BUSINESS AT THE INTERSECTION OF CULTURE AND DIGITAL TRANSFORMATION

An Interview Series

VOL. 5

RESILIENCE + ADAPTABILITY

ARE OUTCOMES OF YOUR CULTURE

Thank you for downloading this 5th ebook in a continuing series on Culture and Digital Transformation.

The interviews included in this volume took place during the first 6-months of the COVID-19 pandemic. As you can appreciate that was a time of significant upheaval across the globe. Industries in shock, sectors in free-fall and many business leaders reeling from the troubling reality that no-one really knew how long, deep or hard the impacts of the pandemic would be.

Despite that, the leaders you'll meet in this volume epitomize the type of optimism and courage that I believe will bolster their organization for the tough times ahead. Not surprisingly, all of them see their organizational culture as a crucial source of organizational resilience.

And, at a time of tremendous uncertainty, they are all leaning heavily on the culture's they've built to help them adapt to the tough road ahead.

In this volume you'll meet the man who literally wrote the book on why Digital Transformations fail – critical lessons as organizations have realized just how far behind they were in that area. You'll meet two culture leaders in the FinTech and Banking arena on different sides of the Atlantic, who are leading their organizations with a culture-first orientation and seeing the results of that. Two innovation leaders – one from the Airline industry and one from a world-renowned Retailer – who understand intimately the need for innovation and adaptability at a time like this. Finally, a legendary Boston firm who has managed to retain the soul of their organization while becoming a billion-dollar global phenomenon.

The lessons shared in these pages are honest and profound. They are from leaders facing the toughest business challenges of this generation. But they remain universally optimistic because of their belief in their organization's culture.

I hope that you find their stories illuminating and inspirational. More simply, I hope you find them helpful.

And I encourage you to look to your culture and determine if it will be a source of resilience and adaptability in the tough months ahead.

Hilton
Toronto, September 2020

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Why Digital Transformations Fail – The Tony Saldanha Interview

One of the most popular, and disconcerting, statistics about Digital Transformations pegs failure at around 70%. That means for the billions of dollars expended globally each year, you have a 1-in-3 chance of delivering most of the critical digital transformation requirements that your Executives, and the teeming hordes of business analysts following your industry, expect you to deliver. However, that failure rate was before the largest Digital Transformation accelerant of the past 20 years – COVID-19.

As numerous countries went into lock-down and entire industries scrambled to find alternatives to physical service delivery, the digital transformation agenda took on increased urgency and priority. Budgets miraculously appeared, decisions that may have previously languished in layers of internal debate and oversight were suddenly greenlit. As the stakes to get digital transformation right have increased ten-fold, I turned to the person who literally wrote the book on why digital transformations fail, to ask his opinion. Tony Saldanha is a former Procter & Gamble Vice-President and author of the bestselling book "Why Digital Transformations Fail. The Surprising Disciplines of How to Take Off and Stay Ahead." And, as part of my continuing series on Culture and Digital

Transformation, I urgently wanted Tony's perspective on how organizational culture and change management maturity might be the critical ingredient needed to improve on those torrid failure percentages.

HB: Tony, I've been looking forward to this chat ever since I read your book. Congratulations again on its release and the gangbuster response its garnered. Before we lean into your book, I have to ask – what have you been busy with since the pandemic began?

TS: I've been very busy with Transformant which is the Cincinnati-based consulting business that I'm President of and which deals with Fortune 100 companies looking to successfully transform digitally. And, because I always like to do projects around the house, I've been doing some remodelling of the garage at home. The remodelling is a passion project and doing something with my hands is a great complement for all the consulting work I'm embroiled in.

HB: So, for those readers unfamiliar with your book and your career, can you give us some background on Tony the Digital Transformation authority and author?

TS: Sure. Off the bat I must say that I feel very privileged because I've grown up within the IT and businesses industry. I spent 27 years of a 35-year career at Proctor and Gamble and during that period witnessed and participated in most of the major milestones in the evolution of global business services or shared services business. From setting up the first off-shore center in the Philippines in 1993 to the entire wave of outsourcing that culminated in almost 2/3 of P&G IT services

being outsourced. That was a very big deal – a 10 year, $8 billion deal in fact – and part of a concerted IT strategy that would lead to me running the transformation of Procter's back office operations in every region of the world as part of a $2 billion global business services organization.

That experience, from almost every corner of the globe, gave me an opportunity to look at different techniques to transform the internal operations of a global business. Whether that was through labor arbitrage or using digital technologies, I was ultimately tasked with exploring, and answering, the question of "what is the possible future of internal business operations or digitized services?' Answering that question for P&G is essentially what's captured in the book.

<Tom Fishburne's excellent graphic highlights the impact COVID-19 has had on Digital Transformation projects>
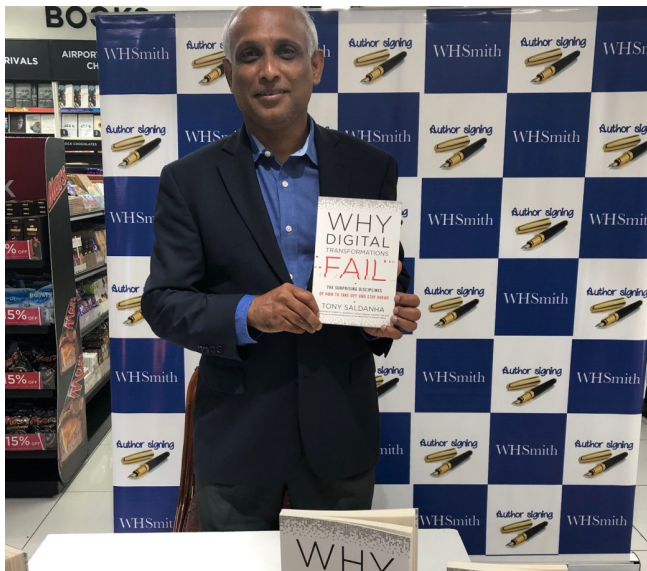
What I learned over that experience was that failure was seldom because of the technology, but because of change management and how organizations go about rewiring themselves.
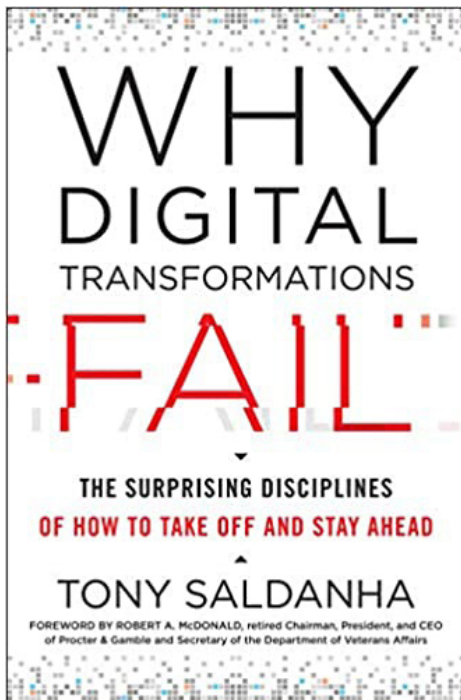
And that's basically what this book is, an attempt to capture my experiences and the hard lessons learned over a long and exciting career.
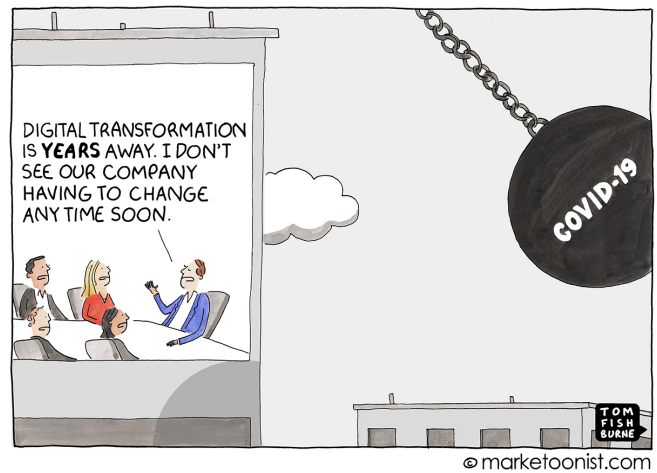
HB: I have to imagine being inside an organization of Procter&Gamble's scale and reach must have been a fantastic "lab" to undertake a digital transformation inside. But, and I acknowledge this is a lay-up question, I have to ask how you and your P&G colleagues define "digital transformation" because that term still remains the most prolific, and yet most ambiguously defined, business term of all time.

TS: Yeah, that's a fantastic question. When this initiative started within P&G I didn't have the term digital transformation in mind. What I was looking for was an answer to a simple business question which was what is best in class examples of internal business operations? It became very obvious, very early on that the real threat, the real competition was actually not another large companies but the way that start-ups ran their internal business operations. The answer wasn't how do enormous companies create business efficiencies by out-sourcing payroll and travel expenses but approaching it like a start-up who ask more profound questions like "why do I even need to run centralized travel and expenses?" Because its questions like that which are actually 10 times more transformative than running a more efficient but still lumbering operation.

WHY DIGITAL TRANSFORMATIONS "FAIL"

THE SURPRISING DISCIPLINES OF HOW TO TAKE OFF AND STAY AHEAD

TONY SALDANHA

FOREWORD BY ROBERT A. McDONALD, retired Chairman, President, and CEO of Procter & Gamble and Secretary of the Department of Veterans Affairs

From my own experience I found everybody kept talking about digital transformation and I kept asking them, what do you mean by that? And I got a variety of answers, like it's just about using cloud or artificial intelligence, but as I got deeper into this, it struck me that that was maybe one of the main reasons why digital transformation fails is all the noise in understanding exactly what you're supposed to be doing for your organization. I liken it to the fabulous anecdote of Alice in Wonderland who stops to ask the Cheshire Cat which way should she go. The Cheshire Cat pauses and then says depends on where you want to go. And Alice replies, "I don't care." I feel that much of the ambiguity comes from many of the organizations who are trying to transform not being crystal-clear on their definition of transformation, what it means inside their organization and what they intend for it to create, deliver or solve.

Ultimately, for me, digital transformation means the complete rewiring of companies operating in the third industrial revolution era so they continue to be successful in the fourth industrial revolution. Using the classic horse-drawn carriage example you know that no amount of productivity refinements is going to help

you in the second industrial revolution, you have to totally reinvent yourself, right. So rather than fight the whole world on a common definition of digital transformation, I came out with this five stage model. A way that, as a CEO, you can keep talking digital transformation and answer quite explicitly what stage of digital transformation you were talking about within your organization.

HB: The 5 stages you outline in your book make intuitive sense to me. How do you characterize them when talking to Executives?

TS: Stage one is getting the foundation right. Its more business automation than transformation. Like moving some systems to the cloud or on to SAP for more automated operations. Stage two is when one function or busines unit actually tries to disrupt itself – like the finance organization saying why should we be closing books on a monthly basis? Shouldn't it be real time? – but that disruption is small and isolated. Stage three is what I call partially synchronized. This is where GE was during the Jeffrey Immelt era. Everybody's is moving in this direction but it's not complete. Stage four is really about a the company's ability to reinvent itself as a one time reinvention. Stage five is when transformation is instilled in the DNA of every person in the organization and they're constantly disrupting themselves. Netflix is the classic example of doing this, from mailing physical DVDs to streaming media, to the original content creation model to tackle folks like Disney head-on. That's the real definition of Stage five where you basically reinvent yourself for the fourth industrial revolution and do it constantly.

HB: I was delighted, but not surprised, that a P&G executive would use the terms "rigor" and "discipline" so often in their book. Even including a Don Quixote quote in the foreword "Diligence is the mother of good fortune." Can you talk more about that?

TS: <Laughs> Absolutely. As I was doing my research at Procter and speaking to literally hundreds of organizations, consultants and executives, I gained another very important insight around what people think of as

innovation. Most people think of innovation as a right brain creative brain exercise when actually in the most successful companies doing any real transformation, innovation is always more of a disciplined, regular exercise than a truly creative exercise. What I learned from Google X very early on, is how very, very disciplined they go about this. Sure, they field some really intriguing projects like creating an elevator to go into space or teleportation, or creating water out of sea water, but they sort through hundreds of thousands of ideas from all over the world and whittle it down to 20 truly viable projects. Often the first person that they put on the job is actually a finance person, not a technologist. And then each project goes through these very rigorous stages and gates which, at any point in time, they could decide to kill the project.

Google X thinks of transformation as being more about discipline and sorting through lots of possibilities until you find genuinely viable ideas. That discipline of looking at opportunities holistically, not just as technology, but as change management, and then being extremely disciplined in the execution of both the technical aspect and the financial aspect is what sets them apart.

