

The Council:

The Most Important Tool in Business

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The three most important pages ever written for business leaders are pages 114 – 116 in Jim Collins' landmark book *Good to Great*. It's a bold statement, but I've seen the transformational impact on leaders and their growth companies when the concept on these pages is implemented.

It was key to putting \$160 million in Richard Kay's pocket; it's been critical in helping Brian Scudamore manage the growth of one of North America's top franchises; it repaired Lance Pederson's executive team; it aided Lee Prosenjak in designing their new dance studio and Scott Mesh in solving a major staffing problem; it helped Larry Weinberg win two prestigious national awards; and it's already brought Nick Arrigan closer to his children.

This simple concept even underpinned one of the most successful college football seasons for a rookie coach in 2006 and was something that drove the success of the wealthiest entrepreneur of all time. What Collins outlines on these three pages are the eleven characteristics of what he calls "the Council."

Unlike the standard executive or management team meeting that's a weekly staple of most companies, this additional meeting is aimed solely at giving council to the CEO. It's not about consensus building; it's about generating "talk time" in an era when executives have been driven to silence by technology and left to solve problems via email.

It's about generating conversations around what's vital to the success of the business and helping the executive team discover and face "the brutal facts" as Jim Collins so aptly describes in *Good to Great*.

Structuring Success

"Players that shoot foul shots the same each time, make a lot of shots," notes Richard Kay, co-owner of the NBA Washington Wizards and founder of OTG Software. "The same in business. I felt my most important job was creating a consistent structure for being successful."

And successful they were. Launched in 1992, Kay's data management software firm grew to 450 employees with 12,000 customers, including more than 1,000 credit unions and over 500 hospitals. Going public in 2000, OTG was acquired by Legato in 2002 for

\$403 million, of which Kay owned 40%. Legato was then acquired by EMC for \$1.3 billion while Kay was on the board of directors.

Underpinning this success was a simple meeting and accountability process that started with a 7am breakfast every Monday morning, including most Monday holidays, at the Bethesda Marriott Suites across from OTG's offices in Maryland. From the day Kay started OTG until the day it sold, he and his executive team stuck to this routine.

“The reason we met so early on Monday was we knew we were up against a lot of smart, well prepared competitors,” recalls Kay. “This early start to the week motivated us to prepare and helped us generate excitement as the company grew. And some of the best conversations occurred on the walks over and back from these meetings.”

Following Kay's “council” breakfast were a standard set of management, sales and marketing, software development, and finance/accounting meetings that often took the executive team (and department heads as they grew) through to lunch.

The key is that they had this additional breakfast meeting that was more open ended, giving the top team a chance to talk through the challenges facing the company every week. I sat in on some of these meetings and observed as Kay's team would debate, laugh, discuss, decide, and most importantly, talked openly and candidly with no set agenda. The more tactical issues were then handled during the follow-on functional meetings.

The STORM

1-800-GOT-Junk? is one of the fastest growing franchises in North America, adding 110 of their 315 franchisees in 2006 alone. Key to driving and managing this growth is a weekly 3.5 hour STORM (STrategic Operational Review Meeting) attended by a nine-member Leadership Team – CEO, COO, CFO, VP IT, VP Strategy, VP Operations, VP Call Center and Director of People.

“We meet to engage in dialogue and debate focused on our Strategic Plan,” explains founder and CEO Brian Scudamore. “We'll discuss and debate opportunities 6 months to 3 years out, a lifetime when your business is growing rapidly. We really try not to argue to be right but debate to really ensure we all get our fears and worries out on the table.”

“Sometimes the discussions just continue to further align us in our goals and strategic opportunities facing the company. We have a set of Norms that we try to follow and respect to make the meeting as productive, focused and respectfully contentious. Considering the level of debate there is a ton of respect too.”

“The cool part about this STORM meeting is that we never get into any other issues. It's always strategic. If we have more tactical or urgent issues to discuss they are always held at other times,” concludes Scudamore.

What Scudamore and his team understand is that if you want to move faster you have to pulse faster. Whereas most teams moving as fast as Scudamore's would exclaim there is no way they can take this much time each week to meet, Scudamore knows that the strategic issues must stay top of mind and be continuously tweaked.

Executive Team Health

Pat Lencioni, author of the best seller *Five Dysfunctions of a Team*, emphasizes the importance of a team being both Smart and Healthy – Healthy defined as having a level of trust and understanding that allows conflicts to surface among the team members.

“The state of our relationship as a management team wasn't very good,” describes Lance Pederson, CEO of Oregon-based Convergence Networks. “I think secretly each of us had issues with one another in more ways than one.”

So starting in January of this year, Pederson, his business partner, and the VP of Sales and Marketing started meeting every Thursday morning at 6:00 AM at Sheri's, a local breakfast joint near their offices (they've recently switched to Friday mornings).

“At first I would say that our conversations weren't the greatest but we kept showing up each week,” explains Pederson. “Eventually what started to happen was that we began to talk more and more about the future of the company and the things that we would like to see happen.”

