A SEA CHANGE IN STAFFING AT leapfrog innovations, inc.

Laurie L. Levesque, Suffolk University
Andrew S. Cheng, Barker Blue Digital Imaging

Court Chilton listened patiently to Dick Eaton's rundown on the potential staffing options at Leapfrog Innovations, Inc. (LFI), a small, Boston-based firm that Dick had founded ten years earlier to provide training to other companies. They had been friends since college. Dick hoped Court would provide advice on how to manage the imminent exodus of all three of LFI's full-time employees by drawing upon his MBA degree and work experiences as a consultant and a former employee of one of the largest training firms in the U.S. Dick's co-founder, Julia Douglas, had left to start her own consulting firm. The other two full-time employees had also announced their departures, one due to pregnancy and the other to attend graduate school.

Dick was unsure what role to take on partly because the three departing employees had handled oversight of the daily operations and coordination of LFI's training programs. He had absented himself from most management duties in order to focus on tasks that drew upon his creativity. Because he had worked very hard to build the firm's brand, he rejected outright the idea of selling LFI. It crossed his mind to run the company virtually and outsource all the work to facilitators and consultants. However, the most straightforward solution—or so it seemed—required him to get more involved and hire all new employees.

For months, Dick had put off deciding LFI's future and his role and now Court pushed him to address it immediately. He looked at Dick and quietly said, "If you're going to make this thing work, you're going to have to *lean in*."

Dick reflected that this phrase meant devoting his full-time effort to *running* LFI—something his cofounder had always done. He resisted, "I don't want to do that ... that's not my plan."

At least, it hadn't been his plan up to that point. He had always worked off-site, limiting the scope of his role, typically visiting the office only once a week for meetings. Hiring replacement workers into the same three jobs the employees were exiting could keep his role from changing. Alternatively, he could try to take LFI to a new level of growth by taking on more management responsibilities and hiring people into newly designed jobs that complemented his own. He looked to Court as he considered the options.

THE TEAM BUILDING AND LEADERSHIP TRAINING INDUSTRY

In 2004, team building, leadership development, and training programs constituted a $13.3 billion dollar industry in the U.S.[1] Several hundred thousand firms competed in this market, ranging in size from individual contractors to companies with over ten thousand employees. The amount of business that firms in this industry secured depended partly upon economic conditions in the industries of their client firms. For example, during the Internet boom years of 1999 and early 2000, many technology firms hired trainers to provide their employees with team-building programs geared toward the developmental needs of rapidly expanding companies. The firms used additional programs as rewards and to reinforce fun and upbeat work environments. When the economy slowed in 2000, tech firms increasingly viewed such programs as extravagances, and cut them from their budgets. The 9/11 attacks accelerated this trend, as firms cut travel to the minimum for several months. As a result, training firms experienced a slowdown in their business in 2001 and 2002, and some laid off employees. Many independent consultants struggled to get clients, and ultimately sought employment in established firms.

LEAPFROG INNOVATIONS, INC.

Dick Eaton and Julia Douglas founded Leapfrog Innovations in 1994 as a teambuilding and leadership-development firm. LFI earned a reputation for delivering high-quality programs ranging from one-time team-building experiences to coaching and consulting for improved firm performance. Julia and Dick worked closely to create a boutique training company with high-energy, high-involvement programs. The firm designed its own programs so that Dick and Julia would have complete creative control over the customization and delivery of its programs and thus its brand. Their first programs focused largely on culture building, by creating fun learning environments that allowed participants to enhance relationships and improve communication. Julia handpicked facilitators after extensive interviews and participation in numerous LFI programs to help her deliver programs at either a client's firm or off site.

LFI's programs were distinctive because they were developed from scratch. Dick generated the concepts, by brainstorming with Julia. She then converted these into a learning experience by identifying the materials to use, the steps facilitators would follow, and how the debriefing session should unfold. In later years, all of LFI's employees and key facilitators gathered around a conference table with Dick's outline and elaborated on, debated, fleshed out, and tested new ideas until they developed a viable program. They would tweak the core program to tailor it for different clients. LFI's employees saw Dick as a creative genius who came up with complex programs that embedded experiential learning with opportunities for participants to connect with each other. Dick noted, "The programs had an electricity to them. They moved people outside their comfort zones into situations that were too big to get their arms around. It's like real work, even though it's just a metaphor."

