

BUILDING A CULTURE OF EXCELLENCE: LESSONS FROM THE WORLD'S GREATEST ENTREPRENEURS

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When we were conducting research for *The Guru Guide™ to Entrepreneurship* (Wiley, 2001), we studied the lives of 70 of the world's greatest entrepreneurs. They include such business titans as Sam Walton; Fred Smith; Bill Gates; Soichiro Honda; Body Shop founder; Anita Roddick; Walt Disney; Michael Dell; Jeff Bezos; Sony co-founder, Akio Morita and over sixty others. One of the things we hoped to learn from the experiences of these business legends was how they were able to create strong and enduring cultures that enabled their companies to perform at peak levels in good economic times and bad. While there is probably no definitive list of what it takes to make a truly great company, we identified ten cultural imperatives from our study of the great entrepreneurs that undoubtedly represent an excellent starting point.

CULTURE LESSON #1: COMMIT TO NOTHING LESS THAN PERFORMANCE EXCELLENCE

This is perhaps the strongest and most important culture lesson we learned from the great entrepreneurs. The key to building a company that lasts is embedding an obsession with outstanding performance and precise execution within the very fabric of the business. The world's greatest entrepreneurs were obsessed with getting every detail of performance right and insisted that their employees do the same. They were tough and demanding bosses. In fact, company legends develop around instances of the founding entrepreneur's anger at shoddy work. For example, Howard Johnson had a problem with one of his franchisees not keeping his restaurant clean. Johnson had complained several times without results, so one day he went to the restaurant, called everyone outside, including the franchisee, and padlocked the door. He then pointed to the sign over the restaurant and said, "You see that sign up there, it says Howard Johnson and the way you're keeping this place says Howard Johnson is a slob. I'm not removing the lock until you clean up."

Ray Kroc was so obsessed with getting every little teeny thing right at McDonalds that he laid out elaborate guidelines for constructing the perfect hamburger. Hamburger patties were to weigh precisely 1.6 ounces and measure 3.875 inches in diameter—not four inches, but 3.875 inches. Each pound of meat was to make 10 hamburgers and the meat was to contain no lungs, hearts, or cereal and only 19 percent fat. The meat patty was to be placed on a bun that had to be exactly 3½ inches wide and was to be topped with precisely one-

fourth ounce of onions. Everything was to be kept fresh. French fries were to be thrown away if not sold within seven minutes. Hamburgers could be kept only ten minutes and coffee only thirty.

And Then Some

A very successful businessman was once asked, "To what do you attribute your success?" "I can tell you in three words," he answered. "And then some." "What do you mean, 'and then some'?" he was questioned. "Do everything that's expected of you," he explained, "and then some."

Mary Kay Ash

This determination to accept nothing less than the highest standard of performance is a culture lesson taught by all of the great entrepreneurs. Their reasoning, says Steven Jobs, co-founder of Apple Computer, is that "people get far more excited about doing something as well as it can be done than about doing something adequately. If they are working in an environment where excellence is expected, then they will do excellent work without anything but self-motivation."

If you don't like to work hard and be intense and do your best, [Microsoft] is not the place to work.

Bill Gates

The great entrepreneurs frequently carried their obsessions with perfection to extremes. For example, Dave Thomas recalls that Colonel Harland Sanders was a really nice man, but he had a mean temper. "If something wasn't right, he'd let loose with a string of cuss words that could make you feel two feet high." Thomas said the Colonel didn't want to cuss and felt really bad about it. He even prayed to stop but couldn't.

Sochiro Honda had a similar fiery temper that could actually, on occasion, lead him to strike workers when their performance didn't live up to his expectations. Hideo Sugiura, an engineer who worked with Honda, recalled one of his scariest encounters with his boss as follows:

On many occasions Honda struck me. One time, he hit me in front of twenty or thirty of my subordinates. Earlier that day, I was working in my office when an employee ran in with a panicked expression, saying that the president was asking for me. I ran out and asked Honda what was wrong. Without saying a word, he suddenly hit me.

It turned out that the cause of his anger was a bolt that was supposed to stick out by a maximum of 2mm but was protruding by 5mm. Honda screamed, "Who was in charge of such a ridiculous design? It was you!"

Before I could say anything or apologize, wham! He hit me again. Frankly, I was seething with resentment. As the chief leader of a thousand employees at the research lab, I had my pride, too. Sure, what he was

saying was true, but he didn't have to hit me in front of everyone.

A former President of Honda recalls that the founder would also throw things at people who displeased him. "When he got mad, he blindly reached for anything lying around, and started throwing whatever was in reach randomly at people; it was dangerous! The desks in our office were covered with dents and scratches from the wrenches and hammers that the boss threw around."

In spite of such tirades, Sochiro Honda was worshipped and respected by many, if not most, of his employees. How could that be true? Hideo Sugiura provides an explanation in the second half of his recollection of the hitting incident. Sugiura says he was standing there after being hit the second time and was thinking he couldn't take such abuse any more and was just going to quit right then. But, recalls Sugiura, when he raised his head to glare at Honda, he saw something that changed his mind.

His eyes had welled up with tears. When I saw that, I couldn't say anything. I thought, he's serious. The boss just wanted to convey to me how important vehicle design was, and how rigorous we must be at every step. It was a small detail, but if we slacked off with even a small part, we could not make reliable products.

That's the point he wanted to make. And to teach not just me, but all the engineers, he hit me.

Believe me, I learned an important lesson that day.

While hitting employees is definitely not something we would recommend, the incident illustrates just how serious the great entrepreneurs were about performance excellence and how determined they were to instill those values in all who worked for them.

People...generally do what you expect them to do! If you expect them to perform well, they will; conversely, if you expect them to perform poorly, they'll probably oblige.

Mary Kay Ash

Note: For an excellent discussion and summary of research that supports this cultural lesson about the importance of tough and demanding performance goals see Gary P. Latham, "Motivating Employee Performance through Goal-Setting" in Edwin A. Locke, editor, *The Blackwell Handbook of Principles of Organizational Behavior* (Malden, MA: Blackwell Publishers, Ltd., 2000), pp. 107-119.

