

ISSUE #8

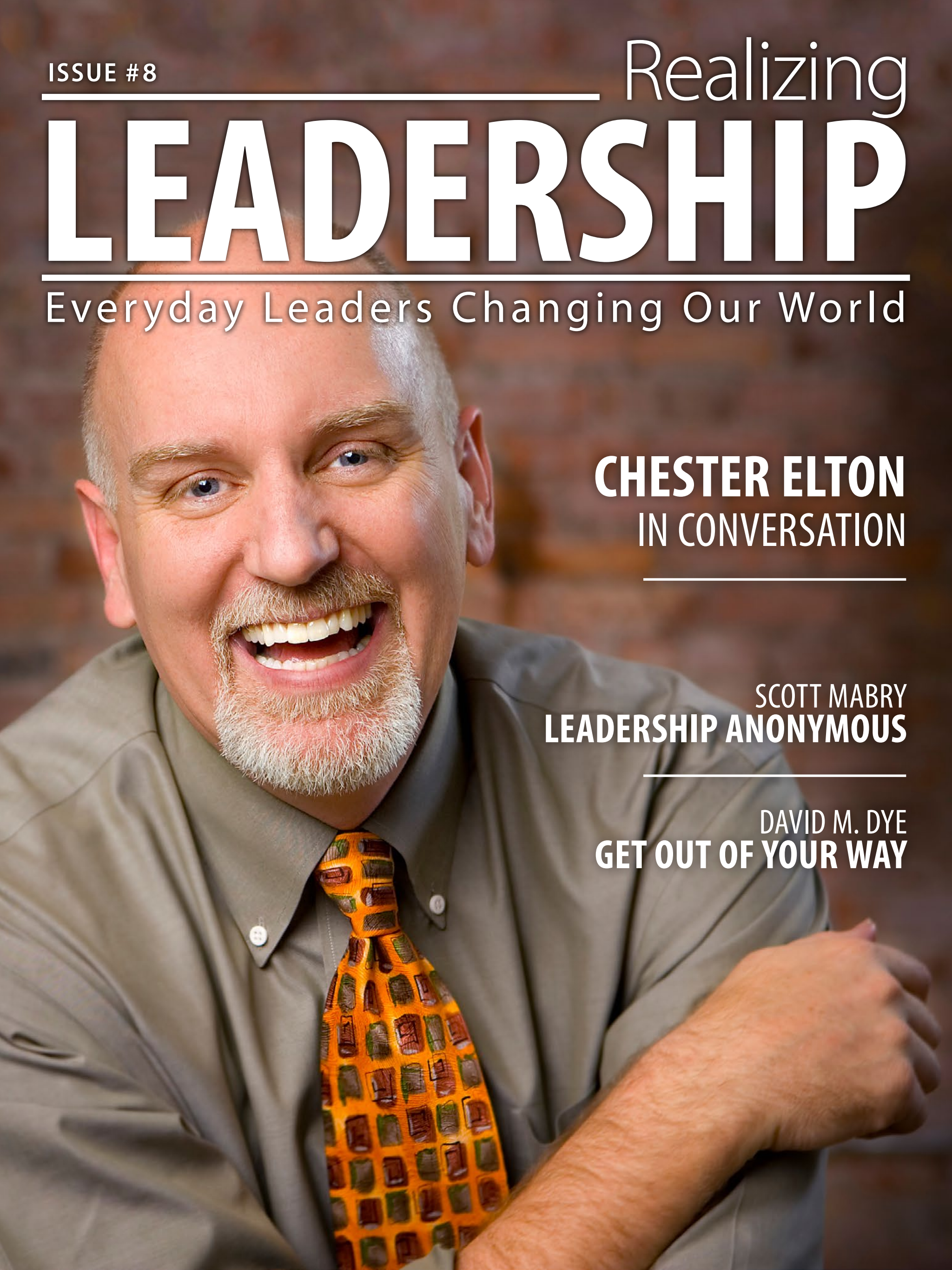
Realizing LEADERSHIP

Everyday Leaders Changing Our World

CHESTER ELTON
IN CONVERSATION

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Realizing Leadership in Conversation

A Conversation with Chester Elton

LW Hello and welcome to *Realizing Leadership in Conversation*. I'm your host, Laurie Wilhelm.