LFI helped client firms identify their needs (e.g., desire to renew employees' energy, create more effective working relationships, increase self-awareness, etc.) and then tailored a program specifically to meet those goals. LFI offered three types of programs (see **Appendix 1**). Corporate culture programs created closer workplace relationships through fun, dynamic team bonding events. An example was The Mad, Mad, Mad, Mad Hunt™, a fast-paced urban scavenger hunt for teams. Leadership development simulations and experiential learning initiatives focused around a client firm's objectives, e.g., improving the quality of supervision. An example was Novotran™, which had teams work on complex problems (e.g., designing and building a race car out of PVC piping). The debriefing focused on the emergent strategies, teamwork, and leadership behaviors. The third type of program, Total Team Performance Solutions™ (TTPS), led to soft-skill development (e.g., communication, decision-making, meeting management). Julia worked closely with clients during the TTPS program design to develop one- or two-day workshops that combined individual assessments, team development improvement initiatives, and the teaching of models and skills. She worked with clients to roll out TTPS programs incrementally in order to create real, sustainable changes in workplace behavior. After each coaching session or workshop, clients applied the learning to actual challenges they faced. Intensive follow-up meetings insured that changes were implemented effectively over time. (See **Appendix 2** for a partial model of how LFI's service model worked.)

Successful program delivery required extensive logistical preparations prior to the actual event: sites were identified, travel reservations made, support staff hired, facilitator outlines developed, participant materials assembled, and a debriefing presentation was built around the client firm's needs. While reusable program materials were stored at LFI (e.g., markers, plungers, rubber chickens, balls, etc.), supplemental materials had to be purchased for large clients. Nearly half of LFI's programs were delivered outside of New England, which necessitated shipping these materials to arrive on-site before the facilitator. LFI hired energetic and socially adept facilitators to run its programs and debriefings. They represented LFI to the client firm's participants, as did the temporary staff that assisted on-site.

Similar to its competition, LFI experienced a decline in business in 2002, but weathered it in part because of its strong reputation in the market for original programs and superior customer relations. LFI ran a lean business, with inexpensive office space and training done at client-arranged sites. Employees received low base pay and a significant percentage of the profit-sharing. Dick shared a tip he had learned from his father: "We attended to cash flow." LFI's competition billed clients after delivery of a program and then waited for reimbursement, while LFI billed 50–75% of the fee in advance so as not to carry a balance for the purchase of materials and travel, and the hiring of facilitators and support staff. Clients accepted this arrangement because of the reputation LFI had developed for high-quality programs. Also, LFI had earned the right for the arrangement because of the time they invested developing the business relationship and demonstrating the value of the program to be delivered. At times, LFI provided deep discounts in order to stay within a client's budget.

LFI had an edge when it came to the training products they offered to clients: they custom designed programs for each client firm to meet company-specific learning goals and then "executed them nearly flawlessly," according to Dick. "I told potential clients, 'I *hate* team building. And I didn't like it when I worked at Proctor & Gamble, either. I represent the introverts at your firm. Julia represents the outgoing employees. We design programs that engage both groups." Dick and Julia drew on their own corporate experience when designing programs. They spent a lot of time talking with the clients to determine what employees needed to learn or change. Dick further explained that by starting with the learning goals, LFI worked backwards to design the correct sequence of activities and discussions that would ultimately make up the training program in order to get at "the heart of the outcomes [the executives] wanted from the training program." Leapfrog was first to market with many new program ideas. Rather than tweak programs from the public domain (e.g., ropes courses) that everyone else was using, they deconstructed why such programs were effective or fun. Taking insights about these fundamental components, Dick dreamed up never-seen-before programs, such as having employees build a miniature golf course to learn team and leadership skills, an experience that achieved the same, if not better, results as other programs. Julia noted that LFI sold clients on the idea that "you'll never have experienced this before." Two to three years after introducing a radically new type of program, LFI would hear that other training firms or local consultants had stolen and modified the concept. The changes were usually minor, because most facilitators competing with LFI weren't experienced with design. They were more experienced in running Outward Bound and/or ropes courses, both of which were originally designed for students, not workplace complexities, and usually had generic debriefings.

