

WD-40 COMPANY LEARNS FROM MSEL

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ABSTRACT

This case describes how CEO Garry Ridge applied what he learned in the Master of Science in Executive Leadership (MSEL) program at the University of San Diego (USD) to create a culture at WD-40 Company that clarified organizational values, created a leadership engine, enhanced company performance and value, and improved employee engagement. Most of the case was developed from interviews with WD-40 managers who were also MSEL participants. The sixteen-year partnership between Wd-40 Company and USD has resulted in measurable impact on business results, organizational systems and leadership practices. How this came about, the results, and future directions are discussed.

INTRODUCTION

The partnership of WD-40 Company with the MSEL program in the School of Business Administration (SBA) at the University of San Diego (USD) is built on the foundation of steadfast commitment by WD-40 Company's chief executive officer, Garry Ridge, who quickly recognized the program's value by virtue of his own personal leadership transformation. A key goal was to create an exceptional learning environment to ensure that the management team would have the tools to lead at a higher level and transform the WD-40 Company culture together. WD-40 Company leaders speak the same MSEL language and use the same tools, which facilitates clear communication and maximizes management effectiveness. These have been strengthened over the 16-year period that WD-40 Company executives have participated in the program.

The WD-40 Company

Although widely thought of as a consumer product, WD-40 was created for one specific industrial purpose. It was formulated in 1953 to prevent moisture from seeping into the Atlas missiles manufactured by Convair, an aerospace firm in San Diego, California. The brand name WD-40 originated from its "water displacement" purpose, which was perfected with the "40th" formula—thus WD-40! The founders named their firm Rocket Chemical Company because its original use was to protect the Atlas which made Earth orbits and moonshots.

In 1969, WD-40 expanded to a multiuse product. Its primary application was still to remove rust and prevent corrosion, but now there was a large number of domestic applications ranging from taking the sting out of ant bites to removing telltale lipstick from collars. Since the product was being sold to household customers and in other types of industries, the firm was renamed WD-40 Company Inc.

WD-40 Company became publicly-traded in 1973 (NASDAQ, trading symbol WDFC). The WD-40 Company Web page states, "Since that time, WD-40 has grown by leaps and bounds, and is now virtually a household name, used in numerous consumer and industrial markets such as automotive, manufacturing, sporting goods, aviation, hardware and home improvement, construction, and farming." Despite its growth, the firm remains relatively small: only about 350 people are employed world-wide, yet it generates over \$1-million in sales per employee.

Master of Science in Executive Leadership

The University of San Diego's (USD) Master of Science in Executive Leadership (MSEL) program provides experienced leaders opportunities to enhance their leadership philosophy and foster productive and collaborative relationships and skills by bonding with peers in other industries within a cohort-based experience. They learn from a joint teaching approach that involves School of Business practice-oriented professors, experienced executives from the business world and members of the Ken Blanchard Company consultants. Ken Blanchard, a co-founder of SCHOOL OF BUSINESSES's MSEL program, has impacted the leadership development of millions of people. He has written more than 40 business books and is a bestselling business author. Garry Ridge, president and CEO of WD-40 Company, is both an alumnus and now top-rated faculty member of the MSEL program.

THE CHALLENGE

For more than four decades WD-40 Company gradually expanded distribution for its one product, offered in several packages. When Garry Ridge became Chief Executive Officer in 1997, he found himself in a mature, consumer facing company producing a tremendously successful product that had already found a place in toolboxes of companies and households around the world. Garry realized the product's ubiquity was both a blessing and a curse. Wd-40 company was paying out almost 100 percent of its profits as dividends because it didn't know what else to do with the money. According to an article in Barron's at the time, "WD-40 is a cult product, but it is hardly a cult stock" [2].

An early priority was a new vision for the firm and ranked corporate values to build the tribal culture and servant leadership needed to strengthen and sustain firm. The company vision needed to encompass more than just selling a rust inhibitor and lubricant. As users solve problems through creative applications of WD-40 Company's products, they should remember the experience and reach for a WD-40 Company product the next time they encounter a "squeak, smell, or dirt" problem.

