



Corporation as CEO: Sustaining a people-first culture

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For most leaders the following situation is all-too-familiar: a senior and valued employee comes into your office to announce that he is leaving, having found a better-paying position elsewhere.

For many leaders, this is just an unlucky day or even an expected part of doing business. For Precision Biologic CEO Michael Scott, though, this is the time to ask some tough questions: “Why didn’t I see this coming?” “Why wasn’t I closer to this person to

understand that something was up?” and “What does this say about the culture I am creating if an employee does not feel comfortable raising a salary concern with me?”

The employee was not leaving because he disliked his job. Quite the contrary. He loved the company and wanted to stay, but he needed more money to support his family and felt the other job would give him a fairer wage for his skills. This particular employee started with the company at a more junior level than his background would have suggested. His rise within the company was very quick, but his salary had not kept pace. The company had failed to notice; it was a serious oversight.

Naturally Michael, like any good leader, tried to turn the situation around. The employee was offered a more suitable salary, based on current research, and competitive with the other company’s offer. But it was too late; he had already made a commitment to his new employer and was set on leaving.



Which brought Michael to another tough question: “Because of our oversight, we underpaid this employee for some time. What is the right thing to do now?” His conclusion was unusual. Realizing that the discrepancy between the fair salary and the actual salary was the company’s mistake, Michael decided to compensate the departing employee retroactively. There was no legal obligation to do so. And it was already clear that money would not buy the person’s loyalty back. It was simply the right thing to do.

Brisk growth through engagement

Founded in 1983, Precision Biologic Inc. (PBI) specializes in developing, manufacturing and marketing diagnostic products used to assess blood coagulation disorders. Over the past fifteen years, growth has been dramatic: gross sales have increased at an average annual rate of 20%, and the number of employees has more than doubled from 24 in 2003 to 54 in 2010.

“WE TREAT OUR EMPLOYEES IN A SIMILAR WAY AS WE TREAT OUR CUSTOMERS,” EXPLAINS MICHAEL, “THIS PHILOSOPHY ENABLES EMPLOYEES, IN TURN, TO TREAT OUR CUSTOMERS IN A RESPECTFUL AND CREATIVE WAY, WHICH GIVES US PRODUCT AND SERVICE-INNOVATION ADVANTAGES.”

The PBI office and manufacturing site is stylish and serene. After passing the Japanese garden, you enter into a museum-like display of the vials of the company’s anti-coagulation products followed by traditional business metrics of sales forecasts and customer ratings. The company café (i.e., the staff lunch room and meeting space) is the facility’s *pièce de résistance*, a sunny, French-style café with round tables and a stand-up coffee bar, a unique addition in a hard-core scientific research setting.

Michael has been PBI’s CEO since 1997 although prior to that time he had been an active board member and shareholder of the company. His decision to step in as CEO came with some ambivalence, as he was more comfortable in the role of investor and advisor than operational leader.

As CEO, Michael clearly understands the difference between character and strategy. He spends a great



deal of time focused on developing, supporting and engaging the character of each employee. From the perspective of a marketing consultant who works with PBI, his commitment to character makes the company appear “strategy light.” Michael explains: “there is a baseline strategy, and the implementation and exploration of this is done through conversations and engaging people’s understanding of the possible ways to express that strategy. For example, we articulate our company strategy as ‘customer intimacy’ as opposed to, for example, ‘operational efficiency’, ‘product innovation’ or the like. This means that we put a lot of emphasis on building relationships – with customers, collaborators, partners – but we leave the creativity of how to do this to people’s unique approach and character.”

The facets of company culture

Many companies *say* their people are their most important asset, but at PBI, they mean it. “If there is some way to adjust ourselves and the company to fit this person,” says Michael, “then we will make the change.” This may mean creating a new position, some hybrid that fits the person’s needs and idiosyncrasies but which also serves the company. This requires a huge amount of creativity, communication and negotiation.

Another telling example of the company’s commitment to people is the annual GROW Awards celebration. Initially created at a team-building retreat, the GROW (Giving Recognition for Outstanding Willingness) Awards are given to each and every employee – recognising their unique willingness and contribution. Each year, a “nominating committee” self-organizes to craft each employee’s unique recog-

dition. The spirit is humorous and warm-hearted, and the newly-fashioned acronyms fly thick and fast. In contrast to awards based on corporate metrics, the GROW Awards honour the dedication and willingness of everyone to learn and grow. They are presented one evening a year with a catered meal.

It was perhaps no surprise when, in 2008, PBI was recognized as one of the *50 Best Workplaces in Canada*. Unlike many of the other winners who garnered their awards on the strength of employee perks, PBI was

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appreciated for its credibility, respect, fairness, pride and camaraderie.

