

MULTIPLYING YOUR RESULTS WITH CULTURE

by Eduardo Braun

During the course of my career, I have learned powerful lessons from some of the world's greatest leaders. I am an industrial engineer by training, and I was deeply involved in project management. I went on to study finance at the Wharton School of the University of Pennsylvania, and after that I worked in management consulting doing strategy assignments. Over the past fifteen years I have traveled around the world, interviewing leaders. As a result of those conversations I learned the power of culture.

In one such conversation ten years ago with former General Electric (GE) chairman and CEO Jack Welch, I asked him what had been his biggest professional mistake. He responded without hesitation, "Buying an investment bank." "Why is that?" I asked. "Because of the culture," Jack replied. "I didn't understand the culture. I did the numbers but didn't look at the culture." So here's the most admired CEO of the twentieth century—the man who took GE from a \$14 billion market cap to a \$400 billion market cap in the biggest value creation in history, and he felt he had failed because he did not understand a culture. He was able to manage businesses from jet engines to light bulbs to medical equipment, but he didn't understand the culture of an investment bank.

That was for me a Eureka moment. I have worked in hundreds of management consulting projects. Everything was about strategy and the hard variables, and Jack Welch was telling me that the soft variables made him fail. But in reality, the soft variables that led to Welch's failure with investment bank were the same variables that made him succeed at General Electric. It was the culture of winning in General Electric that was behind his success.

The Dual Framework

Many years and thousands of hours of interviews down the road, I laid out a dual framework to understand and manage an organization, which is shown graphically in Figure 1.

In the bottom half of the framework, in a grey area we call “Business as Usual,” we have strategy, marketing, operations, finance, logistics, accounting, information technology, human resources, and so forth—all the typical business functions. Each one of those functions has its own framework within which to understand and analyze it. And in all those frameworks, the human being is absent. You might have it in a job description or in a performance evaluation; you might have it as a “customer” in marketing, but the passion, creativity, and wholehearted soul of the human being is absent. So that’s why—in the top half of the framework—we add vision, people, communications, decision making, and culture. We say that these elements make up leadership. Leadership becomes the soft variables that we take care of when we have the time, when the real important stuff—the hard variables—have been taken care of.

Let me break up that leadership half of the framework into five key roles: Establishing the vision; managing the people; fostering communications practices; establishing a decision-making system; and finally, creating and managing the culture of the organization.

That was for me a Eureka moment.

If we assume that “culture” is the synthesis of all the leadership variables—as strategy is for business as usual—the two pillars to create value in any business are strategy and culture. They represent the hard and soft variables respectively.

Culture can multiply results. Whether you are working for an NGO (nongovernmental organization) and your metric is the number of members, or you work for a for-profit company and it is sales and the bottom line, managing your culture can multiply your results. I prove this using some research and then the testimony of great business leaders.

Multiplying Your Results with Culture

The Great Place to Work® Institute has conducted research showing that companies that are ranked higher

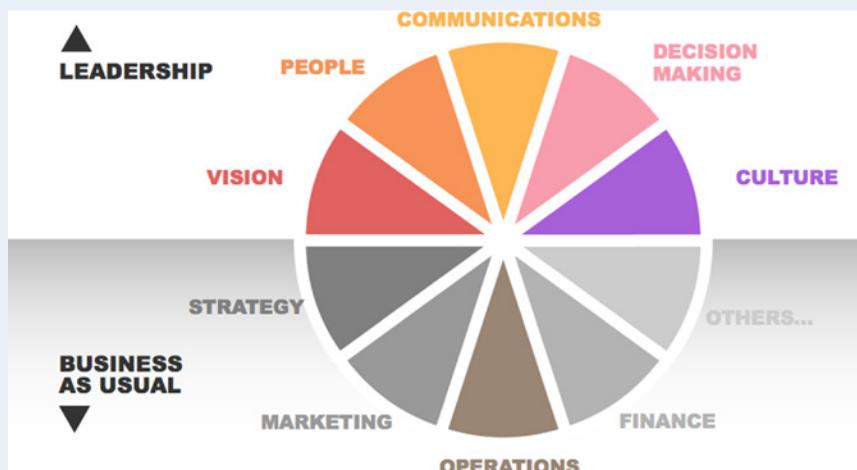


FIGURE 1. THE DUAL FRAMEWORK OF THE ORGANIZATION

in its listing perform two times better than the average of the industry—they provide double the returns of other companies, they experience 65 percent less turnover, and they have happier people. Although culture is not the same as the best environments or the best companies to work for, the three are certainly highly correlated.

