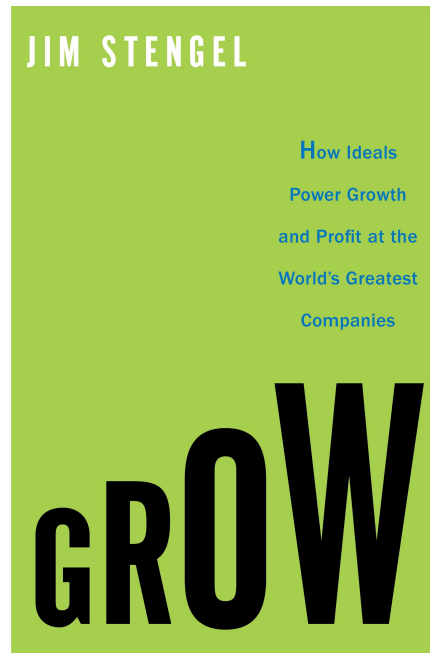




## Grow - How ideals power growth and profit at the world's greatest companies.

By Jim Stengel



### IN A NUTSHELL

Brands/Organisations will maximise their return if they have at their driving core an ideal (i.e. a higher level purpose). In Stengel's top 50 cases, they outperformed the S&P top 500 by 400% over a ten year period.

Stengel suggest five key steps to develop a ideal based sustainable business:

- 1- Discover a brand ideal of improving people's lives in one of the five fields of fundamental human values (Eliciting joy, Enabling connection, Inspiring exploration, Evoking pride or Impacting society)
- 2- Build the organisational culture around the brand ideal
- 3- Communicate the brand ideal to engage employees and customers
- 4- Deliver a near-ideal customer experience
- 5- Evaluate the progress and your people against the brand ideal

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## THE BOOK

### The Stengel 50

In 1980, almost the entire valuation of S&P 500 companies was based on tangible assets (e.g. cash, stock, plant, buildings etc). In 2010 tangible assets only accounted for 40-45% of market capitalisation - the rest we're intangible assets. More than half of what accounted for these intangible assets was the brand itself. When you look at different brands within the Stengel 50, you find that the value of the brand can be as high as 57%. Critically we see a significant increase in its importance over a ten year period:

	Brand Contribution 2001	Brand Contribution 2010
Accenture	19%	47%
FedEx	17%	55%
IBM	34%	44%
Samsung	12%	42%
Starbucks	26%	57%

Source: Milward Brown Optimor

Thus if a company wants to grow, then one of its fastest ways of doing this is to build the brand.

Data gathered over a ten year period from more than 50,000 brands (via Millward Brand 'Brand Z' data base) has shown that organisations/brands that have a central higher ideal of improving people's lives outperform the market. Stengel identified 50 such organisations and tracking their share price, found that over a ten year period the return upon investing in these 50 companies outperformed the S&P top 500 by c400%. Thus doing the *right thing* actually makes you more money - i.e. altruism and corporate social responsibility does pay off in the end (cf Porter's 2011 HBR paper on revisiting capitalism - Ed).

### The Stengel 50 vs. S&P 500



Source: Millward Brown Optimor

\*The 42 publicly traded brands within the top 50 were included in the comparison



**Human Values**

Brand ideals of the top performing businesses centre in one of five areas of fundamental human values. These are:

- Eliciting joy
- Enabling connection
- Inspiring exploration (helping people explore new horizons and new experiences)
- Evoking pride (giving people increased confidence, strength, security and vitality)
- Impacting society (including challenging the status quo and redefining categories)

