

## CHAPTER ONE

# TOWARD A PSYCHOLOGY OF BUSINESS

*If we want to answer the question, how tall can the human species grow, then obviously it is well to pick out the ones who are already tallest and study them. If we want to know how fast a human being can run, then it is no use to average out the speed of the population; it is far better to collect Olympic gold medal winners and see how well they can do. If we want to know the possibilities for spiritual growth, value growth, or moral development in human beings, then I maintain that we can learn by studying the most moral, ethical, or saintly people.*

**ABRAHAM MASLOW<sup>1</sup>**

*Pop.*

That word conjures up some nostalgic images for me: my dad who doubled as my Little League coach, a style of music I couldn't get enough of, the Shasta Orange I used to drink by the six-pack.

At the end of 2000, as we were enjoying the second millennium celebration, the word *pop* had a new meaning to me: it was the sound of champagne flowing, of good times continuing to roll, of prosperity anointing me with a hero's halo.

I had a lot to be thankful for. My company, Joie de Vivre Hospitality, had grown into one of the three most prominent boutique hoteliers in the United States. My first book of any note, *The Rebel Rules: Daring to Be Yourself in Business*, which included a foreword from my demigod, Richard Branson, was hitting the shelves. And *USA Today* had just profiled me as one of 14 Americans, along with Julia Roberts and Michael Eisner, to be "watched"

in 2001. Every indication was that my life, my company, and my budding career as an author were all heading in the right direction—up—and the New Year would be a welcome one. Little did I know that the real thing to watch in 2001 would be that I didn't jump off the Golden Gate Bridge.

I went from being a genius to an idiot in one short year. You see, *all 20* of my company's unique hotels were in the San Francisco Bay Area. Yes, you can tell me all about the value of geographic diversification, but in the late 1990s, there was no better place, with the possible exception of Manhattan, to operate a hotel. I had learned long ago that a company can be product-line diverse or geographically diverse, but it's hard to be both. Rather than be a Holiday Inn with replicated product all over the world, we consciously chose the opposite strategy as we built our company. We would focus our growth in California and create what has become recognized as the most eclectic, creative, and handcrafted collection of hotels, lodges, restaurants, bars, and spas in a single geographic location.

But that pop I heard around New Year's was more than just champagne. It was also the sound of the bursting dot-com bubble. It was the pop heard around the world, but nowhere was it louder than in my own backyard. I won't bore you with the details, but even before the tragedy of 9/11 sent the worldwide travel industry into an unprecedented tailspin, San Francisco and Silicon Valley hotels were experiencing annualized double-digit revenue losses because of the high-tech flameout. Bay Area business leaders didn't want to admit that we were as addicted to electronics as Detroit is to cars or Houston to oil, but in 2001, during that first full year of the new millennium, we came to realize that we were going through withdrawal.

It turns out the millennium was sort of the midpoint of the seesaw. The Bay Area had partied for five good economic years in the last half of the 1990s. But just like if you drink heavily for five days approaching New Year's you might also suffer through a five-day hangover, our region experienced a comparable nausea in the first five years of the new millennium. That seesaw hit the ground really hard. My business, my confidence, and my self-worth all took a precipitous fall.

What do you say to a journalist who asks, "How does it feel to be the most vulnerable hotelier in America?" I knew I was feeling rotten, but I didn't realize my melancholy was being observed on a national stage. The reality is my company, after 15 years of rising to the top of the hospitality industry, was suddenly undercapitalized

and overexposed in a world that had changed overnight. I never realized that after founding Joie de Vivre at age 26, and dedicating 15 years to building it, there was a risk I could lose everything. Most industry observers thought we were done for.

It wasn't just the dot-com meltdown or 9/11 that led to a truly troubled travel industry. A couple of wars, an outbreak of SARS (severe acute respiratory syndrome), and a very weak worldwide economy from 2001 to 2004 didn't help. It seems as if everyone wanted to stay close to home. The San Francisco Bay Area was ground zero for this great depression for American hoteliers. In the history of the United States since World War II, no hotel region in the country had ever experienced the percentage drop in revenues the Bay Area experienced in those first few years of the new millennium. And because Joie de Vivre operated more hotels in the region than any other hotelier, we faced a classic thrive-or-dive dilemma.

