The Case for “Brand Inside”

It’s the “Organization,” **Stupid!**

Tom Peters

"We are in a brawl with no rules."
– Paul Allaire, former CEO, Xerox

MANIFESTO. The word suggests a pointed view. (Rodale's *Synonym Finder:* Manifesto … Proclamation. Declaration. Pronunciamento. Broadcast. Airing. Broadside.) And "Pointed View" is precisely the idea of this series of "booklets" – in what we call **The BRAWL WITH NO RULES Series.** Each booklet is an expanded chapter of my cornerstone day-long seminars. But I have chosen these topics for two particular reasons. First, I think they (1) are important and (2) present enormous opportunities and (3) are grossly neglected by most organizations. Second, I have a Radical Point of View about each one; you will find no half-way suggestions here!

“Brand Inside” Rules!

Enron’s strategy was brilliant. Enron’s execution was awful.

Brand Inside/Brand Outside

Few businesses fail for want of a Great Strategy. Or Soaring Vision. Most businesses that fail (99 percent ?) do so because of lousy execution.

Any idiot (CEO?) can shout: Acquisitions Rule! Synergy Rules! Value Added Rules! Top Talent Rules!

Pulling it off is an entirely different matter.

Strategy. The idea. The vision. The plan.

Execution. The people. The politics. The systems. The culture. The bureaucracy. The character.

“Strategies” typically and implicitly assume a friction-free world. (Good idea = Profits in perpetuity.) “Success” (in the real world) stems precisely from managing/taming friction – and delivering the goods via flawed human enterprises. (Ours and those of all members of our “value chain”/“stakeholder set.”)

Friction. Delaying investment in an exciting-but-long-shot product … so as to keep immediate earnings for shareholders a little more predictable in the next four quarters.

Friction. Adopting a halfway pose toward the Internet … and attempting to patch together a hodgepodge of old business processes. Rather than, say, shooting for the moon … and installing a full-blown Oracle 11i system. (And dumping half the VPs and 80 percent of our middle managers in the process.)

Friction. Accepting Talent that’s “good enough” – instead of aiming for Hall of Fame players … well compensated … in every position.

<u>**Brand Outside Rules? Not So Fast**</u>.

Organizations, per our simple model, consist of:

Brand Inside.

Brand Outside.

Brand Outside is familiar. A great plan. (Strategy.) A great logo. A Soaring Vision. (And don't forget to capitalize that "S" and "V.") An exciting portfolio of "marketing initiative." A high-budget, edgy and original advertising campaign.

Nothing wrong with any of the above. (Everything, in fact, is right about it.) The problem stems from allowing such "brand outside" activities to be the tail that always wags the dog.

"They say" – including me! – that organizations should focus outward. E.g., create the "customer-driven"/"customer-centric" enterprise.

Fine. Again.

But not the entire story. Not by a long shot.

I am urging here something that's contrary to conventional wisdom, including my own at times in the past. I am urging … an Internal Focus.

Ignore the customer? Hardly. Rather … let's get our own house in order first.

<u>**Coca-Cola**</u>**.** A couple of years ago, Coca-Cola got hammered in the marketplace, long before a recession was even a glimmer in the eye. Did Coke lose its marketing touch? No!

Coke was led for over a decade by the charismatic Roberto Goizueta. He added billions upon billions to Shareholder Value. Hooray! But he was also an autocrat. The byproduct: more and more … and then more and more … decision-making became centralized in the Coca-Cola tower in Atlanta. Sclerosis occurred in the field … where the rubber meets the road. Risk-taking became a verboten word … it just might screw up those quarterly earnings increases.

Coke has problems. Big problems. Lingering problems.

Marketing/Brand Outside problems? No.

Brand Inside problems? Yes.

Xerox. The company was the King of the Hill in the 1960s and 1970s. (The Microsoft of its time. And I'm not exaggerating.) And then Xerox struggled … for the next quarter of a century.

When I met Xerox, in the mid 1970s, it featured the "smartest" portfolio of MBAs you could imagine. They had the most clever strategy. They had an awesome market share.

So?

So … the fish stunk from the head down. The bureaucracy was stultifying. The systems were overly complicated. The company would do damn near anything to hold on to its "big copier" market share. (Like IBM and mainframes, a little later.)

Energy? Just about zero. Bureaucracy? Just about infinite. Xerox's problem … Brand Inside. Once more: internal sclerosis.

Sears. Sears staggered. Kmart went out of business. Wal*Mart thrived. And thrived some more. I suppose Wal*Mart has a damn good strategy. I'd hardly deny it. But I'd hardly say that it's the most scintillating strategy I've ever seen.

I would say that Wal*Mart, along with GE and Microsoft, executes better (more vigorously and fearlessly) than any-damn-company-that-I've-seen-in-the-last-thirty-years. Period.

Want to understand Sears' problems? And Wal*Mart's success? Buy a camera and one roll of film. Save just the last two frames. Now take a snap of the Sears Tower. Save the last shot for the Wal*Mart "tower."

And you've got most of the story.

The Sears Tower … a hundred stories tall … and until recently Sears' headquarters. A picture of the corporate culture. Complexity. Bureaucracy. Sclerosis! That is: Sears Tower = Sears Organization. More or less: a hundred levels of bureaucrats, stacked one on top of another.

And Wal*Mart?