CULTURE LESSON #2: BE OBSESSED WITH LISTENING TO YOUR CUSTOMERS AND RESPONDING TO THEIR CONCERNS

The great entrepreneurs understand that excellence today doesn't mean excellence tomorrow. Customers needs, desires, hopes, and expectations are constantly changing. The company that doesn't listen to its customers soon ends up with no customers to listen to at all. That's why the great entrepreneurs are obsessed with customer contact.

In fact, many of the great entrepreneurs saved their businesses because they were smart enough to listen to and learn from their customers. For example, Robert Greenberg, founder of LA Gear, originally opened a retail store on Melrose Avenue in Los Angeles to sell his own line of apparel, jeans, and footwear. Greenberg said that he wasn't sure at the

start which part of the business would catch on, but he hoped that at least one would. When he observed that customers were buying a lot more shoes than they were apparel and jeans, he sold off the apparel business and announced that from then on he was in the shoe business.

Other successful entrepreneurs have listened to their customers and found themselves totally rethinking their ideas. For example, Joshua Lionel Cowen originally marketed his Lionel train as a store window novelty meant to be used to display merchandise and attract customers. It was only when the customers began insisting on buying the trains themselves that Cowen got the idea to market his device, not as a store display, but as a toy. William Alle Burpee, founder of Burpee Seed, had a similar experience. He set out originally to sell purebred livestock and fowl by mail order. As an additional service, he began including several varieties of seeds to provide purchasers of his livestock and fowl with the proper feed for their animals. It wasn't until he noticed that his seed were outselling his animals that Burpee came to the conclusion that he was in the seed business, not the animal business.

Companies that are successful today—and, perhaps more importantly, companies that will be successful tomorrow—are those that can get closest to their customers' needs.

Michael Dell

Michael Dell says that when he tells people he spends nearly 40 percent of his time with customers, the reaction he usually gets is, “Wow—that’s a lot of time to spend with customers.” His response? “I thought that was my job.”

Almost all of the entrepreneurs we cover in The Guru Guide™ to Entrepreneurship reported spending much of their time out of their offices, meeting with and talking to customers. For example, Bernie Marcus and Arthur Blank donned orange aprons and worked in their Home Depot stores, waiting on customers, listening to complaints, and asking questions. Marcus says it was through those personal experiences that he and Blank found out what they were doing right and wrong during the early years of building the company. In the beginning, he reports, he would even chase down customers in the parking lot to find out what they needed.

A very important part of our philosophy...is letting the customers provide the yellow brick road to success....We have always felt that if we listen, they'll give us the answer we need.

Arthur Blank

Richard Branson took a similar hands-on approach to listening to customers when he was starting Virgin Atlantic Airlines. Among other things, Branson would call Virgin reservations to see how his people were handling calls. He frequently boarded Virgin flights and spent the time aloft talking to the passengers and cabin crew. He insisted that every Virgin flight have a visitor's book where passengers could record their comments. Each month Branson picked fifty passengers at random who had written comments in the book and called them to apologize for the airline's mistake or comment on their idea. And, when station managers informed him that Virgin flights had been severely delayed, as they had standing orders to do, he would call the departure lounge and ask his staff to pass along his personal apologies for the delay. Customers were often astonished at Branson's personal involvement. Here was the chairman of Virgin Group on the telephone with an

apology. Some were so surprised they refused to take the call or believe it was really Branson, thinking it was just a practical joke.

One of the most surprising things we learned early on from our customers was that they really valued being asked [their opinion.]

Michael Dell

The great entrepreneurs think that embedding customer listening into the very fabric of their companies is so important that most require their entire top management team to spend at least some time each year working directly with customers. Herb Kelleher, for example, requires each officer of Southwest Airlines to work in the field as a reservation agents, baggage handler, dispatcher, or in some similar position where they have hands-on contact with customers. The officers must report back to Kelleher on what they did, what they found, and the steps they took to improve the job they performed. Kelleher says that the exposure senior managers get to line operations can have enormous benefits. He credits the development and implementation of a major proprietary sales system to the experience one group of Southwest officers had while working a late night shift at the airport. This night there were an unusual number of weather-related problems and delays. The officers stood helpless as their employees shuffled through mounds of forms while the passengers became increasingly irritated. They came away from the experience convinced that the system had to be changed and it was. And, Marcus and Blank required all new employees of Home Depot, including executives, to spend two weeks on the sales floor of a Home Depot store so they could get to know the company's customers.

Dell says the key to making your customer contact work for you is to really make an effort "to engage in a cooperative, mutually beneficial dialogue—not just talking at, or talking to, your customers, but talking with them—and really listening to what they have to say." "When you engage directly with customers," says Dell, "you begin to develop an intimate understanding of their likes, needs, and priorities. You find out what's working for them—and why. You can try out new ideas on them—ideas worth millions of R&D dollars and countless hours of your people's valuable time—and they'll tell you whether you're on track or not."

Dell adds that listening to customers is a job that is not only redeeming and refreshing for employees but also highly lucrative. For example, he says lessons Dell executives learned during a visit with BP Oil led Dell to create Dell Plus, a multi-million dollar program of system integration services. But, what happens when your chain of businesses grows so big that you can't fly on every flight, chase down disenchanted customers in every parking lot, or personally visit every corporate customer's business? What do you do then? You create the infrastructure to keep listening, say the great entrepreneurs.