Eliciting joy	Enabling connection	Inspiring exploration	Evoking pride	Impacting society
Coca-Cola	Airtel	Amazon	Calvin Klein	Accenture
Emirates	BlackBerry	Apple	Heineken	Aquarel
Lindt	FedEx	Diesel	Hennessy	Chipotle
MasterCard	Natura	Discovery	Hermes	Dove
Moet & Chandon	Rakuten Ichiba	Google	Hugo Boss	IBM
Tsingtao	Starbucks	HP	Jack Daniel's	Innocent
Vente-Privee.com		Johnny Walker	L'Occitaine	Method
Wegmens		Louis Vuitton	Mercedes-Benz	Petrobras
Zappos		Pampers	Snow Beer	Royal Canin
Zara		Red Bull		Sedmoy Kontinent
		Samsung		Sensodyne
		Visa		Seventh Generation
				Stonyfield Farm

**The benefits of becoming an ideal driven organisation**

One of the ways that makes a business grow faster than its competition is to have a brand ideal - a shared goal of improving people's lives - the higher order benefit it brings to its customers. It's the organisation's essential *raison d'être*.

There are a wide range of benefits, not just share price:



Ideal helps provide clear identity of what the brand stands for - A brand needs a clear identity so all stakeholders (investors, employees, customers etc) know what the brand stands for.

*Pizza Hut lost its ideal in the 2000's in its chase for profit. Eventually it rediscovered it ('We believe the world would be a better place if we could invest more time in the relationships that are important to us, and we exist to enable and support that') and the company has bounced back with double digit growth (as everyone has a much clearer perception of what the company is trying to offer to its customers). This ideal helped guide employees in every decision they needed to make.*

Ideal provides a clear direction for everyone in the organisation to move towards - The ideal becomes the 'North star' of the organisation. Beliefs, values and ideals trumps processes and procedures in helping to drive a company in one focused direction. Numbers alone cannot be the focus as it fails to inspire everyone (and they can also be 'gamed'). Focus instead on the ideal and the financials will flow.

Critically it helps prevent a company from getting distracted by so many other issues and pressures that can easily derail an organisation.

*Natura, a leader in green products, remained focused on their eco mission when the market started to contract during the recession. They kept growing when other mainstream brands started to suffer.*

It also helps a brand know when to say 'no' to opportunities.

*Discovery Channel started to lose its clarity on 'satisfying curiosity' with some less relevant content choices. When it refocused, it rejected the offer to run 'The ultimate fighter' (which went on to be a huge hit for Spike TV) and instead they made a major investment in 'Curiosity: The questions of life' that symbolically reasserted its positioning in the market place. As John Hendricks says, "You've got to take some big swings."*

Ideal helps create differentiation from other bands - It's more difficult for an organisation to copy your ideal than to copy your product. The *Why* you do something is often as important as the *What* you do. It helps give greater depth to the product than just its functional benefit. It also helps lift the brand above the need to 'buy-in' purchases with discounts and promotions (Zappos for example does not discount).

*For Innocent, HOW it behaves is as important as WHAT it makes. It does not take itself too seriously. For example it add into its ingredients label phrases such as 'a ten gallon hat' or 'a lawnmower'. It calls its AGM - its 'Annual Grown-up Meeting'. It also tries to answer the phone to customers in the same friendly tone when the three founders first manned the phones themselves. Thus everything has the same feel and tone that helps make the brand distinctive from other fruit drink brands.*

Ideal helps galvanise and inspire the employees and so lifts performance levels - When a team are focused on delivering the ideal, they are highly motivated above and beyond normal statutory contractual obligations. That is because the ideal often triggers a personal ambition within themselves that makes them feel their role is helping to make a real difference.

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*Eric Ryan, co-founder of Method said, "As human beings, we all want to be part of something bigger than who we are and what we are. When you articulate an ideal and create a cause, it gives people, including myself, the ability to do so much more. You're more excited to jump out of bed and go to work when you're doing something that improves people's lives".*

*Zappos creates the best customer experience - over the phone. Through ideals, they have helped lift the pride in delivering an unrivalled experience (among people who previously it has been assumed are difficult to motivate due to the nature of this perceived 'low end' job).*

Ideal helps drive innovation - Having an ideal offers a company many new opportunities to deliver more powerfully to its consumers. By focusing on this higher level, it frees a brand from its normal straightjacket of possibilities.