I remember sitting on the dock of my best friend Vanda's houseboat in Sausalito, facing the sparkling city of San Francisco across the bay on a crystal-clear morning. It was low tide, which exposed all of the mud and muck of the shoreline. It felt familiar: my business was at low tide. Vanda certainly knew it and, being the poet aficionado she is, she read me a line from a Mary Oliver poem, "Are you breathing just a little and calling it a life?"\*

I was speechless. I'd been holding my breath ever since I'd heard the pop of the bubble bursting. I had a moment of clarity. This downturn was proving to be a true stress test for my business, but it was also a stress test for me personally. I'd been joking with my Joie de Vivre leadership team that we were becoming a faith-based organization. We truly believed this downturn wouldn't last forever, but with each passing quarter, things only got worse. The pressure made me feel like *I* was going to pop. I realized I needed to stop holding my breath. Speechless, yes—breathless, no.

A couple of days later, when I was experiencing a bit of malaise, I snuck into the Borders bookstore around the corner from Joie de Vivre's home office. I needed another Mary Oliver fix or some form of inspiration. A CEO in the poetry section of a downtown bookstore on a weekday afternoon? I felt like I should be wearing sunglasses and a disguise. Somehow I drifted over to the psychology

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\* Excerpt from "Have You Ever Tried to Enter the Long Black Branches" from WEST WIND: POEMS AND PROSE POEMS by Mary Oliver. Copyright © 1997 by Mary Oliver. Reprinted by permission of Houghton Mifflin Harcourt Publishing Company. All rights reserved.

section of the bookstore; maybe it had something to do with my mental state.

There among the stacks I came upon a section of books by one of the masters of twentieth-century psychology, Abraham Maslow. I started leafing through *Toward a Psychology of Being*, a book I'd enjoyed 20 years earlier in my introductory psychology class in college. Moments grew to minutes, which grew to hours as I hunkered down, sheepishly looking over my shoulder every once in a while to make sure no one was watching. I couldn't put the book down. Everything Maslow was saying made so much sense: the Hierarchy of Needs, self-actualization, peak experiences. In the midst of the crisis that was threatening my business, which was challenging me personally as I had not been challenged before, this stuff reminded me why I started my company.

When you name your company after a hard-to-pronounce, harder-to-spell, French phrase meaning "joy of life," as I did, you must have different motivations than the typical Stanford MBA. The goal I set for myself just a few years out of Stanford was to create a workplace where I could not only seek joy from the day-to-day activities of my career but also help create it for both my employees and customers. I'd done a short stint at Morgan Stanley investment bank and realized that my aspiration in life was not to climb the typical corporate ladder. After deciding against a career in investment banking, I'd spent a couple of years in the rough-and-tumble world of commercial real estate construction and development and realized that spending all day negotiating through adversarial relationships wasn't my idea of a good time, either.

It was on my twenty-sixth birthday that I finished the business plan for Joie de Vivre. At that point, I'd become a tad disillusioned with the traditional business world and was considering a career as a screenwriter or massage therapist (I did training in both). Starting a boutique hotel company was my last option before I took an exit off the business superhighway. What inspired me about the hospitality world was that if we got our job right, we made people happy. And as a boutique hotelier, I could tap into my creativity to do things that I could never do in building an office tower. I remember telling an MBA friend back in 1987, when he was helping me paint my first hotel (I didn't have the budget to hire a professional painting contractor), that Joie de Vivre was my form of self-actualization (we'd both been exposed again to Maslow in a business school class

called Interpersonal Dynamics, which all of us deridingly called “touchy-feely”).