When Home Depot began to grow, Marcus and Blank decided they needed a more formal mechanism for listening to customers, so they created the position of director of consumer affairs and staffed it with the now-famous Ben Hill. They posted large signs and freestanding sandwich boards at the front of every store with a silhouetted profile of Ben and the words: "Are you satisfied? If not, contact the store manager, _____, or call me, Ben Hill, director of consumer affairs, at 800-533-3199." Dissatisfied customers who called that number reached a main office switchboard at Home Depot's corporate headquarters in Atlanta. What they didn't know when they asked to speak to Ben Hill was that there was no such person. Ben Hill was fictitious. The words "Ben Hill," however, were a code-red signal to "expedite the call right now." And, who took those expedited calls? Bernie Marcus, Arthur Blank, or if they were not available for some reason, the highest ranking person in the company available to take the call. Whoever was available dropped whatever they were doing, even if it was signing a million-dollar deal, to take the call. It didn't take long, says Marcus, for word to get around Home Depot stores that if you let a customer leave unhappy the next call you got might be from Marcus or Blank with a

request order something like this: “I just got a call from a customer on the Ben Hill line, and we’re in trouble....I would like you to run to one of our other stores, get the product the customer needs, drive it over to the customer’s house, and apologize.” Marcus says the Ben Hill system worked extremely well, and Home Depot continues to monitor those calls very closely. Stores with the fewest Ben Hill calls get awards. Those with too many calls....Well, as Marcus says, a store doesn’t want to have too many Ben Hill calls.

Herb Kelleher says he came to the realization that Southwest Airlines needed a more formal structure for listening to the customer several years ago during a meeting between his maintenance department and ground operations personnel. Maintenance wanted to resolve a particular problem one way. Ground operations wanted to resolve it another. Suddenly, says Kelleher, it occurred to him that the only person who wasn’t being heard from was the most important person of all—the customer. Kelleher immediately set up a consumer relations function in his own office through which he could personally monitor all customer complaints. Having customer relations reporting directly to him, says Kelleher, means that he can keep close tabs on what customers are actually saying about all facets of Southwest Airlines’ operations. It also means that he can make phone calls when he thinks they are needed. “Hey, wait a second. Six letters have shown up in the last two months about inadequate baggage service in Albuquerque. What’s wrong? What’s changed?” or, “We never used to get a complaint on your ticket counter in Las Vegas. How come we suddenly had eight complaints in the past month?”

Note: For more about listening to customers including how to use technology to build and maintain customer relationships see Chapter 4: Customer Relationship Management in *The Guru Guide™ to the Knowledge Economy* (Wiley, 2001), pp. 164-231; and, Chapter 4: All You Need is a Customer Relationship and Chapter 5: All You Need is Customer Equity in *The Guru Guide™ to Marketing* (Wiley, 2003), pp. 99-185.

CULTURE LESSON # 3: DON’T PERFUME THE PIG

Michael Dell refers to this cultural value as not “perfuming the pig.” Bill Gates talks about it as making bad news travel fast. Both see it as a sometimes painful but always critical requirement of identifying problems, facing the disappointment, hunting down the bad news, and then doing something with that information to change things and make customers’ experiences improve. Dell admits it is a hard thing to do. After all, he says, “its human nature to shrink in the face of bad news or disappointments and to hope that something will just happen to make the situation better.” The problem, says Dell, is that things don’t usually get better by themselves, and in the meantime, you have lost valuable time. It a lot better to find out fast, when something isn’t going right, and then get to work fixing it—fast.

Don't tell me about the good things, tell me about the problems and I don't want any surprises.

Wayne Huizenga

Bill Gates echoes Dell's sentiments.

I have a natural instinct for hunting down grim news. If it's out there, I want to know about it. The people who work for me have figured this out. Sometimes I get an e-mail that begins, "In keeping with the dictum that bad news should travel faster than good news, here's a gem."

A lot goes wrong in any organization, even a good one. A product flops. You're surprised by a customer's sudden defection to another vendor. A competitor comes out with a product that appeals to a broad new market. Losing market share is the kind of bad news that every organization can relate to.

Other bad news may have to do with what's going on internally. Maybe a product is going to be late, or it's not going to do what you expected it to do, or you haven't been able to hire enough of the right kinds of people to deliver on your plans.

An essential quality of a good manager is a determination to deal with any kind of bad news head on, to seek it out rather than deny it. An effective manager wants to hear about what's going wrong before he or she hears about what's going right. You can't react appropriately to disappointing news in any situation if it doesn't reach you soon enough.

You focus on bad news in order to get cracking on the solution. As soon as you're aware of a problem, everybody in your organization has to be galvanized into action. You can evaluate a company by how quickly it engages all of its available intellect to deal with a serious problem.

The problem, say Gates, Dell, and many others, is that bad news travels too slowly in most companies. People have to dig information out of paper files, find someone they can talk to who knows something about the problem, and then muster up the courage to telephone or meet with their boss to discuss it. By the time the boss finds out that a problem exists, it's already serious.

CULTURE LESSON #4: HIRE SMARTS AND ATTITUDE

Early in his company's history, Michael Dell tried very hard to hire just the right people for every job vacancy that came open. Looking back on the experience, he says that he found it both frustrating and futile. Even though his company was small, it was growing rapidly. Before he knew it, the people he had so carefully selected for specific jobs found themselves out of their league. Although they were talented, they were soon overwhelmed as the job for which they had been hired changed. That early experience, says Dell, taught him a lesson about hiring that he still applies today—don't hire people for a specific job; hire them with the long-term in mind. Invite them to join your company and to grow with it. "If you hire them to grow far beyond their current position, you build depth and additional capacity into your organization." The other great entrepreneurs echo these sentiments. Hire for potential, they say, don't just hire for the moment.

What does it mean to hire for potential? What should you be looking for in prospective candidates? Two things, say the great entrepreneurs—smarts and attitude.

It's not enough to hire to fill a job. It's not even enough to hire on the basis of one's talents. You have to hire based upon a candidate's potential to grow and develop.

Michael Dell

HIRE SMARTS

When hiring people for the long-term, Michael Dell first looks for “people who have the questioning nature of a student and are always ready to learn something new.” These are people who have an open and questioning mind, who have a healthy balance of experience and intellect, and who aren’t afraid to make a mistake in the process of innovating. They are “people who expect change to be the norm and are liberated by the idea of looking at problems or situations from a different angle and coming up with unprecedented solutions.”

