JOHN MATTONE AND NICK VAIDYA

# CULTURAL
# TRANSFORMATIONS

## LESSONS OF LEADERSHIP
## AND CORPORATE REINVENTION

# CULTURAL TRANSFORMATIONS

# PRAISE

*"Essential for practicing professionals and academics, Cultural Transformations is saturated with insights and findings on organizational leadership that you can apply immediately! Mattone and Vaidya show why some organizational cultures are able to generate long-term sustainability and how you can implement proven turnaround strategies today!"*

**—Marshall Goldsmith, executive coach and bestselling author of Triggers**

*"Cultural Transformations is a powerful inquiry into the nature of leadership and the increasing role that culture plays into today's business world. Not only is inspiring to hear from such a distinguished group of CEOs, but authors John Mattone and Nick Vaidya show us how to implement the type of change and evolution they're talking about."*

**—Deborah DiSanzo, General Manager, IBM Watson Health**

*"Every year new books are published that offer promising solutions to the business challenges that are present in today's complicated global market. What makes this book special is both the high caliber inquiry that John Mattone brings to the table and the talented and diverse group of CEO's he interviews in pursuit of a deeper understanding of the importance and power of a strong corporate culture, as well as the leadership dynamics required to see it thrive. I recommend this book to anyone looking for inspiration and creative thought stimulation to bring their company to the next level."*

**—Bill Logue, Former President and CEO of FedEx Freight**

*"By mining the expert opinions of many successful CEO's and entrepreneurs, John Mattone and Nick Vaidya distill the essential practices for successful leadership derived from their journeys through failure and success. This book is a tale of hard work and dedication. It is a call to action, a reminder to bow our heads and give deference to the expertise of the team. It is a plea for resilience and an invitation to stay strong and positive through hardships. By reading these pages you will feel the humility of leaders who dispel the mythical figure of the "super CEO" in favor of a humble builder of teams, one who is aware of the constant and ever changing business environment and who relies on the wisdom of coworkers. The practical habits described in this book will give you a foundation to become an effective leader. "*

**—Fabio Polenti, MD, Chief Medical Operations Officer of The Cleveland Clinic**

*"I wish that all our leaders—in business and in politics—would read Cultural Transformations. It contains invaluable insights from 14 diverse leaders who have each built successful companies and thriving cultures within their organizations. If our leaders digested even a fraction of their wisdom and experience, the world would be a better place."*

**—Joseph Mancuso, founder of CEO Clubs and author of 27 best selling business books**

amazon     BARNES&NOBLE BOOKSELLERS     800ceoread     BAM! BOOKS·A·MILLION

"Cultural Transformations is a must read for leaders of companies of any size and industry. John Mattone and Nick Vaidya are progressive, bold, and inspiring in their modern and 'think differently' approach to leadership. They provide constructive and immediate executional steps that any company can use as they navigate the ever-changing, competitive global marketplace. Enriched by actual conversations with successful CEO's from various industries who share both their professional and personal journeys, this book on leadership is valid, real and transforming."

**—Ruthie Davis, Founder, President & Designer of luxury shoe brand, Ruthie Davis**

"Today's leader faces an array of complex challenges not even dreamed about by his or her predecessors. Cultural Transformations is a book every leader should read before an organizational transition is on the horizon. It will not only help you to anticipate the future, it will help you to create it in a mature, mindful, and savvy manner – and that's what leadership is all about."

**—Lois P. Frankel, Ph.D., author of See Jane Lead and Nice Girls Don't Get the Corner Office**

"One of the business world's biggest Holy Grails is learning how to build a corporate culture that supports long term sustainability and growth. In their new book, John Mattone and Nick Vaidya masterfully weave together their own corporate reinvention experience with 14 thought provoking interviews with top CEOs to create a practical and inspiring roadmap for achieving effective cultural transformation."

**—Vegar Wiik, Executive Director, Florida Atlantic University School of Business**

"In Cultural Transformations, John Mattone and Nick Vaidya have brought leadership development to a new level. Through their unique interviews, John and Nick get some of the world's top CEO's to open-up and talk about how their values, character, and beliefs have had a dramatic impact on the organizational cultures they have created. This book is a powerful learning vehicle and must-read for all leaders, future leaders, and organizations that know they must transform to survive."

**—Dan Hoeyer, Founder & President of Leaders Excellence, Inc.**

"John Mattone's new book (co-authored by Nick Vaidya) builds on his extensive work with corporate executives and offers us great insight on leadership development and cultural transformation built from conversations with fourteen top CEOs. It is not a book of abstract ideas but rather a living inquiry into change and leadership through the actual experience of leaders around the world."

**—Alper UTKU, President of European Leadership University**

"Cultural Transformations" is packed with sage wisdom from those who have experienced the pain and rewards of transformation in themselves and in leading others through change. This masterpiece is filled with clear realizations that can make the difference between success and failure."

**—CB Bowman, CEO of the Association of Corporate Executive Coaches**

"Cultural Transformation is a gift to organizations that will help bring your management team to the next level. Mattone and Vaidya distill the essence of many thoughtful business leaders' experiences--gained over the years--into clear steps and strategies that organizations can put into practice immediately! Cultural Transformations is a paved road toward a healthy, effective, practical, and essential cultural change."

*—Soliman Maher Arab, Founder and Managing Principle, Vigor Enterprises*

"Cultural Transformations provides a practical and inspiring roadmap for corporate reinvention and leadership development. Through 14 in-depth interviews with some of today's best business minds, John Mattone and Nick Vaidya take you into the heart of what it means to lead and transform your company in today's rapidly evolving business landscape."

*—Labeed S. Hamid, President of Middle East Management Centre and Co-Founder of Management Centre Turkey*

"John Mattone and Nick Vaidya's new book is essential reading for CEOs, businesspeople, or anyone interested in learning how to become a better leader. Their conversations with some of today's most interesting and successful business minds, bring to light a treasure trove of useful and inspiring insights into what it takes to build and lead a thriving corporate culture."

*—Kevin Dunn, Chief Executive Officer, CEO Clubs of America*

"In Cultural Transformations, John Mattone uses is his extraordinary ability to bring out the best in people through 14 intimate interviews with some of the world's most successful CEOs. He and co-author Nick Vaidya plumb the depths of each CEO's experience, weaving together a profound and practical study on leadership, culture, and the need for corporate transformation in today's business world."

*—Romeo Ruh, Executive Board, ZfU International Business School*

"When it comes to challenging territory of corporate cultural change, John Mattone is a master. In his new book, Cultural Transformations, he and co-author Nick Vaidya engage in 14 thought provoking conversations with some of the world's top business leaders about their leadership style and how they built successful, thriving, and profitable cultures within their organizations. It's a must read for anyone interested in business culture and how to change it."

*—Dr. Eva Benesova, Executive Director, Principal Coaching Ltd.*

"Cultural Transformations is an invaluable resource for entrepreneurs, managers, and future business leaders who want to take their leadership and their culture to the next level.Through this book, you will learn from 14 of today's top CEOs about what makes them tick and how they built the thriving cultures that drive their company's success."

**—Kirat Dhillon, Director of HR & Events, Society for Human Resource Management**

"Culture is a key driver for any organization success. In their new book, John Mattone and his co-author show you why. Weaving together a series of intimate interviews with some of the world's most successful CEOs with their own in-depth experience, they show us why and how to get started in the challenging process of corporate reinvention."

**—Achal Khanna, CEO, Society for Human Resource Management**

"In our extensive work with companies of all types, we find culture as the most significant frontier CEOs have yet to explore. In Cultural Transformations, John Mattone and Nick Vaidya masterfully guide us in an in-depth exploration of this new frontier. Mining the experience of their clients and many business leaders, they get to the bottom of what it takes to build, lead, and sustain a thriving corporate culture in today's rapidly changing economies."

**—Dr. M Muneer, CEO of CustomerLab**

"In Cultural Transformations, John Mattone and Nick Vaidya bring you not one, but fourteen intimate conversations with some of today's most successful business leaders. You'll hear about their leadership styles. You'll learn about how they overcame obstacles. And you'll get an inside look into how they built thriving and profitable enterprises by focusing on the health and vitality of their company's culture."

**—Dr. Mukul Kumar, President of UWC-USA**

# CULTURAL TRANSFORMATIONS
Lessons of Leadership and Corporate
Reinvention from the C-Suite Elite

**JOHN MATTONE AND NICK VAIDYA**

WILEY

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# Contents

# ABOUT THE AUTHORS **JOHN MATTONE**

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**JOHN MATTONE IS WIDELY ACKNOWLEDGED** as one the world's leading authorities on leadership, talent, and culture. He advises Fortune 1000CEOs and senior leadership teams on how to create and sustain a leadership and talent culture that drives superior operating results. John is a powerfully engaging, internationally acclaimed keynote speaker and top-ranked CEO executive coach. If you Google the 30 top leadership gurus of 2015, you'll find John Mattone at number nine, after Marshall Goldsmith and ahead of Jim Collins. He was nominated for the prestigious 2013 Thinkers50 Leadership Award, which recognizes the global thinker who has contributed most significantly to our understanding of leadership over the past two years. He was named to the Thinkers50 "Guru Radar" in 2011 and 2013, which recognizes the world's fastest rising stars in the fields of leadership and management thinking. He is also currently recognized by HR.com and Warren Bennis's Leadership Excellence Magazine as one of the world's top independent leadership consultants, executive coaches, and speakers.