Each day during the early part of 2002, when there seemed to be no limit to the depths the San Francisco hotel industry could fall, I would come home from work weary and a little battered and crack open another Maslow book. I even had the opportunity to read his personal journals from the last 10 years of his life. I started using some of his principles at work. I came to realize that my climb to the top wasn’t going to be on a traditional corporate ladder; instead, it was to be on Maslow’s Hierarchy of Needs Pyramid. During the next few months, I began to mentally compost this book—throwing everything into the bin I had experienced and everything I was learning—while giving my business mouth-to-mouth resuscitation based on Maslow’s principles.

## A BRIEF PRIMER ON MASLOW

*A musician must make music, an artist must paint, a poet must write, if he is to be ultimately at peace with himself. What a man can be, he must be. This need we call self-actualization. . . . It refers to man’s desire for self-fulfillment, namely to the tendency for him to become actually in what he is potentially: to become everything one is capable of becoming.*

—ABRAHAM MASLOW<sup>2</sup>

Abraham Maslow is probably the most recognized and quoted psychologist in corporate universities and leadership books. In best-selling business books by legendary authors Stephen Covey, Peter Drucker, and Warren Bennis, you find many limited references to Maslow’s seminal work. The influence of his thinking is everywhere. Author Jim Collins (*Built to Last, Good to Great*) wrote, “Imagine if you were to build organizations designed to allow the vast majority of people to self-actualize, to discover and draw upon their true talents and creative passions, and then commit to a relentless pursuit of those activities toward a pinnacle of excellence.”<sup>3</sup>

Maslow believed human beings had been sold short, especially by the traditional psychology community. Freud’s perspective on the human psyche was a kind of “bungalow with a cellar,” with his

main psychiatric focus being on people and their neuroses, which often came from childhood traumas. B. F. Skinner pioneered the idea of *behaviorism* in psychology, based on the premise that we could learn a lot about humans by studying lab rats (think of the bestseller *Who Moved My Cheese?*). Maslow came at this from a very different angle, focusing more on people's future than on their past. Instead of studying just people who were psychologically unhealthy, he began reading about history's acclaimed sages and saints to look for commonality in their outlook and behavior. Maslow focused on the "higher ceilings" of human nature rather than the basement cellar. Of course, this all made sense: in sports, in the arts, and in business, we study peak performers to understand how to improve our own performance. By recognizing that all humans have a higher nature, Maslow helped spawn the human potential movement in the 1960s and 1970s. And even the U.S. Army picked up on his theory when their internal Task Force Delta team turned Maslow's "What man can be, he must be" into the phrase "Be all you can be," which became the advertising slogan in its recruiting campaign.

The foundation of Maslow's theory is his Hierarchy of Needs Pyramid, which presumes that "the human being is a wanting animal and rarely reaches a state of complete satisfaction except for a short time. As one desire is satisfied, another pops up to take its place. . . . A satisfied need is not a motivator of behavior."<sup>4</sup>

Maslow believed that each of us has base needs for sleep, water, and food (physiological), and he suggested we focus in the direction of fulfilling our lowest unmet need at the time. As those needs are partially fulfilled, we move up the pyramid to higher needs for physical safety, affiliation or social connection, and esteem. At the top of the pyramid is self-actualization, a place where people have transient moments called *peak experiences*.

HIERARCHY OF NEEDS PYRAMID



A peak experience—comparable to being “in the zone” or in the “flow”—is when what *ought to be* just *is*. Peak experiences are transcendental moments when everything just seems to fit together perfectly. They’re very difficult to capture—just like you can’t trap a rainbow in a jar. Maslow wrote, “They are moments of ecstasy which cannot be bought, cannot be guaranteed, cannot even be sought . . . but one can set up the conditions so that peak experiences are more likely, or one can perversely set up the conditions so that they are less likely.”<sup>5</sup>

This was pretty fascinating stuff. But as much as I searched for books on Maslow, I couldn’t find one that applied his theory to the universal motivational truths that define our key relationships in the workplace.

