

SMART

Insight.
Advice.
Strategy.®

BUSINESS

ORANGE COUNTY

GREAT PLACE TO WORK



7 LEADERSHIP TIPS TO MAKE A COMPANY CULTURE SUCCEED



ALSO INSIDE

NELLIE AKALP
6 ways to trim costs

IVAN MISNER
Figuring out the 'secret to success'

EY'S NATALIE GABEL
Work/life issues & millennials

PLUS FORGET WHAT YOU THOUGHT YOU KNEW ABOUT **CARLY FIORINA**



COVER

COMPANY CULTURE

GREAT PLACE TO WORK

The right people, who trust the leadership and solid core values can help make a company culture succeed

What makes up a company culture? To one company, it's how the employees are engaged in a fun atmosphere delivering exceptional customer service. To another company, culture is the filter through which all decisions flow before they go into effect. To still another organization, it's how an open-space work environment encourages employee collaboration.

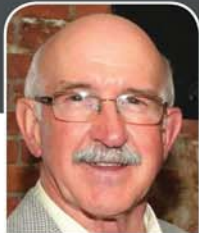
As you can imagine, company culture varies from organization to organization, but shares some important things in common: it's custom built for each company and it includes core values.

Here are some insights from Orange County senior business leaders into what can go into a company culture.

“Hire first for cultural fit, then worry about the skill set needed to complete the job. If the person you hired can’t fit the organization or if the chemistry just isn’t right, it’s not going to work.”

—DON LOWE, CEO, FRANCHISE SERVICES INC.

1



Become a change agent

To change with the evolving needs of the market, you need to first construct an organization that is capable of visualizing change and realizing the need for change. At Franchise Services Inc., Don Lowe, CEO, developed a change-focused organization by hiring people who aren’t afraid of venturing into unknown territory while at the same time being creative enough to devise new solutions to meet ever-changing customer needs.

“It’s a big reason why you hire first for cultural fit, then worry about the skill set needed to complete the job,” Lowe says. “If the person you hired can’t fit the organization or if the chemistry just isn’t right, it’s not going to work.”

“You might be able to make it work for a short period of time, but you can’t build a company with that type of hiring policy. A lot of people know that Jim Collins wrote the book ‘Good to Great,’ where he talks about the need to have the right people in the right seats on the bus, and it’s true. It’s not necessarily just about having good people. It’s also about having the right mix of people, otherwise the organization is going to fail in the long run.”

Lowe facilitates an environment that embraces change by developing a strong sense of trust throughout the corporate ranks and extending to the company’s more than 500 franchised locations.

2



Establish a track record

As Loren Shook, co-founder, chairman, president and CEO of Silverado Senior Living sought to finalize a deal with an investor who would own part of the organization, he wanted to make sure there was alignment and a shared vision, just as there had been.

Shook was also very aware of his staff and the responsibility he felt to keep them apprised of what was happening. But he also felt confident that he had established a track record of trustworthy leadership.

“The culture has to be there before big decisions come about,” Shook says. “You don’t create the culture at the time you have a big decision where you need people to be confidential and you need people to come to you and say, ‘I heard what you said in the conference call. But here’s what I’m worried about, Loren.’ You have to have that kind of open trust in the company. That has to be there before those issues come up.”

Shook shared what was happening with his senior leadership team — the pros and cons of the deal — and asked them to keep it from going public since the deal was still being finalized.

He says finding employees who can thrive in your culture and have trust in the way you do things requires a similar approach as when you’re doing your due diligence on possible lenders.

3



Drive results

If your business has products that had been big sellers but aren’t anymore, and you’re still trying to push them instead of promoting a new product that has a lot of potential, you’re asking for trouble.

“It’s a discipline change, and it’s not simple,” says Rajesh Shah, co-president at M S International Inc. “It’s a change of thinking. You need to make it a priority and continuously communicate it. You can’t just stand up and say, ‘We’re doing this. We’re done.’ It’s an ongoing process. And you can only do it by example. You can’t make decisions on gut instinct yourself, and then expect everyone else to do it with knowledge.”

The effort to drive results has to be constant to maintain momentum and reinforce the message that this is an important thing you’re doing for your business.

“Let’s create a culture and an environment where everyone is thinking, ‘OK, right now, most customers are buying 15 to 20 percent of their product from us. Can we get them to buy 30 percent, and what will it take to do that?’” says Rupesh Shah, co-president. “So we made a very strong push and created a culture. Everyone from 2008 to 2011, all they thought about was market share, market share, market share. How can we get more market share?”

“You don’t create the culture at the time you have a big decision where you need people to be confidential and you need people to come to you and say, ‘I heard what you said in the conference call. But here’s what I’m worried about.’”

–LOREN SHOOK, CO-FOUNDER, CHAIRMAN, PRESIDENT AND CEO, SILVERADO SENIOR LIVING



4 Provide the tools to succeed

One of the first areas to get cut when the economy turns downward is often employee training, and that’s a big mistake.

“You cannot expect extraordinary results unless you’re investing in the people who will be delivering those results for you,” says Alan Fuerstman, founder and CEO of Montage Hotels & Resorts.

“Leadership needs to invest appropriately and generously in the development of teams. Quite often, organizations make the mistake of spending less on training and spending less on the types of things that have a long-term impact on the delivery of your product or guest satisfaction.

“We have a tremendous commitment to our training and ongoing education that starts from before any associate has contact with our guest. It continues through all levels of our organization and that commitment to training and learning is never-ending.”

