

Managing Culture in Chaos

Lessons from our CEOs



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INTRODUCTION

As our team at CarterBaldwin has sought to respond to these unprecedented times, the need to maintain - and indeed even strengthen - our culture in the midst of a dramatically different work environment has been front and center for us.

Like so many companies, we have increased the frequency of our communication and been intentional about understanding how our team members and their families are doing. Seeking feedback, checking in and even conducting confidential surveys of our team during this process have been key parts of responding well to the needs of our organization and to maintaining and hopefully even increasing engagement levels. We are making lemonade out of lemons, finding previously untapped areas of productivity in this remote mode, and even having some fun. But the continued isolation and the unsettled climate we are in the midst of has implications for our firm's culture.

As the state of Georgia has started to open back up, we have had many conversations about how we return to our offices. Health and safety concerns are paramount. But the cultural impact is very complex. Global, national and local events unlike any we have faced in our lifetime have impacted everyone in our company in a different way, and people have different opinions about them. How we reconvene together, including leveraging the productivity gains we've made from being remote, are tricky questions as we seek to continue building our firm.

We're still answering these questions... but our quest to answer them has spawned another question: **How are our clients managing their cultures in the midst of this period?** Our team asked a number of our client CEOs about what they are doing so we could learn from their efforts to maintain and enhance their company cultures as they navigate this storm. **Here's what we learned...**

CULTURE REALLY DOES EAT STRATEGY FOR LUNCH

Mike Dennison, the CEO of Fox Factory (NYSE: FOXF), said this: “Culture is the most important element in a company’s identity, in a way it’s a company’s fingerprint, its unique DNA. Where organizations fail is that without engagement, people are left to develop their own personal understanding of how they fit into the broader culture of the company. I think engagement is the most important element in managing culture within any organization. Everything is harder in a crisis. Normal processes and ways of working can change dramatically. However, culture should stay intact. How you retain culture is through engagement. Increasing communication, increasing access and reaching out to people become incredibly important.”



Peter Heintzelman, CEO of Cobb EMC says that “it is critical to communicate and let everyone know that we’re all in this together and that we are a team united. As a united team, we have to stay extremely alert to finding solutions as we travel through the fog of uncertainty around some of the issues we’re facing. Doing that with our hands on each other’s shoulders will help us find our way through.”



“Your veteran colleagues will tell you that we have been through turbulent times before, and what has always carried us through has been our commitment to our values, our culture and each other.”

- Ed Bastian, CEO of Delta Air Lines

REFINE IT IN THE FIRE

The rapid “snap” of COVID-19 changed operating environments so quickly that managing the cultural impact had to begin with the foundation already built. **Scott Harrison, CEO of Quala**, an Advent International portfolio company, told us, **“Whatever culture you have isn’t going to be established during this time. The goal is to foster what you already have.”** This theme has been consistent across all of our clients.



Lynne Laube, Chief Executive Officer of Cardlytics (NASDAQ: CDLX) has leveraged COVID to further embed key elements of social connectivity and transparency that were already evident but perhaps taken for granted when colleagues were physically together. With offices and employees across the globe, they quickly began pulling together virtual meditation sessions, virtual happy hours and even a virtual running club where people checked in online before and after their workouts. These have continued to be great ways to reinforce the really positive things they had going before this period. In the midst of this period, though, **isolation** continued to be an issue at Cardlytics, so they expanded the use of daily stand up meetings to keep people connected and aligned in their work.

“The best indicator of how you will succeed leading through this crisis is how you led before the crisis. If you built trust and a strong culture over the years, then you can now draw upon that reservoir. Communication is key. In a time of crisis there is no such thing as too much communication.”

- Mehran Assadi, Chairman, CEO & President, National Life Group

Jonathan Reckford, CEO of Habitat for Humanity International, was faced with very hard choices thrust on him in the shutdown. Just prior, the global non-profit had completed a deep dive into their core values. That proved fortuitous as three of those values came into rapid play -- humility, accountability and courage. Jonathan shared, **“Culture is often put to the test in times of crisis, and each one of these guiding principles reminded us to do what is right even when it's difficult.”** Jonathan had to make hard choices, including layoffs, pay cuts and expense reductions while continuing to do what Habitat does ... putting our communities first, especially those most at risk. Since the initial spread of the virus, Habitat for Humanity had to suspend volunteer builds involving domestic and international travel. They also temporarily closed more than 900 home improvement ReStore locations. While they cut back operations and faced significant financial pressure, they also donated THEIR supplies of masks and PPE to local hospitals. **Habitat walked their talk... Culture in Action.**



FOLLOW THE LEADER

In a crisis, people need leadership. **Todd Shelton, CEO of Phillips Pet Supply**, a Thomas H. Lee portfolio company with over \$1B in revenue and 1,500 employees, quickly led his executive team through a process of developing guiding operating principles for the pandemic. As an essential business that ensures pet food and supplies get to retailers and pet owners, **Todd challenged his organization to operate with 3 “durable mantras that we could drive towards no matter what:**