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John is one of nine executive coaches in the world who have been awarded the coveted Master Corporate Executive Coach (MCEC) certification from the Association of Corporate Executive Coaches. John is the author of seven books, including two recent best-sellers. He is the co-author of one of the most respected studies of leadership and talent development in the world, The Trends in Leadership Development and TalentManagement, which is published biannually by Pearson. John was recently appointed Distinguished Senior Fellow of one of leading business schools in the world, the Hult International Business School, and he is the host of his own show, The CEOMagazine's C-Suite Coaching Show.

John Mattone's work has been featured by the Wall Street Journal, Fast Company, BusinessWeek, MarketWatch, Huffington Post, The CEO Magazine, ChiefExecutive.net, CLO magazine, CIO magazine, The Globe and Mail, Harvard Business Review, and many other respected global news outlets. John Mattone and his work have also been the subject of a 30-minute documentary produced by PBS. John has over 30 years experience in the fields of executive development, leadership and talent development, human capital management, as an entrepreneurwho has built two successful human capital consulting firms, as the president of amultimillion-dollar leadership consulting firm, and as a leading researcher and author known throughout the Fortune 500 as a cutting-edge thinker in the area of trends in executive development and developing high-potential and emerging leaders. John is the founder and CEO of John Mattone-Global. Prior to this, John was the president of one of the top leadership consulting firms in the world, Executive DevelopmentAssociates, Inc., (EDA) and prior to EDA he was the vice president of assessments for Linkage, Inc. Prior to Linkage, John was the vice president of sales for Drake Beam Morin (DBM), the global career and outplacement firm. Before joining DBM, John spent 10 years building his first successful consulting firm, Human Resources International.

## CAREER HIGHLIGHTS

• Consulted for more than 250 organizations and coached more than 200 executives

• Addressed more than 500,000 people in over 2,000 speeches

• Co-author of Trends in ExecutiveDevelopment and Talent Management research reports (Pearson 2011, 2013)

• Author of the award-winning "The Role of Assessment in Driving Operating Results," published in Jac Fitz-enz's book, The New HR Analytics (AMACOM, 2010)

• Author of "Predictive HR Leadership," published in Jac Fitz-enz's "Workforce Intelligence Report" (2008)

• Author of Talent Leadership: A Proven Method for Identifying and Developing High-Potential Employees (AMACOM, 2012), an Amazon best-seller

• Author of Intelligent Leadership: What You Need to Know to Unlock Your Full Potential (AMACOM, 2013, foreword by Marshall Goldsmith), a Bloomsberg/Businessweek best-seller

• Author of three e-books: Powerful PerformanceManagement: The Leader as Coach; Powerful Executive Coaching: A Roadmap to Unleashing Greatness in Your Current and Future Leaders; and Powerful Succession Planning (AMACOM, 2012)

• Author of Success Yourself (MasterMedia, 1996) and Positive Performance Management (National Press, 1996)

• John has written over 100 professional articles; his work has been featured in the Wall Street Journal, Globe and Mail, Huffington Post, CEO magazine, CIO magazine, CLO magazine, Leadership Excellence magazine, HR Executive magazine, Entrepreneurs Digest (Singapore), Conocimiento Dirrecion (South America), and many others

• Written for and performed in numerous audio and video programs, including Hiring & Performance Management, Focus on Success, The Essentials of Delegation, and the award-winning Street Smart Supervision.

# PROFESSIONAL QUALIFICATIONS

John Mattone holds a B.S. degree in Management and Organizational Behavior from Babson College and anM.S. in Industrial/Organizational Psychology from the University of Central Florida. John serves as an executiveMBA faculty member at Florida Atlantic University where he teaches his popular course Global Leadership Assessment and Development. John also serves as a senior talent management consultantand master executive coach for Executive Development Associates xii Cultural Transformations(where he formerly served as president), and he was recently named president of the International Center for Business Communication (andis ICBC's first Hall of Fame inductee). John is a member of numerous professional associations including the Association of Corporate Executive Coaches (ACEC), where he was recently named to the advisory board of the University of Continuing Education Coaching Education and was also appointed as ACEC's Middle East ambassador.

## WHAT ELSE ABOUT ME?

I am married to my incredible wife Gayle (we recently celebrated our 37th anniversary). We have four adult children—Jared, Nick, Kristina, and Matthew. Gayle and I enjoy all sports activities, especially skiing and bicycling (we typically ride 80 to 100 miles per week). We travel frequently to visit our children, who live in south Florida and Tennessee, and other family members in Boston, New York, and North Carolina.

## NICK VAIDYA

Known as the BlindSpotter, Nick Vaidya is the editor-in-chief of CEO magazine and the managing director of the CEO Leadership Institute. Prior to becoming a serial entrepreneur, he managed a multibillion-dollar product line profitability and was on the Chairman's Strategy Team at a Fortune 50 company. His advice on improving stability and growth is much sought after by C- level executives. Nick's approach is influenced by his doctoral work in empiricism, eclectic lifeexperiences, breadth of business roles, and his in-depth study of the ancient wisdom of the Vedanta.

# FOREWORD

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## Dr. Kerry Healey
## President of Babson College

**JOHN MATTONE'S CULTURAL TRANSFORMATIONS: LESSONS of Leadership and Corporate Reinvention from the C-Suite Elite** builds on the wisdom and lessons of his 2013 bestseller Intelligent Leadership. Working with co-author Nick Vaidya, managing editor, The CEO Magazine, they demonstrate how an organization's culture—specifically how it reflects and embodies the values and character of its CEO—is the key to creating an environment that intentionally seeks and embraces change in order to succeed in a global economy that is increasingly globalized, decentralized, and driven by the new, nimble, and bold.

Through revealing and candid interviews with 14 of the top CEOs in the world, John Mattone and Nick Vaidya provide an intimate look at the triumphs and, maybe more importantly, the wisdom gained through failure from some of the world's best CEO mentors. Through their experiences readers will be inspired to achieve more for their organizations—and themselves.

Cultural Transformations is a tremendous resource to teach leaders how to unlock their own potential by being willing to confront hard truths—better known as the truth—about themselves and then work relentlessly to improve their personal and professional abilities every day. And, by doing so, these same CEOs set an example and expectations for their leadership teams to emulate, embrace, and disseminate throughout the entire organizational structure. Mattone's leadership development process thoughtfully and thoroughly shows how creating a successful, dynamic, and supportive culture is the cornerstone to building a sustainable, flexible, and competitive business model that can survive and thrive in any market climate.

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# Foreword

As president of Babson College—the world's recognized leader
in entrepreneurship education, of which John Mattone is a proud
alumnus—I, along with my fellow academic leaders, am currently confronting
major challenges to the traditional models of higher education.

Put simply, we need to transform or be rendered obsolete. Our customers, students
and parents, are increasingly questioning the conventional wisdom of a college
education serving as an automaticticket to career success. As costs continue to
rise, student debts mount, and long-term outcomes become less certain there is
increasing scrutiny of the return on investment for a college degree.

Adjusting and thriving during this period of rapid evolution requires
individuals who can both lead and, more importantly, build leadership
teams with the courage to drive a cultural transformation within
academia where there is often deep-seated resistance to rapid change.

As educators of the next generation of global leaders, the need for
academic institutions to lead the charge to create a culture of learning
that embraces technology and reflects twenty-first century realities
cannot be overstated.

Cultural Transformations is an insightful, understandable and
actionable leadership book for any executive—from young, talented,
aspirational Gen Y emerging leaders, to visionary entrepreneurs, to
high-potential leaders rising through the ranks making the transition
to seasoned executives, all the way to the C-level professional who is
looking ahead to what's next and who's next, as they prepare their
respective organizations for an uncertain but exciting future.

We have all heard the term"born leader" but the evidence shows that
they are, unfortunately, in short supply. This dearth of exceptional leaders
and leadership teams will continue to be a drag on economic growth,
innovation, and the pursuit of big ideas that will motivate our best leaders
and those they mentor to create and take advantage of opportunities
others do not see.

What is exciting about Cultural Transformations is that it arrives at
a time when we desperately need to learn from successful leaders like
the CEOs interviewed here. We can learn from their ongoing journeys
and see the common thread that runs between their success and John
Mattone's unique and powerful approach to leadership development.

Mattone and Vaidya have given CEOs an invaluable tool to address
their number one operating and business challenge: the massive leadership
and corporate culture gap currently facing global organizations.

Competition in the globalmarketplace is fierce, and companies thatwant
to excel can no longer rely on leaders who aremerely good enough.

## Foreword

Elite leadership is in short supply across the board from business to government to our civil institutions.

One of the major obstacles to affect change in any organization is overcoming the embedded resistance that is the predictable result of asking people to purposefully step away from their comfort zones, especially when there is no immediate crisis that requires a response. To overcome this pushback John Mattone provides a groundbreaking Six-Step Model of Cultural Transformation that can be effectively applied to organizations of any type.

Cultural Transformations will be a cherished resource for executives who understand that while the future is not predictable it can be expertly navigated if there is a corporate culture that embraces uncertainty and reacts quickly to an ever-changing landscape in order to gain a competitive advantage.

And, as important, the book is a powerful teaching tool and ideal for use in MBA and executive education programs giving today's students and tomorrow's aspiring leaders an appreciation for how an organization's culture creates measurable results. Imagine the impact on a company that is hiring from a prospect pool and promoting from within candidates who have already embraced the concept of continuous self-improvement and already share this worldview with their mentors. John Mattone and Nick Vaidya have provided a road map to empower leaders to unlock their potential and then go beyond what they thought was possible. By taking on the responsibility of making an honest self-evaluation of their own strengths and weaknesses, doing the hard work to improve their personal performance each and every day, and having the courage to share what they learn with their leadership teams, CEOs become the catalyst for cultural change throughout every level of the organization.

