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The Brainfluence Podcast with Roger Dooley
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Culture Renovation with Kevin Oakes

Welcome to Brainfluence, where author and international keynote speaker Roger Dooley has weekly conversations with thought leaders and world class experts. Every episode shows you how to improve your business with advice based on science or data.

Roger's new book, *Friction,* is published by McGraw Hill and is now available at Amazon, Barnes & Noble, and bookstores everywhere. Dr Robert Cialdini described the book as, "Blinding insight," and Nobel winner Dr. Richard Claimer said, "Reading Friction will arm any manager with a mental can of WD40."

To learn more, go to RogerDooley.com/Friction, or just visit the book seller of your choice.

Now, here's Roger.

Roger Dooley: Welcome to Brainfluence. I'm Roger Dooley.

I'm delighted to welcome a fellow McGraw-Hill author to the show. Kevin Oakes is the CEO and co-founder of i4cp a top research firm that discovers the people practices of high-performance organizations. Previously, Kevin was CEO of the first company created by Microsoft co-founder Paul Allen, as well as president of SumTotal Systems. One of the world's largest providers of talented learning solutions. His new book is Culture Renovation: 18 Leadership Actions to Build an Unshakeable Company. Welcome to the show, Kevin.

Kevin Oakes: Hey, thanks for having me Roger. Glad to be here.

Roger Dooley: So Kevin, you were in the online learning space way before it was cool. Last year, suddenly it seems like all learning went online. Is this changed the tools and the

methods in a big way, or what do you see this as a state-of-the-art in that space?

Kevin Oakes: Yeah, it's funny you bring that up. I was just talking about this with somebody else. Yeah, I got into online learning back, well, before the CD rom was even invented Roger, before we were using the internet. So we were doing e-learning back then through other methods, but so it's been fun to see the whole online learning community blossom over that time, but it has really blossomed during the pandemic. And one of the biggest changes I've seen, I've always been a big advocate of user-generated content within corporations, for whatever reason, companies haven't adopted that as widely as I expected and I've been talking about it for close to 20 years, until now. And so now you're seeing companies really adopt that user-generated format and allowing employees to create their own online learning inside of organizations. But certainly as a whole, online learning has blossomed during the pandemic for obvious reasons. It's good to see it's a area of the space that I devoted a lot of my life to and I've got a lot of friends in that space.

Roger Dooley: Yeah. So i4cp Kevin is built as a research company. In practical terms, what does that mean?

Kevin Oakes: We're doing more HR research than anyone on the planet. And all of our research is focused on the people practices within the organizations, that correlate to bottom line business impact, and we call that high-performance. And so in every research study we do, we look at what are high performing organizations as measured by revenue growth, profitability, market share, what are they doing differently with their people versus low performing

organizations. And there's almost always a market difference when we do that bifurcation. And when we look at high performance organizations, what my team really focuses on are not only best practices across those companies, but we try to uncover next practices.

And next practices is a term we use a lot inside my organization. It refers to specific practices where we can see it makes a real impact inside the organization, but not a lot of companies have widely adopted it across the board. And so we've flagged that for our membership as a practice, to keep your eye out for, to learn more about, and really try to highlight those companies that are implementing that next practice. So across the board, Roger, we're just looking at all aspects of HR or human capital.

Roger Dooley: So what are you finding lately? What are some of the really key, exciting differences that you've discovered?

Kevin Oakes: You know what's been very interesting during the pandemic is that HR is front and center in most organizations. And it's been said by several that back in the 2008, 2009 financial crisis, a great CFO really could make the difference between whether a company survived that or not. Today, it's all focused on a great CHRO or Head of HR.

Roger Dooley: Mm-hmm (affirmative).

Kevin Oakes: And that head of HR position has really been thrust into the limelight and more and more organizations are recognizing how strategic the HR function is inside their company. So from a perspective of looking at what's new

and exciting and different, what's most exciting to me, is that strategic alignment by the HR function. But also I think companies have become much more empathetic during the pandemic than they were before. I've heard this from many employees that they have seen their leadership in a different light.