1. **Protect the safety and well-being of employees and teammates.**
2. **Ensure consistent service for the brands and customers they serve.**
3. **Lead with the future in mind.”**



Steve Cochran, Chief Executive Officer of Tegra Global, an Apollo Global Management (NYSE: APO) portfolio company, took a similar tack with his team and business. Tegra manufactures sports apparel for Nike and other large brands. Pre-COVID, Tegra had over 10,000 employees in the US, Nicaragua, Honduras and El Salvador. The company was hit very hard as large retailers closed their stores and sports teams stopped operating. **Faced with a massive, almost immediate decline in their business and a complex Latin American manufacturing and supply chain model, Steve pulled his team together and quickly built a game plan based on 4 guiding principles:**



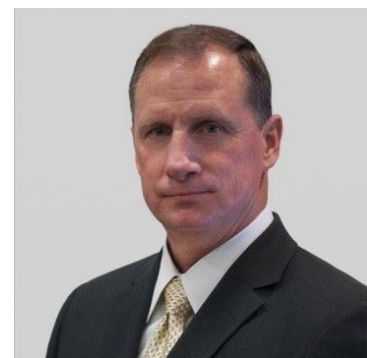
1. **Survive the crisis.**
2. **Emerge stronger.**
3. **Protect the uniqueness of our model.**
4. **Ensure company, people, process and culture are intact.**

Both Todd and Steve are confident that rapid, clear leadership in the face of such sudden change in our world set the tone and pace for each of their organizations to lean into this crisis in a clear-headed, focused and intentional fashion.

LEMONADE FROM LEMONS

The bedding industry was not an obvious candidate to be deemed an “essential” business. Mike Thompson, CEO of Corsicana Bedding, a Long Point Capital portfolio company, deemed his company essential after communications with FEMA, Army Corps of Engineers, hospitals, and other emergency facilities. Corsicana had been a challenged company and Mike was very clear with the organization about the realities they faced. Despite a “tough” message, Mike was real, transparent, and heartfelt.

Mike shared, **“There was a moment of pain and a moment of pause – then there was focus. Our whole team rallied around ‘never quit, never surrender.’ We are going to be last man standing.”** This created a shared pride and collaborative competitive spirit that we could not have created without the crisis.



“Our team has significantly outperformed the overall industry, and it has created energy for us.” To maintain this, communications have been “crystal clear” and constant. All functional leaders Skype twice daily for an “all hands call” to review schedules and production plans.

Employee pride has swelled, and performance has improved; the company has launched over 20 new products during this time. May was an outstanding month as Corsicana won new customers and regained previous customers. Corsicana also began making personal protection masks for its employees and began offering them to customers. Mike has turned “a tough environment into a huge opportunity.” **COVID is contagious. So is “positivity.”**

Arsen Kitch was named President and CEO of Clearwater Paper (CLW) this past April – an interesting time to take the helm. After nearly seven years with the company, Arsen was aware of the culture and values of the company and the importance of preserving them. He shared that **“Clearwater Paper has a face-to-face culture with a focus on collaboration – it is a core value for us and vital to our success – I knew we couldn’t lose that.”** As Arsen took on his new role, a top priority was visiting and connecting with the company’s 3,300 employees across 11 manufacturing sites. He quickly realized that with the impact of COVID-19 and the importance of keeping employees safe and healthy, he needed to find other, more creative ways to communicate with his team.



Using video and personal written communication enabled Arsen to reach a large number of employees in a short period of time. **“Nothing beats face-to-face communication, but our innovative efforts to communicate virtually have been effective. We have received positive feedback from our employees for finding a way to talk to them during a challenging time when communication has never been more critical.”** Technology and a virtual presence have enabled Arsen to stay close to his employees as well as the company’s investors and the Board of Directors. Interestingly, technology has not just helped Clearwater Paper keep in touch but has also allowed the company to become more agile with its customers.

DON'T LET UP

Ney Corsino, CEO of Nanolumens, a high-tech, innovative LED display company backed by PEI Funds and Illig Family Enterprises, made a wise observation about how people are moving through this period. **He described the phases as “shock” (the shutdown), to “stabilizing” (operating on Zoom), to “hope,” and finally “malaise” as the return to normalcy has been slow in coming.**



Ney’s description captures what many of us are feeling and focuses leaders on the need to stick with it and lead with resilience as this period continues on ... with some indefiniteness to it.



Lynne Laube at Cardlytics told us “we’re all Zoomed out, but we’ve always declared that our people are our most important asset ... NOW is the time to show it ... we can’t let up.”

“How companies respond ... is going to define their brand for decades. How you treat your employees today will have more impact on your brand in future years than any amount of advertising, any amount of anything you literally could do.”