So, when I put all of those together, it naturally became like an aggressive checklist that had to be disciplined to be successful. So, Yes, that's why you see the word discipline over and over again in my book.

HB: If discipline is a prevailing theme in your book, so is the notion of change management or what I'd personally call culture. The ability of an organization to reinvent themselves or rewire for the 4th Industrial Revolution isn't just a technology requirement is it?

TS: Absolutely not. In fact, my own experience and the research I did for my book, has borne out that 90% of success in digital transformation is determined by change management or the culture of the organization and only 10% by the technology deployed. Basically this is yet another part of the discipline that we're sorely missing in organizations, because if we go truly believe real change is going to come from 10% technology and 90% culture and change management then you have a lot of work ahead of you to ensure you're able to transform your culture too. We've all seen companies that innovate from a digital standpoint, create a number of very successful pilots, and then try bring it back inside the organization where it falls on the rocks. There's only one way I can explain it; which is they're basically solving for the technology, they're not solving for the organization and the organization culture.
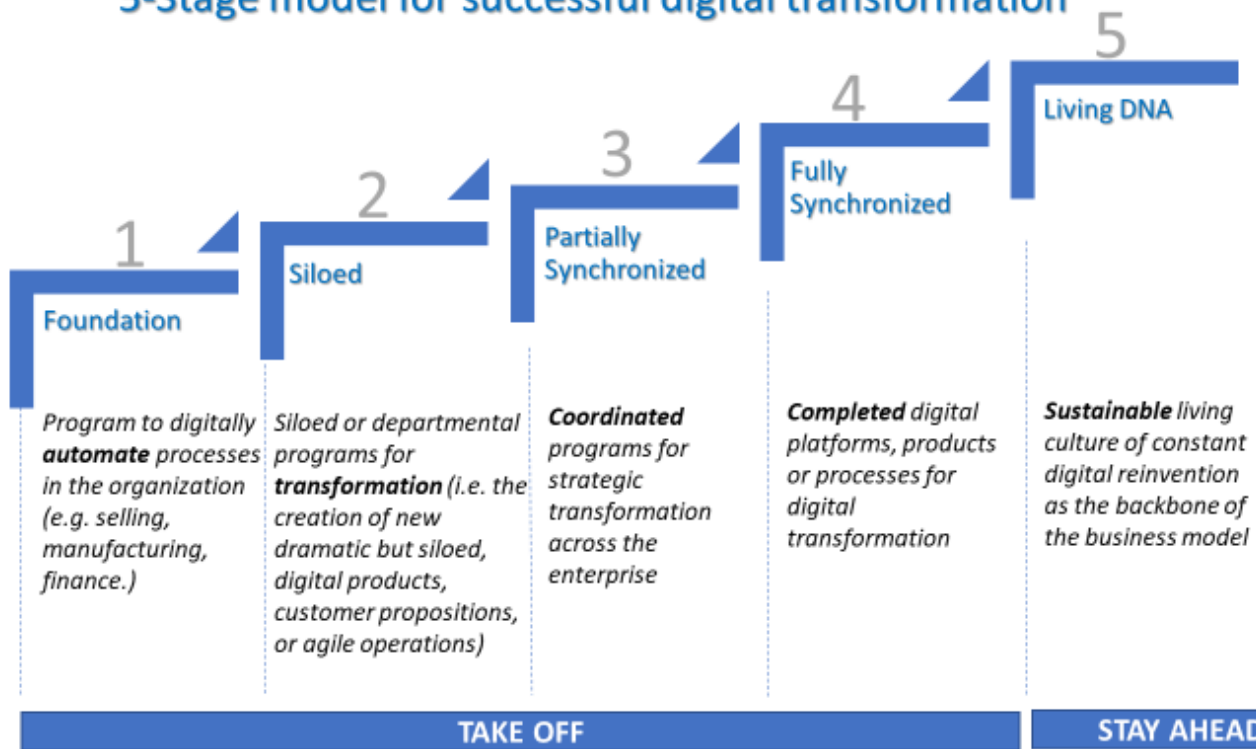
HB: So, Tony, through the lens of your 5 stages of Digital Transformation, is there a stage or a moment where culture or change management has more or less impact or relevance?

TS: Stage 5, where digital transformation is inherent in the DNA of the organization, I would say the culture piece is pretty cut-and-dry. The culture and change management aspect basically becomes a go-no-go way of working. However, your point about culture being an impact at all stages is valid. Even if you are implementing something as rudimentary as a new payroll system, there is obviously a cultural component to change the systems for bringing the organization and the employees along.

Perhaps the way to look at it is that change management or culture is absolutely critical at any stage, but I think the stakes become exponentially higher the closer you get to stage five.

At stage five, it basically becomes a do or die from a culture standpoint on whether you're genuinely transforming. In the earliest stages there are things that you could do including mandating the changes and, in reality, in the earlier stages, what you're trying to do has a lower impact or implication. You're playing for lower stakes and there are other levers that come into play and the technology can mostly drive the change.

5-Stage model for successful digital transformation

1 Foundation	2 Siloed	3 Partially Synchronized	4 Fully Synchronized	5 Living DNA
Program to digitally **automate** processes in the organization (e.g. selling, manufacturing, finance.)	Siloed or departmental programs for **transformation** (i.e. the creation of new dramatic but siloed, digital products, customer propositions, or agile operations)	**Coordinated** programs for strategic transformation across the enterprise	**Completed** digital platforms, products or processes for digital transformation	**Sustainable** living culture of constant digital reinvention as the backbone of the business model

TAKE OFF — **STAY AHEAD**

At Stage five, you have to rewire the entire reward and recognition system of your company to have every employee understand that they get rewarded for thinking disruptively. That's different in many other cases where the culture, and accompanying attitudes and systems, reward operational excellence or continuous improvement. Getting to a place where employees are continuously thinking about how to disrupt their own company requires a very unique culture along with the supporting systems and supporting leadership.

HB: I'm glad you brought up leadership which is often labelled as a critical aspect of any transformation. In your book you reference the GE Digital case as one where, despite leadership commitment, their digital transformation didn't achieve what had been expected.

TS: Yes, I do cover GE Digital in my book and it's an excellent example of a Stage three attempting to move to a Stage four transformation. In an earlier draft I had written it up, and everything that Jeff Immelt was attempting from that group, as a successful example but as I looked deeper into the case and read more and more about what went on, it became clear that there were cultural elements at play there too that negatively impacted them. To my mind, GE Digital is a great example of the CEO being completely committed and saying we are going to have a digitally-driven corporate strategy. Unfortunately what was missing was the empowerment or enablement across the organization; there wasn't enough teeth or authority to be able to drive the change across the entire enterprise. It seemed that GE Digital was trying to answer three distinct and possibly conflicting mandates. One, be the internal supplier of technology to the business units. Two, change the individual business units to be more digital but use influence than real teeth. And then Three, on top of that create this tool that will become the integrated GE platform for industrial engineering, IOT and industrial capabilities for the entire world. So you had three mandates rolled into one. And that's why, amongst other reasons I'm sure, why it never made it from a good intent into a successful execution. That being said, I give full credit to GE for being one of the first companies in the world to really understand the fourth industrial revolution and do something about it.

It's easy for us to be armchair quarterbacks and list all the things they did wrong, but it's important we give them credit for acting upon it which is something many other companies still haven't done.

HB: If full-scale transformation inside an organization is so difficult, is that why so many companies spin up skunkworks that are entirely separate from the core business? Different offices, different culture, different "rules". But those skunkworks seldom seem to deliver any of the innovation that is hoped for back into the organization. What are your thoughts on the effectiveness of skunkworks as a catalyst for transformation?

TS: No, that's a hundred percent Hilton.

The hard work is about helping people understand that real transformation is, first and foremost, about culture and then everything else is really about the technology.

So, if you're going to rewire yourself, what approach you need take to transformation is the first big question you need to ask because that determines how and where your culture needs changes. In a hyperbolic example, if your organization is faced with an imminent demise you've the ability to be very dictatorial and almost mandate a certain amount of change within your culture. Equally if you're being proactive in your transformation, like a Google X for example, you'd never blindly creating those operations without being very clear about the context of what you're attempting to do, and the degree of freedom you're going to give that organization to fail. The worst situation is dabbling in innovation a little bit on the side. That's nothing more than innovation theatre and typically fails to deliver anything meaningful. As a leader, you must be willing to declare some clear expectations or make firm commitments – I am going to commit to this percentage of my revenue or profits to this initiative or that this percentage of growth will come from new digital business models – as that delivers a very clear message to the organization, and to the market, that this isn't some play on the side, this is actually a core strategy.

HB: There's a common belief, perhaps mistaken, that only start-ups are nimble or agile enough to really transform. Large companies are too comfortable and their cultures just too calcified to be able to adapt. Do you agree that start-ups have a natural advantage?

TS: I'm not sure that it has anything to do with size. I think it has everything to do with mindset and therefore it is possible for any organization to be transformative. We just have to look at the largest companies in the world by market capital and sales, and if you include Amazon and Alibaba in there, seven out of 10 are enormous tech companies or tech-driven companies. Amazon may traditionally be defined as a retailer but it's really a tech driven company. So, I think the question becomes can you teach old dogs new tricks? While it may always seem simpler or easier to build a new house than renovate an older one, what's often forgeten is that these large organizations have two advantages that most start-ups don't.

Number one, in larger organizations, you have money and you typically have scale of resources While in the case of most start-ups, they actually don't have any money or the access to resources. The second thing that large companies have is intellectual property of their industry. From my experience few companies know global consumers like Proctor and Gamble does, right? Nobody knows how to do supply chain like P&G either, it's considered to be among the top three or four in the world for supply chain. Sure you have the issue of speed and agility in large companies, but against that, you'll have some of these other advantages that people often forget when they only look at metrics like agility. At the end of the day, there's a good reason why P&G is still around after 180 something years of existence which includes surviving many previous industrial revolutions and the reason is very simple. It builds on those genuine strengths and builds from there rather than worrying about not having a flashy tech start-up culture inside the company.

That's not to say that large companies don't fall into the classic competency trap and fail to watch their blind spots. Andy Grove of Intel famously said that only the paranoid survive. He was right.

In this industrial revolution, it's not just people that are a similar size to you in terms or are considered traditional competition, it's a start-up in a totally different industry you need to watch out for. In my book I talk about the classic moment when MapQuest and GPS completely disrupted Rand McNally and the other map publishing companies because those publishers probably never looked at the cell phone industry and thought that's where the disruption is going to come from. That's what Stage five transformation organizations do so well. They build a very deliberately curious culture – maybe even a paranoid culture if that's such a thing – that's constantly scanning the environment proactively looking for the next disruption and trying to get ahead of it.

HB: I fully acknowledge I'm leading the witness here but, as someone who has led significant technology transformations, do you believe organizations are as deliberate and methodical in evaluating their cultures and where they might be found wanting as they are evaluating their technology strengths and deficits?

TS: That's an excellent question and one I've never really considered in the way you just framed it. <Laughs> I think you already know the answer, but I'd have to say I don't think they do. Or at least not to the level of scrutiny that they do when they do an audit of their technology. Maybe that's changing. I know I've read that companies like Amazon, AT&T and Loblaws are investing significant amounts of time and money, like $700 million in Amazon's case, to create a different culture inside their organizations. The real test will be whether that investment, or that deliberate focus, on culture pays dividends in their transformation efforts. It's probably too soon to tell.

HB: I typically ask my interviewees what is the critical advice they would give to any CEO, CTO, Chief People Officer reading this article?

TS: For me the biggest piece of advice is to remember that this is a game of clarity or of fundamental business strategy, right? So, when you start you need to ignore the technology, actually ignore everything else and get extremely clear on what goals you want to set for yourself and your organization. That's the start of the discipline that I set out in my book. The reason 70% of digital transformations fail is an issue of clarity. Clarity of intent, clarity of direction, and basic clarity of language. It really doesn't matter whether you're starting at stage one moving towards stage three, you need to be exactly clear where you are in the journey; and if you follow the discipline and rigor on how to get to stage five, I firmly believe you'll be able to get there.

The other element I've been thinking about a lot recently is this idea of organizational "fear" or the fear of change that seems to grip so many organizations and so many leaders. And it really is critical to teach leaders to address it right up front.

That fear is not just at the employee level, but there's also fear at the board and CEO level. The fear at the employee level is around real (emotional) issues like is AI is going to take my job? And a belief that the longer I dig in my heels and not change or adapt maybe I can ride this out until I retire. That's obviously being very unfair to a majority of people that may not think that way but there's no denying the fact that there is an element of fear of the unknown at that level. Particularly unknowns around things like automation, job security and how to keep your skills current.

