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Doing Culture at OutSystems:
managing with Just a few "big rules"

Abstract: The growth of OutSystems, a knowledge-intensive IT company headquartered in Portugal with offices in the US, the Netherlands, and Singapore, has been accompanied by efforts to create a strong culture, one that preserves the traits that have supported its growth, such as innovation, adaptability, high performance, and accountability. Fortune magazine recognized these traits: in 2003, it elected OutSystems as one of the most promising start-ups in the world. This case presents the lessons OutSystems learned from previous international experiences and its latest growth model via local partners. Students are invited to discuss (a) the importance of organizational cultures that drive innovation and flexibility and their fit with company strategy, (b) how leaders, especially when they also are the founders, influence organizational culture, and (c) the challenge of managing organizational culture in the context of national cultures.

On a rainy autumn morning, Paulo Rosado sits in his office at OutSystems in Linda-a-Velha, close to Lisbon, and reflects upon a critical challenge: are the cultural practices that brought the company to where it stands the ones needed to make culture consistent as the company grows? Given internationalization and distance, how can the development of undesired cultural logics be prevented? For the company to continue to flourish, frank and open-answers are necessary.

OutSystems (http://www.outsystems.com) is an international IT company with customers in 24 countries. Besides developing and selling its product, the *OutSystems Platform* (directly and through almost six dozen implementation partners), OutSystems also develops solutions on top of the *OutSystems Platform* for top tier customers.

Outsystems was founded in 2001 in the city of Linda-a-Velha (Portugal), by Paulo Rosado, a former employee of Oracle at Silicon Valley, together with Rui Pereira, Irene Montenegro, Lúcio Ferrão, and Rodrigo Coutinho. Paulo Rosado had met Rui Pereira and Irene Montenegro when he was still working in the USA, while Lúcio Ferrão and Rodrigo Coutinho joined the project when Paulo was working at Altitude Software, in Portugal.

The company expanded to foreign countries in 2004 and 2005, with the opening of the US and Dutch offices, respectively. While continuing to grow in its former locations, in April 2012 OutSystems opened offices in Brazil and South Africa, via partnerships with local entrepreneurs. In 2014, the company had offices in Australia, Benelux, Brazil, Japan, Portugal, Singapore, South Africa, UK, and the USA.

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THE BIG RULES OF A YOUNG BUT MATURE COMPANY

Paulo Rosado, OutSystems' CEO, firmly believes in the importance of fostering a strong, meritocratic, and innovative culture – a culture that promotes quality, empirical creativity, and innovation. His belief is reflected in countless initiatives that have taken place since OutSystems' early days and that culminated in the disclosure of OutSystems' rules (Exhibit 1), in the summer of 2012. Although discussed with the senior staff, the rules were strongly influenced by Paulo Rosado's sensitivity to OutSystems' culture. These rules were devised to assist management in building an adaptive and innovative culture. All the rules matter, but according to Paulo Rosado, *ask why* is probably the most important of them all, as he explains:

> "*Ask why* is the key for innovation. Innovation is driven by people being able, allowed, and compelled to ask questions and to understand the big picture".

The company is currently planning to launch a new service: *Platform as a Service*. The importance of developing this new service is clear to Paulo Rosado. The challenge is significant and the engineering team will have to perform at their best in a record time. Quick results are required and not everyone shares Paulo's vision, and asks *why*.

AIMING TO FOUND A GREAT (AND VIBRANT) COMPANY TO WORK FOR

When Paulo Rosado started his career at Oracle (Silicon Valley), he had already decided to create a company of his own. In 2001, together with Rui Pereira, Irene Montenegro, Lúcio Ferrão, and Rodrigo Coutinho, he founded OutSystems. Not only did they decide that they wanted to create a company – they also wanted to create a great company to work for. In Paulo Rosado's words:

> "I have always dreamed of a work environment that I wanted to go back to every morning. An environment full of smart people, where your mind is valued, and where you are rewarded for having cool ideas and doing a great job. Where people say what they mean and do what they say. And, above all, a place that is not boring. That is what we have at OutSystems."

Rui Pereira, vice-president of Solutions Delivery, had in common with Paulo the professional experience at Oracle in the US and shared with him the values and the work ethic of the American culture. Rui Pereira recalls OutSystems' first year:

> "Each of us had to cover several areas; we were mainly focused on building something minimal to get funded and to get the first customers. While Rodrigo, Lúcio, and Irene were focused on building the prototype, Paulo and I were focused on getting funding and finding the first customer."

The funding necessary to build the OutSystems platform was obtained in September 2001 from a Dutch venture capital, NesBIC. In March 2002, the first version of the platform was deployed at Optimus[1], OutSystems' first customer.

António Melo, vice president of Engineering in 2012, joined the OutSystems team on the 2nd of January 2002. He had met the start-up team in mid-2001, when the company was "literally installed in a garage turned into small office rooms", António remembers with a smile. When he joined the team, OutSystems had nine employees. He recalls his first year at OutSystems and the environment at that time:

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[1] Optimus is a Portuguese mobile telecommunications operator.

"OutSystems had amazing people: very creative, intelligent, and passionate about the product being built. The code base was growing like hell, turning lots of ideas into working code. It was very motivating to work in a team like that, but it was also scary, like an orchestra without a conductor; it actually worked due to people's genius and passion. The most frantic period, for me, happened during the first year. The milestones were very aggressive, we were creating the first version of the platform and, at the same time, developing the first application on top of the platform for Optimus. It was a crucial period."

IMPLEMENTING THE VISION AND PURPOSE IN THE GLOBAL ARENA

OutSystems was created as a product company from the very beginning. Its product, the *OutSystems Platform*, was initially targeted at Mobile Telecommunication companies. With the Platform a mobile telco could empower its community of customers and developers to build their own mobile and web applications quickly and without having to install any software in their internal data centers. Today, the *OutSystems Platform* is a unified cloud or on-premises solution that addresses the full life-cycle of delivering and managing mobile and web business applications. It is currently used by companies in more than 22 industries.