# INTRODUCTION: THE TRANSFORMATION IMPERATIVE

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## CHANGE IS THE NEW MORAL

In today's business world, the rate of change is at an all-time high. Rapid digitization and globalization the likes of which we've never seen before are transforming the face of global business and making the competitive environment far more unpredictable than it was even a decade ago. From smartphones to virtual marketplaces, new technologies are changing consumer behavior, empowering start-ups, and reducing product life cycles. And with the growth in emerging economies like India and Brazil outpacing growth in developed countries, companies are being forced to develop unique strategies for each sector. Within this changing landscape traditional operating models are becoming obsolete and the once-dominant players are increasingly being overtaken by more agile, entrepreneurial companies with business models that are built on change.

In this brave new world, transformation has become an imperative for companies to succeed. In the past, transformation efforts were perceived as emergency solutions to broad and systemic problems. But transformation efforts today have become a basic necessity to keep up with and stay ahead of the ever-changing marketplace. In fact, fewer than 50 percent of the organizations we have worked with directly, including those featured in this book, have been forced to transform due to chronic underperformance. Themost forward-thinking companies are launching preemptive transformations, retooling themselves to stay ahead of their competitors.

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## CULTURE AND LEADERSHIP: THE KEYS TO TRANSFORMATION

Despite the growing popularity of transformation in the business world, the reality is that most transformation efforts fail. Evidence from global companies undergoing transformations from 2003 through 2015 shows that up to 75 percent fell short of their targets. Only 25 percent were able to capture short-term and long-term performance gains compared with their sector average.

Why is transformation so difficult? In our extensive research across a wide variety of industries, we've found that the two keymacro levers that make or break transformation efforts are culture and leadership. When we talk about transforming culture, which we'll explore in Chapter 1, we mean shifting the key values and principles that define corporate cultures into ones that embrace rather than resist change. By leadership,
which will be the focus of Chapter 2, wemean finding and developing the right leaders at all levels of the organization who are able to embody and instill these cultural values so they can successfully guide their employees, teams, and organizations through the transformation process.We've found that mastering these two macro levers ultimately determines the success of any transformation effort. The centerpiece of Chapter 2 is our Six-Step Model of Cultural Transformation, which provides a powerful road map for achieving sustained success with any transformation effort by focusing on themicro levers of vision, humility, communication, leadership at all levels, talent, and measurement. These micro levers, if pushed with passion, perseverance, and precision, are the keys to mastering the leadership and culture macro levers which, as we said earlier, are the critical foundation steps to ensuring sustained success with any transformation initiative.

CEOs who have each, in their own way, exemplified transformational leadership within their own companies.

## Introduction: The Transformation Imperative

There's the story of Kathy Mazzarella, who started working for Graybar without a college degree and rose through the ranks to become the first female CEO in the company's history. You'll hear from Kris Canekeratne, a Sri Lankan native who instilled a commitment to perpetual improvement into the core business culture of Virtusa from the beginning, allowing the company to survive several evolutions in the tech sector and remain one of the top companies in the world for two decades. There's a conversation with Happ Klopp, who started his company with a group of fellow outdoor enthusiasts and, thanks to an uncompromising commitment to creating products that they love, grew The North Face into the world's most respected outdoor equipment company. And you'll learn how Eddie Machaalani built Bigcommerce on a foundation of hard-working family values that he learned growing up in the Lebanese immigrant community in Sydney, Australia. Each of these CEOs brings a unique perspective to bear on leadership and cultural transformation. But they all share an uncompromising belief that culture starts from the top and that the success or failure of any company depends on the integrity and vision of its leader. We feel honored to have spoken to such a talented and diverse group of leaders, and hope that by hearing their stories, you'll be better equipped to engage in and lead transformation efforts within your own company. But before we dive into the interviews, we'd like to talk more in depth about both cultural transformation and leadership, which we'll do in Chapters 1 and 2.

# Introduction: The Transformation Imperative

## CULTURE AND LEADERSHIP: THE KEYS TO TRANSFORMATION

Despite the growing popularity of transformation in the business world, the reality is that most transformation efforts fail. Evidence from global companies undergoing transformations from 2003 through 2015 shows that up to 75 percent fell short of their targets. Only 25 percent were able to capture short-term and long-term performance gains compared with their sector average.

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CEOs who have each, in their own way, exemplified transformational leadership within their own companies.

# 1

## Understanding Your Culture and Understanding the Culture You Must Create

**YES, CULTURE CAN BE TRANSFORMED.** As we discovered in interviewing some of the top CEOs in the world, successful CEOs and senior leadership teams can and do nurture and reinforce new mind-sets. Individuals, teams, and entire organizations can adapt, mature, and increase preparedness to deal successfully with current and future challenges. They learn to transform successfully what
they do and how they do it. As a result, they create and sustain a "think different, think big" culture that is matched only by a "do different, do big" culture. The magic is not in espousing a bold vision or executing an untargeted strategy, but in the match.

Take a client of mine, Claro Colombia, the AmericaMovil subsidiary in Colombia. America Movil has operations in 18 countries throughout South and Central America, the Caribbean, Mexico, and the United States as well as in eight countries in Europe through its Austria Telekom operation. Partly as a result of a corporate-wide initiative to laser focus on enhancing customer experience but also to sustain its leadership position, Claro required a game-changing think-big vision and strategy to ignite its cultural change initiative. Led by Claro Colombia CEO Juan Carlos Archila (see his interview in Chapter 11), Claro started its transformation journey by leveraging its considerable corporate people strengths—an unwavering focus, discipline, and flawless execution in such areas as product development and work processes—into a laser focus on the customer, including building customer relationships based on rapport and trust, creating memorable customer experiences, and building and sustaining a culture based on customer advocacy. the shift required a laser focus on fewer levers—not more—enabling leaders and all employees to focus on what really matters. Organizations that want to adapt during turbulent times cannot force these transformations purely through programmatic approaches such as restructuring and reengineering. They need a new kind of leadership capability—one that can reframe dilemmas; reinterpret options; and reform, revitalize, and renew operations. They must achieve all of these capabilities at once. Transforming organizational culture is not for the weak or the quick-change artist. Real, serious, sustained transformation requires real, serious, sustained leadership.

# WHAT IS CULTURE? LET'S START HERE

Your organization's culture represents the collective character, values, thoughts, emotions, beliefs, and behaviors of your leaders and individual contributors. Your organization's culture is a product of such factors as its history and how your leaders and individual contributors ascribe meaning and value to it as well as leadership style (legacy and current), which is then reflected in the creation and implementation of your organization's values, vision, mission, purpose, strategy, structure, and roles.

**Operating Success**

Overall
Culture

Individual
Performance
Culture
4

Team
Performance
Culture
5

Capability
Culture

"Can Do"
1

Commitment
Culture

"Will Do"
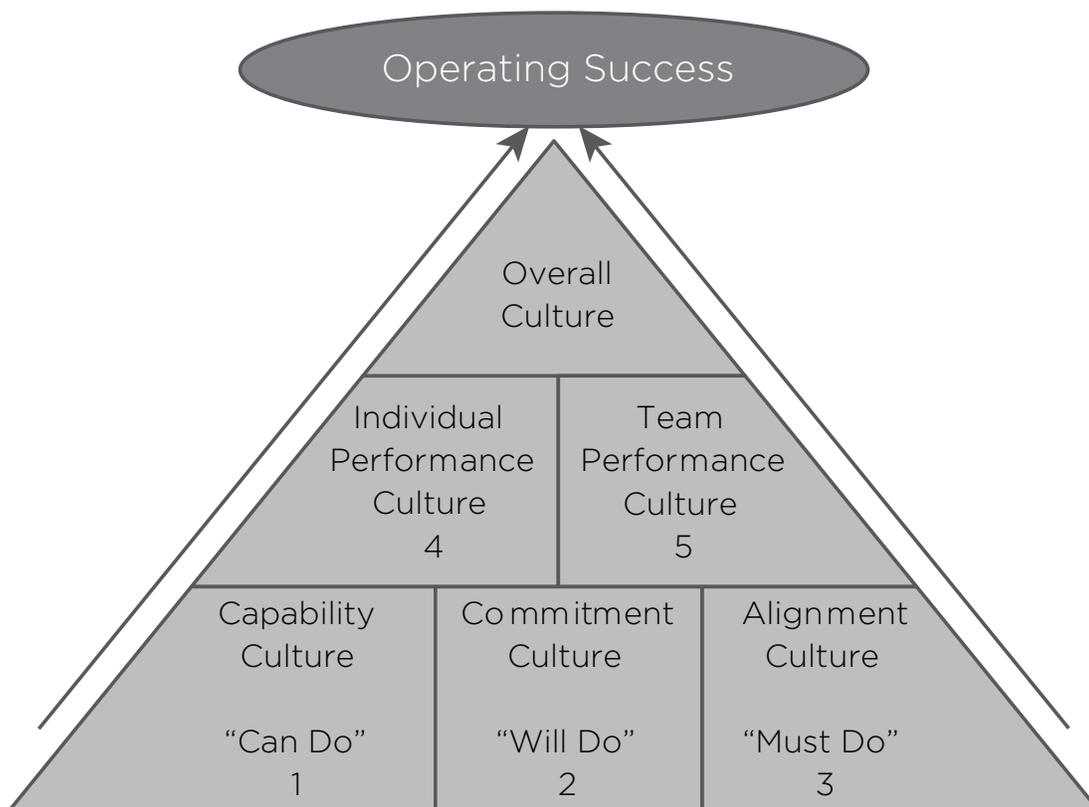2

Alignment
Culture

"Must Do"
3

**Figure 1.1   The Five Cultures of Culture**

Ultimately, your overall culture and the relative health and vibrancy of your culture comprises five cultures as shown in Figure 1.1.

