SUSTAINING A HIGH PERFORMANCE CORPORATE CULTURE

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SUSTAINING A HIGH PERFORMANCE CORPORATE CULTURE

A Project

by

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Abstract

of

SUSTAINING A HIGH PERFORMANCE CORPORATE CULTURE

by

Joshua Keith Aldridge

Corporate cultures can be tested with the loss of founders and the addition of outside leaders. This project is intended to analyze four companies, Cantor Fitzgerald, Hewlett Packard, Walt Disney Company and Apple to identify the characteristics that build a sustainable, high performance culture as well as the forces that apply pressure to change it.

Sources for this project include the books HP Phenomenon, On Top of the World, Steve Jobs, The Disney Way and Corporate Cultures – The Rites and Rituals of Corporate Life. In addition, multiple articles from Forbes, Harvard Business Review, Washington Post, San Francisco Chronicle and LA Times were referenced for current events of these companies, as well as academic databases (Mergent Online) for financial data.

It was determined that strong cultures will win in clashes with outside leaders trying to make aggressive changes, especially to cultures built on teamwork, integrity and transparency. In order to adjust the direction of the company a leader must use a mixture of acknowledging founding values and a forward vision to institute evolutionary instead of revolutionary change.

_______________________, Committee Chair
Jerry Estenson, Ph.D.

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Greek philosopher Heraclitus believed that fire was the element "from which everything else arises." Like fire, culture can be formed only when its inputs are perfectly aligned and if not watched carefully, can easily die or burn wildly out of control. While culture can never be fully tamed, if it is managed properly, it can be the foundation that successful organizations are grown from. In the case of Steve Job's departure from Apple in 1985 and the death of Walt Disney at the Walt Disney Company in 1966, cultures based on innovation were lost in exchange for cookie cutter business models that produced minimal market gain before ultimately returning to their roots. Hewlett Packard on the other hand had sustained a culture that lasted for nearly 20 years after the retirement of its founders in 1977, resulting in the first IT company to reach $100B in revenue. They too had their challenges with a string of outside leadership. As corporations that found their roots in the 20th century grow into the 21st, what organizational characteristics allow a culture to survive after its creator has moved on and how can we predict future performance based on it?

What is Organizational Culture?

Organizational culture has been loosely described as the rules of the game, the norms and expectations or the spirit of the organization. While nobody can quite define or capture the concept, the culture within a company has a direct tie to its identity and ultimately, its performance. Terrance Deal and Allan Kennedy were the first to introduce the concept of corporate culture in 1982. They believed a company’s values, heroes, communication network as well as its rites and rituals made up its identity. In order to be effective in this environment, new
employees would eventually find their place in this system or be rejected by it. Those characteristics were grouped into the culture classifications listed in Table 1.

**Table 1 - Deal/Kennedy Cultural Classifications**

<table>
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<tr>
<th>Characteristic</th>
<th>Tough Guy/Macho Culture</th>
<th>Work Hard/Play Hard Culture</th>
<th>Bet-Your-Company Culture</th>
<th>Process-Culture</th>
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<tr>
<td>Risk</td>
<td>High</td>
<td>Limited</td>
<td>High</td>
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<tr>
<td>Feedback Rate</td>
<td>Instant</td>
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<td>Charismatic</td>
<td>Confidence</td>
<td>Organized</td>
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<tr>
<td>Rites and Rituals</td>
<td>Superstitious</td>
<td>Fun division between work and play</td>
<td>Focus on title and milestones</td>
<td>Focus on title and milestones</td>
</tr>
<tr>
<td>Strengths</td>
<td>Quick and decisive</td>
<td>Endurance</td>
<td>High quality innovation</td>
<td>Consistent</td>
</tr>
<tr>
<td>Weaknesses</td>
<td>Diverts from long term strategy</td>
<td>Complacency</td>
<td>Slow moving</td>
<td>Bureaucracy</td>
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Even with an established cultural classification, there will always be pressures to change it. Constantine Andriopoulos and Patrick Dawson said culture consists of three main characteristics. One, culture is a shared phenomenon; two, culture exists on two levels, the surface and at a deeper level; third, culture is learned. (Dawson, 2009) If that is true, then it means culture within a company is the culmination of all of influences that make up the organization: its leaders, environment both internal and external, government influence, geography, demographics as well as any number of X factors that can define a workforce. The question is which ones have the greatest potential to influence a long-lived culture?
This analysis is intended to research the sustainability of culture through change and determine if long-term performance can be gauged by looking at the makeup of a particular culture. The study includes organizations such as HP, Apple, Cantor Fitzgerald and Disney. In each case, the organization goes through massive change yet is pushed forward by a force more powerful than its parts.
Chapter 2

CULTURAL COMPONENTS

Core Elements

Deal and Kennedy stated that at the core of corporate culture, we find its values, its heroes, rites and rituals and a communication network. These are the immovable objects of a corporate identity resisting the unstoppable forces of change.

Values

Values are the principles on which a company identifies itself. Hewlett Packard defines its values as having passion for customers, trust and respect for individuals, results through teamwork and speed and agility. Disney’s values focus on innovation, quality, community, storytelling, optimism and decency. When walking through the doors each day, it’s expected that the workforce understand what their company stands for and reflect those values in their work each day.

Heroes

The heroes of a company vary based on the classification of the culture but they exist at all levels of the organization. They are the role models that other employees aspire to be like. Bernie Cantor was one of these heroes for Cantor Fitzgerald. He was the veteran of Wall St. and understood what it took to be successful in the financial industry. Employees looked up to him not because he was the boss but because they wanted to be successful like him. At Apple, Steve Wozniak was a hero among the engineers. While Steve Jobs was the CEO, Steve Wozniak was a hero based on the knowledge he brought to the industry. When placed in a group of impressionable employees they have immense influence on steering their behavior.
**Rites and Rituals**

Rites and rituals are those traditions within a company that also define its identity. The Friday beer busts of Hewlett Packard would bring employees together to celebrate their accomplishments of the week, talk about news of the company and build their team bond. At Apple the Macintosh team began giving out a yearly award to the person who did the best job of standing up to Steve Jobs. At Disney, each employee was brought through the exact same training session on the first day of the job sharing the experience with veteran team members. They start by saying Disney just became that much better now that the new employee was there. Each “Cast Member” goes through, in essence, a rite of passage to become part of the family. These traditions provide a sense of unity and let them know that they are part of something that was created before joining the company and will exist long after they leave.

**Communication Network**

The communication network is the glue that allows the values, heroes, rites and rituals permeate throughout the company. Deal and Kennedy defined roles such as storytellers, priests, spies, gossips and secretarial sources. The objective being that each employee serves a different purpose when it comes to spreading culture throughout an organization. Storytellers are effective at letting new employees know how events were handled in the past. This allows people to learn from mistakes without having even been there. Gossips are able to pass information around the organization about the daily news and what might be trending. Whisperers on the other hand are the people that are respected by management and have influence over the direction of decisions based on their knowledge of the organization and extensive network of allies.
Forces of Change

A corporate culture is a living entity and will always be subject to the forces of change including, but not limited to the external and internal environments, government influence as well as its leaders.