OutSystems' vision and purpose — to solve the fundamental problem of IT inside any enterprise —have attracted the attention and praise, and the recognition of analysts, software industry experts, customers, and partners. This recognition (Exhibit 2) was accompanied by the company's growth (Exhibit 3).

Although OutSystems has developed solutions for specific customers since its start-up, it was only in late 2005/early 2006, to accelerate adoption of the Platform by the customer base, that it decided to grow the services area (known internally as *Solutions Delivery*) on a larger scale and in a more professional manner. Rui Pereira, responsible for the services area explained what happened prior to March 2006[2]:

"The services were always responsible for a large part of our revenue. At first the services area worked pretty much *ad hoc*, with a bunch of very competent guys working to solve clients' technical and business problems. In 2006, we realized that we had to move from an *ad hoc* services organization to a professional services organization, and we hired one person just to manage that

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[2] Frederico Ferreira was hired for the vice president position of *Solution Delivery* in March 2006.

department. We changed to an organization where we have efficient processes, process innovation, and human resource management, making the business efficient from both a process and a human resource allocation perspective."

The international expansion started after the first version of the platform was launched. To leverage the fact that OutSystems was partially owned by a Dutch VC, the board decided to expand to the Netherlands. Carlos Alves, current vice president of International Operations, explains:

> "It is not that the VC has brought us a significant sales pipeline. But considering that we had to present ourselves as a foreign company, in the Netherlands we could at least state that we had a Dutch shareholder. That helped introduce us to customers. Out of that simple fact, we started building relationships, and we gathered three customers before opening local operations there."

The decision to expand to the US was based on the excellent market conditions and on cultural affinity. The affinity came from the founders' experience — both Paulo Rosado and Rui Pereira had worked in the US. The evaluation of the market conditions was based on US growth and IT expenditures, which remain the largest market in the world. Furthermore, in theory, it would be easier to address the American market rather than the European, given that it has just one language and similar legislation among the states.

Both expansions started with sales executed by the management team through travelling to the target locations. This was followed by setting up the first two or three clients, and only afterwards opening local operations. Carlos explained the lessons learned from the first foreign experiences:

> "We did not believe that we were going to send Portuguese people trained in the main office all over the world and that we were going to be successful, because we were going to miss the local culture's capabilities to interrelate and drive relationships at a high level. Moreover, being a new company and being unknown makes it very difficult to attract talent. We have made mistakes in the past: we sent Portuguese people to the US, and they did an excellent job. But, alone, they were not able to be as successful as we needed. In the Netherlands, we did it the other way around: we started by hiring a local country manager, but because the core values of the OutSystems culture were not there, it too didn't work."

Currently, the Dutch office is supervised from Portugal and staffed with local Dutch employees. In the US, the country manager is an American, and there are both American and Portuguese members among the staff. Although present in several countries, the majority of OutSystems employees are still Portuguese. Most of them are software engineers, and the mean age is 35 years old[3]. By 2013, OutSystems had reached 214 employees and its growth has not stopped (see Exhibit 3). Its workforce is distributed among delivery, engineering, marketing, and sales departments. The product engineering function does not exist outside Portugal, but every location has all the departments necessary for field operations. This includes solutions delivery and field marketing.

THREE FACTORS MAKE IT BUILD A STRONG CULTURE

In 2009, Rian van Heur, a strong advocate of *Agile Development*, posted in a magazine the following words of Mathias Preuter, a software engineer at Oxxio[4]:

> "It is difficult to hear a bad word about the Portuguese software company OutSystems at the first international user meeting. Believe me, we have been looking hard. The question is how friendly the company continues to be if the growth continues Oxxio[5]".

These words reveal the challenge of keeping the OutSystems' traits intact a challenge that had been presented years before and that triggered the urge to consistently build a strong culture. Paulo Rosado listed three reasons that drove his quest for a strong culture: (1) growth of the company's size, (2) increase in the number of hierarchical layers, and (3) the need to create a culture that helps people to flourish and release their full potential across local cultures.

Company's growth

In 2005, in a very short amount of time, OutSystems doubled the number of its employee, and Paulo Rosado started to find new behaviors that did not exist before and that embodied his vision for the company, as he explains:

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[3] Information kindly supplied by OutSystems.
[4] Oxxio is an electricity and natural gas utility located in the Netherlands.
[5] Oxxio is an electricity and natural gas utility located in the Netherlands.

"The culture at OutSystems, as in all companies, was built from day one without people realizing it. The understanding that the culture is important occurs when you suddenly notice that something is being threatened. This happened when we went from 30 to 60 employees. In a very short amount of time, we doubled our employee base and hired a lot of people that were not filtered through a formal hiring process; we hired too fast. I started noticing a lot of visible behaviors that we did not have before. We hired a lot of senior people and these people brought with them behaviors that worked in their former companies but which were not right for us."

More hierarchical layers

The second reason was the increase of the hierarchical layers due to growth in the number of employees and the corresponding challenges for coordination, communication, and decision- making. The company could no longer operate with a two-layer architecture, and a management team that expressed OutSystems' traits needed to be formed. Otherwise, the CEO would become distracted by minor questions and decisions, such as Google experienced several years ago[6].

Strong culture as a necessary condition for sustaining a productive environment

Finally, Paulo Rosado had a third strong reason to pay attention to culture. It involved a sociological phenomenon that he had observed in several organizations:

"If you take a sample of 100 people, 5% to 10% of them will perform well in any type of environment. There are about 20% who will perform badly in any type of environment. And, there is a very large majority—70% or plus—who will perform either badly or well depending on the environment. If the environment is good, they will attach themselves to the 5-10% good performers, but if the culture is bad, they will very quickly join the mediocre."

For Paulo Rosado, it was impossible to believe that when one enters a company such as OutSystems, all of its people are selected from that 5%. In the same way, it was also impossible to believe that when one enters a poorly performing company, all of its people are mediocre. The difference, for him, lies in the culture. The culture transforms the same set of people (a) into mediocre, underperforming people, or (b) into highly

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[6] See Garvin (2013).

performing people, and that transformable segment is the majority of the workforce, about 70%[7].