But I think there's also a fear at the executive level driven by totally different set of issues. There's genuine fear of this program is too big, it's going to be too expensive or take too long to deliver results. After all Wall Street rewards me on quarterly results not in results delivered in five years. After all, I'm not even going to be around in five years, so is all this pain really worth it. I do think we have to address this fear factor because this is foolish and is literally holding so many organizations back. I feel like that's another topic that needs way more discussion and attention. In fact, that almost feels like another book on its own. <Laughs>

HB: I really have appreciated the time we've spent chatting Tony. The "fear" point you just raised has definitely piqued my interest. Inevitably I'm left wondering if that's something that a culture can address – or amplify – if it really is going to hold an organization back. Thank you so much for your time.

TS: My pleasure Hilton. Thanks for the chat. It was lots of fun.

Building the Innovation Culture at Canadian airline WestJet

I'm always delighted when this interview series gives me occasion to talk with really progressive business leaders who are raising the bar within their organizations and within their industries. This interview with Alfredo C. Tan, Chief Marketing and Digital Officer at Canadian airline WestJet is a particular delight. Firstly, Alfredo and I have been friends for more than a decade and his business pedigree, both in Canada and internationally, is unparalleled. Not only is he finishing a Master of Laws at the University of Toronto Law School but he's also an industry Professor at McMaster too. Not surprisingly, where there is an industry with a knotty growth challenge or emerging business model you can typically find Alfredo leading the charge. Secondly, Alfredo's unwavering belief in culture as a key business driver has been a consistent perspective that has only grown stronger as his assignments have grown in scale. Finally, as the airline industry has been buffeted by the global COVID pandemic, there are few people more optimistic and enthusiastic than Alfredo about the role that innova-

tion will have in ensuring the industry comes back stronger and more vibrant. For international readers, WestJet is Canada's second largest airline after the national flag carrier Air Canada. Headquartered in Calgary Alberta, WestJet enjoys an enormously loyal employee base of WestJetters and a storied culture that is the envy of many organizations. WestJet's uniquely plucky personality and deep commitment to truly memorable customer experiences for every guest, which is what the airline calls its customers, is often compared to world famous SouthWest Airlines in Texas. Having flown both airlines quite frequently, I can attest that the comparison is legitimate but there's no denying that WestJet has built a culture and service ethos that is uniquely theirs.

HB: Always a pleasure to catch up my friend. I see that you've recently added the Marketing and Research & Insights functions to your existing CDO role at West-Jet. That's a significant portfolio. Congratulations!

AT: Thank you, Hilton. This was a recent development and, as the overlap between the three areas of marketing, innovation and digital became more obvious at WestJet, it makes sense to have all those areas centralized in one group. It's an amazing portfolio and it means that we now can look at the entirety of our guest experience today, and what it will be in the future, as one cohesive group. It's exciting and I'm looking

forward to getting deeply involved and continuing to move us forward.

HB: That's fantastic and, as you say, centralizing those functions makes a lot of sense. Can you give me a deeper sense of your new responsibilities?

AT: Absolutely. I'm taking over responsibility for imagining and delivering the end-to-end guest experience in the airplane, the lounges and our airports as well. This is in addition to all the work our team has been doing since I joined the airline to create a world-class (digital) experience at every moment in our guest's journey with us. I'm very flattered by the confidence that our CEO, Ed Sims has placed in me but, at the same time, WestJet and the entire airline industry has taken a significant battering with COVID-19 where about 95 per cent of our guest traffic dried up and we continue to struggle with the ongoing restrictions on air travel nationally and globally.

I'm very excited by the opportunity however it is a little

bittersweet amidst everything going on in the industry. Rest assured, we are working with our regulators and getting advice from top industry experts to ensure that air travel has every available measure in place to keep our guests safe. It's another challenge that we will tackle and I'm confident we'll conquer.

On the personal side, like many Canadian immigrants, I do feel incredibly lucky to live in this country and being able to enjoy the career I have had so far. I genuinely think I have had a fairy-tale career because I'm doing things that I love to do, and I get to do it with some truly incredible people.

HB: We met over a decade ago when you were one of the senior leaders running Facebook here in Canada before taking on leadership roles in Latin America and Asia Pacfic. Can you tell me what attracted you to this particular role at WestJet and, knowing you, what was the unique opportunity you saw here at WestJet?

AT: Sure. A friend and mentor told me once that you should always leave an organization on a high as opposed to on your way down. That's how I felt coming back to Canada after a number of roles building Facebook here before taking on stints in Southeast Asia and Latin America. It felt like the right time to move on and I was really looking forward to taking a little time off to contemplate what was next.

Fast forward a few months and an executive recruiter reached out to see if I could recommend anyone for a senior digital role at an unnamed Canadian airline. I gave her several names but counselled her that none of them would leave their current senior digital roles, especially to work for an airline. In my mind many would be hard-pressed to leave an environment where the role of digital was firmly established to go to an industry where digital was growing in importance but certainly wasn't yet seen as a critical business driver. I thought, erroneously as it turned out, that trying to build a digital competency inside a Canadian airline was going to be a constant uphill battle for budget, resources and credibility. I must admit I admire the recruiter (Kara Watson) for her tenacity because she

convinced me that I should apply for the role regardless and just listen to what the organization wanted.

With some skepticism, I accepted and jumped on a video call with the Chief Information Officer Craig MacCubbin and Ed Sims who, at the time was the Chief Commercial Officer and is now our CEO. I remember wearing nice jeans and a hoodie, not intending to be controversial, but mostly to see if they were going to pay attention to our conversation more than what I was wearing. In some ways it was my first real interaction with the WestJet culture. I thoroughly enjoyed the debate and discussion with them both. And no, they did not pay any attention to the hoody. <Laughs>

From that initial video call, I soon travelled out to Calgary to meet more of the Executive Team and to get a flavour for the people and the culture at the airline. Ultimately what got me to join, despite all my initial reservations, was the culture. In some ways it didn't really matter whether I truly believed they were going to genuinely make the kind of investment in digital I thought was necessary or not. It just felt like, at that moment, WestJet was going to be a great place to contribute a lot and learn a lot in the process. So, I said to myself "I'm gonna take it. I'm gonna give this a shot. It's a new experience for me and new experience for them. And we'll just figure it out along the way." How else would I know if everything they were promising was going to be true if I didn't take the leap? And, in the two and a half years since I've been here, the people and the experience at WestJet has been some of the most rewarding times of my career.

HB: I'm delighted, though not surprised, that you mentioned the WestJet culture as part of the lure of this role. Can you talk about that, particularly through the lens of the culture you were looking to influence coming in as Chief Digital & Innovation Officer?

AT: Of course, <Laughs> I am happy to. First, I think its important to give you a sense of our culture overall. You know culture is one of those things that if you walked into Facebook or Google, you may not be able to describe it right away, but you can feel which company

you're at. It's probably no different here at WestJet or any other large company when you walk in, you're like, okay I get it. Here it genuinely feels like the people are simply caring, kind-hearted people. Everyone you meet is so welcoming and wants to help and it shows in how we focus on our guests and how we treat our people. Working here feels the same as when you take one of our flights. Everyone is driven, passionate, and smart, but also just caring, considerate, ambitious, smart people.

Now here's the rub; the way true digital companies operate, and the way airlines work aren't exactly aligned to begin with. So, if our mandate was to build great digital products, great consumer experiences, and also drive commercial revenue then we'd have to start behaving more like a digital company within the existing culture of the airline. In essence, a kind of subculture within WestJet's well-established culture.

A critical first step was defining a set of guiding principles that the team was going to operate under and use that as a metaphorical North Star for how we measured our performance, how we behaved and how we recruited new team members.

This is controversial but think of it this way. The rigor, and process, zero risk tolerance, no experimentation, safety above all is critical in the operations of an airline. But in a digital world, risk taking, experimentation, speed of decision making and questioning almost everything is embraced. So you need to strike a balance between those two extremes.

Here's some examples. One of the six principles is believe it, before you see it. Most traditional companies will say, I will only believe that after I see it. So, in order to imagine what the future looks like, you have to build it but before you build it you need to passionately believe in it first. Another is fail fast, learn fast. For us it was about ensuring there were real constructs, reward

systems and incentives to allow people to actually fail fast and learn fast. That was crucial or it's just a nice poster up on the wall and everyone shies away from experimentation. The other one is data wins over hierarchy. Again, most traditional companies are still hierarchically driven. That's why an intern typically doesn't get a voice in a debate the same way that a director does. How do we change that? Well it is by operating in a way that if there's universal access to data and information and insight, maybe that intern can overrule a director's decision or even my own. The others are transparency over power, which is about ensuring information gets disseminated as quickly as possible so decision making can be distributed as opposed to sitting with just one person. Then focus on what matters which, at its simplest, tries to encapsulate that it's not about the input, it's all about the output and how you drove that output so others can learn. The last one is act with a sense of urgency so that you don't behave like you have five years to do something, think like you only have 18 months.

So, we crafted these principles to drive the cultural change we needed on my team. It wasn't because the existing WestJet culture was poor in any way, far from it, but we needed a different set of behaviours within the area we were building. That's the crucial differentiator – within the area we were building. It would be lunacy to expect our colleagues who deal with the safety of our equipment to live by these principles or behaviours, but our department needed a different operating model if we were going to succeed. Ultimately, I was tasked with creating a new way of working inside the organization so we could be this great digital organization that could drive transformation, create better guest experiences and improve commercial performance.

HB: That's great context. How has this "experiment" panned out and how has it evolved?

AT: We've had two and a half years to evolve and refine this but, without question, I would say we've succeeded in what we set out to do. But we are just getting started.

I look at the scope of the team, what we've been asked to tackle and the increased breadth of areas we've been given as clear signs we are successful. In real terms, the team has taken on more of the technology stack. The entire marketing organization is also moving over everything from brand product, destination marketing, trade marketing, sponsorship, retail marketing, digital marketing, market research & guest insights now falls in with our remit because there's a desire to take what we've done here and apply it to other parts of the organization.

HB: At the risk of sounding too pithy, what this story exemplifies for me is how developing a new set of behaviors can create new outcomes and a new approach to problem solving and decision making. Am I making that way too simple?

AT: Absolutely right, Hilton but as you know it's one thing to say these things, it's another to try embedding them inside the organization and yet another for them to become the accepted way of behaving. Each of those steps needs commitment and it requires working through the hurdles and objections because you're changing the status quo and it's not easy to do.

Let me give you a real example to illustrate the point.

When I first joined WestJet there was no work from home policy. In fact, there was a degree of stigma around it which may explain why it hadn't taken off. This struck me as a perfect use case to prove that our team was going to live up to our new principles and show the organization how we were going to be the experimentative group. To really push the point, I wanted us to create something broader and deeper than just a work from home program, I wanted to create a work from anywhere program that could have a ripple across the entire organization. We started with an obvious benefit all airline employees enjoy – the ability to travel anywhere at a reduced cost. Now what happens if we said we'd be okay if you worked remotely from

there if you wanted to stay an extra week. Now we have an employee who looks like a star to their family because they're getting an extended vacation and the result is that the employee is more engaged and enthused because we've given them that additional level of empowerment. That's one aspect of it – the rewards component – but equally important was doubling down on the accountability component. Our principles set out an expectation that our teams will experiment and run new and interesting projects constantly so it became equally important to have a way of understanding just how many experiments were being run by the team and how we were living up to the fail fast, learn fast principle.

The cultural evolution we've gone through is how to make these principles real and live inside the organization. How do you attach real rewards, real accountability, real measurements so you can demonstrate them in action rather than being a set of words? That's the critical work and, in our case, that's taken over two years to perfect.

The great thing is, now that we can point to real examples, this becomes a differentiator for us in hiring and retaining great talent because they can see when we talk about our culture there's real proof behind it.

And now if you look at what is happening around the world as a result of Covid-19, our experiment 2.5 years ago doesn't seem that radical. But it certainly felt pretty radical at the time.

HB: Great examples Alfredo and its music to my ears to hear you articulate this as a differentiator and a competitive advantage.

AT: Absolutely but I'd be a little more aggressive here and say its every company's competitive advantage. I've always thought of this as a sports car analogy. You have

a Ferrari and I have a Mazda 6, but what if I'm a great driver and you're just adequate, it doesn't matter that you have a Ferrari right? My skills and my capabilities are what really gives a company their competitive advantage, right? And culture is what allows that to come out in the best way possible. Look at almost any industry today, the "tools" of those industries, be it planes, engineering, logistics or even the technology they deploy, are all pretty much the same.