## CAPABILITY CULTURE "CAN DO"

To what extent does your organization develop the inner core (that is, values, character, thoughts, beliefs, emotional makeup) and outer core competencies and skills of employees and leaders at all levels? Is there a passion and diligence displayed on the part of the senior leadership team to equip leaders and individual contributors with the skills required for individual and organizational effectivenessnow and into the future, skills that increase people's learning agility, change/transformation agility, and people agility? To what extent is your organization creating a culture of can do, in which people truly believe they have the skills and capabilities required to be successful and help the organization be successful?

## COMMITMENT CULTURE "WILL DO"

To what extent do your organization's vision, mission, and purpose excite and motivate leaders and employees? To what extent is authority and responsibility delegated to those who have the best and most up-to-date information to make the best decision? To what extent do people truly believe that they can impact the business in a positive way and add value for customers and society? Are people motivated, passionate, and inspired to do great things for the organization? To what extent is there a reasonable risk-taking culture in place in which people believe they can take risks and failure is seen as an opportunity to grow and become better?

## ALIGNMENT CULTURE "MUST DO"

To what extent is there a clear vision and strategy for the organization? To what extent do different parts of the organization and different levels share the same vision for the organization? To what extent is cooperation and consensus possible when different parts of the organization and different levels work together? To what extent are leaders visionary and possessed of a long-term view? To what extent has the vision, mission, and strategy been translated into a structure with key roles identified so that all employees know their roles and the link between their contributions and the contributions of the whole? To what extent are people so connected and aligned with the vision that they feel they must execute at a high level?

## INDIVIDUAL PERFORMANCE CULTURE

To what extent is there a culture of individual excellence and execution? To what extent are leaders and employees truly role models? To what extent does everyone "walk the talk"? Does everyone operate with strong character and values? Are they effective leaders in how they go about their work? Are employees effective in how they go about their work? Are leaders and individual contributors open to receiving feedback from others—including customers? Are leaders and individual contributors actually listening to feedback andmaking needed adjustments?

## TEAM PERFORMANCE CULTURE

To what extent is there a team and collaborative approach to getting things done in your organization? To what extent is there real involvement by everyone in helping shape the organization's vision, mission, purpose, strategy, structure, roles, and key responsibilities associated with those roles? To what extent do you have a cooperative, nonsiloed approach to getting work done? To what extent is there a passion and inclination to work hard to achieve win/win solutions when conflicts and disagreements occur?

## WHY IS CULTURE IMPORTANT?

Your organization's current and future operating success is tied to the health and vibrancy and overall maturity of your culture. Regardless of your unique transformation challenge (for example, the need to be more innovative, collaborative, global, more responsive, more efficient, execute better, become more customer-focused, or even integrate or merge with another organization), your culture and how strong and vibrant it is, will determine whether you succeed or fail.

## WHY TRANSFORM CULTURE?

As we discussed in the Introduction, organizations have no choice but to transform. The business world is shifting fast; progressive CEOs and senior leaders see it, know it, and feel it. Attempting to cope, they apply their best thinking to the structures, systems, and processes they need to compete. Conventional wisdom says that the right business structures will provide the right efficiencies and agility (learning, change, and people) that organizations need to succeed and achieve meaningful longevity. Behind closed doors, however, senior leaders and CEOs are speaking a different truth. Conventional wisdom? Throw it out the door.

Increasingly, companies are questioning the incessant reorganizing, reengineering, and restructuring in the name of efficiency. Strategies and plans that should work instead fall apart, yielding yet again less-than-expected results. Operational decisions that once were clear-cut become more complicated and ambiguous.

Worse, many top executives and teams struggle to agree on outcomes—or even common ground—for moving forward. Talented individual leaders with impressive track records fail to collaborate. They don't know how to work together to understand difficult challenges, much less to resolve them. Instead, they continue to be constrained, operating in silos and defaulting to traditional boundaries and turf battles.

Integrating systems, collaborating with partners, and coordinating across the supply chain remains an elusive skill. Innovation is haphazard or thwarted. Customer-focused strategies become uncoordinated with uneven implementation. In short, organizations are stuck; many are failing. Frustrated executives work harder and longer. People at every level are overwhelmed, guarded, and cynical.

## WHAT'S THE PROBLEM?

Inadequate leadership ability is a huge part of the problem. You'll note we say "leadership"—not just a reference to the individual leader. The shift in focus from development of the individual, heroic leader, to the unfolding, emergent realization of leadership as a collective activity is intentional—and very, very important.

Through my research and coaching I have found that the five most important skills and capabilities needed by organizations (and leaders) of the future—leading people and overall people "agility," strategic planning, inspiring commitment, learning agility, and agility with respect to leading and managing change—are among the weakest competencies of today's individual leaders.

These findings suggest that organizations should prioritize creating more balance between developing leaders through individual competencies and fostering the collective capabilities of teams, groups, networks, and organizational leadership. The culture of team performance is just as real and powerful as the culture of individual capability (can do), the culture of commitment (will do), the culture of alignment (must do) and how these three cultural leading indicators manifest themselves in driving the culture of individual performance (are doing). In fact, as we established earlier in this chapter, an organization's overall culture is the net result of the health and vibrancy of these five cultures. The common thread that ties together my research, coaching, and what we have learned in our CEOinterviews is a powerful one: Thoughtful and deliberate attempts to foster and sustain the appropriate, relevant leadership culture given the current and anticipated demands and challenges your organization faces will, in the end, determine your transformation success or failure.

Different leadership cultures serve different purposes. A hierarchy of culture exists—and each advancing culture is increasingly capable of dealing with greater and greater complexity in leading and gaining the commitment of others, effecting strategy and being successful in organization change.

# Understanding Your Culture

As companies face change, they need to invest intentionally in a leadership culture that will match the unfolding challenge. The beliefs that drive leadership behaviors need to align with the operational business strategy. Without that alignment, painful gaps appear in the individual leadership skill set as well as the organization's collective leadership capability.

In contrast, when executives change their leadership culture, they are rewarded with significant, sustainable outcomes, including:

• An accelerating ability to implement emerging, successive business strategies

• Greater speed and flexibility, allowing the organization to move faster in response to change and challenge

• New, stronger core organizational capabilities

• Achievement of bottom-line results

• Improved ability to create shared direction, alignment, and commitment throughout the organization

• Growth of not only individual capabilities but waves of individuals all growing capabilities in a leadership collective

• The development of talent and culture while implementing the business strategy

• Genuine organizational innovation for not only products but also the organizational systems required to sustain innovation

• Effective cross-boundary work and the collaboration required for dealing with complexity and change

• Increased engagement within the top leadership team that links through leadership down to employees throughout the organization

• A rehumanized workplace, balancing technical and operational expertise with beliefs and experience

• Leadership and organizational transformation

# Understanding Your Culture

Change remains difficult, and the history of change management teaches us that a simple recipe does not work. Our experience with clients and with the CEO interviews in this book has helped us identify themes and patterns, tools, and models that will help leaders and organizations positively transform their cultures. Here are some of themost important themes and patterns that we will touch upon now but will explore in more detail in later chapters with the help of our CEOs.

Thinking different and thinking big are the nonnegotiable prerequisites that will enable any organization to keep pace with rapidly changing reality. This thinking must start with the CEO.

Reality is way ahead of our collective capability to lead transformation initiatives. What's needed to keep pace with the challenges organizations face are new transformation mind-sets, new behaviors, and new habits.

Most organizations lag behind when it comes to their developing the needed capabilities that will propel them toward achieving a more interconnected culture. It takes an even greater stretch to thrive in the face of change. There is no doubt that thinking different and thinking big are the non-negotiable prerequisites to achieving transformation success and this thinking must begin with the CEO.

Real sustainable transformation requires new mind-sets, not just new skills.

Organizations have become savvy developers of individual leader competencies. In doing so, they have over-relied on the human resource function to manage change through individual skill development.

Executives have not considered the need to advance both individual and collective leadership mind-sets.

Values and beliefs drive behavior and habits.
Unexamined beliefs control an organization and prevent any meaningful change.Years of valuing hierarchy, status, authority, and control— even if unstated— can lead to assumptions and behaviors that are out of date, unnecessary, unhelpful, and potentially at odds with stated goals and strategic direction.

Real sustainable transformation requires that all leaders possess a strong, vibrant, and mature inner core.

Change yourself —change your culture. That's the new reality. Senior executives who want tomove the needle toward organizational transformation must first experience significant personal transformation. That commitment to personal change is a fundamental part of their readiness to take on the leadership and management challenges of change for a sustainable future.

Transforming culture is the real leadership work. No, culture is not "soft." The culture you create and reinforce will determine your operating success.

The hardest work done by the best leaders is developing new beliefs and mind-sets.Developing a new mind-set ismuch harder thanmanaging spreadsheets and the next restructuring. If this work were easy, everyone would be doing it and doing it well.

## UNDERSTANDING THE CULTURE OF LEADERSHIP

Fundamentally, culture is about the meaning that people make of the world and the tools they have to deal with it. Leadership culture is the meaning that peoplemake and the tools they have to create shared direction, alignment, and commitment throughout the organization. The goal of culture change work is to build, purposefully and actively, capability for new ways of working. It allows for the new thinking, beliefs, tools, and processes that will result in the organizational success. As business strategies get more complex, the culture growth is required to meet the level of complexity required to implement it.