One recurring topic was how they would be able to bring on five new employees a day. “This is when I finally understood the term ‘blue sky’ -- some of the things you come up with are pretty wild but if you can pull them off they would totally work,” recalls Pederson.

The team then started to spend more time just talking about one another when they were younger and the crazy things they did. Lencioni has emphasized the importance of team members doing just this to develop a deeper level of understanding and trust.

“We would talk about our families and stuff like that,” notes Pederson. “Now for most that probably doesn't sound like a big deal but I just so happen to be one of those guys that is pretty much dead serious all day long at work.” The informal breakfast setting worked out better for Pederson because he didn't feel pressure to have to discuss strictly business -- he knew that his team would have time to cover the tactical issues of running the company in a more formal meeting later on in the day.

“I could go on and on at how beneficial it has been for us, but the bottom line is that we are more connected as a management team in every facet. We no longer spend countless hours debating the semantics of a point. We accept each other for who we are because we know each other at a deeper level than we previously did,” explains Pederson.

“As we all know running a great company starts at the top. If your management team isn't on the same page then the rest of the organization doesn't stand a chance.”

Major Decisions

Lee Prosenjak, founder of Colorado-based Cherry Creek Dance, started his Council October of 2006. Rotating breakfast places Friday mornings at 7:45am so they don't get bored with the menu, they'll often bring in an expert to help facilitate the discussion.

“We invited in a real estate broker one morning when we knew we were going to talk about where to move our location,” explains Prosenjak. “The whole team was then a part of the planning process, engaging in a blue sky conversation to design the perfect new space. In speaking with the broker afterwards, he walked away with as much from the discussion as we did from him.”

Scott Mesh, co-founder of Los Ninos, a New York-based provider of early childhood services, has tackled similar big issues at their Friday lunch meeting. Separate from their Monday morning management meeting, though with the same management team, the purpose is to dig into one topic deeply a bit more informally.

“The goal is to get to the bottom of big hairy problems,” notes Mesh. “For instance, last summer we lost five case managers over a change in their Service Coordination (SC) Plan and compensation plans. That got our attention!”

Mesh used their Friday lunches to talk through and reexamine every aspect of the compensation plans, core values, and management of the staff and decided to create a new Senior SC position. This new position provided an additional salary step with added responsibilities, allowing Los Ninos to “hire up” and provide a career path for their existing SCs.

“Morale turned around 180 degrees,” beamed Mesh. “And we're growing significantly again. Many of the issues facing our firm need significant talk time, which you have to schedule or it just doesn't happen.”

Longer Sessions

Larry Weinberg's executive team has had lunch every Monday for the past several years, following their management meetings. And he credits these luncheons to why his McLean, Virginia-based firm, BOWA Builders won National Remodeler of The Year in 2006. These meetings were also critical in designing and maintaining the kind of work environment that led to Weinberg being named one of the “Best Bosses” in the U.S. by *FORTUNE* Small Business magazine in 2005.

In fact, they've found the informal strategic discussion time so valuable that they no longer consider lunch once a week enough. "With the pressures of the day and the interruptions of the waiter, we sometimes come away frustrated," notes Weinberg.

As a result, they started scheduling quarterly CEO council retreats. "Sometimes we combine them with an industry conference or an educational event. Two of the retreats are just all day talk time away from the office," explains Weinberg. "It's too numerous to describe all the concrete ideas we've hatched during these sessions – just know they've been crucial to our success."

A Long Walk

For Nick Arrigan, Senior Account Manager of New Jersey-based Vega Consulting Solutions, the idea of the leadership "council" spurred him to start weekly walks with his children individually. Recalling his first week, Arrigan shared "it was like a typical sappy Broadway review. We laughed, we cried, it was amazing."

It was another weekly walk that was behind the successful first season for Bret Bielema, coach of the Capitol One Bowl Champion Wisconsin Badgers college football team. Following in the footsteps of the legendary Barry Alvarez, who took the Badgers to eight bowl wins in 16 seasons, all eyes were on Bielema, the second youngest coach in U.S. college football.

Though Alvarez and Bielema talked frequently, every Thursday Alvarez and Bielema took a scheduled hour and half walk. Noted Bielema, in a *Wisconsin State Journal* interview "During the season, it was about games that weekend, matchups. I'll usually go in there with a couple thoughts, questions to bounce off him about the direction of the program. We've really become good friends, more than anything else."

And when Alvarez asked if it was OK if he missed the Capitol One Bowl game, since he was doing color commentary for the Fiesta Bowl on the same day, Bielema responded affirmatively, so long as they still did their Thursday walk – which was scheduled on a Saturday to keep it two days before the game like in the regular season.

Now that's sticking to a routine!

I hope the pattern of success is apparent. Like John D. Rockefeller's daily luncheon with his directors, getting regularly scheduled talk time is crucial to the success of your company. Locate your copy of *Good to Great* and get a "council" in place.