It's how you assemble the people to do the work, that's the real competitive advantage. To continue the thought if you look at strategy on one extreme and execution on the other, what closes the gap between strategy and execution is leadership, people and culture. That's the fastest way to close that chasm between strategy and execution and it's where most leaders should spend most of their time.

Look at me for example, I'm the new Chief Marketing and Digital Officer but I know 80 per cent of my time isn't spent on digital or marketing stuff. It's spent on the people, strategy and the culture and getting that part right. That's what will matter in the end. Not how many new features we deployed.

Here's another example of using those principles to drive the right or desired behaviours. Recently I found out that a developer on my team had built a new feature in our booking app that wasn't on the roadmap. He was just sitting around thinking that people will enjoy this feature if we had it. He didn't ask for permission to do it, he just did it in collaboration with his team and everyone loved it. That's the type of culture you want where someone who's super smart has the competency but, and this is critical, then the culture genuinely enables him to do what he's great at. In truth we didn't pay him more, he just did it because he thought it was the right thing to do. Now under a different cultural circumstance

he would have said, no, I'm going to get in trouble for doing this so I'm going to wait to be told to build this thing. I imagine that every company wants a person like that and the smartest one's are those that give that person the space to do it.

We're all familiar with the story about how Kodak lost the race to digital film despite having the technology already inside the company. However, the guy who invented it was told repeatedly he couldn't bring it to market because it would kill the company cash cow. That's a classic example of culture stifling innovation not, as many people believe, that they were asleep at the wheel.

I truly believe often companies don't necessarily fail because of the outside competition. It's the paralysis of bureaucracy and the lack of decision making internally that is often the cause of their demise. It isn't because there was an outside company that destroyed them. They were already destroying themselves.

HB: That's an excellent observation. I'm going to switch gears to something topical. The airline industry has been impacted significantly by COVID, some reports peg the revenue loss across the industry at more than 70 per cent. In that kind of turbulent market, do you see culture as an aid to business recovery or business resilience?

AT: Interesting question and one that WestJet, like every other airline globally, has been faced with since the start of March. With the dramatic impact to our guest count and with our flying reduced by around 80 per cent (it was 95 per cent reduced in April), I think our business recovery is going to rely a tremendous amount on the culture and its resilience. I'll give you an example. Most airlines are having to put people on permanent layoffs or reduced work or some sort of restructuring of teams, right? Everyone has had to do this. Airbnb had to do it. LinkedIn had to do it. The culture though

will define how you do it and that matters enormously because when the recovery eventually happens and you start to bring people back, is your place representative of a value system that will make talent want to come back or not? Culture has a tremendous role to play because how you treat people during the worst economic event in memory is a direct reflection of your brand, and people have long memories about how they were treated or what they heard about how other brands treated their people.

Culture is also what's going to help you define how you work, how you get through the difficult times, how you organize and deliver the capabilities you need to drive commercial performance and, in our industry, create a positive guest experience.

I would argue that culture matters more now than it ever did.

HB: Considering your title, and your earlier example of the colleague who just went ahead and built a new guest experience because it was the right thing to do, can you comment on the notion of innovation culture? Is there such a thing?

AT: Great question. I think a lot of companies get caught up with the "innovation" word because its hot and topical but its typically so poorly defined that it has, unfortunately, lost some of its significance. Case in point some organizations would consider a 0.5 per cent improvement in their widget an innovation while others would see that merely as continuous improvement.

For most organizations when they talk innovation, they mean the "disruptive innovation" which is UBER being better than the taxi industry and creating an entirely new way to have transportation or Netflix disrupting the delivery of entertainment over Blockbuster. So how you define it matters enormously. So, when people say they want to create a culture of innovation they're often

referring to wanting to replicate the model of a Facebook, Amazon, Netflix, or Google, where innovation is central to how the company operates daily. That's not a culture of innovation, that's just their culture. For me I don't think you need to have a culture of innovation, you just need to have a culture that drives innovation or doesn't stifle it when it occurs.

HB: One thing I've picked up on during our chat is this recurring theme about being very intentional and very deliberate about your culture. Would you care to elaborate on that?

AT: That's 100 per cent accurate. Let me use a health and wellness analogy. Nobody wakes up and says, "I want to have a terrible culture" just like nobody wakes up and says, "I want to be out of shape and increase my chances of cardiovascular disease." The thing is if you want to be healthy, live a long life and be in shape then the actions and choices you make every day have to be deliberate and guided by that objective. If it was easy, everybody would look like Dwayne "The Rock" Johnson.

Similarly, I think culture doesn't just happen. It has to be thoughtful. It has to be thought about the same way you think about strategy. It has to be something you obsess over the same way you obsess over creating your business strategy.

HB: Who doesn't like "The Rock" but your point about being deliberate and intentional in those daily choices about culture and strategy really resonates with me. In closing is there any final thoughts you'd want to share with readers facing similar challenges amidst this pandemic?

AT: Sure, the first one is pretty obvious but the need for support from the corner office is crucial. As important as the culture aspects around the water cooler are, we'd never have been able to push the culture, and the organization, as far as we did without buy-in at the most senior levels. That's obvious but it's a critical point to remember and its pretty much non-negotiable. The other thing is about accountability and holding people accountable. If you want to see genuine behaviours manifested in real, deliberate actions then you need a mechanism whereby people can call out behaviours that are inconsistent or damaging. That's real accountability. A close personal one for me is don't assume that the technology is the driver of innovation. People conflate innovation and technology all the time, they're related but they're mutually independent. It's actually the people and the culture that drives the innovation, just think about companies like Nike, PIXAR or Disney, all very innovative but you wouldn't think of them as technology companies, would you? Final one, again quite obvious but missed by many leaders in my opinion, is that culture requires you thinking about the long game and being committed to it.

Culture isn't a fad, nor is it a quick fix. If you truly want to see the results and the pay-off of a great culture, you have to remain committed to it.

HB: Don't you mean "deliberate and intentional"?

AT: <Laughs> Yes, I suppose that's exactly right. You have to be intentional and deliberate about your culture.

HB: Always a pleasure Alfredo. Thank you as always for the time and the great conversation. Take care mate.

AT: My pleasure. Good talking with you.

Using Culture to Drive Identity and Innovation at US Bank Quontic

In this series of interviews on the impact of Culture on Digital Transformation, I've had occasion to interview a broad cross-section of organizations in the Financial Services sector. That shouldn't come as a surprise as the industry – from Schedule A banks to Insurers to feisty FinTech innovators – is under increasing market and consumer pressure to accelerate their digital utility and reduce the bureaucracy and complexity that has plagued Financial Services for decades. This pressure is giving rise to a new kind of bank – and a new kind of banker – as the opportunity to reframe how customers are served rapidly unfolds. Quontic, the adaptive digital bank, is an excellent example of this new breed of a digital, community bank. I caught up with Quontic's Chief Innovation Officer Patrick Sells who, despite telling me he was a late-comer to the world of Finance and Banking, has already managed to snag the prestigious "Digital Banker of the Year Award" from American Banker.

HB: Patrick, always good to chat with you. I was looking at the Quontic website ahead of this call and was immediately struck by the phrase "break the system for financial empowerment" which is a really ballsy point-of-view for a bank. Can you give me some more context around that?

PS: <Laughs> Absolutely Hilton. I've been at Quontic for about 18 months ,but I had worked with the organization and the CEO Steve (Schnall) previously when I was running my own digital marketing consultancy. At one stage Quontic was facing a real crossroads and having to determine whether to expand into creating more physical branch- es or double-down and become a truly digital bank. Steve and I spent an intense weekend working through all of the possible permutations before deciding that becoming a truly digital bank was where we both saw a real gap in the market.

Importantly neither of us were content with being "just another digital bank" and we wanted something more aspirational and more provocative which lead us to that mission which, if you read off our website, is really quite unique.

Quontic's mission to break the system for financial empowerment stands in the face of big banks and proves there is a better and more equitable way to put the customer first.

The bank focuses on truly understanding and serving the underdogs, entrepreneurs, gig-economy workers, immigrants, and more with a curated banking experience as opposed to a one-size-fits-all banking approach.

Right out of the gate, we wanted to have a very strong perspective of who we were going to be and who we were going to serve.

HB: Well there's certainly no ambiguity in that statement. Why has it been so important for Quontic to be so direct, maybe even provocative?

PS: As we looked across the (US) banking system we were struck by how little innovation had really happened to the core banking proposition in the last 50 years. Banking remains, by-and-large, a one-size-fits-all service delivery. Now that may be okay for some, but we felt that increasingly there were large groups of people who were being inadequately serviced – or even just plain ignored – by the current system. We saw that as an opportunity. An opportunity to service those ignored groups but also to attract a group of employees who saw what a community bank could, and should, be and wanted to be part of that journey with us. Our mission needed to be bold enough to attract those (ignored) customers, but also folks who may not have traditionally considered a bank as a place for them.

Banks used to play an absolutely vibrant role in the development of American communities and society. It was prestigious and banks genuinely helped businesses come to life in this country. They helped communities to be formed and we asked ourselves, "what's happened to all of that?" That vibrancy, that impact, has been lost over the last few decades to where no young person graduates college and goes, "I'm going to go work at a community bank." Young people don't think of a bank as really that vibrant, exciting or enabling anymore. So at Quontic we're trying to come back to what working at a community bank used to mean. How do you go back to what banks were originally and become that vibrant place again?

HB: Are you talking about Purpose, that term coined by Simon Sinek, here or something else?

PS: I wouldn't use the word Purpose.

It's about having a clear sense of your identity, what makes you truly unique and different. Then being crystal clear with each and every person you employ about how you're going to deliver that at each and every opportunity.

For Quontic, that means three things. The first one is innovative deposits. Essentially these are a set of products you won't find anywhere else in the Banking world. We're currently exploring some truly unique programs that, for example, could reward you in Bitcoin or one that helps you reduce your carbon footprint to zero. Back to the mission – if it's not breaking the system or empowering you then we're not going to create it. The second anchor is maximum leverage which equates to ensuring that we get the very best out of every asset we have, be that our technology, to make us more automated and better wherever possible, or our people, who we want to empower and enrich to bring their best ideas to the Bank every day. The third, and this has caused waves for us, is adaptive lending where we deliberately look to a space where other banks don't go or wouldn't look to build a book of business in. Simple example is our mortgage products which lend to low income immigrants, gig economy workers and people who wouldn't ordinarily be able to secure a mortgage. Again, back to breaking the system and financial empowering the underdogs. That's part of our identity and everything we do needs to authentically reflect that.

HB: So, talk to me about how this idea of identity plays into your relentless ambition to innovate inside banking and, in particular, how is that borne out in the Quontic culture?

PS: This is something that (CEO) Steven Schnall and I have discussed time and time again.

I think the innovation word has been dangerously misused and for many it has become synonymous with technology, which is a miss. Innovation is either at the heart of what makes you unique or it's not.

Innovation quite simply is doing things differently and that, like what we're trying to create at Quontic, comes down to what it is that needs to be different – in our case how Banks, Bankers and Banking operate in the US

today – and how you're going to do that successfully and over a sustained period of time.

That idea always brought me back to trying to define the identity of Quontic, what makes us different (or why we want to be different) and how our people make that a reality versus just something we talk about. For a while I've struggled with this idea that seems quite prevalent in business circles that business exists only to pump profit for shareholders and Executives. That is so one-dimensional and flawed. It's like saying that you Hilton, as a human being, merely exist to pump blood. That's your sole reason for existing and sole activity to focus on.

Quontic Bank CEO Steve Scnall and Chief Innovation Officer Patrick Sells

Of course, that's complete insanity. You're more than a "pumper of blood" and businesses, especially Banks, need to be more than a "pumper of profit". Firstly, because there's so much more to business than that and secondly because no-one wakes up in the morning and rushes into a place just to help "pump profits". And if they do, they're probably not the type of people we want helping us build Quontic.

HB: Okay I get the idea that having this different, unique identity can set you apart in what you build and who you serve. Talk to me about the culture piece and how your people factor into this idea.

PS: The people part is absolutely critical. That may sound like a cliché, but a vital part of me joining Quontic is the recognition that our identity, and our ability to succeed only happens if it's authentically part of everything we do. For an organization as young as we are, we have this fantastic opportunity to get the culture part right from the very beginning. And that's what we set out to do.

We deliberately took a very grassroots non-scientific approach. We asked our colleagues!

We got together in small groups very organically and asked ourselves a series of quite basic, but very important questions.

"What behaviours do we think people will need to have to help Quontic succeed in its mission?",

"Which of our colleagues do we most adore and wish we could work with more often?" and "What is it about those people we like that we wish you could replicate and amplify?"