LEAPFROG'S REMAINING FOUNDER: DICK EATON

Dick Eaton's philosophy of management and company culture was a product of his work experiences as well as his father's influence. His father had owned a public relations firm and had shared many stories with his family. From these, Dick learned the importance of treating everyone as an equal regardless of job title. His father hosted dinners at their home for high level CEOs, explaining to Dick that he treated them no differently from anyone else: "They all look the same sitting on the can." In one of his first jobs as a Proctor & Gamble management trainee, Dick had felt "an uncomfortable fit from the start." Though he learned a lot and was promoted to a first-line manager after two years and "managed four people who were twice my age," he hated each day. With little input into his job, he did not feel enabled to help his clients: "P&G wanted to mold me into their way of thinking" and expected jobs to be done in a prescribed manner with a "salesy" style.

Dick yearned for more say in the decisions of his day-to-day work and to be more intimately involved in the development of the products he sold. He left and got his next job at an advertising agency. To his surprise, two months later when his client cancelled its marketing budget, the agency retained Dick on its payroll. This decision soon paid off as the agency landed a large account with Finast Supermarkets and needed someone to manage it. Their commitment to him as an employee made a positive impression on him. Not long after, the president of Finast left to start his own company and hired Dick as the first director of marketing for what became Staples, Inc. As the position evolved, Dick and the executive team realized that his advertising skills hadn't prepared him to do direct marketing, and he was a poor fit with the values of the executive team and the emerging corporate culture. As a result, he was asked to leave:

> Money was not my number one driver. I wasn't in a mode where I was interested in working a hundred hours a week. I had gone to search for more quality. [The executive team] had the intention of making a mark on the world, which I admired and wanted to be part of but I didn't have [that goal]. I was reducing my traditional ambition. I was going the other way in terms of fame and fortune. The traditional definition of it was not in concert with what I was feeling and seeking.

Dick then founded the Urban Outing Club and ran it out of his condo, relying on the word of mouth of his members as its only advertising. It was a membership-based adventure and social club for people seeking community and quality of life, but were too busy to plan their own fun. Dick designed and offered creative activities and interactive experiences that "broke down barriers and let members connect with one another." Though not driven by profit, Dick had a family to support and to do so adequately would have meant increasing membership exponentially beyond its four hundred members. However, he believed that commercialization would destroy the club's unique culture so he opted to turn it over to its members. Dick took his creative ideas and began planning a for-profit firm that would offer some of the same types of team building programs to corporations. He toyed with the idea of opening a few businesses, and for each, hiring people to run them.

Dick met Julia Douglas in December 1993, and they launched the initial incarnation of Leapfrog Innovations in February 1994. Early in their discussions, Dick told her:

> We are going to do this together. If we have a cash shortfall I'll be responsible for that. But anything outside of the financials, the buck stops with you. If you hire a facilitator who doesn't show up, then the call will go to you and not to me. Basically you're in charge of the day-to-day and I'll be your partner in helping to make things work but I'll only be available about half my time. So the essence of it is that if I choose to take a six-month sabbatical the business shouldn't falter.

Julia agreed to this arrangement and left IBM in Canada to move to Boston. She took a small base salary with high profit-sharing potential, and planned to work at LFI for three years while simultaneously earning a master's degree in cross-cultural consulting. After that, she planned to open her own consulting firm.

From the beginning, LFI's employees could choose from among several combinations of compensation regarding their level of base pay and how much they shared in the company's profits. To adjust for changed personal circumstances, some employees switched to a higher base pay and less profit-sharing combination. This worked well as LFI hired "really hungry, relatively young people who wanted to learn a ton and make their mark. To them, the company was more of a mission or a calling than a job," Dick observed. They loved LFI and enjoyed their colleagues.

In LFI's first ten years, there were never more than five full-time employees, even when business was at its highest level in 2000. During peak times, Julia and the other employees worked long hours to sell and deliver programs. When the economy weakened, the types of programs companies requested changed to ones where participants brought learning back into their workplaces. This shift led LFI to develop long-term client relationships and to construct customized programs to meet those clients' needs.

