

# Chapter 1

## It's the Culture, Stupid!

So my biggest concern is that somehow . . . we lose the esprit de corps, the culture, the spirit. If we ever do lose that, we will have lost our most valuable competitive asset.<sup>1</sup>

—Herb Kelleher, Chairman,  
Southwest Airlines

### ❑ The Marketplace Speaks ❑

The marketplace never lies—*Results Rule!* It is the standard for measuring success if you are competing on the tennis court or in the district court; in the classroom or in the boardroom. And it applies to everyone at every level.

The second place team is never invited to hold the Super Bowl trophy and make the clichéd comments we hear every year. That honor goes to the team that delivered the results on the field. There are five nominees for the Academy Award for Best Picture each year, but only one movie producer is interrupted by the orchestra during the usually overlong acceptance speech.

## Results Rule!

Wal-Mart became a member of the exclusive club called the *Fortune 1* because of results. Dell was named *Fortune's* Most Admired Company in 2005 because of—you guessed it—results.

Need more examples? How about these:

- *Toyota*: It is the gold—no make that platinum—standard for manufacturing automobiles of amazing quality in every price range built in some of the world's most efficient manufacturing plants year after year after year.
- *Nordstrom*: Lots of choices and knock-your-socks-off service in every store every time.
- *Wegmans Food Markets, Publix, and Whole Foods*: Three grocery store chains that prove knowledgeable, caring people can keep customers coming back over and over again. And, yes, they are making substantial profits in an industry where margins are measured in fractions.
- *The Container Store*: Enthusiastic people with a passion to help you organize (and simplify) your space and growing like crazy.
- *General Electric*: Over 100 years of technological leadership from a global company that continues to reinvent itself as a leader in sales, profits, and redefining how organizations operate.
- *Starbucks*: Because they enjoy the drinks, the environment, and the people, over 33 million people line

## **It's the Culture, Stupid!**

up each week to pay premium prices for a product you can make at home for pennies.

### **❑ What the Best Know and Do ❑**

Organizations like these don't just succeed. They blow the competition away in terms of service, productivity, innovation, and execution. Their performance shouts *Results Rule!* Their competitive edge is a compelling culture that wins the hearts, minds, and loyalty of employees and customers.

That's it? How about products, services, strategies? Aren't they important differentiators?

Maybe, but it's doubtful.

## **Coffee, Corn, and You**

The days when having a good product or service guaranteed you at least a minimum level of success are gone. Offering quality products or services has become the minimum requirement to enter and stay in the game.

Joe Calloway, author and authority on strategic branding, puts it this way: "The marketplace has become 'commoditized.' Customers see parity everywhere."<sup>2</sup>

Customers see parity because there is parity. Your competitors are only a telephone call or web site visit away from offering customers basically the same product and service features as you—for a similar or lower price.

## **Results Rule!**

And that means in the customer's eye we are all just like coffee, corn, and every other commodity traded on the open markets throughout the world. Our value to the customer is based solely on supply and demand.

### **But We Have a Better Strategy**

Let's assume for a moment that your strategy is superior to your competitors'. How long will it take them to copy or improve on it? What guarantee do you have that market conditions won't change overnight and make your strategy obsolete or even detrimental to your success?

Even large organizations move at speeds unheard of just a few years ago.

Here is one example: General Electric moved its source for steel casings for turbines to Mexico because they were able to manufacture the casings there for 40 percent less than the cost of making them in the United States. Then they moved manufacturing from Mexico to Korea where they are able to make the casings for 40 percent less than in Mexico. The total time it took to move the operation from Mexico to Korea was *45 days*.

If one of the largest companies in the world can move that quickly to change its strategy and execution, can you really believe that whatever you are doing today is immune from becoming completely obsolete? Perhaps that is why former CEO Jack Welch noted, "All this crap you planned for is meaningless, basically. What's important is that you're agile, in your thinking and in your action."<sup>3</sup>

## It's the Culture, Stupid!

You may offer a unique product or service right now, but if what you are providing has value, sooner or later competition for your slice of the market will arise. The more people or companies there are who can compete with you, the closer you are to becoming an entirely “me too” business or profession defined by the similarities rather than the uniqueness of your offering. In an environment where everyone is doing the same things, culture beats strategy every time.