Quite basic questions but it drove some very illuminating and interesting conversations. And it made for an interesting list of people from across the company that, based on job function or title, you might have scratched your head. However, it did crystalize a number of our core values which, interestingly, came through time and again when we dove into why our colleagues had chosen the people they did.

Progress Not Perfection quickly rose to the top. That's become an important one for making decisions but also when we evaluate projects that didn't go as well as we'd wanted. Failure remains one of the hardest things for a company to get comfortable with but it's entirely unreasonable to expect zero misses – especially when you're trying to break the system. The next one is the idea of Try It On. We want to be quick to embrace and

try things and get feedback as to what is actually working. Just as important, we don't want to spend endless hours in meetings mindlessly debating things. Internally we use this basic analogy. If you were at a department store and you're looking at a shirt, you're not going to get your phone out and make a "pros and cons" list for 20 minutes before trying it on. Here's a real example I face all the time and probably accelerated by the Digital Banker of the Year Award. Senior executives from other FI's will call to discuss all their plans for the "digital millennial banking customer" and they stop short when I tell them the average age of my customers is 58. While they're likely having endless meetings about designing the perfect product for the perfect customer and worrying about Amazon or Google becoming a Bank, Quontic is out there "trying it on" and discovering all sorts of great and unexpected things. That value creates a real impetus for action which is why we're fond of it.

The third value is Say Cheese which really comes from that very human insight that when somebody pulls out a camera and says, "say cheese" most people light up, put on a smile and generally change theirmood. This value is a recognition that we're doing tough and difficult things and that there are going to be many stressful and crappy days. But, if we can operate with a mentality of "say cheese" when we're in those stressful moments with colleagues or, especially with clients, then we can go a long way to diffusing the stress and focus on tackling the problem. The last one is Know the Goal. Again, for a relatively young company, this is crucial. There are so many things we could do it's really a case of knowing and remembering what we must do.

That's important because it focuses our energies and our creativity on the stuff that matters right now. Having that clear mission statement is so important because whenever we get into a debate we can look at that and say, "is this breaking the system?" and is this "financially empowering?"

That's why a value like knowing the goal is so important to rally behind.

Honestly there are very few meetings where ateam member doesn't speak up and echo one of the core values. Often that's me. It's a way of reinforcing the values and reminding each other how we've chosen to act and make decisions here. <Laughs> Truthfully there have been times I've considered changing my title to CRO or Chief Reminder Officer.

HB: That's great context – and a great new title for Culture Officers I think. Do you think you have an advantage because you're so young as an organization? The "founders" of Quontic are still walking the halls where other banks are over 100 years old and that connection to the identity of the bank has been lost in the archives. Does that give you a cultural advantage?

PS: I love this question. Not to sound like a broken record but it really goes back to the idea of genuinely finding the identity of your business. The identity of a business cannot – or shouldn't – ever be solely reliant on the founder because we know when it's the founder, it doesn't tend to last very long beyond the founder's presence in the building, right. There are millions of case studies that point to needing to imbue something that can last beyond the influence of the founder. That's when you've really captured the magic. The analogy where I found help in thinking about this was the notion of religion. How do religions live on for centuries and centuries? It's because they've codified a means by which they live and operate. There's a means by which decisions are analyzed, there's a set of understood values and a common language that they've created which bring people together.

So whether your company is a one year old start up, 10 years old with the founder actively involved, or 150 years old and needs to rediscover your culture, you need to take a long hard look at the people that are there and ask, "Are we still aligned to the goal and how we're going to get there?" For us when we created the mission and associated values we very quickly saw that 80% or so of our people were all in. The 20% who were

on the fence or not aligned quickly saw that we were totally committed to our mission, our identity and those set of values. Some changed but, more importantly, some left – and that was okay for us and for them. They were quickly replaced by 20%, who absolutely ate, breathed and slept this way of living and this way of thinking. Unfortunately, when you're a bigger company, you may find that there's only 60% of your staff that are all in. But the same rules apply. What's your identity, what and how are you going to get there, and do you have the courage to get rid of those who are muddying the water or just aren't bought in? In our experience if you're crystal clear, as we've attempted to be in everything we've shared about our ambitions and our values, then making these decisions become way easier for both parties. It's when you're unclear or indecisive that the problems begin.

HB: Skeptics reading this will nod and say this stuff is easy to say but harder to do. Is there a time in Quontic's history that you've had to double-down on this way of thinking?

PS: Absolutely and in hindsight it was the first really significant moment around the value of progress not perfection.

In classic digital bank fashion when we first started Quontic we were obsessed with creating a brilliantly slick mobile application. We vetted several companies and started down the path. Two years of incredibly hard work and countless hours and dollars invested, we had a moment where we looked at the project and said this just isn't getting us where we need to go. Back to that value of "know the goal" and being able to say it's just not working. That was an incredibly hard conversation to have internally because the team had really put their heart into it, but it wasn't getting us to where we needed to. This was an idea that I personally had championed and now I was pulling the plug and resetting our expectations. But we could do it with way less agony and circular discussions because of those values we discussed earlier. And we ended up promoting and giving the Team Leader a bonus even though we shut the project down. For us, that reflected our commitment

to "progress not perfection" and promoting the Team Leader was 100% the right decision against that core value.

Here's the thing, for all the academic debates about culture, it really comes down to the ability to make faster and better decisions. And having values you commit to 100% removes so much stress, animosity and confusion from the day-to-day work. Who wouldn't want that?

If you don't see these as significant advantages in running any business, then I don't know what will convince you.

HB: An eloquent point passionately made mate. I always ask my interviewees for any advice they'd give their peers – in Banking or beyond – that are facing the same culture or innovation challenges you are. What would you tell them?

PS: Absolutely and some are very much driven by the reality of working in the Banking sector. Firstly, embrace the restrictions. Banking has tons of rules and regulations and if you'd asked my friends and family if they thought I'd be able to thrive creatively in that environment they'd say you were nuts. Reality is those restrictions, and every single business has them in some way or another, can be the most liberating and creative part of your role. Finding opportunity in, or despite of, those restrictions can be some of the most rewarding things you can create as a leader. So, embrace the restrictions.

The others really come back to my deeply held conviction around identity. You have to be authentic and be intentional with yourself and with your people. Inauthentic and uncommitted leaders are easy to spot a mile away and you're fooling no one if you're one of those. That means having some reverence for what you're trying to create and taking that responsibility, for other people, their careers, their families, their futures very, very seriously. Lastly, stop waiting for that perfect situation to get started on this stuff. There is no perfect timing, certainly not right now in the world, but you have to start somewhere and you have to start sometime. Why not right now? What are you waiting for?

HB: Brilliant. Some fantastic advice mate. Always appreciate your time and your passion for this topic.

PS: My pleasure. Take care, Hilton and we'll chat soon.

Building a Culture of Transformation at IKEA

IKEA is a global behemoth. The Swedish retailer, founded in 1943, is a juggernaut operating in over 38 countries and employing over 200,000 employees globally. The brand, valued at almost US$20 billion, has a pioneering and innovative spirit which can be seen in many of their business activities and practises. There is likely no home on the planet that hasn't a piece of IKEA furniture – or an IKEA Allan Key – somewhere in it. From concepts like flat-packing furniture to their commitment to sustainability and a desire "to be circular" by 2030, IKEA has an enviable and well-deserved reputation as a forward-thinking organization. Its little surprise then that IKEA would see Digital Transformation as a critical accelerant of their relentless pursuit to be and do better. And that they would put a seasoned Digital leader at the helm of that endeavour. IKEA's Chief Digital Officer Barbara Martin Coppola's resume reads like a whose-who of digital scale-ups and global digital trailblazers. I had the opportunity recently to discuss how, in such an innovative and progressive culture, is she able to drive a Digital Transformation of the global retailer.

HB: A pleasure chatting with you Barbara. Can you tell me a little about your background and your role at IKEA?

BMC: Sure, my name is Barbara and I am the Chief Digital Officer (CDO) at IKEA Retail. I joined IKEA in 2018 with the responsibility of overseeing and driving IKEA's overall digital transformation. This is by far the largest transformation in IKEA's history, where we are looking to change everything. Well, almost everything <laughs>.

By way of background, I have over 20 years of experience in the technology and marketing sector working for industry leaders such as Samsung, Texas Instruments, YouTube and Google. I also hold a Master of Science (MSc) in Telecommunications Engineering from Universidad Politecnica de Madrid, a Master of Science (MSc) in Mobile Communications from E.N.S.T (Telecom Paris), and a Master of Business Administration and Management (MBA) from INSEAD.

HB: That's certainly an impressive resume. Digital Transformation, particularly in the Retail sector, is such a broad and often ambiguous term. What does it mean at IKEA and how, particularly in the last few months, has that been unfolding?

BMC: In order to be successful digital needs to be embedded in every aspect of IKEA. Digital is a way of working, making decisions and managing the company. The reality remains that 80% of all customer journeys – regardless of sector – start online. So, in order to stay relevant and ensure a unique customer experience with the IKEA brand, we have embarked on a 3-year digital transformation. At IKEA we've divided our digital transformation into four main areas:

  • *Meeting the customer*
  • *Empowering co-workers*
  • *Digital Foundation*
  • *Digital DNA*

For us, our transformation is about meeting the fundamental change happening in society and the retail industry. Some of those changes have become even more profound since the global pandemic has struck and business and consumer behaviour has changed in significant ways.

That means we now have almost endless opportunities to fully express the potential of IKEA digitally. So when we refer to "digital transformation" it is not a goal, it's a journey towards being even more customer centric and working in a smarter, more agile way; ensuring that our business is attractive to consumers in the digital age with services and products that are designed to match the lifestyles and future needs of our consumers. That's how our transformation shows up for our customers.

Internally, the digital ways of working, with agility, iterations and being outcome oriented is a way of managing the fast-moving reality and the high-level of uncertainty we must all manage. Again, the current situation we're all facing highlights that uncertainty. Within IKEA's digital transformation we're intent on setting up our organisation with a "digital DNA" which firstly means a mindset shift, developing new ways of working and tracking the outcomes of what we do. And, at all times ensuring that whatever we're doing, we're focusing on the value we're bringing to the IKEA costumer.

HB: As we've discussed organizational Culture can have a real impact on a Digital Transformation. What has been your experience of the impact of Culture?

BMC: When speaking of digital transformations, it is imperative to think of it as a strategic paradigm shift, and culture can either enable that transformation or it can severely hinder it. There is also a large piece of change management that comes with leading large transformations, and specifically those associated with technological changes.
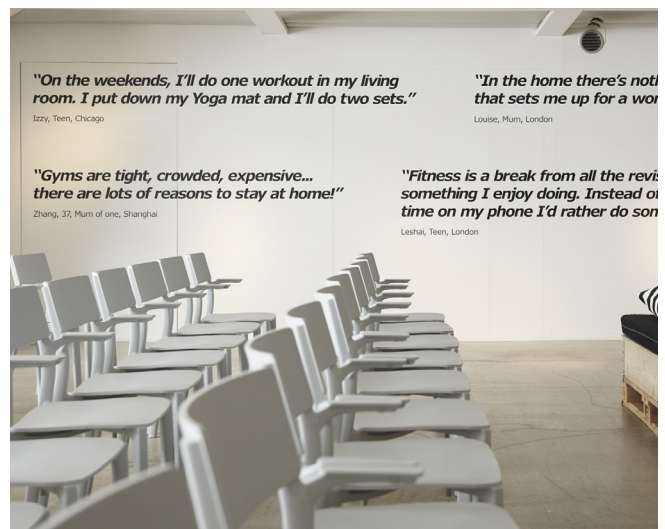
There are numerous aspects of how a culture can be that accelerant.

For example, a culture that is high performing, that works well running at high speed, and particularly one that is used to constant re-iterations, and is less hierarchical, allows for better and faster delivery of results. Those elements of culture enable transformation greatly.

Also, a culture with a healthy and strong risk appetite helps tremendously during a digital transformation. At IKEA taking risks is a natural part of our entrepreneurial spirit. Over the years, we have introduced many concepts, designs and ideas – like our Democratic Design mantra – that have enabled us to become leaders of life at home.

A consumer-focused culture, like the one we have here at IKEA, also enables us to support a digital transformation effectively because all our employees understand why we're making the changes we are. During our journey, we have broadly shared the responsibility of creating a new IKEA, whilst moving with speed to meet our customers wherever they are.

There is something unique about delivering a transformation at an organization like IKEA. We are committed to continuously improving, changing and challeng-

ing ourselves as we go: individually and collectively to ensure that the digital transformation is done correctly and with a clear focus on people and on the planet.

