Guttman Insights

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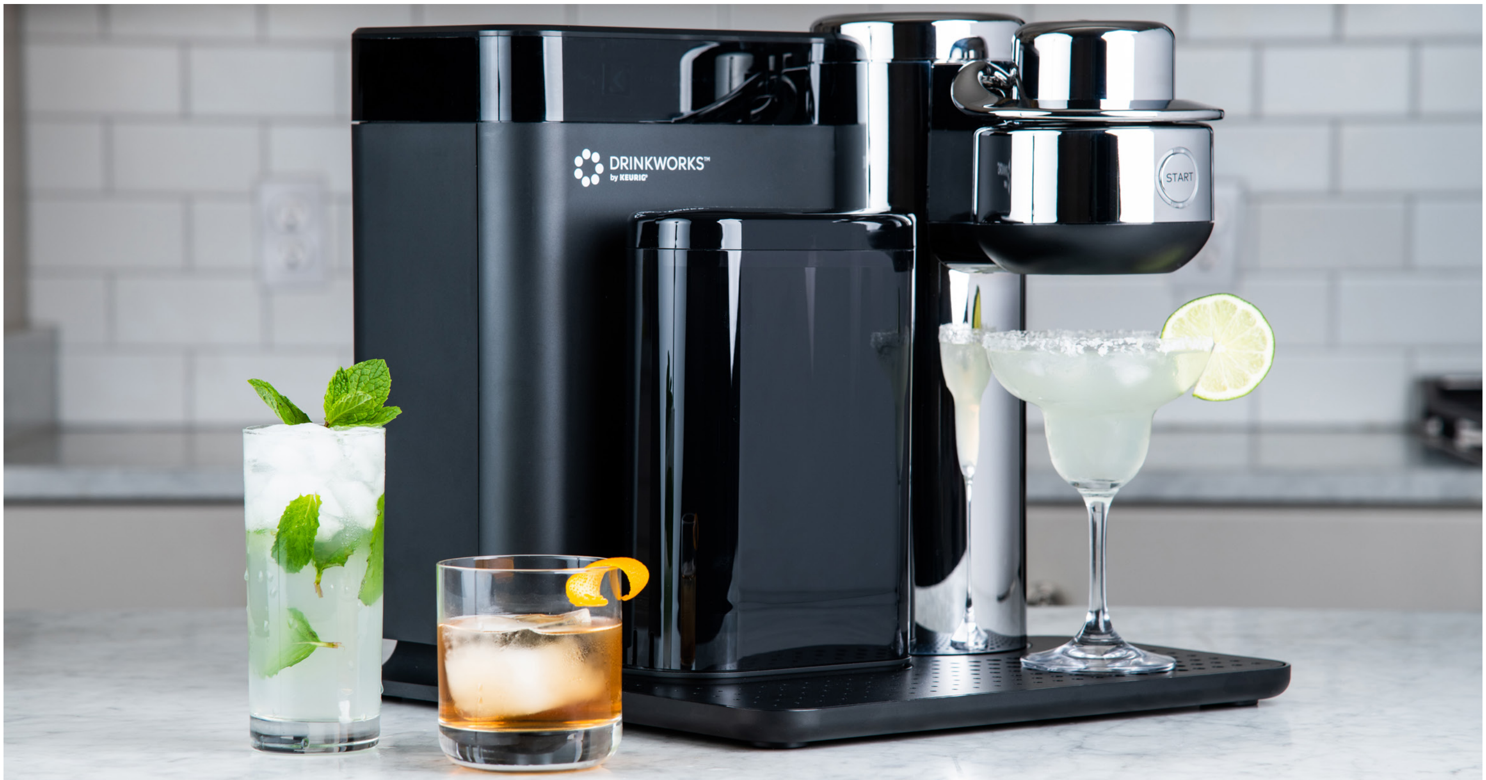
Nathaniel Davis is president and CEO of Drinkworks™, a joint venture between Keurig Dr Pepper, a leader in the specialty-coffee and single-serve-brewing segments, and Anheuser-Busch InBev, brewer of some of the most popular beers in the world, including Budweiser, Bud Light, and Michelob Ultra. Drinkworks is a beverage-innovation company and a pioneer in developing breakthrough technology, making it remarkably simple to enjoy a variety of bar-quality drinks at home. The initial offering, the Drinkworks Home Bar by Keurig®, is a first-of-its-kind machine (the Drinkmaker) designed to prepare cocktails, ciders, brews, and more—using Drinkworks Pods at the touch of a button. Drinkworks was founded in March 2017 with headquarters in Bedford, Massachusetts. The company currently has just over 100 employees.