Although I knew I wouldn’t find a book that would say, “Here’s how you can get out of your funk and create peak experiences at Joie de Vivre,” I began to wonder: if humans aspire to self-actualization, why couldn’t companies, which are really just a collection of people, aspire to this peak also? Maslow wrote, “The person in the peak experience usually feels himself to be at the peak of his powers, using all of his capabilities at the best and fullest. . . . He is at his best, at concert pitch, the top of his form.”<sup>6</sup> Why couldn’t that same sentiment be applied to my company? What does a self-actualized company look like? And how could Joie de Vivre “set up the conditions so that peak experiences are more likely”?

I started studying Maslow even more deeply. I learned that this rebel with an IQ of 195 was elected to the presidency of the mainstream American Psychological Association in his latter years. His studies of exceptional individuals like Abraham Lincoln, Albert Einstein, and Eleanor Roosevelt helped him to realize that there was a “growing tip” of humanity who could prove to be role models for the rest of us. He called these individuals *peakers* as opposed to most people who were considered *nonpeakers*. The characteristics of these self-actualized people included creativity, flexibility, courage, willingness to make mistakes, openness, collegiality, and humility.

## MASLOW IN THE WORKPLACE

In the summer of 1962, Abraham Maslow spent a few months at Non-Linear Systems (NLS), a digital voltmeter factory just north of

San Diego, California. His goal was to see if the characteristics that defined the self-actualized person could also apply to a company. He saw industry as a “source of knowledge, replacing the laboratory . . . a new kind of life laboratory with going-on researches where I can confidently expect to learn much about standard problems of classical psychology, e.g., learning, motivation, emotion, thinking, acting, etc.”<sup>7</sup> In essence, Maslow wanted to see if the science of the mind could be translated into the art of management.

Andrew Kay, the owner of NLS, relied heavily on Maslow’s 1954 book *Motivation and Personality* to create a more productive and enlightened workplace. He believed, based on Maslow’s theories, that employees satisfied their deeper social and esteem needs when they could witness the fruits of their labor. Kay noticed that his workers were more productive at the end of the assembly line, where finality of the assembly provided a sense of accomplishment. Kay dismantled the assembly lines, created small production teams that were self-managed, offered stock options, and created a post called the “vice president of innovation.” These teams were even allowed to choose the decor of their private workrooms—a pretty revolutionary approach during the era of the Organizational Man, more than 30 years before the first dot-coms sprouted.

Maslow was fascinated with how NLS used basic theories of human motivation and applied them in the workplace. He went on to publish a book on business called *Eupsychian Management* in 1965, but the inaccessible title doomed this effort, as did the fact that many of his ideas were probably ahead of their time (the book sold only 3,000 copies when it was first printed). Maslow’s interest in business didn’t wane, as he spent his last couple of years as the scholar-in-residence at the Saga Corporation on Sand Hill Road in Menlo Park, California, just off the Stanford University campus. (A couple of decades later, this street became the number one address for the world’s leading venture capital firms.) I only wish Abe Maslow had lived to a proper age (he died in 1970 at 62 years old) because I might have had the opportunity to meet him: just eight years after he died, I was regularly running along Sand Hill Road as a freshman on the Stanford water polo team.

Although Maslow’s impact in the workplace took decades to gain widespread acceptance, many business pioneers beyond Andrew Kay took his theories to heart. Charles Koch of Koch Industries got an authorization to reprint the long-forgotten

*Eupsychian Management* for his senior executives as they built the country's second largest private company. Lee Ozley was a consultant to Harley-Davidson's president, Rich Teerlink, during the 1980s and 1990s, when the company was struggling to survive. Ozley had studied with Maslow as a graduate student at the University of Wisconsin and believed the key to Harley's renaissance was aligning the employees' intrinsic motivations with the needs and priorities of the company. Harley's reengineering of its company and its unique approach to creating a cult brand with its customers can be partially traced back to Maslow's theories. Senior leadership in diverse companies from Whole Foods Market to Apple to Pinterest also credit Maslow's influence with helping develop the foundational elements of how they operate their businesses.