Production Technologist Erin Falkenham says that “The pay and perks at PBI are fantastic, but that’s not what makes me love what I’m doing. For me, it’s about being a member of a team that respects and values my input, feeling a sense of pride in my work, and having the space and comfort to take risks and have fun in my job.”

Develop people through work

Many leaders hold the subtle or not-so-subtle view that it is the leader’s job is to get work done through people. Michael’s personal discovery and focus as CEO is the reverse: to develop people through work. His aspiration was to really focus on people, creating sound, healthy, supportive relationships within the company and with its customers. But could good busi-

ness results be attained by focusing on people? Would it be profitable? What would it actually look like to put people first?

One key aspect of that is to design positions to fit the strengths of individuals. Michael’s previous assistant joined Precision when he became CEO. Although she entered the new company as an assistant within finance and administration, her capacity to attend to details was usefully applied to the leading-edge design and construction of a new manufacturing and office facility – a huge step up in responsibility.

Michael refuses to see people in their roles, and he is committed to tap into their passions and capabilities. The results have been high levels of loyalty and an astounding willingness to innovate. “We treat our employees in a similar way as we treat our customers,” explains Michael, “this philosophy enables employees, in turn, to treat our customers in a respectful and creative way, which gives us product and service-innovation advantages.”

Rather than focus solely on the business processes of sales and customer service, the relationship with customer is a joint commitment to solve the customer’s practical problems. PBI regularly sends its technical team to visit clinical sites to further the ongoing conversations about what is needed. Its customers are some of the pre-eminent medical institutions of the world, and they often cite the high quality of relationship they enjoy in tandem with quality of product – remarkable in a product-focused industry.

Humility and honesty

The culture at PBI fosters a willingness to look directly at tough situations, and at the same time, problems are unlikely to devolve into blame. Instead, people consider the overall environment and conditions of the work being done, and they look to themselves – taking responsibility where they can.

Michael sets the tone for this. In an executive team session, he offered one of his own decisions, a questionable one, up for the team’s scrutiny. Through facilitated discussion, it became clear to everyone what part of the decision they agreed with and what part of his action they questioned. More importantly, it created an honest forum to examine the decision making of the top leader. Michael’s willingness to question with



honesty his own assumptions and approach allowed the rest of the leadership team to do the same for themselves.

The question of succession



Certainly, the company went through a period of worshipping their CEO – no one can be like Michael, and everyone’s loyalty to the company was enmeshed with their loyalty to him.

Now they are looking at the shadow side of that – what are the liabilities of being so CEO-centric? In order to further embed the culture, the senior leadership team has begun to discuss a key question: “What is it that only Michael does that needs to be cultivated across the leadership?”

More tough questions: Is it a formula? Is it replicable? What is the magic that Michael seems to bring? What qualities will be needed? There is an uncomfortable reliance upon Michael; the management team knows he will be difficult to replace.

For his part, Michael has done his best to articulate and hand over his “internal operating system” to the leadership team. He describes it in three parts: vision, care and common sense.

Vision. Vision involves paying attention to both the company’s external strategy – vis-à-vis customers and the world outside – as well as the culture itself. External vision involves understanding context, activating opportunities and sustaining momentum. Internal vision is based on articulating purpose beyond profit, maintaining conviction in values and carrying the torch for company culture.

Care. Care includes a consistent focus on develop-

ing people through work by listening and co-creating ways to align people with the company’s purpose. Care is also a commitment to trusteeship, an allegiance to the whole rather than any small part of the company.

Common sense. Gets thing done through creative collaboration, business acuity and exquisite execution. This involves good judgment, reading the currents beneath situations, maintaining an uncompromising commitment to quality and bringing a courageous “edge” to situations that require it.

Succession planning becomes organizational learning

This effort to understand the unique contributions of their CEO and to reduce reliance on Michael has deepened the leadership team’s honesty about itself. Each team member knows by heart the eighteen elements underlying the three parts of the “operating system”. They can honestly assess what they are good at and what they are lacking without sensitivity or ego. Interestingly, in this honest assessment process, each of the current leadership team members have self-selected themselves out of the running for CEO, leaving a supportive and open space for newcomers. Moreover, when they review candidates, they will have a clear profile of the DNA required for the best successor to carry on this radical business experiment.

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In short, what started as a succession-planning exercise to prepare for the long-term future has morphed into an organizational-learning exercise and a growth opportunity for everyone in the present. The organization has become – at least in part – the CEO.

For more information about Precision Biologic, visit www.precisionbiologic.com. ■■