The WD-40 Company organization Garry inherited was silo based, where guarding knowledge yielded personal power but sub-optimized corporate performance. Garry realized that company leaders' fear of venturing out from the safety of their specialized roles was thwarting the exploration of huge growth opportunities. Breaking up the silos of knowledge became a necessary early action to create a "learning environment" and a "tribal culture" that would encourage innovation and risk taking. Garry determined that to generate more creativity, people needed to change their mind sets from maintaining the safety of the status quo, and fear of failure, to one that promoted freedom to experiment and try new ideas.

As Garry set out to is to create a company of learners, he recognized the need to accelerate his own learning and skills with graduate-level education that went beyond traditional models in order to meet the challenge of breaking down silos. The ultimate goal was to create and sustain a culture that would consistently promote creativity and a meaningful work life in the organization.

THE COMMITMENT

When Ridge was in his second year as CEO he aspired to accelerate his learning and skills with graduate business education. His rationale: "I wanted to confirm what I thought I knew and learn what I didn't." After considering several executive MBA programs, Ridge became intrigued when the School of Business at the University of San Diego (USD), located one mile from WD-40 Company's home office, announced a new graduate degree program specializing in leadership for practicing executives. Ridge applied for and became a charter cohort student in the Master of Science in Executive Leadership (MSEL), inaugurated in August 1999. He did not anticipate the impact this experience would have on him personally and how lessons learned would propel him to transform WD-40 Company.

Garry Ridge proved to be an intellectually curious learner who was eager to engage in experimental learning with applied practice. In reflecting on his MSEL experience, Ridge wrote: “That degree program has become the most influential learning experience in my life so far. I was not asked to go to the library and expand on what I had learned in class, but rather to take my learnings back to my company to test their application in the real world.” The cohort experience and the way the instructors challenged his thinking, so altered CEO Ridge’s leadership ideas and business practices that he decided the MSEL should become a learning process for all members of his leadership team.

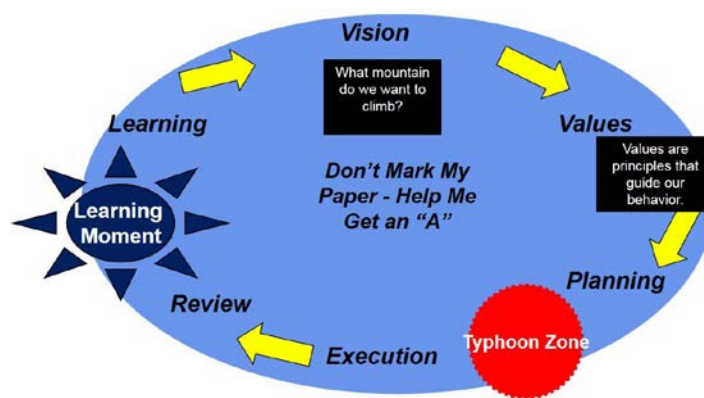
As Ridge’s journey through the program evolved, MSEL became the key learning process for members of his leadership team. He understood this would not be a quick fix. Rather, it was to expand over the years and drill deeper into the organization’s leadership practices.

Winning leaders, like Garry Ridge, are great teachers. They are open to continual learning and they develop teachable points of view because they have reflected on their own lives and experiences. Ridge learned valuable lessons and he wanted to share them with other WD-40 leaders. Shortly before he graduated from the program, Ridge committed to sponsor one or two of his WD-40 leaders to each MSEL cohort thereafter. In effect a partnership had been struck, and the partnership has flourished; the 22th WD-40 Company student-leader is currently enrolled in the program. The program’s transformative power on WD-40 Company began during Ridge’s student years, and has accelerated as more WD-40 Company leaders experienced the program’s effect on them. In essence, Ridge created a leadership engine to actively develop leaders from the top down at all levels in WD-40. Ridge’s commitment continues, and in frequent public speaking opportunities, he highlights MSEL’s impact on his management team, as well as on the overall company’s culture.