Thus, building a senior management team to embody the attitudes and behaviors that could sustain OutSystems' success became a strategic issue. Moreover, Paulo established another goal. He had to develop a strong culture, a culture capable of supporting a productive environment, one in which people understood the strategy and had the opportunity to make valuable and meaningful contributions to a company that was no longer small and that was expected to continue to grow.

BUILDING THE CULTURE: COMBINING TOP-DOWN AND BOTTOM-UP APPROACHES

> "Well, the culture of a company comes from the top. It is the deliberate actions and the unconscious behavior of the CEO and senior executives that reinforce or kill a company's cultural traits".

<div align="right">Paulo Rosado[8]</div>

In 2009 and during the first quarter of 2010, Paulo Rosado posted several articles on his blog related to culture and ethics at work. His quest was to actively improve behaviors and attitudes, especially those of senior and middle management, and to guide people toward the practices that best served the company, its investors, clients, partners, and collaborators.

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Acid tests

In April 2009, he posted *The Acid Tests of Great Management* (see Exhibit 4). These tests were written initially for Paulo's direct reports, so that the management team could understand what was expected from them. Later, the tests were distributed

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[7] See "Cultural transformation af NUMMI" at Wilms et al. (1994).
[8] Paulo Rosado's blog can be found at http://www.paulorosado.com/2009/07/culture-from-the-top.html. The entry is named "Culture from the top," and was accessed on March 26, 2014.

throughout OutSystems for middle and senior management coaching purposes. By 2012, Paulo Rosado had "built" more than 30 tests.

The tests were to be used in coaching sessions. In a way, they could direct and spot crucial issues in a manager's attitudes and behaviors. The story behind the *Acid Tests* was one of behavioral change. Upon looking into the *Acid Tests*, one sees that all of them stem from Paulo Rosado's recognition of behaviors that did not contribute to the wellbeing of the company and needed to be neutralized by the "alkalinity" of appropriate conduct. He advances the following explanation:

> "For instance, the 'Manage your Money Test' was introduced when we started hiring enterprise sales people that had grown professionally in the bubble (the end of the 1990's). Money was flowing at the time, and some sales people got used to not being careful about expenses. So, this test was a simple way of changing this type of behavior, making it clear that this behavior was not acceptable by asking 'Would you do this if the money was yours?'. With this simple question, suddenly people realized, 'I would not. And to go forward, I need to change this behavior.' The tests were created as a way of making people aware that they were failing and to help them evolve."

Carlos Alves explains his experience with *The Acid Tests of Great Management* as follows:

> "It not only helped me while structuring my own self-appraisal better on a daily basis, but it also helped me coach the staff I work with, mainly managers. I still use them every year, and I look at them systematically. It is very easy, by having this framework, to recognize misbehaviors and to point them out - 'Remember the Judge versus Prosecutor test. You just failed it.' - As everyone knows the test, you do not have to explain details; you just have to say 'Remember….'"

Communicating and building a culture focused on customers and excellence

In April 2009, Paulo Rosado posted about how OutSystems had established a culture of excellence that permeated all customer-touching units (Exhibit 5). In February 2010, he posted seven best practices for 2010 (Exhibit 6). These two posts include behavioral guidelines for OutSystems' staff, outlined as follows:

- "Focus on the ultimate goal: Simple descriptions of objectives and challenges we need to focus on when we are doing something."

- "Use effective, candid communication: Be transparent and be candid; too much and exaggerated politeness is not well accepted when it hides issues and increases miscommunication. Temper customer satisfaction with fairness."

- "Be fast: Tackle a problem immediately, decide fast."

- "Pay attention to process and improve it continuously: the company is constantly improving practices and evolving processes; the great minds we have in the company are being challenged to create new, more efficient ways of delivering projects."

- "Choose smart, accountable, high-energy people to work with."

Alexandra Monteiro, People Operations Manager, joined the OutSystems team in January 2011. In the following comment, Alexandra recalls how, in 2012, she started working on OutSystems' cultural principles:

"In a meeting with Paulo Rosado, we started talking about how the company enhanced great behaviors, how people were compelled to have initiative and to be proactive, and how the company was great in appreciating merit. After this conversation, Paulo sent me a paper titled 'What We Are and Why We Like It Like That', with his considerations about OutSystems behaviors."

OutSystems' cultural principles

Soon after the meeting with Paulo Rosado, Alexandra Monteiro assumed responsibility for formalizing OutSystems' cultural principles. The formalization of the principles had two purposes:

1. Promote OutSystems' behaviors while the company grows by; Help newcomers understand and adjust to the environment through coaching.
2. Enhance the OutSystems brand as a cool and vibrant place to work, communicating OutSystems' great environment. This would not only attract talented people to work at OutSystems but also motivate current staff by highlighting the positive traits of the culture. These were traits that internal staff members often were taking for granted.

With this challenge, Alexandra Monteiro went to talk with the marketing department, which suggested the creation of a booklet that could be distributed to existing

employees and potential candidates. For practical reasons it was assumed that the booklet should have four pages. In June 2012, it appeared, containing three orientations, summarized as follows (Exhibit 7):

- "Hire the best, from technical, motivational, strategic thinking, and ethical points of view".
- "Create a great working environment, governed by seven rules: (1) Ask why, (2) deal with a crisis while it is small, (3) be proactive, (4) be helpful – and don't be afraid to ask for help, (5) prioritize, (6) communicate to be understood, and (7) excel" (see exhibit 1).
- "Be a leader by demonstrating great drive, ambition, initiative, capacity to learn, and a strategic mindset."

HOW THE RULES OPERATE AND MAKE A DIFFERENCE

During the summer of 2012, OutSystems' culture was promoted actively through the booklet of principles and via other initiatives. At the 2012 OutSystems' summer event Paulo Rosado spoke at length about culture. Sweatshirts with OutSystems' cultural traits were distributed. In August of the same year he traveled to the US. Among other things, he conducted an internal seminar about OutSystems' culture.

