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## CULTURE AS A COMPETITIVE ADVANTAGE

### YOU CAN'T NOT HAVE A CULTURE

*Chuck:* Every company has a culture. As a matter of fact, a company *can't not* have a culture. The only question is whether it is purposely and intentionally designed with a clear outcome in mind, or if it is merely an aggregation of disparate behaviors and beliefs simply left to chance—a situation where every individual employee decides how they should behave and what values they should adhere to.

A powerful and effective culture is an outcome grounded in conscious, critical thinking rather than an unintended circumstance of neglect or apathy. Developed well, a strong culture can be the bridge between the daily harsh realities of business and the human part of the organization—the context for *how* we do *what* we do. Companies who “get this” recognize that culture is a potential asset to be leveraged in a very tangible way against

their competition. As such, they dedicate time determining exactly how to make this happen.

### WHAT'S YOUR STORY?

*Joe:* Another way of looking at culture is to think of it quite simply as your “story.” The benefits of having a great story begin inside, with your employees, in ways that let them not only understand but also help create it. When your people take part in creating the story every day, they internalize it. It’s incorporated into everything they do and they begin to tell that story through their words, their attitudes, and every interaction with customers.

Tapping into the power of an intentional culture produces countless benefits. When you know who you are, and can consistently and effectively tell that story, you see a boost in employee morale, increased buy-in, and better attitudes. This isn’t a temporary effect from a “feel-good program”; rather, it’s an ongoing, always-growing improvement in how your employees feel about themselves and their work. When employees understand how they fit into a story that they genuinely feel a part of, then everything they do takes on a new significance and purpose. And work with purpose becomes meaningful work.

Another great benefit of a clear, intentional culture is that you naturally begin to attract the employees that you want. Without clarity of culture, how in the world would potentially great staff know they want to work with you? Extraordinary companies attract employees with qualities that fit the uniqueness of the brand. But adopting an intentional culture doesn’t mean taking a cookie-cutter approach to people. Part of that culture may very well be diversity in many forms, including

diversity of opinion. Within that diversity, however, everyone knows who they are and what's important to the team.

Obviously, when you attract the right people as employees, who then live and embody your story, you begin to reach customers, potential customers, and even vendors and partners in ways that you otherwise could not have. The experience of “what it's like” to do business with you becomes a driving force in why people choose to. The experience that you create through culture—through every customer touch point and personal interaction—becomes your greatest competitive differentiator.

### HOW SHOULD WE BEHAVE?

*Chuck:* In many cases, culture is too often left to chance and thought to represent an intangible or “soft asset” that will take care of itself “if we just hire good people and point them in the right direction.” Organizations that intentionally develop and leverage their culture generate more value than companies who do not. They don't see culture as an interesting by-product of people who work together; rather, they consider it to be a critical resource in delivering their vision. In essence, culture is the result of “vision back” thinking: How do we intentionally design a culture that will enable the vision to be realized more quickly and more effectively?

Some years ago during a strategic planning session, a new member of our executive leadership team made this point simply and beautifully by asking, “How should we behave among ourselves and in front of our clients in order to make our vision a reality?” The question was met with an uncomfortable and resounding silence (and my silence was as embarrassingly loud as anyone on our team). Up to this point, we had viewed our culture as a collection of everything that had preceded us

in the decades-old company we were leading. While we knew we were its stewards, we had not actively asked ourselves this important question, or even thought about rethinking this asset in this framework. After those first clumsy moments of silence, it broke loose. I'm not certain I had ever seen a more engaged and energetic conversation among my team.

This launched us into the process of auditing our culture in an entirely new context. We moved from the care and feeding of the old, passively accepted legacy culture to one that we actively created to distinguish us from our competition. We realized that our limited thinking had been self-imposed, and we now had a new question before us: How could we, as company leaders, leverage culture as an asset we could align to support our strategy and vision? If we were intent upon achieving the new plan we had developed, then why assume that the old culture, left untouched, would automatically be as useful in the new world as it was in the old? Answer: It wouldn't.

Does that mean we ripped it all up and threw it away? Of course not. There were some critical aspects of the heritage that became foundational elements of our new vision. There were also new elements that needed to be integrated in order to execute our redefined future. If we did not take the responsibility to act against this, who would? It was clear to us that cultural design started at the top as one of the key obligations of our leadership team. Our strong performance here would catalyze our organization. If we chose to overlook it, it was not the type of thing that an organization, especially a large one, could achieve at a grass-roots level. We knew that we needed to take responsibility for what we might lose if we failed to act against this. All of this, stemming from one simple question.