THE EMERGENCE OF DIFFERENTIATED ROLES AT LEAPFROG

Though a self-admitted introvert, Dick was an excellent networker. Both he and Julia could develop rapport with anyone. Their interpersonal skills not only sold clients on the firm, it shaped their company's culture. Dick viewed LFI as a fertile ground where employees explored their skill sets, got mentored, and developed their whole selves. In this vein, he crafted a schedule for himself that included time for personal pursuits: painting, Reiki (a Japanese spiritual healing practice), community service, and his family. He went to LFI's office once a week for the staff meeting. He preferred to maintain a private office off site where he generated client leads, negotiated large client contracts, and developed new program ideas. Julia noted that "Dick had capabilities to do more than that, but he focused primarily on building client relationships and developing marketing and product ideas."

Julia noted, "I considered Leapfrog *my* baby because Dick was in the distance. While he called it a means of 'early retirement' for himself, I wanted Leapfrog to thrive, not just survive." It wasn't the pay that motivated her, because she had "one fantastic year out of ten." Instead, it was the opportunity to learn an extraordinary amount. Her future goal had always been to build her own firm when she felt ready. Julia didn't want to risk going solo until she had experience and maturity, and building and managing LFI from scratch helped her do just that. She took a lot of pride in her accomplishments at LFI. She managed day-to-day operations, sold programs to clients, handled all the logistics for getting a program prepared and delivered to the client, and usually facilitated them herself. She handled the development work (turning the concept into a documented program) without Dick, because "figuring out how to work with him was an art." As a big picture thinker, he got mired in details, slowed the process, and made it overly complicated. Given her workload, she couldn't afford any delays in the process.

From 1995 to 1999, LFI hired various people to handle sales and program logistics (see **Appendix 3**), seeking employees who were driven by LFI's mission. Many were referrals from Dick or Julia's networks or people they met through LFI's programs. LFI hired them if there was a fit between the individual's personality and the firm's culture.

Job titles were generally avoided, particularly on the sales side of the business because Dick believed titles would suggest that LFI was a typical training firm that sold generic products. Like many start-ups, its employees willingly took on multiple responsibilities. Matt, the first employee, focused on making new sales—with the understanding that he had to make most of his income through commissions. Together, he and Julia generated more business than ever. This created capacity challenges for managing and delivering so many programs, so Steve was hired to handle program logistics. Julia managed to keep the company afloat by juggling sales, managing the operations, delivering programs, and still motivating the others. Matt was put on salary, which removed the pressure to sell every minute and allowed him to assist with program delivery. He noted, "Dick was great about giving chances and building on people's skills." When Steve left in 1997, Julia covered his responsibilities until Heidi was hired.

In late 1997, Matt left to pursue an internship for his MBA. Dick and Julia spent two to three months interviewing candidates to find someone who would represent LFI well to its clients and whose skills and personality fit with their own. In September 1998, LFI hired Dave to assist Julia with sales. Dave fielded inquiries from potential clients and worked with existing clients to sell programs to their other departments. Selling involved a needs analysis, recommending a solution, and writing a proposal. He recalled that his job wasn't that narrow: "There was a line in my job description that read, 'Lots of other stuff as necessary,'" an expectation held of all LFI employees. This included brainstorming sessions to tweak existing programs or develop new ones. "One of the best results of my experience was that I realized I had a creative side that, until then, had been untapped." He tried two ideas: marketing LFI at a trade show and offering an incentive program for hotel managers who referred business, neither of which paid off. He characterized the decision to experiment as reflective of LFI's culture—"If you had an idea and felt strongly about something then you had leeway to try it. If you made a mistake, it was not the end of the world. I didn't think I could keep making mistakes, but trying new things was the only way we were going to grow, and the only way I was going to grow professionally." He saw that as one reason why Dick was careful about hiring: "He's the kind of person who thinks the quality and characteristics of people are just as important as the exact skill set they bring to the table."

