INSIGHTS FROM THE CORNER OFFICE

QUICK AND NIMBLE

LESSONS FROM LEADING CEOs ON HOW TO CREATE A CULTURE OF INNOVATION

ADAM BRYANT

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AUTHOR'S NOTE

The material in this book is derived in part from the author's interviews with more than two hundred CEOs and other top executives—though not all are directly quoted in this book—at companies that range in size from small start-ups to large multinational corporations, as well as nonprofit organizations. The executives' responses were recorded, transcribed, and condensed for publication. Their job titles reflect the status, except where noted, of the executives at the time they were interviewed. The conversations occurred between March 2009 and May 2013.

INTRODUCTION

We aspire to be the largest small company in our space.

When Dominic Orr, the CEO of the wireless technology company Aruba Networks, said those words, he crystallized a goal I had heard many leaders express during the more than two hundred interviews I've conducted for the "Corner Office" feature in the *New York Times*. And that idea ultimately helped frame the question that drives this book: How can a company foster a quick and nimble culture—with the enviable qualities of many start-ups—even as it grows?

All leaders and managers face this challenge, regardless of the size of their companies. Even the founders of Google have worried about losing the start-up magic that helped propel the search engine's phenomenal growth. When Larry Page announced in January 2011 that he was taking over the CEO role from Eric Schmidt, he explained to reporters that the company needed to move faster and recapture the agility of its early days, before it grew into a colossus.

"One of the primary goals I have," Page said at the time, "is to get Google to be a big company that has the nimbleness and soul and passion and speed of a start-up."

Discussions of corporate culture can easily fall into platitudes, theories, truisms, and generalities. Cookie-cutter approaches don't work, either, for the simple reason that the culture of every organization is unique, just as every country is different. With those caveats in mind, I set out in search of practical tips and insights that would be useful and relevant for any organization—the kinds of approaches that would help cultivate the culture that Jenny Ming described at Old Navy, where she built the brand into a retailing powerhouse.

"I was there from the very beginning," said Ming, who is now the CEO of Charlotte Russe, the clothing chain. "But later, I still considered it a start-up. I think when we were a three-billion-dollar company, someone said to me, 'Jenny, we're not a start-up.' And I said to them, 'I think we have to have that mentality of a start-up, because I think it's very healthy to think that way—"Resources are scarce, so what should we do?"' I have learned that you always have to have a little bit of that. It's a state of mind. I think it makes you hungry. It makes you the underdog. You want to prove that you can do it."

If you scan the list of CEOs at the start of this book, you'll notice that a large number of them run technology companies. That is no accident. Successful tech firms tend to grow quickly, giving their leaders a keen sense of the cultural challenges that crop up as they add more employees and layers of management.

Tech CEOs also often apply the same innovative thinking to culture that they use to develop products. For example, Phil Libin, the CEO of the software firm Evernote, once asked his wife for advice on what he could do that would have a big impact on his employees' lives. Her response: free housecleaning twice a month for every staff member. Libin took her advice and also did away with a formal vacation policy, but to offset the pressure some employees might feel to not take a break, he gives each staff member $1,000 spending money to go away on real vacations. (Visits to the in-laws don't count.)

And the leaders of technology firms have to think hard about culture because they are in a war for talent—not just to attract employees but also to hold on to them. After all, any decent software engineer gets e-mails every day from headhunters offering raises and new perks to jump to another firm. So CEOs have to create a place where employees want to stay.

As the old-school approach of command-and-control leadership fades, companies in all industries will inevitably move in the same direction as these tech firms, and try to tap into the deeper passions of employees.

"I think we're at this evolutionary time in business where it's all about people," said Lily Kanter, a former Microsoft executive who cofounded the home furnishings company Serena & Lily. "And we have to embrace that and embrace people's purpose and their souls to be successful in business. Because if they're just coming to work to be a body, and they're on a treadmill all day long, if you don't tap into what is really meaningful for them in life, you won't have a happy culture."

Talk to enough leaders, and you will hear many of them boast that they have no politics at their firms. That's not realistic, of course, because every company, every organization, every team, has politics. A more realistic approach is to recognize that politics is a fact of life, and that the goal should not be to eliminate politics, but instead to encourage the good kind of politics and discourage the bad—and yes, there are parallels with cholesterol. With that goal in mind, each chapter in this book will focus on a big driver of culture, with insights from top executives on how to avoid some of the usual pitfalls, and instead turn culture into a competitive advantage. To provide a framework, I've organized the book into two sections. The first part will identify the essential elements of an effective corporate culture, and the second will explore leadership strategies for building on that foundation and fostering innovation.