FROM CLASSROOM MODEL TO EXECUTING THE WD-40 TRANSFORMATION

During a lunch celebrating WD-40 Company’s 60th anniversary with two USD management professors and the MSEL director Garry confided, “One of my real ‘ah ha’ learning moments was in the last MSEL course. I pulled together my thoughts and experiences and designed a simple, integrated model that captures the essence of how I practice servant leadership.” He turned to a colorful page in WD-40 Company’s third quarter FY2016 report to demonstrate his “Servant Leadership with an Edge” model and to explain its power in improving WD-40 and its people. Figure 1, presents Ridge’s system for developing a winning business organized around his philosophy, “Don’t mark my paper—help me get an A.” Engaged, continuous learners are central to Garry’s approach to “Servant Leadership with an Edge.”

FIGURE 1. SERVANT LEADERSHIP WITH AN EDGE



Source: WD-40 Company, Third Quarter, Fiscal Year 2013 news release, p. 9.

The Servant Leadership with an Edge model is a circular, continuous six-step process. It begins with the development of a vision to provide a sense of direction and the clarification of values to keep decisions and behaviors on course. Then comes planning to establish goals and performance standards. Next is execution where leaders observe and monitor performance, and coach or redirect when necessary. The final step is a performance evaluation where leaders review performance and discover learning moments when they exist.

Values Drive Behavior

The vision provides direction, guided by prioritized values that serve as behavior guides. Garry originally drafted the WD-40 values as an MSEL assignment, and they were later refined by tribe leaders. Throughout the firm, leaders frequently discuss company values in meetings and conversations, especially when a colleague encounters a situation that challenges one or more values. At the top of the list is the value that trumps all others, “doing the right thing.” Figure 2, lists WD-40’s rank-ordered values.

FIGURE 2. WD-40 COMPANY RANKED VALUES

We are committed to:

1. Doing the right thing
2. Creating positive, lasting memories in all our relationships
3. Making it better than it is today
4. Succeeding as a tribe while excelling as individuals
5. Owning it and passionately acting on it
6. Sustaining the WD-40 economy

Learning Environment

In his quest to transform leaders into learners that would transform WD-40 Company, he began asking his people, “When’s the last time you did something for the first time?” He wanted people to be inquisitive, to ask questions and take chances. Garry needed to generate a respectful culture that replaced a fear of punishment when things going wrong with what he calls “learning moments.” *Learning moments* are opportunities to review what is working and what is not. They replace what Garry calls the “typhoon zone.” According to Garry, “continually planning and executing without review and learning can blindsides you with what we call a typhoon; a destructive event. That’s when somebody makes a mistake that hurts both the organization and that person’s reputation. Since we don’t want that to happen, it is important to take time to pause, review progress, and look for any learning—whether or not a mistake has been made” [1 p. 28]. So, during the performance reviews and day-to-day events, rather than dwell on mistakes when they happen, the WD-40 Company culture emphasizes “*learning moments*” without a stigma of blame. Learning moments can be positive or negative, but they are never bad, so long as they are shared for the benefit of all [2].

Tribal Culture

Ridge believes that his ‘tribe’ philosophy is the underlying current for WD-40’s success. In Garry’s thinking, a “tribe” is more persistent and permanent than a team. A tribal culture provides an on-going sense of identity and belonging, with stories of honored folklore told and retold by the tribal chieftain

and tribal leaders. The tribal culture is based on the WD-40 values of care, candor, accountability & responsibility. It is nourished by a learning environment supported by the WD-40 credo “we are not here to mark your paper we are here to help you get an A.” In Garry’s words, “Tribes are enduring. They believe in learning and teaching. They also bring in a sense of belonging and think about longevity. We all here, belong to the WD-40 tribe” [4].

The tribal values and unity has become embedded in the WD-40 Company culture. They are widely discussed in meetings and stories are told to illustrate the norm of how we do business at WD-40 Company. One employee explained that “through folklore, warriors, ceremony, meaningful work, evolving norms, teamwork, community learning and a strong sense of accountability a tribal culture is formed and becomes a self-sustaining place where people want to stay and grow” [3].

