

Got Culture?

A 'CREATIVE' CULTURE, A 'FAMILY' CULTURE & AN 'EXPERT' CULTURE

How three Texas companies changed their futures and fortunes
by Kerry Anne Ridley of Momentum Leadership

CREATIVE



FAMILY



EXPERT



10 TIPS FOR MAKING BUSINESS IMPROVEMENTS STICK:

CREATIVE

Four years after launching medical device company Apollo Endosurgery, CEO Dennis McWilliams and his executive team were trying to adapt from the creative world of research and development to the realities of a commercial organization. “As we approached product launch and began to plan for broader commercialization of the product it became less about creativity and more about execution towards the bottom line,” he said. With the realization that Apollo was undergoing dramatic changes, McWilliams knew that without an intentional approach to change, day-to-day stress would define the company culture. “The type of infrastructure necessary to set and monitor goals and meet product launch dates required a different type of accountability than the innovation process.”

Apollo executives saw the company changing in undesirable ways and knew accountability began with them. Fast-moving executives deal with regulators, establishing a sales model, visiting with customers, courting investors and planning company growth with the Board of Directors. “As a CEO, raising money is the most important thing,” said McWilliams. “Without it, we would have been out of business. But by not spending the right amount of time internally focused on operational and cultural issues a company can drift in unintended ways.”

In an emerging company, slowing down to take stock is often born out of conflict versus discipline. Functional team members can easily develop mistrust in the ability of other functional teams to deliver results. Executives are externally focused while fissures in collaboration and execution begin to emerge within the company.

“We noticed we were taking on more tasks, more priorities with a ‘might as well do it’ attitude,” said CEO McWilliams. “We took on too many activities that were incon-

sistent with our long-term goals of further commercialization of our products. Maintaining a laser focus on our commercialization goals became key.”

The company began a process of driving and aligning goals deep into the organization to help individual employees balance their daily activities with company performance. “This has the advantage of creating more ownership with the company vision while improving accountability.” In addition, Apollo began a process of “executive-management hygiene” evaluating each activity or decision relative to commercially oriented business process rules. The executives asked, “Does this opportunity help us generate X revenue with Y margin in the next number of months?” Innovation is still cherished at Apollo, but they know now it is no longer the end, but the means to achieving business goals.

McWilliams says the whole process of taking stock in order to accelerate performance has been a “breath of fresh air” in the organization. He believes that a leader’s rigorous self-assessment is critical. “Apollo started as one person at a coffee shop. I made a hard assessment of my own accountability and adjusted to the changes.”

Just as the executives had to acknowledge that the company was changing, team members throughout the company began to understand how their contribution linked to strategy. They also saw the value of business process rules in vetting activities. The company culture was morphing into a disciplined execution focused on growth and margins.

Closing the gap between the current organization and the preferred future organization requires a decided leadership shift. Leaders often find the changes more challenging than first imagined, requiring sustained will and political savvy on the part of the entire executive team.

APOLLO EXECUTIVES SAW THE COMPANY CHANGING IN UNDESIRABLE WAYS AND KNEW ACCOUNTABILITY BEGAN WITH THEM

Navigate North Star Success Leaders must define a shared and meaningful story of success, stretching perceptions of “what is possible” and holding boundaries as a leadership team when resistance surfaces.

Find your Champions Find respected individuals who quickly adopt the business improvement. Provide opportunities for them to share their stories in one on one or small group conversations. Ask them to find others who are making business improvement stick. By continuously expanding the circle you will increase buy-in and accelerate the improvements.

Identify A Skeptic Vs. Obstructor Many a skeptical mind have strengthened a business initiative but an obstructor is hell bent on seeing the initiative fail. Obstructors are emotional, vengeful and will contaminate the change process. Obstructors must be given the opportunity to “get on board” but if they do not, leaders must minimize their influence. Leaders who do not assertively intervene will typically see their initiative mired in conflict instead of execution.

Look For Trickle Down Dysfunction If executives are protecting one function versus another, i.e. sales and operations are slinging blame and executive commitment to business improvement is waning, then conflict will slow execution.

Avoid “death by meeting and death by update” Create 24-hour accessible project tracking tools, twitter updates and blogs to encourage interest driven involvement vs. promotion. Does your improvement team have criteria for when to have a meeting? Skip the meeting for information only. Determine what information must be provided before and during the meeting to make it meaningful.

With procurement practices putting the Lower Colorado River Authority at contractual and reputational risk, with money being left on the negotiation table, and with employees resistant to proposed process improvements, COO Christopher Kennedy saw a disconcerting pattern. Kennedy knew the deregulated Texas energy market was exerting cost pressure on energy companies, and significant savings were possible if he could leverage procurement practices across all five LCRA business units. Leadership focused from day one on cost consciousness, accountability and transparency.

