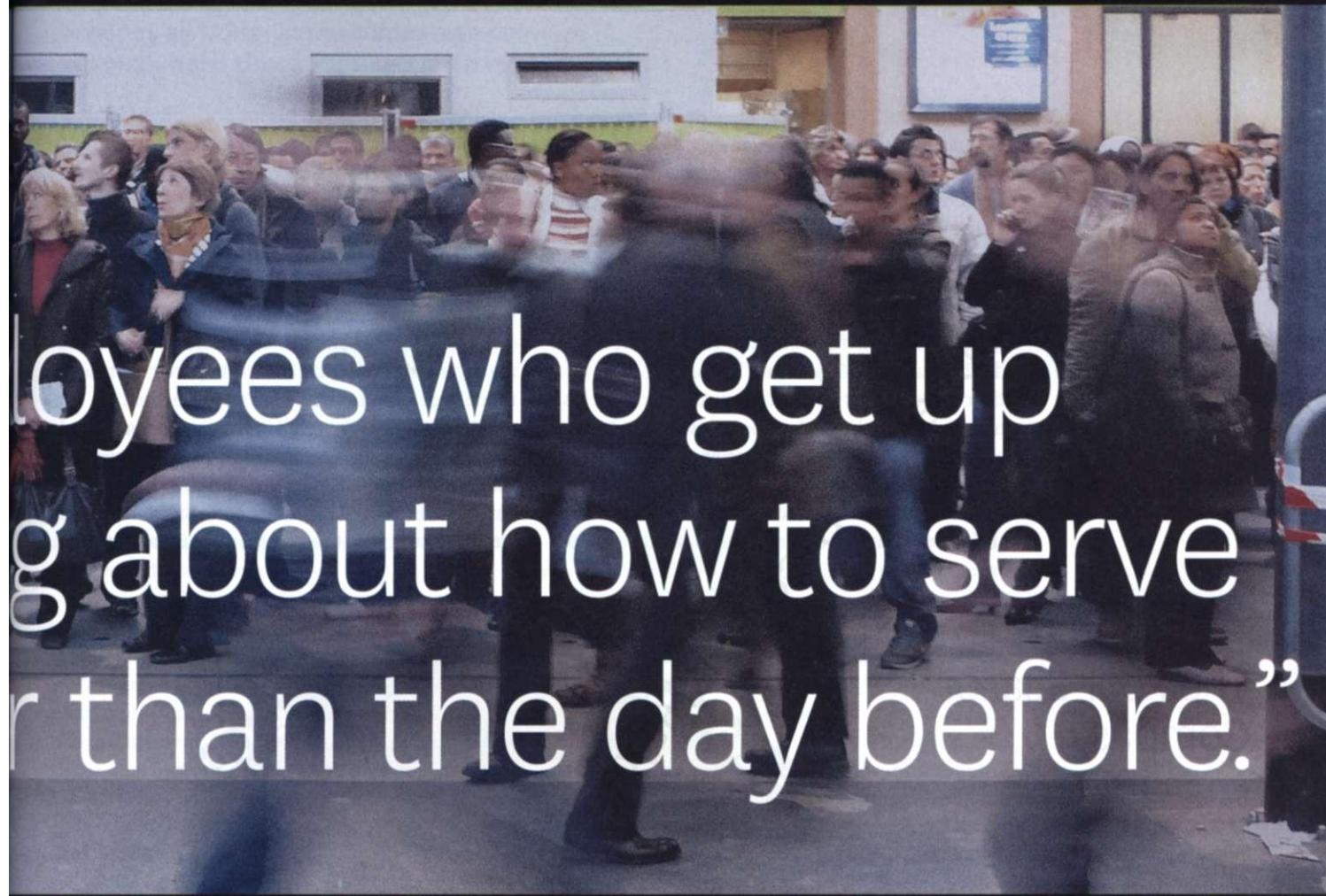




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The Power of Collective Ambition

by Douglas A. Ready
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PHOTOGRAPHY: JULIEN BRACHHAMMER

The latest recession hit hard, and many businesses suffered serious damage. But some came out stronger than ever. There were winners even in industries where you might have expected the most serious blows—luxury businesses like hospitality and beauty, for instance. A handful of players, in those industries and others, not only weathered the storm but found a renewed sense of purpose. How did they become the exceptions?

