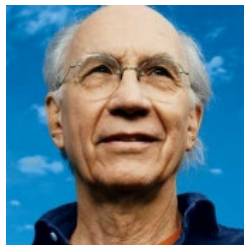


How to Build a Beautiful Company

Inc.

Employing open-book management and leadership by consensus, the Sky Factory's Bill Witherspoon has set out to create the perfect business.

As Told to Leigh Buchanan | Jun 8, 2010



Andy Ryan

Blue-Sky Thinking Bill Witherspoon's company manufactures high-tech illusions. Its virtual windows and skylights use backlit images and high-definition LCDs to replicate clouds drifting across perfect skies.

In the early 1970s, Bill Witherspoon lived for months in a school bus parked in the Oregon desert. A hundred miles from the nearest town, he spent day after day painting the sky and the clouds. He later sold his work for tidy sums. Witherspoon would spend the rest of his life alternating between painting and launching companies. His first company experimented with new methods of agricultural management. In 1982, he co-founded Westbridge Research Group, a developer of ecologically friendly agricultural products that boasted Jonas Salk as a board member. In 1990 came a brush with notoriety when Witherspoon carved the Hindu symbol for the forces of nature into a dry lakebed in the desert. The design spanned a square quarter-mile. Aerial photos from a National Guard reconnaissance plane sparked a panic over aliens.

During one of his peckish artistic periods, Witherspoon offered to tear out the ceiling in an orthodontist's office and replace it with a skyscape made from painted tiles in exchange for braces for his children. That act of creative barter provided the idea for The Sky Factory, a \$3.9 million, 34-employee company in Fairfield, Iowa. The business makes backlit images of sea and sky that are installed on ceilings and walls. Its products are popular in hotels, spas, restaurants, and hospitals.

When Witherspoon, then 60, launched The Sky Factory in 2002, he wondered, Was it possible to create a company as beautiful as a work of art? A beautiful company, in Witherspoon's mind, starts with the elimination of hierarchies that impede and repress the expression of people's natural curiosity and creativity. The Sky Factory's organizational structure is as flat as its creator's beloved desert. There are no employees, just owners, and everyone cares deeply about doing what is best for the group.

Both painting and company building start with a blank canvas. In a painting you create beauty with the addition of each brush stroke. In a company you create it with the addition of each talented, engaged person and with each thoughtful act. I thought about how satisfying it would be to build a beautiful company, and how much better for the people who work there.

I am an optimist and an idealist. In shaping The Sky Factory, I started with the assumption that people are naturally curious and creative. I wanted to craft an environment in which they would act like entrepreneurs, not like robots. My first decision was to give people the opportunity to purchase discounted ownership, and 100 percent of employees have participated. The responsibility for revenue and profit belongs to everyone. From that foundation, I derived five principles.

1. Share information

As a company of owners, everyone who works here is naturally motivated to participate in important decisions. To do so, people have to know everything. All information about The Sky Factory is right out on the table -- with the exception of HR issues and salaries. And not to reveal compensation was the decision of the group.

On Fridays, we have a two-hour meeting. For the first 30 minutes, we go over all the metrics. In addition to the critical numbers, people will raise questions about how many problems we've had that week or how many architects our marketers visited. We track all of that and maintain a historical record of the data that anyone can see at any time. Everyone is trained in financial literacy so he or she can make the best use of the information.

Secrets corrupt cultures. Secrets cause backstabbing and power plays. They signify disrespect. Secrets can't survive in an environment of total openness. It cuts off their air.

2. Give everyone equal footing

Leadership should arise innately from the drive to do well for the company, exercise creativity, and serve others. It should not be vested in titles and cascading organizational charts. There is no hierarchy at The Sky Factory -- no managers or supervisors. Leaders are those who, in a given situation, lead. We use facilitators for the sake of coordination, and those roles rotate every week. Every week, a different person runs our general meeting -- we go alphabetically. People who see a job do the job, because they don't feel constrained by their perceived place in the company.

I believe great ideas come from everyone, and a flat organization ensures that all ideas are heard and given equal consideration. By the end of last year, we had accumulated a substantial amount of cash, and we discussed how to make the best use of it. We decided to pay off the mortgage on our new factory -- the idea of our newest and youngest employee, who is primarily responsible for data entry and international shipping.

Where there is no authority, there is no fear, and people rise to what is required of them.

3. Make decisions as a group

Most people believe the quest for consensus inevitably ends in frustration. That's true in an organization in which upper management, middle management, and the workers have different agendas and access to information. In a company in which there are no levels and everybody knows everything, most people are already on the same page. When an issue arises, someone presents the new information and gives people a few moments to digest it. That's followed by some back and forth, and we usually come to agreement in record time. No decisions are made behind closed doors. Everyone is part of the process. Everyone's intelligence is brought to bear. And by definition, at the end, everybody buys in.

When we don't achieve consensus, we don't go forward. We let it die. Maybe it will come up later, when circumstances are different or we have new information. At a meeting in November, I brought up the notion of establishing a Sky Factory in Europe. The others did not like that. I argued my case for 15 minutes and then said, "Clearly we don't have consensus, so we'll forget about it." And we have. One codicil: This works only if the person objecting offers an alternative solution or reasoned point of view. You are always welcome to say no. But you cannot just say no.

4. Serve each other

I think of our factory as a community, and service is the core of community. There are two kinds of service. One is: I do this for you, and I expect a return. For example, I provide good customer service, and I expect loyalty. The other kind of service is selfless. I do something for you without thought of a return. I help you spontaneously and without thinking about it. That second kind of service is powerful. When someone has a moment of free time, how wonderful if she automatically thinks, Now, what can I do to help someone else? At the start of our Friday meetings, the leader for that week tells an appreciative story about someone at the company and presents the person with \$25. Often, the story involves an unselfish, unsolicited offer of help.

This leads to one of my more idealistic notions: that everyone in the company should not only know everything, but everyone should also be able to do everything. At most companies, people take courses because new skills make them more valuable, so they can get ahead. At this company, we value people learning new skills so they can help others. So if someone gets sick or goes on vacation or falls behind, no problem. Another person can step in. For example, our accounting guy is great on the lamination machine, which is a very expensive, sensitive piece of equipment. The idea is that the more I can do, the more people I can help.

5. Share the rewards

We reward based on performance -- of the individual, of the group, and of the business. Every month, we distribute 50 percent of net profit to everyone, providing there have been no late shipments since the last bonus, cash does not drop below six months' operating expenses, and we have experienced positive cash flow for the previous 12 weeks. The formula for the bonuses is salary divided by total salaries. Needless to say, those criteria were arrived at by consensus.

The Sky Factory is an experiment and an admittedly imperfect one. In the quest for collaboration and lacking lines of authority, we can sometimes be inefficient. It takes time to hear and consider so many ideas. Not everyone is equally comfortable with the lack of constraints and the emphasis on stretching outside one's accustomed terrain. I want this business to actualize every need that people have, and that is not possible.

Most Monday, Wednesday, and Friday mornings, we turn off the phones and do an hour of training on subjects as diverse as photography, ecology, and business grammar. Recently, we devoted a number of weeks to a course I prepared in partnership with an art historian called "What Is Fine Art: Building a Beautiful Company." We all viewed hundreds of images and discussed how every brush stroke, every chisel mark, every pixel is linked to every other -- nothing stands in isolation. Then we talked about how at our company the rotation of leadership and familiarity with one another's jobs give everyone a deeper understanding of the product, the ability to see it as more than the sum of its parts.

That appreciation of what we are doing is what keeps great people here, and great people will ensure that The Sky Factory endures. After all, that's what great art does. Endures.