

AS SEEN IN ENTREPRENEUR MAGAZINE
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practice makes perfect

by katherine catlin

introducing the top innovators of . . . 1989. as you would imagine, they've done a lot more innovating in the meantime.

In today's turbulent world, your competitive edge depends on your ability to innovate. With rapidly changing markets, values, behaviors and ways of doing business, you must respond creatively to be profitable. Those who don't lead with innovation lose the competitive battle.

In 1989, I interviewed the CEOs of six companies that had just won awards from the Smaller Business Association of New England (SBANE) for "outstanding success in developing an innovative idea, method or device, with a proven correlation between its innovative qualities and its performance." Having started a consulting practice focused on planning and managing rapid growth, I wanted to explore how dedication to innovation supports successful growth.

I recently went back to talk to three of the companies to find out whether they had sustained their innovative edge over the intervening years, a volatile period in which most businesses experienced numerous economic, technological and competitive twists and turns. I also wanted to know whether their innovative capabilities were still driving growth.

In all three cases, the answer to both questions was a resounding "Yes!"

Each company I revisited has undergone impressive growth, despite major challenges, including dramatic shifts in each of their industries. Each company continues to innovate by re-evaluating, reinventing and repositioning itself in the face of every type of survival test that can be thrown at an organization by today's demanding business climate.

The three businesses I caught up with provide ideas about how you can build and sustain innovation in your own company. One key is for the thirst for continuous innovation to be driven from the top every day. (See "10 Secrets to Leading Innovation," page 72.) Give your employees the model they need to make innovation a way of life, which, in turn, will make growth a way of life for your business. Here, then, are the stories of three highly successful organizations where innovation is the lifeblood that drives success.

kronos inc.
chelmsford, massachusetts

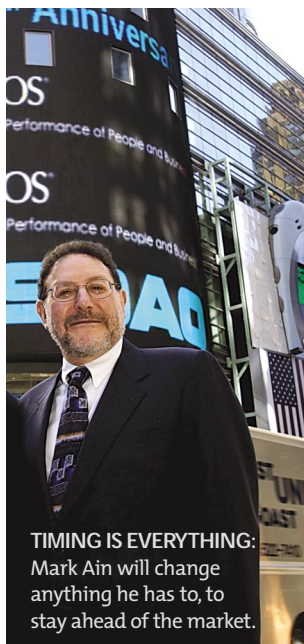
By CEO Mark Ain's count, the company he founded 25 years ago has had to reinvent itself five times to keep up with changes in technology and the market. The company was still in its first incarnation when SBANE awarded it for "revolutionizing standard operating procedures by creating an electronic time clock system tied into payroll and gaining 10 percent market share in a big-company market." At that time, the time clock manufacturer had \$39.6 million in sales and 400 employees. Now a leading labor management software vendor, Kronos has \$293 million in sales and 2,100 employees. Ain intends to double that figure in the next four years.

Kronos has increased its acquisitions activity at a blistering pace in the past two years. In January, the company purchased a division of one of its competitors, SimplexGrinnell's Workforce Solutions, an addition of 8,000 customers to the 30,000 it already had. The purchase was a milestone because, says Ain, "Simplex was the gorilla in our market when we started."

Ain says a key to the company's continuous growth—and to staying innovative—has been maintaining a willingness to redefine absolutely everything about the business from its mission to his own role. For example, when Kronos discovered that companies wanted to keep track of white-collar employees the same way they track hourly employees, Kronos expanded its mission and started developing products for that market.

As for the evolution of Ain's own role: In the beginning, he was the leader who did everything and made all the decisions. Then he built a strong management team that could share leadership responsibilities. More recently, he has removed himself from day-to-day operations and primarily devotes his time to issues other people don't have the time or perspective to consider.

PHOTO COURTESY: KRONOS INC.



TIMING IS EVERYTHING:
Mark Ain will change anything he has to, to stay ahead of the market.