Look at the Four Seasons hotel chain. In 2008, with the world economy on the brink of recession, the company was already facing a troubling transition. The beloved founder and chairman, Isadore

Sharp, was ready to step aside from his day-to-day duties and assume more of an advisory role. COO Katie Taylor would become the company's first CEO. The hospitality industry was in shambles, particularly at the high end, as vacationers canceled and business travelers sought cheaper options. Four Seasons held firm on room rates, but occupancy dropped and the company slashed the staff at headquarters. Sharp's move added to the concern. Yet under his guidance, Taylor and her team not only got the company back on track but positioned it for leadership once again. Today bookings are up dramatically from 2008, and employee engagement scores are higher than ever.

Or consider Standard Chartered Bank, which thrived even as its peers received bailouts, suffered

debilitating reputational blows, or simply closed up shop. Or the beauty retailer Sephora, on the brink of extinction a decade ago and now opening an average of two stores every week.

We have spent the past three years studying companies across industries that have defied conventional logic. We developed and administered a survey to 45 companies around the world; interviewed dozens of CEOs, senior executives, and midlevel managers; and conducted workshops to construct a model that captures how they've succeeded.

That model is expressed in what we call *collective ambition*—a summary of how leaders and employees think about why they exist, what they hope to accomplish, how they will collaborate to achieve their ambition, and how their brand promise aligns with

The Four Seasons Compass

The Four Seasons hotel chain clarified its purpose and repositioned itself for industry leadership by using a tool we call a compass.

Purpose is at the center; leader behavior forms the outermost ring. In between are the other elements of collective ambition, along with targets and the milestones that will measure your progress in each.



Idea in Brief

Against all odds, some companies come through hard times stronger than ever.

Sephora was nearly out of business a decade ago, yet the beauty retailer is now opening an average of two stores a week—a turnaround launched at an especially low moment for consumer luxuries.

For the **Four Seasons** hotel chain, bookings are up dramatically since 2008, even though the recession struck a considerable blow at luxury travel.

The French food giant **Danone** struggled for decades to make its mark in the United States, fighting Americans' lack of interest in yogurt. Now the company is poised to triple its U.S. growth over the next few years.

How do they do it? Instead of focusing on one goal, employees shape a collective ambition: a shared sense of purpose, how the company will fulfill it and track progress, and how leaders and others will behave every day as they achieve and sustain excellence.

their core values. These companies don't fall into the trap of pursuing a single ambition, such as profits; instead, their employees collaborate to shape a collective ambition that supersedes individual goals and takes into account the key elements required to achieve and sustain excellence.

In this article, we'll describe those elements and why they matter—and why one matters most of all. (Spoiler: It's purpose.) Drawing on the companies we've studied, we'll show how some of them focus on two priorities—what we call the *glue* (collaborative engagement) and the *grease* (disciplined execution)—to achieve their collective ambition. Our hope is that their journeys will inspire you to do the same.

The Elements of Collective Ambition

We're not starting from scratch with the concept of collective ambition. For decades, organizational scholars have studied what makes for a company that is both sustainably profitable and engaged with employees and other stakeholders. But many organizations tackle engagement in a one-off fashion or define it too narrowly (for instance, as the degree to which employees feel engaged with their work) rather than creating a compelling story of the company's future and a collaborative process for building the capabilities to achieve it.

So, what elements does a company's collective ambition comprise? Some are drawn from prior studies; others we've gleaned from our recent research. All seven must be carefully integrated. They are as follows.

Purpose: your company's reason for being; the core mission of the enterprise.

Vision: the position or status your company aspires to achieve within a reasonable time frame.

Targets and milestones: the metrics you use to assess progress toward your vision.

Strategic and operational priorities: the actions you do or do not take in pursuit of your vision.

Brand promise: the commitments you make to stakeholders (customers, communities, investors, employees, regulators, and partners) concerning the experience the company will provide.

Core values: the guiding principles that dictate what you stand for as an organization, in good times and bad.

Leader behaviors: how leaders act on a daily basis as they seek to implement the company's vision and strategic priorities, strive to fulfill the brand promise, and live up to the values.

Clearly defined, these elements can help leaders spot areas of misalignment and launch initiatives to address them. They might find, for example, that although leaders are energized by the concept of community impact, their bonuses are pegged to top-line growth. This disconnect may make it hard to inspire them to behave in a way that suits the organization's purpose and vision. (See the sidebar "The Seven Elements in Action" for an example of how a global biopharmaceutical firm defined these elements.)