External Environment

The last decade has put company culture to the test. Many philosophies that put employees high on the list have had to step back in cost cutting efforts. Layoffs and mergers have moved employees across the landscape. The mortgage crisis has made it harder for people to maintain the value of their homes putting a priority on job security. A banking crisis has raised the cost of borrowed money, limiting the expansion of many organizations while others are hoarding their cash to weather the next storm. Global events like the terrorist attack on the world trade center had a deadly impact on nearly three quarters of Cantor Fitzgerald’s workforce. Over the last ten years the external environment for companies has made the game more about survival than expansion. This can have a very strong influence about how vested an employee can become in their organization. It also can provide a ripe landscape for a leader looking to make a revolutionary change to culture.

Internal Environment

Some companies are built on rigid policies and procedures. Others, like Google may have Q&A sessions on a weekly basis to spit ball new ideas with the whole organization. Product lines come and go and strategies and visions change. The result is a workforce that is usually in the middle of frequent change. This internal climate can build the deeper culture that Constantine and Patrick spoke about. Many companies are hesitant to air their dirty laundry, but the truth of the matter is that every company deals with internal strife. Hewlett Packard has just removed a
CEO that was on the job for only 11 months. This has a unique effect on employees. They may become disenfranchised or angry with the politics that exist within their organization. Over time this can have a snowball effect of building up a culture of resentment to management. In large organizations this can take a greater effort to roll back.

**Government Influence**

There is a battle of class warfare in this country. At least this is what some of the pundits are saying. The fact of the matter is that this too can influence the culture within a company. For instance with the health care law of 2010, employers are required to offer coverage options to their employees. This goes into job satisfaction and in turn potential loyalty to an organization. On the other hand discussions on tax modifications could reduce the level of revenue flowing into corporations resulting in less money for compensation. While we haven’t seen the full effect of these policies, just the talk about them have been enough to impact job creation and organizations willingness to invest in expansion. It has also resulted in companies leaving their money offshore in countries with better tax laws. The effect is that more and more companies are going across borders with their workforces.

**Leadership**

Leadership is the face of the company. They define vision and strategy. In many cases they are the founders of the organization. Their personal values are reflected in their employees based on the power they wield. Harold Yoh, CEO of Day & Zimmerman said in a People & Strategy piece that, “When I assumed the role of CEO, I inherited a tradition of acting with integrity and living up to our brand promise, we do what we say.” (Yoh, 2008) He understood that he cannot expect his people to follow if he didn’t lead by example. In many cases new CEO’s will adopt the values that precede them as they were brought up as is the case with Denise
Morrison of Campbell’s Soup. They picked someone with a strong business background that had history in the company and knew how to continue on the current track. On the other side of the coin, many companies have looked for mavericks to stir the pot of innovation. These rule breakers such as the founders of Google, Larry Page and Sergey Brin or the founder of Facebook, Mark Zuckerberg, know how to get new and innovative results out of their workforce by giving them unprecedented freedom. If culture is truly a learned concept then it will be strongly influenced by the powers that be. It also will result in inevitable conflict if the leader and the culture are not aligned.

Leadership, external and internal environments, government regulation and demographics all impact an organization’s culture but does one pressure specifically have the power to influence change?
Chapter 3

CANTOR FITZGERALD

"Nothing can make me feel more proud of what we have achieved that a son or daughter would want to come and work at Cantor Fitzgerald where their father or mother lost their life. That means we have created such a positive with not only that child, but also their [surviving] parent."

Howard Lutnick, CEO of Cantor Fitzgerald

On Tuesday, September 11th 2001, Cantor Fitzgerald, a large brokerage with headquarters in New York, lost 658 out of 1,000 employees as a result of one of the largest terrorist attacks in US history. The US Treasury was looking to re-open the market the following Monday and if Cantor Fitzgerald was not operational, they would not be able to turn over the tens of billions of securities they would be receiving from trades executed on September 10th. Failure to do so would result in the default of the company and void any chance of providing benefits to surviving family members. After the dust settled, Cantor Fitzgerald had to find a way to survive through a shaken but not broken CEO.

External Environment

Cantor Fitzgerald, currently named BGC Partners after a merger in 2008, is a financial intermediary for financial markets focusing on brokering trades of income securities, equities, foreign exchanges, futures, and other financial investments. They compete with other major trading companies such as Bank of America, PNG Financial and E*TRADE. They are near the bottom of the industry in total revenue due to the relatively small size of their company however, they are near the middle of the pack when it comes to the amount of revenue generated per employee at just over $485K per year.

As a traded stock Cantor Fitzgerald has performed above market average in the wake of the September 11th attacks but has performed below average since 2005. With over 20 companies
in the industry, the landscape is very competitive. Two days after the attacks on September 13th, Morgan Stanley Dean Witter ran a full page add in the Wall Street Journal stating:

*Thanks to our network of over 60,000 people throughout the world, including those in New York City, our assets and all of our clients’ assets are completely safe. And we are ready to begin again as soon as the markets reopen.*

(Barbash, 2003)

A rival executive at ICAP wrote in an email “Oh, I would love to put one up their bottom.” The message was clear; there would be no sympathy from their competitors. These external factors could have easily overpowered the strength of a successful culture to sustain through crisis. On the other hand, they can bring a family closer together.

**Figure 1 - BGC Partners Revenue Trend**

![BGC Partners Revenue Trend Chart](image)

**Internal Environment**

Cantor Fitzgerald was a close-knit group leading up to 9/11. They believed in working hard and building a team of trust as if they truly were a family. CEO Howard Lutnick’s brother Gary worked at the firm and they encouraged nepotism when it came to hiring practices. Once in
the company, everyone was accountable for holding their own weight. They worked hard and they played hard. They moved at the fast pace that only Wall Street could offer. Their style was instantly thrust upon anyone that came into contact with them. Besides being on one of the top floors of the World Trade Center, they adorned their office with Rodin statues and even hired a full time curator for their ad-hoc museum of art. Success bonded the employees as did the hard work and long hours. The original managing partner and Howard’s mentor Bernie Cantor spent 5 years without a day of vacation until Howard got him to go to St. Moritz on a ski trip. When there were social events, the families would take part together. Due to the small size of the workforce many people’s lives were intertwined. The close bond made the events of 9/11 even more challenging on the remaining workforce’s ability to complete their job. Their brothers and sisters had been lost, pregnant wives lost husbands and those that survived had a hard time coping with the fact that they made it but some of their closest friends did not.

The environment became extremely difficult when Howard was forced to balance between the grieving families and business operations. The families wanted to take out their frustration and anger on him as the big corporate figure head that didn’t care about his employees while he had to continue to work with the remaining force to meet baseline goals to stay in business. This struggle between personal life and core operations would continue to challenge the staff through the end of the year. What they found though is that the surviving workers worked as if it was in honor of the fallen. They knew that if they failed, they failed the families that died on 9/11. They pushed themselves to succeed.

