

LEAD BY

GREATNESS

HOW CHARACTER CAN POWER
YOUR SUCCESS

DAVID LAPIN

LEAD BY

ABOUT THE BOOK

GREATNESS

Lead by Greatness, a roadmap to quench the universal thirst for leadership stature, is especially timely. As business stands at a pivotal point in its evolution, leaders face three crucial issues:

After nearly exhausting the exponential productivity improvements gained from technology and with employees feeling more overworked than ever before, what will drive the next surge of productivity?

How do you sustain differentiation in an increasingly commoditized business environment?

After the lessons of 2008, how do we build corporations that focus on a higher purpose than maximizing shareholder value, and at the same time deliver that value regardless?

Lead by Greatness answers these questions with a new leadership philosophy that has already proven to deliver astonishing bottom-line success. In ***Lead by Greatness***, you learn how to discover the soul of your organization, ignite the greatness of the people you lead and build trusting partnerships across cultures and generations. With this you will unleash new waves of innovation and economic value.

Lead by Greatness draws on reservoirs of ancient wisdom, cutting-edge strategic thinking and decades of research. It also includes practical “how-to” tools and engaging case studies.

Lead by Greatness will leave you profoundly transformed as a person, viewing the world through new lenses and having begun a lifelong journey of new growth.

ABOUT THE AUTHOR

DAVID LAPIN

David Lapin has earned respect among international business leaders for his unique ability to identify a business's most current strategic opportunities and operational challenges and, at the same time, understand and unravel the complex dynamics of the human spirit. This ability, combined with his uncompromising position on growing revenue and maximizing profit, places him in the mastery category amongst international organizational advisors.

David worked alongside some of South Africa's greatest business leaders who, together with Nelson Mandela and his government, transformed the country from apartheid to a vibrant new democratic economy. He continued with his groundbreaking work around the world, building self-driven, high-performing teams in environments of complex diversity. He was the founder of the South African Institute of Business Ethics, architect of the Code of Ethics for the King Commission on Corporate Governance and the Institute of Directors for Southern Africa. He was also a regular weekly columnist for *The Star* newspaper.

David Lapin is CEO of Lapin International, Inc., a forward-thinking consulting firm with offices in the USA, Canada, and South Africa, that improves leadership effectiveness and bottom-line success. Its international client list includes Fortune 100 companies, smaller corporations, and government agencies internationally.

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SAMPLE CHAPTER

Lead by Greatness

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DAVID LAPIN

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CHAPTER FIFTEEN

TRANSFORMING INTANGIBLES INTO GOLD

*Identifying people's deep intangible needs
creates opportunities for product innovation and
sometimes even for new industries.*

INTANGIBLE ASSETS such as culture, intellectual property, leadership competence, and reputation add a lot to a company's worth. Although it is difficult to measure the value these intangible assets add to a company, various methods have been developed to try to do so. One simple method of measuring the economic value of a company's intangible assets is to determine its ability to outperform competitors that have the same or more tangible assets.⁵⁸

Intangibles can translate into even more value when they are also used to add to the customer experience. Think about what happens when you apply intangible values like appreciation, generosity, humility, and dignity to the way you view and interact with your customers. What might that do to your sales and profit margins? What

might happen if you sought not only to give meaning and purpose to the people who work for and with you, but also sought to satisfy these same intangible needs in your *customers*?

We tend to view customers as people that have a need for *things* or *services*, but people will often pay significantly more if those things or services also satisfy their deeper, intangible needs and desires. Consider how much more some people are willing to pay for a first-class or business-class seat on a flight when a discounted economy-class seat would get them to the same destination in the same amount of time. The extra cost is not always justified merely by the additional space and better meals and service. In the same way, people will often pay more for a brand-name fashion item than they would for a similar piece of generic clothing.

As a young commodities trader, I was once sent by my company to negotiate a deal with a large petrochemical company in Europe. I had to take a long overnight flight to get to the meeting the next morning. Knowing my company's frugal policy of economy-class flights for everyone, including the chairman, and especially conscious of my youth, I fully expected to find my seat booked in coach. The day before I was due to leave, I met the CEO, Rudolph Raphaely, in the corridor.