CHANGES AND GROWTH IN STAFFING, SERVICES, AND WORK ROLES

Revenues doubled from 1999 to 2000, although LFI's infrastructure was little changed. Heidi left that year to hike the Appalachian Trail. One of the facilitators, Chris, handled logistics until Heather was hired as the logistics program manager. Business boomed and Julia worked sixty to eighty hours every week not counting travel to client sites. Her work ethic was legendary among LFI's employees and facilitators. She said, "The year 2000 itself was the most ridiculous year of my life; it was just insane." Dick suggested they hire a manager so Julia could focus on Total Team Performance Solutions™ consulting, which she now preferred over LFI's other programs. Dick did most of the interviewing that resulted in Allison's being hired, albeit more on chemistry and raw talent than experience in the industry. Dick considered her "a brilliant woman and very talented in so many ways and a great qualitative kind of person." Though she was hired to be the managing director she "had only a general idea of what that meant—nothing in writing ... it was nebulous." Allison took on responsibility for bookkeeping, client invoices, management of the physical location and staff, and the day-to-day operations of the LFI.

Allison also expected to generate revenues, but the learning curve for selling LFI's unique training programs was steep. Dave noted that it could take a while, especially when coming from a different industry: "It required actually going to the programs and seeing them and understanding how they benefited the client organizations so you could sell them." Allison agreed, "There was so much content to learn ... early on it was a lot of watching Julia and listening and trying to really get up to speed on the programs so I could make client calls and write proposals. There really wasn't any archive of information to access that would give me all the stuff I'd need to know to say confidently to a corporate client, 'here's what we can offer, here's what it looks like, and here's what it's going to feel like.'" Given the exigencies of a busy office with few full-time workers, Allison was soon fielding client calls and trying to figure it out as she went along.

As the "logistics guru," Heather ensured that all program details were attended to in a timely manner once the account executive selected a program and facilitator. She tailored her help to meet the facilitators' individual needs and preferences. She developed forms to track information and rudimentary operational systems to improve program scheduling and delivery. She recruited, hired and trained support staff to aid these facilitators on-site. Allison and Julia mentored her, pushing Heather to gain more knowledge by aiding the facilitators on-site. "It got to the point where Allison said to me, 'Do you want to go to a client meeting too? Make calls? Try managing an account?' I could have done anything. It was up to me to say 'no, I want to try *those* things, or I'd like to do *these* things.' I could do anything as long as my original job was being done." Though the core never changed, Heather's job looked a little different with each project. In 2000, she dealt with approximately a dozen programs; in later years nearly all of LFI's programs were highly customized. Heather stated:

> After the tech crash, my job became more complicated. No two programs looked the same; everything was tailored. Even our stock programs were customized. It added a ton of work for me. By 2004, my job involved so much because of customization that I definitely felt there needed to be two of me. There were two levels to my work. One was the printing and shopping and organizing. Those were my days where I could take a mental break; I could wear my jeans and sit on the floor. There was another level of coordination, dealing with the client facilities and support staff. And then there were the days I was at the programs—sometimes there were three or four programs going on in a week and I would send one off but I wouldn't get to go to it because I was going to another program. One of the things we were remiss about is that I couldn't be at every program to get all the feedback, because you learn something from each debrief.

Heather's learning came primarily from Julia and Allison; she and Dick didn't have a close relationship. He continued to work out of his other office and go in once a week for the company meeting. From Heather's view, "I didn't know Dick as well as I did Julia and Allison; he wasn't around as much as they. They were in my daily life."

Even though he wasn't on-site much, Dick felt a strong connection to LFI and its employees. He occasionally indicated to them that he "desired to capture the tacit knowledge that each person had built through their experience on the job." However, it was not "in his nature" to sit down and document his job and procedures; therefore he never pushed others to do so either. At times he would comment that LFI needed to document a procedure so that the next time they would have a checklist of what to do. "It wasn't that we didn't want to do it, but other things were always higher priority, like dealing with clients or getting a new project."

UNCERTAIN FUTURE OF LFI

In 2002, Dave decided to move west, and LFI did not replace him. By then, Julia was focused on LFI's top-level operational issues and her clients. Allison fielded incoming calls from potential clients and managed daily operations. Julia said, "Though I was sad to see Dave go, I knew that [his salary] would be better allocated elsewhere. We needed someone selling more aggressively."

The firm was doing well but needed to maintain sales. Up to that point, most employees stayed with LFI for two to five years. Turnover averaged one employee a year. Dick and Julia remained and provided stability as new people came aboard and others left (refer to **Appendix 3** for LFI's employee tenure).

