people who were attracted by your company's values will become disillusioned and leave.

If you have defined your values and selected people who match the values, any hiring “mistakes” will become readily apparent. The hiring manager needs to talk with the person and provide specific examples of how their behavior does not match the values of the company. Sometimes your employees will help the person understand why and how they need to modify their behavior. If the person continues to behave inappropriately, you — or the hiring manager — will need to talk with that person and discuss specific changes they will need to make (within a specific time frame) if they want to remain in the company. Once in a while the person will recognize that he or she is a misfit in this culture and will leave.

“We had a technical writer who was the best technical writer we ever had. Unfortunately, she ended up engaging in ‘I’m better than you are’ games via e-mail and in hallway conversations. In cross-functional team meetings, she was always blaming issues on other people. Finally, three or four people from her team suggested that she find another job because her behavior wasn’t in sync with our culture. In her exit interview, she said, ‘I do things differently than you do.’ We were glad to see her go because she just didn’t fit with our culture.”



“I hired a new manager for engineering when we desperately needed a great new manager. He seemed friendly and likeable during his interviews, but it turned out that he intimidated people. He was a dictator and he didn’t listen to others. He ignored their efforts and didn’t give any positive recognition or feedback. The entire engineering team grew to hate him. Engineers are the lifeblood of our business, and I realized pretty quickly that I had to fire him even though he was very competent technically. His values weren’t right; he just didn’t fit our culture of openness, teamwork, recognition, integrity, and leadership.”



“Once, against my advice, some of my managers went ahead and built a product that didn’t meet our standards. Twenty-eight out of 30 pieces blew up in the field and the customer was furious. My managers said, ‘We gave them what they wanted. We met their specs.’ I said, ‘That’s not how we do business. Go back and make it right.’ It cost us \$85,000, but we did the right thing. That sent a very powerful message to everyone about how we do business and what our value system is. The managers who did not share that value system are no longer with us. I think that sent a powerful message to our people as well.”

YOU MUST WALK THE TALK

A final brief but critical point about core values: A company without clear core values is a company in trouble. And, when your organization does have clear core values, you must put them into action in every part of the business. (See the box, “Vital Signs: Using Core Values,” which appears later in this chapter.) It all starts with you, the leader. Here’s how Mr. K described the leader’s role in building culture:




“A leader is one who has the attributes that he ‘walks’ the ‘talk.’ You can tell people that you are going to do certain things, that you are going to be honest with them, that you have integrity, but talk doesn’t mean anything unless you really put it into action. In other words, your actions mean much more than your words. You must live what you preach, and do it right, and do it often, day after day.”



“I think the way you run the organization says it all. If you say you’re something, but you’re something else, people see that. If you say you’re going to do one thing but you do something else, they get it. People aren’t dumb.”






VITAL SIGNS: USING CORE VALUES

Here are ways to use the core values throughout the organization to create the culture you want in your company:

-  Include core values in the job profiles you develop prior to recruiting; develop interview questions that will help you identify past behaviors that match (or don’t match) these core values. (See chapter 4, “Attract Awesome People for Growth,” for more information on job profiles and interviewing.)
-  Include values in all planning and goal-setting activities so they are part of annual company, department, and individual plans.
-  Incorporate the core values into orientation and all training sessions. For example, if open, two-way communication and teamwork are core values, train people in active listening and how to be effective team members.

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-  Ask people to rate how well the organization adheres to the values, ask for ideas on how things can be improved, and then respond to their suggestions.
-  Teach the values. After everyone knows them, display them prominently on walls, hand out values wallet cards, and feature values prominently in the employee handbook.
-  Use the values in performance feedback; evaluate not just the work people are doing but the way they do their work, how they exhibit the values, and then adjust their compensation and rewards accordingly.
-  Make values the basis of all communication. For example, say, “Because our values include X, we are going to do Y.”
-  Establish a reward system that recognizes individuals whose behavior exemplifies the values. Give awards, prizes, bonuses, raises, promotions, and written recognition to the individuals who live the values and publicly hold up these people as models.

THE TIE BETWEEN CULTURE AND RECOGNITION

Rewarding people for the values-related behavior you’re trying to foster is a critical but often-overlooked part of building a strong culture. Employees who live by the company’s values and achieve the results that lead to its success should receive meaningful rewards that demonstrate how important the right kind of behavior is to the organization’s overall performance.

Profit sharing, stock options, phantom stock, or other forms of equity or equity-like compensation produce a sense of ownership and can be very important in maintaining commitment. You also need to use a variety of non-monetary ways to recognize the contributions of individuals and teams. Employee awards for achievement, parties that honor successes, and other celebrations create heroes and rituals that become the visible embodiment of your culture. All these are important mechanisms for fostering the culture you want.