I've used the same approach that many readers told me they appreciated in my first book, *The Corner Office: Indispensable and Unexpected Lessons from CEOs on How to Lead and Succeed.* Each chapter is structured much like a dinner party conversation, with me as the host, guiding the conversation with a large group of CEOs. I will introduce the themes, make some broader analytical points to steer the discussion, and then let the CEOs share their insights, lessons, and stories, in their own words.

Of course, given the churn and creative destruction in corporate America, some of these leaders have moved on from the jobs they held when I interviewed them, for predictable reasons: their start-up didn't take off as they expected; they wanted a change; or perhaps their performance fell short of their board's expectations. Does that diminish the value of their insights? I don't believe so. The CEOs I interviewed are not perfect. They have their strengths and weaknesses, and career peaks and valleys, just like all of us. But their observations about culture, learned through the day-to-day work of leading teams, transcend the ups and downs of stock charts, balance sheets, and job changes, and have become even more valuable as pressures to innovate increase.

Readers will find that some insights in this book will resonate more than others. That's to be expected, as every culture is different, with its own particular challenges and strengths. Just as with leadership, we all have to make sense of culture on our own, in a way that feels authentic for our organizations. The leaders I've interviewed have hundreds of years of combined experience and wisdom, and I'm confident that their smart insights will help all readers make their own companies more quick and nimble, so that they can thrive in this relentlessly challenging global economy.

PART ONE

SETTING THE FOUNDATION

1.

WHY CULTURE MATTERS

Culture eats strategy for breakfast.

It is hard to pin down the origin of that often-quoted expression. Peter Drucker, the legendary management thinker, is frequently cited as its author, but the Drucker Institute says it has no record of him writing or uttering those words. Whoever came up with it, the saying is clever shorthand for the notion that while a smart strategy is necessary to succeed, culture is the X factor that will determine who wins in the long run.

This idea is at the core of how Stephen I. Sadove, the CEO of Saks department stores, leads. As he explained, his approach is the opposite of how Wall Street analyzes companies.

"I have a very simple model to run a company," he said. "It starts with leadership at the top, which drives a culture. Culture drives innovation and whatever else you're trying to drive within a company. And that then drives results. When I talk to Wall Street, people really want to know your results, what are your strategies, what are the issues, what it is that you're doing to drive your business. They're focused on the bottom line. Never do you get people asking about the culture, about leadership, about the people in the organization. Yet, it's the reverse, because it's the people, the leadership, the culture, and the ideas that are ultimately driving the numbers and the results."

It's a lesson that Joseph Jimenez, the CEO of the pharmaceutical company Novartis, learned when he was a division president at another company earlier in his career.

"I was sent in to turn the division around after four years of underperformance. It was a declining business. And when I got there, I completely misdiagnosed the problem. I said, 'Look. We're missing our forecast every month. What's wrong?' I brought in a consulting firm, and we looked at what was wrong. And the answer was that we had a bad sales and operations planning process, where salespeople, marketing people, and operations people were supposed to come together and plan out the next eighteen months and then forecast off of that. So I said, 'Okay. We're going to fix this. We're going to have the consulting team come in and help us make that a better, more robust process, with more analytics.'

"And it turned out it wasn't at all about analytics. Because once we did that, and we put that new process in place, we still continued to miss forecasts. So I thought, 'Something's really wrong here.' I brought in a behavioral psychologist, and I said, 'Look, either I'm misdiagnosing the problem or something's fundamentally wrong in this organization. Come and help me figure it out.' She came in with her team and about four weeks later came back and said, 'This isn't about skills or about process. You have a fundamental behavioral issue in the organization. People aren't telling the truth. So at all levels of the organization, they'll come together, and they'll say, "Here's our forecast for the month." And they won't believe it. They know they're not going to hit it when they're saying it.'

"The thing she taught me—and this sounds obvious—is that behavior is a function of consequence. We had to change the behavior in the organization so that people felt safe to bring bad news. And I looked in the mirror, and I realized I was part of the problem. I didn't want to hear the bad news, either. So I had to change how I behaved, and make these discussions more of a chance to say, 'Hey, thank you for bringing me that news. Because you know what? There are nine months left in the year. Now we have time to do something about it. Let's roll up our sleeves, and let's figure out how we're going to make it.' It was a total shift from where we had been previously. So after that experience, I always ask all of my people, and I always think to myself, 'Are we really fixing the root cause of this problem, if there's any problem? Or are we fixing the symptoms?'"