Let's start by describing the hierarchy of leadership culture: reliant, self-sufficient and interconnected. Organizations, like people, tend to evolve along a path from reliant to self-sufficient to interconnected.

Each of the three hierarchical levels of leadership culture is characterized by a set of beliefs, behaviors, and practices. Each successive culture is more sophisticated and can respond more successfully to deeper challenges. The core reason? They can think, learn, and respond to challenges faster and better.

Reliant leadership cultures hold only people in positions of authority responsible for leadership. Authority and control are held at the top. Success depends on obedience to authority and loyalty. Mastery and recognition of work operates primarily at the level of technical expertise.

Self-sufficient leadership cultures assumethat leadership emerges from a variety of individuals, based on knowledge and expertise.Authority and control are distributed throughout the ranks. Self-sufficient cultures value decentralized decision-making, individual responsibility and expertise, and competition among experts. Other characteristics associated with self-sufficient cultures include:

• **Individual performance as an important source of success and status**
• **An emphasis on taking calculated risks**
• **Open disagreement**
• **Independent actions within functions or work groups**

Interconnected leadership cultures view leadership as a collective activity requiring mutual inquiry, learning, and a capacity to work with complex challenges. Authority and control are shared based on strategic competence for the whole organization. The mind-set tends toward collaborating in a changing world so that new organizational orders and structures can emerge through collective work. Other characteristics associated with interconnected cultures include:

• **The ability to work effectively across organizational boundaries**
• **Openness and candor**
• **Multifaceted standards of success**
• **Synergies being sought across the whole enterprise**

## MATCH THE CULTURE TO THE NEED

While there is nothing inherently wrong with any level of culture, organizations must match the leadership culture to the operational need. Asking a command and control (reliant) culture, for example, to implement an innovative, agile strategy is a recipe for disaster. In contrast, an interconnected organization is better poised to handle a high caliber of complexity and challenge. As a more fluid organization, it will be able to draw on individual talent, connect effectively across boundaries, and adapt as needed. Developing leadership culture is about growing leadership talent. To break through the current capability ceiling, organizational leaders must take time to connect two critical factors.

First, you have to know where, in the hierarchy of cultures, yours sits. The way leaders engage with each other and with others in the organization will depend on the leadership logic that dominates. Knowing what your current culture is capable of will save dollars, andmore importantly, time. You might leap to implement the next, new thing only to find out your approach was off the mark. Instead, understand where your leadership culture is today to develop feasible change plans.

Second, youmust understand the drivers and core capabilities needed for your business strategy to succeed.What future level of leadership culture is needed to support the business strategy? It is the job of leadership to ensure intelligent strategies are wisely implemented. This is possibleonly when the culture of beliefs and the focus on readiness to develop capability to implement is real. By choosing the right level of leadership culture that your organization requires for its future, your leadership talent as a collective can advance to new levels of organizational capability, securing success. When the level of leadership culture aligns with your business strategy, your performance will be stellar.

## TAKING TIME TO REFLECT IS CRITICAL

More and more executives tell us they need increasingly collaborative leadership for working effectively across boundaries inside their organizations and across their value chains. In fact, our executive research shows that it is their highest need and yet least effective organizational capability.

If an interconnected culture is needed, but a company is operating at the reliant or self-sufficient level, how does the senior leadership team start to change culture? How does the senior team start to work more effectively across business and functional boundaries? In a counterintuitive move, they need to pause and reflect more—much more.

Pausing and reflection are vital requirements for leading change. By exploring, reflecting, and understanding the sometimes hidden values and beliefs that drive behavior and culture, executives help the organization to be more nimble and agile in the future.

When leaders and teams pause and reflect effectively, real communication begins to happen that then drives better problem solving and decision-making. Instead of reinforcing speed, the focus is on learning.

# Understanding Your Culture

Better solutions and more frequent right answers arise. Everyone involved is able to reflect on assumptions, understand problems more clearly, and integrate the perspectives of others.

Leaders who create a culture that values pausing and reflection at key times for learning, diagnosis, and dialogue almost always create powerful, positive momentum—creating accurate, focused, valuable decisions. Time lost on the front end translates into speed further along in the process.

Pausing and reflection help reduce organizational missteps (both large and small) due to poor communication, hasty decisionmaking, and the faulty assumptions and beliefs that drive them.

Pausing and reflection is also a powerful cultural change marker. The behavior in itself signals to everyone that transformation is not only needed but valued.

The Stealth Cultural Transformation Model (see Figure 1.2) offers a compelling, symbolic way to understand the predictive relationships that exist between your organization's critical talent processes— demarcation, diagnosis, deployment, and development, otherwise known as the 4 Ds—critical cultural leading indicators (capability, commitment, and alignment—more on these later), intermediate outcomes, and ultimate outcomes. The 4 Ds essentially act as the four turbocharged engines that propel the stealth toward its target—your organization's Future Desired State and the required leadership competencies required to execute both the current and future business strategy. By way of analogy—if the four engines are well oiled and functioning at a high level (i.e., optimized) and working together (i.e., integrated), they will propel the stealth (yes, your organization) toward its goal.

# Cultural Transformations

- CEO/SENIOR TEAM STRONG INNER CORE AND OUTER CORE
- FUTURE DESIRED STATE
- VALUES/VISION/MISSION/PURPOSE
- STRATEGY
- STRUCTURE AND SYSTEMS
- ROLES AND RESPONSIBILITIES
- COMPETENCIES

Target

Current/Future Business/Market Challenges

- EBITDA
- Revenue
- Sales
- Operating Ratios

- Performance Reviews
- Team Metrics
- Turnover (Lagging)
- Cost per Hire (Lagging)

- Quality of Hire
- Engagement
- Leader Capability
- Individual/Employee Capability
- Team Capability

Ultimate Outcome

Ultimate Outcome

Ultimate Outcome

Ultimate Measures

Intermediate Outcome

Intermediate Measures

Early Measures

Leading Indications

Solutions

Organization Performance

Individual Performance

Team Performance

Capability

Alignment

Commitment

Deploy

Diagnose

Develop

Demarcate

Your Critical Business Challenges

Figure 1.2    The Stealth Cultural Transformation Model: What Is Your Cultural Value Proposition?

Understanding Your Culture 13
In practical terms, your organization's Cultural Value Proposition (CVP) is the holistic sum of the following four talent practices (i.e., tools, processes, etc.) in your organization:

1. Demarcation—accurately separating the A, B, and C players (performance management) on those competencies and behaviors that support the new, desired, vibrant culture

2. Diagnosis—obsessively and objectively assessing the requisite skills and capabilities of leaders and potential leaders

3. Deployment—sourcing, screening and selecting the best of the best leaders and future leaders but also making sure there are structured "bubble-up" meetings to integrate performance and potential assessments, calibrate capability, determine development options, and identify potential replacement scenarios

4. Development—coaching, on-the-job development, and training programs—all in support of the competencies and behaviors required to support the new, desired culture. This is the beginning of your CVP.

Beyond this, your organization needs to measure the impact of these four, hopefully turbo-charged, talent engines on multiple levels of outcome—such as capability, commitment, and alignment levels (cultural leading indicators); intermediate outcomes such as individual and team performance, customer satisfaction metrics, bench strength, percentage of women and minorities promotions versus percentage in pool, percentage of women and minority successors, retention rate of successors, percentage of key positions filed internally, promotion rate of successors, success rates of those promoted and cost to fill key roles (lagging indicators); and ultimate outcomes such as organizational revenue, profits, and operating ratios.

Regardless of the exact words used to capture a given organization's CVP, one thing is sure: The elements identified in your stealth need tobe continuously well thought out, believed in, communicated, executed,and measured. At its core, a great CVP encompasses everything leadersand future leaders experience and receive as they are employed by your organization—including the degree of engagement they experience, their comfort and fit within the culture, the quality of leadership, and the rewards they experience. A great CVP always encompasses the ways in which an organization fulfills the needs, expectations, and dreams of leaders and future leaders.

More than anything, an exceptional CVP clearly connects winning talent practices to business and operating metrics. Finally, an exceptional CVP is the very definition of what it means to have a great culture.

As was discussed earlier, there exists no better way to create the belief in the value of talent than by demonstrating the connectedness between winning talent practices and operational success. The research is clear and compelling. The Hackett Group's Talent Management Performance Studies involving hundreds of Fortune 500 companies and government agencies gathered both qualitative and quantitative data showing enterprise financial, operational, and process payoffs as a result of having winning talent practices. Others—Boston Consulting Group, the Hay Group, PwC, Executive Development Associates, and others—have replicated these studies. Organizations with the most mature talent capabilities (i.e., the 4Ds) had significantly greater EBITDA, net profit, return on assets, return on equity, and operational results than those organizations that were immature in their talent processes. Additionally, mature talent organizations had leaders who believed in the value of the human capital asset, were passionate about investing in building and growing talent, and were relentless in their assessment of leaders, individuals, and teams.

It is clear that organizations that achieve operating excellence do so because of a sound CVP. They select and promote only those leaders and future leaders who demonstrate (as a result of performance and objective assessments) they have the highest probability of being successful; they benchmark and essentially certify (as a result of assessments) that leaders and future leaders have the capability, commitment, and alignment required to execute strategy; they provide a rich, compelling, engaging and dynamic learning and performance support environment that motivates leaders and future leaders to become the best they can be; and they recognize and reward those who truly execute what's required in support of the desired culture and current and future operating results.