**Government Influence**

The main role of the government in influencing Cantor Fitzgerald was the speed at which they expected them to recover. There was no way that they could delay the opening of the
markets any further than a week due to the potential impact on the economy but at the same time it would seem heartless to penalize a company that had been the victim of such a heinous attack. They lost their IT systems, their direct links to the markets and many records they had of pending transactions. This pressure that they put on Cantor Fitzgerald did build additional strength within the survivors of the company. They were forced to get back on the horse and prove that they could perform. This solidified existing relationships between those remaining employees that restore the company to operational status. Once the dust did settle, the government did play an additional role in creating a fund to assist in the support of the victims’ families. In addition to the 25% of profits that the company put into a fund, the money given to the families continued to build stronger bonds of the workforce.

Leadership

While the events of September 11th put Cantor Fitzgerald’s culture to the test, it was its leader, Howard Lutnick that established and protected that culture for the survival of the company. Howard knew the business from a young age. He made a lot of money for his mentor Bernie Cantor and his partners, but he was humble. It was Bernie that taught him how he should look in the role he was evolving into. While Bernie told him to purchase the Ferraris and the 150 thread count suits, it took Howard some time to come to terms that this was the level he was playing at. He took nothing for granted and didn’t forget those who put
him in this position. When he bought his Ferrari, he tossed his brother the keys to his Porsche without a second thought. His expert knowledge is what gained him respect and he in turn respected both his peers and staff.

Howard was taking his son to the first day of school when the towers fell. As he showed up, the first tower fell with his staff. When he realized that he was going to make it, the thoughts turned to his brother and friends. Before the night is out, he is already working with London and Los Angeles to secure the survival of the company. Where Howard had the largest impact on the company’s culture was that he was human and that showed in all of his actions following the crisis. In an interview with Connie Chung (News, 2011), he broke down in tears showing the true ties to his employees. He was later criticized for pandering but it was obvious that it was true emotion.

In the wake of the disaster he was forced to make decisions such as cutting off pay checks of missing employees to be able to cover their financial commitments. The families that he saw each night would vilify him for the decisions that would ultimately support them. It was his strength that was able to push through to the end to stabilize the company and end up taking care of expenses and the healthcare of Cantor Fitzgerald families for the 10 years following the incident.

**Analysis**

Leadership in this instance was the true driver of culture at this time. If Howard was in the building that day, his peers in London would have tried to continue the operation but the heart of the company was in New York. It was Howard who was the face of the company and not in a PR type of sense. He was the one fighting for survivors and the one who was on the phone rallying the key resources in the company to make them operational just as his employees would
have looked at him on September 10th. Due to internal environment that existed before the tragedy, the bonds of the family only strengthened and around October they could breathe once again. $45 million in bonus checks were sent to families and the strife that existed over the last month started to fade away.

Today Cantor Fitzgerald has expanded businesses and built its workforce up to double what it was before the attack to over 2,400. Of those only 74 remain from the pre 9/11 staff. In an interview published in the New York times for the 10th anniversary of 9/11, survivor Harry Waizer says that today’s workforce is much younger and to many of them, the events that defined this company are a blurry memory at best. This has resulted in some loyalty issues within the company. The small family has become more of a means to an end to today’s generation. This case provides an example of how a company’s strong culture to succeed and support its own can weather a storm. The goal was not long term growth but survival. Over the past ten years, the culture has faded as BGC spans across new industries but a strong sense of charity and not taking success for granted remains. A leader sustained the culture in this instance.
Chapter 4

HEWLETT PACKARD

"What we consider the HP Way doesn't just happen from the top; it's built into the organization. I tell HP people, 'You're really the propagators of the HP Way. You're where it resides.'"

Bill Hewlett, Co-Founder of Hewlett Packard

In 1938 Bill Hewlett and Dave Packard produced their first measurement device which sold to Disney and marked the beginning of Hewlett Packard (HP). Since this time, HP has been led by its founders and 6 additional CEOs. Moving back and forth from a decentralized to centralized organization, it grew from 8 employees bringing in $522,803 of revenue in 1942 to 324,600 employees and $126B of revenue in 2010. In addition, corporations have mimicked the culture that Hewlett Packard coined as “The HP Way.” Bill the translational leader and Dave the transactional found common ground in the basic principles of their workforce. Thirty years after the founding of the company, Dave asked fellow executive Doug Chance to write out the principles he saw in the HP Way to institutionalize it in an ever changing company. Doug scanned articles highlighting words and the resulting output was 10 key points (Phenom):

1) Belief in freedom
2) Respect and dignity, individual self-esteem
3) Recognition, sense of achievement, participation
4) Security, career development
5) Insurance, personal worry protection
6) Shared responsibility, helping each other
7) MBO, decentralized operations
8) Informality, first name, family-oriented, open communications
9) A chance to learn from mistakes
10) Training and education, counseling
These values have had a very long time to build roots in the organization. In the last 10 years, a battle has raged between culture and outside leadership and over that time, three outside leaders have fallen.

**External Environment**

HP has had a product line that has ranged from measuring equipment, to technology to consumer products over the years. They have a strong brand name but face a strong set of competitors at each turn, many who are specialists in their product area. While in the last year there has been an increase in IT spending, (Forbes) margins on consumer products, a primary source of revenue for HP, have dropped steadily. A consolidation of the industry has also occurred, where hardware competitor SUN was bought by Oracle and HP has bought EDS to boost its services portfolio to compete with IBM. Due to the sheer size of these companies, many have chosen to reduce risk by diverting funds from research and instead invest the money in purchasing companies with proven products that can be integrated with their portfolio. This has conflicted directly with the innovative spirit that has driven HP through the years. In addition to the industry changes, HP has faced the same economic challenges all businesses have faced, resulting in increased cost controls, limited hiring and additional outsourcing.

Revenues have dropped with the burst of the tech bubble and with the recession after following the attacks of September 11th. Large revenue growth was seen with the purchase of EDS however the subsequent years showed moderate to reduced growth. New leadership has put more of a focus on cost saving measures as opposed to innovation as seen in figure 2 on page 17.
Organizational Structure - The internal environment at HP has cycled from a decentralized model, to a consolidated one and back again. In the beginning Bill and Dave felt that the engineers should be closest to the product and market. The intention was that they didn’t want innovative ideas lost in the shuffle. Each product division had their own R&D, marketing and Manufacturing departments. While this may seem like it isn’t cost effective, it resulted in product lines of high quality geared closely to customer needs. By the time John Young took over in 1977, HP had expanded fairly far with over 35K employees as they moved into the computer age. Coming from IBM, John worked on standardizing and streamlining the company to compete in an emerging industry that would need the entire company behind it. Nearly 15 years after the consolidation of HP, Lew Platt came in and the company began to decentralize.
much as it started. Again in 2000 HP centralized under Carly Fiorina and Mark Hurd. The HP Way was based on the freedom to innovate wherever it takes you. It put command and control in the field. When they centralized, many found that they had to fight through bureaucracy to get money making ideas to the consumer. While this challenged the culture and moral of HP, it didn’t break it.