We're speaking with Chester Elton who co-authored with Adrian Gostick several best-selling business books including *The Carrot Principle* which has been a regular *New York Times* and *Wall Street Journal* bestseller, *24-Carrot Manager* which Larry King called a "must read for modern-day managers" and *The Orange Revolution* which was the number one selling business book in the United States according to the *Wall Street Journal*.

Their latest book, *All In*, looks at how the best managers create a culture of belief and drive big results.

Chester and Adrian are the founders of *The Culture Works*, which provides consulting and training in recognition, teamwork and culture. He also advises the leadership teams of numerous Fortune 500 firms.



LW Welcome, Chester, to *Realizing Leadership in Conversation*. Thank you for your time joining us today.

CE It's my pleasure.

LW We're going to be chatting about your and Adrian Gostick's book *All In - How the Best Managers Create a Culture of Belief and Drive Big Results*.

Now, just so we're all starting with a shared understanding, can you define what culture is?

CE Well, it is interesting that you ask that question because I think culture is an emotional thing: I like an event; I like buying a house. You have a certain criteria for your house. You tell the realtor, "Good school, safe neighbourhood," and all that good stuff - so many rooms, so many bathrooms. They take you to 40 houses and then you walk in one and you say, "Hey - this is

All the criteria can be right, but if the culture isn't right, it doesn't matter.

the house." You know, there's an emotional connection. And it may not be the exact colour you wanted or the exact layout, but you do have this emotional connection.

I think in business, culture is like that as well. You'll move departments, you'll change jobs, you may stay with the same company but move to a different city and you find a different culture. It's a feeling. Do you fit or don't you fit? Do you trust the people you work with or don't you?

I think it's an interesting exercise that we all go through at certain points in our careers as we make changes. Is this the right place for us? Sometimes we have that feeling like a new house - we walk in and go "yep - this is it," and other times we go, "you know, this absolutely isn't it." And so that's why I think it's such an interesting study is that all the criteria can be right, but if the culture isn't right, it doesn't matter.

LW So everything is hinging on that culture piece.

CE You bet.

LW When you say, "All In," which is the title of your book, what does that mean?

CE We started our work, Adrian and I, writing about reward and recognition - how you use that to engage your employees and accelerate your business results and then we went into team work. The culture and the "all in" was a natural progression for us. It's what creates these high performance cultures.

Clients would say, "It's important that we reward and recognize teamwork but, again, if the culture isn't right it doesn't matter." So what we did is we said, "Let's take a look at the highest performing cultures we can find and see what the common denominators are. Can we create a model around that?" And the slogan "All In" is in any kind of these cultures, people really did love their jobs. They didn't just have the right cv and the right education, but they had that emotional connection of not just the 'what' and 'how' of work but the 'why.' They were passionate about their work. They were literally "all in." You know, they made the big bet, they put all their chips in the middle of the table and they were willing to do those extra things that made high-performing cultures high performing than just the average culture. Does that make sense?

LW Absolutely.

Now, your book has a lot of information and it would take us a day and a half to go through everything. I would really appreciate if we could go over the Three E's - the three factors that when combined create this culture of belief and that's what accelerates the achievement of the goals. Could you please describe these three factors?



Engagement alone isn't enough.

CE Excellent place to start. We created a roadmap or wheel and in the centre where the spokes would be are the three E's. We've done a lot of work around engagement - rewards and recognition around rules of engagement. That was quite the hot word in business: "We've got to get people engaged," and we really felt that was the holy grail.

Well, one of the real ah-ha's we had as we looked at over 300,000 surveys from these top performing cultures that was graciously opened up to us by Towers Watson Group, is that engagement alone isn't enough. Along with engagement, you need to enable your employees to give them the tools to do their jobs and then energize them around the 'why' of work. Once you added those two components, then productivity really did skyrocket. In fact, if you don't have the other two E's, you leave a lot of productivity on the table. From the research, a big ah-ha: it's great to be engaged, it's better if you have the tools to do your job, you're enabled, and you're energized around the purpose of your organization.