- Mark Cuban, Owner of the Dallas Mavericks and Co-Founder of Broadcast.com

WHILE THE WORLD HAS SLOWED DOWN, WE ARE ACCELERATING!



Rory Leyden, CEO of Hoffmaster, a portfolio company of Wellspring Capital Management, Inc. and industry-leading manufacturer of specialty disposable products, has focused on infusing more speed into Hoffmaster’s culture. **“We are not focused on maintaining our culture, we are enhancing it to create a faster pace to service the strategic adjustments of our largest customers – some of the**

largest retailers and restaurant chains in the country.”

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Moving faster meant increasing collaboration, so they launched frequent Zoom interactions with cross-functional teams of 3-5 people focused on different aspects of company growth. Through this, Rory says Hoffmaster has “broken down traditional silos, tightened relationships and kept people engaged.”

They are driving new product ideation and innovations that have led to the launching of several new eco-friendly and sustainability-based products. Beyond this, Hoffmaster truncated a two-year planned broker transition plan, executing it in a matter of days and also dramatically compressed a multi-year e-commerce initiative to align the business with customers like Walmart and Target – they will be done by this summer. **More speed in their culture has increased energy, and with it, action.**

RELENTLESS FOCUS

With thousands of retail stores impacted by shelter-in-place, **Steve Preston, CEO of Goodwill Industries**, recast Goodwill’s immediate mission to service membership. Goodwill is made up of a network of 157 local, community-based 501(c)(3) Goodwill organizations, with a combined 3,500+ retail and outlet stores, 131,000 employees and multiple workforce development centers that provide supportive training, development and employment services to near 2 million people. **Initially, they launched daily webinars on critical topics, bringing in external experts and internal best practice leaders to improve response to issues of immediate relevance.**



They also kept people abreast of opportunities and issues relating to federal aid/legislation. The webinars targeted both the local CEO level and the next level below. **In addition, Steve’s team instituted a Corona Response website with how-to guides, financial tools, links to critical resources and recorded webinars.** Finally, they established a team to reach out to financially distressed members who need more hands-on support, including contracting with external partners to support them.



MEET PEOPLE WHERE THEY ARE

As **Steve Cochran at Tegra** observed the impacts of COVID across their 10,000+ team and global site has impacted everyone in a different way. He commented that some have lost loved ones, some have at-risk people in their homes, some are struggling with anxiety. Fear of job loss and anxiety managing kids at home while also trying to work all impacted his team. Meeting them where they “are” became a key priority, so Steve and the ELT identified 24 key stakeholders and built a focused communication plan for each. Already a hard worker, Steve pivoted to an almost “always on” communication mode with these different groups, spanning employees, customers, government officials and even competitors. **Motivation, inspiration, ways to reduce stress and always clear updates are key parts of Steve’s drumbeat “stakeholder specific” communication.**

Like many businesses operating in the retail ecosystem, Phillips also has real headwinds brought on during this crisis. In the midst of that, **Todd Shelton** focused his team on trying to meet the emotional needs of his

organization while they sought to deliver on financial requirements. They created a new “hometown heroes” initiative to celebrate associates via video. Rather than trying to make this a formal production, they leverage a home video style, making it easier and more family-like for their 1,000+ associates to showcase great work, great attitudes and the accomplishments of their people.

Todd has become a “super-user” of Microsoft Teams, scans his address book daily, and does quick 5-minute check-ins at all levels throughout the company when he sees the green “available” status. **Many who would never have met Todd have now experienced his impromptu call just to check in and see how they and their families are doing.**

What is important about Steve and Todd’s responses to their team’s stress and emotional pressure is that these men genuinely and authentically care. **While their tactics are compelling, what matters most is the authentic way they are meeting people where they are. It can’t be faked.**

"Culture is where people get it wrong. You can't start a culture in a crisis. Make sure that you are treating your employees right. Make sure that you take care of the employees and they will take care of the business. Otherwise, when the crisis happens, you have no one to help you."

- Teresa White, President AFLAC US, and the AFLAC Field General for Coronavirus

IN CONCLUSION

CarterBaldwin has been so inspired by, and even validated by, the insights our clients shared regarding how they are responding to this challenge. They are finding ways to reinforce and strengthen the enduring parts of their enterprises and even to improve in the midst of this period. We are grateful for the organizations and people that we work with every day. We hope that getting a view into how some of the successful CEOs we work with are leading their companies and managing their cultures during these chaotic times is of as much value to you as it has been to us.

ABOUT CARTERBALDWIN

CarterBaldwin is a retained executive search firm managed by a partnership team with more than 100 years of combined experience. The company is ranked among the Top 40 search firms in the nation by Hunt Scanlon and has been named by *Forbes* as one of “America’s Best Recruiting Organizations.”

To discuss how we can build and strengthen your culture through outstanding leadership recruiting, request a consultation at www.carterbaldwin.com



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