### ❑ 32 Years and Counting ❑

Three words come to mind when you ask people about Southwest Airlines—*fun*, *reliable*, and *inexpensive*. And they wouldn't have it any other way. Their mission is “dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and company spirit.”

The other word you should associate with Southwest is *profitable*. At the time of this writing, Southwest Airlines has delivered over 32 years of consistent quarterly profits in an industry where many players haven't had 32 *weeks* of consistent profit.

So what makes Southwest different?

People point to their route structure, low operating costs, no meal service, and the fact that they only fly one type of airplane, thereby saving on maintenance and training expense.

## **Results Rule!**

Those are certainly factors, but it doesn't explain why no one has been able to copy Southwest's success despite repeated attempts to replicate their strategy. The answer lies in the culture.

Chairman and former CEO Herb Kelleher said, "You can get airplanes, you can get ticket counter space, you can get tugs, you can get baggage conveyors. But the spirit of Southwest is the most difficult thing to emulate."<sup>4</sup>

Southwest knows that having a procedure stating airplanes will be turned in 20 minutes between trips is much less important than having a culture where it is expected and every employee takes meeting that expectation personally. The same can be said of their commitment to fun, service, and cost efficiency.

### **Does Your Culture Make a Financial Difference?**

That is the question I posed to CEOs in a variety of industries. Their response was a unanimous, *Yes!*

SmithBucklin is the largest association management company in the world. Its clients include the Pet Food Institute, Society for Information Management, and National Association of Orthopedic Nurses. Henry Givray, who had previously worked at the company from 1983 to 1988, returned in 2002 as its president and CEO. Most CEOs work on strategy, sales, operational efficiencies, or the like. The first thing Henry worked on was the culture. He was so focused on the issue that several senior leaders wondered if he really knew what he was doing.

## **It's the Culture, Stupid!**

Henry put it this way, “I never heard people talking about organizational culture when I went to work in the 1980s. But over the years, I’ve concluded that if an authentic organizational culture that gives guidance and inspires can be articulated, aligned, reinforced, and preserved, it will mean the difference between having a good year and building an enduring company. So I made culture the first thing I worked on with the leadership team.”

Realizing that several of you might write off Henry’s statement as an example of corporate psychobabble, I asked him if he could quantify his love affair with culture. His response proves his point:

In the 3 years since we began focusing on SmithBucklin culture, we’ve shattered every performance record from the previous 50 years. Growth, client acquisition, profitability, employee satisfaction—all of them.

Pretty impressive, huh?

Henry’s comments were echoed by leaders in all types of industries. Gary Nelon, CEO of First Texas Bancorp said, “Our business model is people—rather than product—centric. We know that our culture promotes long-term relationships with our employees, our employees develop long-term relationships with the communities we serve, and we make more money.”

## **It's Always Been That Way**

Thomas Watson Jr., CEO of International Business Machines from 1956 to 1971, said, “the basic philosophy,

## Results Rule!

spirit, and drive of an organization have far more to do with its relative achievements than do technological or economic resources, organizational structure, innovation, and timing.”<sup>5</sup>

Those are strong words from the person who decided to launch a new line of mainframe computers in 1964 in a move *Fortune* magazine called “IBM’s \$5 Billion Gamble.”<sup>6</sup> Watson’s belief in the power of the IBM culture permeated the organization and contributed to the company’s market dominance for generations.

Procter & Gamble (P&G), based on its more than 150 years of success, also qualifies as an organization that believes *Results Rule!* William Procter and John Gamble entered the highly competitive soap and candle industry in 1837. That might not sound like a growth industry now, but remember candles and soap were important products at that time. There were 14 other direct competitors in Cincinnati, Ohio, alone.

Many people know P&G as the creator of legendary brands such as Ivory Soap, Tide, and Crest. Some will recognize its leadership in marketing and market research. Harley Procter, William’s son, was one of the first businessmen to experience success with display ads. The company founded its own market research group in 1924 and was a leading sponsor of the early soap opera.

Few people know, however, that William Cooper Procter, grandson of the founder, revised the company’s articles of incorporation to read the “interests of the Company and its employees are inseparable.”



