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Culture and the Chief Executive

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BY JON KATZENBACH AND DEANNE AGUIRRE

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Formerly Booz & Company

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It is striking to see how many chief executives see their most important responsibility as being the leader of the company's culture. According to Ginni Rometty, CEO of IBM, "Culture is your company's number one asset." Her counterpart at Microsoft, Steve Ballmer, has said, "Everything I do is a reinforcement or not of what we want to have happen culturally." In another typical remark from the C-suite, Starbucks Corporation CEO Howard Schultz has written that "so much of what Starbucks achieved was because of [its employees] and the culture they fostered." Researchers such as former Harvard Business School professors

John Kotter and James Heskett have also found consistent correlation between robust, engaged cultures and high-performance business results (as described in their book, *Corporate Culture and Performance* [Free Press, 1992]). But most business leaders don't need that evidence; they've seen plenty of correlation in their own workplace every day.

Recognizing the importance of culture in business is not the same thing as being an effective cultural chief executive. The CEO is the most visible leader in a company. His or her direct engagement in all facets of the company's culture can make an enormous difference, not just in how people feel about the company, but in how they perform. Schultz described the CEO's role this way in his book *Onward: How*

Starbucks Fought for Its Life without Losing Its Soul (Rodale Books, 2012): "Like crafting the perfect cup of coffee, creating an engaging, respectful, trusting workplace culture is not the result of any one thing. It's a combination of intent, process, and heart, a trio that must constantly be fine-tuned."

A company's culture is the collection of self-sustaining patterns of behaving, feeling, thinking, and believing, the patterns that determine "the way we do things around here." At its best, an organization's culture is an immense source of value. It enables, energizes, and enhances its employees and thus fosters ongoing high performance. At its worst, the culture can be a drag on productivity and emotional commitment, undermining long-term success. Most companies are so large and complex that the culture acts in both ways at once. Indeed, the culture of a large company is typically made up of several interwoven subcultures, all affecting and responding to one another.

If you are the chief executive of a company that is sailing with the wind and leading in its competitive race, that's a sign that your culture is in sync with your strategy. This makes your company much more likely to deliver consistent and attractive profitability and growth results. You can tell you have such a culture because people are confident and energized. They can justifiably take pride in the results of their work. As CEO, your role is to keep the ship on course and ahead of the competition. This requires generating regular behavioral reminders about the values, aspirations, and engagements that underlie your company's success and reinforce its strategy.

However, if your company is

heading into stormy waters, facing the kinds of disruptive competition or unexpected market changes that affect every industry sooner or later, then a program of normal reinforcing leadership won't cut it. A culture that no longer aligns with your strategic and performance priorities needs a lot more attention—from you and other senior leaders.

Many CEOs understand in principle that cultures are multidimensional, slow to change, and troublesome to control—and thus that influencing them requires care and thoughtful engagement. This is particularly true for global companies led by people of diverse backgrounds. When confronted with a cultural challenge in real life, however, chief executives tend to forget this principle. Instead, they revert to conventional managerial tactics, but with more rigor. They turn up the volume on the inspirational messages. They raise the bar and set stretch goals with new statements of the vision, mission, values, and purpose of the company. They bear down on costs and castigate people for complacency. They may also see culture change as primarily a functional responsibility, to be delegated to experts, either inside or outside the company. More often than not, these approaches leave the deeply embedded cultural behaviors largely unchanged. Only an enlightened CEO can break through that kind of cultural inertia.

A better starting point is a realistic recognition of the culture's current status. No company's collective practices and beliefs are all good or all bad. They have evolved over time for understandable reasons—often to deal with the challenges or malfunctions of the past. Moreover, they are firmly entrenched in mind-

sets and habits. Therefore, it is essential to be rigorously selective and disciplined in dealing with cultural issues. There are several things you can do from your highly visible position at the top of the hierarchy to spark and foster the cultural realignments you want to see:

• Demonstrate positive urgency by focusing on your company's aspirations—its unfulfilled potential—rather than on any impending crisis.