A strong CVP foundation leads to:

• **Capability—in which leaders and future leaders possess the can do to execute at extraordinary levels**

• **Commitment—in which they possess the will do**

• **Alignment—in which they possess the must do**

Great organizations excel in creating the belief that their leaders and future leaders have the can do (i.e., the skills, the talents, the behaviors) to execute; the will do (i.e., passion, motivation, drive) to execute; and the must do (i.e., an overwhelming sense of connectedness to the culture, mission, strategy, and values of the organization) to execute.

In other words, a strong CVP is the foundation for any organization to build and sustain an overall positive culture in which leaders and future leaders become continuously more capable (the can do culture), committed (the will do culture) and aligned (the must do culture), which then fosters a strong individual and team performance culture (the are doing culture). In fact, organizations that excel in promoting and developing leadership talent—with a focus and unwavering commitment to optimizing all of these cultural leading indicators—achieve impressive operating results.

## IDENTIFYING & DEVELOPING LEADERS AND FUTURE LEADERS: A CRITICAL ELEMENT OF YOUR CVP

Current succession planning processes in the global corporate environment are insufficient to do the job. The gap between those in senior executive positions and those prepared to move into them is widening by the day. And just as boards of directors and senior executive teams are beginning to recognize the problem, they are running into newdemographic and workforce challenges that make the leadership crisis all the more challenging. This is true especially in the United States, Europe, and the Far East. By some estimates, up to 40 to 70 percent of any organization's management population is currently eligible to retire. While aging thins the ranks of senior executives, other forces have contracted the pool of those available to take over the reins. In theUnited States, for example, changes in many organizations' pension systems are making it easier for executives to leave senior positions, while downsizing during the 1990s and 2000s have deprived many organizations access to some of the best and the brightest. Therefore, the succession planning debate is not only about the numbers: The quality and state of readiness of those who will take over leadership is also at issue. A number of big, successful companies have taken action to both upgrade their succession planning practices and address their leadership pipeline issues. General Electric, Procter & Gamble, and IBM have made significant progress. Others, such as FedEx, Office Depot, and Navy Federal Credit Union have launched major projects to improve their succession planning practices. But the record is mixed across. In general, many large companies and most midsize and small companies are struggling with succession challenges.

# Cultural Transformations

Most U.S. federal agencies and in fact most of other nations' governmental entities are in the same boat. There is little question: Considerable work remains to be done.

Succession planning is about identifying and developing your best talent (present and future) and preparing them to assume higher level roles or other key roles. Succession planning and management can also be interpreted as an organization's intelligent approach to dealing with the inevitable loss of key talent they may be experiencing now or that they project in the future (based on workforce plans). Organizations with succession plans have created intelligent contingencies for successfully combating their present and future losses. Organizations without succession plans have no choice but to react to the inevitable losses they encounter with panic and reactiveness, resulting in ineffective succession decisions. Ultimately, as the Stealth Cultural Model predicts, when organizations are not intelligent about deploying their top talent, individual and team performance suffers and operating results decline—significantly.

Succession planning is needed for several key reasons. The current workforce is aging rapidly. Given the large number of baby boomers nearing retirement, all organizations must prepare for these losses. Compounding this problem are the indisputable generational realities all organizations are facing and the resulting talent gaps, both in sheer number and quality (i.e., readiness) associated with those who belong to Generation X. Not only do organizations need to prepare for a mass exodus of older workers, they must prepare for life with fewer workers in general. Furthermore, many baby boomer executives have the talents and capabilities that many high-potential and emerging leaders do not yet possess. If these talents are not transferred effectively to younger leaders and future leaders, they will become lost forever.

One thing is sure—the attraction and retention of key talent for every organization is no longer a nice-to-have. The Stealth Cultural Transformation Model clearly provides all organizations with a predictive path for achieving breakthrough operating results by successfully executing the four Ds—deployment, diagnosis, development, and demarcation. Clearly, any organization that uses an intelligent approach to optimizing its four Ds—by definition—improves its chances of both attracting and retaining the key talent required to propel the organization to greatness.

No, culture is not soft. Culture predicts operating success. So, what are the critical steps you need to take to transform your culture? Let's answer that question in Chapter 2.

# 4

## KRIS CANEKERATNE
### Chairman and CEO of Virtusa

*It is the disciplined pursuit of less that will give you more. —John Mattone*

KRISHAN A. CANEKERATNE, ALSO KNOWN as Kris, was a driven youngman, excelling in not one but two sports in his native Sri Lanka. In the capital city of Colombo, Kris learned early exactly what it takes to succeed in sports at an elite level. And elite he was, becoming Sri Lanka's number one rated player under 16 years in not just table tennis but golf as well. He achieved this when he was just 15 years old.

What Kris realized very early on was that it wasn't just a high level of commitment, hard work, grit, and determination that was necessary to succeed, but also one elusive element: luck.

Fortunately, luck was—and continues to be—on Kris Canekeratne's side.

Indeed, shortly after ranking number one in Sri Lanka for table tennis, a letter arrived at Kris' ancestral home. It was from China. The Chinese government invited Kris to study and play competitive table tennis on a full scholarship in China. What an honor! But Kris did not immediately accept, and instead, sought guidance from his mother. Though he loved the sport and all that camewith it, deep down he had reservations.Yes, he loved the camaraderie of being part of a team. Yes, he loved the dedication required to become the best. Yes, he loved the thrill of victory. More than any of that, he loved the leadership skills learned by being captain of both the table tennis and golf teams. But instinct told him that his future did not lie in table tennis and so, not wanting to deprive another of the opportunity of a lifetime, he gracefully turned the invitation down.

What would he do instead?Recently, he'd had his first experiencewith a computer. His high school had purchased an early model Apple, and Kris was fascinated by what it could do. He used it simply, tackling word processing and the like, but not programming. A seed of a dream was planted, however. He'd always dreamed of leaving the tiny island of Sri Lanka and coming to the United States. Could he somehow combine the two?

# Cultural Transformations

Soon after the idea formed, Kris arrived for the spring semester at Syracuse University in upstate New York to study computer science and mathematics. Syracuse, at the time, was one of the top 30 computer science programs in the nation, andmost of Kris' fellow students were four, sometimes five, years ahead of him in experience and knowledge.

Using his well-honed skills of dedication and drive, Kris endeavoredto catch up to his classmates and master computer programming. Just like playing a sport, writing a program was completely up to him. If it succeeded, it was because he made it succeed. Likewise, if it failed, Kris knew he could find it in himself to figure out why and self-correct. The immediate gratification of the process was a thrill and a source of inspiration. Before he knew it, it was 1988 and Kris was graduating from Syracuse.He worked nearWall Street and continued to hone not just his skills but also his dreams. He married and, in 1996, not just his first child, but his first business—Virtusa—was born.

Again, Kris went to his mother for a talk. Another life-changing decision was about to be made. He asked if his mother would agree to rent out a room in his parents' home, where software engineers would work to create his company.When she agreed, a global experiment set sail.

Kris co-founded Virtusa Corp., beginning with six engineers working from the basement of his house in the suburbs of Boston, and another 10 working from his parents' home in Colombo. The engineers worked in what used to be the visiting chamber where Kris' grandfather, a judge, met his clients.

When Kris cofounded Virtusa, the software development industry was struggling with coding inefficiencies, cost overruns, and delays in releases. Kris had already proven his mettle by helping launch and grow a successful business venture in New York, INSCI Corporation.

He believed that it was possible for software development practices to embrace the efficiencies that had been achieved by mature industries like manufacturing and automobiles.

His goal was to apply the concept of platforms to software development and when he set sail with Virtusa, he did just that. It has become one of the fastest growing business consulting and IT outsourcing companies in the United States.

# Kris Canekeratne

As an example, his company helped one of the largest U.S. banks design and develop a check presentment and fulfilment platform for online banking and launched one of the first online and mobile banking experiences including digital check-deposit through a mobile device. This app went on to become very successful, so much so that other banks followed up by developing similar apps of their own.

More recently, Virtusa has been helping this bank reimagine an omni-channel customer experience for its retail consumers through a banking experience that is mobile first and works seamlessly across on-premise, online, and digital channels.

Virtusa Corporation is a leading business consulting and global information technology services company. In 2007, it went public by listing on the NASDAQ. Virtusa's headquarters are located inWestborough, Massachusetts. The company provides business consulting, technology consulting, systems integration, and application outsourcing services to large enterprises and software vendors in banking and financial services, insurance, health care, telecommunications, technology and media, and information and education industries. It has delivery centers in the United States, the United Kingdom, the Netherlands, Germany, Sweden, Hungary, India, Sri Lanka, Malaysia, and Singapore.

With Kris at the helm, Virtusa has become one of the fastest growing software services companies in the United States with a 10-year compounded annual growth rate of over 23 percent, Sri Lanka's largest tech employer, and one of India's top 10 tech employers. Virtusa netted $28 million on a revenue of $333 million for the fiscal year ending March 31, 2013. This was a 40 percent jump in profits over 2012 and got the company listed on Forbes 100BestSmallCompanies list in 2013.As ofMarch 31, 2015,Virtusa has just about 10,000 employees, 114 clients worldwide, and grew 22 percent to the end the year at $478 million in revenue. I sat down with Kris Canekeratne to find out just how he made it happen.