HB: I imagine many of the people reading this will have had their own IKEA experiences and a perspective on the IKEA culture. As someone living inside the IKEA culture, how do you describe it?

BMC: There is certainly something unique about the IKEA culture. Our culture very much reflects our Swedish roots from Småland in southern Sweden, where people are hard-working, down-to-earth and have an entrepreneurial spirit. Many organizations talk about their values, but I can honestly say that our values are the base that guides us in absolutely everything we do.

It really all begins with our vision and mission which is to "create a better every day for the many people". Aligning our culture, mission and values drive us to consistently improve and innovate our business on a regular basis.

Our founder, Ingvar Kamprad said it best: "Maintaining a strong IKEA culture is one of the most crucial factors behind the continued success of the IKEA concept". Over the years, our unique culture and set of values have grown into a straight-forward, innovative and creative IKEA organization.

Togetherness, renewing and improving, leading by example and caring for people & planet are just some of the key values of our culture. I'm proud to say that I see examples of that every day in the people and teams I work with across IKEA.

We're always striving to be better and finding better ways to get things done while, and this is quite unique in my experience, allowing for failure and learning opportunities. We are also agile in our ways of working,

testing for what works and doesn't, which allows us to accelerate the process of transformation.

Finally, we also put a large focus on taking care of our people – there is a deeply-held understanding at IKEA that without them, we wouldn't be here. By working with our co-workers and taking care of their needs, we ensure a better working environment, and that strong support is absolutely conducive to both creativity and growth.

HB: As you said previously, a culture can accelerate or impede any transformation. How is the IKEA culture adapting to this particular transformation and can you share any examples with us?

BMC: Our current culture is well positioned to allow our digital transformation mandate to thrive. Firstly, we are a large group of hard-working and strong-minded individuals that believe anything is possible. That optimistic mindset is critical. Secondly, the "heart" of our organization and our people are in the right place as we've always sided with people of thin wallets. Finally, our company mission and values perfectly align with our digital mandate too. For those reasons, I'm confident we'll ultimately thrive in our transformation.

Having said this, certain challenges remain. Attaining and developing the right skill set is currently an issue that many large companies face within the digital journey. Obtaining the right numbers and skillset, as well as diversity for the roles is key in order to develop successfully.

Overall, our company and culture are adapting well due to a well-established and well-understood vision and strategy for digital transformation. Our employees understand the importance of servicing consumers through many physical and digital touchpoints and our teams are working hard on new projects that help us learn and keep up to date with current technologies. For example, we recently acquired a company in Silicon Valley that enhances digital user experience around home products online and in-store. By leveraging advanced computer vision and visual artificial intelligence technology they can turn simple room photos into the first practical interactive 3D home visualization platform. For any customer who has ever agonized about vizualizing how a piece of furniture might fit into their home, this is an amazing digital innovation. This is a great example of delivering a better IKEA shopping experience to customers from the comfort of their home.
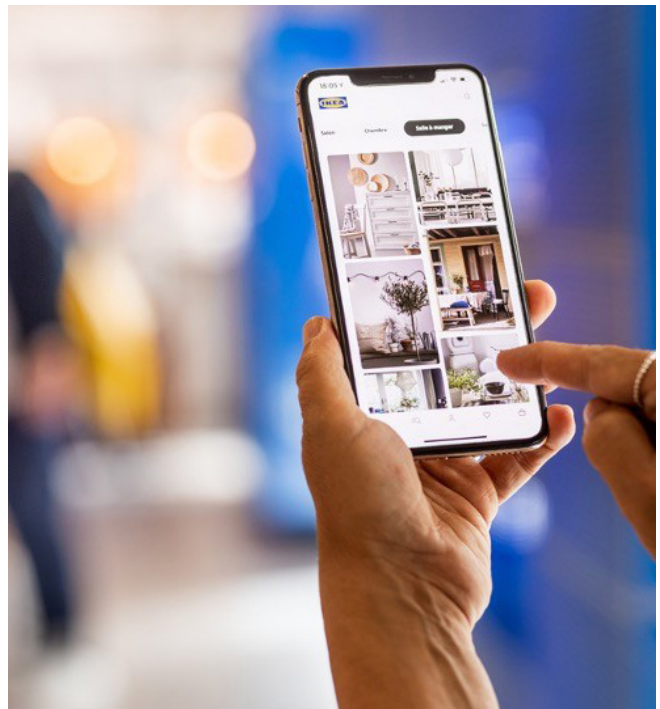
The digital journey has also supported our employees greatly during COVID-19 by providing assistance with initiatives such as "Checka" (or check-out system), where company employees can easily borrow monitors, chairs, keyboards, and all other office equipment for their own home office. Like many organizations we're having to adapt to employees working remotely or from their homes so, in this case, our employees are experiencing exactly what our customers are experiencing at this time too.

HB: During IKEA's transformation what culture lessons – good and bad – have you experienced? What has been a surprise or an important reminder?

BMC: Let me start by saying I don't believe there are good or bad culture lessons, there are only learning experiences.

To start, any transformation is only possible if everyone approaches it with an 'open to change' mindset.

Secondly, it is important to be willing to challenge current business models – increasingly companies are

trying to build value at lower costs, all whilst providing excellent customer value. This requires a movement towards new operating models that incorporate digital technologies, and new operational capabilities whilst continually renewing and transforming. From our IKEA experience, we've seen that it is particularly important to have strong leadership & alignment at all levels as well as co-worker buy-in across the organization.

HB: A popular question I ask all my interviewees Barbara…what advice would you give colleagues – particularly those colleagues from a digital perspective – embarking on their own organizational journey?

Digital only works when people are at the center, leading the way, creating new things and challenging traditional points of views. Courage and humanity together are the most powerful components of a positive journey.

Mistakes will inevitably occur, and you have to accept that they are an integral part of the process. It is crucial to keep an agile mindset and learn as we go through various iterations in order to create valuable products and services for our customers. It is also important to stop during the journey and recognize the process undertaken and celebrate the small wins. This will not only encourage people around you but allow teams to re-group and recall the transformation's higher and overall purpose and how much progress you've made.

HB: Barbara, appreciate you taking the time to chat, particularly at this busy time.

BMC: My pleasure.

How Feisty FinTech 11:FS puts Culture at the Centre of Banking Transformation

Several interviews in my series have been the result of following organizations who have a well-documented history of being culture-first. Some have been a serendipitous "accident" where an organization or leader flashes across my social feed and their passion for people and culture is palpable. David Brear, CEO of London-based Fintech consultancy 11:FS, was one of those. Amidst a slew of typical business updates, there was a slew of profoundly passionate culture-centric comments from David. Comments that begged further exploration. What I uncovered was a remarkable organization operating in one of the toughest sectors attempting Transformation – Financial Services – that has culture at the core. One that is seeing an enviable level of global business growth and expansion from taking that approach. I caught up with David from his UK home office delightfully festooned with Imperial Stormtrooper and Darth Vader helmets.

HB: David, always a delight mate. Another busy week for 11:FS so thanks for taking the time. I always start by asking for some company background so Readers can get a flavour for you and your organization.

DB: Yeah, sure. 11:FS is a young company, only four years old. As a company we do all sorts of things from helping large financial organizations build out brand new greenfield services and products to building out our own products too. I guess the story of the company is very similar to the story of the founders. We've all worked in all the different angles of financial services and actually that frustration stimulated a desire to really do business in a completely different way. Case in point was the documentary we did about the Financial Crash of 2008 which sprang from wanting to bring thinking and opinion to our banking community in unique ways. It meant telling a story that hadn't been told before. The reality is that when you stand back from what's happened over the last 11 years since then, the flourishing of the fintech and financial services ecosystems that have sprung up globally, without the actions of three or four people from 2008 to 2010, none of this fintech stuff would actually exist.

HB: Perfect segue to a frequent conversation about Financial Services and their ability to genuinely transform. Is it unfair to label most Financial Services as slow and lumbering? In the work you do, what role does culture play inside transforming these behemoth organizations?

DB: There's definitely some truth in that but it's also an over-simplification too. Sure, there's a lot of talk about legacy technology or, you know, the regulator won't allow me to do this and that. But fundamentally everything all big organizations face is cultural change. Some of that's historical. Banks are a very heavily regulated industry and the risk aversion that comes

about the fact that they can do things in seconds that would have taken people months to do. And actually, usually for fractions of the cost. So, you look at any industry where this type of rapid change has happened, it takes major scale, cultural transformation to really make it happen. And this is really the major problem every bank on the planet is facing.

HB: So, for an organization like 11:FS , is the reality you face mean going into a client scenario where perhaps slow and lumbering is the order of their day, and you're advocating and practising fast, agile and nimble?

DB: Yeah, it's a challenge for the banks themselves, you're talking about a hundred-thousand person organization, right? So, cultural transformation is not something, you can issue a memo on the intranet and ask everybody to do better.

In my experience, culture is this weird paradigm of being something that is both the most important thing in an organization, but fundamentally the very least understood.

I think when you say culture to a bank, they think free lunches and beanbags in the corner to relax in. Culture is a really big deal, but the reality of actually how you make culture or you change culture is something that most people just really, really struggle with. Not surprisingly, when you're so focused on shareholder value or revenue, the culture comes second to those things. And if culture comes second to those things, then actually there isn't a culture there at all, or not the culture that you need to remain sustainable.

In my mind, if you look at the organizations that are heralded for moving forward and having a great culture it requires a commitment from all people in that organization, and actually they do it from the ground up – this isn't a CEO-mandated kind of thing. Here at 11:FS our stated vision is to change the fabric of financial services. But our mission, the fundamental mission of 11:FS is to unleash talent. And the way in

from that. But actually, I think it's 300 years of success that's the real issue when it comes to some of these organizations. They've really sort of calcified around the things that made them successful at this point. It's more about the people who always believe the thing that made them successful in the first place will make them successful forever. And I think banks have definitely suffered from this.

HB: Can you expand on that in terms of that wonderful phrase "Digital Transformation"?

DB: <Laughs> Absolutely. You know, we've sort of gone from this analog world where banks completely understood the rules of the game to this new(ish) digital world. A world where everything is facilitated through the internet. And unfortunately, with that, the rules of the game, the value chains or even the supposed barriers of entry that stopped others from coming into the market fundamentally changed. And the banks are definitely scrambling to keep up with it. Just as fundamental, digital is now a small team sport. It's not how many people you have or how much money or how big your tech stack is. It's actually how good you are at doing these (digital) things. And this is really what fintech has done most. It's not about shiny apps or freezing credit cards remotely or whatever. It's

which we do that is by having a culture that will allow people to do the very best work they've ever done in their life. Not because we're just, you know, nice people. Although we are. <Laughs> But because it's just great business sense – you hire really, really smart people, give them the frameworks, the environment and the decision making rights, like pushing power to the edges rather than the center, then actually it's just better return on investment for you as an employee, as an employer. This is what many leaders don't seem to really understand. It's like hiring the beautiful Ferrari- and driving them at five miles an hour. It just doesn't make any sense.

HB: Excellent point about leadership and unleashing talented people. So where did your personal passion for culture spring from?

DB: I often get asked that question. Was it some place you've worked where you're like "this is the archetype business". And actually, if I'm honest with you, I have probably learned more from places where things weren't great than the places where it was. It's way easier to identify when a culture or a leader is exhibiting behaviors that you wouldn't want to emulate, like inconsistency, anger, ungratefulness, all of these things. What I actually go back to though is sports, the mental-

ity within team sports and the core idea that it is all about the team. In successful sports teams it is about really understanding the performance, thinking about what you can do better next time so you're actually improving these things. And that actually it's as much about psychology as it is physiology – you need to make sure that people feel right, and actually this is a big part that's often missed off with this stuff. Things like mental health are put down as a fluffy thing, but honestly, you can have the fastest, best football player in the world and if their head's in the wrong place, all that skill is totally irrelevant.

HB: Hard to argue that with a passionate South African rugby fan like myself David. So what's the culture you've built within 11:FS? What's your underlying philosophies?

DB: The culture piece has always been central to building 11:FS and, across the founders, we really do have some strong opinions on it. One thing we honestly all believe is if you create the right culture, then leaders are just not that important. I think it's a missing idea in many companies.

Our Values and Attributes.

Team
Success is a team sport.

Great teams at 11:FS are:

Inclusive

We collaborate proactively and effectively with diverse groups of people to achieve the best results. We value our differences.

Selfless

We're driven by the greater good of 11:FS and not self-interest. We make time to help those around us.

Empathetic

We always look to understand people better. We use this to shape our actions and inform our solutions having the greatest impact as an individual and as a team.