Maslow's message struck a chord with many business leaders. In essence, he said that with humans, there's a qualitative difference between not being sick and feeling healthy or truly alive. This idea could be applied to companies, most of which fall into the middle ground of not sick but not truly alive.

Based on his Hierarchy of Needs, the solution for a company that wants to ascend up the healthy pyramid is not just to diminish the negative or to get too preoccupied with basic needs but instead to focus on *aspirational* needs. This idea is rather blasphemous for some. The tendency in psychology and in business has always been to focus on the deficits. Psychologists and business consultants look for what's broken and try to fix it. Yet, fixing it doesn't necessarily offer the opportunity for transformation to a more optimal state of being or productivity.

## TAKING MASLOW TO HEART

It seems natural that corporate transformation and personal transformation aren't all that different. In this era when more and more individuals have undertaken deep personal change striving for self-actualization, it's not surprising that this has also become the marching orders for many companies. Employees are looking for meaning. Customers are looking for a transforming experience. Investors are looking to make a difference with their investments. We often forget, especially in today's high-tech world, that a company is a collection of individuals. As my friend Deborah

Stephens wrote in *Maslow on Management* (which helped to resuscitate *Eupsychian Management*), “Amid today’s impressive technological innovations, business leaders sometimes forget that work is—at its core—a fundamental human endeavor.”<sup>8</sup>

As a guy who runs his company in the shadow of the iconic Transamerica Pyramid, it’s only fitting that I would become so pyramid-obsessed. Maslow’s pyramid offered me a way of rethinking my business at a time when the brutal travel economy demanded it. During my first 15 years in business, I’d found that having an organizing philosophy I could live and teach to my team helped drive Joie de Vivre to success. Best-selling author Malcolm Gladwell (*The Tipping Point* and *Blink*) told the *New York Times* that part of the reason for his books’ successes is, “People are experience-rich and theory-poor . . . people who are busy doing things . . . don’t have opportunities to collect and organize their experiences and make sense of them.”<sup>9</sup> I came to realize that Maslow’s Hierarchy of Needs would become my organizing structure for understanding the aspirational motivations in my workplace and in the marketplace. It would be the road map for the next chapter in my company’s history.

Using Maslow as our inspiration, we created a new *psychology of business* based on not just meeting the tangible, foundational needs of our key stakeholders but, more importantly, focusing on their intangible, self-actualizing needs. I came to realize that creating peak experiences for our employees, customers, and investors fostered peak performance for my company. This book illustrates that new psychology of business and tells the story of how Joie de Vivre transcended its challenging situation during the first five years of the new millennium and not only survived but thrived. It’s all about where you put your attention. Are you focused on the base or on the peak of the pyramid in your relationships with your employees, customers, and investors?

Whereas our biggest hotel competitors, who had much deeper pockets, experienced bankruptcies and lender defaults during the big hotel downturn of 2001–2004, Joie de Vivre grew market share by 20 percent, doubled revenues, launched our most successful hotel ever, was named one of the 10 best companies to work for in the Bay Area, and reduced its annualized employee turnover rate to one-third of the industry average. How is it that Joie de Vivre, seemingly left for dead during the worst hotel downturn in 60 years, avoided the fate of its peers and began the most successful period in

its history? I attribute it to the Maslow-inspired management philosophy we adopted and practices we implemented during our darkest days. This stuff works. But you don't have to wait until your company is experiencing a crisis to implement it.

The subtitle of this book, *How Great Companies Get Their Mojo from Maslow*, speaks to the idea that today's most successful companies consciously and unconsciously use Maslow's principles of human motivation every day. *Mojo* means a lot of different things to different people, but if you check slang dictionaries you'll find that it refers to a narcotic or some kind of magic spell. From my perspective, *mojo* is the secret ingredient that gives life and vitality to your organization. *Peak* is dedicated to helping you and your company build and sustain high-performance relationships with your employees, customers, investors, suppliers, and the community.

