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Of Corporate Culture and Capitalism

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General George S. Patton instructed, “A good plan, violently executed now, is better than a perfect plan next week.” Patton’s admonition was in the context of the World War II European Theater. However, Patton’s words also reproach the analysis paralysis of elusive perfection. Indeed, research refutes ad nauseum investigation before action. Satisficing prevails: When you know enough, act! This is a corollary to the 80/20 rule that one or two root causes account for the majority of what the intrepid analyst seeks. The odds of being totally wrong are low. Even if off the mark, leaders will make favorable impact by doing something directionally correct. This principle applies to both value-creation and mischief mitigation.

The value-creation clock continually ticks—and with each tick of inaction the internal rate of return on initiatives suffers degradation. Accordingly, the entire team needs to be aligned and engaged. Consequently, a bias for action is key among corporate virtues. Thus, corporate culture may be singularly the most potent ingredient of value-creation. Indeed, Peter Drucker asserted that “culture eats strategy for breakfast!”

What, then, might be an analogous surrogate for Patton’s violent execution in a corporate team’s value-creation context? Alexandre Duma, author of *The Three Musketeers*, put it this way, “All for one and one for all; united we stand, divided we fall.”

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During the American Revolutionary War, Benjamin Franklin applied his wit in similar fashion, “We must, indeed, all hang together or, most assuredly, we shall all hang separately.” Patrick Lencioni’s *The Ideal Team Player* described three characteristics to that add to the discussion: humility, intelligence, and hunger (i.e., self-motivation). Marinating these collective ideas in a crockpot

of descriptive possibilities may result in the following words for embodying the type of team values that provide the foundation of superlative corporate cultures: passion, commitment, focus, conviction, teamwork, resolve, dedication, deliberateness, collaboration, invested, and/or purposefulness.

Leaders in pursuit of their cultural strike zone might first ponder some boundaries. Dictatorial leadership ends in disaster. Timing is the only fickle variable. Democracies also have their weaknesses—perhaps the most prevalent among them being

inefficiency. Between these bookends is reality, which may be accentuated by inclusiveness. According to a Japanese proverb, inclusiveness makes sense because “all of us are smarter than any of us.” Moreover and according to Forbes, the emerging Millennials in the workforce consider inclusion a prerequisite to commitment.

The conundrum is how inclusiveness is effectively managed? First, it starts with a special type of leadership. Max Depree, former Herman Miller CEO, described such leaders with “strong opinions held lightly.” There is productive ambiguity in the quote. To wit, the leader establishes a point of reference, then encourages debate in pursuit of a better idea—with resolve to embrace the better idea. A familiar mantra at GE during the Jack Welch era was “show me the data.” In practical terms, this only meant doing your homework in support of your root cause conclusion or initiative proposal. Academics call this “argument,” i.e., an opinion reinforced by facts.

The rules of engagement for an organization should be reflected in its values. All companies have values. Among the critical thinking questions is whether the leaders

Corporate values are not legitimate unless they are part of the hiring and firing mechanisms.

really know what their followers believe the corporate values to be based on the leaders’ modeled behaviors. Leaders should invest—yes, invest—the time to reconcile espoused, memorialized values with its ambitions. A practical, powerful governance mechanism is available for values integrity: whether the organization hires and fires by

them. Therefore, if leaders expect people to adhere, for example, to ethical behavior, its performance management system should be geared to undergird the expectation.

Values are atoms within the cultural molecule. Thanks to the genius of researchers like Kim Cameron and Robert Quinn, tools are available to measure culture. The Cameron and Quinn tool enables leaders to profile a company’s present culture for evaluation and contrast to the culture it desires in pursuit of its vision. Cameron and Quinn’s model provides four distinct profiles: (i) hierarchical, based on controlling; (ii) clan, based on cooperating; (iii) adhocracy, based on creating; and (iv) market, based on competing. Company profiles are a blend of the articulating propensities of the four, and are tantamount to corporate fingerprints. Such tools’ ultimate utility is providing leaders a sextant for navigating from what the corporate values are to what they need to be.

Living cultural values is easier said than done. According to Robert R. Blake and Jane S. Mouton, we have two types of professional personalities: our aspirational one and our default one that typically appears amid duress. Since companies are comprised of people, the tough decisions within an ecosystem may reveal the strength of true corporate values—the aspiration ones or the duress ones. A hedge on high-pressure decision-making behaviors may borrow from the Vatican’s model for canonization, or vetting sainthood: the devil’s advocate role. The devil’s advocate questions the veracity

of facts and their interpretation. Similarly, when businesses face important and/or tough decisions, groupthink pitfalls may be averted by establishing a contrarian's position. The resulting give and take may yield a better decision. At a minimum, appropriate risks may be identified for which mitigating measures may be prescribed.

In Hans Christian Andersen's *The Emperor's New Clothes*, it was a child who "disrobed" the ruse of the conniving tailors who convinced the king and his court that they could see an ensemble that did not, in fact, exist. The tale imparted that as the king strode in his skivvies amid his subjects, an intrepid child blurted the obvious, "But he (the emperor) isn't wearing anything at all!" Until that utterance of obviousness, the scoundrel tailors deceived a vain ruler—plus convinced the ruler's aristocratic sycophants that only those fit for their courtly titles could see the otherwise invisible clothes. The moral of the story as it pertains to faux culture is richly simple: Wise leaders avert the foibles of faux culture by encouraging their teams to pipe up when they see both opportunity and danger. Such behavior precludes the headlines of unethical detours on the freeway of capitalistic value-creation.

Middle Market Methods™ offers a toolbox of cultural, growth, and efficiency value-creating solutions to portfolio companies of private equity firms. The premise is that best practice adoption correlates with a smoother ride during the investment hold period, resulting in higher exit multiples. Additionally, deal team time is liberated from operational surprises to invest in new transactions.