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Why Being Happy Pays

The cover of this month's *Inc.* magazine is graced by the smiling visage of Tony Hsieh, CEO of Zappos. Why is Tony's cute dimple on display and why do we care whether or not another youthful, high-tech zillionaire is feeling chipper? Because this executive's sunny disposition, Zappos' ascension to \$1 billion in online sales, and the company's place among *Fortune's* top 25 companies to work for are all inextricably linked. Is a similar dynamic shaping your company?

Our Take

"How do I create a culture that supports our mission?" This ranks among the most frequent issues posed to me by C-level executives. The question stems from the very idea of corporate culture, which was neatly summed up for me by the COO of one of the largest employers in the U.S.: "I need our culture to consistently inform our employees' values and decisions; if I do this right, then when one of our employees is facing any situation they will act like I would were I in their shoes."

Notice he didn't say "I need a process in place" to direct employees' actions. With over 150,000 employees spread across 1,400 locations, he would need a process manual the size of the IRS tax code to capture all the linkages and handoffs across the company's myriad activities. Even so, we all know it wouldn't work – corporate culture trumps corporate cookbooks.

As an aside, an egalitarian, empathetic ethos informs the most lauded, culturally driven companies. Zappos requires every employee to sit through two weeks of classroom training on company history then devote two weeks learning how to answer customer calls. At an extraordinarily successful steel company, executive salaries were equalized across functions so that managers could be easily rotated around the company. In contrast, the breathtakingly hierarchical, distrustful and self-centered cultures that pervade the U.S. auto and airline industries (excepting Southwest) have dragged once-healthy companies into bankruptcy. Where does your company stand on that spectrum?

Regardless of where you are now, in short, practical terms, what actions should you be taking to create a corporate culture which supports your mission? Here's a start:

1. **Assess your current culture.** Most executives have a woefully incomplete sense of their current corporate culture. Of the 75 or so CEOs I've interviewed recently, only three were as culturally aware and sophisticated as Hsieh. One proudly let me know that the most important thing he does as the company's ultimate leader is hire happy people.

Unfortunately, a company survey isn't going to clue you in on your own corporate culture if you haven't been paying attention for a few years. Instead, you need a more anthropological approach, observing your leadership team in action, your on-boarding processes, your cross-functional interactions, your customer interactions and, importantly, your customers' reactions

2. **Determine what you need your culture to be.** Most corporate leaders spend more time futzing with a new brochure than they spend creating a uniformly embraced culture which will boost business. Hsieh determined that for Zappos to succeed, they needed to make customers happy; hence, their culture is all about happiness. But that's not the only culture that works. One of my clients realized his company's road from bankruptcy to market-leader was becoming the low cost producer, and he has built his culture entirely around that – the employees demonstrate a zeal for cost cutting which comes through in every conversation, every decision and every action.
3. **Make a plan to close the gap.** One of my colleagues accelerates culture change using stories and this has proven to be extraordinarily effective. Stories, along with senior management's actions, are the firmament upon which a company's values rest. After telling the Inc. journalist a touching anecdote, Hsieh commented, "Stories like these are being created [at Zappos] every single day, thousands and thousands of times." Finding, codifying and disseminating stories needs to be a central piece of your change effort.

Ironically, every powerful culture has an equally powerful blind spot and one of the most powerful steps you could take *today* is to **suspend your culture for ten weeks**. For instance, I'd wager Hsieh's new car that there are countless efficiency ideas inside his company which never see the light of day because the happiness culture shuts them down. Similarly, there are customer satisfaction breakthroughs which never surface at the low-cost manufacturer I mentioned earlier where everyone is implicitly taught to only support cost-saving ideas.

- Every corporate culture, without exception, suppresses major money-saving ideas which are politically inexpedient to bring forward. Learn how to temporarily suspend your corporate culture, so that you can

address the blind spots; the process is surprisingly quick and rewarding. For instance, at a major power company we were able to generate \$300 million in annual cost reductions in ten weeks by keeping the normal operating conditions at bay.

At Zappos, Tony Hsieh has constructed an impressive reflection of his dedication to happiness. Is your passion mirrored in the everyday decisions and actions across your organization? To make that happen, or to learn how to quickly find huge savings by suspending your corporate culture, point your happy face here:

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