THE CULTURE CYCLE

HOW TO SHAPE THE UNSEEN FORCE THAT TRANSFORMS PERFORMANCE

JAMES HESKETT

Praise for *The Culture Cycle*

"Reading Jim Heskett's book is not some vague exercise in academic idealism. It is a well-written, practical, compelling manual of how to build an enterprise that will endure for 100 years or more. You cannot afford to ignore it."

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"Jim Heskett has delivered yet another breakthrough in our understanding of how corporate cultures shape performance. If leaders take Heskett's sound advice to heart, corporate performance will improve and trust in business can be restored."

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"For those who might regard culture as an abstract, soft, perhaps 'hippie like' concept, Jim Heskett brings home its manifest value to both the organization and the sensibilities of its people."

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"*The Culture Cycle* inspires leaders to start with people and shape their organizations' cultures to drive engagement, inclusion, trust, innovation, and results. Jim Heskett has developed a new and valuable way to think about culture. This is a must read."

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"Jim Heskett's is the essential handbook for today's organizations that care about their people and are determined that theirs is an organization of the future."

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"In his extraordinary book, Jim Heskett has nailed it. He explains the essential value and nature of organizational culture. In the vast world of management 'how to' books, this one needs to move to the top of any leader's list."

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"Jim Heskett blends learnings from his stellar academic career with new research in this wise, beautifully written book about the most important determinant of organizational success—culture."

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"Not only a call for action, this book provides a thoughtful perspective on how best to challenge the performance hurdles managers face in today's competitive marketplace. In a very compelling way, it makes the case for culture being a primary driver for success."

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"*The Culture Cycle* defines and highlights the attributes of culture through numerous examples. It identifies a series of metrics that are meaningful proxies for seeing the impact of culture in an organization (the 'Four Rs'). It is an excellent read for leaders of organizations small or large, non-profit or for-profit."

—**John P. Morgridge,** Chairman Emeritus, Cisco Systems

"In Heskett's new book on understanding and enhancing the culture imperatives, he takes the reader step by step through complicated waters. This new piece of research and subsequent book will inspire even the most cynical managers to step up and concentrate even more to create cultures that support growth and development."

—**Thomas DeLong,** Philip J. Stomberg Professor of Management Practice, Harvard Business School; and author, *Flying Without a Net*

"Jim Heskett has put his finger on the pulse of what organizations can do to reverse a downward spin through his latest book. There is no 'spin cycle' in *The Culture Cycle*…just wisdom that can transform our organizations."

—**Ginger Hardage,** Senior Vice President Culture and Communications, Southwest Airlines Co.

"The body of literature that purports to assist us in understanding and managing organization culture suffers from a lack of systematic data supporting either the frameworks or the corresponding action agenda. Jim Heskett has managed to 'crack the code' on both fronts. This is an important book that deserves the careful attention of today's manager."

—**Leonard A. Schlesinger,** President, Babson College; and coauthor, *Action Trumps Everything*

"Jim Heskett has laid out a direction for successful organizations of the future…those that build an organizational culture founded on excellence, value their employees as assets, and see the world as their future market place."

—**William E. Strickland, Jr.,** CEO, Manchester Bidwell Corporation; and author, *Make the Impossible Possible*

"The critical role of cultural durability has been evident in sharp relief during the cathartic period since late 2008 when many leaders have put their organizations through wrenching reforms to address declining demand and rapid globalization. Those companies that have enhanced their position have done so through the embodiment of Heskett's 'culture cycle.'"

—**Gary W. Loveman,** Chairman of the Board, President and CEO, Caesars Entertainment

"Jim Heskett's new book shows how culture affects the bottom line and is the most important task a leader faces."

—**Tom Watson,** Cofounder, Omnicom Group; Vice Chairman Emeritus, Omnicom; and Dean, Omnicom University

"Jim Heskett provides us an in-depth understanding of how cultures can be developed and strengthened with a poignant reminder that they also need to be nurtured and renewed if they are going to grow and continue to flourish. As you read this book, you will be learning from a master teacher with a wealth of experience."