Paulo Rosado acknowledges that the "rules" of *Ask why, Deal with small crisis, Be proactive, Be helpful, Prioritize,* and *Be straightforward*, "Excel" were state-of-the-art concepts when launched. He also acknowledges, however, that "rules" can change. In his view, a culture that aims to promote quality, empirical creativity, and innovation requires constant adaptation:

> "This set of principles results in an organization that is able to listen to the signals and has a vision that functions as a spinal cord, around which the organization bounces. The organization is under constant pressure to adapt, with mechanisms of upward feedback and validating decisions."

According to Paulo Rosado, among the seven rules, two are *the most* important: (1) *Ask why*, and (2) *Deal with crisis while small*.

Ask why

To realize the relevance of the *Ask why* rule, one needs to understand the concept of *The Ultimate Goal*. According to the *The small book of the few big rules*, an ultimate

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goal "is a simple statement that defines the problem we want to solve or the goal we want to achieve and it should be devoid of the solution as much as possible." The ultimate goal has to be clear, and its reasons must be explained. *The Ultimate Goal* is everywhere—in emails, in meetings, in conversations, at every initiative launched, and project's start. Paulo Rosado explains:

> "*Ask why* is the key for innovation. Innovation is driven by people being able, allowed, and compelled to ask questions, and also to understand the big picture. The *Ask why* rule creates a control mechanism. If managers say something very prescriptive that forces reports to act in a certain way, reports feel they can *Ask why*. This pulls the problem back to the manager and forces the manager to explain the fundamental reason. It actually involves distilling the problem from the solution and finding the essence of why something has to be done; that is, *The Ultimate Goal*. This back and forth movement between goal and motive creates a process of dynamic control".

Deal with problems while they are small

The second most important rule is founded on the sense of responsibility. "Responsibility has been present at OutSystems since its beginning", Carlos Alves pointed out. "As a small company, you cannot afford to have underperformers. Since the beginning, there has been a lot of self-imposed responsibility, which has been key for building the company's existing culture." Paulo Rosado explains that the *Deal with crisis while they are small* rule is related with this sense of responsibility:

> "*Deal with problems crisis while they are small*. This is a very simple notion: instilling a sense of responsibility for detecting symptoms of a potential crisis. A company can go out of business in three years because it was unable to spot small symptoms. Big crises happen because managers are isolated from the field; if the culture does not allow people to talk about, isolate, and understand the small symptoms that give an indication that there is an ongoing crisis, it will most likely be undetected. This principle is thus related to the first, *Ask why,* because to detect that something is a crisis or not, it is necessary to understand the context, the big picture."

Other rules in action

The two previous rules are, to a degree, the foundations for the other. For example, the *Be proactive* rule is related to responsibility and autonomy. OutSystems hires intelligent people and expects them to act with autonomy and responsibility. As Rui Pereira explained, "We expect autonomy from people; if a person is not autonomous, we have a problem. People have to act. When a crisis strikes we do not expect people to say 'I have told you about this'. We expect people to do something before the crisis strikes."

The *Prioritize* rule has its origins in the OutSystems' agile culture and is related to the 80-20 rule[9]. The 80-20 rule establishes that if you lay out all the steps of your solution, and if you prioritize them by impact, 20% of the first priorities will solve 80% of your problem. As Paulo Rosado pointed out:

> "There is a myth especially in the Portuguese culture that you need a big solution to solve a big problem; this reasoning is behind the typical Portuguese comment 'This is very complicated'. But a big problem can be dealt with through small solutions. There is an inherent asymmetry between cause and effect driven by the 80-20 rule."

Again, the *Ask why* principle is involved. Paulo Rosado explains:

> "Without Asking why, you cannot prioritize; without understanding the context (the 'big picture') you cannot prioritize. Everything will look important if you don't understand why you are doing something. An order of importance can only be defined by understanding the context and the goal."

Iterations leading to *Prioritizing*

At OutSystems, most things are done in iterations, which form the basis of an agile[10] culture. The iteration is the corollary of constantly applying the *Prioritize* principle. At OutSystems, nothing is done in a "big bang" way. In order to solve a problem, first it is broken down into pieces, and employees discuss what piece should be tackled first and which piece solves most of the problem. This results in smaller tasks, small

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[9] The 80–20 rule, also known as Pareto principle, is the law of the vital few. The principle of factor sparsity states, that for many events, roughly 80% of the effects come from 20% of the causes.
[10] Agile methodology is an approach to project management, typically used in software development. It helps teams respond to the unpredictability of building software through incremental, iterative work cadences, known as sprints. http://agilemethodology.org/agile-methodology/; accessed on March 26, 2014.

iterations that last a week, two weeks, a month, or three months at maximum. At the end of the iteration, the process is reevaluated. Everything is reevaluated. The problem is also reevaluated to see if it still exists. Sometimes the ultimate goal changes in such a way that the problem ends up being irrelevant. In such cases, the project is abandoned or changed. If the project is still relevant, the next set of tasks with the maximum impact is chosen, a new iteration starts, and a goal is set. One of the advantages in this methodology relates to failure: with small iterations, failure happens more quickly and is less expensive.

Enacting rules to deal with idiosyncratic national cultural traits

Some company rules were proposed to enforce characteristics that are not sufficiently valued by the national Portuguese culture. This is a very central issue as the company's roots are in Portugal and the large majority of OutSystems' employees are Portuguese. According to Paulo Rosado:

> "*Ask why* and *Be helpful* are much easier to achieve in the Portuguese culture than in the American, while *Prioritize* and *Be straightforward* are a problem for the Portuguese. Be straightforward, communicating to be understood, is something that Americans do well. If the company had mostly American employees, this principle would not, probably, have been pointed out, because it would be embedded in the surrounding culture. When Americans talk, they are organized. They first give you the context and then they ask the question or make the comment.

> For instance, in a class when someone asks the teacher a question, the Portuguese are terrible; they start with the end, and then they realize no one understood what they were saying. Then they stutter, and they move back to the beginning, and they do not stop talking. The Americans are perfect. They'll say: 'Some minutes ago, Sir, you mentioned the fact that the observed orbits of planets are….I am not sure if this is true for galaxies that are closer'. Now the Portuguese would not do that. The Portuguese would say 'What about closer Galaxies? Because you said….'".