“We have over 80 employee awards, lots of parties, lots of teamwork, and a very special spirit here. People really care because I really care about them. I go out of my way to find things I can do for my people. We also have a very special annual award for the employee who represents the spirit of our company, which is an award for teamwork and cooperation, contributing to the whole, dedication to doing the job, making the company proud, taking the initiative to be helpful, keeping his/her own spirits high, and raising the spirits of others. All different kinds of employees have won the award. Sometimes it’s somebody in the service department; sometimes it’s someone in the office; sometimes it’s someone in the stores. We ask people to nominate someone who’s doing the kinds of things that make us proud, that make us smile, the kind of employee who’s a model for everybody.”



“After we defined our values and corresponding guidelines, I wanted to inculcate them in a fun and meaningful way. As CEO, I can’t be the only one watching people do something right and patting them on the back for it, so I sent our five values around and asked everyone to send e-mails to someone they noticed fulfilling a particular value, along with a copy to everyone else. People are really enjoying this acknowledgement of each other’s efforts.”



“We value high performance, so we celebrate accomplishments. We take everybody out to the amusement park once a year. And every once in a while, we just take off at noon on Friday and go have a blast.”

THE 7 C’S OF CULTURE

In addition to the foundation of core values, seven critical elements must be built to form your company’s innovative culture. When these elements are developed within your company, they become organizational competencies that you can count on to be powerful drivers of growth and to give your organization a strong, compelling competitive advantage. We call these the 7 C’s of Culture*. Here’s what they are, along with descriptions of the culture they produce:

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1. CUSTOMER AND MARKET FOCUS

Everyone must constantly listen to and fully understand the customer, make appropriate decisions, and take effective action to meet the current and future needs of customers and target markets. In addition to providing critical information, this customer-centric listening and decision making also builds positive relationships with customers.

“At the end of every meeting, I ask ‘Have we accomplished something today that adds value to our customers?’ Asking that question at the end of every meeting, no matter what kind of meeting, has become routine. It has become the norm within our culture.”

There are several ways you can bring the customer’s perspective into the organization. Before you make decisions, ask for sales and service data or data from customer interviews or surveys of random samples of customers. Encourage your product or service development group to test their new ideas on prospective customers, to analyze the data, and share the results broadly. Ask for data from focus group discussions with customers or potential customers and share that information broadly as well. Customer and market information sometimes gets isolated in the sales, marketing, or customer service departments and isn’t shared with other parts of the company. To encourage everyone to keep the customer “front and center”, figure out an approach that fits with your culture and will enable your employees to have access to the customer and market information that gets collected. For instance, you could designate an individual or a cross-functional team to develop mechanisms for this information to be broadly disseminated in a variety of ways, such as develop formats for short written reports, 5-minute presentations, one-page summaries, or e-mails to all employees. Or, you could set up a database of customer information and make it accessible to anyone who wants to use it. Or, you might schedule quarterly meetings to discuss the question, “What are the changing needs and wants of our customers?”

Maintaining a customer and market focus will help you avoid the problem of employees thinking they already know what customers want. Some people cling to their own ideas about what customers need and don’t want to hear information that might refute that. A lot of product failures grow out of “we-know-what’s-best-for-them” thinking.

But, make sure you also focus on what the customers will need tomorrow, not just what they want today. Explore their future needs and anticipate the challenges they

will face from competitors. Often, this is where true innovation and growth opportunities are found. Make sure your people spend time learning about the problems customers are having difficulty solving, the challenges they face now, and those they are anticipating in the future. This will help your company to create and develop exciting new solutions that nobody has thought of, including your customers.

“Our most critical success factor is our desire and ability to listen carefully and respond to our customers. We constantly solicit feedback from customers and require sales and service managers to submit monthly reports that are distributed to 12 people who analyze them; then we discuss them in monthly meetings. We base our decisions for all our products and product improvements on that feedback.”

2. COMMUNICATION

Open, two-way communication channels — up, down, and across the organization — are designed to ensure that everyone knows what is happening within the company and what is expected of them. Everyone should know the company’s vision, mission, values, and strategies, and understand how those apply to his or her job. People must have enough information to make good decisions, provide feedback, and develop new ideas. Verbal and written communication must be constant and cross functional, so people’s efforts can be coordinated and focused on the same goals. It takes time, but it’s critical to use a variety of communication methods and to encourage dialogue, interaction, and feedback.