—**C. William Pollard,** former Chairman and CEO, The ServiceMaster Company; and author, *The Soul of the Firm*

The Culture Cycle

How to Shape the Unseen Force That Transforms Performance

James Heskett

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For my beloved editor, Marilyn,
our children, Sarah, Charles, and Ben,
and grandchildren, Olivia and Sam

Contents

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Jim Heskett
Cambridge, Massachusetts
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About the Author

James Heskett is Baker Foundation Professor Emeritus at the Harvard Business School. He joined the faculty in 1965 after completing his MBA and Ph.D. degrees at Stanford University and teaching at The Ohio State University. He has served as president of Logistics Systems, Inc. and on the boards of more than a dozen corporations and not-for-profit organizations. In addition, he has consulted for the management of companies in the U.S., Europe, Asia, and Latin America. He is currently a director of Limited Brands, Inc. While at Harvard Business School, he taught courses in marketing, business logistics, service management, general management, and entrepreneurial management. At one time he served as Senior Associate Dean responsible for all academic programs. He has written articles for the *Harvard Business Review*, *Sloan Management Review*, and other publications. He also cowrote *Service Breakthroughs*, *The Service Profit Chain*, *The Ownership Quotient*, and *Corporate Culture and Performance,* among other books.

Introduction

An organization's culture matters a lot. That's what John Kotter and I concluded from a three-year study of the relationship between corporate culture and performance in the early 1990s. CEOs generally agree, although I'm left wondering whether some of them really believe it or whether it's something they've been conditioned to say when reminded to do so. It's confirmed by even the best (5-star) investment analysts on Wall Street, a group that we might assume would look only to financial measures in recommending investments. They told us that culture helps corporate performance in higher-performing firms and hurts it in lower-performing firms.[1]

But if culture is a force, it is an unseen force, most of the time taken for granted. Its importance sometimes rears its head when two organizations with strong and very different cultures, such as Chase Manhattan bank and J. P. Morgan, are merged. We become interested in culture when a foreign culture appears to produce especially productive behaviors, as in Japan in the 1980s. We speculate on how much of the positive difference between a company's market value and its book value is due to intangible assets such as high employee engagement,[2] productivity, and innovation. These assets are called organizational capital and are as hard to measure as they are hard to replicate.[3] We wonder about the role that the culture at companies such as Lehman Brothers, Enron, and Worldcom played in fostering behaviors that led to their downfall several years ago. And as we saw at GM, we hook our star to "a culture that can really win" as part of a herculean effort to emerge from bankruptcy.[4]

In many organizations, culture is the most potent and hard-to-replicate source of competitive advantage—far more important, for example, than technological innovation. By the time the superior performance it produces comes to the attention of competitors and the public, an organization's culture is well established and doing its job.

This book sets forth a conceptual framework—the culture cycle—that identifies relationships essential in shaping effective cultures. It demonstrates ways of calculating the economic importance of culture by means of the Four Rs: referrals, retention, returns to labor, and relationships. It describes a test of both the culture cycle and Four Rs in a real-world setting. It looks at ways in which cultures evolve and can be shaped that have a sustained positive impact on economic performance. And it examines the role of culture in the development of an organization's strategy.

Both stories and numbers serve us in this effort. Stories, of course, don't prove anything. But they provide memorable examples that make the numbers come alive. And they are an important way in which leaders communicate and reinforce an organization's culture. As neuroscientists tell us, "Given the effect stories have on us, they are one of the most useful tools one can have in a mental world, replacing the carrot and stick of the physical world. We can use them both to understand and to shape how others think and behave."[5]

The numbers themselves can be impressive too. *In studies that I will describe, as much as half of the difference in operating profit between organizations can be attributed to effective cultures.* In addition, an organization's culture provides especially significant competitive advantages in bad times, such as those we've seen in recent years. All of this is possible with little or no capital investment, yielding an infinite ROI. All it requires is the time of leaders. But this is time spent doing things that good leaders should be doing anyway. In short, it involves an investment that keeps on giving back for years and years.