What's the mission of Drinkworks??

Our mission is to reinvent the drinking experience in the alcohol-beverage space at the interface of home appliances and alcoholic drinks. We're transforming the way you buy, create, and enjoy cocktails, beer, cider, and more. Toward that end, we launched our first product in November 2018. As a joint venture, we have an alignment of capabilities that includes technology, sales, marketing and distribution, with Keurig Dr Pepper on the durable and appliance side of things and Anheuser-Busch InBev on the alcoholic-beverage distribution side of the business.

In this issue, Nathaniel Davis, President and CEO of Drinkworks, discusses his company's exciting new mix: high-performing teams and a techno-marvel, Keurig-type dispenser for cocktails and beer that's bound to transform the adult drinking experience. Howard M. Guttman offers practical advice for transforming deadly dull meetings, along with If-I-Were-You advice on cross-functional teams, with a scan to test the functionality of your cross-functional teams.

In This Issue



Leader's Corner: Nathaniel Davis—High Spirits Meet High Performance at Drinkworks

That's an ambitious mission!

Everyone at Drinkworks shares a deep-seated belief in our potential to unlock amazing experiences in everyday life. And we have a number of "unfair" competitive advantages that allow us to do so, starting with our amazing people and our access to unbelievable technology. I know of no start-up that has begun operating as we have, on a foundation of technology from two leading companies, along with access to the scale-up capabilities for sales and distribution in two separate industries—that's magical!

What's the biggest challenge that you faced as you moved from mission to reality?

Making tough, focused decisions and sticking to them. To meet this challenge, we focus on the problems of core users, and we do so as if the life of the company depends on finding a solution.

For example?

One problem could be summed up as: "I love cocktails, but I don't know how to make them, and if I did know how to make a few, I don't have the ingredients in my home bar to make them." That's a super-powerful problem to investigate. Having that focus enables us to move on to characterize the users that have the problem, find out how many there are, and then look at operational reality, market size and potential, and then validate potential solutions. Next, we come to terms with the operational realities: everything from the business model to product development and engineering to market-and-sales tactics. The key is to avoid distractions and wild-goose chases at each step.

How do you personally deal with the naysayers and Doubting Thomases?

By having a very structured approach: deeply understanding users so that you get up close enough to see the sparkle in their eyes. Also, by stress-testing solutions. We operate on a principle that we call "making the user the hero." Our purpose is to provide products and services that allow our users to be better versions of themselves. To do so, we need to put ourselves in their shoes. Everyone, including our leadership team, spends time with users, in their houses and kitchens and even where they socialize and party. We spend time personally watching the products as we begin testing them. We have become intimately familiar with all the details, including the recipes, flavors, packaging, and the like. We did it ourselves, and this has given us great confidence in understanding the problems and in validating our assumptions and range of solutions. Deep-felt knowledge is the best antidote for doubt.

Given all the issues swirling about a start-up company that seeks to occupy a new product/market category, how did you set priorities?

We rank-ordered issues, giving highest priority to those that had the greatest potential to take us down. What is the most likely thing that could inhibit our success? What will likely block us from moving forward? What are the most dangerous unknowns? By constantly questioning and focusing on what could derail us and coming to terms with these, our confidence grew. Throughout the process, we were our own worst Doubting Thomases!

What about the legal issues involved in making sure that minors don't have access to alcoholic beverages?

We're fully committed to educating people and promoting responsible drinking. Our alcoholic beverages are available only through licensed retail outlets. They are distributed through the same regulated systems and channels as all alcoholic beverages. In addition, we've been able to create new ways to control and manage misuse of our alcoholic products. For example, pods are designed to be tamper and child resistant. They are tougher to open compared to any other product in the industry. And we are currently developing an enhanced child-proof lock that can prevent unwarranted use of the Drinkworks Home Bar. We are also developing digital solutions through an app that can remotely turn on and off machine functionality.

How did you test proof of principle?

We launched our initial pilot in St. Louis in November 2018. The PR effort and the public's reaction to it were massive, though we intentionally carried the product in only half a dozen stores. We earned approximately half a billion media impressions in about 120 countries! There were lines around the stores, and we sold out in less than an hour. To maintain our learning about wholesalers, handling, route to market, logistics, retailer reactions, and merchandising, we had to carefully allocate inventory, hoping it would last six months. It sold out in six weeks. That's 30,000 pods sold! The pilot was wildly successful.

And what did you learn?