• Pick a critical few behaviors that exemplify the best of your company and culture, and that you want everyone to adopt. Set an example by visibly adopting a couple of these behaviors yourself.

• Balance your appeals to the company to include both rational and emotional cues.

• Make the change sustainable by maintaining vigilance on the few critical elements that you have established as important.

In all this activity, avoid delegating your culture-oriented actions. Do as much as you can yourself.

The Power of Positive Urgency
Time and again, we hear executives cite the importance of having a "burning platform"—a stress-producing crisis, whether externally

a sense of urgency for his culture change effort. For many years, we too subscribed to the conventional wisdom that burning platforms were the only way to obtain cultural impact. But no longer.

Certainly we understand the logic that underlies this point of view: Companies full of complacent people will rouse themselves only in response to crisis. But experience and common sense argue differently. Consider what people on real burning platforms do. They escape. They barely have time to act, much less change their mind-sets and habits with a view toward long-term success. In the business equivalent, which usually involves a rapid drain of cash and profitability, your options will be similarly limited—in this case, to layoffs, plant closures, responses to the press and investors, and other forms of damage control. Like BP's recovery efforts after the Deepwater Horizon spill, Toyota's after the Fukushima disaster, or any plant shutdown made in response to a sudden loss of business, these traumatic activities are typically seen as a one-time event, not as a way of building for the future.

There is a much better way to overcome complacency. As a

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driven or self-induced—to incite a high-performance culture. We once observed a CEO incur several hundred million dollars of unnecessary debt for the sole purpose of creating

CEO or senior executive, the greatest thing you can do is to marshal an authentic sense of urgency, but not one built solely on the logical reasons that change is necessary.

Rather, build an emotional sense of urgency, focusing on the values that the company cares about collectively: its way of serving customers, its desire for growth and success, its positive impact on social and community issues, and the attraction and welcome that people felt when they first arrived.

Every sustainable company culture is based, in part, on this intrinsic attraction to the work—including the way it challenges people. At some point, your employees chose to be part of the enterprise. For the most part, they liked (or loved) their profession, they felt they could excel, and they wanted to gain the personal benefits of accomplishment. As CEO, you need to capitalize on those feelings, give them voice, and encourage people to spread them virally throughout the company. This may mean discarding some businesses that don't fit your strategy, your capabilities, or your culture. But it will also mean helping people expand (or recapture) the pride they have felt, all along, in their collective strength.

The Right Behaviors
To help people capitalize on the best aspects of your culture, you have to focus attention on the critical few behaviors that you believe matter most. These are a few positive sources of energy, pride, and interactions that, when nurtured and spread to scale, will improve company performance significantly. As simple as it sounds, this approach will not only accelerate the behavior change that matters most, but also evolve and align your culture more effectively than forcing a major and potentially disruptive culture change effort on a broadly diverse global organization.

These actions are ideally small

but repetitive and demonstrably significant. They signal where the company is going now. For example, early in the General Motors Company (GM) bankruptcy recovery effort of 2009, interim CEO Fritz Henderson and a handful of his se-

At Mobil in the 1990s, then CEO Lucio Noto personally conducted career appraisals of people he saw as "managerial bench strength."

nior executives launched a series of informal conversations with front-line leaders, skipping all the levels of the hierarchy in between. These examples triggered dozens of imitations, including conversations with customers, among GM employees across North America. Similarly, during a turnaround at the Mobil Corporation in the mid-1990s, then CEO Lucio Noto and five of his senior leaders personally conducted career appraisals of people at various levels whom they saw as "managerial bench strength." This inspired similar assessment efforts throughout the company. Southwest Airlines, for its part, has continually singled out the same three behaviors: hiring people who connect emotionally with customers and colleagues, volunteering when help is needed at any level, and frugality to the extreme.

Unfortunately, there is no magic formula for finding the right few behaviors that will make a difference in your culture. There are, however, some factors to consider.

First, it is essential to emulate at least some of these emerging key behaviors yourself—to be a living model of the culture you aspire to

lead. People pay rapt attention to what the CEO does, not just what the CEO says. You can't rely on communications, no matter how inspiring. You, and ideally a few other senior leaders, have to step out by behaving in new ways that both

capitalize on elements in the current culture and demonstrate a key shift in cultural alignment.