"I assume you are traveling *first*," Mr. Raphaely said. He saw the delighted surprise on my face. "I thought company policy was economy," I answered. He took me aside and explained to me how challenging it was going to be for me, a young man, to meet with senior counterparts in a major multinational corporation for a difficult negotiation. "I want you to walk into that meeting feeling like a king, not like a piece of cargo. You'll travel *first* this time."

The reasons that people travel first-class go beyond the extra

space and better meals. They fly first- or business-class to feel dignified while they travel and to feel rested when they arrive. Worn down by day-to-day challenges and the chores of life, people sometimes forget the importance of their own humanity. Occasionally, they want to feel like royalty and will pay a lot to restore their sense of self-worth. Dignity is intangible, but it is something that all people crave and value, and for which they will pay a premium, if they can. Identifying people's deep intangible needs creates opportunities for product innovation and sometimes even for new industries.

When Howard Schultz founded Starbucks in 1987, he satisfied more than people's desire for a cup of coffee, and he did so with an idea far more innovative and far-reaching than good customer service. He satisfied a craving in people's souls: their need for community. He "pioneered the concept of the third space experience: the place between work and home where people can spend time"⁵⁹ and feel connected to others, all for the price of a cup of coffee. He understood that by satisfying this intangible need, he could get customers to pay more for a cup of coffee than they ever had before. And they did.

Coffee is the tangible part of the Starbucks offering and it has to be consistently good. But the intangible component of its offering is what people really pay the premium for. In a lonely world, they value the sense of community provided by the Starbucks experience—its ambience, the charisma of the baristas, the language they have created, and much more. Again, the *corporate soul* of Starbucks reflected Howard's own passion for people and his values.

Later, the company wanted to institutionalize the Starbucks experience and run it independent of Schultz. They allowed him to take a "backseat" in 2000 and relinquish his position as CEO. Competitors began to replicate the Starbucks experience, forcing the company

into the volume game that ultimately eroded the very qualities that originally defined the company. In 2007, Schultz sent out his now famous Valentine's Day memo to Jim Donald after Starbucks shares had dropped 20 percent in four and a half months due to intense competition from McDonald's and Dunkin' Donuts.⁶⁰ "We have had to make a series of decisions," Schultz wrote, "that, in retrospect, have led to the watering down of the Starbucks experience, and what some might call the commoditization of our brand."⁶¹

Starbucks, recognizing the potential death of the brand's soul, began to experiment with a radical new model. It rebranded a few stores in Seattle, dropping the Starbucks name and giving each store a localized feel. The first is known as 15th Avenue Coffee and Tea. It sells espresso from a manual machine rather than the automated type found in most Starbucks stores, offers wine and beer, and hosts live music performances and poetry readings to give off more of a "community" vibe. This alone, however, was not enough to give Starbucks back its sparkle. Schultz returned to Starbucks in 2008, to take back the leadership reins and give the company back its soul.

Using your own soul to connect with your customers and satisfy their intangible cravings is not unique to the food and airline industries.

I once worked with a large retail bank that, although very successful, was struggling to differentiate itself in its market. The conventional strategy and competitor analysis approach led it to become more and more like every other bank. It was persuaded that retail banking is a commodity, and only operational efficiency could differentiate it. We at Lapin International didn't agree. We wanted to know what *value-drivers* were core to the bank's leadership and use them to discover the Bank's true essence and corporate soul.

Using our *Spiritual Fingerprint* methodology, we discovered that nearly every member of the twenty-one-person executive team at the bank shared *humanity* and *dignity* as core *value-drivers*. We then took the team through an “empathy exercise,” during which they probed deeply into the hearts of their customers, identifying what intangible needs they had that were not met by other banks. The executive team identified that, with the move toward automated efficiency and staff reduction at customer interfaces by all banks, the banking experience had become purely transactional and had lost the human touch that customers craved.

