



*Great Leaders
Great Organizations
Lasting Results*

Leading where Innovation meets Risk-Taking and Persuasion

This is the fourth interview from my book on *Extraordinary Atlantic Canadian Leaders*. You can also read the first three interviews on the website www.BradMcRae.com.

Peter Conlon is an award-winning general manager with extensive history of fixing and growing companies. He is currently the Chief Executive Officer of LED Roadway Lighting and much of Peter's success is attributed to multiple deep experience in: direct line management, marketing, sales, finance, operations, product management and strategic planning. The following interview took place when Peter was the President and Chief Executive Officer Nautel Limited.

When it comes to developing and delivering high-quality, innovative technology, Nautel is a rising star. Nautel designs and manufactures AM and FM broadcast transmitters, navigational beacons and industrial radio frequency products. In addition to recently winning contracts to provide technology to Turkish Radio-Television Corporation, National Grid Wireless (UK) and Radiorama Corporativo (Mexico), Nautel is collaborating on a project with Ad Astra Rocket Company in Texas that is targeted to take flight in 2014. While space applications may be new at Nautel, innovation is not. Nautel was and is built on innovation and the successful commercialization of innovation.

B.M. Nautel was listed as one of the finalists in the Canada's Passion Capitalists competition, where a Passion Capitalist is defined as "...an organization that has achieved long term success by creating Passion Capital; the energy, intensity, and sustainability needed to generate superior results. Nautel was not only a regional finalist (one of 28), and was recently selected as one of the 10 national winners of the Canada's Passion Capitalist award – the only technology company winner in all of Canada. How did you achieve this wonderful accomplishment?

P.C. Passion Capitalism requires sufficient fuel and a spark to set it off. When I arrived at Nautel seven years ago, I sensed that it was a great little company (“fuel”) that had stalled and was without direction. It became evident that my job was to inject enthusiasm and confidence (“spark”) and to infect the team with the confidence to go out and change the world. So, while nothing could have changed in a meaningful way without expending the necessary effort in engineering and marketing, it all happened as part of an overall renaissance effort.

Every step of the way, we took time to savour our successes and to learn from our failures. Luckily, there were more successes than failures! Each success emboldened the team to stretch a little further. Eventually, we started doing things we never thought possible. People internalized the positive momentum, which gave them tons of energy. The Passion spread throughout the company. But not only did we have positive energy we had to figure out a way to sustain it.

B.M. One of the things you did when you took over Nautel was to almost immediately lead the company through a year where it was budgeted to lose \$2 million. Why did you do this, and how did you make the decision? What decision-making or what kind of risk analysis did you do?

P.C. Convincing the Board to agree to lose two million dollars was the most difficult leadership task I have even faced. At the time, Nautel was a poster child for good solid management. The company had been profitable every year since its beginning. The problem was, it had reached a point of stagnation and lacked fire in its belly. So, what to do?

In 2006/2007, we had started down a path of revitalizing the product family, adding strength in sales, and reinforcing our after-sales service. Early in 2007, the broadcast transmitter market fell apart with the Great Recession of 2008. Most of our competitors responded by cutting back on spending. I decided that we needed to adopt a contrarian view and to forge ahead with our growth plans, in the face of conventional wisdom.

I spent a lot of time with the owners/Board, explaining to them that losing money was simply “converting Retained Earnings to competitive advantage”. I knew that we needed to think like a start-up...a 40 year old start-up. By definition, start-ups must do more than they can afford, because they don’t make money. They convert capital from banks, friends, angel investors, or private equity into value. In Nautel’s case, we didn’t need capital; the necessary capital was already sitting on the balance sheet.

I have to say that I am extremely proud of the Board. They had the courage to forego a perfect record of profitability in order to build for an unknown/unseen future. They trusted their managers...almost more than they trusted their instincts! In the end, we developed two new products lines, assembled the finest sales and support teams in the industry, quadrupled our market share and catapulted the company into a Tier One position. What’s even better is that, at the end of the day, we lost only a fraction of the money we thought we would. It was the confidence of the Board that fired up the management team and the company to outperform.

B.M. One of your heroes is Steve Jobs, how are you emulating him?

P.C. One of the things I most admire about Steve Jobs is his willingness to boldly go where no company had successfully gone before. He had the unshakable confidence that Apple could create products that customers were not looking for and then convince those same customers they couldn’t live without the new products. As a result, he never used

customer surveys and focus groups. Talk about confidence! That's how a leader operates...fearlessly.

At Nautel, we strive to do the same thing. As an example, when we developed our two new product families back in 2007 and 2008 (the year we lost money!), we introduced a brand new command and control system for our transmitters. We built a graphical web-based user interface ("AUI") that allowed customers unprecedented control and monitoring of their system all the way down to the tiniest components. All of these rich data are accessible through the web interface, which is presented either remotely on the Internet or via a touch screen on the front of the transmitter. No customer in the world would have ever said to us "Give me a 17 inch monitor on the front of my transmitter". In fact, many of the customers we spoke to during the product launch said they didn't believe it would work in the intense radio frequency environment of a transmitter site. Well, they were wrong. The AUI became a huge winner and now all of our competitors are scrambling to try to catch up to us. That's the kind of barrier to entry I like to build.

B.M. A recent survey by IBM said that innovation should be every companies' number one priority. Do you agree?