No two senior leaders are alike; what works for one doesn't necessarily work for another. So do not seek to revamp your leadership philosophy, style, or personality to fit anyone else's idea of what a leader should be. Instead, as former Campbell Soup Company CEO Douglas Conant put it, "It's hard for leaders to realize that it's not about showing up 'the way I think I'm supposed to show up.' It's about showing up in a way that is 'authentically me' and can be helpful" (*see "The Thought Leader Interview: Douglas Conant," by Art Kleiner,* s+b*, Autumn 2012, with video interview by Jon Katzenbach [online only]*).

When Conant first arrived as CEO at Campbell's, the company was beleaguered by poor quality and newly fierce competitors; he was hired to turn the company around. He knew he was not a master of social conviviality. "Every time I take a Myers-Briggs test," said Conant, "it shows I'm an introvert." He knew it would not be easy for him to interact comfortably with a diversity of

people throughout the organization, but he had to find a way to do it.

At the time, the Campbell's "people strategy" emphasized employee health, using an American Heart Association program that encouraged people to walk 10,000 steps every day. So Conant began donning a track suit and pedometer and running around the headquarters building complex in Camden, N.J., every day. Because of his constantly changing schedule, he ran at different times every day, and he made a point of running through different parts of the complex. People never knew when they would see him jogging nearby, but they always knew the reason—he wasn't checking up on them, he was just getting his 10,000 steps in. This practice gave an introvert a highly visible, easy way to interact informally with people he would otherwise see only at formal meetings, and Conant's running soon slowed to a walk. "It got to the point where I was so comfortable that people weren't afraid of approaching me," he said. He eventually dubbed this practice "management by wandering around."

We like this example because it shows the importance of enjoying this experience. Most of us will not do something for long if it makes us uncomfortable. It also illustrates the emotional impact that simple changes in CEO behavior can have on others.

You do not need very many senior leaders to start a few critical behaviors rolling through the company. Get several well-known executives to step away from the norms of the past with you. People throughout the workforce will rapidly take notice and do the same, creating an atmosphere of approval and support. In short, by seeking out other

early adopters of these behaviors, and working with them directly to sharpen their influence and deploy it more effectively, you will gain far more leverage as a cultural leader.

For example, when Lucio Noto created those new, informal "skip level" staff development opportunities at Mobil, the rumor mill took notice. People all through the company began to do the same. These career appraisals became common practice at multiple levels across the globe. Similarly, when Michael Sabia was CEO of Bell Canada, he started attending small-group working sessions of "master motivators" at the front line, and other executives followed suit. They wanted to see for themselves what he was learning.

Rational and Emotional Impact

More than 100 years ago, Mary Parker Follett wrote about integration in leadership and organizational situations. She contrasted integration with domination ("a victory of one side over the other") and compromise ("each side gives up [some of what it wants] in order to have peace"). Integration comes about when "there is no curtailing of desire"—both sides in a dispute get all (or nearly all) of what they really wish for. We have yet to hear a better definition for the kind of integration that a CEO needs if he or she is to have impact on the culture.

When putting together a business strategy or a case for action, it's important to integrate the rational arguments from top leaders with compelling emotional appeals at more personal levels. One without the other is unlikely to sustain cultural alignment. In other words, in addition to a rational business case for change and other formal mechanisms, it's important to develop

emotional impact through such forces as peer approval, the support of colleagues, and the admiration of friends and families.

For most business leaders, a rationally compelling argument is usually much easier to develop than an emotionally compelling one. Executives are used to quantitative analysis and logical reasoning. They understand how to send arguments through well-established formal channels and programs, and they know how to delegate assignments within that system. But emotional energy gets its strength from one's own intuitive insight and the social support of colleagues. This energy flows through informal networks and cross-organizational interactions outside formal channels. The CEO's role is to ensure integration of the formal and informal dimensions, so that the emotional energy generated for change is reinforced by a consistent formal accountability for performance and a willingness to pay attention to the metrics that indicate results.

