



A CEO's Role in Corporate Culture

Trinseo, a global chemical materials producer with 2016 revenues of \$3.7 billion, was formed in 2010 from the sale of four business units of Dow Chemical. Formerly known as Styron, Trinseo has combined the assets and technologies of those businesses under one umbrella with aligned values and goals. During that transformation, Christopher Pappas, Trinseo's President and CEO, had the unique opportunity to develop a corporate culture from the ground up. Here's what he has to say about culture and the CEO's role in defining and driving it.

How do you define corporate culture?



Christopher Pappas:

When we were starting up our company, or carving it out from Dow Chemical, I felt very strongly that, in addition to strategy and all the things you normally think about that create shareholder value, creating the right culture was going

to be very important to driving the value of the company. That's not often written about in business books where people tend to focus on some kind of strategy mapping and other components of driving value. That's the reason we did it. Not just for the joy of setting up our own culture, which incidentally can be a lot of fun. We did it because we thought it was going to help create the kind of company we wanted, the kind of success we wanted, and we fundamentally believe that.

Culture is underpinned by a series of behaviors and actions that many people take part in. From day one, we thought it was important for us to set up our own culture. We are not a large company like our heritage. We had to set up a set of behaviors and actions that would lead us to something more appropriate for a smaller company that would be less bureaucratic, more nimble, more accountable. Those kinds of features were what we were looking for in our culture.

To drive that culture, we identified the attributes or traits that the people working at Trinseo should have. They include: confident, collaborative, experienced, ethical, open, accountable, determined, nimble. And we used those specific words to guide our hiring process — to find people who had those personality traits. Our culture was built around the people.

How does culture fit into your role as CEO?

Pappas: If the CEO believes that culture is important, and I think most would agree, then they have to be the one responsible for that culture. They have to be the one who works with the senior management and with the organization to develop a model for the culture that you're looking for. And then, most importantly, they have to in fact live it, behave it, and drive it through the organization.

In our case, we had one very good thing going for us. When we started the company, we had about 1,800 employees from Dow. Today, after about six to seven years, we have 2,200, and 650 of those are new to the company. We had an opportunity to bring in many new people over a fairly rapid period of time, and that's very helpful to building a company culture, because you can recruit and hire what you want and we were deliberate about that. We were able to put a diverse group of people in this mix and stir the pot and create a new culture based on hiring. Without that, I think it would've been a lot harder, but because we had a chance to bring in a lot of new people and a lot of new thinking, we could shape the culture of the company much faster.

How do you model the behavior you want the organization to emulate?

Pappas: Let me give you a few examples. I have a personal view that says there's no substitute for working together with people face-to-face. I think that builds camaraderie; I think it builds an understanding of the person on the other side of the table; and I think it just leads to a chance to make more collaborative, better decisions. This is especially important early on in a company's life. We took a lot of time to make sure that people were interfacing in person. We have an executive team like most companies do and we make it a point to get together face-to-face, ten times a year or more. I know email is a terrific tool and there are a lot of good electronic tools in this world. But instead of leveraging electronics, we chose to encourage more in-person meetings on purpose.

Our offices have a quite open floor plan, whether that's in Berwyn, PA, or outside of Zurich in Europe. The executive offices are accessible by the entire organization. The common areas are just that. They're open and visible and people can easily convene in the office space; there are not a lot of closed doors or narrow corridors. Those kinds of physical spaces are important, and they really say something about the behaviors you're trying to drive in the company. We want people to be talking to each other. We don't want people

sitting behind a closed door in their office sending an email. We'd rather have them walk out the door, go down the hall, go into an open space, sit down on a couch, talk to somebody, solve a problem face-to-face.

Here's another small example. Our office in Switzerland has three floors with a little cafe on the ground level that has a nice coffee machine. We could have put a coffee machine on each floor in that building. But the flow in that building would be completely different than it is today, where if you want to have a coffee you have to walk down the stairs, go to the cafe, make a coffee. Most of the time you'll see 10 or 12 people in that cafe, and they might be from different businesses, or one person might be in supply chain, another person might be in product management. Imagine the interfaces that occur just for that reason that otherwise might not.

Those are a couple of examples. There are many more. They're everything from large things you do, to something almost as insignificant as where you locate your restrooms in an office. Are they in a spot where the executives have to walk back and forth, as ours are? In our offices, we deliberately do not have executive washrooms. That may seem silly, but it creates an environment where people have to walk around.

One of the underpinnings of our culture is communication. Running a company like Trinseo with open dialogue and transparent communication is really important. It's important for alignment. It's important for people to feel like they have a piece of the action and they're in the process. It's not happening to them, it's happening with them.

We are a pretty flat organization. That's another key cultural attribute of our company. We don't have a lot of bureaucracy, which comes from layering. Bureaucracy also comes from not giving people accountability, not asking people to make decisions on their own, not letting people communicate to each other in an aligned way. That creates, in my opinion, bureaucracy and slow decision-making, and frankly, an atmosphere that's not so much fun.

We also have small offices, not one big headquarters. Our Berwyn office, which is our global headquarters, is 80 people. Our European headquarters outside of Zurich is also 80 people. We have an Asia office in Hong Kong with 40 people. We kept our offices small on purpose. I don't believe in large corporate headquarters to drive this kind of culture. That would say something different to the organization. It would say the corporate headquarters is where everything happens.

How have you equipped leaders in your organization with the necessary resources to model the culture?

Pappas: We talked about some of the interfaces. Another example of the in-person and phone meetings is the top 75 leaders across the company have a bimonthly call with me and the management team to review the business. As a

business attribute, we also felt that we wanted a company that was a profit-and-loss-driven company. So we asked our business leaders to run their individual business lines as their own P&L, and I mean balance sheet and cash flow and so on. That's an important structural component of what we were trying to drive culturally, which was the reason we're here — to manage and drive the P&L of the company. We set up business units that had that accountability with team structures to drive results. We made it clear to our leaders that the mission in life is the business P&L of the company. And we equipped ourselves organizationally to do that.

I'd like to say a few words about accountability. We ask a lot of our people in terms of accountability and leadership. That's not always what people want. Some people don't like the notion of accountability and leadership, because they might get asked a lot of questions by, say, the CEO. If I go to a meeting with our business managers or functional heads, I make it a point to know the company quite deeply and I'll ask them a lot of questions. Some people like that, some people don't. We've designed our culture to be accountable and make decisions. But at the same time, we realize that accountability might lead to some mistakes. People won't get everything right, and we're okay with that, within reason. Having a culture that allows that, I think, promotes even more accountability and leadership. When we have things that don't go well, we talk about what didn't go well and what we are going to do next time, rather than take a punitive approach.

Can a culture change over time? And, if so, how do you know it's time to evolve the culture?

Pappas: I think that's a great question because obviously the world changes pretty rapidly. I think as long as you have a fundamental underpinning of core values and you hold those in place culturally, you can in fact make some subtle changes. And we have. We've had to.

When we started the company, we really didn't have a company. We had just a series of businesses and assets that Dow sold. They were never managed inside of Dow as a division or run together. The first thing we had to do in the first two years was build a company, which was also very powerful because that forces you to build a culture. Forming a company is a different piece of work than running the company and then IPOing the company and then managing the company in the public arena. That's the journey we've been on. For each of those steps, you can imagine there's been some evolution in the way we manage, and therefore the culture has shifted. But I think in every step along the way, we've maintained the fundamental underpinnings of Trinseo.

I am very proud of the Trinseo team and am looking forward to delivering on our growth initiatives while returning cash to shareholders.

CEP