*Time-Life never thought through what their true purpose was (as saw themselves as book publishers), so missed other media opportunities such as TV. If they had a clearer defined purpose (such as 'satisfying people's curiosity about the world's wonders') they would not have been constrained by the functional delivery of their offering but could well have gone on to become another Discovery channel.*

Ideal helps express the brand in many novel ways and spaces - By clarifying the brand ideal, it allows the company to increase its brand fingerprint into other ways that helps it deliver added value to its customers (cf Dove's self esteem workshops - Ed).

*The Always ideal is focused on helping women embrace womanhood. They identified that in many third world markets, young women did not have easy access to menstrual products which meant many of them missed schooling (which in turn led to higher drop-out rates in further education). This inspired the brand to also help out on a number of educational projects.*

Ideal helps make the company more attractive to new recruits (as well as retaining the current talent) - The new generation recruits are looking for a greater depth of engagement with their companies. They are looking for a company who are aligned with their own values. A company who therefore has a deeper sense of purpose is more attractive than one just focused on profit.

*Research has shown that young people are three times more likely to work for a company that does something they care about.*

*Zappos has very low rate employee turnover. Their ideal means many people approach them for jobs. They then spend a lot of time recruiting the right type of people, mainly based on values and attitudes.*

Ideal helps integrate disparate units/companies into a cohesive whole

*Of the 320,000 Hewlett Packard employees, half have joined them in the past five years (mainly through acquisition). HP used they core ideal (first preached by its founders) of 'advancing human progress' as the connective tissue to bring all their separate companies they had purchased under one central guiding ethos.*

Ideal helps attract new and hold onto existing customers - It's not what you sell, it's what you stand for has become increasingly important.

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Net: Ideal helps drive long-term sustainable growth - By consistently aiming to deliver against timeless fundamental human truth helps guarantee a brand's long term appeal.

### The Stengel approach

Stengel suggests 5 key steps to develop an ideal driven organisation:

1. Discover a brand ideal
2. Build the business culture around the ideal
3. Communicate the ideal internally and externally
4. Deliver a near-ideal customer experience
5. Evaluate business and people progress against the ideal

We will look at each of these in turn:

### Step 1 - Discover a brand ideal of improving people's lives in one of the five fields of fundamental human values

Many companies set a vision of where they want to get to (e.g. 'To be number 1') alongside a strategy (i.e. How to get there). However this is rarely motivating enough by itself. People need a deeper sense of purpose - something that helps them feel they are making a real and meaningful difference in the world. This is where the ideal sits. It's the *reason why* that lies behind the vision - the underlying purpose and what really motivates us all go the extra mile.

#### Finding your Ideal

1 - Look at your history - What made the founders start up the company? What were their beliefs and values? What were they striving to achieve? What did they stand up for?

*When Bill Hewlett and Dave Packard set up their company in 1939, they were focused on making a contribution to society through technology.*

*The Jack Daniels company looked back to its founder to find stories that elicited their brand ideal. Often when thinking about how to handle a situation they would ask 'What would Jack have done?'*

2 - Understand deeply your target users and what is important for them - Study their behaviour, beliefs and values. Listen to their stories.

*At P&G an audit discovered the the Marketing teams were spending less than 5% of their time customers & consumers - it was only 5%. P&G in Latin America send new people in their marketing department to live with families for a month to gain a closer understanding of their lives (and the role their brands play in their lives).*

3 - Study closely what you do and distill it down to its raw essence (often this requires laddering up to higher benefits).

*Pizza Hut interviewed many employees, and videoed the making of the pizzas along with the restaurant experience to help it (re)discover its brand ideal.*



When you have found the area, write it down (along with your rationale) - then share it and finally refine it, before bringing it to life (often with a video).