## **It's the Culture, Stupid!**

Procter & Gamble's brands are legendary. My mother never sent me to the store to purchase laundry detergent. I was instructed to go pick up some Tide. She didn't cook with oil. She always cooked with Crisco. Today, my wife's grocery list will say "Ivory" and not bath soap. And while the company has always been an innovative and consistent advertiser, its reputation is built on performance.

The P&G culture is based on a defined purpose, set of values, and operating principles. The company is disciplined, customer focused, and proactive. Its values talk about a passion for winning, leadership at all levels, integrity, trust, and a sense of personal ownership.

I witnessed the P&G culture in action some years ago as a consultant working with the soap plant in St. Louis, Missouri, to design and implement a new employee discipline process. I had read about the company's focus on strategic thinking and fact-based decision making before beginning the project, but that did not prepare me for the way in which those principles were institutionalized in the culture.

The first time I answered a question with the words "I think," there was a slight and simultaneous grimace on the 12 or so faces on our design team. The second time I said "I think" it was challenged. And, fortunately, my key contact gave me some valuable advice at break. At P&G a better response is, "our experience shows," or "our statistics indicate."

## **Culture Is More than Feeling Good**

I always feel a moment of apprehension when the person sitting next to me on an airplane asks, "So what do you

## Results Rule!

do?” The anxiety increases exponentially when you are not seated on the aisle where you can make a fast getaway.

Nevertheless, I found myself in exactly that situation a few months back. I gave my standard response, “I help leaders and organizations create cultures focused on results.”

My neighbor’s response captured my attention: “Oh, we don’t do that stuff.”

I recognize a marketing opportunity as readily as the next person, and I inquired, “What parts of it don’t you do?”

“Oh,” the individual continued, “culture is about making everyone feel good, and being nice to people, and stuff like that. We don’t do that stuff. We are all about the numbers.”

So are the folks at P&G, and most people would agree that their culture is a vital part of their success. Tom Peters and Bob Waterman included P&G in their 1982 book, *In Search of Excellence*. James Collins and Jerry Porras highlighted P&G in their book *Built To Last*. You don’t become an enduring company simply because you make people feel good. People’s Express Airlines made people feel good, and it lasted only about 6 years.

Six years versus over 150 years. You do the math. You can’t deliver results without a great culture, but a great culture without results has no value.

Your organization’s culture is about much, much more than making people feel good. Engaging people is a big part of it, but engagement without execution is a recipe for extinction.

## **It's the Culture, Stupid!**

### **Everyone Has a Culture**

I like the definition of culture from the *MSN Encarta Dictionary* as well as any I have seen: Culture is “the patterns of behavior and thinking that people living in social groups learn, create, and share.”

An organization's culture includes its beliefs, expectations, rules of behavior, language, rituals, symbols, technology, styles of dress, ways of interacting, processes for communicating and maintaining power, and methods for reinforcing and modifying behavior and performance.

The guy sitting next to me on the airplane had it wrong—or at the very least not all correct. His company did have a culture, although you will not be seeing it listed by name as a positive example. Every organization has a culture that contributes to or detracts from its ability to deliver results in today's marketplace. Your objective is to determine the type of culture you need to deliver results.

### **❑ A Results Rule! Culture ❑**

*Results Rule!* cultures are defined by the following:

- A set of organizational beliefs, assumptions, and values supporting a commitment to results, relationships both externally and internally, and accountability
- Consistent achievement of desired results that set the organization apart in the minds of customers, employees, and stakeholders

## **Results Rule!**

- People who do what they say they will do and make choices based on an attitude of stewardship and ownership
- Mutual respect, cooperation, and a high degree of trust between individuals and their managers, teams, and departments
- Alignment of individual, team, and departmental performance with the organization's strategic business objectives
- Continuous improvement and innovation—both large and small—at every level of the organization to improve effectiveness and efficiency
- An environment that attracts and retains top talent who value the opportunity to contribute

## **Your Culture Will Be Unique**

The First Texas Bancorp culture is different from that of SmithBucklin. SmithBucklin's is different than that of P&G. And P&G's is different from that of Southwest Airlines.

For your culture to become your competitive edge, it must be based on your realities and decisions. It is doubtful you would see the CEO at P&G show up for Halloween dressed as a member of the 1970s rock group KISS. Yet, that is a perfect fit for Southwest Airlines CEO Gary Kelly.