Bill Gates describes these ideal long-term candidates as simply being “smart.” When asked in a 1994 interview to explain what he meant by “smart,” Gates replied, “There’s a certain sharpness, an ability to absorb new facts. To walk into a situation, have something explained to you and immediately say, ‘Well, what about this?’ To ask an insightful question. To absorb it in real time. A capacity to remember. To relate to domains that may not seem connected at first. A certain creativity that allows people to be effective.” Gates’ bias for “smarts” over almost anything else is said to have led him to devalue previous programming experience, particularly mainframe experience, in favor of inexperienced young people with degrees in math, the sciences, and physics. His hiring theory was that candidates with backgrounds in math or the sciences had proved their intellectual mettle, by virtue of their degree, and could easily apply their “smarts” to computers. To reinforce his commitment to hiring “smarts,” Gates insists that Microsoft managers hire fewer people than they need for a project—“n minus one”—reasoning that his managers will be forced always to hire only the smartest people, since they know they will never be able to hire as many people as they want.

HIRE ATTITUDE

In order to gauge the attitude of job candidates, Michael Dell makes a point of disagreeing with them during the course of their interview. “I want to know if they have strong opinions and are willing to defend them,” he says. “At Dell, we need people who are confident enough of their abilities and strong in their convictions, not people who feel the need to give in the face of conflict.”

Like Michael Dell, Bill Gates frequently interjects tough questioning and disagreement into interviews with job candidates. In his 1996 book, *The Microsoft Way: The Real Story of How the Company Outsmarts its Competition*, Randall Stross describes one infamous exchange between Gates and an aspiring candidate for a Microsoft position this way, “Once, a senior vice-president of a leading computer company who was being interviewed for a position at Microsoft told Gates that she would have to research the answers to some of his questions. He is said to have demanded of her, ‘Why don’t you have an answer? Are you stupid?’” Stross notes that the exchange was widely reported in the press, and when most people read about it, they just thought it provided another example of Microsoft’s hostile “macho” culture. Yet, writes Stross, there was more to the “Are you stupid?” remark. “[The] remark obscures the real issue at the heart of Gates’s displeasure, which was not lack of smarts, which hardly could be determined by Gates’s question, but lack of another attribute that Gates sought: verbal facility. Gates’ combative posturing, writes Gross, could be taken as just a way of emphasizing that Microsoft wanted to hire people who were smart and “who were also pragmatically inclined, verbally agile, and able to respond deftly when challenged.” He was just putting the candidate to a test of attitude, according to Gross.

The great entrepreneurs say a candidate's attitude must match the company's culture. The "right" attitude might be "self-confidence" for one company, "combativeness" for another, and "arrogance" for still another. Every company is unique, so the key is to match the attitude to your unique culture. Take Southwest Airlines as an example. Herb Kelleher says he looks for a sense of humor coupled with the ability to work in a collegial environment and a need to excel.

We look for people who are unselfish and altruistic and who enjoy life. The focus is on the intangibles, the spiritual qualities, not an individual's educational experience. We can train anybody to do a job from a technical standpoint. We're looking for an esprit de corps, an attitude. We try to hire and promote people who have a humane approach.

Kelleher believes that a person's values are more important than their experience.

We say, "OK, here's a guy with 30 years' experience in the field, a very distinguished record. The contender is someone with five years' experience in the field and doesn't have the laurels the other guy does." But what are their values? We'll take the one with less experience if he has the values we're looking for, and someone else can take the expert. We look for attitudes. We'll train you on whatever you need to do, but the one thing we can't do is change inherent attitudes in people.

I've often said, if I could do that, if I could change attitudes, I'd be on Park Avenue making \$5,000 an hour as a psychologist. But you can't. Once we've got people with the right attitudes, we can do almost anything we want thereafter.

And, so can you, say the great entrepreneurs. Of course, it isn't going to be easy to hire people with both smarts and the right attitude. Ross Perot says that when he describes the kind of person he is trying to hire, recruiters insist that finding that person will be like looking for needles in a haystack. Wrong, Perot replies, I want "needles in a haystack with a red dot—very special people."

Note: For an excellent summary of research that supports this cultural lesson about hiring smarts and attitude see Leatta M. Hough and Frederick L. Oswald, "Personnel Selection: Looking Toward the Future—Remembering the Past," *Annual Review of Psychology* 2000, Vol. 51, pp. 631-664; and, Linda S. Gottfredson, "Where and Why g Matters", *Human Performance*, 2002, Vol. 15, No. 1-2, pp. 25-46

CULTURE LESSON #5: BUILD CATHEDRALS

If you want your business to prosper, say the entrepreneurs, then you must create a culture that inspires those you hire. Ricardo Semler, CEO of Semco S.A., likes to illustrate the difference between an employee who is simply hired and one that is inspired by recalling the parable of the stone cutters. It goes like this:

Three stone cutters were asked about their jobs. The first said he was paid to cut stones. The second replied that he used special techniques to shape stones in an exceptional way, and proceeded to demonstrate his skills. The third stone cutter just smiled and said: "I build cathedrals."

Sounds great, you say, but suppose you're not in the business of building cathedrals. Suppose, instead, you manufacture pumps or dishwashers like Semco, sell cosmetics like The Body Shop and Mary Kay, or make ice cream like Ben & Jerry. Suppose your product or service isn't inspirational in itself. Suppose it is just plain mundane. Can you still inspire your people? Can you turn your crew of stone cutters into energetic cathedral-

builders? Yes you can, say the great entrepreneurs. In fact, they say, you must, and you do it by making the workplace inspirational. When asked how she was able to inspire her employee to sell something as inconsequential as cosmetic cream, Anita Roddick responded:

You do it by creating a sense of holism, of spiritual development, of feeling connected to the workplace, the environment and relationships with one another. It's how to make Monday to Friday a sense of being alive rather than slow death. How do you give people a chance to do a good job? By making them feel good about what they are doing. The spirit soars when you are satisfying your own basic material needs in such a way that you are also serving the needs of others honorably and humanely. Under these circumstances, I can even feel great about a moisturizer.

