ORGANIZATIONAL CULTURE

Traeger's CEO on Cleaning Up a Toxic Culture

by Jeremy Andrus

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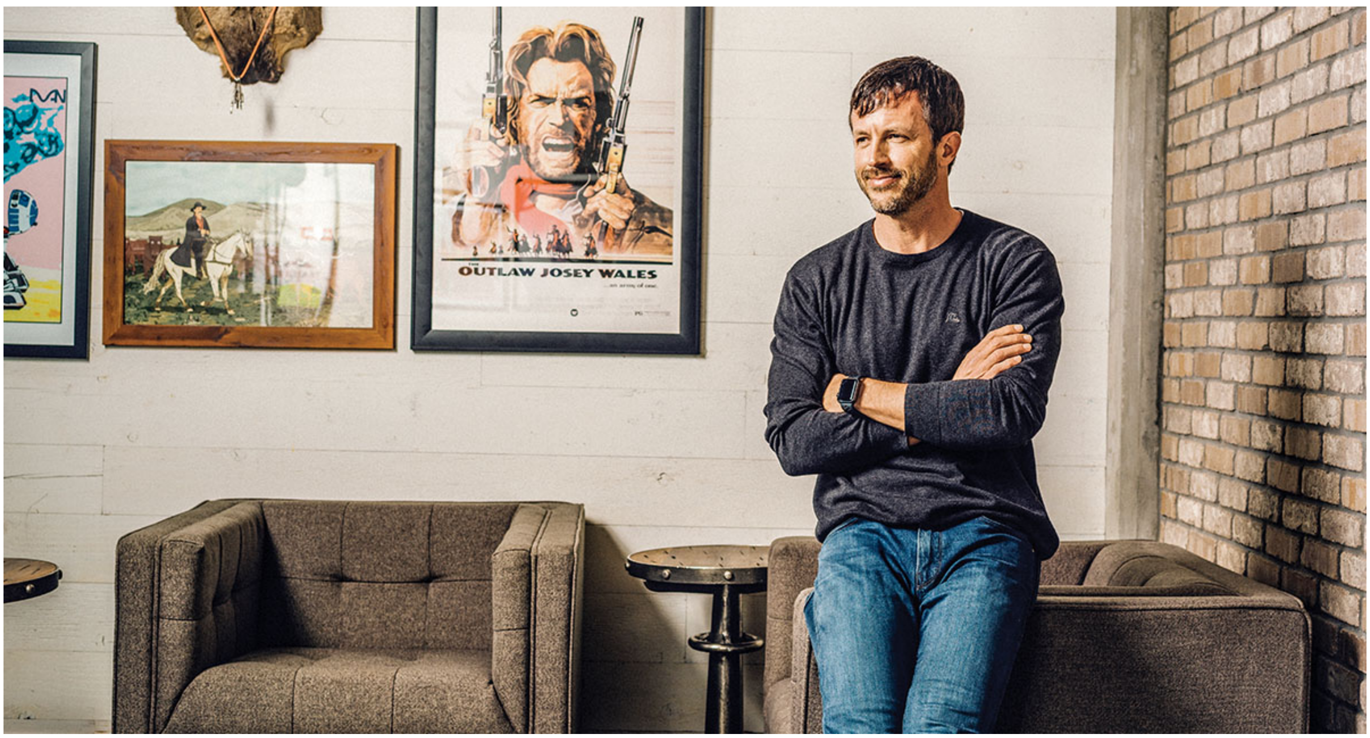


Chad Kirkland

One morning in October of 2014 I pulled into the parking lot at my office to find it surrounded by fire trucks. On the previous visit I'd made a big announcement: Traeger, the Oregon-based outdoor cooking company where I had recently become CEO, would be closing its warehouse and trucking operations and outsourcing them to UPS. The move made strategic sense, and we had offered generous severance and outplacement assistance to the several dozen employees affected. Nonetheless, the news hadn't gone over well. When I got out of the car, I learned that one of our big-rig trucks was on fire. We didn't know who was responsible, but it was obviously arson.