"We keep changing how we manage the company to reflect the task we have today, as opposed to last year's task," says Ain. "A big part of my job is to stay alert for big challenges. I focus on things like how to find the right blend of process vs. innovation and how to integrate the people and products of our acquisitions."

Ain says Kronos instills innovation as a way of life by regularly and systematically gaining customer knowledge and spreading it throughout the organization, staying abreast of technologies still two or three years down the road, encouraging employees to constantly re-examine and rethink what they're doing, and allowing them to make mistakes without being punished. "When we make acquisitions, the people who join us often can't believe the culture we have here," Ain says. "Usually we buy a company and leave the same management team in place, but we produce results that weren't possible when they were on their own. It's all because our culture empowers people. We don't shoot people for making mistakes; we just try to help them figure out how to not make those mistakes again."

"One of our dealers told me that my motto is 'If it ain't broke, break it' because whenever we seem to be cruising along, I come along and say we're going to change things," says Ain. "But I think it's important that you continue to innovate by reinventing yourself."

flighttime corp
waltham, massachusetts
FlightTime received its 1989 award from SBANE for "identifying and capitalizing on a new niche in the business travel market." Founded in 1985, the company geared the concept of air chartering to the then untapped corporate and academic market. Then FlightTime totally reinvented itself in the late 1990s as the Internet came into its own and now of-

red flags

Don't wait for these signs your company isn't benefiting from its fair share of innovation:

- 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.
- The original excitement and passion have been replaced by tension and frustration.
- You hear more complaints than usual about money—salaries, raises and bonuses.
- Nobody knows what the corporate goals are or what people in other departments are doing, so they can't prioritize their own work.
- People don't offer ideas, and you're beginning to wonder how to tap into their brainpower.
- You have no idea whether 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 them or aren't acting in accordance with them.
- 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 vs. them" mentality about other parts of the company and customers.

Adapted from Building the Awesome Organization (Hungry Minds) by Katherine Catlin and Jana Matthews

fers charter reservation services online to business and leisure travelers, sports teams and corporations. The firm had sales of \$27 million last year, up from \$20 million in 2000.

The complex task of integrating its state-of-the-art Internet booking system has not stopped FlightTime from continuing its product innovations. Last year, it introduced Freedom Plan, a service with the convenience of private aviation and the flexibility of charter. This year, the company launched its Charter Management Program to help corporate clients create charter travel policies, boost security and reduce costs.

"A culture has been nurtured here to introduce innovative products and services to meet customer demand," says Michael Foliot, CEO and president, who joined the company in 2000. "As a small company, we can do that very well." The company has 80 employees at its Waltham headquarters and in nine offices worldwide.

According to chairman and founder Jane McBride, the method of promoting an innovative culture at FlightTime has changed over the years. "In the early days, our culture encouraged a 'wing it' management style. We used to think that was the only way to

stimulate innovation,” she says. “But in the late ’90s, when we saw the impact technology and other market forces were going to have over the next five years, we had to change dramatically, and part of that was creating more discipline. We had to develop an organizational structure and systems for measurement and accountability.”

Creative reorganization actually freed the company up to be more innovative. “It was painful to go through the soul-searching and choose to make big changes, but we had to put the infrastructure, a new management team and a whole new culture in place to allow us to keep innovating,” McBride adds. Naming Foliot as CEO was part of that evolution. While McBride continues to serve as the company’s chief visionary, Foliot handles operations.

“Getting ideas was never a problem for us; we always have tons of ideas,” says McBride. “But putting processes and procedures in place has enabled us to get ideas through to implementation faster and to weed out those that aren’t going to work. We now have criteria against which we can measure and prioritize ideas so we move ahead with the very best ones instead of taking the scattershot approach we used to take. This has made a big dif-

ference in our ability to bring innovative products to market faster.”

daddy's junky music stores inc. manchester, new hampshire

The list of challenges that Daddy’s Junky Music Stores has faced since being honored by SBANE for “creativity in marketing and excellent employee relations programs, as well as commitment to the community by fostering budding music careers and giving to charitable causes” could easily have brought down a less innovative company. The music equipment retailer has had to respond to big-box stores attempting to drive regional firms out of the music market, a severe recession in the early ’90s that hit Daddy’s home territory in New England particularly hard, and eBay’s invasion into the used-music-equipment market.