We use a design of concentric circles to represent collective ambition. We think of it as a compass. Purpose is at the center. The outermost ring contains the leader behaviors that enable progress. Vision, brand promise, strategic and operational priorities, and values lie in between, along with the targets and milestones that will measure your progress in each

Many organizations tackle engagement in a one-off fashion or define it too narrowly.

Audit Your Collective Ambition

For a quick self-check on how far you've come in shaping and implementing your company's collective ambition, answer the following questions:

1. Does your company have a clear and meaningful statement of its core purpose—why it exists?

NOT AT ALL BENCHMARK STATUS
1 2 3 4 5 6 7

2. Is your company's vision compelling and aspirational yet achievable, motivating employees to contribute their very best?

1 2 3 4 5 6 7

3. Has your leadership team gone through the hard work of identifying targets, milestones, and metrics that ground the vision in reality?

1 2 3 4 5 6 7

4. Has your company ruthlessly prioritized the choices it will make to build the capabilities required to win on a sustainable basis?

1 2 3 4 5 6 7

5. Does your company's brand promise capture the experience you intend to deliver to stakeholders (customers, communities, investors, employees, and business partners)?

1 2 3 4 5 6 7

6. Do your company's articulated values represent what you stand for as an enterprise and as a group of people working together?

1 2 3 4 5 6 7

7. Do senior leaders' day-to-day behaviors reflect the leadership behaviors that you say are critically important to your company's success?

1 2 3 4 5 6 7

RESULTS

If your company's total is below 35, you have your work cut out for you. What's most important is to start an honest dialogue about two or three things leaders and managers will commit to doing now to strengthen the company's collective ambition.

Once you open up this dialogue, be ready to commit to doing your part to make sure the organization follows through.

explained it this way: "Our local connections are very deep, in part because we make a big effort to develop local talent and also because we've been in our markets so much longer than other multinationals. It is not uncommon for me to meet a customer who says, 'You gave my grandfather a loan 50 years ago, and you've stood by my family business in good and bad times. We wouldn't go to another bank.'"

Sands and his executive team worked to ensure that the new promise was kept. The first priority was to introduce it to employees, the people who deliver the promise day in and day out. SCB held town hall meetings throughout the world; they included a documentary-style video clip showing real people talking about their experiences with the bank, such as a farmer in Sri Lanka who used its services to help fund his children's education. The clip moved and rallied employees, particularly when it started to appear on television in key markets.

The cynicism that accompanies many rebranding efforts was largely absent at SCB, mostly because "Here for Good" captured what was already there. This exercise was about strengthening the glue that would make the promise real for all stakeholders. To customers, for example, SCB's commitment is a promise that they will be offered fair deals and treated as partners. Whether lending to cocoa farmers in Ghana (SCB helps sustain employment for more than 70,000 Ghanaian farmers) or to big pharma companies in Europe, SCB assists customers in building their businesses for the long term.

The bank also does business only with customers that comply with a country's regulatory guidelines. SCB views regulators as partners in building healthy business environments, which in turn lead to great opportunities for the bank—good for business, good for the community. Take the UAE, where many international banks fail to meet the country's Emiratisation quotas and willingly pay fines. SCB instead thinks of the quotas as crucial to developing local talent. In Nigeria the bank has helped educate regulators on best practices—all in the name of building the region's human and economic capital.

SCB has also begun to bake "Here for Good" into its core business processes. For example, loan applicants must write a paragraph about why SCB should trust that they, too, will be here for good. A manufacturer seeking a loan for a new factory might be expected to include a commitment to sustainable waste-disposal practices.

SCB's community initiatives are well entrenched in the company's brand and culture—a sign that the bank's promise is more than just words. Whether building health centers for the blind in India, sponsoring the Liverpool Football Club, or giving people time off to volunteer for causes that matter to them (one employee spoke to us of his work at a stable for rescued horses), SCB is part of the fabric of the communities in which it operates. Seeing colleagues get involved in philanthropic efforts is energizing, employees say, and builds their allegiance to the bank.

Although the new brand promise has had an overwhelmingly positive effect, SCB's executives are realistic—cautious, even—about claiming victory. "We have been here for good, and we want to be in the future," an executive notes. "At the same time, we're trying not to be too brazen about it because we don't want to become a target or have people waiting for us to fail. We have demonstrated that a bank can be a force of great good, but we also know the limits." In other words, you can't prepare for all unanticipated consequences. A manufacturer applying for a loan might commit to sustainable waste disposal but end up selling a product that includes a potentially dangerous chemical.