Likewise at Mary Kay Cosmetics, the inspiration comes from the work environment and not necessarily the product line. As Mary Kay puts it, the thrill of Mary Kay Cosmetics comes from “teaching bumblebees to fly.” She explains,

Aerodynamics has proven that the bumblebee cannot fly....The body is too heavy, and the wings are too weak. But the bumblebee doesn't know that, and so it goes right on flying. Without a doubt, my biggest thrill in this business is seeing women have their own personal dreams fulfilled in a career. So many women don't know how great they really are, that [like the bumblebee] they really can fly! They come to us all Vogue on the outside—and vague on the inside. In the beginning, many women just have no confidence at all....

A woman usually comes into our organization as a tight little rosebud, sometimes appearing at my door too timid to even tell me who she is. Then I watch her after six months of praise and encouragement and she's hardly recognizable as the same person.

The secret of inspiration, writes Howard Schultz, is to provide your employees with a larger purpose for their day-to-day activities. “If people relate to the company they work for,” says Schultz, “if they will form an emotional tie to it, and buy into its dreams, they will pour their hearts into making it better.” “If people understand that the work they do produces more than just profits,” write Ben & Jerry, “and they're in alignment with the values of the company, there's no end to what they can contribute.” You'll tap the discretionary beyond-the-call-of-duty effort everyone is capable of giving if they are inspired to do so. The secret of a great culture, say the great entrepreneurs, is to create an environment in which your stone cutters don't just shape stones. They build cathedrals.

CULTURE LESSON #6: CREATE A PARTNERSHIP

If you want superior performance the great entrepreneurs say you must create a culture in which employees and managers work together as equal partners. Among other things that means freely sharing information and eliminating the trappings of power.

Share Information With Employees

If you are going to hold people to high standards of performance, they must be told what those standards are and how well they are performing in respect to them. In short, says

Herb Kelleher, “if you want your employees to do their best for the company, then you have to give them the necessary information...” That means you have to share information about your company’s performance openly and freely. That’s not something most companies do. The arguments against sharing information are endless: employees will use the numbers to argue for higher raises, sensitive information will be improperly disclosed to competitors, bad news will frighten employees. Well maybe, say the great entrepreneurs, but the advantages of being open and candid with employees far outweigh the potential disadvantages.

In reality, the more an employee knows about the operations of a company, the better prepared he or she is to serve the company’s and customers’ interests. Herb Kelleher notes that Southwest Airlines is known for saturating its employees with information about the company, its customers, and its competition. Such openness, says Kelleher, leads directly to better customer service.

Access to critical information grants customer-contact people the knowledge and understanding they need to take ownership and responsibility for doing the right thing. For example, a Southwest customer service agent who understands how the company makes its money, where profits come from and what they mean to the company, is in a better position to serve a customer who is making a special request. An agent who doesn’t have access to this knowledge is limited by the company’s rules and regulations.

Customers who deal with Southwest employees rarely get the runaround. Instead, they are likely to deal with a person who is well informed, makes sound decisions, and has a flexible, creative problem-solving approach. Their solid knowledge of the company gives the people of Southwest Airlines the confidence and power to truly make a difference in the lives of their customers.

What kind of information should employees be seeing on a regular basis? Just about anything and everything. For example, every month at Semco each employee gets a balance sheet, a profit-and-loss analysis, and a cash-flow statement for his or her division which they are taught how to read. At Wal-Mart, employees (associates) receive regular reports on their store’s purchases, sales, profits, and markdowns. If you get the information, say the great entrepreneurs, your employees probably should get it also.

There are really just two ways to go on the question of information-sharing: Tell employees everything or tell them nothing. Otherwise, each time you choose to withhold information, they have reason to think you’re up to something. We prefer to tell employees everything. We hold back nothing.

Ken Iverson

GET RID OF EXECUTIVE LIMOS AND EXECUTIVE PARKING SPACES

Ken Iverson says that when Nucor acquired a new plant several years ago one of his first actions was to sell off the company limousine and eliminate the executive parking spaces. Soon afterward, he was greeting his new employees outside the plant one morning when he was approached by a young man who pointed back toward the parking lot and said, “Look where I’m parked. That’s the boss’s spot.”

“You mean, that was the boss’s spot,” replied Iverson.

“Yeah, I guess so,” responded the young man. Then, turning serious, he continued, “You know, that makes me feel a whole lot better about working here.”

If you are having difficulty with the idea of giving up your reserved spot, just pause for a moment, says Iverson, and think how your employees will feel on a rainy day when they have to park all the way across the parking lot and walk past your reserved space as it sits empty because you are out of town on business. Keep in mind that these rain-soaked workers are the same ones you are depending upon to make products, respond to customers, and generally make your company succeed.

Respect is not a function of the distance from car door to plant door.

Richard Semler

ELIMINATE EXECUTIVE DINING ROOMS, EXECUTIVE BATHROOMS, AND EXCLUSIVE EXECUTIVE OFFICES

Ross Perot recalls that an executive from a big company who was visiting him at EDS was shocked to learn that there was no executive dining room. “I can’t believe you eat in the cafeteria,” said the executive. “It’s the only place to eat,” replied Perot. Later as the executive and Perot went through the cafeteria line, the visitor tapped him on the shoulder and whispered, “I can’t believe you stand in line.” “Well,” said Perot, “these guys are bigger than I am. I have to.” Later as they sat eating, the executive remarked on how good the food was. “What do you do to make the food so good in your cafeteria?” he asked. “I eat here,” replied Perot.

