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Cover Story: Getting the people part right



Cathy Cheney

Webtrends moved into new office space in U.S. Bancorp Tower just as company executives work to rebuild a dynamic workplace culture after months of turmoil.



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Jama Software CEO [Eric Winqvist](#) has always run a hyper-collaborative shop. Founded in 2007, Jama began life in the Portland State Business Accelerator. Two years later, the company moved to The Pearl and next year Jama will settle into newly remodeled space in the 2&Taylor building in downtown Portland. It employs about 120 workers and Winqvist expects that number to grow in 2014.

As the company has gotten larger, maintaining that collaborative culture has become more difficult. It used to be that every employee was involved in nearly every major decision. That all changed, said Winqvist, when Jama hit about 25 employees and the team could no longer squeeze into one room.

“We had to start changing. How do we still have a sense of community and empowerment and share information but make decisions faster?”

Winqvist isn't the only technology CEO wrestling with that question. Cloudability's [J.R. Storment](#), Simple Finance Corp's Josh Reich, [Puppet Labs' Luke Kanies](#) and an army of other execs at fast-growing startups are focused on scaling the very cultures that have been key to their success.

Portland tech execs have recognized that culture isn't static. It must be tended. That's true for established firms as well as startups.

Portland-based Web analytics firm Webtrends has been around for 21 years. During that time it has experienced plenty of growing pains, including churning through a succession of CEOs and recently laying off employees. Its culture suffered. Under the direction of new CEO [Joe Davis](#), the company is now focused on rebuilding employee trust, and infusing the workplace with a sense of energy and fun.

It's a wise investment, according to [Robert Sutton](#), author of *Scaling up Excellence: Getting to more without settling for less*.

“Scaling is about accentuating the positive and eliminating or reducing the negative. Good leaders deal with the negative and don't let it fester,” Sutton said. “It's contagious and can undermine things quickly.”

While classic startup perks such as ping pong tables, pinball machines and happy hours may liven up a workplace, it's the less tangible cultural touchstones such as open communication, collaboration, transparency and creativity that translate into engaged and loyal employees, a necessity in Portland's competitive tech industry.

Tech industry unemployment nationwide in the second quarter was 3.6 percent, well below the national rate of 7.6 percent. That means that engineers, software developers, project managers and other skilled tech workers in Portland and elsewhere can be choosy about where they work.

A company's culture is a competitive advantage in attracting employees. Ignore it, and risk losing top performers.

Cultural archaeologists

If you've ever doubted the power of a healthy corporate culture, consider this data from Gallup's most recent *State of the American Workplace* report.

The research firm found that just 30 percent of American employees are engaged in their work. Gallup determined engagement by asking employees to rate their workplaces based on statements such as: At work, I have the opportunity to do what I do best everyday; At work, my opinions seem to count; The mission or purpose of my company makes me feel my job is important.

According to Gallup, companies with high numbers of engaged employees were also high performers within their industries. Company's with an average of 9.3 engaged employees for every one disengaged employee posted earnings per share that were 147 percent higher than competitors.

“If you have a team of engaged, inspired and excited people the results they will generate for you are exponentially better than a team that is just plodding along,” said Winqvist, who added that he spends more time on culture issues than anything else.

That's not a surprise. Tending to culture is a proactive, time-consuming undertaking that requires lots of digging, strategizing and energy. Kegs and ping pong are the easy part.

“Really diving in and doing an anthropological dig into the culture becomes a little harder task,” said [Tracy Wymer](#), vice president of marketing and workplace media research at [Knoll](#), which helps companies design efficient workspaces.

The biggest challenge is deciding upon the company's values and making sure those are reflected in the workplace and the employees.

Puppet Labs' attention to culture is evident in the hiring of [Laura Stepp](#), who joined the company in 2012 to head up human resources and organizational development. Puppet is one of Portland's fastest-growing tech firms. In the last year, the IT automation software maker has grown from 147 employees to nearly 300.

Stepp, who worked previously at [Intel](#) and [Nike](#), is focused on the effectiveness of systems, organizational design and strategic planning. At Puppet — a company that values transparency, ownership, iteration, customer delight and collaboration — her job is to move the culture forward.

“(It's) the intersection of process and culture. As we build process we make careful decisions that it does or doesn't reinforce the culture,” she said.

Employees play a big role in defining Puppet's culture. For example, employee groups interview new hires, an effort to ensure that new employees are a good cultural fit.

Employees have also helped develop what Stepp calls “Puppet speak,” which is the way the company talks about itself and its products to customers. That language is reinforced in all the company's communications, including the company handbook, parts of which are crowdsourced from employees.

“There is a lot you can do around shaping how you use language to support cultural outcomes and not detract from them,” Stepp said.

Bigger is harder

The author Sutton, who's also a [Stanford University](#) professor of Management Science and Engineering, has spent years studying culture and advising young tech and venture capital firms in the Bay Area on how to tend to it.

“Once a group gets beyond five, six or seven people the conflict goes up and efficiency goes down because you spend all this time on communication problems,” he said. “(It’s) this notion that what got you here won’t get you to the next stage very often. As organizations get larger they need more hierarchy and more specialized roles. You need more process.”

Injecting process into what has been a bureaucracy-free workplace might seem like a culture killer, but it is necessary.

“The notion of having no bureaucracy just because we are a startup is dangerous,” Sutton said.

A key turning point for many companies is around 30 employees — remember, that’s about when the Jama Software team could no longer fit in one room. As a company grows, communication, collaboration and some of the other core values so common among tech startups become exponentially more difficult to maintain. Toss in growing pains and the challenge becomes even steeper.

Take the case of Webtrends. Founded in 1993, the Portland company was a superstar of the city’s startup scene. In 1999, it went public, raising \$45.5 million; it was acquired in 2001 by California-based [NetIQ](#) in a \$1.1 billion stock deal; and it was sold again in 2005 to the private equity firm Francisco Partners for \$94 million. At the time, the company had revenue of about \$60 million, but competition from rivals like [Omniture](#) Inc. was cutting into market share.

Webtrends’ growth began to slow, and the company went through a series of CEOs, eventually landing on [Alex Yoder](#), who led the company for about 8 years. Yoder stepped down unexpectedly in late 2013 and a series of layoffs followed.

Employee morale plummeted as uncertainty took root.

“There is a buzz when stuff is changing and people aren’t sure where it is going,” said [Liz Martin](#), who joined Webtrends as senior director of marketing and communications in December.

The uncertainty did seed some good. A group of employees formed the self-described “culture club” to brainstorm ways to salvage the culture.

The club has the ear of new CEO Davis and of Martin, who is a member.

“At any major pivot point at a growing company there are storms,” Martin said. “In the last several months leadership has used the time to look at what is Webtrends and what do we stand for and where do we want to go.”

After a lot of listening, Webtrends' executive team came up with five key areas on which to focus: increased communication, employee recognition, better collaboration and creativity, excuses for fun and employee perks.

The company's new office space will help facilitate some of those initiatives, particularly collaboration. In its previous location, Webtrends employees had been scattered among several floors. Their new space in the U.S. Bancorp Tower can accommodate the entire team on one floor.

Davis spends plenty of time talking to employees, said Martin, who added that teams are talking to each other more, too, and there is a sense of renewed passion, both of which will support the company's long-term, culture-related goals.

"Since we are a Portland company we hear about other companies that have a buzz and we want the same thing," she said. "We want people to want to work here."