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Compensation and people: The third leg of Kubra's business model

[Brad Cherniak](#) | June 15, 2015 3:54 PM ET



Glenn Brown *Rick Watkin, president and CEO of Kubra, said some of the best ideas and objectives have bubbled up from all levels of the company.*

Last month, I presented the story of Toronto entrepreneur and Canadian success story, [Rick Watkin, and his ultra-high growth private company, Kubra](#). We left off at the third leg of Rick's business model — people — which is where we pick things up.

As you have probably already surmised, there is not a lot of room at Kubra for those who think themselves superstars, above any mere corporate system. That being said, employees are encouraged to be audacious, but only in ways that fit the vision of the company, which as mentioned in my last column, everyone had the opportunity to shape, and is plastered everywhere at the company.

While strategy drives Kubra's three-year planning process and the objectives filtering down to all the management and employees that power it, employees are expected to fill in their three to five objectives with personal ones. Objectives are not just a dictate from the executive suite or a supervisor, they are an extension of individual people and what drives them, and scares them.

Rick Watkin, president and CEO of Kubra, said some of the best ideas and objectives have bubbled up from all levels of the company.

How do you find employees that fit into this rather unorthodox system?

Watkin said the proof is in the pudding. You either thrive in the system or you are soon squeezed out, either by the company or on your own accord. Like any system, there is always room for refinements to optimize results, but he contends his OKR, or objectives and key results, framework has the potential to deliver the best results.

As discussed last month, individual goals and performance measured against them are completely transparent and seen by everyone.

Oftentimes there are cross-functional dependencies on various key results, and the transparency provides an open and collaborative platform to prioritize work efforts across the functions, Watkin said. This is the organic impetus for driving employees upward or out of the company, and the human resources engine for Kubra.

A very different approach from the traditional command-and-control management practices of more old-school companies. These notions owe a debt to the practices of such industry giants as Google and Intel, whose publicly shared insights Watkin and Kubra consume, absorb and deploy actively.

How does compensation work?

The last piece of the puzzle is compensation. Kubra's compensation structure, which is not tied to the system of OKRs, is fairly traditional with a combination of annual salary and bonus pools, but that is where the traditional part ends.

The annual incentive plan, paid out twice a year, is based entirely on what each employee convinces their manager they deserve, except for sales people, whose bonuses are based more on sales. The AIP score will be weighted differently for each employee between corporate, departmental and individual performance. If overall corporate financial metrics are not maintained, then the entire AIP may be eliminated.

Executives receive bonuses in significant part on the overall financial performance of the business and closely tied to free cash flow.

Then there is the performance management plan, which is explicitly tied to the 5 Core Values of the company, which are qualitative, and as visible as its vision statement.

Management and employees interact to figure out everyone's score. (An upward and downward performance review of sorts.) Scores are tied to an ultimate performance incentive payment of between one and five per cent of salary — with exceptions above five per cent as required.

The implications, and the results

This system may make the more traditional, structured management practitioner uncomfortable, Watkin said, but it has been the basis of a dynamic, aggressively focused company that has delivered impressive performance to the betterment of the shareholders, other key stakeholders and the employees.

It has empowered everyone in the company to contribute their ideas and energy, and be rewarded on multiple levels for doing so. It has also resulted in a team that has retained its cohesion and tight focus on its vision, despite growing massively in size and geographically.

No one is voiceless or nameless at Kubra and the results speak for themselves.

Watkin offers these three recommendations for business owners looking to become ultra-high performers:

1. Create a culture of engagement, by listening and acting upon ideas from within the company ... frequently highlight one idea that moved the business forward, and celebrate your successes as often as you can;
2. Create agility in the workforce, by quick sprints and agile deployment of products, decisions and problem solving ... avoid waiting for perfection; and
3. Build a culture of innovation, by creating objectives that a certain percentage, say 10 to 30, of your profits will come from a product/service that did not exist 36 months ago.

Brad Cherniak has spent more than 20 years as a principal, advisor to and investor in private companies. He is co-founder and partner at Sapiant Capital Partners, a Toronto-based advisory firm to companies from early stage to \$50-million in revenues. His column appears monthly in the Financial Post. He can be reached at brad@sapientcap.com and you can follow him on Twitter as @SapientCapital.