DON’T EMPLOY RECEPTIONISTS , EXECUTIVE SECRETARIES, PERSONAL ASSISTANTS, AND OTHER SUPPORT STAFF

This is one of most controversial suggestions but it is one which Richard Semler particularly favors as a way to create a culture of partnership. Semler recalls that the idea to eliminate, or at least significantly reduce, so-called support staff came to him one day when he heard about an assistant cashier who had applied for work at Semco. When asked to describe the job she was leaving, the clerk responded: “I stamp the pink copies and hand them to another girl.” Pressed to describe her work in greater detail, the clerk couldn’t. The only thing she seemed to know was that she was paid to stamp the pink forms, but she had no idea what the forms were for or what happened to them once they left her desk. As he thought about the hapless clerk several questions came to Semler’s mind.

Can people truly be inspired by purely repetitive clerical work performed without any sense of context? How much of it is really necessary? What if we could eliminate all those dead-end jobs and keep only positions with the potential for making people feel gratified? Could we run our company without secretaries, receptionists, and personal assistants?

Determined to seek answers, Semler says he decided to try an experiment. He would employ his support staff to send a copy of a ten-page Harvard Business Review article to a fellow executive whose office happened to be on the same floor and, coincidentally, right next door to his own. Semler calculated that the article would have to travel a grand total of ten feet. The question was, how long would it take for the article to make the trip?

First, I gave the article to Irene Tubertini, one of my secretaries, and asked her to have it copied, then to bring it back to me so I could write a short comment on it, then to send it on to Clovis [the executive next door]. But because the article was long, it first had to go to our central mailroom to be copied by a clerk who handled long documents. The mail is only picked up twice a day—between nine and ten in the morning and four and five in the afternoon. Since my test began at 11 a.m., the article sat in Irene’s outbasket for most of the first day. By the time it got to the mailroom, the clerk had left for the day, so it wasn’t

copied until the next morning. By then it missed the morning pickup and sat in the mailroom for most of that day.

In total, it took 22 hours for the article to travel ten feet—a rate of some 2.2 hours per foot. Armed with the results of his research, Semler announced his decision to phase out most receptionist and secretarial positions over a period of two years. Existing receptionists and secretaries would be offered different jobs in marketing, sales, or other parts of the firm.

As you might expect, Semler's proposal was met with opposition from most receptionists and secretaries and from almost all of Semco's managers. Still, Semler persisted. As a result, most clerical positions were eventually eliminated and managers learned to fetch their own guests, make their own photocopies, send their own faxes, type their own letters, dial their own phones and even do their own filing. Semco not only saved the cost of all the previous clerical help, but there were other side benefits. Forced to file his own papers, Semler found to his amazement that fewer papers needed filing. He went from filing 50 or 60 documents per week to filing just two or three. Other managers did the same. As a consequence, Semco was able to cancel an order for \$50,000 worth of new filing cabinets and even sold off some they no longer needed.

I do not like to have my managers think they are a special breed of people elected by God to lead stupid people to do miraculous things.

Akio Morita

CULTURE LESSON #7: FLY IN A "V" FORMATION

A side benefit of stripping away the unnecessary perks and privileges of management and treating people equally is that you begin to build genuine team culture which the great entrepreneurs consider crucial to success. The ultimate team-spirited company, Southwest Airlines, published the following based upon naturalist Milton Olsen's description of the behavior of geese in their employee newsletter, LUV Lines, to emphasize the importance of teamwork.

This spring when you see geese heading back north for the summer flying along in "V" formation, you might be interested in knowing what scientists have discovered about why they fly that way. It has been learned that as each bird flaps its wings, it creates an uplift for the bird immediately following.

By flying in "V" formation, the whole flock adds at least 71 percent greater flying range than if each bird flew on its own.

Basic Truth No. 1: People who share a common direction and sense of community can get where they are going quicker and easier because they are traveling on the thrust of one another.

Whenever a goose falls out of formation it suddenly feels the drag and resistance of trying to go it alone and quickly gets back into formation to take advantage of the lifting power of the bird immediately in front.

Basic Truth No. 2: There is strength and power (safety, too) in numbers when traveling in the same direction as others with whom we share a common goal.

When the lead goose gets tired, he rotates back in the wing and another goose flies point.

Basic Truth No. 3: It pays to take turns doing hard jobs—with people or with geese flying north.

These geese honk from behind to encourage those up front to keep up their speed.

Basic Truth No. 4: Those who are exercising leadership need to be remembered with our active support and praise.

Finally, when a goose gets sick or is wounded by gunshot and falls out, two geese fall out of formation and follow him down to help and protect him. They stay with him until he is either able to fly or until he is dead, and then they launch out on their own or with another formation to catch up with their group.

Basic Truth No. 5: We must stand by those among us in their times of need.

So, how do you go about cementing a team spirit and getting all of your geese flying in formation? Here are some of the team-building tips and techniques the great entrepreneurs have employed.

PARTIES, RETREATS AND OTHER FUN ACTIVITIES

In his book, Virgin King, Tim Jackson reports that one of the primary vehicles Richard Branson used to cement a team spirit during the early days of Virgin Records was to hold weekend retreats.

Starting on a Friday and ending on a Sunday night, the entire staff of the record company, publishing company and studio management team would decamp to a country house hotel. Attendance was in theory optional, but those who did not come were told jokingly that they were expected to spend the week-end working in the office. At the hotel, other record companies might fill the days with talk of sales targets or new products. At Virgin, business was banned. Instead, the guests would spend the weekend playing tennis or golf, swimming and sunning themselves, eating and drinking with great gusto....

Similarly, Arthur Blank recalls some festive weekends during the early days of Home Depot. Once the last customer went home and the doors were closed, employees would crank up the music on the PA system and haul out stacks of pizza and six-packs of beer to celebrate the week's sales.