## **Step 2 - Build the organisational culture around the brand ideal**

Getting the culture right is one of the most effective (yet most difficult) things to help drive the behaviour of an organisation - over the long-haul, purpose always trumps command and control systems (or rule by fear/manipulation).

It's critical to conduct an audit to find the gap between the reality of today and what is required to deliver the ideal. People do not want to change. You need to keep on pushing to instil change in an organisation. If you stop leading change, you stop leading.

One of the key tasks of senior management is to provide the right resources (esp. talent) into an environment that is conducive to getting the best return out of those resources. If you don't hire, train, promote and reward people based on the brand ideal then you will never bring it to life. The key is to hire the right people as nothing is more important to fulfilling the business ideal than the people you employ ('Always bet on talent'). The Stengel 50 spend an inordinate amount of time ensuring they hired the right type of people. They also invest in 'on-boarding' them as well as regular training (as easier to train people in skills rather than values).

*At Zappos, everyone goes through call training and spends time answering phones. Every year, around Christmas everyone puts in an extra 10 hours helping out on the phones.*

*Terry Leahy, then the CEO of Tesco's recommended that a company must treat its employees the same way it treats its customers.*

The decisions made by senior management can be deeply symbolic for a company as it helps reinforce what the company believes to be of critical importance.

*At P&G, Stengel took over a dysfunctional, geographically spread team. To demonstrate his commitment to the need for teamwork, he flew them all into one place on a regular basis; bought in a facilitator who specialised in group dynamics and ran a series of team building workshops to help unlock their issues.*

It often takes time to do this and its is recommended not to rush on too fast ("You often must go slow in order to go fast" says Paul Otellin, CEO for Intel).

The author outlines 10 culture builders:

1. Reveal your aspirational brand ideal and operationalise it
2. Be clear about what you stand for (inside and outside the company)
3. Design your organisation for what it needs to win
4. Get you team right and do it quickly
5. Champion innovation of all kinds (both commercial innovation and disruptive revolution)
6. Set your standards very high
7. Train all the time
8. Do a few symbolic things to create excitement about what is important



9. Think like a winner, act like a winner
10. Live your desired legacy

*Pampers moved its brand above and beyond their core focus of 'dryness' to 'helping mothers care for their babies' and toddlers' health and happy development' and regained its supremacy versus Huggies. The brand had lost sight of the consumer and were too focused on their functional dryness benefit. To help them rediscover their ideal, they went back to the Pampers creator, and found dryness was never his ultimate goal - he wanted to improve the lives of babies and their carers. Dryness was a means to an end but not the end in itself. They also re-immersed themselves into Parent's lives - at home, at work and in the supermarket. They also looked at other parent based brands not in the diaper segment (such as Johnson & Johnson). One of the insights that came up was the importance of the transitioning stages a baby/toddler/child goes through and the role the carer plays in helping them develop. The new ideal inspired new advertising, packaging and products (providing a more holistic expression of the brand). The new ideal also helped them ruthlessly cut back on extraneous projects and only focus on a few 'big wins'.*

*They also created a new team (and moved the nay-sayers out of harm's way), and ensured people had a longer tenure on brands (to see through the consequences of their decisions rather than being moved off to new projects in 18-24 months). Furthermore they reshaped the culture to be more focused on the mother (with maternity parking spaces, creches, as well as changing the decor of the office space).*

*The process of embedding the new ideal with the consumer took time (with a number of wrong turns along the way) but with perseverance it has tripled in size over the past 15 years (it is now a c\$10bn brand in 2012 and was \$3.4bn in 1997).*

### **Step 3 - Communicate the brand ideal to engage employees and customers**

A brand needs to be consistent in all areas of its operation. It must really 'walk its talk' as the world is too transparent these days ("Everything a brand does is media" said Lee Clow from TBWA). To do this, you need every employee (and stakeholder) to understand the brand ideal as this helps influence every micro decision an organisation makes.