“If you assume that everyone thinks like you do, you will misread a lot of situations and miscommunicate. Once you realize that people think differently, you have to understand that they can think differently from you without being wrong. Some people love details and if you don’t give them detailed reasons and explanations, they may think you haven’t really thought through your idea. Other people can’t stand the details and will be bored if you don’t stay at a high enough level. Until you understand that people’s brains are wired differently, you are going to be frustrated and you will frustrate them with your communications.”



“Anything that elicits feedback and people’s opinions in a structured way is really helpful because it drives communication across lines. Driving communication up through the organization is one of the hardest things to do.

Structured tools like surveys and open meetings with two-way dialogues are critical; they help a company think with one brain. Until a company can think with one brain, it can't move with one body.”

3. COLLABORATION

Functional and cross-functional teams must operate effectively to accomplish mutual goals, solve problems, and move the company toward its vision. People should enjoy working together on teams, tackling important priorities, and accomplishing results. Effective collaboration builds cooperation and trust, enables people to learn from each other, and promotes the continuous innovation required for the company's growth.

Having diverse people work together to approach problems and generate ideas leads to solutions that are unique and creative, yet balanced and viable. But team leaders need to be skilled in managing this diversity. Different thinking styles and skill levels are fertile ground for miscommunication and personality conflicts. To overcome these potential pitfalls, get agreement on the team's mission and deliverables (as well as each member's roles and responsibilities), and develop operating guidelines for meetings, problem solving, decision making and communication.

“A recent experience showed me how good collaboration is here. About 2 weeks ahead of a major sales call with a million-dollar sales opportunity, we had many people coming up with ideas about how to present our proposal to this client. Everyone got involved in developing the battle plan. Having all those heads involved in creating a winning presentation was very powerful.”



“Our whole company is a network of teams working on critical projects and plans. We set up teams to run what we call ‘key business areas.’ Their job is planning and implementing in their areas so their work fits with our overall company mission, vision, and plan. Each of those teams has a cross-functional advisory team that offers ideas and ensures coordination with other parts of the company. We are thriving because these teams work so well.”

4. CREATIVITY AND PROACTIVE PROBLEM SOLVING

When people are focused on the vision and plan and asked to define new opportunities and problems, challenge established practices, or brainstorm options, they generate fresh, innovative, and viable solutions with energy and buzz.

In a truly innovative culture, everyone in the company is a member of at least one team whose charter is to discover new ideas to move the company forward. Some of the teams are asked to identify problem areas, determine what isn't working, and then find and implement answers that will improve the situation. Other teams are established to discover and develop longer-term opportunities — new products, new processes, new approaches to the market, new partnerships — that will keep the company on the cutting edge as a leader. People and teams are regularly recognized and rewarded for being problem solvers, opportunity creators, risk takers, and innovators. (See appendix D, “Model for Creative Problem Solving,” for a creative problem-solving model that can be used to spur creativity around all types of issues.)

“The key to our innovation is creativity, giving ourselves the freedom to think. We have regular brainstorming meetings to play ‘what if.’ We’re constantly looking for new ways to provide extraordinary service and new products.”



“We constantly search for new ideas and are willing to accept and develop ideas from any source — from customers to employees to the board of directors to our own fantasies. We manage ideas by finding what’s most valuable in them and then modify them to make them work. In this way, we act as angel’s advocates, rather than devil’s advocates, which is so much more productive . . . and innovative.”



“The only way to encourage innovation is to reward it and recognize it and to hire and retain for it. Those are the kinds of things we try to spend our time on. We give awards for innovation at our quarterly meetings. We encourage people to learn to think out of the box and to get training that will support innovation.”

5. CONSTRUCTIVE LEADERS AND LEADERSHIP

The CEO and leadership team must align everyone with the mission, values, and goals; develop talent; build relationships; and provide a motivating, challenging, and fun environment that rewards high performance. Leaders need to be held accountable for hiring the right people, developing them, and delegating responsibility to them appropriately. They need to reward behavior by establishing a variety of recognition and reward programs, including fair compensation, bonus and awards programs for teams and individual winners, and celebrations of milestones. On the other hand, they also need to make the tough decisions to let people go who don't fit the culture or don't meet the company's performance expectations.

Great managers are leaders who know how to communicate, delegate, and coach people to achieve outstanding results. They encourage calculated risk taking and give people enough autonomy and flexibility to try new ideas without having to worry about being punished for failure. And, they're willing to admit mistakes and reach out to their team to help solve problems.