One area where the HP Way survived was through an attitude that allowed freedom but required results. There was no judging by the way one looked, how one dressed or what location you worked in. Talent and results were the determining factor for each employee. The belief was that if someone was not performing to their full potential that there was another job at the company that would fit them better. This comfort and security allowed employees to take chances. When a director said that they saw no use for a product, an engineer who had faith and a supporting manager would push forward to see potential in the product. If successful, directors had no problem in admitting they were wrong.

Another aspect of comfort was an open door policy and calling people by their first names. There are stories of informal sessions where Bill and Dave and in later years, John and Lew would walk around to have conversations with employees to keep their finger on the pulse of the company. If there was a major concern or problem, there was no appointment needed. Conversations were respectful but not restrained. Employees and management were in this together. Everyone flew coach and everyone partook in the profits through a profit sharing program. In the last 10 years this type of comfort has faded away. When projects have gone red, people have been fired. Many rewards for accomplishments have been limited to a management level such as stock options. Instead of flying coach, CEOs maintained private jets. This had a large impact on 1) Employee willingness to accept change; 2) The feeling that they win or lose as
a team and 3) The level of morale required to extend production beyond standard operating boundries.

Government Impact

The government’s largest impact has been through initiatives to reduce energy consumption. There have been multiple tax rebates for reducing corporate footprints. While many industries are trying to go “Green”, HP has been able to market a product line focused on reducing the strain on the environment increasing revenue. This has had an indirect impact on company culture. HP has always tried to be a strong citizen in the community. Efforts included extensive grants to Stanford in the early years and expanding to recycling campaigns, technology donations to schools and disaster relief funds. Going green has brought employees back together again in a team effort, while this hasn’t saved the culture, it has given it some life support.

Leadership

HP would not have been the company it is today if it did not start with such a well-balanced leadership team. Some of the traits that are the basis of a great leader permeated from Bill and Dave. Intelligence, humbleness, drive, respectfulness, and vision were just a few of the characteristics these men possessed. Social psychologists John French and Bertam Raven defined a set of five types of powers from which leaders can move people:
- Coercive power, which comes from the ability to punish.
- Reward power, which allows the ability to give things that followers desire.
- Legitimate power, which comes from the leader’s position in the organization.
- Referent power, which comes from the likability and charisma of the leader.
- Expert power, which comes from respect of the leader’s knowledge in an area.

Bill and Dave knew that both referent and expert power were the most sustainable ways to drive their company. They brought in experts from across the nation and used their ability to reward to make sure that they were motivated. This created a core coalition of intelligent engineers spread throughout a budding company.

New employees were treated with the same respect of the veterans, which resulted in Bill and Dave’s leadership style to spread across the organization. The challenge came from the fast growth. One new employee was hired for every nine each year. HP was forced to bring in IBM employees to help build the computing division. With the influx of new employees, some of the core values had been lost in exchange for some of the more standard corporate behaviors seen elsewhere in the nation. Company surveys consistently said the same thing “Interacting between these different teams feels like moving in the midst of separate competing companies sharing only a logo.” While Lew Platt tried to bring the company back to these core values during his tenure, the next 2 CEO’s were outsiders that didn’t have much regard for the history of the company.

Leaders lead and should not just continue the ways of the past but, Carly Fiorina and Mark Hurd failed to realize that they had a strong culture that they were walking into. Their entry coincided with a downturn in the economy that brought about many tough decisions for a leader.
The resulting layoffs and cost cutting measures in HP were needed, but poorly executed. At a time when long time employees were losing jobs, CEOs stopped flying coach and started flying on private jets. Salaries where frozen while bonuses for executives were at an all-time high. Instead of being on the front line with an innovative workforce, they moved at first to, a figurehead position on a marketing campaign and after that to a manager losing focus on employees as a resource instead focusing solely on a bottom line. A management meeting by Mark Hurd’s CIO gave a perfect example.

HP divisions had a history of over planning and challenged to execute in a timely manner. There are two ways to change this. One is to take a position where as a part of an intelligent team, gaps are identified and behavior is changed. After his first month on the job, CIO Randy Mott took a different tact. After defining a generalized plan to consolidate data centers around the world like he had in his previous jobs at Wal-Mart and Dell, he showed a video from the movie “8 Seconds.” In the scene, a bull rider had a severe injury to the groin. Lying in the hospital the rider reflects on his ability to go on. His friend, sitting off to the side, cowboy boots kicked up, tells him “Just before you croak, one little thought is going to keep going through your head. I’m a puss.” He continues to go on about how he should quit, leave the work to the real men, before finishing with “I got two words for you, cowboy up.” When the lights came up, Randy walked out of the room. Many managers had the same opinion, “Where does that guy come off?” In just one meeting, he had created an “us against them” atmosphere. The assumption was that the existing employees had no idea what they were doing and that everyone was expendable. Soon after, promotions within the company were limited and nearly all management requisitions were hired from both Dell and Wal-Mart. The core leadership fundamentals that allowed employees to challenge the system had faded.
The outside leaders made a major miscalculation. They were heroes of their previous companies and respected by Wall Street. The problem is that they were not stars of Hewlett Packard. Their assumption was that they could rely on their previous accomplishments to justify revolutionary change to the company’s culture. Instead they were into an organization who was passionate about their values and weren’t under enough internal or external pressure to change.
Chapter 5

WALT DISNEY COMPANY

“I can only hope that we don’t lose sight of one thing – that it was all started by a mouse.”

Walt Disney, Television appearance Oct. 1954

The Walt Disney Company has become a banner of success over the years. Starting with two brothers, a risk taker named Walt and a conservative named Roy, Disney has grown from a cartoon making studio to an enterprise of resorts, studios, commercial merchandising and radio networks. They are known for their quality and their corporate methodology has been duplicated by companies such as the Cheesecake Factory, Men’s Warehouse and the Four Seasons. Bill Capodagli and Lynn Jackson documented this phenomenon in the book, “The Disney Way.” Put simply Disney followed a four step process to create their current culture. Dream, Believe, Dare and Do. Every Disney employee has the ability to dream the ideas that make Disney’s customers feel like guests. This is aligned to a beliefs system that is engrained into each employee through rigorous training. Management was urged to take changes and dare to push the limits like Walt did. Finally execution was organized and moved forward at an extremely effective pace.

When Walt died in 1966, he was succeeded by his brother Roy. Over the next 40 years Disney would see 5 CEO’s take the helm. This included CEO Michael Eisner who was ultimately ousted from the company by Roy E., Roy’s nephew, who pushed the board to make the move. Was this because the culture was changing? Many believed so. However even with the controversy that Disney faced in the early 2000’s, they have not had much impact on the culture that Disney has run on for nearly 80 years.
External Environment

Disney is in a league of its own when it comes to competition with other theme parks worldwide. With over $38B in revenues at the end of 2010, it does six times the business of its next closest competitor.

The company consistently improved its revenue in the 80’s and early 90’s, however it has seen a significant lack of growth since 1998. This includes a decline of revenues in 2009. Much of this is accredited to the recession that has plagued the other companies in this project after the events of September 11th and the subsequent decline in disposable income. Disney however has made a comeback in 2011 posting exceptional numbers in the third quarter increasing revenue by 7% to $10.1B. While the economy is still on shaky ground, the diversity of Disney’s brands in broadcasting, theme parks and consumer products have allowed them to limit their risk and continue to invest in innovation.