Communication
We all own our narrative.

Great communication at 11:FS is:

Confident

We communicate with certainty. We are confident in our ability to succeed from being prepared and being experts at what we do. We don't blag it.

Clear

We distill down to the critical information. We know what matters and focus on that. Our communication is clear and memorable.

Transparent

We believe in being open and honest with others and ourselves. We share our workings and explain our actions. We talk to people not about people. We are not afraid to have difficult conversations.

Attitude
We embrace our weird.

Our particular blend of weird is:

Passionate

We continually inspire others with our drive for excellence and our belief in the vision and mission of 11:FS.

Positive

We believe we can change the world for the better. We are credibly optimistic and tenacious. We are constructive in our thinking and with our actions.

Authentic

We truly believe in who we are, what we do and how we do it. We back our words up with actions. We are willing to be vulnerable to be true to our beliefs.

Impact
We punch above our weight.

The 3 attributes of our impact:

Astute

We accurately assess situations. We use insight & expertise to consistently make the right decision to deliver measurable business value and create an advantage for 11:FS.

Delivery

We are obsessively driven to deliver the best results for 11:FS & it's customers. We take accountability for quality & velocity. We think strategy and tactics.

Restless

We are pioneering, continually looking to move 11:FS towards excellence in what we do and what we could do. We take the initiative, our bias is to action with impact. We are not afraid to fail but we learn from and own those failures.

If you really create a sustainable culture where every node within that team is self-cleansing or self-regulates that for me is utopia. Because at that stage then the values or communication methods or rituals of the company have been continually reinforced and now are second nature.

As an example, shockingly from the sports world, I've got a lot of admiration for Barcelona football club for the way in which they went about the establishment of how to play on that team. It all started with just simple ways to allow people to understand how to behave, right? If you lose the ball, you do this. If you can't get the ball back, you do this. And it actually was nothing more complicated than two or three very simple, very basic rules that the entire team understood deeply.

I often feel that people try and over-think these things. Often the problem is trying to emulate the signs of success rather than the things that truly made those organizations successful. You get people saying stuff like it's about bean bags, PostIt notes and free lunches for people; and not really understanding that actually most of what culture is just giving your people meaning and purpose.

THEN if you follow through on the actions, the rituals, you consistently communicate the purpose of the organization and ensure people align to it...you can make people superhuman.

HB: There's a belief that founders, or companies where founders are visible and very active, have an advantage because the beliefs, the history, the culture is literally walking the halls. 11:FS has just opened across the pond in New York, how have you been able to translate the culture to a new city, a new country?

DB: Yeah 11:FS is certainly growing quickly. Probably my only real objective at this stage is for the company

to be kind of a self-fulfilling nature where I actually could be out of the organization for three months and it does not matter. I think that's a fundamental difference when people are in an organization where they're trying to build an empire that sustains them, rather than one that can outlive them.

As an organization 11:FS has many great leaders across it, but actually the people who are the sort of cultural pillars of the organization are not the most senior people within the organization. And actually, that's the point where the whole model is what I call self-cleansing. Where people across the organization, not just the leaders, are continually reinforcing the values, the attributes, the rituals, the things that matter most to us. I genuinely feel that's why we have so much momentum right now because it has become this thing where everybody buys into where we're going. And that moves us forward.

You know, we're not really one company. We're a combination of five or six different companies. We purposefully operate in this distributed way where centrally we're highly aligned and loosely coupled in terms of structure but we've pushed decision-making much more to the edges, empowering people to do what they think is the best thing, knowing that sometimes it won't be the best outcome but actually when we do that, when we give people the opportunity to learn and move forwards that actually has allowed us to take on more and more without losing quality or speed.

Regarding the US office, we're now four years into our journey but we've already been doing work in Australia, South Africa, China, Singapore, South America, all over the place. The problems are mostly the same. I think the way in which you have to communicate to people is slightly different. The unique cultural nuances. But the problems are the same. The major thing for us, in terms of our people and even our clients, is about generating trust and authenticity. Can you create trust with your people? If you can deliver authenticity and actually show people that you're passionate and positive about the subject matter you're communicating about, then actually, you know, people are just people.

Finally, it's also about nurturing a group of kindred spirits or people that aligned from a values and a purpose perspective. If you look at my management team, I'd say we've been auditioning each other for the last 10 years and we sort of just knew at some point we were going to end up working together. In building out that group, I think people often mistakenly try to define a job then try to find a person to fit it. Actually, from a culture and business building perspective, it's better if you find a person that really aligns to the direction, then define a role around that. In my experience, that works a lot better because nobody really ever lives up to a hundred percent of the job description anyway. People talk about a square peg in a round hole being a problem, but I actually think it's more dangerous to have a round peg in a square hole because actually if you don't know where people's edges are, then actually you can put them into circumstances that they don't feel comfortable with or feel out of their and that is never good. For them or for the company.

HB: Adore the "find the edges" comment. Can you give me a flavour of some of the ways you work inside 11:FS to reinforce these things?

DB: Sure. The irony is they're a combination of small, little things. But they're our small, little things. Small things like we always prefer face to face communication. So it doesn't have to be literally face to face, but we very rarely make phone calls because if you really want to show empathy to people or you really want to

have a conversation with somebody, then Google Hangouts or zoom or whatever, actually allow you to show yourself and communicate with people in a completely different way. From a ritual perspective, the whole company comes together on a Friday but every day everybody in the company at 11:FS posts on our SLACK channel the most important thing that they have to do that day. That's something that we've done since we were 5 people, now we're 180, we still do it every day. That particular ritual is important because it forces us to really focus. Across the whole company, we each reflect a little bit on what is the most important thing that I achieve, write it down, share it and focus on it. It's a very powerful catalyst for us.

We've recently done a lot of work to really establish our values and the attributes that really sort of matter most to us. An exercise of expanding out when we lived by three main rules. Which was our core belief that digital banking is only 1% finished. The key policy sentiment was "don't be a dick" and even that was purposeful because it was quite deliberate. For us, when you give people the decision making or the authority to think for themselves, actually most are very responsible and assess their decisions on a personal level and actually bring more of themselves to work than just adhering to a bunch of written rules and guidelines.

HB: I'm hearing a lot of autonomy and distributed decision-making. Treating adults like adults. Any other key aspects of the 11:FS culture?

DB: Sure. Always, always be falling forwards. That's been in my Twitter bio for four or five years but it's how I live life. I'd rather fail trying to do something than miss an opportunity. That idea is probably wired into our company's sort of restlessness and our constant focus on making an impact. And in some strange way I think it speaks a lot to the problems that are actually within financial services right now. Because of the technology, because of the operational processes, everything takes a long time and costs a lot of money and that creates a rigidity, a fear to try new things because so much is at stake. Whereas if you look at the best organizations in fintech or Silicon Valley or China with the operational capability that they've built, you know, they've mastered failing small in a way that doesn't mean that you're betting the house every time. The problem is if you're forced to make big bets, everything is scary and everything is high risk. For us at 11:FS it's about keep polishing, polishing, embellishing, moving. Honestly, build, build, test, learn. But also just communicate. I mean the best way to find out if something is a good idea or not is to discuss it with somebody else who's smart. And if you can do that and then rule things in, or out, quickly things get momentum really fast. That's what we've seen is possible when you're failing forward and not betting the farm.

HB: Great answer. For readers of this interview, wanting to create some of what you have here at 11:FS, what advice would you give them from what you've learned?

DB: Sure. There's probably three or four but, for me, I'd say always start with the why. When you're trying to inspire people to do something rather than tell them what to do, giving them the why is always the best way forward. If you give people the opportunity to think about something themselves, you'll find that they take much more responsibility and ownership for things.

The second one I would say is if you don't constantly reinforce your culture, then you don't actually have a culture at all.

It's similar to that idea that if there aren't any ramifications for not adhering to the rules, then there really aren't any rules to begin with. So if you're going to set a way of doing things inside your culture, then you really have to relentlessly reinforce it. If not you lose the ability to defend the territory, to defend the culture that you're really trying to establish.

Probably the last one with what we'd done here around culture is that nothing is ever done.

You know, it's not like building a house, it's like creating a garden. You're constantly pruning, watering, weeding, watching. It's not a one and done thing for sure.

You will put things in place that work when you're 20 people that break when you're 35 and then break again when you're at 50 or 150 or 190. Things break and change all the time but I think as a CEO of a company of any size you've got to embrace change and embrace the fact that everything is continually evolving. Taking this full circle to the start of our chat, I think the organizations that fail are those that believe the way they have done things historically is the way they should always do things. It's those organizations who have calcified around their processes, their rituals, their structures that are the ones that ultimately ended up failing. That's why, for us, that constant evaluation, review and restlessness is so so important.

HB: It's been a pleasure mate. Thank you for taking the time and all the very best with New York.

DB: Thanks Hilton.

How HubSpot has built their Culture to succeed with a soul

Marketing is my first love and as the marketing landscape evolved and became more digital in the past two decades, I've been aware of a crop of artful and elegant companies leading that transformation. One of the organizations at the forefront of that digital transformation in the marketing arena was Boston-based HubSpot. One of the fore-runners of the "inbound" marketing phenomenon and a incredible tool for organizations, particularly small and medium-size businesses, Hub-Spot has always had a unique perspective and a very clear mission. It's been a delight to understand the culture behind HubSpot's incredible rise and to see the impact of purpose – and the colour orange – can have on mobilizing the creativity and passion of their people. In this interview I chat with Katie Burke, the Chief People Officer at HubSpot.

HB: KWho are you, what is your role at HubSpot and what does that entail?

KB: I'm Katie Burke, and I'm the Chief People Officer at HubSpot, which is a fancy way of saying that I'm the product manager for our culture, candidate, and employee experience globally at HubSpot. I've been with HubSpot for just over seven years and always been focused on building a culture that was a competitive advantage for us. What that entails is working with our executive team and our employees daily to build a company that people truly love working at, and constantly adapting to feedback on what is working and what isn't.

HB: I'm quite familiar with HubSpot from my marketing background but can you tell me more about the organization's history and this colourful obsession with the colour orange?

KB: <Laughs> Sure, I'd be happy to. Our founders, Brian Halligan and Dharmesh Shah, started HubSpot because they felt the traditional marketing playbook was broken and they wanted to help organizations "earn attention versus renting it", so we started as an inbound marketing software company and have now evolved to be a growth platform for 50,000+ customers globally. Our software includes a CRM, marketing, sales, and services tools, and empowers companies to grow better with tools that are both powerful and easy to use. For me, what makes us unique starts with our mission – to help millions of organizations grow better. To me, the better part really matters – we want people

always a digital organization. So, how is Hubspot "digitally transforming" and, in your particular case, how are you helping your customers digitally transform?

KB: We started out helping companies get online with their marketing approach, and are still proud to help companies build their digital businesses, but now we also help them do that in smarter and more scalable ways.

A few examples of that – our Marketing Starter product is designed to help people get online and growing with HubSpot in a matter of minutes or hours, not days, and we have invested a ton of energy as a company in the last two years making it easier than ever for small businesses to get online easily and quickly. At the same time, we've built a robust platform of Enterprise tools that make it easier for larger organizations to do things like create localized content and collaborate globally across marketing, sales and services, so we are really trying to make it seamless and easy for businesses to grow digitally, at each and every touch point.

Importantly, we've always thought of ourselves as a technology company but with a strong connection to and mission to educate and empower people so we offer free content via our HubSpot blog and Academy resources so anyone can learn how to grow better, even if you're not yet a HubSpot customer. We also have more resources than ever available to anyone, anytime, via our HubSpot Academy which is the truest extension of our commitment to being a "learning and education" company too.

HB: What is your personal definition of culture and how has that evolved in the 7+ years you've been with the company?

KB: I think two things about our culture really matter here. One we've always had a culture of helping people first and of sharing what we know with the world. That really hasn't changed over the course of HubSpot history.

to build companies that last, and we want to lead the way on that front.

As for the orange, it's a funny "origin" story. Legend has it that Brian and Dharmesh picked orange because it was so unique and because very few companies used orange in their branding at that time. Orange was our way of sticking out from the pack. Fun fact- I hated the colour orange when I started, but it turns out after 7+ years it warms on you! Dharmesh's wife designed our logo and was one of our first customers, so I always think to thank her when I see how far it's taken us. To give you an idea of how wedded we are to the quirky orange colour, a few years back we hit an incredible milestone – 15,000 customers – and what better way to celebrate than release 15,000 orange ping-pong balls in the atrium of our Headquarters. It was a fun way to celebrate the fact that 15,000 people trusted us with their business but also reflective of the way this company acts and how we uniquely celebrate.