Standard Chartered Bank's new brand promise—"Here for Good"—captured what was already there.

In its rebranding initiative, SCB included all the components of our collective ambition compass, with a similar intention of integrating and aligning purpose, vision, targets, strategic and operational priorities, brand promise, core values, and leader behaviors. All were integral to the effort. The bank's campaign was a good fit because, as Sands said, "'Here for Good' is not only true of Standard Chartered already but also aspirational and, quite frankly, inspirational for us all." It was the organizational glue that reminded people why they came to work every day. Going forward, the bank's challenge is to remember, not abandon, its roots.

The Seven Elements in Action

For a closer look at how a company might define the seven elements of collective ambition, let's consider a global biopharmaceutical firm, in which the CEO and his top team convened a conference dedicated to this task. The goal was to present the company as a whole with a compelling sense of purpose, a clear vision and strategy, and a brand promise that reflected its core values.

PURPOSE

To make significant scientific contributions to global health and well-being

VISION

To become the premier biopharmaceutical company in the world and a leading provider of nutrition services

TARGETS AND MILESTONES

Evidence of tangible progress will include membership among the top three companies in its field in China and India; holding the first or second spot in securing new patents in each of those markets; and becoming a preferred partner for the world's leading teaching and research hospitals.

The grease. Collaborative engagement, the glue, creates a unified culture prepared for disciplined execution—the grease that drives productive change.

Let's look again at Four Seasons, during the fraught time when Katie Taylor took over as CEO. She first needed to strengthen the glue, so she took a team of executives out of their day jobs for six months and charged them with visiting guests, employees, and stakeholders around the world to get an up-to-date picture of the business. The team's presentation of what it had learned confirmed that guests valued the luxury experience and employees had a shared sense of purpose. But the presentation was theoretical and, as one employee put it, "overly intellectual." Employees were unmoved, left without an idea of how to translate the findings into day-to-day efforts. Organizational glue is important but insufficient: Without everyday solutions, new promises are easily abandoned.

Working with our compass, Taylor and her team organized their findings in a more tangible framework, consistent with the company's purpose and values but with a bias for action. Now Four Seasons was ready to create the grease—a methodical plan, detailed in a series of work initiatives that were aligned with the company's purpose: to create the world's best hospitality experiences.

For example, one of the company's teams led an initiative called "Who gets to be a leader around here?" The aim was to transform what had been a relatively informal approach to promoting people into a robust system for evaluating potential and performance and making promotions on the basis of them. This was important for ensuring that Four Seasons had the right people in the right roles and was developing, rewarding, and retaining them. After all, when service is your competitive advantage, your people are essential.

As Taylor put it: "We have 34,000 employees who get up every morning thinking about how to serve our guests even better than the day before. So while all of this trouble is swirling around us, our brand promise of providing the most exceptional guest experience wherever and whenever you visit us is instilled in the hearts and minds of our dedicated employees. They are the ones who fulfill that promise day in and day out."

Putting Purpose First

Whether you use the compass we've provided or some other tool to create your company's story, we recommend that you place purpose at the heart. Purpose is the center around which vision, strategy, brand, values, and leader behaviors must orbit.

Remember—a purpose doesn't have to be about saving the world. Providing excellent entertainment or banking services is just as meaningful a purpose as improving health care in emerging economies—as long as it is an authentic representation of why your company exists. A purpose statement is your starting point for differentiation and engagement.

Let's consider how Sephora, one of the world's leading beauty retailers, developed its purpose. The company was founded in France in 1969 by Dominique Mandonnaud. He thought that shopping for cosmetics should be fun, so he designed Sephora's stores to be entertaining places where customers could test products before buying them. The concept took off—and so did competitors' adeptness in copying it. Sephora increased the number of brands it carried, hoping to differentiate itself. But the company soon learned that carrying a wide range of cosmetic, fragrance, and skin care brands in addition to its private label was not enough to stay ahead of the pack. It needed something hard to copy.

Sephora is part of LVMH, the world's leading luxury products group. In 2003 LVMH was consid-

STRATEGIC AND OPERATIONAL PRIORITIES

Reducing costs annually by 2% without diminishing quality; reducing cycle time in new-product rollouts by 5% a year; consolidating IT systems from recent acquisitions so that field staff receives timely information superior to that of benchmarked competition

BRAND PROMISE

"Team up for a healthier world." For instance, communities where the company does business will experience better health care; employees will work collaboratively to address major global health challenges.