The work here is a natural extension of a series of investigations into relationships that my colleagues and I characterized in 1994 as a "service profit chain" of relationships beginning with what we called "internal quality," essentially the quality of work life.[6] This, we posited, could be traced directly to employee satisfaction, loyalty, and productivity. Productivity in turn drives value for customers, which leads directly to customer satisfaction and loyalty. Customer loyalty in turn is a major determinant of profitability and growth. Numerous subsequent studies have confirmed relationships between the links in the chain through both correlation and cause-and-effect analyses.[7] Fewer have devoted much attention to the quality of work life, the first link in the service profit chain. One of the objectives of this book is to shed light on this link in the chain.

The thinking in this book really began in 1993, shortly after John P. Kotter and I completed our study of corporate culture and performance.[8] Two trips about three weeks apart took me to meet with senior executives of two organizations with strong and successful cultures, Walmart and Southwest Airlines. Much has been written about these companies. But before you conclude that this is a rehash of material you've read many times, please read on. What follows provides a lens through which many other organizations will be observed later.

Two Visits, One Story

The visits fanned an interest that didn't wane during years in which I was engaged in research and writing on other topics. In the interim, to say these companies did well is an understatement. Both would point to the effectiveness of their cultures as an important reason for that success. Because of that success, both have generated high expectations and have been held to high standards. Both have attracted a great deal of attention, both favorable and unfavorable.

A management meeting at Walmart Stores is an eye-opening experience. At 7:30 a.m. on a Saturday, nearly a thousand people gather in an auditorium at the company's Bentonville, Arkansas headquarters. The audience comprises invited store managers, employees and their guests who happen to be in the area, celebrities, CEOs of supplier companies, the class from the Walton Institute (company management training program), and other guests. Proceedings are led from the stage by a senior executive (not necessarily the CEO since founder Sam Walton's passing) selected for his dynamic personality. They include discussions of new policies, demonstrations of new products, "best-practice" examples from store managers with outstanding results, recognition of various achievements, and repeated

W-A-L-M-A-R-T cheers (with a rear-end motion to represent the "squiggly" between the L and the M, something that no longer exists in the name), capped off by the question, "Who's number one?" Answer: "The customer." The meeting is choreographed, but anyone in the audience is free to summon a microphone and contribute. Ideas get exchanged. Performance is recognized. Guests are made to feel like part of a family, albeit one of the largest in the world. Consider the following episode at a meeting I attended some years ago.

The COO at the time, Don Soderquist, introduced a regional vice president who had brought with him a "star" store manager from California. The store manager, who was sitting in the audience, was introduced and welcomed to Bentonville. After the store manager was lauded for his performance (an event captured on video by the in-company television broadcasting operation for later use on the company's satellite-linked video network to all stores), the following exchange ensued:

> Soderquist: *"If I remember right, you've been making an effort to increase your soft-goods sales as a proportion of total sales. How're you doing, Bill?"*
>
> Bill: *"With a lot of work, we've gotten them up to about 20%."*
>
> A voice from the back of the room: *"Your dad would never have settled for 20%, Bill."* (Laughter from the audience.)
>
> Bill: *"I know. In fact, Dad's been at the store trying to help me get those sales up."* (An employee sitting next to me whispers that Bill's dad is a retired Walmart store manager.)
>
> Soderquist: *"We know you're going to get the job done too, Bill. And do one more thing for us, will you? Say hello to your mom and dad when you get back."*

The significance of this exchange hit me when I remembered that Bill managed only one out of more than 1,800 Division One stores operated by the company at that time.

This management meeting was preceded by a merchandising meeting held on the previous day. Here, celebration is not one of the objectives. Operating executives have an opportunity to ask how merchandising managers could have possibly thought that the glow-in-the-dark cactus lamps bought for the stores could ever sell.