I gathered my executive team inside to talk about how to handle the incident. Someone's online news feed was reporting on an office in Alabama where just that morning a disgruntled employee had shot and killed a couple of coworkers. It made us reflect on how much worse things could get at Traeger. An hour or so later a longtime employee stuck his head in the door and said, "Rumor has it something big is going down today." I knew I had to stand in front of the company to address the team, and what might come next made me nervous. It was the first time I'd ever felt physically unsafe at work.

There is no case study for what to do when employees start burning your assets, or a potentially mutinous mob begins to form. Sadly, these incidents were just extreme examples of a larger problem: Our company had developed a toxic culture characterized by lack of trust, negative attitudes, and a stubborn refusal to collaborate. As a new CEO I had spent months trying to figure out how to solve the problem. The day of the truck fire represented a turning point: I knew we needed to dismantle the existing corporate culture and build a new one from scratch.

The Lure of Entrepreneurship

My route to becoming the CEO of Traeger was circuitous, to say the least. Like a lot of other people, I had a hard time when I was in my twenties figuring out what I wanted to do. After college I spent three years as a management consultant, and although I learned a lot, I didn't love it. Then I spent six months day-trading stocks, which was the most stressful and exhilarating job I've ever done. I helped a company build hotels. I enrolled at Harvard Business School, but when I graduated, in 2002, in the aftermath of the dot-com recession, the only companies interested in me were management consultancies and real estate development firms, because that's the experience I had on my résumé. I knew I wanted to do something different.

After a few months of sleeping in my parents' basement, I moved to Dallas and became a partner in a small frozen-drink company. It was the first time in my career that everything came together. One minute I'd be driving a forklift in the warehouse; the next I'd be negotiating with a banker; the next I'd be trying to make a sale to a distributor. I loved being able to touch every part of the business, and the experience convinced me that I'd be happiest as an entrepreneur.

A few years later someone introduced me to Rick Alden, who'd founded a company called Skullcandy. It was still tiny—only $500,000 in sales. (It was still putting speakers into snowboarding helmets and hadn't yet moved into headphones.) In 2005 I became Skullcandy's VP of operations. We grew so fast that I always felt a step behind, but I was learning a ton. Rick struggled to raise funds from outside investors, so we built the brand on very little money. I ended up becoming CEO, staying for eight years, growing the business to $300 million in revenue, and taking it public. I eventually learned that I didn't particularly like running a publicly traded company. We were dealing with a lot of short sellers, and in retrospect, we were too small to have gone public. In early 2013 I left and joined a private equity firm to look for a smaller company I could buy and run myself.

Some Magic in the Brand

I looked at 40 or 50 deals and spent serious time on about 10 of them. I was most interested in consumer-facing brands. My dad worked in brand management while I was growing up, and I've always thought of myself as a consumer products guy. I enjoy figuring out how consumers think and building a brand and a product to address their needs. One target was an all-natural candymaker. I came close to buying a high-end blender company. In every case I focused on whether I thought I could significantly grow the business.

Traeger first came across my desk in the spring of 2013, very early in my search. It was 26 years old and had created and patented something called a wood pellet grill—but I'd never heard of the company or the category. Its origins lie in the 1970s oil crisis, when people began looking at alternatives to oil heat. Wood pellet stoves became popular for home heating, and in the early 1980s Joe Traeger, who ran an Oregon heating company, began experimenting with using the same technology—whereby an electric motor spins an auger to feed wood pellets into a burn chamber—for an outdoor grill. Because they use thermostats to control the heat, pellet grills are especially good at smoking meat at steady temperatures. I had a 30-minute call with the company and decided the opportunity wasn't for me. Backyard grills didn't seem like a very interesting industry—it's a highly commoditized space, and I didn't see much competitive advantage in bending and welding metal. After the call ended, I didn't give it another thought.

Even though I was his boss, the CFO said he couldn't find time to meet with me.

A few months later the private equity firm that had brought the company to my attention called again. It had since bought a stake in Traeger and partnered with the existing CEO. That hadn't worked out, and the PE firm was looking for someone new to lead the company. By then I'd been searching for a buyout target for 10 months and was getting impatient, so I listened more carefully. The firm had done more research on Traeger; it had new data on the company's Net Promoter Scores, which were off the charts. It turns out that people who buy a

Traeger grill tend to talk it up to everyone they know, persuading friends to buy one too. There seemed to be some magic in the brand that the current owners hadn't been able to turn into scalable growth. That piqued my interest.