*JM: Let me congratulate you on your incredible success, individually, but also the company. Kris, you obviously have a million things coming at you. You're leading one of the fastest growing companies in the world, plus you've got your personal life. How do you navigate all of this and continue to face the many challenges that are in front of you?*

# Cultural Transformations

**KC:** *Thank you John, but I might have a contrarian point of view here. I have actually worked diligently to avoid getting into a situation where I feel like too many things are coming at me. In many ways, I've accomplished this by surrounding myself with the right people and making sure that they are empowered. In essence, I'm reliant on others on my team to do the things that they do better. This is not to say I haven't had to step in and play a number of different roles from time to time, but for the most part, I am fortunate to work with some exceptional people who are really outstanding in their specific areas. Because of this, I've never felt like there were so many things coming at me that I was overwhelmed or cut up into a million little pieces.*

**JM:** *It's very interesting that you've already brought up a concept I keep hearing repeatedly from all the business leaders that I'm interviewing: that success is all about talent.*

**KC:** *It would be very hard for us to grow at the rate that we've grown if it weren't for our ability to attract and retain exceptional talent. We have established a terrific platform where our team members get to innovate and apply themselves. I believe that our employee engagement model is intellectually stimulating, empowering, and attractive to top-tier software engineers who join Virtusa because they have an opportunity to reimagine what our clients can do and transform their businesses.*

**JM:** *Kris, tell me about the creation of Virtusa. What was the igniter?*

**KC:** *My background is in software engineering, and I've had the good fortune of writing some fairly sophisticated enterprise systems and working with some amazingly talented people. I worked in this sector for eight years after graduating before cofounding Virtusa in 1996 and eDocs in 1997. eDocs was a leading provider of electronic account management and customer care [which Oracle acquired]. During those years, I had the opportunity to work with and then lead a small team of high-performance software engineers dedicated to building a software product platform that supported document management, archival and retrieval of consumer statements. We learned through our initial work that software platforms are inherently more enduring, help accelerate time-to-market, reduce overall costs, and provide a better end-user experience. So we started to experiment with helping our clients to build their own unique software programs.*

**JM:** *Excellent.*

**KC:** *During this time, my wife and I would make trips over to Sri Lanka to see our parents, and on these trips we would invariably meet software engineers who were quite talented but lacked the opportunity to work on innovation. We felt that there was an opportunity to harness this tremendous global software development talent and direct it towards building software platforms to help our clients accelerate business innovation. Sri Lanka, because of its education system, was largely similar to India in that it had a significant availability of software engineering talent. So we felt that we would be well served by starting our experiment out of our basement in the suburbs of Boston and my parents' home in Colombo, Sri Lanka. One of the key reasons for seeking out talent in Asia in the mid 1990s was because most of these highly capable and creative software engineers were doing relatively rudimentary tasks such as maintenance and remediation for which they were overqualified. Back then, Y2K was a significant initiative that helped establish the Indian IT offshoring industry. And I found it hard to comprehend how a smart software engineer would be gratified by working on things that were not very interesting—like taking a two-digit year and making it a four-digit year! So the combination of access to good, creative talent in Colombo, and our focus on building software platforms for our clients resulted in the experiment that led to Virtusa.*

**JM:** *Amazing story. When did you know the experiment was a success?*

**KC:** *Like any start-up we had some growing pains, but we were 100 percent committed to our goal of accelerating innovation for our clients. We soon started to realize the power of our platforming approach as we doubled or tripled our company every year, we had good solid clients, and our team members were enthusiastic and gratified by the work they were doing. We built on our early successes, learnt from our mistakes, and realized in relatively short order that we could compete against very established players and win!*

**JM:** *Can you share with me some of your thoughts on the word "success"?What does it mean to you as a leader of Virtusa? What has made you successful?*

*KC:* It goes without saying that Virtusa's accomplishments are directly attributable to our global team members and our leadership team. Each of them is very strong, capable in their own right, talented, and consistently give their best.We have some terrific, talented, high achievers who are outstanding at what they do. But to be honest John, I have personally always believed that success is still ahead of us. It's something that's aspirational, out in the future and seldom attained.

*JM:* I love it.

KC: So we're always striving towards this somewhat elusive next step—it's out there! Our most successful leaders are not those who believe that they have already attained their full potential but those who are constantly striving to attain their full potential. Our goal is to cherish the unknown and work hard towards finding the next best way to do something. We value being transparent, creating a performance-oriented culture, learning from others, becoming keen students, reinventing ourselves, and being catalysts for change. So for me, success is something we are always seeking.

*JM:* Absolutely. As a leader, as a person, you can never rest on your laurels. It's like an athlete who has a game today. He has to show up and it doesn't matter what happened in yesterday's game.

*KC:* That's right. And while we can't control the future, what's in our control is our preparation. We expect our leaders and our teams to give it their absolute best in terms of preparing: leave nothing undone, nothing to chance.

*JM:* Right.

*KC:* My view on this is rather pointed. When any of our leaders become too satisfied with their individual success, it transmits the wrong message to the team and creates a rather negative impression. They shift the thinking towards the past as opposed to yearning for what's next. Their motive changes and then you just don't get the same level of intensity. I believe that this is one of the reasons why some established companies become dinosaurs and new companies out-innovate and make obsolete the established ones.

*JM:* Very true.

**KC:** *Fundamentally, I am a strong believer that success is always ahead of and not behind you. Leaders at Virtusa who have internalized and practiced this principle have done well, while those that have not have struggled.*

**JM:** *You have to be able to respect your past and your successes, but ultimately you have to recognize that you're still in pursuit of the next success story. You have to create your future every single day. I'd love to get your perspective on failure or setbacks.*

**KC:** *Clearly we learn a lot from mistakes, whether in life or at work. I think what's important is to make sure that the same mistakes don't happen again, that you learn from them and institutionalize them so the organization can evolve. I have found that when things don't work well, looking in the mirror and reflecting deeply on what I could have done better or differently is a terrific exercise. This is easier said than done, because strong individuals often feel that failure was not theirs but someone else's. But I believe that the best, most able leaders first look at themselves. They introspect and try to learn from their mistakes. They're willing to accept the fact that they erred. Being able to confront and acknowledge one's mistakes transmits one of the most important of all leadership tenets, humility. This further strengthens the trust between leaders and their team members. We made some big mistakes in the early days of our company, which we learned a lot from. After starting in '96, we were making a lot of progress by '99. We had bootstrapped the firm with very limited funding and grown it to be over $10 million without any outside funding. We never turned to a venture firm to get funding until 2000 when we were somewhat seduced by the dot-com frenzy.*

**JM:** *Talk to me about that.*

**KC:** *By 2000 we had built a very strong global software engineering competency, which we had proven across multiple industries. Our thought at that time was to take what we had built and work with a number of industry strategists so that we could help established enterprises and upstarts to embrace the web in order to transform themselves and disrupt their industries. Specifically, we felt that if we combined our global software engineering capabilities with senior industry strategists, we could really help companies to reinvent themselves and accelerate their time-to-market.*

**JM:** *Logical progression, right.*

# Cultural Transformations

**KC:** *We felt good about the direction we were taking and decided to raise venture capital for the first time in Virtusa's history. We raised venture capital and started hiring business consultants from particular industries to compete against the established dot-com providers. Our differentiation was that we could help our clients think about what they needed to do and execute this effectively through a rapid global delivery model. About nine months into this process, however, we realized that things were not that good. We had a very high burn rate, which made us unprofitable for the first time in our history. Our sales pipelines were taking longer to build and close, and we started to see early signs that the dot-com market was about to collapse. We were quickly running out of capital because of our expensive burn rate and the fact that the market was quickly drying up for dot-com services. I remember sitting down with our then CFO Tom Holler, who now is our chief strategy officer, and going over a set of plans that he had developed to take our burn rate down and reorient the company. Tom and I had to make some tough calls, reduce costs, and reestablish our business. We quickly stripped away all of the high-cost strategy consultants, and started the process of rebuilding our company. Luckily for us, we moved quickly, and made the changes we had to make.We were able to live on as one of the very few consulting and services companies of our generation to survive the dot-com melee. I learnt a great deal from this experience. Had it not been for Tom identifying the situation that we were in, and our willingness to make a course correction, I doubt if we'd be here having this conversation today!*

**JM:** *That is a great example of the transformation you made. You lost some money, and did you lose people too, Kris?*

**KC:** *Yes to both. We lost people and we lost money. At this point we had too many high-cost strategy consultants who were not deployable because the dot-com bubble collapsed. Our goal at this point was to eliminate costs, reorient the business, and return to profitability.*

**JM:** *And at that time, the more expensive the consultant, the more respect they actually garnered.*

**KC:** It was a very strange time and we certainly paid a lot of money to a lot of strategy consultants. When the bottom fell out, Tom and I decided to eliminate the entire strategy consulting group, which must have been 40 or 50 strong. We essentially cut the high-cost resources and focused on helping our clients to build software platforms that became the foundation of our products and enterprise processes as we continued to build the company.

**JM:** Unbelievable lesson. I have a saying that I'd like to share with you: "The greatest leadership truth is that failure almost always precedes success." However, the greatest leadership irony is that success often leads to failure. People and organizations that achieve success end up getting more opportunities. Then what ends up happening is they get distracted into investing their effort and resources into too many new areas, which dilutes the focus of your core business.

**KC:** I agree with you, John. In our case, we thought we had built a successful business and believed that we had a terrific new opportunity. But the bigger lesson for us ended up being that we had to move very quickly to avoid failure. Fortunately, we did.