Running a quarter trillion dollar plus business … out of a nondescript "warehouse" in … Bentonville … Arkansas.

There's no bullshit at Wal*Mart. They're enormous. They're tough. And they're (still) quick and (still) non-bureaucratic. Wal*Mart has … the Best Damn Brand Inside of anybody I know. Sears about the worst.

IBM. IBM ruled the world … just check out Tom Peters' and Bob Waterman's *In Search of Excellence*. The customer was king! People were all-important!

And then the king was damn near decapitated.

Was the strategy wrong? To some extent, it was. But the strategy was "less wrong" than the "culture." IBM continued to "dance with the ones who brung 'em." That is, they played the hand that had made them famous. Did anything and everything to suck up to the "glass-house" centralized information systems people.

They missed turn after turn in the marketplace. They went from customer-sensitive … to thugs who demanded that the customer buy their stuff.

Yes, to some extent, I'll admit, the "strategy" was wrong. But I don't really think that was the primary issue. The bigger issue: the "awesomely successful" institution became calcified. It stuck with the hand that had been dealt … and … indeed … played that (old) hand too well. Risk-taking was out. Conservatism was in. Talk about elaborated systems! IBM had them … in spades! Sclerosis? IBM defined it. There was probably an "IBM Way" for unfurling the toilet paper in the executive washrooms, of which there were many.

Then Lou Gerstner arrived, almost a decade ago. He said he had no intention of creating a "vision." He was pooh-poohed by one and almost all. (Including yours truly.) But he did the same thing that Jack Welch had done at GE. He put the "vision thing" off … until he had gotten IBM's house in order. Cleaned up the internal crap. Listened with naïveté to what customers' were *really* saying … not just the words of the incumbent centralized IT, "glass-house" gang. Today IBM is thriving. It did develop a new vision (services, not hardware). But mostly … 99 percent? … it developed the ability to execute fast, try new stuff fast, take risks fast.

Idiots? At Coca-Cola? At Xerox? At Sears? At IBM? I don't think so. In fact, I know it's not so. Lousy strategies? Perhaps. But they were mostly lousy to the extent that they overly honored the past … and failed to genuinely support (beyond lip service) initiatives that might reshape the enterprise. Every one of the companies mentioned above staggered … and in some cases continue to stagger … as a result of the … Brand Inside Malady.

And then … some … scintillate.

GE. Has the GE example been used too often? Undoubtedly. But here it/we/I go again.

GE. Vision? Hardly! "Bring good things to life." What the hell does that mean? Absolutely nothing.

What does GE do? GE executes.

Truth is, GE executed damn well long before Jack Welch. He made miracles, no doubt of it. But he inherited an institution that had always been run by tough-minded, risk-taking skeptics. Who had paid damn little attention to corporate headquarters. Who had adhered to HQ commands and created their overly elaborate strategic plans, during the 70s – but essentially had gone their own way as soon as the staffers had gotten back into their limos. Had gone their own, determined way in Plainville, Connecticut, and Pittsfield, Massachusetts, and Schenectady, New York.

Welch built on it. He went bananas over talent. GE, truth be known, had always gone bananas over talent. (Hey, "the worst of GE" – 1970s and 80s style – had produced Welch, hadn't it?) Welch aimed to develop talent in the same way a professional sports franchise General Manager does. Select the best. Provide opportunities for autonomy early on. Train like the blazes. Demand performance w/o excuses. Or get out of town on the next bus.

Welch lived for performance. And he led by introducing one big & critical program at a time. (Mostly.) (Only "talent" and "action" were constants.) For Welch's first five years as CEO (a quarter of his reign), he was known as "Neutron Jack." When Welch visited a GE facility, the story went, at the end of his visit the building still stood … but the people were all gone. An exaggeration, to be sure, but Welch cleaned up bureaucracy … with a vengeance. And cleaning up it needed.

Neutron/no bullshit Jack morphed into "One, two … or you're out Jack." That is, every GE business had to be first or second in its market … or we'll close it down or sell it off. Again, the focus was clear and unmistakable. And it was *the* focus. This was what GE was about.

Empowerment had been in the air … and well executed by many … for a long time. But Welch wisely waited … until he cleaned up the bureaucracy – in order to take away the last of the excuses for inaction. Then he went after empowerment … with a vengeance. The GE flavor was called "workout." Whatever it was, it was crystal clear to every manager in the organization: Listen to the people who are closest to the marketplace/action. And to those people closest to the marketplace the message was clear, too: You have a *duty* … to speak your mind. And if you won't speak your mind … then *you're* out!

And …

Quality had been a big thing in America since the late 70s or early 80s, when we got beaten and battered and bruised so badly by the Japanese and Germans. Jack Welch "discovered" quality in the early 90s – with the zeal of a convert. It was typical Welch. He arrived at the scene late. But he put it at the top of the agenda. Turned his XXL Bully Pulpit … and most of GE's hearty incentive schemes … directly at Six Sigma. When he did it, then, he really did it. The focus wasn't on the "idea" … it was on … THE EXECUTION.

Three or four years later, Welch mounted his Last Campaign. Again, he was a bit late to the parade. But when he came to the parade … there was no question in which direction he and GE were marching. The last Jack: Internet Jack. The "old economy" company embraced the Web … with incredible vigor. No stone was left unturned. Bureaucracy was hacked again. "Digitalization" of everything became the watchword … make that … THE WATCHWORD.