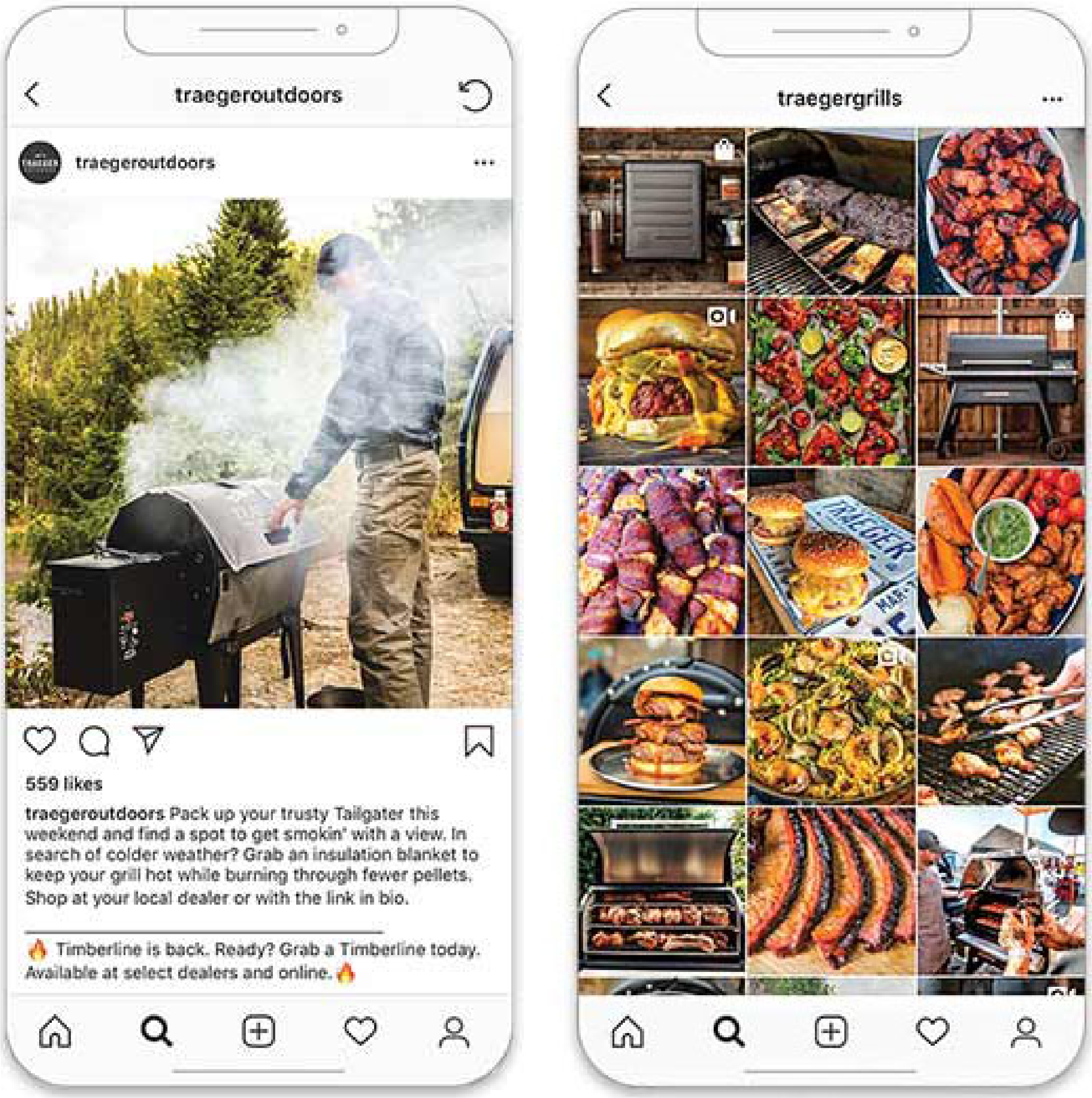
We created a structure in which I would become a minority shareholder and the CEO. I went out to Oregon to visit the headquarters—but as I began to learn more about the culture there, I wondered if I'd made a mistake by ever getting involved.