CORE VALUES

Integrity, innovation, and collaboration. This means, for instance, that all constituencies should trust that products will be sold with transparency and that the company will provide opportunities for both individual and organizational growth.

LEADER BEHAVIORS

Leaders are expected to demonstrate respect for individuals, a drive to succeed, and flexibility even in turbulent times.

Articulating these elements of collective ambition gave everyone in the organization a better sense of the company's purpose and how he or she could contribute to it. This summary became a framework for identifying milestones and making strategic and operational choices.

ering selling Sephora because of its troubles but instead brought in a new CEO, Jacques Levy, to turn the company around. After studying customers' preferences, Levy and his senior team realized that Sephora's competitive advantage wasn't in the store layout or the brands it carried; it was in the fun and playful shopping experience the company had always delivered. In a nod to the past and an acknowledgment of what future success would require, Levy and his team crafted a new purpose statement: "To provide customers with the most entertaining shopping experience of the retail industry—giving them a moment of relaxation and discovery, enabling them to experiment and play with their beauty."

Although purpose is the source from which all the other elements of collective ambition flow, it is critical to integrate all seven elements. For example, Sephora determined that if its purpose was to provide an entertaining shopping experience, its strategy should be to deliver exceptional service—not conventional great service but service in line with the company's core values of freedom, emotional connection, excellence, and boldness.

Purpose, strategy, and values play a role in everything Sephora does. Consider the training at Sephora University, which encourages employees to use their own means to reach desired ends. For example, a booklet that explains the "Sephora Management Style" provides a list of principles, examples of how current employees are successfully demonstrating each principle, and a space for trainees to write how they will do the same. A trainee might consider applying a product to customers' faces or to her own to help people play with their beauty and have fun in the process.

One of the world's largest food companies, Danone, and its U.S. business, Dannon Milk Products, provides another example of the centrality of purpose. Launched during World War II, Dannon strug-

ged for decades to make its mark, mostly because Americans eat only one-fifth as much yogurt as is consumed in some European markets. The company enjoyed relative vigor in the early 2000s as Americans embraced low-carb diets, but growth fell off again with the financial crisis.

In 2009 Danone appointed the Argentinian Gustavo Valle president and CEO of the U.S. business. Valle had engineered a turnaround in Brazil by focusing employees on vision and purpose, and he wasted no time in pursuing this approach at Dannon. His idea was not to project the past onto the future but to see the future as one of boundless possibility—and then to act as if the company were already there.

The organizational glue reminded people why they came to work every day.

Dannon employees were aligned with the company's purpose, as laid out in its mission statement: "Dannon is committed to bringing health to the greatest number of people across America through our products' benefits." But they lacked a true commitment to achieving that purpose.

Valle declared a goal of tripling Dannon's business by 2014 by focusing on culture, communications, and cross-unit collaboration. "If we want to become the largest business unit of Danone, we have to start acting like it," he said. "And if I want to be the CEO of a multibillion-dollar business, I have to start acting like one, too....There's a big opportunity. And if we want to seize it, we have to work differently."

Dannon's CEO decided to see the future as one of boundless possibility.

Since then, Valle has established the Danone Leadership College, which includes workshops emphasizing employees' responsibility for their own contributions to Dannon's transformation. It's a work in progress, but by framing initiatives in terms of purpose, Valle has effected some cultural change. For instance, there's evidence of mind-set shifts inside functional areas: The vice president of supply chain told us that he would be willing to accept less efficiency if it meant helping sales. "We're more in it together," he said.

Dannon is easing up on the notion of a zero-sum game (growing by stealing market share from others) and focusing instead on building the category. The company's marketing efforts have shifted as well, from one-way campaigns that dismiss consumer

complaints about, say, aspartame or sugar in yogurt marketed to children to social media campaigns that engage consumer feedback. It's early days, but Valle sees his vision as achievable, as long as employees adhere to the company's purpose and work together to bring it to life.

THERE'S NO easy path to excellence, no guru who can show you the way in an hour's speech. It's up to you and your team. The good news is that it's not terribly complicated. Commit to collaborating to shape a powerful story about why people should come to work and how they can pull together to build a future. The glue and the grease—combined with a dose of good old-fashioned discipline—will allow the team to unleash your company's collective ambition.

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