An illustrative example is the movement called Conscious Capitalism. Inspired by businesspeople like John Mackey, cofounder and CEO of Whole Foods; Bill George, Harvard Business School professor and former CEO of Medtronic; Kip Tindell, the Container Store's CEO; and Howard Schultz, founder and CEO of Starbucks, the Conscious Capitalism movement started more than fifteen years ago. The four principles of Conscious Capitalism are higher purpose, conscious leadership, conscious culture, and stakeholder orientation—all elements that are part of cultures centered in the employees and the well-being of all stakeholders—including the planet.

But the financial results of conducting business in such a manner are impressive: The eighteen publicly traded companies out of the twenty-eight outperformed the S&P 500 index by a factor of 10.5 over the years 1996–2011.

In a recent interview, Tindell told me about his company's employees-first culture. "We *love* our employees," he told me. "They are all extraordinary folks. We support the effort of helping them becoming the best they can be at work . . . and at home!"

Let me add the testimonies of other leaders who created great organizations. One is Tony Hsieh, founder and CEO of Zappos.com, the online shoe company. He had first founded a software company—LinkExchange—that he wanted to turn into the best software company in his segment. He had therefore decided to hire the best engineers and software developers, the best people, the brightest and most intelligent people. But in our interview he said, "I woke up one morning and realized that I didn't want to go to work to that company; I had hired the brightest but not the people I wanted to work with." He decided to sell the company; Microsoft bought it for \$265 million, and then Hsieh moved on

to Zappos.com, a small retailer at that point, became the CEO, and turned the company into one populated by people he enjoyed working with. He was the first to say to me, "Culture is more important than strategy." This came as a total surprise to me. Culture is more important than strategy! And through culture he turned Zappos into a \$1 billion-plus organization in sales in fewer than ten years; it was acquired by Amazon in a deal valued at \$1.2 billion.

Another example is Herb Kelleher's Southwest Airlines, one of the most successful companies in the past forty years. Between 1972 and 2002, Southwest had the highest return on investment—not only among airlines, but among the other S&P 500 companies. That's an amazing accomplishment. I asked him what was the secret to such a success. In Kelleher's own words:

I always thought that our esprit de corps, the attitude of our employees, was one of our biggest competitive advantages. You know, people like to be treated nice, they like to be treated well and our people do that from the goodness of their hearts. And that is our advantage over other carriers.

Short and, simple, esprit de corps and attitude were the biggest competitive advantages. In my years in graduate school at Wharton and working for Booz Allen in management consulting, I never once heard *attitude* or *esprit de corps* as competitive advantages!

"Do you know what is the difference between strategy and culture?," Kelleher continued. "Well, when Napoleon was in Paris in a room with all his generals, around a table, discussing how to attack Russia, *that* is strategy. But what makes 1 million men march to Moscow? *That* is culture!"

Culture is the engine, the propeller. What made those men march to Moscow for their leader? A sense of pride? Of success? Of duty? All these are emotions—not reasons. Emotions are a deep component of culture. By the way, the word *emotions* comes from "motion"—what makes you move!

Lou Gerstner, a former management consultant who rescued IBM from the brink of bankruptcy, came to the

Emotions are a deep component of culture.

company thinking that analysis and strategy was all that really mattered, but then he realized that “corporate culture is not part of the game: it is the game.”

Carlos Brito is the CEO of AB InBev, a Brazilian company that is today the number-one beer company in the world. He has purchased many beer companies around the world, and he says, “The only thing that can explain differences in performance is culture.” Jim Collins, in the prologue of Cristiane Correa’s book *Dream Big*, which tells the story of Ab InBev says, “Culture is not part of the strategy, it *is* the strategy.”

But how can we define culture?

Defining Culture

Culture is often defined as the “why we work” and “how we work,” or more colloquially, “This is how we do things around here.” I agree with this definition, but I think it can be misleading. If you think that setting objectives and goals and defining processes and job descriptions in the “right way” will result in the right culture, you are totally wrong.