Figure 3 - Walt Disney Revenue Trend
Internal Environment

Disney has an amazing culture built off a simple set of principles executed with extreme precision. For instance, Disney does not have customers they have guests. The difference being that when interacting with customers they are not treated as if they are consuming a product but instead as if they were guests of the employee’s home. The goal is to provide their guests with a complete experience. While on the surface this seems like a simple concept, the effort required behind the scenes for sustainability and consistency is extensive. Dream, Believe, Dare and Do are the four steps of the Disney Way to innovation. Creating an environment for this methodology to survive in takes practice and commitment and to create what Disney calls “The Show”.

Steve Heise wrote an article in Leadership Excellence detailing the “Pixie Dust” formula that creates Disney’s culture consists of the selection, the training, the communication to and the caring for employees. Disney has always been about the show experience and this includes their hiring practices. Prospective employees are paraded past Disney character statues before viewing a movie detailing what it means to be a Disney employee. This sets the ground right from the beginning on whether or not the applicant can feel they are a match for the culture. Following the interview, Disney is prompt in letting applicants know if they are hired and even go as far as to coach rejected applications as to where they can improve to re-apply. There are very few companies that will invest this time and the result is that everyone walks away feeling valued whether they received a job or not. Before any employee starts, they go through the Disney University for traditions training. This is not just job training, it also establishes a historical perspective, unified across the workforce. The day starts with a food, nametags and a large group
of existing employees to let them know that they are part of an extensive family. The message given throughout the day is that, “the organization just got better because they are now part of it!” After quizzes on key aspects of Disney traditions, they are broken out in their job areas to get an idea of what to expect from veterans they will be working alongside of. Once they have started the job, the second two ingredients of the “Pixie Dust” kick in, communication and care.

Communication can be lost on employees when bombarded by it. Disney has found a good balance between formal communication from the Disney University newsletters and front line management communication from management. Since 75% of a front line manager’s day is out with his team, he is able to keep his people connected with new happenings and key events that affect them. This goes back to every employee being keyed into all aspects of Disney sending a unified message to their guests. The final part of Disney’s culture comes from caring about its employees. In addition to work life balance benefits such as cash checking services, voter registration and film processing, Disney rewards their employees with everything from recognition programs to long-term service awards. Good behavior and loyal behavior is publically recognized to the point where their employees strive at every corner to outperform. It is common to hear of employees working at Disney for 20, 30 or even 60 years like Oscar who is head chef at the Carnation Café on Main Street Disneyland.

Leadership

Disney would not be the company it is today without the balance of leadership that started with Roy and Walt Disney. Walt was the visionary and child at heart that knew what people wanted. Roy was the conservative financial mind that put the pieces in place to execute. They started with a blank canvas and were able to draw the show we see today. Some of their personality traits are seen throughout the culture at Disney. For instance, Walt would frequently
walk through the park to gather ideas and check in on his guests. He would pick up trash if he
saw it and he would ride the rides to give feedback to employees. These days, most corporations
do not see that level of participation from their leaders. They tend to be focused more on strategy
and operational goals. By being in the thick of operations, he was able to foster ideas from
front line employees and connect ideas across the organization. Walt died in 1966 and Roy
followed soon after. Donn Tatum, a long time Disney productions business manager stepped in. Working with the company since 1956, he was part of the culture that Walt and
Roy started and under his watch, he executed on Walt’s vision including the completion of
Disney World. From 1966 to 1977, he saw revenue increase nearly 400%. Card Walker was the
next president of the company who was also a long time Disney employee that bridged the
original emerging cartoon studio from the 30’s with the large corporation that Disney became in
the early 80’s. Disney benefited from a leader that continued the vision that Walt established and
Roy sustained.

When Walt’s son in law, Ron Miller took over in 1980, he wanted to push Disney into
the film industry that would appeal to their adult base, not just children. He wanted to bring in
Michael Eisner who had a history at Paramount. Eisner required that in order to join Disney he
would need to be President and COO leaving Miller as Chairman of the board. This move met
stiff resistance as an outsider was being hired that did not know the theme park side of the
business and did not share the same traditional knowledge of the Disney culture that other
Illustration 3 - Walt and Roy Disney
executives had. It was a tough decision for the board as its film business had become stagnant but when moves were being made for a corporate takeover, the company was forced to pull the trigger on Eisner. Eisner brought new ideas to the company and during his tenure Disney produced some of its most successful animated films including the lion king. After bringing Disney back into the lime light, the company again began to stall out and Walt’s nephew Roy initiated a campaign to oust Eisner as head of the company. A board level struggle took place and Eisner was eventually ousted by the shareholders and replaced by Bob Iger in 2004.

This evolution of leadership showed a slow move from the roots of Disney to a more modern day manager that wasn’t brought up on the same history as his predecessors. The belief was that an insider was required that lived the culture to be able to direct the company. Iger did put policies in place that began to decentralize some of the management that Eisner consolidated. This includes a centralized strategic board that had a history of vetoing a majority of the improvement ideas that came throughout the company. This philosophy was aligned to Walt’s belief that each employee added value to the show.

**Analysis**

Disney ran into many of the similar issues HP did when it brought in outside leadership. There were new ideas but ultimately the focus came down to metrics and not innovation. In a recent LA Times article, Steve Lopez detailed a new operations management technique where employees are shown live feeds of their output compared to other employees on television screens while they work. For example, employees working on laundry at Paradise Pier hotel will see their speed along with others on a scoreboard for quickest at loading pillowcases and processing clean sheets. While competition can be good, it is influencing the family/team atmosphere that Disney has created in its workforce in the past.
Between the “Pixie Dust” formula that created a strong base for employees to grow from and the Dream, Believe, Dare and Do philosophy that allowed Disney to innovate past all competitors, there is some concern with more micro management techniques. While Walt believed that perfection was a requirement, he knew that the employees had to internalize the belief instead of being told. The Disney company of 1950-1980 was based on a belief that each employee had the ability to take Disney to the next level. When Eisner took over, he instead wanted a team that would execute instead of innovate as it had previously. As a result, the revenue growth began to drop off after an initial surge from new management. Ultimately, cost saving measures, like the one that reduced traditions training from 3 to 2 days was seen within a month as front line managers reported decreased guest satisfaction. In order for Disney to continue to create magic, it needs to reinvigorate the imagination of its employees. There is a degree of irony that engineers at Disney are called imagineers. When they lose they lose their innovative freedom, the company becomes stagnant as it did towards the end of Eisner’s tenure. The Disney University prides itself on teaching employees that they are part of the greatest show on earth. Unless management continues to have trust in its employees to live those traditions, there is a chance that culture that has made Disney so successful will fade away.
Chapter 6

APPLE

“Be a yardstick of quality. Some people aren’t used to an environment where excellence is expected.”