Merchandising managers, in turn, can question the way in which stores display and promote goods they've bought. Together, they plan the next big promotions. The atmosphere, however, is similar to that of a courtroom. Prosecutors and defense attorneys vigorously argue their respective cases. Then they go off together afterward, arms around each other, to continue talking shop.

What's the purpose of all this? One artifact in the meeting room makes it clear. It's a large electrified tote board on a wall of the auditorium that clicks every two seconds. It doesn't track the national debt, but instead displays the billions of dollars that Walmart has saved its customers since its founding in 1962. The mission is as clear as the values and behaviors with which it is achieved.

Talk to Walmart managers at the meeting or employees in the stores, and you get a consistent impression that they like their jobs and the people they work with. This is in spite of the fact that Walmart's starting wages are near-minimum and its salaries are modest in comparison with other multibillion-dollar companies. Store employees note that senior managers visit stores and work alongside them frequently. They are not names without faces. They are proud, for example, of the fact that during Hurricane Katrina it was Walmart that opened its stores in New Orleans; gave away products that local residents could use during the disaster; brought in additional supplies to be given away before the local, state, and national governments had figured out how to respond; and took extraordinary measures to ensure that its employees in the area were safe and solvent.

This impression is at odds with that of many outside the organization who see another picture. As one critic put it, "In 2005, Lee Scott, Walmart's CEO...committed the company to the goals of being 100% supplied by renewable energy, creating zero waste, and selling products that sustain resources and the environment. Meanwhile, Walmart paid its employees almost 15% less than other large retailers, and because of the lower pay, its employees made greater use of public health and welfare programs."[9] Those holding these views cite lawsuits charging Walmart with unfair labor practices, rather than the remarkably small number of these lawsuits, or the absence of stories about Walmart laying off employees during the recent Great Recession. Combining these two perspectives conjures the image of a cheapskate neighbor who would nevertheless enter your burning house to save you.

Much has been made of an ingenious strategy that has thrust Walmart into global prominence as the world's largest private employer. This strategy comprises everyday low prices, small-town and suburban store locations, and state-of-the-art logistics, among other things. Attention is also given to the company's ability to execute through end-of-the-week planning meetings, followed by the dispatch of senior executives into the field for four days in Walmart's fleet of aircraft, as well as the effective use of the Internet combined with a proprietary television network. The company's leading-edge information systems, well-planned logistics network, and unmatched bargaining power have enabled it to get merchandise to the right places in a timely manner at low everyday prices.

But perhaps the most overlooked and undervalued of Walmart's assets is its culture (neighborly, people-friendly, trustworthy, frugal, understated—qualities typical of a small town) propagated globally. (As someone who grew up near a town similar to Bentonville, I felt right at home having lunch at a country club just like the one where I caddied as a boy.) Yes, Walmart's continuing success is the result of a well-orchestrated strategy executed brilliantly. But a large part of its continued growth and success is due to a culture that fits the strategy and methods of execution like an old shoe.

Several days after my Walmart visit, I found myself in the modest headquarters of Southwest Airlines in Dallas, Texas. Buried in the reams of material written about the company (including several Harvard Business School case studies going back to 1975) are the reasons that the company's founders and senior executives most often cite for the industry-leading success of Southwest. They don't talk as much about strategy—point-to-point (versus hub-and-spoke) operations, on-time arrivals, frequent departures—as they do about the importance of the company's culture. It's summed up in a statement of The Southwest Way, focused around a "Warrior Spirit," a "Servant's Heart," and a "Fun-LUVing Attitude."[10] It's about values such as teamwork, individual initiative, having fun on the job, and giving back to each other and the community. The culture is supported by behaviors that include frequent celebrations and recognition, communication of achievements, and impromptu and innovative spur-of-the moment actions needed to get the job done.