Douglas Conant calls this being "tough-minded on standards but tender-hearted with people." Early on in his turnaround challenge at Campbell's, he realized that he would have to replace more than 300 of the top 350 people in the company because they lacked the necessary skills. In discussions and informal conversations, he held firm to this decision, but also openly acknowledged that those who were being replaced were the friends, colleagues, and teammates of those who were staying. Those leaving were treated with respect and given as much help as the company could afford. "Even through that horrible period," he later recalled, "our employee engagement scores went up."

Eternal but Focused Vigilance

Your role as a cultural leader starts on Day One of your appointment as CEO. It will not end until the last day you hold that office. Indeed, your persistence in emphasizing the right cultural behavior will continue to be influential after you have left.

Because cultures evolve in informal ways that are hard to track, they can easily degrade before many people are even aware something bad is happening. Chief executives in peak-performing companies almost never let this happen; they work hard to keep an eye on the critical few behaviors over time.

of leading organizations such as the Mayo Clinic, Apple, Procter & Gamble, and IBM. When it slips, because people grow complacent or lose touch, the CEO is expected to step in and reignite the enthusiasm and vigor that were part of the culture originally—as Conant did at Campbell's and as Meg Whitman appears to be doing at Hewlett-Packard.

Things Only the CEO Can Do

Most chief executives are master delegators. Some believe, as one chief executive we know puts it, that successful delegation is the single most

will almost always be a judgment call you need to make, because no choice will be easy to defend.

Only you can interact with others on your own behalf. Only you can speak regularly for yourself with people throughout the company, informally and outside normal channels. When incoming CEO Jack Rowe launched a turnaround journey at Aetna Inc. in 2000, he kept in direct personal contact with nearly 100 leaders in multiple levels and functions. These informal networks not only brought him up to speed on the way people thought about their work and the practices they followed, but became viral spreaders of the culture he wanted to evolve.

Because you, as CEO, have the final word on most strategic and operational decisions, the most critical aspects of cultural impact—selectivity, simplicity, and targeted persistence—are in your domain. Moreover, your role as cultural leader is, more likely than not, the single thing you will be most remembered for. That's why so many CEOs refer to culture as their highest priority; it is the primary vehicle for establishing their legacy. ✚

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You can either keep promoting the same few behaviors, as Southwest Airlines did, or, after the first few have taken hold, pick a few more to model and support.

In many great organizations, a kind of cultural vigilance baton is passed from each CEO to his or her successor. At Southwest Airlines, for example, it passed seamlessly from cofounder Herb Kelleher to incoming CEO James Parker and president Colleen Barrett in 2001, and then to incoming CEO Gary C. Kelly in 2004. Each new chief executive is deliberately charged with keeping the company's fundamental cultural identity intact (while helping the company evolve to meet new competitive and market dynamics).

This rich cultural identity is part of the competitive advantage

important skill that a developing leader needs. "It is the only way a rising leader can handle increasing responsibilities, and the best way to develop subordinates."

For the most part, we agree—except when it comes to the CEO's cultural impact. The activities described in this article should not be assigned to others. Leaders who delegate too much will lose their opportunity to become role models and energizers for the culture they want to shape. For example, you should be personally involved in selecting the new behaviors needed by the company. Your choice should reflect the company's strategic and operating priorities, in a way that others throughout the company can comfortably align with. However, getting down to a few critical priorities

Jon Katzenbach
jon.katzenbach@booz.com
is a senior partner in Booz & Company's organization, change, and leadership practice, and co-leads the firm's Katzenbach Center in New York. He is the coauthor, with Zia Khan, of *Leading Outside the Lines: How to Mobilize the (in)Formal Organization, Energize Your Team, and Get Better Results* (Jossey-Bass, 2010).

DeAnne Aguirre
deanne.aguirre@booz.com
is a senior partner with Booz & Company based in San Francisco, and one of the firm's foremost experts on organization effectiveness and change leadership. She co-leads the Katzenbach Center.

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