We learned a great deal about product supply and demand, as the market validated everything we had modeled and built, and feedback related to our product portfolio. Our basic value proposition is to simplify the making of complex cocktails by the home user. We began with a portfolio of 24 remarkable beverages, including Margarita, Cosmopolitan, Long Island Iced Tea and White Russian. But we then discovered that people were also interested in making simple mixed drinks like gin and tonic and vodka and soda. People liked the convenience of having tonic water that was bubbly or had a twist of lemon. They wanted us to add simpler, refreshing drinks. As a result, we've created two new, lower-calorie product "collections"—one spirits based, the other wine based.

So, it plays in St. Louis. Then what?

We're focused on building capacity and prioritizing what we need to learn more about, such as: route to market, sales, regulatory constraints in the various states, and the like. We've already expanded our U.S. footprint to include the states of Missouri and Florida, and we will be further expanding distribution and sales to California early next year. This will provide us with the learning for a nationwide rollout and then potentially international expansion.

What prompted you to undertake the journey toward creating a horizontal, high-performance organization?

Articulating our unique culture has always been very important to us, especially as a joint-venture company. One of the things we did from a very early stage was adopt an agile way of working at the enterprise level. The agile approach emphasizes people over process, and it relentlessly forces prioritization by pushing for focus on the few most important issues. It also has a system of feedback around "impediment removal," or barriers to getting things done. As an agile enterprise, we are organized in cross-functional teams that are set up not hierarchically or functionally, but according to the way work gets done. Individual teams roll up into teams of teams. These then roll up to the Executive Team, which guides the master prioritization process.

And how does the GDS horizontal, high-performance approach strengthen the agile way of working?

The GDS horizontal, high-performance model is a set of tools that is a perfect fit for the soft side of the agile management approach. *How* people interact so that they hold one another accountable, resolve issues, and are relentless in not letting decisions linger. The GDS tools enable our teams to excel by accomplishing all this. We had the structure in place, but the hardest thing to do is to improve the way teams drive results to higher levels of strategic performance. The agile approach does not give you the tools to manage the much more challenging soft side, which is what HPT does. GDS provides the perfect methodology for us as a cross-functional leadership team and organization to drive to higher performance.

What do you mean "soft" side?

If you read a book on the agile approach, you get a kind of recipe for a team: how large the team should be, how long a "sprint" should be, how to create and deal with a backlog of priorities, how to identify the "ceremonies" that need to be followed to make a system work. This is not a set of tools for high performance. To create a high-performance team, you must come to terms with the nuances of behavior change, issue resolution, decision making, and horizontal management. The GDS model provides the hard tools for dealing with the more nuanced side of the business. These lead to engagement, productivity, performance, and satisfaction.

Where are you in the high-performance process?

We're at the very beginning. We started the HPT process with the Executive Team at the tail end of 2018. We had an introductory awareness session, then went through an HPT alignment, followed by leadership-skills training.

And your plans going forward?

The next level has been through alignment sessions, and over the next couple of months we'll be providing HPT skill-training sessions to leaders throughout the organization, including "scrum masters"—those on each team who are responsible for the agile process—and product owners.

What evidence do you have that your executive team is operating differently as a result of going through the GDS HPT process?

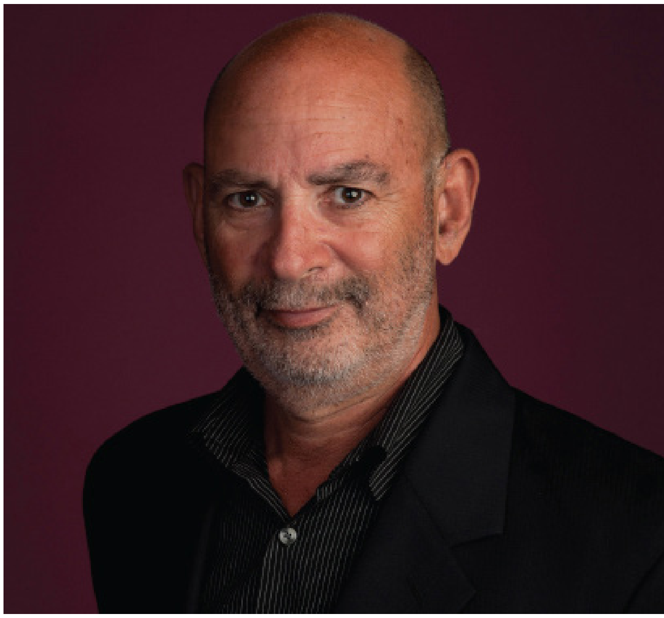
Team members are comfortable calling out and holding colleagues to account quickly and respectfully. We talk openly about potentially toxic behavior. We've generated a list of team issues that need to be addressed by the full team or in pairs. Every two weeks, we self-assess as a team, asking what we are doing well, what behavior is causing tension or dysfunctional behavior, and how we can determine root cause to accelerate performance.