SINGING SONGS

Mary Kay Ash is such a fan of songs as a way to build esprit de corps that she initiated a song contest when she started her company. Employees are invited to write their own words to well-known tunes and submit them for consideration. The best are sung at company gatherings. One of the most popular Mary Kay songs is said to be entitled, "I've Got That Mary Kay Enthusiasm." Another is "If You Want to be a Director, Clap Your Hands," which ends with the line, "If you want to be a Director, you've got to be a 'perfecter,' so do all three, clap your hands, stomp your feet, and yell hooray." Mary Kay says that guests who have never attended her company's gatherings sometimes find the singing a bit strange. Eventually, however, even they are caught up in the enthusiasm and join in the singing.

A COMPANY CHEER

One of Sam Walton's favorite methods for kicking off company meetings was to do the University of Arkansas Razorback cheer.

Whoooooooooooooooooooooo Pig. Sooy!
Whoooooooooooooooooooooo Pig. Sooy!
Whoooooooooooooooooooooo Pig.
Sooy!
RAZORBACKS!!!!

He would then follow-up with the official Wal-Mart cheer:

Give Me a W!
Give Me an A!
Give Me an L!
Give Me a Squiggly! (Here, everybody sort of does the twist.)
Give Me an M!
Give Me an A!
Give Me an R!
Give Me a T!
What's that spell?
Wal-Mart!
What's that spell?
Wal-Mart!
Who's number one?
THE CUSTOMER!

Walton admitted that guests at company events sometimes found the cheers—well, unusually. For example, during a visit to Bentonville, Arkansas, Wal-Marts headquarters, President and Mrs. George Bush were treated a rousing rendition of the hog calling followed by the Wal-Mart cheer. Walton said he could tell by the expression on their faces that weren't used to witnessing such enthusiasm.

Remember: You'll be left with an empty feeling if you hit the finish line alone. When you run a race as a team, though, you'll discover that much of the reward comes from hitting the tape together. You want to be surrounded not just by cheering onlookers but by a crowd of winners, celebrating as one. Victory is much more meaningful when it comes not just from the efforts of one person, but from the joint achievements of many. The euphoria is lasting when all participants lead with their hearts, winning not just for themselves but for one another. Success is sweetest when it's shared.

Howard Schultz

CULTURE LESSON #8: EMPOWER PEOPLE TO DO THE RIGHT THING

Arthur Blank says the best way is to think of empowerment is in terms of the “three bundles”—an idea he credits to GE Chairman Jack Welch.

Bundle 1: This is the nonnegotiable bundle. There are very few Bundle 1s in The Home Depot; those are the things we do the same across the company. Many of these are operational in nature, areas where investment in systems dictates a more uniform compliance. They are usually transparent to the customer, things that have to be done to maintain key consistencies between the stores.

Bundle 2: This is the entrepreneurial bundle. Entrepreneurship comes into play here because this involves challenges in which the company provides only a minimum standard. If a store can extend that standard, great! We say, "Your store will carry such-and-such product lines. How you sell or display them is up to you." As a result, we get the benefit of some extraordinary creativity in this bundle; many of these ideas get distributed company wide as part of the "Best Practices" program.

The entrepreneurship bundle works at every level of the company. We even use it to further our community programs by giving the stores a budget for spending in their own communities. We don't tell them exactly how to spend the money. Instead, they find causes and become attached to those causes, emotionally and financially. The empowerment is great.

Bundle 3: This is when we give associates complete autonomy to make their own decisions in the way they operate their store. They don't make the decision about the assortment in the store, although they do talk to the merchants about what their customers are looking for, so in a sense they're responsible for the fine-tuning of the assortment. But they're totally responsible for the amount of merchandise that we have in stock. They're responsible for being sure our pricing is right in the stores, for building the displays, for signing, hiring, and training. And they're responsible for paying people what they're worth, which is the backbone of our entire organization. The people in our stores are responsible for moving people along in the company and for deciding who doesn't move along. All of those things come from the individuals making those decisions in their stores.

Ultimately, the great entrepreneurs say, a high performance culture is one of high trust. It is the firm belief that, as Arthur Blank writes, “with the right value system and the right knowledge to do their job people can be trusted to make the right decisions.” “If you can

operate with that kind of trust,” he goes on, “you don’t have to micromanage. And people will do more good for the company than anyone could ever dictate.”

Lack of trust between managers and employees, the entrepreneurs warn, causes all kinds of problems. David Packard says that was brought home to him early in his career.

In the late 1930s, when I was working for General Electric in Schenectady, the company was making a big thing of plant security. I'm sure others were, too. GE was especially zealous about guarding its tool and parts bins to make sure employees didn't steal anything. Faced with this obvious display of distrust, many employees set out to prove it justified, walking off with tools or parts whenever they could. Eventually, GE tools and parts were scattered all around town, including the attic of the house in which a number of us were living. In fact, we had so much equipment up there that when we threw the switch, the lights on the entire street would dim.

The irony in all of this is that many of the tools and parts were being used by their GE "owners" to work on either job-related projects or skill-enhancing hobbies activities that would likely improve their performance on the job.

When Packard started HP with Bill Hewlett, the memories of GE were still strong, and he was determined that parts bins and storerooms at HP would be kept open. From a practical standpoint keeping the parts bins and storerooms open made it easier for product designers to get access to the parts and tools they needed to work on new ideas at home and on the weekends. More importantly, says Packard, the open bins and storerooms were symbols of trust.

Perhaps the most publicized example of trust at HP occurred in the 1960s when HP became the first company in the United States to implement flextime. Workers were allowed to come to work early in the morning or as late as 9:00 A.M. “To my mind,” writes Packard, “flextime is the essence of respect for and trust in people. It says that we both appreciate that our people have busy personal lives and that we trust them to devise, with their supervisor and work group, a schedule that is personally convenient yet fair to others.” That trust, says Packard, has paid off and HP has rarely had a problem with work schedules.