Steve Jobs, Founder of Apple - 12 Rules of Success (Hill, 2009)

Apple is unique to say the least. They were built as a rebel company. Those that respected the past but were a counter culture to the present. Apple revolutionized the personal computer, music devices and more recently, smart phones and tablet computers. They have a strong belief in top quality and a history of fighting internally to achieve it. After founders Steve Wozniak and Steve Jobs established the company, it grew in parallel with Jobs. He was a man that influenced every part of the organization. He spoke bluntly and rarely conceded his position. What was interesting was how the organization responded to him. He distorted reality, allowing engineers to think beyond established limitations. At the same time he would disregard those who no longer added value.

External Environment

Apple has always had a rival. In the beginning, it was the IBM clones competing with their Apple I computer. After that, Windows competed with the Macintosh. More recently, Google’s Android smart phone OS has been competing with iOS. Apple is first to market with a majority of their products. Within a year or two, their rivals catch up. After a tumultuous end of the 90’s and the beginning of the 00’s where Apple almost became insolvent, their move to consumer music devices, phones and tablets turned their revenue around. Their stock, currently $397, is at the height of company history. While Android just moved past them in smart phone market share, they still own 28% share and just released a new version of their phone. Their revenue is second to only Hewlett Packard.
The biggest impact the external environment has had on Apple has been a recent patent war that has started between them and their competitors. These patents are used to prevent the competition from leveraging features that would pull a consumer in particular direction. Steve Jobs also believed in a system of control where Google has a culture of progressing the free flow of information. As a result, both companies have seen their cultures strengthen as they compete on opposite values.

**Figure 4 - Apple Revenue Trend**

![Apple Revenue Trend Chart]

**Internal Environment**

The inside of Apple is a secret to many who have not had the opportunity to work there. In an interview with former employee Tim Riley, I found the organization was extremely divided. Each product team was in direct competition with another. They would work on taking each other’s budget to give their product a better chance to succeed. This is not a new occurrence. During the development of the Macintosh, Jobs separated the development team from the rest of
the organization and moved them into a separate facility. Pranks would be pulled between the Macintosh and Apple II teams on the surface but deep down, one team wanted to squash the other and because Jobs was in control of the company, he would siphon resources to make this possible.

Another common behavior in the environment is the harsh tone that exists between employees. Jobs would frequently tell people that the quality of their work was “Shit.” Discussions on product designs and timelines would be battles. One of the top engineers for the Macintosh project, Andy Hertzfeld took a leave after the project was completed. He “needed to recharge his batteries.” At the same time Jobs was giving out bonuses to the Mac team. He left Andy off the list. Andy decided to leave. Another engineer Bruce Horn decided to leave the team as well. When Jobs heard this, he told Bruce, “Everything that is wrong with the Mac is your fault.” In a more recent incident, he gathered the team creating email software for the new iPhone. He asked the team what software was supposed to do and after receiving a satisfactory answer, he replied, “Then why the fuck doesn’t it do it?!?” He continued by telling them that they should “hate each other for have letting each other down.” (Burke & Lashinsky, 2011) This is a tough guy/macho culture, which does not require teamwork and in many cases only values an individual’s latest contributions.

Apple has not had more than 10,000 employees prior to 2000, in the last ten years, it has grown to over 40,000. Much of this can be attributed to the deployment of their apple stores throughout the country. The days of board shorts and bare feet are long gone. There is no expense spared on quality, be it the London Symphony Orchestra to record sound for their iMovie software or trying to pull a favor with President Clinton to have him call Tom Hanks to record a commercial. The combination of a strict accountable organizational structure and a life of high
quality bring unique talent to Apple. With an increased customer facing employee base, it has yet to be seen how the retail and engineering cultures have melded.

**Leadership**

Steve Jobs is Apple and Apple is Steve Jobs. Since the beginning of time, his methodology has been to work with those that develop innovative products, put his spin on it and then ruthlessly see it to market. Once available he puts on one of the greatest shows on earth to help consumers realize that they need the product. In his early days, when they were trying to establish the company, veterans that played at a professional level were tasked with making sure Jobs was involved but not putting the company at risk. The first CEO, Mike Markkula, made sure to put Jobs on the Mac project so that we would not interfere with the ongoing operations of the Apple II and Lisa. This is very similar to Eric Schmidt at Google who oversaw operations while Larry Page and Sergey Brin worked on innovation. By compartmentalizing Jobs, his influence on the rest of the organization’s culture was contained.

In 1984 the board brought in John Scully. He was the marketing genius behind the Pepsi challenge campaign and was highly respected by Steve Jobs. The relationship quickly deteriorated as John focused on the company as a whole while Jobs focused specifically on the Macintosh roll out. Jobs would frequently berate Scully telling him that he had no understanding of technology while Scully would reprimand Jobs for dividing the organizations and belittling them. This ultimately led to a showdown in an executive meeting where Scully said it was either...
him or Jobs. Both the board and executive staff sided with Scully and Jobs was gone. Over the next ten years, Scully led Apple to mediocrity. He did not share the passion Steve had for creating products and the company suffered. They became just another face in the crowd, even going as far as trying to sell themselves to HP, IBM and Sun Microsystems. There were no takers. During this time, additional staff was brought in that began dilute the culture of a small workforce as well.

After the failed attempt at a sale, John Scully stepped down and Gil Amelio took the helm. By this time the company was battered, losing $1 Billion in his first year. They were invested in the creation of a new operating system that was extremely over budget and did not have much of a potential market. Put in this position, Steve Jobs would have looked to innovate out of the predicament. Amelio tried to buy his way out by looking for other companies on the verge of a release they could take over. Steve Jobs came back as an advisor in 1997 and started to build key coalitions. He knew how to rally the culture around its roots in innovation. At MacWorld, a conference geared toward Apple products, Gil Amelio spoke for 2 hours, losing his talking points and the attention of the audience. When he eventually called up Steve to talk, he was brief.

“We’ve got to get the spark back. The Mac didn’t progress much in ten years. So Windows caught up. So we have to come up with an OS that’s even better.”

Steve Jobs (Isaacson, 2011)

Seven months later, Gil Amelio was forced to resign.

Upon Steve Jobs return to Apple, the workforce rallied to the innovation cry. The iMac with its colorful design marked the return of Apple innovation and the company returned to profitability in 1998. Steve Jobs continued to manage the operations at a minute level. He believes in simple routine. On Mondays, he would meet with staff to review strategy, results and
the progress of every product in development. On Wednesdays, he would discuss marketing and communications. The rest of the week, he walked around being brutally honest with the staff.

With Steve Jobs death on October 5th 2011, a new leader stepped in to the head of Apple. Tim Cook comes from a background at IBM and Compaq. He graduated with a MBA from Duke and does not have the eccentric background Steve Jobs had. He has played the whisperer role a majority of his career and has been successful at it. He is single and has no problem with an 80-hour workweek. Cook has the endurance to match Steve’s, but it is yet to be seen if that will be enough.

Analysis

The culture at Apple defies all conventional logic in the business world. Not many employees could continue to work in a place where they are told their work is “Shit”, where they are constantly asked why they cannot be better than their peers and where the top echelon is treated like another class of employee. Steve Jobs finds a way to make it work though. There is strict accountability, simplicity in the pecking order, and the standing order is that you can perform or get out. At the end of the day, it would seem that the staff doesn’t take it personally. They know what to expect, they have seen where their leadership has taken them and they have a passion to follow.