## CULTURE ALIGNED WITH VISION

The process became incredibly engaging, and the activity was almost maniacal. Our focus was to purposefully align culture with our vision because, while we knew that products and services could be deconstructed, reverse engineered, and replicated, we were convinced that a culture we could leverage in the marketplace could be a significant advantage that could not be copied. It had the “secret sauce” elements that true competitive advantage is made of and we were obligated to use every tool at our disposal to win in our market.

The benefits of this work extended well beyond re-architecting our culture. It drove incredible engagement among employees, clients, and shareholders, and redefined our approach to the market. It also became clear that much of our work was easily transferred across our own business divisions, as well as the industry we served. In many cases, clients contacted us and asked that we do for them “what we had done” with our culture. In two years, we had over 1,100 client executives visit our new call center to learn about our culture, our process for designing it, and how it made us a more strategic and valuable partner for them.

## CULTURE AS A SET OF LEADERSHIP BEHAVIORS

*Joe:* What characteristics should you seek and develop in your organization’s leaders? The answer is in your culture. Culture isn’t just a static way of being; it should also be centered on goals and aspirations. It’s how you want your customers and employees to think of you. Your leaders should embody the qualities that you want in the organization.

Vision and culture are—or certainly should be—inseparable. Your culture—what you are and want to be known for—should

translate into a set of leadership behaviors that propel the organization as a whole to fulfill the vision. Which of the following managerial habits and skills would help create a culture that would fulfill your organization's vision?

- managing costs effectively
- managing logistics
- customer centric
- communicating effectively
- driving innovation and creativity
- meeting deadlines
- collaborative
- solving problems quickly
- managing quality processes
- developing customer trust

It's a reciprocal formula: Your culture creates leadership, and your leadership fosters your culture. It's a matter of whether your leadership matches your vision and your culture, which must be the case if you are to create and sustain success.

### **ACCELERATE THE DELIVERY OF THE STRATEGIC VISION**

*Chuck:* What we often see in the companies we've led is that, when a culture is purposefully designed with a clear outcome in mind, it becomes an asset that can *accelerate* the delivery of the strategic vision—and the achievement of the business strategy. There is a shared orientation and belief system among companies that succeed in this alignment:

1. First and foremost, they never define the work as an “HR issue.” It is instead clearly seen for what it is: a business

strategy and execution issue requiring attention from top leadership. This is a fundamental belief among the organizations that get the most return for their effort here.

2. The culture must be linked to an outcome beyond itself—namely, the strategic vision. The question becomes, “How could we behave toward ourselves and our clients in a manner that would help us realize our vision faster?” This means auditing their existing culture to see it not only for what it is, but for what it can become. Then they go to work on the gap.
3. They define culture as one of management’s key obligations and realize that this initiative must start with them and that it cannot merely be delegated. The leadership team is aware that, although the rest of the organization will follow their lead, they first expect to see their leaders behaving differently. In essence, they believe that what Gandhi said is in fact true: “You must be the change you wish to see in the world.”
4. They know the work is hard, and when they decide to undertake it, they never settle for building a “middle of the bell curve” culture. This is the time to establish the highest standards because, in order to gain a competitive advantage from a cultural change, it must be highly visible to clients, shareholders, and competitors—and, equally as important, to every one of their employees. They know that everyone wants to be associated with an organization that pushes itself to deliver all they are capable of doing. McDonald’s founder Ray Kroc put it beautifully when he said, “The quality of a leader is

reflected in the standards they set for themselves.” So become known for your standards. This level of clarity and aspiration both engages employees and can be a self-selection tool for those who aren’t sure if they are up to the challenge. It’s not an issue of a good versus bad choice, but rather the *right* choice for each individual. The wrong outcome is a level of uncertainty or gray area that doesn’t allow employees to understand what the organization stands for and what their personal role will be in supporting that.

5. They determine how to “showcase” their culture. By rethinking their client touch points in new and creative ways, they create opportunities to make their culture not only visible but also palpable to their clients. This becomes the source of incredible employee engagement and pride because staff members see how they are inextricably linked to something they directly control—which then becomes a key reason that clients choose to do business with them instead of their competition.

Our leadership team learned the value of this lesson in a business-to-business company I led that was at a strategic crossroad. Our core product had come under intense pricing pressure in part due to the historical industry distribution strategy where our products were sold through our clients’ reps to the end consumers of our product. This had been the standard for over 90 years.

We decided to change those rules and felt we could sell more of our product at higher margins *and* identify opportunities for our clients to sell more of *their* core products if we talked

directly to our clients' customers, "on their behalf." This shifted our client acquisition strategy from one based on our core (but rapidly commoditizing) plant production competencies to our new sales and relationship ability in our call centers. Where we used to showcase our tangible production assets, we now had to showcase our newly designed culture to drive our competitive distinction. In essence, to take an intangible asset like culture and create a tangible, value-adding resource.