“LCRA has long been a family culture, including our relationships with some vendors,” said Kennedy. “Our staff was challenged to adapt to the role of dealing with customers who demand competitive pricing and top-notch, efficient service. Moving to a new process required units with different needs to trust that a new system would maintain quality of service and meet their needs better than before.”

There were plenty of challenges to the change effort. Some were valid concerns based on fact and experience, while others were attempts to derail, slow or just wear out the individuals leading change. As Kennedy tells it, “The supply management staff was given the challenge to focus on understanding and serving customer needs rather than enforcing rules and increasing bureaucracy. Ultimately, supply management had to bring in new staff with fresh perspective and different experiences to make the process more effective, credible and user-friendly.” With the talent of Andy Betz, a new chief procurement officer, LCRA began to see success.

Culture is a not a constant and singular state - i.e., our company is “innovation first,” “family friendly,” or “committed to sustainability.” Group dynamics, individual beliefs and values create organizational habits

that either reinforce the intended company culture or muddy it. Cultural norms guide employee decisions and serve as the standard for how results are achieved within the organization.

Culture can be elusive and fleeting. It can appear active from an executive team perspective but misaligned from the employee point of view. It can be very difficult for company leadership to view culture accurately.

“As we began to reap the benefits of cost savings and streamlined service, the culture learned to embrace the process. Project managers and other internal customers know their voices were being heard, and we continued to improve upon our success,” said Kennedy. “Improvements saved LCRA more than \$47 million in the past two fiscal years.”

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FAMILY

Whack Mission Creep What are mission critical business improvements? Establishment of service level agreements and metrics driven improvement roadmaps allows ease in navigating and monitoring completion. Change fatigue sets in when progress is slow or the improvement effort never ends.

Lift The Low Mood Skepticism, negative gossip and “cloud over head” discouragement is rampant during dramatic business change. Anyone can lighten the mood in a meeting with easy laughter, interrupt a negative chain of emails and redirect the focus towards what might be vs. what has been. Great leaders shift the belief of what is possible during impossible circumstances.

Scratch Their Back Back scratching networks make change possible. Do you know their itch? What do teams who you are dependent upon care about most? Prove your willingness meet their needs perhaps before your own.

Breakdown “Looking Good” Leadership Lack of trust between executives, between peers or with direct reports will doom business improvements. Where there is a lack of trust there is a lack of truth telling. Leaders can change the conversation by revealing where they struggle and asking others to do the same. Vulnerability levels the playing field.

Appoint “Lifeguards” Lifeguards are a group of individuals within or outside the company who are monitoring the culture in action. These individuals are rewarding and reinforcing actions in alignment with company culture and shining a light on those outside that norm. Yes, use of employee surveys can help make culture visible but lifeguards often see what is at the root of employee opinions.

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EXPERT

Over 15 years ago, Glenn Henry, president of Centaur Technologies in Austin, saw the cost of PC components coming down, and set out to build a lower cost processor to compete with Intel.

To accomplish this, Henry knew that he would have to build an expert culture wherein the technical staff made most of the decisions. “I spent a lot of my career at Dell and IBM before starting Centaur, and I knew that there was a better way to run a high-tech company,” he said.

Henry observed a hierarchical structure in the larger companies, where managers were making technical decisions with little knowledge of the actual impact on product competitiveness.

“I saw a lot of titles with specific decision-making authority in the large companies,” said Henry. “The higher you went as a manager, the more power you had, and the less

understanding of the technical impact.”

So when Henry started Centaur, he laid the groundwork to develop experts instead of managers. “I tell people when we hire them, that if their career path is to be a VP of Product development, this is not a place where you can achieve that goal.”

From the beginning, Henry convinced the CEO of Centaur’s owned subsidiary to “leave them alone for two years” and they would come back with the product.

“The idea is that we would have to build an expert system with world-class people, and they would have to be highly self-motivated if we were to achieve our goal of building a lower-cost processor,” said Henry. “It was a tough sell, with four of us working out of our garage when we started, but it laid the groundwork for our culture now—a technocracy.”

Centaur does not have titles, and performance reviews, salaries, and bonuses are based on the employee’s overall contribution to the company.

“When you hire people, you don’t necessarily know the value that they are going to be to the company,” said Henry. “So we developed a system where every employee is put on a spreadsheet and they are ranked by our team leaders and myself. We identify the most valuable to the least valuable, and bonuses are commensurate with their overall contribution to the bottom line.”

Centaur has developed a very high retention rate, which Henry attributes to hiring the right people. And its employees have responded well to a smaller staff (100) and to the overall reduction of hierarchies and politics.

“The result is that I don’t actually get involved in many technical decisions, unless it’s needed at a high level. We allow people to take on as much responsibility as they can handle, and their contribution is really up to them,” said Henry.