And, as a result, what one thing do you do better as a leader?

I'm spending much less time navigating issues within the team because members are better equipped to deal with these between and among themselves. This frees up my time and mental energy to think more strategically.

What word of advice would you give other CEOs of highly innovative companies about whether or not they should adopt the HPT approach?

I would encourage them to just do it! Also, I'd advise them to keep the focus on learning at every step. I'd share what I believe will be the secret sauce of our future success: a combination of creating an agile enterprise and running high-performance teams whose members hold one another accountable and continue to evolve by being intolerant of indecision and toxic behavior. That's an amazing combination.



Making Meetings Matter

by Howard M. Guttman

On average, executives spend 27 hours a week in meetings, attending 62 meetings per month. Think of meetings as organizational tar pits that entrap executives in wasted activity, consuming valuable time and energy. Executives view 67 percent of meetings as failures.

We all love to complain about meetings, but, like bad weather, we are resigned to do nothing about them. Not so with high-performing teams, who have learned to cast out those familiar meeting devils: weak leaders, unruly participants, unclear objectives, no agenda, cell-phoneitis, distractions, detours, siloism, loaded question asking, and many more.

How can you transform your meetings from ho-hum to oh, wow?

Start With Protocols

Great teams eliminate such barriers by setting up specific, hard-and-fast rules for the following aspects of meetings:

- ***How often will the team meet and how long will meetings last?*** I once attended a regularly scheduled meeting of a senior team at a mid-sized company that had been working in high-performance mode for the previous 12 months. The agenda, circulated in advance, called for eight segments, each laid out with sub-objectives: point person, length of time for discussion, status, and actions. Within each segment, the point person reported on the status of work on key issues and, where necessary, solicited ideas and assistance from the group. In three hours, the senior team discussed each issue: from IT to product management to delivery schedules. They questioned each presenter, made suggestions, and pointed out potential problems and opportunities.

  It was an impressive testament to the speed and effectiveness at which an aligned team works to conduct business.

> Think of meetings as organizational tar pits.

- ***Where will the team meet?*** This is not a big issue for teams located near one another. Here, the most attention needs to be paid to "hygienic" factors, such as meeting-room atmospherics, layout, temperature, and ventilation. But there's more to the "where" when dealing with a team whose members are not co-located. Global teams face special challenges when it comes to meetings, and creativity is a must if far-flung members are to become at-a-distance great teams.

  The team must meet face to face as often as possible. To do so, piggyback team meetings onto other functions. Consider meeting in regional offices to give personnel in remote locations a chance to meet the members of the global team and to showcase their operations.

  When they can't be in one location, patching remote members in by phone or video conference provides valuable interaction—if when scheduling you keep in mind time zones, non-U.S. holidays, and local religious observances.

- ***Who will lead meetings?*** Here's how the VP of HR of a global retailer describes how one leader's style, where he once worked, compromised meetings. The leader "went through agenda items one by one, asking for discussion. The people who were comfortable with him spoke up; the rest remained silent. He listened—although he often showed annoyance or frustration—then made a decision." The VP says that when the team became a high-performing one, you could no longer identify the leader during meetings. "A strong, effective leader is likely one of the least vocal people in the room. He or she doesn't hold court, direct conversation, or make decisions on agenda items."

On many great teams, there is a different "leader" at each meeting. Some teams rotate the role. Other teams let the content determine the leader: Whoever is most—or least—affected by or familiar with the issues to be discussed will lead the discussion. Still others employ the services of a facilitator, who "owns" the process of the meeting and keeps the group on track.

▶ ***How will the agenda be set? By whom?*** Before the transformation of the HR VP's team, the leader set the agenda for meetings. Afterwards, the agenda was "built by the team." That's standard on a great team: Whoever is leading the meeting sets the agenda, with the input of others on the team.

The experience of the CEO of the mid-sized company cited earlier verifies the team approach to agenda setting. "We were planning a big meeting with all our transportation carriers," he recounts. "When I queried team members about what the meeting objectives should be, I got a different answer from each person. It wasn't until we agreed on objectives that we came up with a tight, meaningful agenda."

An agenda for meetings might include: review the goals, give a business update; progress-check on issues identified previously, have sub-teams report on issues assigned to them, make decisions or plan next steps on these issues, identify new issues, identify players to resolve them, set accountabilities and timelines, plan meeting follow-up, agree on the message(s) the team will convey, and check on protocols, asking "How are we doing?"