In many ways, they've been introduced into the personal lives of their leaders, but also of their coworkers. And we're jettisoned into people's houses every day through Zoom and Teams and other channels. And so we now know what their living room or their kitchen looks like and see the kids in the background.

Roger Dooley: What kind of dog they have.

Kevin Oakes: Yeah what kind of pets they have, and it's given people a new appreciation for their coworkers. There's no such thing anymore as a business persona. And just your overall persona now. Everybody's seeing the whole person these days and I've heard from many that it's giving them a different perspective in general. And I think that's positive. I hope that continues after the pandemic.

Roger Dooley: Mm-hmm (affirmative). Yeah. I think I've observed in different way, obviously the new, but some of that change thinking and some companies were very people oriented all along and I think they were able to deal with pandemic issues more readily than those companies that were not particularly people oriented. One company that comes to mind as being a little bit of a sort of bifurcation, Amazon has always been very customer focused and this is a big reason for their success. I mean, as a customer, I absolutely love their service and they are good to their

employees. They've got great education benefits, and typically pay above average and a bunch of other good stuff. I'm not sure that they have that empathy connection for their people.

And that people, particularly those who aren't maybe in management or in some key technical position, but the folks in the warehouses and driving the trucks and such were more or less little cogs in the machine. And I think with the pandemic suddenly, they obviously had an increase of the number there. They had to keep people at work. And you were seeing a few sort of cracks in the wall where gee, these people are people and they are not necessarily responding like little cogs. So we've had some walkouts and such. And are they adapting to this well, do you think?

Kevin Oakes: Yeah. As we talk right now, I'm literally two miles away from Amazon's headquarters. And I have a lot of respect for that company. We do a lot of work with Amazon and I work with a lot of the HR leadership there. I actually even know Jeff Bezos a little bit, and he's a great guy. And I think just has a lot of compassion for the people and certainly for the business or businesses that they're in. But I marvel at Amazon because they have issues that most companies don't have. And so I think sometimes when we read about some of these issues, you've got to cut them a little bit of slack. They have grown at a scale that we've never seen before, in business. And they're now at a scale from a number of employee perspective that only a handful of companies even come close to.

And so the issues that I think they have to wrestle with on a global basis, are far different than what most

executives, what most companies have to wrestle with. And I commend them for how well they have grown and scaled the organization and really continued with just fantastic customer service throughout. I do think that the pandemic has introduced obviously new challenges that the company has met quite well, but it's a company that's complex. And one that I think is, a lot of organizations will emulate over time because of what they've accomplished and really being a pioneer in what they've done.

Roger Dooley: Yeah. I can't imagine any other scale up on the scale and speed of Amazon's other than something like mobilizing troops for World War Two, I mean, where you're suddenly pushing hundreds, thousands of people into roles that they weren't doing the week before. Yeah. It's pretty phenomenal, what they've done and I agree they're super impressive company. I use them a lot in many of my presentations and in my own book, Friction, they are front and center as friction reducers through customer experience and in other ways too. Kevin, your new book is about culture renovation. How do you define culture?

Kevin Oakes: You know it's funny, I might be the first author on a book on culture that didn't define culture in the book itself. And I did that on-

Roger Dooley: Leave your options open, that's what I say.

Kevin Oakes: I did that on purpose Roger, because, I really felt like a lot of people understand culture and a lot of the definitions I see of culture get very fluffy, very aethereal. There are some definitions that we've used internally. And my co-founder Jay Jamrog and I've always like definitions that are simple around cultures, such as culture is what

happens when no one is looking, I think is a good one, but it's really about what is rewarded, what's condoned, what's penalised inside of an organization. And it's the norms of the organization itself.

But culture today has taken on, I think even new importance than it has in the past. There's no question in my mind, it's inextricably linked to financial performance and research bears this out, our research and many others, that if you have a healthy culture as an organization, generally solid financial performance follows. It's not the reverse, this isn't a chicken or the egg kind of thing that, once you have financial success, suddenly you have a great culture. It's not to say that that doesn't happen, but once in a while, but mostly what happens is organizations create a great culture and then have tremendous financial success.