A Bruise on My Chest

During my first visit I focused on two things: the potential to grow sales, and the quality of the existing management team. I saw a lot of room for improvement. Until 2010 the company had been manufacturing the grills itself, which didn't make a lot of strategic sense, but recently it had begun outsourcing manufacturing to China. In 2013 it was still operating warehouses and doing shipping and fulfillment, even though most competitors outsource that as well. It even had its own trucks and drivers on the payroll. About 240 people worked there—120 in the Oregon headquarters, 30 in a sales office in Utah, and 90 commissioned salespeople around the country. I lived near the Utah office with my family, so I began traveling back and forth between the Utah office and Oregon headquarters.

Pretty quickly I began to sense a cultural problem. The PE firm and I each held a minority stake; the majority owner was a serial entrepreneur who lived in Florida. He'd owned the business for eight years, and I was the eighth senior executive in that time; seven had exited. Later on I learned that employees called me Ocho (Spanish for "eight") behind my back, and they didn't expect me to last long. Their behavior reflected that. When I asked for data, they would ignore me.

Once, when I was visiting headquarters, I asked the CFO if he could meet with me. Even though I was his boss, he said he couldn't find any time in his schedule. (He eventually found 30 minutes for me on that trip.) I'd ask people to work together on a project, and they'd simply refuse.



In tandem with its culture shift, Traeger has revitalized its marketing—building a community of fans and influencers on social media. Above, images from its Instagram feed.

Although the majority owner had no operating role, he was talking to people at all levels of the company, multiple times a day, so employees acted as if he were in charge. The owner had created a culture of fear: Everyone was afraid of him, and he liked it that way. I recently reread the e-mails I exchanged with him during my first 90 days, and I'm proud of how measured and restrained I was. He was aggressive and abusive, and that style rubbed off on other people in the company.

I needed to bring in a better management team, so I hired a few executives I'd been close to at Skullcandy. That inadvertently made the cultural problems worse. It became an us-versus-them situation, with my new team and me on one side, and the majority owner and long-term employees on the other.

The first step in trying to solve the cultural problem was to eliminate the majority owner. So on June 20, 2014, about five months after I'd come on board, the PE firm and I bought him out. It was an important moment—one we celebrate as a company holiday every year. We call it Traeger Independence Day.

Once we'd solved the ownership problem, we began to recognize other issues. When I first got involved with Traeger, it was a $70 million business—with amazingly unsophisticated controls and processes. Our warehouses were outdated and undersized; they couldn't handle our existing volume, let alone the growth we wanted to create. As we analyzed the financials, we realized we had a big issue with channel management. We sold our products online direct to consumers, but we also sold them through retailers such as Ace Hardware and big-box home improvement chains. It turned out that most of our direct-to-consumer sales were at deeply discounted prices—often less than what our retail partners paid us for the products. They were understandably upset by that, since we were persuading them to stock our grills and then undercutting them on pricing. The first time I went to a trade show, I came home with a bruise on my chest: Retail customer after retail customer had poked me hard for underselling them and providing horrendous service.

Back at headquarters I spent a lot of time meeting with the top 30 or 40 people in the company, trying to get a sense of their willingness to change. We did a cultural survey to gather quantitative data and allow for anonymous feedback. We created a new mission and five values that would drive Traeger, but as we began communicating them, nothing seemed to happen. Many employees had been working there for years (some were even second generation), and they had little incentive to do things differently. The fact that I spent 75% of my time away from headquarters didn't help; as soon as I left, people could go back to operating the way they wanted. For a while I thought about moving my family to Oregon, but I wasn't sure that would fix the situation.

A Culture from Scratch

In the days after the truck fire, I resolved that the only way to deal with the toxic culture was to reboot. We decided to move the headquarters from Oregon to Utah. Most of the new executives and I lived in Utah, and with my network and reputation there, I knew I could build a strong team. In leaving Oregon, we'd leave behind the employees who were blocking our efforts to create a more positive and collaborative culture at Traeger.