That is why culture matters. A successful culture is like a greenhouse where people and ideas can flourish—where everybody in the organization, regardless of rank or role, feels encouraged to speak frankly and openly and is rewarded for sharing ideas about new products, more efficient processes, and better ways to serve customers.

Without that kind of culture, without a sense of shared values and some basic rules for working together, people can easily forget they are part of a team and start protecting and pursuing their own parochial interests. Tony Hsieh, the CEO of the online retailer Zappos.com, said that his early experiences in a start-up taught him the dangers of simply letting culture evolve on its own.

"After college, a roommate and I started a company called LinkExchange in 1996," he said. "It grew to about a hundred or so people, and then we ended up selling the company to Microsoft in 1998. From the outside, it looked like it was a great acquisition, two hundred and sixty-five million dollars, but most people don't know the real reason why we ended up selling the company.

"It was because the company culture just went completely downhill. When it was starting out, when it was just five or ten of us, it was like your typical dot-com. We were all really excited, working around the clock, sleeping under our desks, had no idea what day of the week it was. But we didn't know any better and didn't pay attention to company culture. By the time we got to a hundred people, even though we hired people with the right skill sets and experiences, I just dreaded getting out of bed in the morning and was hitting that snooze button over and over again. I just didn't look forward to going to the office. The passion and excitement were no longer there. That's kind of a weird feeling for me because this was a company I cofounded, and if I was feeling that way, how must the other employees feel? That's actually why we ended up selling the company.

"Financially, it meant I didn't have to work again if I didn't want to. So that was the lens through which I was looking at things. It's basically asking the question, 'What would you want to do if you won the lottery?' For me, I didn't want to be part of a company where I dreaded going into the office. So when I joined Zappos about a year later, I wanted to make sure that I didn't make the same mistake that I had made at LinkExchange, in terms of the company culture going downhill. So we really view culture as our number one priority. We decided that if we get the culture right, most of the stuff, like building a brand around delivering the very best customer service, will just take care of itself."

The critical importance of culture is a lesson that Steve Case, the cofounder of AOL who is the CEO of the investment firm Revolution, learned in the wake of the failed merger of AOL and Time Warner.

"They were both terrific companies. I think everybody saw it as a big idea to bring them together and help Time Warner move into the digital age and help AOL move into the broadband age. Well, it didn't happen. Ultimately it came down to poor execution of what I thought was a good idea, and that was largely attributable to people and relationships and resentments and pride and egos. There were some substantive strategic debates, but it was mostly about people and trust and relationships. I've seen where that focus works well. It can really accelerate and animate a company to do things that nobody thought was possible.

"Ultimately I think the core lesson is that it's all about people, and so you've got to focus on that to understand what's going on, what the context is and make sure you get people aligned around the right priorities. If you do that well, a lot can happen. If you don't do that well, not much can happen."

Most people—except those who are congenitally cynical or deeply jaded—start new jobs with a sense of optimism and energy, eager to make the most of a new opportunity. They want to make a good impression, get to know their colleagues, and quickly get up to speed on their jobs. They want to fit in with the team, speak up at meetings, and figure out how to help their boss and their colleagues. They want to make important contributions that confirm the good judgment of the people who hired them.

For leaders, the challenge is to create a culture that preserves this energy, and to beat back the forces that make people shut down and daydream about working someplace else.

Marjorie Kaplan, the president of the Animal Planet and Science cable networks, talks with her staff about the need to hold on to the rush of energy that people bring to new jobs—their "best self," she calls it.

"I want us to be the place where, when you come to work, you feel like you have the opportunity to bring your best self, and you're also challenged to bring your best self. And I'm explicit about that. We have those conversations regularly. For a team off-site, I sent out a note to people to say that 'We need to be as fresh as we were when we were new, and as brave as we were when we had nothing to lose.' And that was the focus of the day.

"I think part of management is bringing people along. I want people to feel brave about their ideas. It's really about saying, 'Bring your best self.' Bring your best self every day to work. Bring your best self to the conversation. Bring your best self to the presentation. And we will give you something back. We're investing in you. You're investing in us, we're investing in you."

Laurel J. Richie, the president of the WNBA, also subscribes to a "best self" approach to leadership:

"I want people coming in every day thinking this is a place where they can bring their very best, and I believe that if they feel that way, they will actually do it. I just don't believe in terrorizing, intimidating, testing, catching people off guard. I don't play games. Life's too short and we've got too much to do. I want people focusing on the work, not how to navigate politics. It's my job to create an environment where they can bring their best selves, and good things will happen as a result."