The validation of the OutSystems' culture comes from external people that contact the company. Paulo Rosado commented on impressions received from recently hired employees:

"The first impression, collected from OutSystems' recent hires, is that everyone is moving like a swarm of bees in one direction. Things are moving and people are extremely helpful and open about what they are doing. People explain what they do. Moreover, the quality of everything—the quality of the people, the quality of the product—is very high and consistent. The overall quality we experience is almost like a commodity, and it comes from a combination of the 80-20 rule and the Excel rule: 'Do the 20% that gives you 80% return. Do it excellently'."

MONITORING THE CULTURE

Culture is a critical asset at OutSystems that needs to be continuously nourished. OutSystems' culture is about speed, quality of delivery, rigor, energy, difference, and accountability. Over the years OutSystems has developed tools and artifacts to support the culture; tools such as the *acid tests* and the principles that guide employees and support high-level decisions. Considering that culture acts as a crucial compass to guide action within the company, culture remains a main focus of managerial attention and a critical issue for supporting sustainable and consistent growth. Paulo Rosado commented:

"OutSystems is passing the Dunbar's number (150). This number represents the maximum number of people with whom it is possible to maintain a stable social relationship. With a number of employees' above roughly the Dunbar's number, it is impossible for an employee to know all the others. Some people are going to be isolated, information and knowledge is not going to be spread by simple osmosis and via the context. In this case, not only a strong culture, but also other mechanisms to spread and monitor that culture have to be in place."

Several actions are carried out to monitor the company's culture. The *Acid Tests* continue to be used, but their usefulness has decreased at the management level. This is because OutSystems has not been hiring seniors from outside the organization. The tests are just used so that people can realize that they are more or less there. Everyone follows the tests spontaneously and even "unwittingly", and the culture pushes employees to do so. The positive nature of this adherence to the rules and tests contains risks: people may become unaware of the principles' relevance and fail to seem them critically (see also the next section). However, the critical view offered by

the *Ask why* rule offers many benefits. Robert Neri, solutions delivery consultant at OutSystems, states:

> "OutSystems' culture is extraordinary and its work ethic is unsurpassed. I've never worked at a company where all employees are singularly focused on achieving the goals set and making sure the customer's goals are achieved. Everyone always puts in their best effort, which keeps everyone challenged to improve, yet help one another, so that everyone succeeds. It's amazing"[11].

When OutSystems hires for a senior position and no time is available to coach or to teach, the behavioral traits of the candidate, as well as their match with OutSystems' culture, are an important element of assessment. In addition, OutSystems requires from all potential employees, 3 behavioral characteristics that are considered very difficult to change: being smart, energetic, and accountable. This orientation is ingrained in the principle *Hire the Best*. If candidates have these characteristics, the remaining desired behaviors will be easier to accommodate.

OutSystems also controls growth rates. If the company as a whole, or some departments or offices, grows at a rate of 50% or more, the natural mechanism of role modeling will not work as effectively as desired. As such, managers monitor these situations, promoting the culture and explaining it in training sessions and in company seminars.

Culture monitoring is also carried out through a formal, bi-annual 360° appraisal, and less formally via role modeling: "Managers have a tremendous influence", says Paulo, "The way management acts influences others a lot, and people adapt to management behaviors by repeating them, by reacting against them, and so on."

TESTIMONIES OF STRUGGLING WITH THE *ASK WHY* RULE

The logic of *Why* is everywhere at OutSystems and its employees understand its advantage. However, there are some difficulties in applying this rule in certain circumstances. Rui Pereira explains what he finds most difficult in answering *Why*:

> "If I am allowed to *Ask why*, in every situation, I expect a fully transparent answer. Yet, the answer can be complex. For example, when someone is fired, people *Ask why*. Of course, we have a reason that is the answer to that

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[11] OutSystems website, http://www.outsystems.com/company/careers/; accessed on March 27, 2014.

question. But the reason cannot always be fully disclosed to everybody in the company. The person that is answering sometimes cannot give more information than what is strictly necessary; more information could actually not be positive. The *Whys* should always be positive, they should enable people to understand the context around them."

Nuno Teles, operations director, shares his experience:

"In a recent situation, we wanted to deliver a solution very quickly, and every timeline was pointing to something between one and two weeks. So, I started *Asking why* one or two weeks, because the deadline did not match my expectations. I spent two hours *Asking why* and questioning all the details. With everyone involved and contributing, we had a final plan of three days and it actually took only two days. Basically, the message is that when you *Ask why*, you check assumptions and, in a team, everyone has different assumptions.

Looking at a different perspective when I *Ask why* to my direct report Rui every now and then there is something in the conversation with Rui that sounds weird to me, and sometimes even Rui does not have the reason. But as we keep struggling about *Why* (*Why don't you like this or disagree with that*), we are clarifying things further, not only for me but also for Rui."

Rui Coutinho, delivery manager, explains the experience of *Asking why* when interacting with clients:

"The results of me applying the *Ask why* in clients vary. For instance, a positive situation: I was doing the analyses of a very complex screen that was initially sized to be developed in two days; I asked the analyst of the client *Why* and he was able to explain in detail the functionality in 30 minutes. Understanding his explanation, I was able to reuse most of the code that was already developed and the screen was done in 6 hours.

However, sometimes clients are not open to the *Why* question, they feel it makes them lose more time than it actually saves. Currently, I am working for a customer with a lot of rules and when I Ask why, the client's representatives try to avoid the question and most of the time the answer is 'you must do it because it is the company policy'. The problem is that because I do not

understand the purpose of what I am doing, I run into errors that could have been prevented."

According to Paulo Rosado, all senior managers that arrive at OutSystems have problems adapting to *Ask why*:

"Either they are very forceful, using a lot of command-and-control, or they are very careful, not making decisions. They are careful because they do not know all the *Whys*, yet. They are forceful because they are hired due to their past experience, and they are hired to apply a recipe that worked for them before. Both these motivations have to be temporary."

Paulo Rosado also explains that the benefits of applying the *Ask why* rule are not immediate, and that "There is no light ball flashing, it is a rather continuous process."