"I went to visit a customer who was never one to pull punches and someone I'd known for years. After the demo and discussion of where we were going, he looked me square in the eye and said, 'You're going to get killed,' and I said, 'What are you talking about?' I went to him thinking we had built a very cool product, but he said it would be a maintenance and administrative nightmare that he and other customers didn't want. So with that one piece of feedback, I went back and looked at all the customer feedback that we had. All of a sudden, I felt like I took the filters off and realized we were going in the wrong direction. As the leader and CEO of the organization, I knew no one else was going to make that tough decision. So I sat down with my co-founder and our executive team and said, 'This isn't right, we're going down the wrong path — we need to change.' My fear, lying awake at night — I didn't get a lot of sleep during this period — was that these folks would all bolt and say, 'We're going to go somewhere else.' But instead what happened was a real defining moment for the company. Our team shared this feedback very openly and engaged all our people in looking at the solution to the problem. What happened over the period of about a month was remarkable. People really wrestled with the problem, and in the end everybody came to the same decision, and everybody was aligned. We had more momentum a month later than we'd had going into this, and we were a team."

In describing what he felt constructive leadership was all about, Mr. K said:

"Our corporate culture came about because of our philosophy of sharing with those who produce, which created a trust and a confidence with our associates.

It came about because of our philosophy of treating others the way you would like to be treated, because of the various programs we put in place that gave stock ownership to every individual, and because of our profit sharing retirement program. All this created a feeling among all associates that the company was more than just a company; it almost had a personality of its own. This was enhanced by leaders who listened to our associates, set an example, tried to be leaders and not managers, and used the appreciation factor as much as possible. It's all the little things that you do, day by day, week by week, month by month that enable you, over a period of time, to build an extraordinary culture."

6. CONTINUOUS LEARNING

Exchange of knowledge, information, experiences, and feedback builds people's skills and increases the effectiveness of individual and corporate performance. People need to have lots of opportunities, inside and outside the company, to learn from each other, take courses, develop their skills, develop themselves, try new projects, and prepare for a great future.

"We have a wide variety of workshops inside the company. We prefer these to sending people to training and seminars outside the company because they can learn together and apply what they learn immediately on the job with others who understand what they're trying to do. In our company we encourage all kinds of 'learning for action'."



"People who go to outside seminars come back and make presentations to their teams so everyone can benefit. This helps spread the learning throughout the organization and leverages the resources we devote to outside training."

Encourage people to mentor others as well. Coach people to develop skills in leadership, communication, effective teamwork, creative thinking, and problem solving. This will help people do their jobs better and will also strengthen the culture.

"We have a comprehensive mentoring process. Everyone on our top team is responsible for mentoring high potential individuals. We hold ourselves accountable for being good mentors by having the mentees evaluate our performance. Over the past few years, we've learned a lot from these evaluations, and our mentoring skills are getting better and better, which, of course, means our mentees are benefiting even more from these relationships."

Finally, use tools such as the BAO SCAN at the end of this chapter and other chapters as mechanisms for organization-wide learning.

7. CHANGE MANAGEMENT

Continuous growth requires constant change. Change offers opportunities to try new things and learn new skills. Encourage experimentation and initiate change as appropriate. Be thoughtful about what needs changing, establish a plan for the change, and communicate both the *why* and the *how* of any changes. The way you and your top team embrace change will serve as a model to others in the company, enabling the company to stay nimble and entrepreneurial, act quickly to overcome barriers and capture opportunities, and stay on the leading edge.

“It isn’t change that bothers people so much; it is not knowing what the change might be. If people understand the values of the organization and they trust the top team to always work within those values, they find it easier to go through change. If they don’t trust the people leading the changes, then they will be more worried about the outcome of the change.”



“As the leader you have two choices. Either your people must continue to learn and grow or you will have to change the people, because nothing will be the same tomorrow as it was yesterday.”

THE DEVIL IS IN THE DETAILS

Does the culture we just described sound like a tall order? Well, it is, but you *can* build systematic processes that enable your organization to excel at each of these elements. Keep in mind that the 7 C’s are very closely intertwined, so working on one will impact the others. Collaboration and teamwork, for example, is dependent on excellent communication. When information flows freely, people talk and listen, ideas develop, and teamwork flourishes. Good teamwork starts at the top with constructive leaders who model the kind of collaborative behavior and creative output they expect from all teams. Bringing the “voice of the customer” into the company encourages change, because customer’s needs and wants are always changing. And expecting teams to come up with creative and innovation solutions requires them to learn from each other and build on the knowledge of the group.

