



INTELLIGENCE IS QUICKNESS IN SEEING THINGS AS THEY ARE.
GEORGE SANTAYANA (1863-1952)

READ A COMPANY FAST

Recently one of us was invited to a University of California campus to give a presentation to students about how they might, in the course of a job interview, form opinions about the health and structure of a company. The topic of the presentation came about as a result of a discussion about how much you could understand about the effectiveness of an organization from simple, brief conversations with people that worked within a company.

This newsletter aims at helping people, ranging from a candidate interviewing for a job to a business development professional performing early due diligence, quickly size up a company. The title of this newsletter pays homage to an earlier paper published by the Harvard Business Review; "Read a Plant - Fast" by R. Eugene Goodson.

CATEGORIES

We will articulate the discussion around the following themes: vision and strategy; compensation; execution; ideas and decisions; culture; communication; products/markets; and customer satisfaction. We then provide a list of questions within each category to pose to employees of the company

VISION AND STRATEGY

It is axiomatic that a well-run company has a vision and a solid strategy that is well understood and constantly guides the decision-making process in the company.

- What is the vision of the company?
- What is the strategy of the company?
- How do you support this strategy?
- What decisions have you taken recently based upon this strategy?
- What are the company's core competencies?

Throughout interviews with employees the vision and the strategy of the company should be clear and consistent. The employees of the company should know what role they play in making the strategy happen, and they should be able to point out concrete decisions that they made to help ensure the strategy works.



COMPENSATION

As we've written before, compensation is a powerful tool. It conveys much about the values of the management team and the overall culture of the company.

- How is your compensation set?
- Do you own part of the company?
- Who in the company is eligible for variable pay?
- Is variable pay based upon numerical data for the entire company?
- Does everyone understand how their actions can affect the criteria for variable pay?

In well-run companies compensation is set both by the job being done, and how well that job is being performed. In general, the more employees that have an ownership stake in the business, the better. Finally, we favor compensation programs that have a variable pay component tied to overall performance of the company, or in a larger company, performance of a business unit or business group.

EXECUTION

How a company executes is actually a series of habits, and can be seen in many little things.

- What does a deadline mean to an employee's personal life?
- Give an example of commitment to execution that you've seen?
- Does the day end at a certain time, or when the task is done?
- Do meetings start and end on time?
- Are work areas clean and organized?
- Do meetings have an agenda?
- Does the company have projects that don't get done?
- What are the consequences when projects are not executed on time?
- How do employees learn and grow in their jobs?

One reality of the world is that successful, growing businesses demand commitment. If a deadline has passed, or is in danger of passing, employees in successful companies will make personal sacrifices. Interestingly, many good companies have stories of commitment and sacrifice woven into their culture.

Another simple test of execution is what marks the end of the day. If it is generally driven by the completion of tasks, that is another small marker of an execution-focused company.



IDEAS AND DECISIONS

In virtually any high-growth environment, the ability to generate good ideas and then make clean decisions is critical.

- How does your company reward and support idea-generation?
- Is the idea more important, or the person that has the idea?
- Is the decision-making process passionate, but fair and driven by data?
- Once a decision is made, does everyone work hard to support the decision?

A company lives on ideas, and it is very critical that employees feel that the company is supportive of new ideas. It is also important to clearly state that it has to be the idea, not the speaker that determines the merit of the idea. While many different methods can be used to test ideas, whatever method is used has to have energy, but also must be driven by data and, be judged as substantially fair by employees. When a decision is made, employees at successful companies, even those that did not initially support the decision, will pull together to execute the decision as a coherent team.

CULTURE AND ETHICS

Every company we've ever seen has its own unique culture. In addition, there is not a single "winning" culture. That being said, understanding a little of the culture of a company can help you understand whether the company is a good match for you, or in the case of an acquisition, if the corporate culture of the acquisition target is close enough to that of the acquiring company to be easily integrated.