Note the bias toward action in the agenda. There is no time for the usual FYI round-robin reporting of activities.

▶ ***Set Some Behavioral Protocols.*** Meeting protocols deal mostly with logistics. But as the HR VP points out, "You can be disciplined and still be dysfunctional. Some poor-performing teams have protocols around meeting times, agendas, and minutes, but none that address meeting behaviors."

Great teams insist on several behavior-related protocols:

- The meeting starts on time, with or without you.
- If you can't make it, send a substitute.
- Cell phones are off; laptops and handhelds are out.
- No digressions; if someone raises a new issue, it's parked.
- No side conversations.
- Everyone participates.
- Everyone follows the agreed-upon rules for conflict resolution.
- All players hold all others—and the leader—accountable for promised deliverables and results.

Such protocols can transform your meetings from *pointless to productive.*

If I Were You: Tips for High-Performance Leaders

by Howard M. Guttman

Few of us need to be reminded of the importance of cross-functional teams. Such teams, after all, are the DNA of today's modern, complex, and wired enterprise. Ideally, at least, information today flows horizontally and work gets done across organizations, rather than in the old up-and-down, hierarchical pattern. When cross-functional teams are firing on all cylinders, they operate without walls in order to harness the brainpower, energy, experience, and talent needed for effective problem solving, decision making, and planning. The organization hums.

Given their importance, you would think that most companies would have learned a thing or two about how to structure winning cross-functional teams. Think again. Seventy-five percent of all cross-functional teams fail, according to research cited in the *Harvard Business Review.* In my own personal consulting experience, transforming dysfunctional cross-functional teams into high-performance entities is one of the most common challenges that senior executives ask us to help confront.

Case in point: A consumer products company called us in recently to deal with a dysfunctional cross-functional team. Sales and Supply were involved in the classic pitched battle, pitting a super-charged sales organization against a super-concerned operations function that was worried about insufficient lead time and sourcing. Not surprisingly, much to the consternation of top management, the team moved at a snail's pace rather than at market speed—jeopardizing a make-or-break product launch and the company's bottom line.

If I were you, I wouldn't rely on chance and "hope-for-the-best" thinking to ensure top-performing cross-functional teams.

One reason why the failure rate of cross-functional teams is so dismal is that executives often don't recognize the unnatural nature of such teams. Team members do not instinctively play a cross-functional, collaborative game. When such teams are left on their own, old functional habits kick in. Countering this requires being intentional and explicit in setting up cross-functional teams.

First, take a good, hard look at your cross-functional teams, using **The Cross-Functional Team Scan** that we have developed as an evaluation tool. Assess your cross-functional teams in the eight areas set out below.

Use a 1-5 scale to answer each question: 1) Strongly Dissatisfied, 2) Somewhat Dissatisfied, 3) Somewhat Satisfied, 4) Mostly Satisfied, or 5) Completely Satisfactory.

- Are the team's goals clear and realistic?
- Is there role clarity—and do team members know what performance and behaviors are expected?
- Are there clear, agreed-upon protocols in place, dealing with making and keeping commitments, decision making, conflict resolution, meeting management, and the like?
- Are accountabilities crystal clear?
- Does the team have the right set of skills to play collaboratively, horizontally, cross-functionally?
- Is there a process for onboarding new members to the team?
- Are there measures letting a team know when it has "arrived?"
- Is there a performance/compensation system in place providing positive—and negative—consequences for behavior?

And be sure to start the scan introspectively. Look first at the senior executive team. Other cross-functional teams throughout your organization won't become high-performance ones unless the top team has its act together. In the example cited earlier, the root of the team's dysfunction lay squarely with the senior team, where the senior vice presidents of Sales and Supply were stuck in an intractable conflict.

Teams that score low on **The Cross-Functional Team Scan** are in serious trouble. Without clear goals, roles, and accountabilities; without agreed-upon norms for how conflict is to be resolved, how meetings work, how to measure and reward success; there are no picture and supporting processes for channeling desired team behavior. You're left with a team of functional players trying to get by in a cross-functional environment.

Cross-functional teams pose unique challenges. The fundamentals that drive such teams differ both in kind and degree. What constitutes a "team" in a cross-functional setting? How do members participate as dual citizens: working for the team, while representing a specific function? How do you establish agreed- upon protocols and ways of working, so that accountabilities, information, and decision making proceed without borders?

My next column will come to grips with these questions, as I provide the "how-tos" for moving cross-functional teams from being collections of functional players to ones where players see themselves in a new paradigm, working collaboratively and fully accountable for team success.