Recognize that the little things do matter. Every new person you hire, every action, decision, policy, communication, incentive, and reward counts. Even the physical environment of your facility counts. The reverse is also true: Every time you hire the wrong person, decide not to communicate important information, or don't bother to maintain the cleanliness or appearance of your building, you send a message about your culture.

“Think of culture as a reflection of the physical environment of your company. You can walk into a place and pick up its culture and values from physical cues very quickly: what's in the waiting room, what gets recognition via plaques and trophies, how clean is the place, what about the presence or absence of customers, the books lying around. It just goes on and on. Think about what you want to have in the physical environment, in the workplace that is culture-related. Think about how you express your culture in tangible ways.”



“We care about individuality and creativity, so we invited everyone to paint and decorate their offices any way they wanted. We had a lot of fun seeing what everyone came up with.”

Some companies set up Culture Teams to propose the best ways to use input from employees about how to improve the culture. This cross-functional team can serve as a model for how all teams in the organization should work together. It can serve as a living example of an innovative culture: involving its members in new responsibilities, seeking new ideas, collaborating across departments, experimenting and taking some risks, communicating well, and completing an important task that produces positive change.

“We had awesome people but they were all working far too hard and were beginning to say this wasn't fun any more. We began to realize we needed to change the culture to one that encourages hard work but is also enjoyable. We set up a Culture Team that was led by a senior manager and included people from all levels and functions. They took a culture survey out into the organization, got input, and made recommendations. We took action and evaluated things again in 6 months. It made a big difference, and this is now an ongoing process for us.”





WHEN THE CULTURE IS BROKEN


Sometimes you need to change or “fix” your culture. This is difficult, but it can be done. When you have to fix your culture, turn it into a creative learning process. You and your people must search for new perspectives, challenge assumptions, take risks, and be willing to redefine or eliminate habitual ways of doing things in order to create a whole new environment.


“I used to say there was some sort of disease in this company. We had good people. We had a worthy cause and our strategies were on target. But for some reason, we couldn’t execute those strategies. Everybody was unhappy and antagonistic, and the results were terrible. Basically, the culture was broken. We learned that we weren’t providing a steady guiding hand for our people and weren’t giving them ways to succeed. So we provided those things and then, perhaps the biggest lesson of all, we got out of their way and let them do it their way.”

To repair a broken culture, follow the steps outlined in the following box, “Vital Signs: Six Steps to Fix a Broken Culture.”

VITAL SIGNS: SIX STEPS TO FIX A BROKEN CULTURE

-  Recognize the significant impact of culture on profitability, business growth, and the company’s capacity for market leadership. This recognition starts with you, the CEO, the chief communicator and role model of culture.
-  Discover what is really going on. Gather feedback from one-on-one discussions or group meetings to get a clear picture of your culture. Review the clarity of your mission, vision, values, strategies, and the 7 C’s of Culture.
-  Design the culture you want. Define the ideal environment and the core values you believe in. Show how these values will take you to your ideal future. Get lots of people involved in this effort.
-  Work with teams to identify the gaps in each of the 7 C’s between what is and what needs to be.

 Define an action plan that includes ways to make your values an integral part of your business strategies and decisions. The plan should also include ways to help people develop the skills they'll need to flourish in the new culture.

 Get results. Hold people accountable for the core values and changes you've defined and recognize their achievements in visible, concrete ways. Make sure you hire, promote, and reward people who exhibit your values and fire those who don't. Constantly test decisions against the mission, vision, and values. And, celebrate successes.

PERCEPTION IS REALITY

Your perceptions and those of your leadership team about the culture may differ from the reality that the rest of the people in your organization experience. It's easy to fall into the trap of believing that your perception of the culture is the real one because you have a vested interest in the success of the culture you've been trying to create. But don't dismiss the perceptions and opinions of others as "wrong." Don't ignore negative comments about the company's culture and think it's just a few bad apples griping about the environment. Acknowledge the possibility that there may be a gap between what you and your top team think your culture is and what everyone else thinks it is.

To help you determine whether your perception matches the reality of others in the company, we suggest you take the BAO SCAN, "Develop an Innovative Culture for Growth," at the end of this chapter yourself, then have your top team and other key people, especially your awesome people, complete it as well. Use the BAO SCAN to check reality. Depending on the size of your organization, you can also use the questions in the BAO SCAN in one-on-one or small group discussions or interviews with a cross-section of people in the organization. If you have a large number of employees, use a mix of techniques, including one-on-ones interviews and focus groups, and ask a larger cross-section of people to complete the BAO SCAN. Be sure to keep the scores from the various groups separate so you can readily compare and contrast the responses of different groups. When you seek feedback on the culture, you provide a powerful example of behavior that's consistent with a core value of an awesome organization: open, two-way communication.