Unfortunately, many people experience a very different dynamic. Posturing, power grabs, and perceived slights can dampen their initial enthusiasm until they start checking their best selves at the door when they walk in to work.

Perhaps some of these scenarios sound familiar: A colleague dismisses an out-of-the-box idea at a meeting with a wave of his hand. A manager ignores an e-mail, filled with ideas for tackling new challenges, sent by one of his employees. A top executive never keeps a promise to have a follow-up conversation on an important matter. Bad behavior is tolerated from certain people but not others. Small meetings are held before or after larger, scheduled meetings, leaving participants to wonder about the disconnect between public discussions and private whisperings.

Or these: Underperformers are left in their jobs because nobody has the stomach to move them out, forcing colleagues to work around them. A manager gives candid feedback only once a year in a performance review, during which she dredges up a misunderstanding from eight months earlier that was never discussed in the moment. Because the overall strategy and goals of the organization are unclear, employees focus on protecting their respective turfs.

Or how about these: Colleagues communicate mostly by e-mail, huddling all day long in cubicles and offices behind their monitors, instead of face-to-face. When they gather for meetings, they pay more attention to their smartphones and iPads than to one another. The sense of possibilities that once fired their imaginations is replaced with shoulder shrugs and eye rolls. They start thinking how it must be better somewhere else. People wander in late, leave early when they can, and dream about vacations.

Even a well-meaning manager may be pulled into the quicksand of such cultures, until he's so overwhelmed that he starts rationalizing the limits of his ability to shape the culture. "You can't expect everyone to be friends." "They call it work for a reason." "People are who they are, and they don't change." He starts making assumptions about why certain employees behave the way they do—they're just lazy, or they're angry because they were passed over for a promotion—and he avoids confronting them about their subpar performance. The manager starts wishing there were some way to shake up his staff, to get their pulses racing.

So it's no surprise that "start-up" cultures hold such great appeal. To be sure, Tony Hsieh's early experience with LinkExchange is a good reminder that a start-up's culture can be just as flawed as a large company's. Even so, it's easy to imagine a start-up at its best: The entire team pulls in the same direction. No walls or silos divide departments. Everyone learns quickly as they take on new responsibilities and wear many hats. Politics and bureaucracy are kept to a minimum. There's shared commitment to do whatever it takes to finish the work. Egos are checked at the door, and people are honest with their feedback because achieving the collective goal matters more than individual feelings. The employees are excited about new possibilities and opportunities, and they work hard not because they have to, but because they want to.

So why is it so difficult to hold on to that start-up spark? The simple reason is that growth works against it; a bigger staff requires more processes and organizational structures. And as jobs become more stable and secure, people inevitably get set in their ways. Roles become specialized and narrow, so employees focus on just doing the work assigned to them, rather than learning new skills. Hallway chatter dies down as people settle into their offices and cubicles. Risk aversion replaces risk taking, so that innovation is choked off.

As companies race to become more innovative, to spur growth in this struggling and fiercely competitive economy, CEOs learn that naming a chief innovation officer or holding more brainstorming sessions won't get the job done. Real innovation happens when all employees bring their best selves to work every day and freely share new ideas to help the team, knowing that they will be encouraged and rewarded for doing so.

The formula is simple but hard: innovation is the by-product of an effective culture.

"If you really want to build something that's going to be around for a very long time and be stable and grow, culture has to be paramount," said Robert L. Johnson, chairman of the RLJ Companies, an investment firm.

"People have to know how your culture operates and works. And once they get it, they adopt it, and it becomes second nature to them that certain things are not done in this company. And that, to me, is one of the attributes of really great companies. The culture is almost like a religion. People buy into it and they believe in it. And you can tolerate a little bit of heresy, but not a lot.

"That's why I think it's easier in that kind of culture to introduce new products and new technologies or new services. When the culture breaks down, it's real hard to be innovative because you've got built-up barriers to interpersonal communications. And if you've built up barriers to interpersonal communications, you've certainly got barriers to new ideas, because that old zero-sum-game mentality sets in, where somebody might think, 'Well, if you guys are going to market it this way, my distribution chain is going to lose power. So I've got to protect my part of the company. And, by the way, I don't like you anyway.' So innovation slows down, and changes don't happen as rapidly as they should and you get that rigidity.

"At the end of the day, people make up companies. And if the culture allows for a lot of interaction and a lot of free-flowing ideas that are not considered threats to anybody, that company will be more innovative."