In a recent conversation, I asked Southwest cofounder Herb Kelleher how he and his fellow founders had thought about mission, values, and strategy at the beginning (in 1969). His response was as follows:

> At the beginning, we said "stop wasting time on five- or ten-year plans. We want to start an airline. Culture comes first; what we're about is protecting and growing people. The questions we asked were "What do we want to be? What do we want to do for the world?"...We wanted to be the airline for the common man.[11]

This helps explain why Southwest is a way of life for Employees who put the company and their fellow Associates before themselves.[12] It helps explain how the company has been able to survive adversity and report nearly 40 consecutive years of profits in an industry that in its entire history has made very little profit. And it helps explain why Southwest, after 9/11, departed from industry practice and laid off no one; or why Employees, at a time when fuel prices were spiking, symbolically bought fuel for the company; or why Southwest now, as competitors emulate elements of its strategy, can fall back on its culture as its secret weapon in maintaining low costs while providing differentiated personal service to its highly loyal Customers.

My visits suggested several similarities in these two organizations. First, it was clear that the mission comes first in both. If Walmart is about saving money for shoppers, Southwest is about saving money for travelers.

Managers in both of these companies view themselves as acting as "agents for the customer," as David Glass, former CEO of Walmart, used to put it.[13] *This is a simple but profound thought. How did we ever forget it?* At Walmart, this is played out in such things as the negotiating stance taken with vendors (which the vendors characterize as tough but fair), as well as the way in which the stores are merchandised and managed.

Dave Ridley, who was the senior executive for pricing at Southwest Airlines at the time I talked with him, put it in a similarly memorable way. He said that the objective of his group is to come into a new market with the lowest sustainable price possible—not the lowest introductory price, the lowest sustainable price.[14]

Managers in both organizations constantly use the word "value." Contrary to what some might suppose, this includes what their targeted customers also regard as high quality.

Both companies provide prime examples of efforts to foster organizations that think and behave in the best tradition of "families." They spend a great deal of time together, enjoy each other, are visible to one another, communicate constantly, try to find ways to "let their hair down" together, fight and make up, and celebrate their triumphs and foibles.

This requires that managers spend a great deal of time in the field, at times sharing the work of the front line. To do this, both organizations incur higher-than-normal executive time and expenses for travel and communication. At Southwest, the head of the route-planning department, for example, tries to get his group into the field every six weeks for a full day of work on a counter or in a baggage-handling crew to understand the problems caused by certain kinds of scheduling moves. This is expected behavior, not an exception. Even in the age of the Internet, there is relatively low reliance on e-mail in preference to face-to-face, voice, and video communication. The culture also requires total dedication and "immersion" on the part of managers and perhaps accounts for the search for ways to involve employees' families in the affairs of the companies. This is perhaps not all that remarkable until you realize that the family at Southwest Airlines is more than 40,000 strong; at Walmart, it exceeds 2.3 million, 1.4 million of them in the U.S. alone. It may help explain why senior managers have no time to serve on the boards of other companies.

Both companies select for attitude and train for skills. Furthermore, employee attitude is taken into account in the execution of strategy. At Walmart, potentially attractive markets are relegated to lower priority if there is any question about the company's ability to staff new stores with people who have the right attitude. At Southwest, the route planners point out that one criterion stands out among others used in selecting new destinations. It is whether the new city or route will enable the company to maintain its "patina of spirituality," expressed in terms of quality of work life.[15] This is not phony talk. It goes far beyond cheers and songs. It means that people are recognized for what they do as individuals. They are taken into account when important decisions are made.

Celebration is given high priority in both organizations. Although this may often engage employees in what some would regard as "hokey" behavior, it is memorable to participants and communicates the importance of people. Celebration, to the extent that it contributes to the quality of work life, may help explain why both of these companies achieve extraordinary productivity when compared with their peers.

Both of these organizations are frugal. This fact is reflected in everything from the appearance of corporate headquarters to compensation. Although this frugality has garnered Walmart occasional unfavorable publicity for its low wages for frontline employees, it is important to point out that compensation for senior executives is similarly low by the standards of the industries in which these two firms operate.