YOUR ROLE AS LEADER

To be an effective leader of a culture that fosters innovation and growth, you must:

- Define the culture you want; envision your ideal, write it down, and then share it with others.
- Get feedback and try to incorporate other people's ideas so they also have ownership in the values and culture you are trying to create.
- Develop new ideas about how to make that culture real.
- Focus on and constantly communicate the mission, values, and vision of your company and embody the values in your every action.
- Hold yourself and the top team accountable for extremely high standards of performance as leaders and builders of the culture.
- Listen to what people have to say about how to improve the culture.
- Be persistent and strive to succeed, even when others say it can't be done.
- Recognize and reward people creatively and generously, and celebrate success!

“We think of culture in our office as conversation. So if you want your culture to change, you have to change your conversations. In the past, our conversations weren't as positive as I wanted them to be. We went through a trying period but now everyone is excited, and working together and doing incredible things that I would never have imagined could be possible.”

BIG LESSONS

1. Recognize that core values are the foundation of culture. A company's core values and the CEO's belief system must match.
2. Be proactive about building your culture. Define your core values, build the 7 C's of culture, and establish appropriate rewards and recognition programs.
3. Pay attention to culture. Ignoring it can stifle your company's growth!

Core Values are deeply held beliefs about how people need to treat each other and work together.

- 3. Our company's core values serve as guidelines for my behavior. Rating: _____

List your core values. Rate how often each is demonstrated throughout the company.

_____	Rating: _____
_____	Rating: _____
_____	Rating: _____
_____	Rating: _____

PART B: RATE THE 10 KEY FACTORS OF AN INNOVATIVE CULTURE FOR GROWTH

- 1. My work environment is
 - a. Supportive Rating: _____
 - b. Creative Rating: _____
 - c. Fun Rating: _____
 - d. Challenging Rating: _____

- 2. I am expected to produce awesome results and am given
 - a. Guidance Rating: _____
 - b. Autonomy Rating: _____
 - c. Flexibility Rating: _____

- 3. I have opportunities for
 - a. Growth Rating: _____
 - b. Learning Rating: _____
 - c. Mentoring Rating: _____
 - d. Feedback Rating: _____

- 4. I work with people that I
 - a. Respect Rating: _____
 - b. Enjoy Rating: _____
 - c. Learn from Rating: _____

- 5. Our company's leaders
 - a. Respect and trust employees Rating: _____
 - b. Show sincere appreciation for our efforts Rating: _____
 - c. Exhibit people-oriented values Rating: _____
 - d. Make themselves accessible to all employees Rating: _____
 - e. Communicate well Rating: _____
 - f. Actively listen Rating: _____

- 6. This company offers
 - a. Fair compensation Rating: _____
 - b. Rewards for performance Rating: _____
 - c. Recognition for performance Rating: _____
 - d. Opportunities for sharing in the company's success Rating: _____

- 7. We have companywide focus and clarity on
 - a. A vision that is meaningful to me Rating: _____
 - b. Core values that are clear Rating: _____
 - c. Making decisions that help us achieve our vision Rating: _____
 - d. Making decisions that are consistent with our values Rating: _____

- 8. I have an opportunity to be involved in
 - a. Planning Rating: _____
 - b. Decision making Rating: _____
 - c. Problem solving Rating: _____
 - d. Continuous innovation Rating: _____

9. Communications in this company

- a. Are open Rating: _____
- b. Are frequent Rating: _____
- c. Are consistent Rating: _____
- d. Clarify what is expected of me Rating: _____
- e. Provide information about strategy Rating: _____
- f. Provide information about goals Rating: _____
- g. Provide information about issues facing the company Rating: _____
- h. Provide information about the company’s financials Rating: _____

10. I have opportunities to

- a. Contribute new ideas Rating: _____
- b. Take calculated risks Rating: _____
- c. Be a proactive problem solver Rating: _____

SCORE SUMMARY AND INTERPRETATION

A Rating Score of **7** in any area indicates this is a prime area of strength that will facilitate and support the company’s growth. Scores of **5** and **6** indicate considerable strength in these areas, but you will want to consider making incremental improvements to increase the score. A score of **4** is a cause for worry. A rating of “Sometimes” indicates a lack of consistency that sends conflicting signals to employees and inhibits growth; thus significant improvements will be needed. Scores of **3 or below** are big red flags indicating areas or behaviors that hinder the company’s growth and require your immediate attention.