Roger Dooley: Okay. Kevin, how do you determine that? In other words, if you're plotting a culture against performance, how do you determine where somebody is on the culture scale? How do you assign this company has a good culture. This company has a great culture. This company's culture isn't very good.

Kevin Oakes: It's actually relatively easy. And you do that through culture assessments. There's a variety of different ways to assess culture. And then you also measure culture and there's a variety of different ways to measure culture, but most companies are assessing their own culture and beginning to measure their culture and their progress and their cultures, a lot of times, because the board of directors is asking for this now, and they've gotten a lot of advice from the NACB and even the SEC has put in new

regulations for public companies where they're looking for more human capital disclosures around organizations. And so boards are looking for more metrics around culture. But I point to Roger, just some great case studies, which the book outlines for sure. To me, one of the best is Microsoft, another Northwest company. You could very, very clearly see that when Satya Nadella came in as CEO and new leadership that surrounded him. The very first thing that Satya said in his first shareholder meeting was, "Culture is going to be the biggest predictor of our financial performance."

And he and his CHRO Kathleen Hogan and Joe Whittinghill and a few others set out to make some pretty market differences in the culture. At the time when Satya became CEO, there was a lot of concern around Microsoft. People were likening it to Sears and that Microsoft had lost its mojo. And it was not going to be an innovator going forward. Well, fast forward, not too many years, just three to five years and Satya turned Microsoft into the most valuable company in the world. And today I think it's number two behind Apple. They kind of go back and forth. And again, I live very close to the campus. I can see it on an everyday basis. Years ago when I used to talk to people there, there was a lot of infighting, there was a lot of complaining. Today there's a lot of just vision for the future, hope for the future. You know, the attitude has really turned around inside the organization and it's around some of the basic things that they put in place around their culture change and I document some of that in the book.

Roger Dooley: So what would an example be of a cultural change within Microsoft?

Kevin Oakes: I think one of the biggest ones was around the concept of growth mindset, which they've gotten a lot of press around and accolades around. Previously, at Microsoft intellect and knowledge were very overvalued inside the company. And there was a theme of knowledge is power. If I possessed core unique knowledge, I was very powerful. And typically people use that to wield their power. Today, it's all about knowledge sharing is power. I really credit Satya for this. He talks a lot about, "I don't want a company of know-it-alls, I want a company of learn-it-alls." And that's what growth mindset at its heart is really about. It's about the concept that you can develop as a person. You can change as a person. Your capabilities and abilities are not just innate, they can be learned over time. And when you adopt that mindset, it changes your whole outlook on things. And that has really made a big difference at Microsoft.

I'll give you one other example. They also used to have a performance management process that was called forest ranking or forest distribution, which numbered people in every division department, one through however many. Let's say it's one through 10, if you had 10 people in the group. So there was always somebody at the bottom and they often used that system to thin the bottom to take out some of those low performers. But if you think about what that sends, the kind of behavior that sends internally, if you and I were coworkers, Roger, my goal would be to beat you. And your goal would be to beat me, versus the two of us teaming up to go beat the competition, Apple and Google. And so they got rid of that right around the same time Satya came in as CEO and today, don't have any semblance of that of performance management. Its

really on the merits of the individual, but there's much more teamwork happening overall inside the company. And that's been a big part of their progress as well.

Roger Dooley: Yeah. Well, even GE found that in Jack Welch, I think finally admitted that the old forced ranking, rank and yank, whatever you want to call it, differentiation, really was not always a good thing. Just from what I've seen, if you go into a company where there's been no performance management at all, and there's a lot of dead wood and people were just sort of hanging around, that might be good for a year or two, but eventually after you get rid of the legitimate bottom 10%, who probably should not have been there in the first place, then it really becomes a negative thing and not a positive thing. And the questionable, even if it was a positive thing to begin with. Now Microsoft is an example where the CEO said, okay, we're going to change our culture. What happens, can an organization do this more from the bottom up or from, within a unit within their organization where the CEO isn't onboard, or does it really just have to start at the top every time?