Ricardo Semler reports similar results from flextime at his company. At Semco factory workers are allowed to arrive anytime between 7 A.M. and 9 A. M. When the system was first initiated a number of people expressed concern that workers wouldn’t coordinate their schedules and production would suffer. Consequently, the company set up a task force to mediate any scheduling conflicts. But, the task force never met. “Our workers knew that production would suffer if they didn’t coordinate their schedules,” writes Semler, “so that’s what they did.”

CULTURE LESSON #9: PRAISE PEOPLE TO SUCCESS

Mary Kay Ash admits that when she promotes praise as a corporate culture imperative, she often encounters skeptics. “Come on, now, Mary Kay,” they say, “it may work for you to award ribbons, honor sales leaders on stage before large audiences, and name top achievers in your publications, but this kind of thing doesn’t work with men.” When Ash hears such remarks, she just smiles and asks, “Did you ever notice the stars on a six-foot-seven-inch,

275-pound linebacker's helmet? Or the medals on a soldier's uniform? Men are willing to risk bodily injury and even their lives for praise and recognition!"

The entrepreneurs add that the tricks to making praise work are being sincere—don't say it unless you mean it—delivering the praise in public, and making the praise or reward fit the recipient. Ash relates the story of how the importance of making praise public came home to her several years ago when she was attending a sales convention for a multi-billion-dollar corporation.

I noticed several of the salesmen wearing green sports jackets. I could tell the coats were brand-new because many of the men's sleeves were too long or too short, or their jackets simply needed some tailoring.

"What are all these green jackets for?" I asked one of the company's vice presidents.

"This year's top salesmen received the jackets as a gift."

"When was the ceremony where the jackets were awarded?" I asked.

"Oh, there was no ceremony," he explained. "The jackets were just sent to their rooms."

That evening, at the convention's main banquet, I eagerly waited for the big moment when the company would recognize its top salesmen. Finally, at the end of the meal, hundreds of balloons fell from the ceiling, and I thought, "Oh, good opening. Now the awards are going to be presented." But much to my surprise, the evening ended there. Not a mention of achievement was made. No applause, no recognition, nothing!

As a guest, I couldn't say anything, but I thought, "This company missed a golden opportunity to proudly award the jackets to their star performers in the presence of their peers!" I was certain the salespeople would have valued the recognition much more than the actual green jackets.

The final trick to making praise effective is to make sure the praise or tangible reward you bestow fits the person being honored. Early in her career Mary Kay worked very hard to win a sales contest and was excited to discover that she had won. When her sales manager, an avid fisherman, presented her with her prize, she accepted it gracefully, though she later admitted that she had no idea what it was. Then someone explained it was a flounder light and that it would come in handy the next time she tried to gig fish while wading into water wearing hip boots. Ash was proud of winning the sales contest but had to admit that a flounder light was somewhere near the bottom of her list of preferred prizes.

CULTURE LESSON #9: SHARING THE FINANCIAL REWARDS

Admittedly, a flounder light probably isn't right for everyone, but the great entrepreneurs generally agree that there is one prize that is on just about everyone's approved list—money. They learned—many of them the hard way—that some form of group incentive, bonus, profit sharing, and/or stock ownership plan is the best way to reward employees and

build a culture of excellence. Sam Walton, for example, admits that in the early days of Wal-Mart, he was far from generous when it came to sharing the financial rewards.

We didn't pay [our employees] much. It wasn't that I was intentionally heartless. I wanted everybody to do well for themselves. It's just that in my very early days in the business, I was so doggoned competitive, and so determined to do well, that I was blinded to the most basic truth, really the principle that later became the foundation of Wal-Mart's success. You see, no matter how you slice it in the retail business, payroll is one of the most important parts of overhead, and overhead is one of the most crucial things you have to fight to maintain your profit margin. That was true then, and it's still true today. Back then, though, I was so obsessed with turning in a profit margin of 6 percent or higher that I ignored some of the basic needs of our people, and I feel bad about it.

The larger truth that I failed to see turned out to be another of those paradoxes like the discounters' principle of the less you charge, the more you'll earn. And here it is: the more you share profits with your associates—whether it's in salaries or incentives or bonuses or stock discounts—the more profit will accrue to the company. Why? Because the way management treats the associates is exactly how the associates will then treat the customers.

Walton admitted that one of his biggest single regrets in his whole business career was that he didn't include his employees in the initial, managers-only profit-sharing plan that his company put in place in 1970. That is a mistake other gurus, like Bill Gates, didn't make. Microsoft offered stock purchases at a 15 percent discount and has long used stock options as a recruiting and retention tool early on. In the late 1980s, for example, Microsoft was offering options for up to 3,000 shares of Microsoft stock to programmers who joined the company right out of college. While the details of stock purchase and options packages have changed over time, stock ownership by Microsoft employees has been called one of the most important employee benefits the company has ever offered. It's a benefit that has made Microsoft a financially lucrative place to work. It is, says Gates, one of the key things that tie Microsoft employees together and create a common bond. It has also made many of Gates' employees millionaires.

A CULTURE OF EXCELLENCE

Building a company that lasts isn't an easy task. In fact, most of the great entrepreneurs we studied failed more than once. Some failed dozens of times before they finally succeeded. What made the great entrepreneurs different is that they learned from their failures and some of the most important things they learned had to do with what it takes to create a high performance culture. Truly great companies have to get a lot of things right to become great but one of the most important things they must get right is their culture. Some of the world's greatest business minds say getting your culture right means doing most if not all of the following:

1. Committing to performance excellence,
2. Being obsessed with listening to customers,
3. Not perfuming the pigs,

4. Hiring smarts and attitude,
5. Building cathedrals,
6. Creating a partnership,
7. Flying in a “V” formation,
8. Empowering people,
9. Praising people to success, and
10. Sharing the financial rewards.

These are ideas about culture-building that are well worth heeding.

Note: This article was adapted from The Guru Guide™ to Entrepreneurship by Joseph H. Boyett and Jimmie T. Boyett (John Wiley & Sons, 2001), Copyright © 2001 by Joseph H. Boyett & Jimmie T. Boyett, All Rights Reserved.

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