Our goal when a prospective client entered our call centers was for them to *feel* exactly what it would be like when their customers interacted with us. Every part of the environment was designed to highlight our "on behalf" culture. Each client visit and tour allowed them to participate in employee team meetings and interact with our agents, sales trainers, and team leaders. But by far the most effective strategy was letting them choose to sit with one of our 300 agents, put on a headset, and listen in live to *unscripted* conversations with *their* customers. Risky? At times. Effective? Incredibly. We wanted the ultimate display of how our culture could help them succeed in their own business, thereby distinguishing us from our competition.

The finest day our leadership ever enjoyed in terms of validating the changes we had made to our culture came after a two-hour tour of our call center with the fourth-largest bank (at the time) in the United States. After spending almost 40 minutes on the phone listening to one of our agents talk to their customers, we returned to the conference room with the EVP and his team for our debrief and presentation. When we sat down, I could see that our guest looked concerned, and I could tell our team was nervous about what he might have experienced. Perhaps this was one of those times where things

had not gone as we had planned. After sitting down, I said, “Bill, you look concerned about something. Was there something we did on the tour that was a problem?” He was quiet for a moment and then said, “To tell you the truth, I am a bit concerned.” I could see the blood draining from our call center leader’s face. “I’m certain if you tell us what’s bothering you, we can take care of whatever it is,” I offered. “I don’t think you can,” he responded slowly. I thought the center leader was going to pass out at this point; but then Bill continued, “I’m concerned because, based on what I have seen today, it seems that your company actually treats *our* customers better than *we* treat our customers. How have you developed the type of culture to do that? Not only is this exactly the type of partnership we have been looking for, we believe you could help us improve our own culture.”

Stunned silence, followed by an audible collective sigh from our team. We had been courting this client for years and just realized that, despite everything we had done in the past, our ability to showcase and make tangible the purposeful changes we had made in our culture is what finally won them over.

6. A level of attention and willingness to “systematize” the environment, by making it an integral part of their performance review process (meaning not just measuring *what* was done, but *how* it was done), their on-boarding process and recruiting process (showcasing the culture to prospective employees through recruiters, search firms, college campuses, etc.). In addition, they create an internal language that provides a common understanding of how to talk about the culture, support it,

and internalize it so that everyone, not just the leadership team, can participate.

7. As tough as this can be, they address cultural misalignment issues swiftly and decisively, which makes it unacceptable to simply deliver the *what* (quantifiable objectives) without considering the *how* (cultural boundaries and behaviors). Famed GE executive Jack Welch spoke explicitly about this in terms of the “four quadrants” of performance: First, those who get results, *and* do so within the cultural guidelines, are the easiest. These are the “stars” in your organization that should be promoted and held as models of behavior and performance.

The second group is comprised of those who neither operate within the culture nor deliver the results accordingly. The disposition for this group is equally straightforward in that they are best suited to seek opportunities in other organizations where they can best thrive.

The third group—those who clearly understand the culture and the values but are not delivering the results as you wish—deserve your guidance and coaching for a determined period of time in order to bring their contributions more closely in line with the first group.

The last group is by far the most difficult to reconcile. However, it is also the most closely watched by everyone in the organization in terms of how the leaders deal with or tolerate them. These are the people who deliver results but who do so at a clear cost to the values and culture of the organization. They “break a lot of china” or “leave a trail of bodies” along the way

toward achieving their goals. Their “I got it done, didn’t I; so what’s the problem?” approach must be dealt with directly in an organization that’s serious about maintaining an ethical and value-centered culture that can be visible to clients and shareholders. Swift and certain reconciliation of troublesome cultural behavior—even in the face of positive results—must be clear and evident. Otherwise, all of the energy and communication about what the culture is and stands for will be wasted, and the toll on the leadership capital will be great as well.

8. The leaders of these companies get in front of everyone and talk about this all of the time. They love nothing more than to talk about how the culture of the company makes them distinct in their markets. They develop ways to recognize, celebrate, and tell success stories about their culture in order to make them more real, breathe life into them, and give real working examples of what it looks like when it is done well. They use these opportunities to cement the notion of “this is how we do what we do.”

### A HOLISTIC APPROACH TO DOING BUSINESS

*Joe:* From a strictly competitive perspective, there is no advertising or marketing program that can compete with a clear, intentional culture. At the same time, any advertising or marketing program that is *part of* a powerful culture becomes infinitely more effective (Exhibit A: Apple). Having an intelligible culture that’s led by a clear vision is a holistic approach to doing business and a way to combine everything you do under one guiding light. It’s an organizing principle that eliminates

confusion and competing messages and brings clarity through shared values.