REFLECTING ON NEW CULTURAL CHALLENGES

On that rainy October morning, Paulo reflected on a critical challenge: are the cultural practices that brought the company here the ones needed to make culture consistent as the company grows? Given internationalization and distance, how can the development of clashing cultural logics be prevented? How can a CEO keep in touch with the base of a growing organization in order to make sure that the cultural principles established at the top are consistently practiced throughout the organization? What are the dangers for the company of growing beyond "the Dunbar number"? Can OutSystems scale up its culture as it grows and diversifies geographically?

Exhibit 1

OutSystem's rules

Ask why: You are entitled to know why you are doing something.	"If we had to pick the most important rule for working at OutSystems this would be it. At OutSystems you are entitled to know why you are doing something. More than being entitled to know - it is your duty to ask!"
The small crisis: Deal with a crisis while it is small.	"Fixing a big crisis can be costly, but if we address it while it is small, it won't fester and grow into a major problem. Most of the time negative side effects of a big crisis are impossible to fix. A typical example in our business is to continuously do such a bad job with a customer that, in the end, the customer is lost. That is a big crisis."
Be proactive: Challenge the *status quo*.	"Constantly strive to learn and understand the broader picture and try to look at what we do with fresh eyes. Then come up with suggestions and solutions." "At OutSystems errors are acceptable. How are you going to learn if you don't make mistakes? Just make sure that you learn from those mistakes and that those mistakes do not end up in a major crisis. Fail fast and fail cheaply, but don't be afraid of trying. Be proactive."
Be helpful – and don't be afraid to ask for help.	"People at OutSystems are open to helping you. Use this to your advantage as much as possible. And do the same yourself. Offer help even if it is not in your job description. We believe you should extend yourself outside the boundaries of your work and into other functions to get the job done."
Prioritize, always.	"A lot of people believe that big problems require big solutions. This is wrong. Big problems can often be solved with small solutions. This is possible because of the asymmetry between Actions and Results reflected in the Pareto Principle (or 80-20 rule): 20% of what you do addresses 80% of the problem."
Communicate to be understood. Be straightforward. Put yourself in another's shoes.	"Take the time to understand the Ultimate Goals of a colleague and understand why they do the things they do. Change your discourse to make yourself understood by everyone. This is especially true when dealing with customers, but it also applies to the way you deal with colleagues. (…)Be the person who reaches out to understand others and that will make it easier for people to understand you."
Excel: Whatever you do, do it well. Avoid sloppy, incomplete work.	"You are either a great professional or you will most likely feel like one after working at OutSystems for some time. So we ask that you be Proud of what you deliver by not compromising on the quality of your work. If you don't have enough time or resources to do everything with great quality, do fewer things and do them in a simpler way; but don't ever do sloppy work."

Source: *The small book of the few big rules*, OutSystems (2013). Available at http://www.outsystems.com/the-small-book/
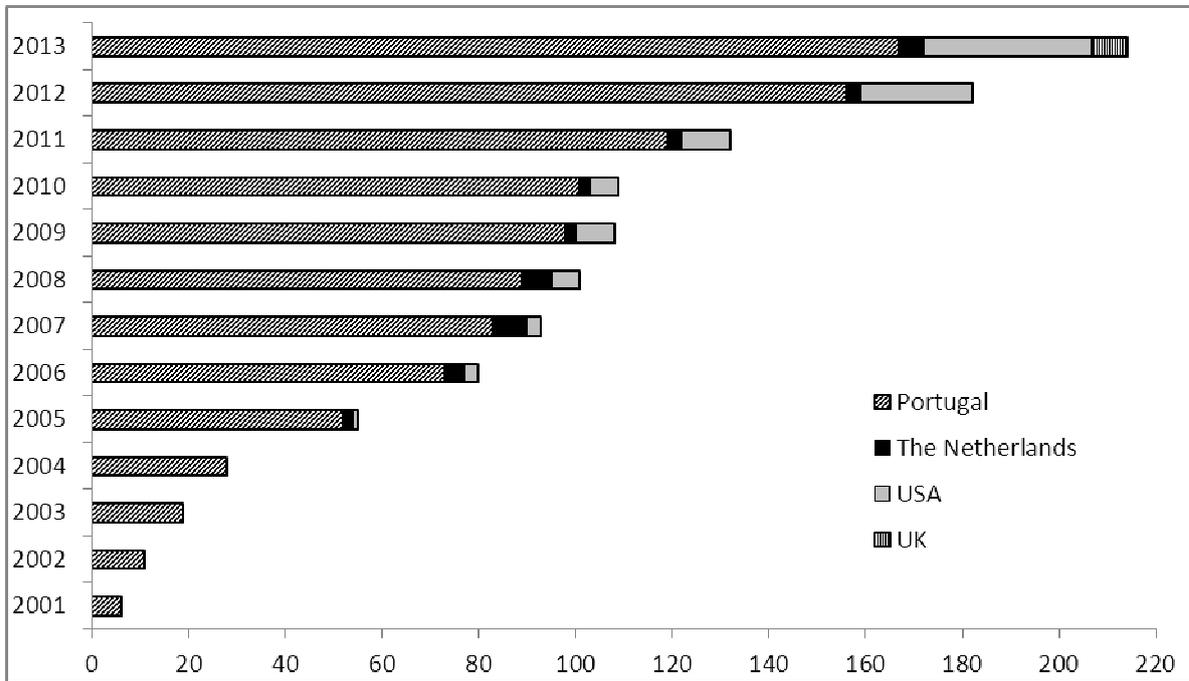
Exhibit 2