LW We've heard, as you've said, engaged was commonly talked about, enabled, I think people are starting to pick up, but what I really found interesting was the third E: the Energized. The first two seemed to be a bit more tangibly executed perhaps, but Energized is all around, really, emotion and attachment and a sense of belonging.

CE You bet. You know, the enabled, before we jump past that, you know, you can set that up, right - I've got a laptop that works, a car that runs, you know, those kinds of things. But the other part of enabled which I think is really important is, *"Do I understand what the rules and regulations are and what I can do to really satisfy the customer?"*

For example, I love to tell this story about Apple computers, the Apple Store. I don't know if you've been in an Apple Store, they're wonderful places. It's the new toy store. It's Apple-palooza. My co-author Adrian, we both have 17-year old sons and his son's name is Tony. They went into an Apple store and he had an iPod that had stopped working. So they get the guy, "Can I help you?" and they say, "Sure - can you do that genius thing and fix this iPod?" And he says, "Well, let me give it a shot."

Well, as he's testing the iPod and playing with the wheel, he actually drops it. And he says, "Oh, I'm so sorry. Look, I'll get you a new one." And he goes to the back and comes out with a new iPod and hands it to Tony and says, "Here you go, Tony. Enjoy your new iPod." And Adrian says, "How do I pay for that?" And he goes, "No, no, no. I dropped it, my bad. Policy. If I drop it, you get a new one."

But Adrian goes, "Well, it wasn't working when you were playing with it and it wasn't working all the way to the floor. I'm happy to pay for it." And the Apple guys says, "No, no, no. Rules are rules."

What I love about that story is, he did it immediately. He didn't ask for proof of purchase, he didn't ask if they had iCare, can you fill out all these forms and mail them in and we'll send you a discount coupon for your next purchase. He just went to the back, got it and gave it to him. That's an incredibly enabled employee.

He knows what the framework is and I'm sure there was accountability where he had to tell the manager, "Hey, you know, I dropped an iPod, you'll notice there's one missing from inventory." Hopefully his manager will say, "You did the right thing. Now, don't make it a habit. I don't want to see a whole line-up of people seeing you everyday passing you their laptops saying, "No give it to him, he'll drop it! You'll get a new one! It's awesome!""

I love that bit about enabled. It's not just having the hardware that works, it's understanding intellectually what it is that can be done and I do it and I'm rewarded and praised and recognized for it. So I think that enabling piece - you know sometimes we give it a little short shrift and say, "OK great your laptop works, you've got a good phone, go and you're enabled."



But your point around energized is a very good one. When you can connect the ‘what’ and ‘how’ to the ‘why,’ there’s a lot of productivity there because people enjoy what they do. They’re enabled to do it but they get this emotional satisfaction out of whatever it is they’re doing whether they’re building buildings or in call centers or in stores satisfying customers.

LW So how can the average manager, a manager who wants to eventually be on the executive floor but we all start somewhere. How does a manager in that capacity energize his team?

CE Well, you know, people are energized in different ways so it’s important to get to know your team, right? But I think the thing is that you need to be constantly talking about your vision, mission and your values.

For example, we talk about, in the book, an American Express call center down in Fort Lauderdale, Florida. Now, American Express, it’s a charge card but they don’t have clients or customers. They have card members, so it’s a membership. Now they talk a lot about that, “What can we do more for our members?”



Now, this call center down in Florida in particular, was fascinating, because if you've ever been to a call center, this is not a place where the phone rings you get good news. People don't call and say, "Hey! Used your card last night at a restaurant - it was *awesome*. Good job, keep it up." In fact, if you want to freak out your credit card company, call their number and say that. It never happens. They take it as a challenge; we're problem solvers. And nobody solves problems and nobody takes care of their members better than us. So in most call centers where you easily got double digit turnover, sometimes triple digit, here's a call center that has 9% turnover and an average tenure of around 15 years. Highly engaged.

I mean, you go there - these are happy, happy people and you wonder why.