Leadership is the end all, be all of Apple’s culture. Jobs would use all of French and Raven’s sources of power, sometimes in the course of a five-minute conversation. He would start with his charisma and knowledge, when that did not work, he would pull his position card and finally, he would berate and then even grovel by offering an olive branch. As a new employee walking into this culture is akin to a swimmer diving into shark-infested waters. They need to learn what is expected from them extremely fast.
Under Jobs, this culture was extremely sustainable because people knew the routine. They also understood the history. Steve Jobs was there in the beginning and the company did well. He was removed and the company under performed for nearly 12 years. He returns and restores the company to greatness. His methodology is seen as the cost of innovation and the employees respect that. The greatest question comes about the sustainability of the culture in his death.

Tim Cook comes with an extensive background in operational management. He is dedicated and is respected as the right hand man of recent years to Steve Jobs. As Jobs health deteriorated, Cook kept the plane flying. What remains to be seen is what he will do to maintain a culture of innovation. Steve was part of the development process in a way no other leader has been. Apple’s story is similar to Cantor Fitzgerald in that they are trying to maintain a culture as opposed to leaders that were trying to change them at Disney and HP. Apple has lost its hero and because he was so involved, he was one only a few heroes that exist at the company. He has legendary status and replacing him will be nearly impossible. All other ingredients of this culture will remain. They can continue to run their operation the same way. Their communication channels go on unchanged. Even their rituals, like the top 100 retreat, can be carried on by Tim Cook, but Deal and Kennedy would argue that they are missing a hero.

Jobs legacy will live on in his death for a period, but unless a hero appears in the next five years, Apple is destined to repeat their history from 1985 to 1997.
Chapter 7

ANALYSIS

Greatest Influence on Cultural Change

The single greatest influence found in the analysis was the leader. In the case of all but Cantor Fitzgerald, the culture did not begin to shift until new leadership was put in place. Disney saw average revenue growth drop from the mid 30% to around 10%. HP saw its steady revenue growth turn into a series of severe positive and negative changes during Carly Fiorina and Mark Hurd’s tenure. Apple’s revenue growth dipped to one of its lowest points in 1997 when Gil Amilio resigned as then CEO and Steve Jobs returned to the helm. The only company that maintained its revenue growth through the years was Cantor Fitzgerald which had a steady leader that was groomed from within by one of the founding partners.

The reason that the leader has such an impact is because they set the vision and the strategy for the company. In order to take full advantage of the workforce, they would use the corporate culture as means to direct the organization to that vision, however in many cases outside leaders take their own direction. There are two main reasons for this. One, these are experienced professionals who have executed successful strategies in their prior leadership roles and the second is change for the sake of reinvigorating the workforce.

Before becoming CEO of HP, Carly Fiorina had group president position at Lucent. Lucent was a spinoff of AT&T in 1996. They moved from a bet your company type of culture to a work hard/ play hard type of culture ramping up the level of innovation. Speed was one of their core values. When Carly came to HP, she tried to instill those exact same values onto the workforce. Where previously value had been paced customer satisfaction and quality, there was now a bigger push for speed. If it was successful at Lucent, there was no reason that it wouldn’t
be at HP. This continued when Mark Hurd began to staff many of his key leadership positions with veterans of Dell and Wal-Mart. These tough guy, macho culture types again changed the values of the company to a more metric based, heavy churn system. This culture clash has continued for nearly 10 years now and culture has begun to take the edge over previous change efforts by leadership.

The second reason that external leadership will tend to go a different direction with the culture is to mix things up intentionally. Companies can become complacent, Disney’s innovation had lost its magic in the early 80’s and Michael Eisner was there to shake it up. Falling into the existing culture was exactly what the board was trying to avoid so they went a separate direction to get agitate a stale workforce. Apple was looking for stability when they shifted from Jobs to Scully. The goal is to shock the system but in many cases it does not work as intended.

**Changing Culture Classifications**

If a hierarchy of changing culture classifications was created, a tough guy/macho culture would be the hardest to change to followed by work hard/play hard, bet-your-company and a process culture. As a company moves up the classifications, they move farther away from an established pecking order to an every man for himself environment. This is challenging for employees to find their place in, especially if they have been working in strong team environments for an extended period. On the other hand, while it is easier to move from a bet-
your-company type of culture to a process based culture, some of the mobility for on the fly
decision making is lost. In the case of this study, Disney, Cantor Fitzgerald and HP all started as
work hard, play hard cultures. Apple began as a tough guy/macho culture. Disney and HP
replaced their leaders with outsiders coming from tough guy cultures. This change did not sit
well with employees, and it showed in performance. The culture shock directly influenced the
bottom line and a type of internal war raged between the established culture and the change that
was challenging it.

Ultimately, HP’s culture won and the external leadership team was removed. The
temporary CEO, Meg Whitman, who was a former Disney employee has stressed that the next
leader for the company must come from the inside. This was affirmed by the chairman of the
board. The belief is that HP will perform at its greatest when it is adhering to the original values,
rites and rituals that the company grew from. An outsider won’t be in position to leverage that
history. An article in the Economist November 1st this year echoed this point in regards to hiring
super star outsiders for the past 4 CEO positions at HP:

“*The more dazzling the outside recruit, the worse he performs in his new role. This*
*may be because superstars have an inflated opinion of their own abilities. They*
*assume all the credit for the success of their previous firm, when in fact many others*
*were involved. And they imagine that they can transform a corporate culture single-
*handed. Usually, they can't.*”

*(Economist, 2011)*

Disney lived a similar story. While they currently have what can be considered an
outsider as CEO, Robert Iger, was with the company 9 years before taking over the position.
Upon taking the role, his first acts were to move Disney back to a work hard, play hard type of
culture. He brought back storyboarding as a technique to play out improvement initiatives. He
gave employees back their voice to get feedback into the innovation process. All of these ideas
were not new, they were established with their founders, Walt and Roy. The result is a staff that rallied around a culture that for many of them defined a lifelong career.

At Apple, Steve Jobs created an almost cult like following from parts of his workforce. Despite being emotionally unstable and literally, maturing as a person alongside his company, a large number of people followed him because he was a visionary. He “distorted reality” to allow people move past their limits. Throughout his career however he would toss aside those that were no longer of use to him and close out other parts of the company that weren’t focused on his product of the year. This created an extremely competitive environment in Apple. One organization would be sacrificed for another to get the next product out. When Steve left Apple lost the innovation required to be unique in the market place. Their counter culture attitude was not aligned into getting the highest quality products out the door which was what kept them coming to work. The vacuum left by the removal of Steve Jobs is what caused Apple’s culture to fall in on itself. It wasn’t built to be companywide organization. It was built to tinker in the garage and make that product that consumers did not even know they needed. This type of culture could only be led by someone like Steve Jobs and his replacement Tim Cook, who comes from a Compaq and IBM background, will have some interesting choices to make when maintaining the Apple culture.