But Daddy’s met each challenge, and has grown from seven stores to 20, with revenues growing from \$8 mil-

lion to \$31 million since the SBANE award. “I have a huge thirst to create things that didn’t exist before, and I think it’s healthy to be running scared so you avoid complacency,” says founder and CEO Fred Bramante. “I just love the challenge of having problems that supposedly can’t be solved.”

When eBay arrived and people no longer had to go to Daddy’s to trade in their guitars, it posed just the type of problem Bramante relishes. “eBay dried up the supply of used equipment that was always our strength and had an impact on sales of new equipment because customers selling their old equipment online don’t come to our stores to be exposed to new equipment,” he says. “We recently brainstormed solutions and now have a vice president focusing

on used products. That person is charged with assuring this part of our business remains strong.

“We also decided to close our mail order business because it was actually siphoning off the best used products from our stores. We’ve gone back to our core business of opening more stores, improving existing ones, and compensating store managers, who are the key to our success.”

In another innovative turn that shows Bramante’s flair for blending public service with promotion, he now hosts a weekly TV show sponsored by the New Hampshire Business Council. The show blends discussion of public affairs issues in the state with appearances by musicians and, of course, advertising from Daddy’s.

Sustaining innovation to drive growth takes enormous and conscious effort. You, as the leader, must constantly watch for red flags that indicate your culture isn’t supporting innovation (see “Red Flags,” page 71). To make your company extraordinary, you must do what it takes to separate it from the ordinary. By making this commitment to continually drive innovation into every part of your business, your company will be equipped to be a perennial winner in the most important competition of all—the contest for market success. ■

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FEELING USED? Fred Bramante is looking for the best way to sell secondhand in the eBay age.

10 secrets to leading innovation

In working with leaders of innovative companies, I’ve identified 10 characteristics they have in common that help them drive innovation throughout their organizations:

- 1. They think.** These leaders spend time thinking because they believe in the power of ideas and trust their own creativity.
- 2. They are visionary.** Totally focused on the mission, values and vision of their companies, they have a clear sense of what they want to accomplish and excel at expressing those values in both the company’s products and its culture.
- 3. They listen to customers.** Customers and prospective customers are recognized as the single most important source of ideas for product or service development and improvement, market positioning, sales techniques and industry trends.
- 4. They understand how to manage ideas.** In their constant search for innovation, they are willing to accept and develop ideas from any source—customers, employees, the board of directors and even their own fantasies.
- 5. They are people-centered.** They hire people for their creativity and provide the best environment for that creativity to blossom. They believe employees, and their ideas, provide the company’s competitive edge.
- 6. They maintain a culture of “change.”** These leaders don’t just manage change; they actually seek it. They know there’s always more to learn, more to try and more to improve.
- 7. They maximize team synergy, balance and focus.** Knowing teamwork induces innovation by bringing together different points of view, these leaders manage teams to get the most creative output.
- 8. They hold themselves and others accountable for extremely high standards of performance.** To comply with their missions of being the best, these leaders require output of the highest quality and do not tolerate anything less.
- 9. They don’t take no for an answer.** They persist and succeed when others say it can’t be done.
- 10. They love what they do and have fun doing it.** Their passion for the work and the company’s growth empowers everyone.

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.*

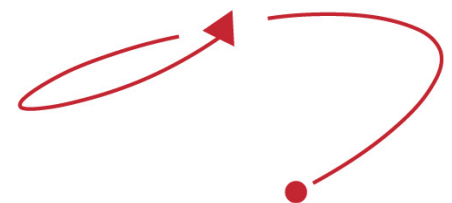
Thought Leadership

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