Well, it comes right down from the leadership. Doria Camaraza runs the place. She makes sure that she takes care of her people first, that they understand how important it is to the business - that the card members have their problems solved.

They created a wonderful story-telling culture where they tell the story about the card member stranded in Rome three days before his son's wedding, lost his passport. "Can you help me?" You know, if that had been me on that call, I would have



said, “Nope.” But they tell the story that they got a hold of the embassy, they set it all up, they got him his passport and he was there for the wedding.

Those kinds of stories energize certain people, and again, not everybody. So when you’re hiring people, you say, “Look, do you like to solve problems? Do you like to take care of people? Do you like to make sure that things are done right? Well, if you’re that kind of person, you’re going to love working here. And when you display these kinds of behaviours, we’re going to celebrate them, we’re going to tell your story.”

They do a thing once a month called Tribute where 3,000 people work at this call center. They bring as many of them together as they can spare off the phones and they’ve got a big courtyard and Doria comes out to rock and roll music dancing with her executives. They tell great stories and they pass out awards and they have a Minute To Win It where they compete against each other, different departments. It’s call center-palooza. And people stay, they feel valued, there’s that connection and it’s remarkable.

Now, if you can create that kind of energy at a call center, you can do it anywhere. And what they do is they talk about their vision, their values, how they serve people, how it's so important what they do and they hire to it, they get the right people there.

I've been an American Express card holder since 1983 - I love calling the call center. They always go above and beyond my expectations. And then I say at the end, "By the way, say Hi to Doria for me!" "Oh - you know Doria?" So it's extraordinary.

Another great example of the energy and the 'why', everybody's favourite case study is Zappos. If you ask Zappos what do they do and how do they do it, well, they sell shoes online and they ship them from warehouses. But if you ask a Zappos employee what it is they ship, they'll tell you they ship happiness in every little box. Well, I think you see your job differently when you think you're shipping happiness as opposed to shipping shoes.



And to your point, how do you get there? That's what you talk about. That's what you recognize and reward and those are the stories you tell. And that, again, creates this culture of service. It attracts service-minded people and rejects those that aren't. And that's how you build a culture. Story-telling, over time, focusing on the vision and values, focusing on the purpose. Not just the 'what' and the 'how' but if you get to the 'why.'

I was just with Vanguard, the investment company down in Pennsylvania, and they talked about making people's dreams come true through their investments. It's a lot different approach than, "I've got to beat the market" or "I've got to sign up a bunch of people to..."

"What can I do to make sure that this family, when it comes time to retire that their dreams can come true?" The companies that do that are always high performance. And if you look at the performance of the American Express call center, six years in a row, J.D. Power & Associates winners. Zappos - zero to a billion dollars in nine years. And Vanguard, one of the gold-standards of investment. You understand that culture drives all those things. Getting the right people but with the right purpose behind it. Totally cool, isn't it?

LW It's totally cool! And to attach to an emotional concept that will motivate anyone because emotions is where it all comes down to.

CE Sure! Think about in your personal life. Where do you have your biggest emotional connection? It's your family, it's your spouse, it's your partner, it's your kids. Think of what you'd do for them - do you have an emotional connection there? Well, sure you do! If you can translate that into work, and vice-versa - take that passion from work, don't just leave it all at work and don't bring it home! Everything gets better all the way around. It's really a fascinating study.



LW Absolutely. And your book is terrific and I like how you've got all the stories in there, you've got some how-to points, you got the summaries, and the second half of the book are the seven steps and it's one I've really enjoyed reading. It was so well-written and such a pleasure to read and so much to learn and like I said, we'd need a day and a half. But time is precious and I do want to thank you for spending some time with us today at *Realizing Leadership*. I truly appreciate it and I also recommend to the listeners to also read your other books, the *24-Carrot Manager*, *The Orange Revolution*, they're all super, super books.

Thank you very much, Chester.

CE It's always a pleasure. You know leadership is one of those things where when the leader changes, the culture changes and it's really interesting as companies look to create the leaders of tomorrow, figuring out how to really engage, enable and energize your people is so key. And again, as we talked

about, don't leave it at work. I find that I experiment on my kids all the time, all these different principles. And when you really do care for people, and you appreciate and recognize and tell their story, everything really does get better.