Planning, Execution, and Review

In 2000, CEO Ridge initiated a new performance review process for all WD-40 tribal leaders and tribal members. [1, pp. 17-41] Values were in place and the embryonic tribal culture needed a tangible process to emphasize accountability and responsibility. Garry is fond of saying, “*I’m not here to mark your paper; I’m here to help you get an A.*” Thus, the performance review process includes a personalized final exam, grades, and consultation to eliminate surprises between tribal leaders and members. WD-40 Company’s “coaching-conversational process” involves planning, execution, review and learning. This three-part sequence clarifies job expectations, goals, and provides grades with feedback.

Planning. Toward the beginning of the year, tribal leaders meet individually with their tribe members to establish the three parts of a member’s final exam: (a) gaining agreement on the essential functions of the member’s unique job, (b) setting priorities on 3-5 short-term SMART goals e.g., Specific, Motivational, Attainable, Relevant, and Trackable, and (c) emphasizing that to get an A, a tribe member must live company values.

Execution. Situational Leadership© II lessons and language are used to promote frequent leader-member conversations to discover differences in a tribe member’s competence and commitment across task functions. Leaders use the DiSC® profile assessments and concepts to discern the personality dispositions of others, and how to alter their actions to get along better with people who have different preferences. Discussion then focuses on the leadership style most appropriate for each job function to help members earn an A. Leaders are then prepared for day-to-day coaching where they observe and monitor peoples’ performance and praise or redirect.

Review and Learning. Beyond day-to-day conversations, quarterly “informal/formal discussions” are held to review if action changes are needed, and to amend exam components if relevant. Each tribe member completes his or her own annual performance review—with proposed grades. Thus, everyone writes only one performance assessment.

Although the WD-40 Company performance review process is about winning (earning an A), tribal members vary in competence and confidence across their personal job tasks and functions. Earning a B grade does not mean failure, only that “I need help on this goal.” However, when a leader assigns a C grade on a function or goal, it usually means a lack of effort by the member.

Leadership Labs

The WD-40 Leadership Lab is another development that enhances learning moments and people development at WD-40. Two factors led to development of the in-house WD-40 Leadership Laboratory: (1) the career success and organizational contributions of graduates from USD’s MSEL program, and (2) the desire to have all tribe members understand the WD-40 Company lexicon, culture,

processes, and ways of thinking. The Leadership Lab was initiated in 2012 by several MSEL alumni to stimulate a learning environment for tribe members to develop skills and grow professionally. The Lab, is a two-day classroom experience that provides a framework for the language and terms that senior managers use with an emphasis on learning fundamental skills in using models and processes. The Lab consists of a 16-course curriculum, delivered world-wide.

THE IMPACT

Since Garry Ridge's engagement in the MSEL program, WD-40 Company's capital value has nearly doubled, the company has been growing at a 20%+ compounded annual growth rate and 94% of its people say they are "fully engaged" in their work, which is over three times the national average.

Performance Metrics

In fiscal year 2014 (ended August 31), WD-40 Company produced \$383 million in sales revenue, \$43.7 million in profit before EBITA with a gross margin of 52%. During the first 16 years under CEO Ridge's leadership, the firm generated a shareholder return on investment (ROI) compound annual growth rate (CAGR) of 21.74%. In the most recent five years (2010-2014) WD-40 Company financially outperformed the S&P 500, Russell 2000, and a 21-company industry peer group.

Employee Engagement

In 2014, a Gallup poll found that the majority of U.S. employees (51%) were not engaged. The 2014 WD-40 global employee opinion survey revealed that a remarkable 93.1% of the employees in WD-40 are engaged, with 96% of them demonstrating trust in their supervisors. The survey also revealed that 99.7% understand how their job contributes to achieving WD-40 Company's goals; 98.6% know what results are expected of them; 97.6% love to tell people that they work for WD-40 Company; 97.1% respect their supervisor; 96.8% feel their opinions and values are a good fit with the WD-40 Company culture; 96.3% think that WD-40 encourages employees to continually improve in their job, to "make it better"; 95.6% are excited about WD-40 Company's future direction.

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