HB: This series is about how organizations are digitally-transforming. In your case, HubSpot was

Second, we have a remarkable culture of transparency, so we make a habit of sharing with people not just what has worked for us, as a company and a culture, but also what hasn't. I'm extremely proud of that because so few company's genuinely practise this. For me, culture is the promise you make to your candidates, employees, customers, and partners about what they can expect from your business, your leadership, and your decision making. And how you're perceived by those various groups is ultimately determined by how much you live up to that promise day in and day out.

One thing that is particularly top of mind for me right now, is that culture is often defined by how you treat people when things are tough, not when things are going according to plan.

So one thing I encourage people to think about how a company and their culture responds to adversity, not just prosperity. Those actions and be-haviours says a lot about a company.

Some elements of our culture have remained constant, namely our commitment to autonomy and transparency, which have been foundational since the start of the company. But others have evolved – we changed one of our values from "efficient" to "empathetic" when we realized that both global expansion necessitated a new

level of understanding and kindness not just to each other but also to our customers. So our culture has become more global in nature – the way we I describe it to people is I want our global office locations to be "siblings not twins," so I'm proud of the fact that none of our offices is the same, but each of them adds something new and special to our culture as we grow. Our culture is also more remote-friendly and inclusive than it used to be, particularly in this moment.

HB: What project/program/initiative has had the most impact on your culture? Can you explain what it was, why it was needed and what impact its had?

KB: I think our diversity, inclusion, and belonging initiative – we are not even close to done, but we really have worked hard to reframe our entire approach to hiring as being focused on culturally additive folks versus folks who "fit" our culture, and I think we feel like a better company because of it.

I believe a lot of companies wait until they have a "perfect" strategy or ap-proach to get started, and we really began by experimenting with a whole bunch of things and seeing what worked for us, listening and refining from there.

The result is a company that feels markedly more diverse and inclusive in many ways than it did five years ago, though we still have much more room to grow and improve.

HB: What has been your most profound learning about Culture and Transformation in your tenure?

KB: My most profound learning comes back to a quote that was in the original version of the Culture Code deck and remains to this day, which is a quote from Louis Brandeis that "sunlight is the best disinfectant."

Every time something has gone off the rails for whatever reason, the solution that works is leaning into being transparent around what we are thinking, the why behind the decision, and facing the music with our employees –

I think most employees can deal with disagreement and even disappointment; what they can't deal with is a breach of trust or transparency.

HB: For those reading this post and going through their own challenges/journey, what advice would you give them related to culture?

KB: Great question. My first recommendation – Embrace the mess. I always say that culture is a little bit like Instagram versus true life reality. You assume everyone else has it all figured out and your company does not – when in fact we are all trying to figure out what works and what doesn't and making a mess as we go.

Rather than focusing on other people and overthinking what they have that you don't, focus on what makes your company uniquely special and delivering on it, the rest will follow.

My only other advice is to create a culture that stands for something. I'm a big fan of the quote from Hamilton (Lin-Manuel for life!) "if you stand for nothing Burr, what will you fall for?"

The same is true of company cultures – if you stand for nothing and try to appeal to everyone, it's hard to actually contextualize how to make great decisions or great hires based on that. You have to unambiguously stand for something. Then relentlessly deliver on it.

HB: That's excellent advice Katie. Appreciate y our time – thank you.

KB: My pleasure Hilton. Take care.

I strongly believe – like Katie does – that culture is an organization's most sustainable competitive advantage. And, that any organization who is contemplating a digital transformation, should start by determining if they have the corporate culture to accelerate or impede that transformation.

POPULAR CULTURE POSTS FROM HILTON

linkedin.com/in/hiltonbarbour/

HOW SHOCK-PROOF IS YOUR CULTURE?

In the past decade, Hollywood has made a mint chronicling how events like an alien invasion or the uncovering of buried sea monsters create such an existential crisis that, previously divided, acrimonious people and countries put their differences aside, join forces and unite to quell the common threat. From "Independence Day" to "Godzilla" or "Pacific Rim", the sight of a truly global connected and cohesive Team Human really was uplifting and soul-stirring.

Sadly, that globally connected and cohesive "Team Human" appears more fiction than fact.

In fact, if your news reports echo what I'm seeing on my TV in Canada, humankind seems more intent on hoarding all the toilet paper, pushing up prices on hand sanitizer and stereotyping any person of Asian (or Iranian) heritage as a potential threat vector.

What is abundantly clear (and markedly different from a Hollywood plot line) is that in an extreme VUCA environment – like the one we're experiencing with COVID-19 – humans typically tend to devolve rather than behave selflessly, altruistically or collaboratively,

All this, while business leaders are hastily dusting off old, or hurriedly writing new, Business Continuity Plans (BCP's) to address the current COVID-19 threat.

I'd propose that any organization's resilience will come down to the strength and cohesiveness of their culture, not a new list of policies and procedures s pun up in the past week.

Here are five dimensions of your organization – and your organization's culture – that seem set to be sorely challenged as this situation unfolds.

How adaptive and resilient would you say your organization is on these dimensions?

Empowerment

Remote working, either voluntarily or mandated, is a very real scenario many companies will face. Individuals working from home, possibly even tending to sick family members, while trying to keep their projects going.

How enabled and empowered are they? Do they feel they can make decisions and take initiative in the absence of management? Do they have the right tools to remain connected to their teams?

Or do they feel isolated, without the right tools and decision rights to plough on? What impact will that isolation have on workplace stress, employee burnout and employee retention?

Diversity & Inclusion

In times of crisis, mankind has historically been quick to shrink back to a tribal mentality ostracizing outsiders or "others" until the crisis passed. Some news reports suggest that tribal mentality is rearing its ugly head again.

Just as building truly diverse and inclusive organizations – starting at the C-Suite – seems to finally have begun to gather real traction, is your organization committed to accelerating the adoption of D&I? Or will

you put initiatives that might upset your current leadership composition on-hold because you deem them too risky at this time?

D&I has unequivocally been shown to deepen the agility of an organization by catalyzing new thinking and new answers. In the midst of this unfolding crisis, whose impacts are yet to be fully understood, do you really want to be relying on the same old thinking to get your organization through?

Innovation

As a career marketer, I've seen organizations slash marketing investment at the first sign of a soft market. That, despite volumes of research showing that keeping marketing investment going actually accelerated their recovery post-recession.

I wonder if innovation initiatives will suffer the same fate as marketing budgets in the current climate.

In truth, innovation – the creation and delivery of successful new ideas, products and services – is probably one of the starkest ways to measure the cultural agility and adaptability of an organization. The ability to imagine, and then create, something new within most organizations is a herculean task and one few can manage consistently. Those that do – 3M, IDEO, Apple – typically credit their culture.

If organizations begin mothballing the parts of the organization tasked with innovation (or adapting to new market conditions) will they be able to reignite that competency in the future?

Collaboration

Organizations that run hot on meetings, volumes of Reply All emails and a daily schedule of back-2-back-2-back (to back?) meetings will find this new reality a

significant challenge. If meetings are your organizations yardstick for progress and moving the peanut forward, consider what happens when those meetings because less frequent, less well-attended and significantly less face-to-face.

Again, what behaviours inside your organization will need to dramatically shift to address this reality? In particular what leadership expectations will need to be modified if your organization can't operate beyond its current way of collaborating, meeting or making decisions.

Leadership

Not surprisingly, this dimension will be the one under the most scrutiny now – and under even more scrutiny after this current crisis dies down.

How did you act? Were you decisive or cautious? What missteps were preventable? What should you have anticipated? What bullets were you fortunate enough to dodge?

Your organization's leadership – and that extends beyond the people deemed as leaders – face the toughest challenge in any crisis.

In this particular situation, I'd be asking:

Has your centralized command-and-control structure neutered your organization's ability to think independently and with agility?

Is your culture defined well-enough, understood well-enough and acted on consistently enough, that it can continue to function effectively if any of the C-Suite were to fall ill?

In a previous post I recounted perhaps the most famous business leadership response to a crisis ever documented – the tainted Tylenol scandal

What I hadn't realized was how much a role culture played in J&J's response and how CEO James Burke's leadership was actually an outcome of a commitment to build an adaptive (shockproof?) culture.

The lessons of that case, which are covered here, highlight that an organization may be unable to anticipate a crisis, or deftly dodge one, but their ability to weather it or even, as J&J did in 1982, emerge stronger after the crisis is a factor of the culture they've built, nurtured and committed to.

So, how shockproof do you believe your culture is?

And, in the spirit of uniting Team Human against this common threat, what are you willing to share with the rest of us so we too can vanquish this enemy?

NOTE – I would strongly encourage you Dear Reader to check out the excellent work that Rik Berbe and Geoff Marlow in Europe and Carolyn Swora here in Canada are doing. These are three individuals with rich expertise in culture and adaptiveness in a VUCA environment.

Stay safe.

A CULTURE OF POLICY OR POSSIBILITY. WHICH WILL YOU CHOOSE?

My wife was in tears. Again.

I was at the point of frustration and impotent rage that keeping a civil tongue in my head was almost impossible.

This was the **second** unsuccessful attempt at delivering new appliances to our home.

The second time that operational efficiency and KPI's around net-number-of-deliveries-executed was deemed more important that customer empathy and KPI's like NPS.

Channeling my 2020 Digital Marketer ethos and connections I immediately took to LinkedIn and Twitter and began an email tsunami to the CMO directly.

The former quickly became a growing commentary of sympathy and ridicule. The latter was met with a deafening silence.

Today was Attempt #3. There was another SNAFU and hiccup which had me (and the delivery driver) questioning what I'd done to displease every religious deity in existence. **However, there was a difference this time.**

The driver responded with empathy. He took 10 minutes to let me resolve the situation. He took a moment to think "what can I do to make this a great, not harrowing, customer experience?"

He exhibited humanity, empathy and the consideration needed…at the point of customer contact. He, unlike his predecessors, did not default to "policy" and "rules" and "contract sub-clause 22b, sub-section 13"

Rules contrived in a boardroom during an "Operational Effectiveness" Brainstorm a hundred miles physically and emotionally from the point of contact with the customer.

I appreciate that I have an annoying habit of seeing everything an organization does through the lens of culture… however…

How organizations behave toward their people – and toward their customers – is a manifestation of a deliberate and conscious choice made inside their culture.

As Peter Drucker reminds us "business has but one task – to create a customer." Which means everyone reading this post has to decide how they will create (or destroy) a customer based on the conscious decisions they choose to make inside their organization.

While this article might be two years old, the staggering numbers quoted of customers who will switch, abandon or call-out in social media any organization that provides poor customer service should concern any Executive or Employee with either "Customer" or "Experience" in their titles.

Then there are organizations who understand what happens when you unlock the potential and the possibility of their people.

Izzy Sharpe, the legendary Canadian hotelier, recognized this truth when nurturing the Four Seasons business and the recognition that culture was going to be the foundation of their global success.

Zappos has built an entire organization around a culture of WOW with customers. And if you think that Culture doesn't have a business impact, I'd ask Tony Hseih (now former) CEO of Zappos if the $1 BILLION paid by Amazon to acquire Zappos isn't proof that Culture is an economic driver.

Stock-market darling NetFlix is another classic example. The original NetFlix Culture deck created by Patty McCord has been described as the most downloaded presentation in Silicon Valley. However, look no further that the NetFlix website and the clear unambiguous language surrounding the talent that will thrive at NetFlix.

The organization talks often about "The Rare & Responsible Person" as the archetype they seek. Put more plainly, I'd say NetFlix looks to hire adults and treats them... like adults.

With a global pandemic buffeting every industry and country, organizations face some very stark choices. Choices that will determine if they will flourish or become a business footnote.

Will they continue to operate around rigid, inflexible policies that hamstring their people, thwart the best intentions of their talent and frustrate the very customers they seek and need to survive.

Or will they create a culture where the passion, ingenuity and potential of their people can truly be unlocked and unleashed? Unleashed to consider new business models as traditional models collapse. Unleashed to try, and likely fail a few times, while developing new innovations to capture new customers. Unleashed to bring empathy and compassion to the critical point of contact with the customer.

Which one do you think will attract the passionate talent you need to survive?

Which one will retain the customers you need to thrive?

Will policy beat possibility? Or, just maybe, will possibility win over policy in these turbulent times?

Which one will you choose?

Dear Reader,

If you'd like to share your thoughts
on this important topic, please reach out.

You can find me on *LinkedIn* or on *Twitter* **@ZimHilton**

Of course, if you're interested in being
interviewed for this series, then send me an email.

hilton@hiltonbarbour.com

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