## HOW THIS BOOK IS ORGANIZED

The book is organized into five parts. The first part, "Maslow and Me," includes the book's initial three chapters and provides background on how I developed a new management theory for *Joie de Vivre* based on my study of Maslow during those difficult days in the new millennium. I describe this theory using what I have termed the *Relationship Truths Pyramid*. The theory represented by this pyramid is what we successfully adopted as our guiding principle for *Joie de Vivre*'s relationships with employees, customers, and investors. The *Relationship Truths Pyramid* comprises three smaller pyramids, each of which focuses on a different workplace relationship.

The second part of the book, which contains Chapters Four through Six, details the *Employee Pyramid*, the first of the three smaller pyramids that make up the *Relationship Truths* theory. The *Employee Pyramid* focuses on what it takes to apply Maslow's theories to create a deeper and more meaningful relationship with your workplace associates. Some of America's most-respected employers, from Genentech to Google, are profiled in these chapters to illustrate how they apply the *Hierarchy of Needs* to creating a more self-actualized employee base.

The third part of the book, which contains Chapters Seven through Nine, describes the *Customer Pyramid* and illustrates how cult brands create more self-actualized customers and speak to their

unrecognized needs. I have provided concrete examples of companies such as Netflix, Harley-Davidson, and Apple, which have reached the peak of this pyramid. In Part Four of the book, Chapters Ten through Twelve, I describe what I have termed *the Investor Pyramid* and apply the concept of the Hierarchy of Needs theory to a company or entrepreneur's relationship with investors or those to whom the company or entrepreneur is accountable. The former CEO of Medtronic describes how his company used its relationship mojo to become the darling of investors with one of the fastest rising market capitalizations on Wall Street in the 1980s and 1990s. Venture capitalists and small entrepreneurs also report how they create sustainable relationships based on basic human nature. Maslow was convinced that the process of creating a new enterprise was a classic path toward self-actualization.

Throughout Chapters Four through Twelve, I provide *peak prescriptions* to help managers, CEOs, and leaders of any organization build workplace relationships focused on the peak of the pyramids, where performance is maximized or actualized. These *read it in the morning, use it in the afternoon* tools apply universally to any situation involving leaders and employees and can be implemented by executives in a multinational company, entrepreneurs in a new start-up, executive directors of nonprofit organizations, and others in positions of authority.

The final part of the book, "Putting the Truths into Action," has just three chapters: one focusing on the heart or company culture that keeps the three components of the Relationship Truths Pyramid cohesive, another on the leadership practices supporting a Peak-performing company, and the final giving some perspective on how to use the pyramid in your own work life and create peak experiences outside of work, as well.

Because this book covers such a wide array of topics, and some only briefly, at the end of each chapter you'll find a list of relevant books, articles, and studies that I recommend based on the subject of the chapter.

Can organizational life rise above the darker premises behind Freud's psychoanalysis and B. F. Skinner's behaviorism? I believe that it can and that there is a better way for organizations to interact with their employees, customers, and investors. In a world where brainpower and teamwork have surpassed brawn and individualism, there is no doubt that Maslow's legacy is exceptionally relevant today. The airwaves are populated by Dr. Ruth, Dr. Laura, and

Dr. Phil, so why not turn our attention to Dr. Abe and his resonant message of our potential as humans? It's possible we can't afford not to. Plato has been quoted as saying "We can easily forgive a child who is afraid of the dark. The real tragedy of life is when men are afraid of the light." I hope *Peak* helps you to shine your light just a little brighter and, by so doing, catalyzes those around you to shine brighter, too. We all deserve to be peakers.



### RECOMMENDED READING

*Flow* by Mihaly Csikszentmihalyi

*Maslow on Management* by Abraham Maslow

*Motivation and Personality* by Abraham Maslow

*Need, Greed or Freedom* by John Whitmore

*The Art of Possibility* by Rosamund Stone Zander and Benjamin Zander

*The Caterpillar Doesn't Know* by Kenneth Hey and Peter D. Moore

*Toward a Psychology of Being* by Abraham Maslow