RESULTS ANALYSIS

Look back over the *BAO SCAN: Develop an Innovative Culture for Growth*:

1. List three statements that you rated the highest. Choose those you feel are key strengths and contribute most to the success of the company.
 - A. _____
 - B. _____
 - C. _____

2. List three statements that received the lowest rating. Choose those you feel are the most critical weaknesses and should be targeted for improvement.
 - A. _____
 - B. _____
 - C. _____

3. Write three statements that define your priorities for change (for example, capitalize on the strengths or improve the weaknesses).
 - A. _____
 - B. _____
 - C. _____

4. List three ideas that describe what should be done to implement these changes.
 - A. _____
 - B. _____
 - C. _____

ACTION PLAN

Recognize what you and your company are doing well and celebrate! Think about what you have done that enabled you to achieve these great results and how that can be applied to your weaknesses. But, do not overlook areas that need improvement or think they will improve on their own over time. Use these steps to develop your Action Plan for Improvement:

1. Ask your top team to complete the *BAO SCAN: Develop an Innovative Culture for Growth* and the Results Analysis. You may also want others in the company to complete the SCAN to get more comprehensive feedback.

2. Meet with your top team to:
 - Compare and contrast your ratings on various statements with their ratings, as well as areas you have identified as strengths with those needing work.
 - If applicable, discuss the reasons why their responses are different from yours.
 - Agree on areas for improvement or change; be as specific as possible.
3. Prioritize those areas that must be addressed and will make the biggest difference. Develop them into Improvement Action Plans.
4. Get consensus on the action plans and the resources and budgets needed to make the necessary changes.
 - For each action plan, specify the goal, desired outcomes, steps to take, team members responsible for implementation, resources required, key measures of success, and timeframes for achieving the goal and tracking results.
 - Assign a cross-functional team to implement each action plan. Include members from different departments who will be affected by the changes. Members should have the necessary skills and insights to accomplish the plan. Identify a team leader and/or executive sponsor who will be held accountable for managing the team, tracking progress, and achieving the desired goal.
5. Communicate the Improvement Action Plans to everyone in the company. Get involvement, input, and feedback.
6. Hold yourself and others accountable for achieving the new goals and milestones.
7. After a designated period of time (three to six months), evaluate progress, identify new or emerging problems or opportunities, set new goals, make new team assignments (if appropriate), and take action. In a year, retake the *BAO SCAN: Develop an Innovative Culture for Growth* and repeat Steps 1 through 6 as required. Remember: Continuous assessment, action, and improvement are essential to building an awesome organization that is strong enough to support continuous growth.



Catlin & Cookman Group: Corporate Profile

Building a Community of CEOs Who Are Growing Great Companies

In today's fast-paced world, CEOs have the toughest job of all. While it's both exciting and rewarding, it can also be extraordinarily challenging. Where do CEOs turn for guidance? Since 1989, CEOs of emerging-growth companies have come to the Catlin & Cookman Group for our unique expertise and resources – proven methods and frameworks to plan for and manage growth and change. Our sole focus on the CEO experience sets us apart, and the highly targeted resources we offer – CEO forums, consulting processes and practical tools – are developed exclusively for CEOs who are committed to growing great companies.

High-Growth CEO Forums™

More than ever, CEOs need a group of peer advisors to help grapple with issues they can't discuss with their teams or Boards. Our unique Forums are tightly-knit groups of CEOs from similar stage companies who meet quarterly to discuss their business challenges, advise each other about critical decisions, and develop best practices for managing growth. Our focus on customizing agendas to address members' real-time, bottom-line issues keeps the group accountable and the payback measurable. And, through our licensed partners, we are growing the number of High-Growth CEO Forums worldwide, creating a powerful, wide-reaching community of over 70 venture-backed CEOs.

High-Growth Consulting

To succeed, CEOs must create a shared vision and strategy with the executive team – and then execute ... flawlessly. We work closely with CEOs to define their strategic vision and annual plans, build and align executive teams, and create the organizational design, operating system and culture for impeccable execution. Our systematic, proven frameworks for growth deliver measurable results.

***Building the Profit Spiral®** Our foundation framework. Uncovers impediments to growth and helps CEOs and their executive teams create and implement strategic plans that include market focus, mission, values, vision, strategies, structure and culture — and an operating system to make sure the plan works. The result is the path to extraordinary growth.*

***Building the Executive Team as Leaders of Growth®** Defines the key responsibilities of the executives beyond their functional roles and develops a highly-focused and exceptionally strong team capable of leading the company to successful growth, breakthrough innovation and maximized profits.*

***Building the Awesome Organization.** Drives the strategic plan down into the organization – ensures that the critical metrics, operating processes, culture and activity alignment exist to execute the plan.*

Thought Leadership

Our deep understanding of the high-growth CEO experience is reflected in our books, articles and seminars – and on our website, www.ceoexchange.com.