Main milestones in a chronology: From a garage to the world

Year	Milestones
2014	• Paulo Rosado wins Best Leader Award in the New Technologies category, by Leadership Business Consulting
2014	• Named one of 20 Red Hot Pre-IPO companies in 2014 B2B Tech. • Opens Office in Singapore. • Paulo Rosado voted "People manager of the Year" by APG (the Portuguese Association of HR managers).
2012	• Expands to the Brazilian and South African markets. • Opens Atlanta Office for continued U.S. expansion.
2011	• Nets record growth in 2011. Positions for further global expansion. • Goes green and wins EdTech Digest's award. • MISNet becomes OutSystems first Asia Pacific Partner. • Recognized by Everything Channel's CRN Magazine as A Top Cloud Computing Vendor of 2011.
2010	• OutSystems' customer Van Ameyde Group honored for BPM and SOA Innovation. • Agile Platform ranked top enterprise software solution. • Named to prestigious SD Times 100.
2009	• UST Global and OutSystems Partnership brings the benefits of Agile to Global 1000 Enterprises. • Industry analyst firm Butler Group highly recommends OutSystems' Agile Platform. • Outsystems-based projects win "Best Practices in the Public Sector" awards. • OutSystems' Agile Platform wins CODiE Award category for Best Software Development Solution. • Logica announces OutSystems as the Portuguese winner of the 2009 Global Innovation Venture Partner Program. • Wins Jolt Productivity award. • Positioned as Visionary in Gartner's Magic Quadrant.
2008	• Named "Cool Vendor" by the leading analyst firm Gartner, Inc. • Recognized by prestigious SIIA CODiE and Jolt Awards. • OutSystems Express Edition surpasses 10.000 downloads.
2007	• Butler Group names OutSystems a leading rich web applications platform.
2006	• Creates and expands the services delivery department, becoming a product and services company.
2005	• Opens office in Netherlands.
2004	• Opens office in US.
2003	• Recognized by Fortune magazine as one of the most promising start-ups in the world.
2002	• The first version of the Agile Platform was deployed at Optimus.

Source: OutSystems Website, http://www.OutSystems.com/company/news/; accessed on March 27, 2014.

Exhibit 3

Company size (by number of employees)

Exhibit 4

Acid tests

The "Get the Job Done" test	• This is the fundamental test. Does (s)he get the job done?
The "Worry" Test	• Does (s)he worry more than his/her manager? • Does the team below him/her worry more than him/her? • Or has (s)he established a chain of people who do not worry and therefore do not tackle the problems when they are small?
The "Problem Spotter" test	• Does (s)he detect unforeseen problems when they are small? • Does his/her team spot these problems when they are small?
The "Problem Solver" test	• Can (s)he think out-of-the-box to come up with solutions for emerging problems? • Can (s)he harness the power of the team to solve these problems?
The "Deep Digger" test	• Does (s)he dig deep when a problem occurs and becomes part of the solution? • Or is (s)he content to just sit back and continue managing from the top and let other do the digging?
The "Ultimate Goal" test	• Does (s)he always keep the fundamental end goals/objectives in mind when making a decision? • Does (s)he always stress the end goal to his/her reports? • Or does (s)he give unclear goals, constantly bugs the reports with extra unrelated stuff and generally screws up focus for everyone?
The "Fast Decision" test	• Does (s)he make fast, good decisions? • Or does (s)he take ages to make up his/her mind?
The "Transparency" test	• Can (s)he focus on the important drivers and provide visibility to management above on how these drivers are doing?
The "On Top of Things" test	• When you ask him/her on a detail, does (s)he have the answer at his/her fingertips? • Or does (s)he always fumble and stutter?
The "Strategic" test	• Does (s)he think strategically? • When a broad, high-level question is asked, does (s)he get the big Picture and contribute? • Or does (s)he take solace in detail and procedures, freeze and say nothing at all?
The "Process" test	• Does (s)he always come up with ways to make things better even when not needed? • Or does (s)he need to be pushed to implement recurrent, long-term processes?
The "Manage your Money" test	• Does (s)he treat expenditures inside the company as if they are being paid with his/her own money? • Or does (s)he always come up with expensive solutions as a way to make his/her life easier? • Is (s)he the General that rides in front of the army?
The "General" test	• Or is (s)he a General that stays in the back?

The "Ballsy" test	• Does (s)he take over problems straightaway being at the front of performing the unpleasant, required tasks? • Or does (s)he pass responsibility to the team below or the manager above to handle the unpleasant stuff for him/her?
The "Freezing" test	• Does (s)he come out and immediately address the problem(s)? • Or does (s)he freeze and recoil in him/herself when there is a tough problem?
The "Judge vs. Prosecutor" test	• Can (s)he exercise an unbiased stance toward a conflict between his/her team and other and act as an arbitrator? • Or is (s)he typically in a defensive position and acts to always defend his/her side?
The "B hires C" test	• Is (s)he an A-type person that hires A+ people, smarter than him/her? • Or is (s)he an insecure B type person that hires an even less competent C type person?
The "Pied Piper of Hamelin" test	• Does (s)he have a list of great people that would follow him/her to his next Job? • Can (s)he convince these people to come to your company?
The "Staffing" test	• Does (s)he understand the minimum level of resources and skill set needed? • Does (s)he relentlessly focus on staffing and budgeting? • Or does (s)he fall into the trap of taking the work himself and forgetting to pursue hiring?
The "Team Building" test	• Is (s)he going to be able to perform without the manager? • Has (s)he left great practices, a senior replacement? • Or has (s)he kept the team as a bunch of dependent juniors who will not function without him/her?
The "Nesting" test	• Is his/her area a good source of trained seniors to the rest of the company? • Is his/her area able to tackle internal growth through internal promotion? • Or is the team untrained, stagnant and only growing out of pure trial and error?
The "Kingdom Builder" test	• Does (s)he get the job done with the smallest possible team? • Or does (s)he need a big team to be successful? • Is (s)he driven by having a lot of people report to him/her?
The "Evangelist" test	• Can (s)he transmit unabashed confidence on the product and company and make others share that vision? • Can (s)he make others incredibly excited about the product or company?
The "Communication" test	• Does (s)he communicate well with the team below? • Does (s)he communicate extra well with peers and manager? • Is (s)he proactive in searching for that communication?
The "Candor" test	• Does (s)he express him/herself with frankness? • Does (s)he demand and reward that frankness from his/her reports? • Or does (s)he withhold comments or criticism, avoid conflict and sugarcoats bad news?
The "Happy Face" test	• Are the problems not easily reflected in his/her demeanor? • Or will his/her reports see a grumpy or worried manager reflecting the daily problems?