Kevin Oakes: Let me put it this way. It can happen grassroots, but it's very rare that that happens and actually works. Almost all the time and our research shows this, it has to emanate top down and the CEO has to be on board and the senior team has to be on board with the culture change efforts. Otherwise, it's unlikely that there's going to be a whole lot of progress. However, it's not just a CEO or a senior team only activity. One of the steps that we talk about... And I should back up. The book is all about a blueprint of how you change culture. And it's based on the research that we've done as well as the case studies. And so we came

up with 18 steps that you mentioned at the beginning, Roger, and we divvied those up under the renovation theme into three phases and it's plan, build and maintain.

And so one of the early steps is to make sure you have a co-creation mindset inside the organization. And what that means is, you need to enlist a number of people inside the organization to be on board with the culture change you want to see and be advocates for that culture change. We talk a lot about the concept of identifying influencers and energizers in the organization, because ultimately they're going to be your culture ambassadors. And we identify those people through a process called organizational network analysis. And this is a science that Rob Cross out of Babson College really is the father of and champion of it. It's all about trying to understand who does the workflow go through inside an organization and who are the true influencers and energizers in the company? Because if you ask senior management who those are, they will generally get it wrong.

A lot of times the biggest influencers are way down the hierarchy. They might be introverts, not extroverts. They're not so easily identified. And until you use a process of identifying them, you're not going to necessarily get all the right people, but you've encountered a lot of these people, Roger, in your day. You talk to somebody and you come away from a conversation just energized and excited and enthusiastic. And then there's other people you talk to suck the life out of you, if they're Darth Vader, you just come away very unenthused. And so the idea is to make sure you identify those right people, to put on what Microsoft called a

culture cabinet. These are the cultural ambassadors that you want to enlist.

Roger Dooley: Mm-hmm (affirmative). Yeah, I heard that co-creation is also a key part of Robert Cialdini's seventh principle, unity, which he talks about influence a more from a persuasion standpoint or influencing others to behave in a different way. And after 30 years of having six principles, he introduced number seven, unity. And one way to achieve that unity is co-creation. If somebody participates in creating your thing, they're much more likely to respect and use your thing than if they didn't. So yeah, that really syncs up nicely. Talk a little bit about agility. You mentioned that in the book and everybody wants agility. People talk about agile, this agile that, but explain what it means in your context, Kevin.

Kevin Oakes: Yeah, certainly this year we've witnessed how critical and important having organizational agility is, overall. We have done a bunch of research on how receptive to change organizations are. And it's very clear that if you have an organization where the workforce resist change, doesn't like change, looks at it as being an inconvenience, you're generally going to be working in a low performance organization. High performance organizations, they not only accept change and are used to it, but they look at it as an opportunity. They look at change that happens in the environment and their industries as a way for them to be better and be more competitive long-term. And there's something to even inducing change in organizations. And I talk about that in the book. There's evidence that the companies that constantly shake things up and are always introducing different changes to the organization, they tend to be the ones that are more agile and ready for

when something like a pandemic comes along, that they never planned for expected or experienced before.

And so agility, I think, is a key aspect of a company being a high performance organization and being effective. And there's a number of things you can do to, I think, get the workforce ready to be agile longterm. And we've also published traits for leaders. If you want to have an agile workforce, you have to have agile leaders. And agile leaders are doing a number of things a little bit differently than leadership in the past and exacting different behaviors. And I think that's where you start, if you want to have an agile workforce.

Roger Dooley: Yeah. One of the things I've always wanted to do, Kevin, is bring couple of guests on the show with maybe slightly differing opinions. And you may have run across Safi Bahcall's book Loonshots and why big companies tend not to innovate. And he took the phrase that I'm sure you've heard of, it's attributed to Peter Drucker about culture eating strategy for breakfast. And changed that into a structure, eating culture for lunch. Now, it's kind of a false dichotomy, I think. His point is that often it is not culture that is the key determinant, it is the structure. If people's biggest rewards, getting promoted, getting raises, come from helping their boss, meet their boss's goals, then pretty much you get people who are good at execution, at optimizing, but you don't get people taking big risks. You don't say, "Okay, we're going to stick our neck out on this thing," because generally the benefits from doing so if you're successful, you probably got an attaboy may be a promotion.