We worked on a plan in secret for about 45 days before we announced it to everyone. It was a costly move: We paid severance to the people we let go, and we paid retention bonuses to key people to stick around in Oregon long enough for us to set up the new headquarters. Although we were happy to be able to rebuild the culture completely, we worried a lot about the loss of institutional memory. Businesses this size tend to operate on tribal knowledge: Many things aren't written down, and practices are carried around in people's heads. It's hard to transfer that knowledge—especially when people are upset about losing their jobs.

Starting a company from scratch means you can build the culture from scratch too.

Part of me regretted having to make such a dramatic move. But the more I reflected on it, the more I recognized that the decision resulted from the near-impossibility of transforming a legacy culture in which negative attitudes were so deeply ingrained. One of the advantages of starting a company from scratch is that you can build the culture from scratch too. Even though this company had been around for three decades, by relocating to Utah we'd be doing a complete reset.

We spent a lot of time deciding whom to invite to move to Utah. By that point, after we'd closed the warehouse and trucking operations, we had about 90 employees in Oregon. We assessed each one on competency and cultural fit. We graded people as positive cultural leaders, neutral, or cultural detractors. If people were cultural detractors (and many were), it didn't matter how competent they were—we didn't want them. You'd think the detractors would be easy to identify, but that wasn't always true. I remember one guy who worked in finance. I saw him as positive and upbeat, but when he left the company and did an exit interview with an external HR firm, I asked to see the transcript. I was shocked by how mean-spirited and negative he was.

If someone was a cultural neutral and highly skilled in a job that would be hard to fill, we invited him or her to move. Only a couple were cultural leaders, and we invited them too. Among the 90 people were perhaps 12 or 15 we hoped would come to Utah; of those, five or six actually made the move. In general, the people we wanted had worked at the company for only a few years. They were ambitious to develop their skills, hungry to be promoted, and capable of moving between roles easily. The longer-tenured employees weren't adaptable and had too thoroughly assimilated to the negative culture. We thought about this in terms of a quarantine: We needed to be certain we didn't bring anyone who could infect the new culture we were trying to create.

A Space True to the Brand

The Utah headquarters officially opened in September of 2015, and we said good-bye to the last employee in Oregon in early 2016. We've hired lots of people since we moved—we're now at 450 employees globally—and I spend time with every candidate before he or she gets a job offer. I don't focus on their résumés. I want to understand how they think about risk taking and what skills they want to develop. I try to ensure that we apply a tight cultural filter to anyone we hire. We want to find people who are already living by our values.

Our physical offices play an important part in the new culture. We worked with architects to create an environment that feels true to our brand. It's an energetic, outdoorsy space, with furniture made from reclaimed wood. The conference rooms are named for aspects of Traeger's past. (One is called the Abbey, because Traeger was originally launched on land where a monastery once stood.)

There are many beautiful places to cook and to sit and eat, since we see our brand as focusing on cooking and food, not on the metal or mechanics of the grill. Every Monday morning we cook breakfast for the entire company, and we cook lunch together Tuesday through Friday. Preparing food for and with colleagues is a way of showing we care about one another. The resources we've put into the office design communicate that as well.

Since I got involved with Traeger, we've done a lot more than try to transform the culture—we've overhauled our strategy, our marketing, and our product line. We've built a community of fans and influencers on social media and in real life. I'm convinced that the cultural shift we've achieved is an important driver of our results, which have been significant. In just five years we've grown sales from $70 million to nearly $400 million. The change isn't apparent only in our financial statements and in the mood around headquarters—our retailing partners see evidence of it too. That's important, because they play a vital role in helping us educate consumers on the advantages of pellet grills over gas or charcoal. It all stems from the research that first got me interested in this company: Once people try a pellet grill, they never go back.

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24 COMMENTS

Chibueze Iheoha 2 months ago

A good article to take a bit from and condemn some of his organizational change strategies. Buying up the partner was a good one . Strategically sacking the team/employees simply because he needs to bring the company close to his comfort zone wasn't a smart one . In addition, his incentives and tactics should have at least kept 50% of the workers and bring his ideological change in them. Rather his last resort was to sack them and recruit workers who will pick his organizational skills or style . As a management guy I expected him to look at the factors that will affect the organizational culture of the company and improve the corporate performance.

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