It is the people in a company that make business work. Great strategies fail without a culture focused on and committed to delivering results that matter in your situation.

## **It's the Culture, Stupid!**

Terrence Deal and Allan Kennedy identified a number of elements determining an organization's culture in their book *Corporate Cultures: The Rites and Rituals of Corporate Life*.<sup>7</sup> They include the following:

- *Business environment*: Sales-driven organizations often have a different culture than research or service-driven groups.
- *Values*: The basic concepts and beliefs on which the organization is built. Some groups state them as dreams and aspirations. Others define them quite literally as the standards by which everyone operates.
- *Heroes*: These are the role models (sanctioned or nonsanctioned) that let people know what the organization really values. In the best organizations, heroes display the organization's stated values.
- *Rites and rituals*: The routines of daily life that provide visible and powerful messages about the way things really work.
- *Cultural network*: The communication network that carries the values, beliefs, assumptions, and expectations.

### **We Want to Be Them**

"We want to be the Southwest Airlines of our industry."

I found the comment from this prospective client interesting and decided to dig a little deeper: "Why is that important to you?"

"Because if we have a culture like Southwest's, we will be able to perform like Southwest."

## Results Rule!

We all know what happened prior to this conversation. Someone read an article or attended a presentation about Southwest Airlines' wonderful culture. And this client's take-away lesson was that every problem would be solved if they could just instill that culture in their organization.

It is a tempting thought—get a new culture and watch performance improve and results shoot through the roof. Unfortunately, it doesn't work that way. Your organization's culture is not a piece of software that can be downloaded and launched. It must be guided, influenced, and reinforced over time.

### ❑ Organizational DNA ❑

Great, enduring organizations shout *Results Rule!* through their performance. It is part of their DNA. Not DNA in a biological sense, but DNA in a business sense. This DNA is learned and honed over time. DNA stands for Discipline, Nature, and Attitude.

*Results Rule!* organizations have the discipline to stay focused and execute flawlessly. They have a nature of stewardship, service, and integrity that leads to partnerships both internally and externally. Individuals in these organizations have an attitude of accountability and passion for achieving results that set them apart from those who merely talk a great game and then fail to deliver. They don't make excuses. They learn from mistakes and move on.

## **It's the Culture, Stupid!**

Just as human DNA automatically transmits an individual's genetic code—everything that individual is—to the next generation, business DNA transmits your message to the customer or client. The discipline, nature, and attitudes evident in your organization contribute to the overall culture—from the importance of honoring commitments to how customers and employees are treated.

*Results Rule!* organizations use this dynamic to their advantage. While technology, value chains, distribution models, and even strategic plans have their place, they are not what make an enduring organization. Positioning the culture of your organization as the DNA that drives results engages people and allows you to instill a level of commitment at every level. It enables you to be efficient, effective, and unique—to separate yourself from the competition.

Here's the difference between humans and organizations—organizations can choose to change their genetic makeup. It's not easy, and it takes a while. But it can be done.

### **❑ Change Performance to Change the Culture ❑**

I have read many purpose and values statements while working with different organizations. Not a single one of them says, “We exist to alienate our customers and abuse our employees.” But that is what often happens in real life. And like the prospect mentioned earlier in this

## Results Rule!

chapter, there is a wish to change the culture as a means to improving the performance. Leaders and organizations with this mind-set have it backward. *You change the performance to change the culture.*

Assumptions, beliefs, and values drive behavior and performance. Performance and behavior demonstrated over time become habit. And habits define the culture of your organization.

To build a *Results Rule!* culture, you must first build the habits that make you perform and behave like the purpose and values you hang on the wall.

### ❑ Is Your Culture in Trouble? ❑

I have always appreciated comedian Jeff Foxworthy's, "You know you are a redneck if . . ." bits. This model can easily be applied to an organization's culture: You know your culture is the factor limiting your results if you see:

- *High turnover and low morale:* Good employees decide to pursue other opportunities. Individuals remaining with the organization become demoralized and lethargic in the performance of their duties.
- *On-going inconsistency:* Everyone has an off-day occasionally. Performance that continually gyrates all over the map is a reflection on the culture. Consistency is one mark of a *Results Rule!* organization.
- *Lack of focus on the external environment:* Cultures in distress look internally at all the things that are going



## It's the Culture, Stupid!

wrong. *Results Rule!* cultures focus on serving the customer. They compete against others in the marketplace rather than against themselves.