P.C. I keep hearing everyone talk about innovation like it is some kind of Holy Grail. There is no doubt in my mind that innovation must be an essential part of every company's mindset. However, innovation is meaningless without commercialization and commercialization is much harder to do.

Think about all the interesting intellectual property that is sitting idle in the various post-secondary institutes in the world. What is the value of that innovation? It's simply shelfware unless someone comes along and finds a way to commercialize it. That same model holds with government support. Our public bodies do a pretty good job of supporting innovation (think IRAP, SR&ED tax credits, etc). However, they are much less skilled at helping commercialization and exporting.

So, I would put commercialization skills ahead of innovation as a key piece of a company's arsenal of weapons. You need both to build success. That's why, back in 2007/2008, we not only revamped the product families, we added to sales, marketing and customer service. You can't win a race by running on one leg.

B.M. What are some of your and Nautel's most innovative accomplishments?

P.C. I'm not really sure we are that innovative at Nautel. While the AUI (mentioned above) is clearly a game changer, most of our success has come from doing pretty standard, logical things that are not well adopted by competitors in our space. As an example, some of our competitors sub-contract parts of their after-sales support to third parties, such as call centres. We at Nautel will always maintain the personal touch with our clients, even though it may be more expensive to implement, because we believe the relationship with our clients cannot be handed off to a third party. The loss of information

or the inability to make sure the customer's issues get closed to their satisfaction far outweigh any possible cost savings.

One other thing that separates Nautel from the rest is that we have never, ever ceased support of any of our products. That means a client who bought a transmitter 40 years ago can still have it sent back to the factory to be refurbished and we will happily do that for them. In fact, the very first 50kW AM transmitter we ever sold was recently sent back for updating. What a thrill it was for some of the people here. Some of them had actually worked building it 30 years ago! Our customers love us for standing by them like that.

B.M. What are your plans to keep Nautel competitive through innovation?

P.C. We constantly ask ourselves "Why can't we do that?" We never want to be me-too. Much of that is led by me. I remember an instance where my head of engineering said to me that, in his view, I felt that, if I believed strongly enough, I could break the laws of physics. What an incredible compliment! (At least, I hope it was a compliment.) It means we will never stop trying to find something new, something different. When that happens, we celebrate it. We even celebrate failures. That's a kind of radical idea for many people – celebrating failure. However, the only people who don't make mistakes are those who do nothing. Failure means we tried. As long as we learn from failure, it is a worthwhile investment.

B.M. I had the great pleasure of seeing you present in a dialogue on leadership with Michael Scott of Precision Biologic. You both have very different leadership styles. For me it was like listening to Ghandi and Steve Jobs, yet you also have a great deal in common. Can you elaborate?

P.C. Both Michael and I believe that great success only comes when you have your entire team motivated to move in the same direction. Strength comes in numbers. Michael's approach is to build a great company from the ground up and then to use that strength to go to smart places. What a great approach! My view is that we decide where we want to go first and then build the team necessary to get us there. In both cases, great teams work together to go to great places. Our differences are in deciding which comes first; the team or the destination.

B.M. You just became a member of the board for Precision Biologic. Why did you do so and what to you hope to learn and accomplish?

P.C. I have had the chance to watch the success at Precision Biologic, not simply economic and financial success but more importantly, I have enjoyed seeing the success Michael has had in creating a truly motivated, fully engaged team. I wanted to learn more about how that was possible and to become more proficient in growing that sort of organic strength at Nautel. On the other hand, I believe I can help Michael and the team as they refine where they want to go with their fantastic team. I want to help "plant the flag".

B.M. How do you plan to grow Nautel?

P.C. We are in the process of putting significant effort into diversification at Nautel. That includes diversification in products and services, as well as in customers. Because so much of our business is determined by the economics of one market (commercial radio broadcasters), we need to expand our horizons to include other opportunities. The first step was to build a focus on diversification, within the team.

Nautel is managed on a day-to-day base by an organization called the Management Advisory Team (MAT). All of the senior managers of the various departments are members of the MAT, except for me, the CEO. This devolving of power has been incredibly invigorating for the senior managers. They have received significant training on decision-making and the management of personal interactions and are today the finest management team I have ever had the privilege of working with. They do a great job of running the business.

Then, I changed it all! I stole the most senior sales manager, the most senior engineering manager and the most senior marketing manager from the MAT and created a new group called the New Opportunities Team (NOT) – you’re either a MAT member or you’re NOT. ***This ultra small team is focused on where we go next.*** We have already started to branch out into television, high power industrial radio amplifiers and into SONAR. There are many exciting markets where our core strengths and motivated team have every chance of great success.

Right now, we don’t have any plans for mergers or acquisitions. If a great opportunity were to present itself, we’d look at it. We simply have our hands full delivering on the business opportunities we see in front of us today.

B.M. As the world becomes more complex and competitive, how will you keep the momentum that has propelled Nautel under your leadership?

P.C. The best way to sustain momentum is to give it to a bunch of people and to let them propel it along. Now that I have empowered my senior managers to run the daily affairs of the company and to bravely chart a course to Nautel 2.0, I can feel the energy and the confidence in the team. It is human nature that their teams will see and sense the same things in them and will get charged up. So, momentum has been handed to my team and they are using it to add even more inertia. We are becoming quite a formidable force in our space, based on the unleashed energies of 200+ people. That’s how we will continue to grow.

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