It was delightful spending time with you and don't hesitate to call again.

LW Thank you, Chester. It's been a pleasure.

CE Take care. Thank you.

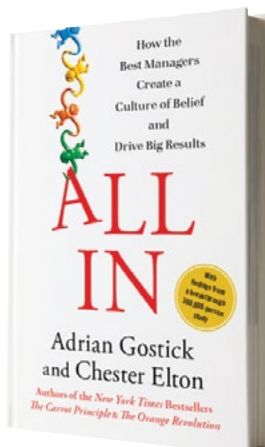


Attend the online World Business of Leadership Summit from June 17 to 28 and hear **Chester Elton's** session, *How the Best Managers Create a Culture of Belief and Drive Big Results*.

Go to www.WBOLS.com for more information and to sign up.

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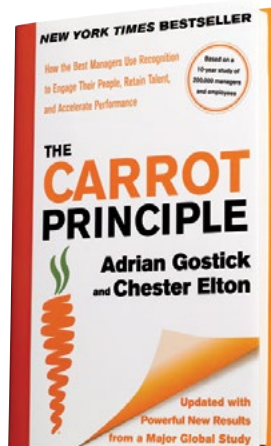
THE WALL STREET JOURNAL

All In

"Gostick and Elton have an incredibly profound way of bringing the elements of the human heart and spirit to bear for an organization to achieve outstanding long-term results. Awesome learning!"

— GJ Hart

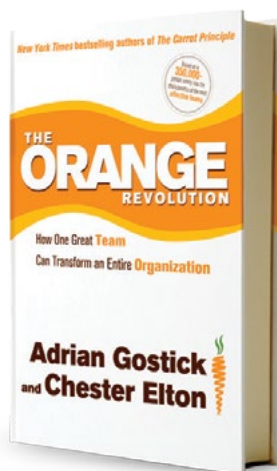
*President, Chief Executive,
and Executive Chairman,
California Pizza Kitchen*



The Carrot Principle

"A quick, clear read, admirably free of jargon and generally sensible about the low cost and potentially high returns of rewarding employee effort...Includes startling data on the strong correlation between recognition and return on equity."

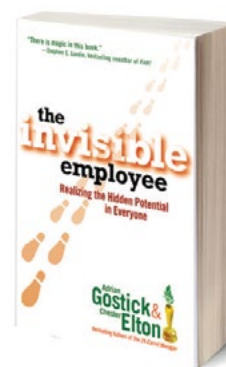
— Wall Street Journal



The Orange Revolution

"This can change your business. It teaches you how you can create great teams to WOW your customers, employees, and vendors."

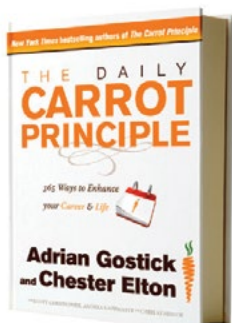
— Tony Hsieh
Zappos CEO



The Invisible Employee

"A gem of a book ... finding that workers who are recognized are more productive, have fewer on-the-job accidents, and translate their satisfaction into customer satisfaction."

— The Financial Post



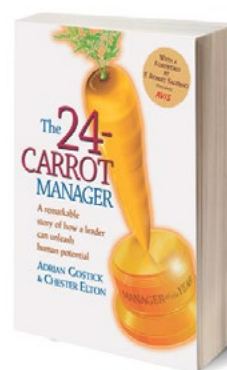
The Daily Carrot Principle

"Fascinating."

— Fortune

"Creative and refreshing."

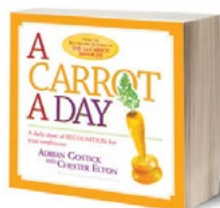
— New York Times



The 24-Carrot Manager

"A must-read for modern day managers. This book provides a great map for establishing goals and rewards in a changing workplace."

— Larry King, CNN



A Carrot A Day

"More than enough ideas to inspire a conscientious manager."

— San Francisco Chronicle