The "Fetch the Mail" Test	• Does (s)he take over unscheduled, job-unrelated, menial tasks?
	• Or (s)he feels it is beneath him/her to do certain things?
The "Hammer" test	• Does (s)he balance praise with criticism?
	• Or does (s)he exclusively concentrate on criticizing?
The "Control Freak" test	• Does (s)he encourage people in his/her team to interact with peers in other teams?
	• Or does (s)he instruct the team that all interactions with people from the outside must go through him/her?

Source: Paulo Rosado's Blog (http://www.paulorosado.com)

Exhibit 5

OutSystems 5 steps toward building a customer- focused culture

Put the customer above everything.	Customer satisfaction is above profits, revenues, and even employee satisfaction. KPIs, Bonus, etc. need to make this direction clear. Management behavior needs to make this clear.
Temper customer satisfaction with fairness.	Often, our obsession with customer satisfaction drives a misguided customer to take advantage of us. This does not go far. We are very tough on ourselves when we make a mistake, but we want the same transparency from the customer when they screw up. Fair is fair. Paradoxically, customers end up by respecting and trusting us more.
Tackle a problem immediately.	Speed is of the essence. Act immediately to address any issue with a sense of urgency. Tell your people they have an open direct escalation line to management to fix any problem.
Solve endemic issues with process.	Constant firefighting does not scale. Our people are trained to spot recurrent problems and deploy permanent solutions that prevent the issue from happening again. The company is constantly tuning practices and evolving processes.
Hire smart, accountable, high-energy people.	We can only address new issues quickly through accountable, high energy people. We can only solve problems permanently with innovative solutions through smart people. This is why we invest so much in the recruitment process and in creating an environment where this kind of people can thrive.

Source: Paulo Rosado's Blog, http://www.paulorosado.com/2009/04/OutSystems-5-steps-towards-building-a-customer-focused-culture.html, OutSystems 5 steps toward building a customer-focused culture. Accessed on March 26, 2014.

Exhibit 6

Seven best practices for 2010

Do everything with the "Ultimate Goal" in mind.	"Ultimate Goals" are simple descriptions of objectives and challenges we need to focus on when we are doing something. Coming up with an "Ultimate Goal" is hard work. It needs to be devoid as much as possible of the "solution" or "the way it is going to be addressed". And it needs to be accompanied by enough context so that people can understand the goal in its essence. This combination has produced at OutSystems a culture of bottom-up innovation where solutions are devised by the teams instead of enforced by management, fostering creativity and innovation at all levels of the company.
Be transparent. Be candid.	This mantra popularized by Jack Welch at GE is obviously a great practice but easily trampled. In a company where more than 50% of the employees are Portuguese, the nice, polite nature of the Portuguese surfaces everywhere in the culture. The drawback is a certain resistance to direct, straight talking, an exaggerated excusing of failure, and a bit of beating around the bush. At OutSystems we try to practice candor every day. Exaggerated politeness is not well accepted when it hides issues and increases miscommunication.
Communicate extensively with everyone.	OutSystems moves quickly, constantly improving processes and trying out new ideas. The company is also dispersed geographically in 4 locations making knowledge sharing a real challenge. It is easy for a collaborator in the US to get seriously outdated on what is going on in the Lisbon office in the space of 3 months. Technology in the form of video meetings, forums, wikis, and the likes do help, but it all starts at ingraining the habit of sharing knowledge and communicating in everyone.
Decide fast.	Some people say that the only bad decision is not deciding at all, and in a way, that is the absolute truth. So speed and urgency are crucial elements for a good decision making process. At OutSystems we believe in good decision making. You fundamentally need experience. Experience comes from making mistakes. Mistakes are due to bad decisions. There is really no way around it. When we have to decide, we might as well do it quickly.
Reward experimentation.	OutSystems is an "agile" company. This means that we never do anything in a big bang and go about every new project or initiative in increments, learning in the process and creating check points where we make constant go/no-go decisions. At these decision points, we acknowledge that we have either failed (and we try to learn with the process and fail softly), cutting our losses, or we decide we should continue investing and carry on to the next iteration.
Innovation in product. Innovation in process.	The practice of product innovation is deeply ingrained in the DNA of OutSystems, but as we grow and scale the focus of our creativity and innovation has increasingly been directed at both product and process innovation. The great minds we have in the company are being channeled at creating new more efficient ways of delivering projects, training our ecosystem of partners, customers and fans, and selling faster, better, and with less overhead

Look for talent everywhere.	OutSystems is a knowledge company relying heavily on great talent. This talent needs to be spotted, recruited, and nurtured. I get excited about a lot of things, but very little compares with the joy of recruiting someone smarter and more experienced than I am, or having a glimpse at the untapped potential of a fresh graduate. This practice we try to foster at all levels of the company.

Source: Paulo Rosado's Blog: http://www.paulorosado.com/2010/02/7-best-practices-for-2010.html 7 best practices for 2010, February 17, 2010. Accessed on March 26, 2014.

Exhibit 7

OutSystems' principles

Hire the best	We look for individuals with an excellent capacity to do the job and evaluate the technical capability and accumulated experience of each candidate for the role. But we search for more than that. We believe there are important intrinsic characteristics that cannot be taught and that have a huge impact on the way we work and on results produced. Energetic people with curiosity about the world, smart individuals with capacity for strategic thinking, and accountability with great work ethics. That's what we are looking for.
Create a great work environment	We don't follow a lot of rules because we value independent thinking. But we do follow some. Here are some top examples: Ask why, deal with problems, be proactive, be helpful, prioritize, be straightforward.
Be a leader	OutSystems prepares you to be a great leader. Experience shows that the way to grow professionally is to have a job that constantly exposes you to new experiences, challenges, and learning opportunities. Because of our unique environment that praises the constant pursuit of Excellence and the constant pushing of one's limits, OutSystems' leaders demonstrate great drive, ambition, initiative, capacity to learn, and strategic mindsets.

Source: Working at OutSystems, documentation produced by OutSystems in 2012.