Behaviors that support these values are important. At Walmart, they tell a lot of stories and compare a lot of information; at Southwest Airlines, they hug before they start the stories. LUV appears everywhere at Southwest, including the company's New York Stock Exchange stock symbol. Respect for others is the equivalent value at Walmart. This value is characterized by the "ten-foot greeting" accorded visitors to Walmart offices, like myself, who stray not far from employees. It is a close cousin to the welcome provided by greeters at the entrances to the company's stores. (A series of these greetings in Walmart's parking lot in Bentonville almost made me miss my plane out of Arkansas one day.) Southwest exudes a "cowboy" feeling and makes an effort to maintain an "underdog" mentality, characterized by the frequent use of the term "Warrior Spirit." Both organizations have a clear code for how one works with others. And it is consistent with, and directly related to, the values and beliefs.

At Walmart and Southwest Airlines, employees are developed and promoted from within. Rarely is a senior executive hired from outside.

The strategies of both of these organizations have both market and operational focus. Most "merely good" competitors would settle for one of these critical sources of focus. To be outstanding, I'm convinced you have to have both. The strategies, however, were not clear at the outset. They were shaped by the founders' values. Among other things, the refusal of Helen Walton to move to a larger city influenced her husband's decision to open Walmart stores in relatively small markets, avoiding larger cities for years in the company's development.[16] At Southwest, a pricing experiment to fill seats on late-night flights several months after the company began operations led to the airline's eventual low-price, high-capacity utilization strategy.[17] In both companies, the relationship between strategy and culture is complex. Attributing success primarily to either culture or strategy in these organizations (or any others) would be foolhardy. For example, both organizations are built on a set of values and a human resources business model that contributes to low cost. This includes high levels of productivity resulting from relatively high worker loyalty, low turnover, and hence low recruiting and training costs. It translates into closer relationships between employees and frequent customers, thereby contributing to sales and marketing "efficiency." Wages may or may not be lower than those of competitors (at Southwest, they're not), but combined with high productivity, they produce very low costs per unit of output.

The strategies differ on one dimension—the presence of organized labor. At Walmart, management's human resources strategy has been driven in part by a desire to operate without unions. Southwest, on the other hand, is the most highly unionized airline in the U.S. However, it has been able to maintain labor agreements that allow employees to serve as needed in a wide range of jobs.

Unlike many organizations, both companies benefit from distinctive cultures that were attractive to the "right" people almost from the moment of their founding. Their successful strategies began to show results later, before the companies ran out of money. *The point is that in these organizations, strategy (and how it is executed) and culture are intertwined and support one another.*

Both of these companies have global "brands" that are among the strongest in their respective industries. This is particularly remarkable for Southwest, because it operates only marginally beyond U.S. borders. Conversations with employees at all levels create the impression that both Walmart and Southwest Airlines, in spite of unremarkable pay practices, are good places to work. Both work hard at building distinctive cultures that contribute to their efforts to hire superior talent. One indication of their cultures' strength and health is the number of candidates for every entry-level job opening. At Southwest Airlines, it exceeds 50. In the last pre-recession year, 2007, the company had 232,000 applicants for roughly 4,000 job openings. At Walmart the ratio is lower. But consider this: The company has to fill more than 200,000 jobs *per year*.

One other parallel is of particular curiosity to me. It is summed up in a passage in a letter I received from Herb Kelleher in response to the question of why Southwest Airlines does not employ MBA graduates of so-called "leading" business schools. (At one time, the letter might just as well have come from Walmart, although the company now has a handful of graduates from such schools in its executive ranks.) Herb wrote the following:

> I guess that we pretty generally feel that we often fare better building from the bottom up rather than from the top down. Are there exceptions? Yes, there surely are and their contributions have been both profound and substantive. Nonetheless, the overarching truth is that all of the elements that make Southwest Airlines "different," both operationally and atmospherically, were conceived and executed by people that did not have business school degrees, and in many cases, had so-called "inferior" college degrees, if any at all.[18]

I'll return to this matter in the final chapter.