The negative, if you fail, is that you may end up getting on somebody's list and not get promoted or even be out of the company. And that's not true in small organizations. Because in a startup, nobody's thinking about getting promoted. They're thinking about capturing market share, about being successful, but as big companies age, the structure changes. Now, I don't think there's a true dichotomy though, because the example that you gave Kevin of Microsoft, they changed their structure when they revised their, got rid of their ranking program for employees. And you mentioned a little bit earlier that what gets rewarded is part of culture. And again, that's not just culture that's structure too. So I'm just curious what your take on that is. How important is structure and what kind of structural changes do you see as being important to achieve the right culture?

Kevin Oakes: Yeah. There's no question that structure and culture are linked, but I would argue that culture will be the overriding factor. And I'll give you examples of that. You've experienced companies, Roger, where mistakes are just punished inside the organization.

Roger Dooley: Mm-hmm (affirmative).

Kevin Oakes: And so there's no psychological safety. Everybody has a fear of failure. And as a result, innovation isn't happening. That is much more a factor of the culture inside the organization than it is the structure in the organization. I can have two organization structured exactly the same, but I'll tell you that the culture that has psychological safety is the one that's going to prevail and the company that's going to succeed. I do think that there's a lot of things that influence from a structure perspective, well as

from an incentive perspective, look no further than Wells Fargo in the sales issues they had a few years ago where the sales incentives were causing unethical behavior, which was ignored or condoned inside the organization.

So there was a structural component that started that, but then a cultural aspect that allowed that to continue. And when I, if we go back to my comments on boards, that's what boards are worried about. Boards are worried about, is there some underlying cultural issues that will cause us a big risk going forward that maybe we're not aware of. And so they're asking for more measures around that. They're also asking, to make sure that they understand, do we have the culture that's going to be able to grow going forward no matter where we're trying to expand or grow, do we have the right thoughts around talent and available sources of talent, et cetera. So you're going to see a lot more inquiries around it, but yeah, I'd welcome that conversation, Roger, if you want to start there.

Roger Dooley: Yeah. Well maybe a repeat visit and we can have a really good discussion. But I think that probably you and Safi would end up agreeing on a lot more than you would disagree about because.

Kevin Oakes: Probably.

Roger Dooley: It's question like, well, okay, is the reward system, is that culture, is structure and it gets kind of fuzzy at some point. One random thing I noticed was a comment about team and family. A lot of companies would like to say, "Well, we're a one big family, we're all in the same team," but kind of a little negative on that in the book. Describe

why maybe team and family is not the optimal way to define your culture.

Kevin Oakes: I go back and forth on this a little bit in this. You may have picked up on the family comment when I was talking about BDA and the CEO there Jay Deutsch who happens to be one of my best friends. And it's interesting because it's a smaller company and around a thousand people, but they use that term family a lot. They've had me out speaking at a couple of different events and I've always been a little surprised at how often they refer to themselves as a family and talk about family. And they've put in some different components around that. I guess where family sometimes gets a bad rap in organizations is that it's not truly a family. We hire and fire and so it's a little bit different than the way families operate. But, team dynamics are so critical Roger as you know.

And if we go back to Amazon, one of Amazon's reasons for success is because they give so much autonomy to teams, maybe almost to a fault at times because they tend, sometimes they have teams that are duplicative inside the organization, but teams are really set up to be nimble and agile. And so even in such a large organization, it's really just a combination of all these tiny little agile teams that have very distinct goals and operate like a small little company, which I find fascinating. So it has a lot of different aspects of team and family overall inside the companies.

Roger Dooley: Right. And I don't know if they still follow the two pizza rule for teams, but that's a way of keeping them small and from growing into more of an extended family, perhaps that might be dysfunctional.

Kevin Oakes: Right.