***Books:** **Leading at the Speed of Growth: Journey from Entrepreneur to CEO** (Wiley, 2001) and **Building the Awesome Organization** (Wiley, 2002) by Founder Katherine Catlin and Jana Matthews.*

***Seminars and Speaking Engagements:** “Growing Your Company: The CEO's Challenge,” a two-year, 7-part series for the Massachusetts Software Council, “The New Breed of Leader” at the Future Forward Conference, “Planning Bootcamp,” and many other engagements.*

Clients Include: Anaqua, Antenna Software, aPriori, Authentica, Authoria, Avotus, Bluespec, Circles, Concord Communications, Constant Contact, e-Dialog, Empirix, eRoom Technology, Experience, I-Logix, Inmagic, iRobot, LiveVault, PeopleCube, Monster.com, mValent, OneSource Information Services, PanGo Networks, Pantero, Soundbite, Steelpoint Technologies, The MathWorks, VFA, Sevin Rosen Funds, Polaris Venture Partners, and North Bridge Venture Partners



The Bottom-Line Impact Experienced by our Clients

High-Growth CEO Forums™

“The job of the CEO is inherently and unapologetically isolating. The High-Growth CEO Forum offers a refreshingly honest and sincere source of support and advice from peers who live on similar quarterdecks. Its format and strong facilitation differentiate it from other groups I have seen. The Forum is one of the most effective feedback and personal development mechanisms available to a CEO. It has made me a more effective leader and a happier, more balanced human being.”

Colin Angle, CEO of iRobot which had a successful IPO in November 2005 establishing a market cap over \$700 million. He was also E&Y Entrepreneur of the Year winner in 2003.

"I am a strong advocate for the CEO Forum. I grew and sold my last company for 5X more than it was worth when I started as CEO. There is no way I could have done that without the Forum. The quality of the people and input I got from them along the way was invaluable. We are all dealing with the same issues, just different context and timeframes. As you know, a CEO's biggest challenge is prioritizing – especially his/her time. The fact that most of this team never misses a meeting speaks volumes about the value proposition! As an aside, my current company is less than a year old and our last round post money was already 5X the first!"

Paul DiGiammarino, President & CEO of Anaqua. After a successful exit, Paul is again a Forum member.

“The Catlin & Cookman Group community was my most valued sounding board when I was CEO of eRoom – no other constituency could offer the direct, trusted and knowledgeable feedback a CEO needs when in the line of fire. Not the board, not my management team and certainly not my spouse. The CEO Forum provided me the opportunity to step back from the trees, reassess my long-term vision and strategy and gain clarity on often difficult and complex issues – and over time I built some fabulous friendships.”

Jeffrey Beir, former CEO eRoom Technology, and currently General Partner, North Bridge Venture Partners. Jeffrey was an E&Y Entrepreneur of the Year winner in 2003

“The Catlin & Cookman Group’s High-Growth CEO Forum was a major contributor to giving me the ideas and inspiration as an entrepreneurial CEO that led to winning the Entrepreneur of the Year Award.”

Dan Schimmel, former CEO of OneSource Information Services and an E&Y Entrepreneur of the Year winner in 2001.

“Given my scars and collective experiences, I would have thought that by now there would be nothing I could learn from a group such as this, but I am amazed at the insights I get from experienced and even newly appointed CEO's... I don't recall ever making a similar endorsement.”

Gene Robinson, CEO of I-Logix, Inc

High-Growth Consulting

“I’ve always been an entrepreneur, and one of the things I learned early on was that I couldn’t get any synergy in my business until I had a group of people working as entrepreneurs together. We have that now at Monster.com as a result of our work with the Catlin & Cookman Group, and we also have a plan in place that will guide our future growth while helping us preserve our unique culture even as we add more and more employees here and around the world.”

Jeff Taylor, Founder and Chief Monster, Monster.com

"The Catlin & Cookman Group has been an invaluable partner for Authoria - amazing people and processes for providing insight and peer-review, and for driving powerful ideas into action."

Tod Loofbourrow, CEO of Authoria Inc.

“When facing a difficult issue on my management team, or for the company as a whole, a quick call to my Catlin & Cookman Group consultant always provides an enlightened and unbiased point of view that helps bring clarity to the decision that must be made. I consider the Catlin & Cookman Group to be a vital member of my team.”

John Rizzi, CEO of e-Dialog