Culture clashes do not end well. In many cases, the company will go through years of struggle and mediocre performance while the internal struggle is fought. The end result will either be a company with a new identity or a company that takes years to get its momentum back under its previous culture.
Values of the Most Sustainable Cultures

The values that allowed Disney, Cantor Fitzgerald and Hewlett Packard to resist outside pressures to change were very similar. They focused on customer service primarily which translated to a team effort. Underneath that they built common working model between employee that was based on respect, transparency and openness. There was an understanding that a company’s people are what allow it to push the standard to separate it from its competitors. In the case of Disney Way, part of the “Believe” step was to create the right attitude in your employee through stimulus and the freedom to choose as shown in the diagram from their book.

![Diagram of values and attitude](image)

**Figure 6- Attitude (Capodagli, Bill; Jackson, Lynn (2006-10-19). The Disney Way, Revised Edition (Kindle Location 2965))**

By sharing common values, in an open environment over an extended period of time, the workforce becomes more of a family than an organization of co-workers. They will defend one another as well as the company and if that bond is challenged, the workforce will fight. This is one of the primary reasons that in most cases when an outsider is brought in, they bring with them a large coalition of likeminded people.

A common set of values can be seen across the top five companies to work for in Forbes 2011 in Figure 2 on page 35.
Trust and integrity continue to bubble to the top of the list. In addition, teamwork and a focus for the customer are not far behind. What these values ultimately do is create a culture that can handle adversity and change. They are built to rally when threatened and fight for survival. It is possible to guide these cultures in a different, but it takes time. Past accomplishments and positions of power can change culture, but not in a week, a month or even a year.

**Successfully Implementing Change in an Long Lived Culture**

Switching directions in a long-lived culture is extremely challenging. The latest trend has been to accomplish this through force. Taking this approach is like coming to a bend in the road where a sign tells the driver to limit their speed to 20 MPH. Instead of heading that warning, many managers have kept it at 55, lost traction and skidded off the road. This has been seen more
frequently in the last decade as job security has become more important to the workforce. It can be easy for an employee to adapt if their primary goal at the end of the day is to collect a paycheck, however as the economy begins to turn around, there have been moves by some of the top talent in these organizations. In addition to social networking and job web sites, competitors have no issue in poaching top talent from another organization. An article in the Director called “Tales from the Talent War” Midgley chronicles the demand for top talent across all industries and calls out specifically Jonathon Ive who is the designer of the sleek design of the iPhone, iPod and iPad. If he is in a culture he cannot stand, he will have no problems jumping ship for the next opportunity. While the article goes on to say that they are throwing money at him to keep him there, money will only go so far.

In order to be successful, leaders need to build upon existing culture instead of scrapping it in favor of a new culture. By combining a forward looking image through vision, while paying tribute to a company’s founding values, they can begin to steer the ship. This can only be done by living it however. Carly Fiorina talked to her workforce about the innovative team spirit that Bill and Dave established in their Addison Ave. garage and then jumped on a private jet for a world tour. If her true intention was to create a leaner and more agile workforce, she would have been in the trenches with them when the cuts were made. She would have walked the halls as her predecessors and maintained an open door policy.

In “Leadership and the Art of Change,” Lee Beach said that there are two types of change, evolutionary and revolutionary. In the companies examined, they had a history and a large enough market share that the workforce did not respond to revolutionary change techniques. In the case of new leadership instilled at HP, Disney and Apple, there was no need to re-invent the culture. They simply needed to refine what they were given to shake off the cobwebs that
come with complacency. The only company that had the option to take a revolutionary approach would have been Cantor Fitzgerald, but instead of changing course, they rallied around a culture of kinship that existed before the disaster.
Chapter 8

CONCLUSION

There are two primary challenges to working with company culture. One is sustaining it when it is working and the second is changing it when it is not. Cantor Fitzgerald was faced with challenges to maintain their identity in challenging times. Disney, Apple and HP were challenged by leaders brought in from the outside looking to change winning formulas that had become complacent. The analysis proved there are four truths to culture:

1) A long-lived culture will fight to survive.
2) A leader or hero of a company is the primary catalyst for sustaining or changing a culture.
3) A stable company’s culture can only be changed with evolutionary change.
4) Company performance is at its peak when its leader is aligned to its culture.

Steve Jobs, Walt Disney, Bill Hewlett, Dave Packard, Bernie Cantor all established cultures with a core set of values for over ten years. With these cultures in place, not a terrorist attack, nor outside raiders like Carly Fiorina, Mark Hurd, Michael Eisner or John Scully could successfully change the culture of these companies without negatively affecting performance. New leaders of these companies like Meg Whitman, Bob Iger and Tim Cook, are looking at evolutionary change to take their companies to the next level by leveraging their core values.

As the founders of these companies move on, new heroes will need to be found to sustain these successful cultures and ultimately their performance levels. Ideally, these leaders will come from within these companies or from companies that share similar cultures. The organizations studied did not respond to the past performance of outsiders that came into their companies, they needed to prove themselves just like every new employee to the company. Any changes to these cultures will take time if it is done right by their new leaders.
## APPENDIX A

### Competitor Landscape

**Cantor Fitzgerald**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Revenues</th>
<th>Employees</th>
<th>Share Price</th>
<th>Revenue Per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>NASDAQ OMX Group Inc</td>
<td>3,197,000,000</td>
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<td>LPL Investment Holdings Inc.</td>
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<td>Ameriprise Financial Inc</td>
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<td>Legg Mason, Inc.</td>
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<td>CIGNA Corp.</td>
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<td>Credit Suisse (USA) Inc</td>
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<td>Citigroup Global Markets Holdings Inc</td>
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<td>PNC Financial Services Group (The)</td>
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<td>Synovus Financial Corp.</td>
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Source: Mergent Online Database – Accessed via CSUS Library
## Disney Competitive Analysis

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<thead>
<tr>
<th>Company Name</th>
<th>Revenues</th>
<th>Gross Margin</th>
<th>Total Assets</th>
<th>Employees</th>
<th>Share Price</th>
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<td>Disney (Walt) Co. (The)</td>
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<td>MGM Resorts International</td>
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<td>Live Nation Entertainment, Inc.</td>
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<td>Six Flags Entertainment Corp</td>
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<td>2,733,253,000</td>
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<td>Gaylord Entertainment Co.</td>
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<td>VSI Holdings, Inc.</td>
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<td>Malibu Entertainment Worldwide, Inc.</td>
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<td>TIX Corp</td>
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<td>Parks! America Inc</td>
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Source: Mergent Online Database – Accessed via CSUS Library
### Hewlett Packard and Apple Competitive Analysis

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<tr>
<th>Company Name</th>
<th>Revenues</th>
<th>Gross Margin</th>
<th>Total Assets</th>
<th>Employees</th>
<th>Share Price</th>
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<tbody>
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<td>Dell Inc</td>
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<td>Insight Enterprises Inc.</td>
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<td>Unisys Corp.</td>
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<td>International Game Technology</td>
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<td>Super Micro Computer Inc</td>
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<td>499</td>
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BIBLIOGRAPHY


