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## **Square pegs, round holes: Something has to give**

ANALYSIS Home Depot's board had high hopes when it brought in a leader steeped in GE's 'accountability' value system. But DAVID S. COHEN contends that imposing that onto the retailer's entrenched 'people building' culture was a recipe for failure

### **DAVID S. COHEN**

By the time you've achieved executive status in your career, the options for new and better positions multiply, and head hunters may come knocking at your door. On the other side of the coin, organizations are increasingly eager to bring in new blood rather than promote from within in the hope of kick-starting the company's resurgence or putting it on a new growth path.

What seems to be poorly understood, however, is how difficult it can be for an individual to make a successful transition from one organization to another because the culture that the newcomer brings is a poor fit with the new company.

Consider a situation that recently filled the business pages with debate.

For 25 years, Home Depot experienced terrific growth, surpassing even Wal-Mart's tremendous rate. But by 2000, it faced financial and operational problems, prompting the board to oust chief executive officer Arthur Blank, one of its founders, and bring in Robert Nardelli,

who had been schooled at General Electric Co.'s legendary leadership training grounds and who was touted to be the building supply retailer's saviour. But after he resigned in failure this month, the question begs to be answered: Does success at one company ensure or predict success in a different organization?

Like many companies, Home Depot believed it had to think "outside the box" in order to revitalize its leadership and improve its competitive position. An executive from GE, with that company's prowess at leadership development, was an understandably seductive choice. Mr. Nardelli was considered a successful executive with great leadership potential, who had come within a whisker of taking over from the legendary Jack Welch at the helm of GE.

So why did Home Depot's managers and rank-and-file employees fear the worst from the onset of his reign? Simply put, they soon realized that Mr. Nardelli, for all his technical skills and GE paramilitary leadership acumen, was not a good cultural fit at Home Depot. As decisions from the top changed long-cherished ways of doing business, people reacted with resistance and dismay. I saw evidence of this, both as a corporate observer and a customer. At one Home Depot in the greater Toronto area, I complained about the decline of customer service. In response, a part-time employee said: "We don't bleed orange here any more because the guy at the top doesn't respect who we are."

Orange is the colour of the Home Depot brand. Employees, who cared passionately about that brand, understood that their pride in that culture was in jeopardy. Eventually, customers and shareholders discovered the same thing.

A successful company's cultural DNA is created in its earliest days by its founding leadership. That value set gets transferred as oral history from one generation of employees to the next. The resulting culture becomes strongly imbued in management and staff. Employees who

have long enjoyed recognition for action in alignment with the traditional values do not appreciate being told by a new leader that there is a need for a culture change. The employees may feel they are not appreciated or respected. They resist the new leader because his or her proposed changes threaten what they consider right and good about the company.

In fact, GE produces great leaders -- for GE. Crotonville, its famous leadership centre, was created in 1952 long before Mr. Welch joined the company. The institute teaches managers and executives how to be a good leader within the culture of GE by providing a "curriculum designed to accelerate learning for GE's high performing employees."

We can see the ramifications of bringing GE's culture into Home Depot when we compare a simple difference in the two company's values. "Accountability" is a value at GE. In terms of conduct, this means that a GE executive who makes a significant mistake or underperforms can be let go immediately. "People building" was a value at Home Depot. At a family oriented, employee friendly company, this means that mistakes were something to learn from. With the influx of GE leaders into Home Depot, mistakes became career-ending moves, while independence and an entrepreneurial spirit became subverted to enforced controls and limits. Suddenly, people who had been successful for the first 20 years of the company's history found themselves disregarded or dismissed for doing things that had long been praised.

Statistics bear out the anecdotal evidence. According to a 2002 study by McLean, Va., consulting firm Booz Allen Hamilton, 46 per cent per cent of CEO's hired from outside a company failed. In contrast, 75 per cent of CEO's who are promoted from within succeed.

Whether you are looking to hire or looking to make a transition to a new organization, these are sobering numbers. Here are some key cultural measures -- as opposed to financial or strategic measures --

to keep in mind for a new organization bringing in outside talent.

Don't believe that bringing in a new cultural influence will remedy your company's problems -- culture will always trump strategy.

Celebrate your culture -- the distinct way your company does things (and has done things over a long time) in the pursuit of its goals -- and reinforce your values through the way you reward and recognize success, as well as hire and fire. If your people do their jobs in alignment with your cultural values, your strategy will be a success.

Don't hire an employee, especially at the executive level, without first finding out if they are a fit to your culture.

When designing a leadership curriculum don't base it on best practices benchmarked from other companies but on best practices that have evolved during your company's history.

If you wish to bring in "new blood," bring it in at middle management levels and test fit to the culture before those people ascend to the leadership ranks.

When conducting a succession planning exercise, the primary criteria for evaluation is that the person you are considering for promotion has accomplished great business results while being a role model of the company's values.

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