What are the sources of a company's culture? How do you begin to articulate who you are and what's important? The foundation, of course, is your vision. The way you live the vision—what you do every day, all day long, and how you do it—becomes your culture. There are a number of places to look for inspiration, including:

- **Our history.** “We’ve been making the greatest peppermint stick candy on the planet for over 200 years.”
- **A strong point of view.** A sense of passion for what you do can be the basis for your culture. For example, there’s a high-end bicycle shop in North Carolina that wins customers for its very expensive competitive products with the story of “Nobody loves bicycles more than we do.” A simple statement of strong belief and love for what you do can be the basis for a compelling story.
- **Serving a larger purpose.** There are companies whose stories are built around saving people money (Dollar General Stores) or the good that comes from making the Internet more useable to everyone (Google).
- **Integrity.** “We do the right thing for our employees, our customers, and our community. The quality of the relationship is what counts the most.”

Whatever the sources of inspiration for your culture are, they must ring true with all constituencies, including employees, vendors, partners, customers, shareholders, and the community at large. Designing a culture isn't about making up slogans, slapping them on banners and cards, and hoping that they'll

stick. If your stated culture doesn't match what happens in the real world, then you've merely created a culture of dishonesty. And if your culture is in conflict with the vision, then you have a system that simply won't work. It would be like trying to put diesel fuel in a gasoline engine; it just won't run like it should. When it comes to culture, you can't fool any of the people any of the time.

I worked with a company years ago that had a major advertising campaign built around the slogan "Where people come first." The conflict was that the culture at this company was one of following their "cut costs" policy at the expense of customers. The more customers they lost from poor service, the more they tried to cost-cut their way back to a positive bottom line. The only group that rolled their collective eyes more than the customers at the insanely bogus "Where people come first" campaign were the employees because they were treated with even less regard than customers were. The culture spoke so loudly that no one could even hear the advertising campaign.

### **A COMMITMENT TO CONSISTENCY**

One of the most significant challenges to sustaining a clear, intentional culture is growth. It's one thing to consistently "live" your story when you only have 12 employees; but as 12 becomes 1,200, you must vigilantly protect your story's integrity. The growth of famed coffee shop Starbucks, for instance, has been extraordinary by any measure. But with that growth came the challenge of staying true to the company's story. In January of 2008 a memo from Starbucks chairman Howard Schultz to upper management delivered a stern warning about the danger of straying from their story. Schultz lamented that

rapid growth has “led to the watering down of the Starbucks experience,” and that most of the company’s stores “no longer have the soul of the past.”

The greatest challenge that you will face in terms of your story isn’t creating it; it’s preserving it. How do you remain true to who you say you are and what you claim to be important? And how do you take that commitment to consistency beyond the management level and down to every employee in every department of the organization? The answer is incredibly simple and yet extremely challenging. It’s found in two factors: people and repetition.

It starts with people; and you hire and develop the ones who “fit” your story. You can’t mandate values or personalities through training or the company manual. For example, The Container Store hires people who love to help other people. Southwest Airlines hires people who are fun and have a sense of humor. Tractor Supply Company hires people who love the rural lifestyle.

Even people who fit and believe in your culture need support. Strong companies believe in the power of repetition, and they work at their culture every day. It’s not something that they relegated to an obligatory mention at the monthly meeting. Vision drives strategy; and culture is where and how you live that vision and execute the strategy.

One final component of successfully creating and sustaining your culture is the ability to change and remain relevant to your market while staying true to your culture. To maintain its integrity, a company must remain true to its values.

Southwest Airlines founder Herb Kelleher always said that the intangibles are the hardest thing for a competitor to imitate

and the most important asset to preserve. He pointed out that you can buy airplanes, negotiate for ticket counter space, and order baggage conveyors. But Kelleher felt that Southwest Airlines' spirit was the company's most valuable and hardest to imitate feature. He often said that his greatest concern was that they might lose that very special culture.

### THE GUIDING FOUNDATION

*Chuck:* When all is said and done, your culture is the guiding foundation for how your organization—and all of its employees—work to achieve your vision. You can choose to shape your organization's culture or something else will. It is the soul of your company; do not leave it to chance.

#### **Five questions you should ask yourself about Culture:**

1. Have you answered the question, "What type of culture do we need to in order to make our vision become a reality?"
2. How do you showcase your culture to customers to gain competitive advantage?
3. Does the executive leadership team actively own the ongoing management of your culture?
4. Do you measure how employees and customers perceive your culture and understand what makes your culture distinct as a place to work and do business?
5. Do you "hire and fire" with your culture in mind, embedding it in your recruitment and performance appraisal process?