Signs of major changes appeared at the end of 2003. LFI had to develop relationships with new facilitators, as its primary external facilitator was unavailable while she had her second child. In December, Allison also announced she was pregnant. A few months later, Heather found out she had been accepted into a degree program that started in the fall of 2004 so she planned to leave LFI that summer. For Julia, the year 2004 would be her tenth anniversary, and she spoke with renewed interest about leaving to start her own company and working for LFI only on a contract basis.

And around this time, Dick underwent a transformation and engaged in a lot of personal reflection as a result of his father's death. Allison observed that, "Dick did a lot of soul searching and concluded that he needed to have a drastically different role within LFI. He told us that he and the company were in a transition phase, but it was unclear what that meant." He didn't mention he had thought about increasing his involvement on-site.

Dick reflected, "I did a lot of thinking, and had a lot of conversations with people outside LFI who had very rich points of view. I reached out to seven different high level executives and consultants, some in this industry, some in related businesses, and some whose opinion I just respect." One of these individuals was Dick's longtime friend, Court, who reviewed profit and loss statements, asked questions about LFI's structure, assessed how things were run and the challenges Dick faced. After helping Dick think through all these, Court pointed out that the future of the company and who should be hired were decisions that were ultimately Dick's responsibility to make—but they all hinged on what Dick wanted the scope and focus of his own role to be and how he wanted to structure the company.

The outcomes of these conversations had not been shared with the employees. According to Allison, in early 2004 "Julia, Heather, and I were trying to create a plan that would allow us to phase out and not disrupt the company. We were definitely struggling with who we should hire and what they would be responsible for ... there was a fair amount of confusion about whether or not we were looking to recreate the model that already existed [hire new people to take on the existing roles] or we were breaking that model and starting all over again." Their conversations revolved around what the skill sets of new hires should look like and whether job descriptions reflected not just responsibilities but the LFI's culture, too.

They focused first on replacing Heather. Allison explained, "There always needs to be a program manager and it was pretty clear what the program manager needed to do. And regardless of what happened with the direction of the company, that job was pretty clear." They debated filling the "Heather of 2000" role or the "Heather of 2004" role, the latter reflecting the more complex job that had developed around her skills and interests as well as the additional tasks she had become responsible for over the four years. Her job in 2004 was "meatier" than what it was in 2000, so it required a more experienced person, thus a higher salary. Allison and Heather interviewed candidates, many young, recent graduates with the skill level of Heather when she was initially hired. They were good with logistics and excited to shop, pack, and coordinate program materials. Some interviewees were a closer match for the "Heather of 2004" role. Heather observed that the process was interesting, "because we described the job and company, and then said, 'but nothing is going to look like this when you are here. And here we are, two people interviewing you who, by the way, won't be here when you are here.'"

By May 2004, LFI had hired no replacements. Julia had left in April and the stress was increasing. Allison's due date approached, and she was expected to leave by July. Heather would go to school in August. As Allison contemplated the situation, "I had a clear idea of what my job description was and what role needed to be filled. I created a long list of all the tasks that needed to be attended to for the general operations of LFI, ranging from client relationships, IT, marketing, finances, office management—a very long spreadsheet, incredibly detailed—and regardless of who does it, *this stuff needs to get done.*"

Yet while Heather and Allison sought their replacements, Dick continued to work on a new company vision and his role within it. The decisions that would come out of the new vision would influence the roles that LFI needed and the responsibilities assigned to each. He even considered different business models, such as doing away with all employees and instead using a Web site to broker matches between clients and outside facilitators.

One thing was clear, though—if he kept the firm, he would do so without other investors. This self-funding limitation meant a fixed budget for salaries and benefits. If revenues remained the same, LFI could support four employees in addition to Dick. Although he always held the financial risks as an owner, his role in the firm had been limited to only those tasks that he wanted to do—mostly the creative work and handling the larger client accounts. He hadn't overseen the daily operations. "If the computers broke, somebody else dealt with it. If there was a bunch of stuff to load into a truck, I wasn't there." Dick now had a decision to make. Thinking through all this was taking time, though, and there wasn't much of that left. Julia was gone and the only other two employees would be out the door sooner rather than later. Dick realized it was time to decide the future of LFI and his job as well.

NOTE

1. "2005 Industry Report," *Training Magazine*, (December 2005), 14–28.