Are the parallels between these two organizations coincidence, or do they reflect patterns that beg to be understood? If it is the latter, what can other organizations—especially those with internally inconsistent strategies and values that are poorly understood by employees—learn from their experiences, as well as those of other relatively successful and unsuccessful organizations? And, perhaps most importantly, what difference does it make? Of what importance is it to employees of these organizations and to their financial performance? Finding answers to these questions required the exploration of others.

Questions to Be Addressed

This book addresses the following questions:

- How does culture contribute to and detract from an organization's success?
- How, if at all, does an organization's culture affect its attractiveness as a place to work; employee loyalty, engagement, "ownership," turnover rates, and productivity; rate of new business development; client loyalty; and record of referring new business?
- To what extent can we estimate the importance of a culture's influence on performance in relation to other traits such as leadership, business strategy, the quality of execution, organization, and policies and practices?
- How is the value of a culture measured? What is it worth in terms of better performance and profitability?
- How does culture matter in fostering innovation in times of adversity and when we create organizations, perhaps multinational, with different subcultures?
- Of what special significance is culture in mission-driven organizations, both for-profit and not-for-profit?
- Going forward, how will the rate of change in the environment—influenced by such things as new communication technologies, global competition (and cooperation), and the influx of new generations of people with different interests and values into the workforce—affect the role of culture in organizations?
- What leadership behaviors and management practices are most essential in fostering, preserving, and, in some cases, reviving successful cultures?

To explore these questions, I first examined a variety of secondary sources as well as my own library of field observations. Many of them were documented in forty years worth of cases prepared with the cooperation of the managements of both for-profit and not-for-profit organizations. This provided the basis for two conceptual frameworks for measuring the quantitative and qualitative importance of an effective culture: the Four Rs and the culture cycle. They are described and applied in Chapters 5 through 7.

I was then fortunate to find an organization whose management was willing to provide an unusual level of cooperation in the data collection and analysis needed to test the Four R conceptual framework. That work is described in some detail in Chapters 7 and 13 and Appendixes B and C.

In total, the research for the book uses a variety of quantitative and other data, including interviews with leaders of a number of organizations collected over two decades. This research helped me assemble an argument for the importance of an effective culture, and ways to measure it using elements of the culture cycle, in an organization's success.

How This Book Is Organized

The book is divided into four parts. The first deals with what culture is and isn't, ways in which it is associated with performance, and how it relates to other important determinants of success over an organization's life cycle. It might as well be titled "thinking clearly about culture." The implication is that people often don't.

The second part presents results of an effort to determine just how and to what degree culture matters in fostering effective performance. In it, I set forth a Four R economic "model" that describes the information that is necessary to measure culture's impact on the bottom line. That is combined with a description of noneconomic variables (the most important indicators of culture at work) derived from case studies of many organizations and organized into a culture cycle. The Four R and culture cycle concepts are then utilized in a field study for which findings and conclusions are reported.

In the third part, the attention shifts to the impact of culture on innovation; the ability of an organization to survive during times of adversity; its capability to operate globally, possibly with several subcultures; and its ability to adapt to changing technological, social, and legal challenges.

The role of leadership in shaping, sustaining, and changing culture is the subject of the final part.

Chapters 1 through 4 cover theories behind the development of cultures. If you're interested in measuring the impact of culture on your own organization, you will benefit from a close look at Chapters 5 through 7 as well as the appendixes. Practicing managers may also be interested in Chapters 8 through 12, which explore the impact of culture from various vantage points. Senior managers may be most interested in Chapters 13 and 14. Summaries of each chapter should help you understand content you don't otherwise read in detail.

Throughout the book, you'll see cultures through the eyes of leaders in both for-profit and not-for-profit (including government) organizations. Some have failed, providing good object lessons. But others have shaped, fostered, and generally relied on cultures to achieve not only strategic goals but, more importantly, places to work that attract and inspire human beings to develop themselves.

Index

Symbols

A

B

D

E

F

I

J

K

L