Roger Dooley: Obviously a lot of your work is with large companies, but I'm curious what advice you might have Kevin for entrepreneurs or smaller businesses that are trying to form a culture that maybe have that ability. It's one thing to renovate a culture where you've got this high bound, big corporation that's been doing things the same way for years and years. And that's certainly a challenge. But if you have the ability either as maybe a unit in a big company that has a lot of autonomy or as part of a smaller venture, a newer venture, how would you suggest starting to build that culture?

Kevin Oakes: Yeah, well pay attention to it, would be my overall a suggestion. And I'm one of those entrepreneurs that has had small companies and had to pay attention to culture over time. It sometimes gets pushed to the back because entrepreneurs are mostly focused on sales and bringing in business. Oftentimes when it comes to people, all the focus is on hiring if you're growing a company, and they tend to forget to put in some other aspects around human capital in favor of recruiting in favor of talent acquisition. So my biggest advice would be to think about the kind of cultural norms that you're setting out. I would establish a purpose very early and I talk in the book about purpose statements and how to create them and what some good ones look like. Also create values that you want to make sure the company follows and continue to have that purpose and those values guide decisions inside the company. That would be one of the first things I do and make sure that everybody is behaving and particularly leaders are behaving in line with the purpose and values.

It is one thing to put words in a PowerPoint and another thing to walk the talk and generally employees will do what leadership condones, but mostly it's setting the precedent for culture and thinking, I always, I'm a big believer in precedent because it always comes back to bite me. But when I make exceptions, or do something that's outside the norm, suddenly you're setting a precedent and then that's going to get thrown at you later on. So always think about the precedent that you're setting inside the organization and stay true to those purpose and values.

Roger Dooley: Mm-hmm (affirmative). Yeah. I have to imagine that by simply paying attention to culture and being intentional from the start, you can avoid a lot of the missteps where you get partway down the road and realize that your culture isn't good. If you've got that statement of purpose, that mission statement and a real one, not just one of these corporate boilerplate things, but something that really is the story that defines your company, that can help you when you're recruiting people, you won't recruit the wrong people. It'll help guide their actions when you're not there to look over them. So it all makes a lot of sense. I really enjoyed the book Kevin, how can people find you and your ideas online?

Kevin Oakes: We have a separate website for the book. It's culturerenovation.com. You'll find not only information about the book there, but we've also created some tools, some assessments, dashboards that will help organizations with their culture going forward. We also have a number of case studies out at the site and we say in the book, and we say on the site, even though we've come up with a blueprint that many have called the

definitive blueprint on how you change culture and 18 action steps, there are things that organizations are doing that are really moving the needle when it comes to culture that aren't in those 18 steps. And we know that because we couldn't fit them all in the book. So we want to hear from some companies that have come up with unique ideas and unique tactics that they think are working. We've got a little area on the website where you can put that in. We want to keep the conversation alive.

Books tend to have a shelf life and we'd like to have this conversation be an ongoing one because culture change is never done. You never declare, we've changed the culture now let's move on to something else. Cultural change is something you've got to continue to work on.

Roger Dooley: Seems like most things in business are that way, Kevin, you can't just give something attention for a period of time and say, well, that's done and forget about it. So great. Well, we will link to there and to any other resources we spoke about on the show notes page at rogerdooley.com/podcast, and we'll have audio, video and text versions of this conversation there as well. Kevin, thanks so much for being on the show.

Kevin Oakes: Thanks for having me, Roger. Really appreciate it.

Thank you for tuning into this episode of Brainfluence. To find more episodes like this one, and to access all of Roger's online writing and resources, the best starting point is RogerDooley.com.

And remember, Roger's new book, *Friction*, is now available at Amazon, Barnes and Noble, and book sellers everywhere. Bestselling author Dan

Culture Renovation with Kevin Oakes
https://www.rogerdooley.com/kevin-oakes-culture-renovation

Pink calls it, "An important read," and Wharton Professor Dr. Joana Berger said, "You'll understand Friction's power and how to harness it."

For more information or for links to Amazon and other sellers, go to
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