- *Short-term thinking*: Survival in today's competitive marketplace requires constant attention to results. That, however, should not be an excuse for short-term thinking. *Results Rule!* cultures refuse to sacrifice long-term viability for short-term success. They look for both.
- *Rise of destructive subcultures*: Pride in one's team is admirable. Allowing team pride to deteriorate into impenetrable organizational silos is a sure sign of a fractured culture.
- *Undermining the success of others*: Disagreements that turn into vendettas. Information purposely withheld. These are the symptoms of a culture where team is considered a four-letter word.
- *Increased cynicism*: Cultures that are in trouble look at all change—good or bad—through cynical eyes that assume the worst possible outcome. *Results Rule!* cultures take a critical look at opportunities to improve and embrace those that offer a satisfactory return on investment and energy.

## ❑ It's Never Just One Thing ❑

Building a culture that blows the competition away is a little like making a really great sauce. Admittedly, I don't make a great sauce. In fact, for me, cooking usually

## Results Rule!

involves mixing salad ingredients or (more likely) using a microwave oven.

My wife, on the other hand, is an amazing cook who makes incredible sauces. Over the years, I've learned to appreciate the art, science, and dedication of her expertise. When I ask her for the three, five, or even seven steps to making the perfect sauce, she just laughs.

She will spend hours simmering, reducing, and adding just the right mix of ingredients to create a unique masterpiece. And the next time out, she will try to improve it.

Leaders who create a compelling culture do basically the same thing. I have identified, through research and over 20 years of field experience, six things *Results Rule!* organizations do differently and/or more often than their competitors. Think of them as the *six choices* that distinguish enduring organizations from their competitors. The chapters to follow address each of them in more detail.

*Results Rule!* cultures choose to:

1. Tell themselves the truth and value candor and honesty.
2. Pursue the best over the easiest in every situation.
3. Leverage the power of partnerships both internally and externally.
4. Focus the energy to make the main things the main thing.

## It's the Culture, Stupid!

5. Show the courage of accountability.
6. Learn, grow, and improve every day.

There is no one correct formula. The ingredients are mixed differently in each situation. Some strategies even address multiple areas. It's never just one thing.

## ❑ Everyone Leads ❑

Most leadership development programs miss the point. The actual program is okay, it's just that the target audience is too limited. We assume that the leaders are those with the term *manager* or *supervisor* in their job description and only those people are responsible for the creation of the culture. What a terrible waste.

Leadership is the art of influencing the actions and outcomes of others to deliver results. Using that definition, anyone can be and everyone is a leader. In my experience, some of the most influential people in an organization have titles such as administrative assistant, maintenance mechanic, computer systems analyst, or customer service representative.

Sure, managers and human resources personnel play an important role, but a nonmanager talking about how “everything is screwed up around here” has just as much, if not more, impact as anything said or done by *management*.

## Results Rule!

Your organization's culture determines how things are done regardless of any policy, directive, or management initiative. Experience tells me that there are things going on in your organization about which the people in charge have no clue. If you don't believe me, have an open conversation with your receptionist or the senior administrative assistant in your office. You will likely learn a great deal about how things are really done at your place of business.

*Results Rule!* organizations refuse to accept that only the "Suits" or Human Resources have responsibility for creating and maintaining the culture. It is everyone's responsibility because we all create the culture.

## RESULTS RULES

- A compelling culture is your competitive edge in a world where products and services are commodities.
- Every organization has a culture that contributes to or detracts from its ability to deliver results in today's marketplace. Your objective is to determine the type of culture you need to deliver results.
- Enduring organizations shout *Results Rule!* through their performance. It is part of their business DNA—Discipline, Nature, and Attitude.
- If you wait for the culture to change before your performance changes, nothing will ever happen. Culture change follows performance change, not the other way around.

## **It's the Culture, Stupid!**

- There is no magic formula for creating a compelling culture. The ingredients are the same, but they are mixed differently in each situation. The challenge is to find the mix that sets you apart.
  - Everyone influences someone. It is your responsibility to contribute to the culture.
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