Leaders need to have high levels of Emotional Intelligence to help inspire and lead - ironically they need to be better listeners than orators. We are all in the relationships business - thus it's key to be able to form strong relationships with all types of people within an organisation.

*One of the ways P&G tried to break down the old barriers was to make people sit in non functional teams - so next to a strategist might be a logistics person or a chemist.*

*It is also important to regularly communicate to everyone (which digital technology now allows you to do). Every quarter the author held an 'all hands' webcast called the PBS NewsHour.*

Use of storytelling is a key tool in helping to embed the ideal - often by telling the stories of the founders, or examples of their customers personal stories about how the brand/company helped them.

*At Motorola, having discovered from people's stories that the brand ideal was around 'helping people be their best in the moments that matter', they got the 600 global leaders together and got them designing 'moments that matter' posters that brought alive this ideal with other real examples. Many of these were finished up and displayed throughout the organisation around*

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*the world. These leaders then became the brand ambassadors helping to ignite others with the new ideal.*

*An example of a story Method tells its employees: They say a value is not a value until it costs you something. In Method's case they were not prepared to compromise on quality to hit CostCo's low desired pricing point - so accepted the loss of its listing in the store.*

#### **Step 4 - Deliver a near-ideal customer experience**

A brand lives or dies on its reputation. The digital space has massively amplified the power of word of mouth. Thus a brand must deliver against its ideal. The more a company can deliver its ideal to its customers, the greater the chance of loyalty and recommendation.

To be a good leader you need to be prepared to make bold decisions. You must set very high standards and not let go of them.

*Zappos decided to take the bold step of owning all its stock (whereas many retailers are now leaving the stock with its suppliers which helps reduce money tied-up). This allows them to make more faithful promises and to be in greater control of delivery.*

If you have an inspiring ideal, you will find your workforce want to be part of the future history of the brand and so will be committed to living up to the ideal. It also helps generate loyalty and commitment from the outsider stakeholders (such as the ad agency, suppliers etc).

*Apple employs people not on their technical skills but their people and life skills as they wanted everyone who came into their stores to leave feeling happy (because it recognises they are selling an experience as much as they are selling a piece of kit).*

The issue with many organisations is that senior management like the feeling of power and fear letting go. An ideal driven company takes a different approach: Focus first on getting the right people in, then let go (and allow them to primarily self-organise around a number of core values, beliefs and an ideal).

*Zappos relies on 10 values to help keep everyone focused on clear behavioural standards, such as:- 'Deliver WOW through service', 'Be adventurous, creative and open-minded', 'Build open and honest relationships with communication', 'Build a positive team and family spirit', 'Be humble' and 'Create fun and a little weirdness'. There is no set script or sales quote. They are given free rein to 'make the right decision' with a customer based on these ten values. This leads to 75% of its daily business coming from past customers. Furthermore, they trust their vendors so much that they are prepared to share almost all their customer data with them (to also help them better meet the end consumer).*

Your journey to the brand ideal is never over as there will always be better ways or new technologies to increasingly meet your customer's needs. Thus innovation and change are two constants in an ideal driven business.



### **Step 5 - Evaluate the progress and your people against the brand ideal**

You need to continually assess how you are doing in achieving, maintaining and developing your brand ideal. 'If you cannot measure it, you cannot improve it' (said Lord Kelvin). Thus in any organisation it must measure what is important (and stop measuring what is not important). Being an Ideal driven organisations leads to a new set of metrics such as employee and customer engagement and not just the financials. Conversely, if you measure the wrong things then that will lead the company in a different direction (thus what you chose to measure has a critical influence on the direction an organisation goes in). Furthermore, personal objectives need to be a set as a mix of both personal tasks as well as cultural/ideal based objectives. For example, measure and reward time spent with customers and end consumers (because if they are the life-blood of a brand, it makes sense to stay really close to them).