**JM:** Powerful story. What would you say are two leadership strengths that you're most proud of?

**KC:** I would say the two are focusing on results and building high-performance teams.When I put my mind to something, I take that very seriously. I've learned over the years how much effort is required to be able to at least give yourself a fighting chance to succeed. This is an area that I'm personally very fortunate to have understood early in life as a result of playing sports at a very competitive level. The other strength is our ambition to build high-performance teams. I've learned a lot of really good lessons about how hard it is to find and hire the right people. In the early years, several senior hires I made didn't work out. In the early years, we would often find a terrific contributor through the interview process only to later be let down either because we hired the wrong person or because the ethos of the firm repelled the individual. Over the years we have become much smarter about hiring, and we look for very specific traits that mirror Virtusa's culture.

**JM:** Yes, and can you share a little bit more about your ability to hire great leaders?

**KC:** *In the early days, I think my hit/miss ratio was around 50:50. Over the last 10 years, my ratio has improved tremendously and the team members that we have, especially at the executive level, have been truly phenomenal. I also learned what to look for in people through some of the mistakes that I had made earlier.*

**JM:** *What do you look for?*

**KC:** *At Virtusa, we have a strong culture defined by our core values, which are pursuit of excellence, integrity, respect, and leadership. These values are very explicit and our team members are expected to internalize and practice them. We look for these values in new recruits at the executive level, the mid-manager level, and even at the campus recruit level.We take our values very seriously and have become tougher and tougher on ourselves about strengthening our processes during recruitment. In fact, adhering to our core values is a component of determining each employee's variable compensation. So compensation is based in part on how an individual practices our core values. This is also true during promotion cycles.*

**JM:** *Excellent. I love your focus on values because, in my mind, values are the essence of what creates culture in a family, and Virtusa is a family.*

**KC:** *In our business it's actually more pronounced than that. Product companies like Apple design, build, and sell products, and their intellectual property is for the most part embedded in the product.*

**JM:** *Right.*

**KC:** *At Virtusa we don't have a product per se.We provide a service, so our people are our only assets. Our values are what unify us. They're how our team members know to interact with each other. They create the glue that galvanizes us. They promote a common purpose and quickly repel those that don't belong.*

**JM:** *I totally agree with that! A lot of people don't understand that the actions and the behaviors of your leaders and your people all originate from your core values. It starts there. So I want to ask you, as a chairman and CEO are there leadership areas that you're trying to improve?*

**KC:** *Plenty. Being able to learn from one's mistakes is not easy but it's so important. Having the awareness, strength, and humility to reach within and learn and grow as a leader is critically important. For example, when we were a smaller company I had much more interaction with our people. I knew almost everyone by name until we grew to 300-plus team members. It felt like my extended family. As we scaled, I still wanted to preserve that familial sense of belonging, that open and trustworthy culture. So I decided that we would use video conferencing to celebrate our quarterly successes.We even shared sensitive financial information, which was very unusual for companies that were privately held. I think this has worked well with our people. We also have town hall gatherings where a large cross section of our team members have an opportunity to interact and ask questions. Now as we look towards the future, we feel that there is a terrific opportunity to continue to leverage new mechanisms including social media, video, and omni-channel communication to reach a broader cross section of our team members. The key is to make our team members feel connected.*

**JM:** *Yes.*

**KC:** *Making time to be available to our team members is a critical success factor in our business. I enjoy interacting and spending time with people, and I respond to my e-mail messages, Yammer messages, and text messages fairly quickly. This has set a tone of responsiveness in the organization. But while we have succeeded in creating an environment of belonging, we also need to learn about some of the unique needs and expectations of the millennial generation as we develop our internal platforms for the future.*

**JM:** *Kris, I am impressed with your willingness to be vulnerable, which I think is very powerful lesson and I appreciate you talking about that. I think that's just a great message for young people to hear.*

**KC:** *Thank you!*

# Cultural Transformations

**JM:** *I believe that positive transformation in any organization starts with the CEO and the chairman. That requires thinking differently and thinking big, but it also requires humility, which you've talked a lot about here today. As leaders, we've got to be vulnerable, willing to look inside and recognize our strengths and our gifts and the things that we need to work on. We also need the ability to change mind-sets, to lead the charge, and create our compelling future. Kris can you talk to me about the compelling future that you are envisioning for Virtusa?*

**KC:** *Enterprise IT has come a long way since the dawn of the mainframe era, but we are now at the start of the largest application modernization in history. Two powerful forces drive much of this: the rapid evolution of mobile, social, big data, and cloud and a large and growing consumer base of digital natives who demand 24x7 access to services. In this new era, the enterprise storefront is digital, and enterprises must invest in creating an unparalleled digital presence in order to attract and retain digital natives and digital immigrants (their superset). Unless established enterprises are able to adapt quickly, they will become dinosaurs and be unseated by those that innovate faster. We have just entered an era where the consumer experience through the digital storefront will eclipse other channels as the primary means of attracting and retaining end consumers.*

**JM:** *Incredible, wow!*

**KC:** *At Virtusa, we are extremely well positioned to capitalize on this paradigm shift, because so much of our heritage is in simplifying, rationalizing, and consolidating our clients' IT application infrastructure to accelerate innovation. We are judicious about leaving no stone unturned to help our clients to reduce application redundancies and to unlock business velocity. We are resolute in our belief that less will get you more. The majority of our experience is based on working in large business-to-consumer industries and helping our clients move from on-premise to online, and from online to digital. Having spent the past two decades working at the intersection of our clients and their end consumers has provided us with a rich heritage of experience in an area that is evolving and transforming rapidly. All enterprises with large consumer-based services—financial services, insurance, health care, media, communication, technology, and retail—are making significant investments into creating a unique digital storefront for their consumers.We are uniquely positioned to help our clients reimagine their digital presence while rationalizing and unlocking the value of their existing IT application infrastructure.*

*JM:* Wonderful.

*KC:* To effectively take advantage of this opportunity, we are mindful of our own requirement of attracting and retaining talent. In this regard, we have developed an award-winning millennial friendly employee engagement model, V+. Virtusa's V+ employee engagement platform provides our team members a work environment that replicates their weekend social computing experience, including social collaboration, video learning, advanced search techniques, peer review and feedback, gamification and leaderboards. V+ is a high-performance team member engagement model that provides a rich learning environment that inspires millennials, who make up over 70 percent of our workforce. As a result of our heritage, focus on innovation, and our V+ team member engagement model, we are an attractive employer across all our geographies of operation.

*JM:* Yes. Much of V+ is targeted at creating a high-performance environment for our engineers to innovate for our clients, know what best-in-class looks like, and have an opportunity to raise the bar. So our focus is to identify top talent, those who have a natural desire to innovate. This has enabled us to continue to strengthen our DNA and build for the future.

*JM:* Absolutely yes.What words you would like to share with future leaders about how they can be better leaders and better people and add value to the world?

*KC:* During my early career as a software designer and engineer, I had the unique opportunity of interacting directly with our clients to determine what was required and then set out to design and write the code. If I got it right I had an immense sense of gratification. But if my solution didn't work, I had no one else to blame but myself. As I moved from software engineering to leadership, I tried to create the same environment for others:intense gratification upon success and introspection when things didn't work well.

*JM:* Right.

*KC:* *The subtle but significant lesson that I learned was the importance of engaging an engineer directly in developing a solution with the client as opposed to having the team leader simply tell the engineer what is required and how to do it. We saw better results when the requirements were phrased in the form of questions. This approach allowed the engineer to think more deeply about ways of solving the problem, it gave them ownership over the project, and it gave leadership the opportunity to iterate the solution crafted by the engineer. Simply stated, we stopped telling smart engineers what to do and how to do it. Instead, we explained what the problem was and asked them to come back to us with their solution. This moved the development of solutions and their execution to the engineering team where they belonged. The leadership then took on the role of reviewing and providing feedback, which enabled us to better understand if they were going in the right direction early in the cycle, so we could provide feedback before it was too late. These early lessons and experiences formed the nucleus of my personal leadership approach. The power of breaking down a problem and then allowing others to take ownership of the solution and the execution of their idea is incredibly empowering. This approach helped me attract and empower smart leaders who could all build on an idea. Failure was not an option for these empowered teams and their commitment to seeing their solution through was terrific governance.We essentially created a force multiplier!*

*JM: Absolutely.*

*KC: We implemented this approach early on at Virtusa, and while implementation was easier said than done, we now have a great foundation. It has become an important part of our ethos.*

*JM: As we close, I want to ask you three final questions. First, what aspects of your culture are you most proud of? Why?*

**KC:** *Being in the IT services industry, people are our most important asset. We have made significant investments in building a strongculture within the organization, which not only helps us reinforce the values that define Virtusa but also helps define who we hire. We have built a strong and pervasive culture of collaboration, which allows globally distributed, culturally diverse teams and individuals to seamlessly work with each other to deliver high impact outcomes. This is something we are extremely proud of. Another aspect of our culture that stands out is the mentality to always put the team ahead of the individual in instances of success while encouraging individuals to stand up and take personal responsibility for failures. A third defining aspect of our culture is the way we encourage innovation.*

**JM:** *What aspects of your culture need to transform and why?*

**KC:** *While we can always do a better job of reinforcing the above cultural aspects, we continue to invest in programs that help us identify and groom more leaders from within the organization. We are looking for leaders who are already steeped in our culture, are able to inspire their teams to achieve more, and are evangelists for our brand when they engage with our clients.*

**JM:** *Finally, what is your strategy for transforming your organizational culture and what kind of progress are you making?*

**KC:** *We have put together a foundational program to groom future leaders at Virtusa. This program is based on industry benchmarks and supported by best-in-class frameworks and processes and is already beginning to show significant results with over 65 percent of leadership positions being filled by internal candidates. We expect to continue developing this program to groom world-class leadership within the organization as we continue to grow and scale our operation.*