So how can we best define culture? By its impact. A positive culture is “all those things” that generate the following emotions in the members of an organization: sense of purpose, passion, sense of community, hope, self-confidence, self-esteem, trust, pride, engagement, happiness, and other positive states of mind. If you are able to create these effects in your employees, you are taking advantage of all the human capital that is nonintellectual or professional.

When you are able to wake up these emotions, these states of mind, in your employees, you’ll accomplish amazing things. Individual and group performance soars.

The Five Key Roles of a Leader

Leaders have the power—and the responsibility—to wake up the emotions of their people. There are five key roles that enable this, and depending on how the leader performs them, will shape the organization’s culture. I propose a question for each role.

1. *Establishing the vision. What is the dream?* Create a sense of purpose. It must be something that makes us jump out of bed every morning and run to work—and don’t dare tell me the dream is to increase sales by 10 percent. The dream must be challenging but attainable; something that when accomplished as a group also brings a specific reward to each of the individuals.
2. *Managing the people. Do you deeply and genuinely care about your people?* This doesn’t mean defining tasks, job descriptions, or annual objectives. This means helping people to grow both personally and professionally, to identify their talents and develop them. Define your organization’s values by the way you treat your employees and behave accordingly. Coordinate the strengths of every person so that the team’s performance extends well beyond the sum of individual talent.
3. *Fostering communication practices. Do you connect with your team?* Communication is about ideas, emotions, and actions. You need to share the vision and the dream, and you need to give feedback and direction continually. But you must also listen carefully to make sure every person knows his or her voice counts. And you should go beyond ideas and information and share emotions: inspiring your passion, lighting up the fire in people to achieve their dreams, and being empathic with your team. And never forget that words without

actions are empty. Walk your talk! When you foster communication you enable people to connect, to bond, to build relationships of trust. And that is tremendously powerful.

4. *Establishing a decision-making system. Do you empower your people?* The best leaders delegate, support their team members in their decisions, and then facilitate learning from decisions taken—both good and bad. Learning makes people grow. Identify the behaviors you want to drive decisions and make sure they are consistent with your strategy. Go down into the trenches and back up your people with your presence in tough times, but above all, empower them.
5. *Creating and managing the culture of the organization. Are you proud, engaged, and happy?* This requires creating and managing a culture of the group of people that work together in an organization through the first four roles.

Cisco's John Chambers supported those roles when he said in a World Business Forum keynote speech:

I am supposed to do four things reasonably well. The first is to determine the vision and strategy of my company based upon the input from my customers and my leadership team. The second is to develop and recruit the leaders to implement that vision and differentiated strategy. The third—and I didn't understand this as a new business leader—is to develop a culture, and is such an important part of your success or not as an organization. And the fourth is to communicate

*The dream must be
challenging but attainable.*

*Learning makes people
grow.*

all of the above. As simple as it sounds, that would be the score card I would use [to evaluate my performance].

Steve Ballmer, the former CEO of Microsoft, once said the same thing regarding culture: "I didn't know that it was so important," and he adds that everything he does now is a reinforcement of culture.

My suggestion to you is to be the *new CEO*, and by CEO I mean chief emotions officer. In sports, you cannot have a team that is not motivated, that is not inspired. It is the same in the business world. Emotions, states of mind, moods, and spirits are very important. I'm not saying that strategy and the hard variables are not important. What I am saying is that you are likely underutilizing the passion and energy of people. Imagine what you can do if, in addition to managing the hard variables, you can ignite people's hearts to deeply engage with your organization.

In Summary

Culture can multiply results! Culture is about states of mind, emotions, using all that energy that human beings have. Use the five key questions to remind yourself of how to unleash the emotions of your workforce. You can pin them on your desk and every day ask one of those five questions. Within six months, people will ask what happened to you—you are a different person.

Leadership is a personal journey, never ending, but you are already well along in your journey. Just keep going!



As the director of the HSM Group—the first global multimedia management company—Eduardo Braun has traveled the globe interviewing world-renowned personalities from political leaders such as Bill Clinton and Mikhail Gorbachev to business gurus such as former Disney CEO Michael Eisner and film producer George Lucas. An astute businessman himself, he was the CEO of Intermanagers.com, director of the HSM Group, and hosts Lideres and HSM Specials, television shows dedicated to leadership and management.

Copyright of Leader to Leader is the property of John Wiley & Sons, Inc. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.