*Pampers had only been setting their key metrics against dryness so were 'blind' to the other areas of importance. The trouble was their scores on dryness kept increasing but this was becoming less relevant for the mother. When they refocused, they included many brand tracking elements such as 'This is a brand that shares my values.'*

*Toyota are currently in the process of standardising its KPIs globally to provide real focus within the organisation.*

*At Visa, 50% of their evaluation rests on how they treat their people and how they get their jobs done.*

*At P&G every manager in the marketing function is assessed against three criteria: Business results; Brand health results and Organisational development results.*



### Examples of some of Stengel's top 50 Brand Ideals

Accenture - exists to help people accelerate ideas to achieve their dreams

Apple - exists to empower creative exploration and self-expression

Coca Cola - exists to inspire moments of happiness

Discovery Channel - exists to satisfy people's curiosity about their world and the universe

Dove - exists to celebrate every woman's unique beauty

FedEx - exists to deliver peace of mind to everyday interactions

Google - exists to immediately satisfy every curiosity

HP - exists to foster the human capacity to innovate and progress

IBM - exists to help build a smarter planet

Innocent - exists to make it easy for people to do themselves good

Johnny Walker - exists to celebrate journeys of progress and success

Lindt - exists to provide joy through small luxuries

Louis Vuitton - exists to luxuriously accentuate the journey of life

Mastercard - exists to make the world of commerce simpler and more flexible

Mercedes-Benz - exists to epitomise a life of achievement

Moet & Chandon - exists to transform occasions into celebrations

Pampers - exists to help mothers care for their babies' and toddlers' health and happy development

Red Bull - exists to energise the world

Royal Canin - exists to support people's lifelong, loving relationships with their pets

Samsung - exists to inspire imagination and enrich lives in a world of limitless possibilities

Snow Beer - exists to celebrate everyday moments of success

Starbucks - exists to create connections for self-discovery and inspiration

Visa - exists to provide the freedom to people to follow their passions by providing better money for better living

Zappos - exists to deliver happiness through 'wow!' service

Zara - exists to democratise fashion trends

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## CRITICISMS

Grow is an easy book to read, with lots of interesting case studies (although there is a fair amount of repetition - chapter three covers the essential bits that he then takes another 193 pages to expand upon!)

I totally 'buy' into his thesis that brands and organisations should organise themselves around a core ideal. It echoes many of the themes of Simon Sinek's book, 'Start with Why'.

However, I do question some of the contents:

- The book (like many management books) fall into the romantic trap of what I call 'single-issue management' - i.e. *If you just do this one thing then your business will be transformed* when in truth we know businesses are incredibly complex and there is no magic one-bullet fix.

- I wonder whether all brands should restrict themselves to just the five fields of fundamental human values. There are more values (which would reduce differentiation) and this seems to fight against his other idea of finding your authentic ideal.

- The trouble with statistics is they can easily be 'bent' to fit the theory. Thus I wonder (not that I have any proof) that Stengel has chosen 50 high performing companies and then 'found' their ideal. I am sure you could also find another group with clear ideals who are not performing as well (and of course other non ideal brands that are also performing well). Finally Blackberry is an example of where an ideal has failed to help save them!

- Furthermore, the book makes the mistake of assuming that correlation = causation (i.e. just because a group of high performing organisations have a brand ideal does not necessarily mean that having an ideal is the cause of their success).

- I have had the honour to work very closely with the Sensodyne brand and can absolutely guarantee that the ideal quoted is WRONG (the brand is more focused on preventing the pain of sensitivity than *'to nourish life's happiest asset, a bright smile'*). Thus I wonder where he got his 'ideals' from? - Has he and his team really spoken to the brands or just post-rationalised them?

- I also challenge the notion that it is the CEO who defines the ideal. From my MSc. in Change, it's much better to work with the whole organisation to gain their inputs to define the ideal (as then everyone is more committed to it than if 'presented' as tablets of stone from on high).