- How are the people dressed?
- How do people greet you, and each other?
- Are offices generally neat and attractive?
- Is sarcasm common in the interactions between people?
- Are people excited about their work, or frazzled?
- Is there a buzz about the business, or does the work environment feel flat?
- How does the company deal with problem people?
- Does the company care about making money?
- What are the core values of the company?
- How do employees describe the management style of the company?



COMMUNICATION

To get the people in a company moving in the same direction requires communication, at all levels of the company, and with regularity.

- How often does the CEO or business leader discuss the business?
- What were the highlights, and lowlights, of last quarter?
- When is the next time you'll hear about the company?
- Is the communication made through presentations? Videos? Web-based?
- How are conflicts resolved at meetings?
- How is leadership demonstrated at the executive level?

There is no one perfect method. What you want to hear is that information comes to the employees on a regular basis, and that the employees feel they understand the performance of the company.

PRODUCTS/MARKETS

Employees in both manufacturing and service companies should understand the product that they sell, and the customers that buy it.

- What is the product you are working on most these days?
- Who is the customer that is buying this product?
- What are the next products/services for the company?
- Who are your competitors?

Here is what you want to hear: that the employees know the products and who the customers are. Some companies will never speak about their next product, but their employees can speak about existing products and the customers those products serve.

CUSTOMER SATISFACTION

Much of the success of any company comes from long-term loyalty, both from customers and employees.

- How are you greeted?
- Is the lobby oriented to help a customer?
- What is the most outrageous thing an employee has ever done to serve a customer?
- List three things that the company does to support customers?
- Are there special spots for customers to park?

Understanding and serving customers should be obvious. You should be able to see it with your eyes, and hear it in the answers to questions about customers.



SUMMING IT UP...

To help keep all of this in perspective, these ideas are captured in a single spreadsheet on the following page. While we don't suggest that this simple spreadsheet replaces extensive due diligence, it greatly aids in the fast assessment of a company. Have fun, and think about companies you get to see.

Cheers,

The InSite Newsletter Staff

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Strategy and Vision		Yes	No
	Do the employees understand the vision?		
	Do the employees understand the strategy?		
	Do employees know how to support the strategy?		
	Are decisions being made that support the strategy?		
	What are the company's core competencies?		
Compensation		Yes	No
	Is pay based upon performance?		
	Do most of the employees have equity in the company?		
	Does the company have a variable pay program?		
	Is the variable pay based upon numbers of corporate performance?		
Execution		Yes	No
	Do employees make personal sacrifices to make deadlines?		
	Are examples of commitment apparent in conversation?		
	Does the day end when tasks are done?		
	Do meetings run on time?		
	Do meetings have agendas?		
	Are the work areas clean and organized?		
	How do employees learn and grow in their jobs?		
Ideas and Decisions		Yes	No
	Does the company reward the generation of ideas?		
	Is the idea more important than the person who had the idea?		
	Is the decision making process passionate, fair and driven by data?		
	Once a decision is made, does everyone work to support the decision?		
Culture and Ethics		Yes	No
	Are the people dressed professionally for the circumstance?		
	Do employees greet each other with respect?		
	Are the offices generally neat and attractive?		
	Is sarcasm rare in the office?		
	Are people excited, is there an energy in the office?		
	Are negative or unproductive people removed from the company?		
	What are the core values of the company?		
	How do employees describe the management style of the company?		
Communication		Yes	No
	Does the CEO or business leader routinely discuss the business?		
	Do employees know the highlights and lowlights of the business?		
	Does the employee know the next time a presentation will occur?		
	Are multiple communication tools (presentations, video, web) used?		
	How are conflicts resolved at meetings?		
	How is leadership demonstrated at the executive level?		
Products and Markets		Yes	No
	Do the employees know the end product/service they are working on?		
	Do the employees know who the customers are?		
	Are the employees aware of the product roadmap of the company?		
Customer Satisfaction		Yes	No
	Were you greeted professionally and with courtesy as you entered?		
	Is the lobby oriented to help a customer?		
	Are stories of heroic customer service part of the company "lore"?		
	Can the employees list specific things done to help customers?		
	Does the company take steps, like reserved parking, to honor customers?		
Total			

Figure 1. The assessment worksheet.