Having a person who is responsible and accountable to make sure employees are constantly learning is a good way to ensure the success of such an effort.

Since Fuerstman founded Montage in 2002, he has sought to change the way people think of luxury.

“We were looking for a more comfortable luxury and a more gracious and personable style of service that was unscripted, yet highly focused on personalization for each guest experience,” Fuerstman says. “That vision led us to creating a curriculum around that.”

“Let’s create a culture and an environment where everyone is thinking, ‘OK, right now, most customers are buying 15 to 20 percent of their product from us. Can we get them to buy 30 percent, and what will it take to do that?’”

–RUPESH SHAH, CO-PRESIDENT, M S INTERNATIONAL INC.

“Leadership needs to invest appropriately and generously in the development of teams. Quite often, organizations make the mistake of spending less on training and spending less on the types of things that have a long-term impact on the delivery of your product or guest satisfaction.”

–ALAN FUERSTMAN, FOUNDER AND CEO, MONTAGE HOTELS & RESORTS

“It’s an amazing rush to kind of walk out of a room when a new idea or concept has been hatched and then know that because the team is so good at executing, they’re going to get an initial, minimum viable product out the door in days, or worst case weeks, so we can test our hypothesis and see if it’s right.”

–FRED THIEL, CEO, LOCAL CORP.

“Several years ago, I said I was sick of strategic planning and tired of hiring consultants to take me and a group of my high-level people off-site to form a consensus around the company strategy. ... So my sister and I decided that we knew what we wanted to accomplish.”

–KAREN CAPLAN, PRESIDENT AND CEO, FRIEDA’S INC.

“You literally have to change the way people behave, change the way thousands of people are making hundreds of decisions every day. That takes a lot of time and in this case, what we did is we very methodically and gradually laid out the case for change.”

—SCOTT LILES, PRESIDENT, VETERINARY PET INSURANCE CO. INC.



5 Learn from your mistakes

It's one thing to tell employees they can make mistakes. It's another thing when those mistakes occur and end up costing your business money or upsetting your customers.

“No public beheadings,” says Scott Liles, president at Veterinary Pet Insurance Co. Inc. “The unforgivable sin is not learning and the second is not taking accountability. This didn't work and it didn't work for reasons A, B and C. It's not because I'm stupid or because I didn't work hard enough. It just didn't work and I'm taking accountability. But in order to let people be free to do that, no public beheadings.”

Of course, you can't just stand up in front of your people and tell them to go out and take more risks.

“You literally have to change the way people behave, change the way thousands of people are making hundreds of decisions every day,” Liles says. “That takes a lot of time and in this case, what we did is we very methodically and gradually laid out the case for change. We weren't growing as fast as the market. We're a mission-driven organization and we want to do what's right for pets and pet owners. By helping them to better manage their pets' health care, it fits well within our vision and also helps us to tackle some of the business problems we were having.”



6 Group effort in innovation

Fred Thiel, CEO of Local Corp., carries his leadership style wherever he goes, but strongly believes that talent drives the company.

“If everybody believes in the vision and understands the vision and the mission, then leadership really comes down to resource management and not telling people what to do and how to do it,” Thiel says. “If you have to tell people what to do and how to do it, you have the wrong people on the bus.”

What makes Local Corp. stand out among the other companies Thiel has worked for is its people.

“If you look at Local, it's a great team of people who are very passionate about our mission,” he says.

“It's an amazing rush to kind of walk out of a room when a new idea or concept has been hatched and then know that because the team is so good at executing, they're going to get an initial, minimum viable product out the door in days, or worst case weeks, so we can test our hypothesis and see if it's right,” Thiel says.

By doing this, Local has been able to stay forward in its industry. With 13 patents already under its belt and additional ones pending, the company continues to captivate the passion and innovation of its employees.



7 Make it cultural

To ensure that the strategy people aren't dragged into tactical or operations matters, you need a clear organizational structure with a separation of responsibilities. Often, the most effective way to create and maintain a firm organizational structure is to incorporate it into your strategic planning and core values.

If the concepts of personal and team accountability are promoted as part of the culture you live each day, they stand a much greater chance of taking root as foundational principles that everyone in the organization embraces.

“Everybody knows their responsibilities,” says Karen Caplan, president and CEO at Frieda's Inc. “The key is to have a high level of trust with the people you work with.”

Caplan says the best strategic planning processes are often homegrown.

“Several years ago, I said I was sick of strategic planning and tired of hiring consultants to take me and a group of my high-level people off-site to form a consensus around the company strategy,” Caplan says. “I cannot tell you how many times that did not work.”

“So my sister and I decided that we knew what we wanted to accomplish. We worked with our CFO, who is excellent in strategy, and the three of us met for about two hours a week over the span of a few months, creating our company vision, mission and strategy.”

Caplan and her sister centered the company on four key values: personal accountability, service orientation, trust and playing fair. ●

How to reach >>

Franchise Services Inc., (800) 854-3321 or www.franserv.com
 Silverado Senior Living Inc., (888) 328-5400 or www.silveradosenior.com
 M S International Inc., (714) 685-7500 or www.msistone.com
 Montage Hotels & Resorts, (866) 551-8244 or www.montagehotels.com
 Veterinary Pet Insurance Co. Inc., (877) 263-6008 or www.petinsurance.com
 Local Corp., (949) 784-0800 or <http://corporate.local.com>
 Frieda's Inc., (800) 241-1771 or www.friedas.com