For most people, money issues are charged with emotion and often with stress. The majority of retail banking customers feel unimportant to the mammoth institutions with whom they bank. They perceive banks as servants of the corporate community and wealthy individuals—sometimes at the expense of the “little people.” The bank was losing an opportunity to nourish its customers with dignity at the moment they needed it most. The reason they had previously missed this opportunity was because they had never associated a quantifiable number with the value of dignity. In addition to the tangible offering of efficient banking services, the executive team decided that an authentic human touch gave customers what they needed most: a bit of dignity.

This team reached its conclusion without sending out a single survey or questionnaire. They found the answer to their question in their own hearts, in much the same way that Apple chooses not to do any market research before it designs a new product.⁶² When you build product innovation on customer research, you are likely to come up with products that are similar to those of your competitors, because customers answer everyone’s surveys in the same way. When you use

your *corporate soul* to build an offering that is authentic to you and that connects to the souls of your customers, no one else can compete with you.

After our session, the bank changed many of its customer-relations processes. For example, it encouraged employees to connect with their customers in their own unique way, provided that the customer was treated with dignity. They did not fall into the trap of mechanizing customer interactions as many companies do to ensure standardization. Keihin Electric Express Railway Co. of Japan, for example, uses SmileScan, a software program developed by Omron Corp., to check the smiles of 530 employees each morning in order to “improve our services and make each customer smile.”⁶³ Do you suppose that conveys an authentic experience to the customer? The bank took a wiser path. It articulated its higher purpose as an organization and shared it with the employees, trusting each one to implement it in his or her own unique and authentic way—as long as the outcome was dignity. This is what they formulated:

“We reclaim for all our customers and clients the warm, personalized experience that has been lost from the financial services industry. We recognize our customers fully at their moments of contact and endeavor to build authentic, mutually beneficial relationships. By affirming our customers’ dignity we uplift the quality of their lives.”

They did not use this statement in their marketing material and it never became a slogan. They used it internally to guide the architecture of their operating model, the development of their people, and their measures of performance. We estimated that if this people-centric philosophy generated a ten percent improvement in customer loyalty, the result would yield nearly one hundred million dollars per

year in increased cross-sales savings on new-customer acquisition and reduced customer churn. They subsequently exceeded this goal.

The success of this strategy depended on two factors: firstly, it was born out of a value that was common to the leadership's *Spiritual Fingerprint* and was therefore authentic to them; and secondly, it was designed to satisfy a deep, intangible human need in their customers. This kind of authentic *inside-out* strategy is hard for a competitor to copy, and in their case no competitor has.

But what happens when more than one company in the same market and industry connect with their customers' intangible needs? What happens is that each attracts more of the customers that need their specific offering and that will therefore be more loyal to them in the long term. The bonds of each with their customers deepen, each creates more business opportunity with their existing customers and also attracts new customers with those same needs, and the pie gets bigger. As Southwest's Kelleher attested: "In California, for instance, where Shuttle by United invested millions of dollars to win a piece of our business, we maintained our 50 percent share of the market—but are now carrying many more passengers than we did three years before."⁶⁴

With the application of intangible concepts like purpose, authenticity, and *corporate soul*, companies are proving again and again that tangible results ensue.

The Pie Gets Bigger

Neither of the two companies we were working with could imitate the other because each was fiercely authentic to itself.

We were once consulting to two competing investment banks

at the same time. Even though they were both serving the same markets they were both comfortable that there was not a conflict in this situation because they knew that our *inside-out* approach to strategy would help them to further differentiate themselves from their competitors, rather than eating away at each other's market share. This is precisely what happened. Each investment bank had a unique soul, and using their corporate souls we helped them each to identify different intangible needs in their clients. We encouraged them to see their clients not as faceless corporations or business units but as an individual or set of individuals. They both identified the chief financial officers of large private sector corporations and government agencies as their clients.

The first bank was of the view that these CFOs at times feel a little intimidated by the bright young investment bankers who call on them. Often these bankers are much younger than their CFO clients and are usually earning much more money than they are. This bank had recently experienced a "near-death" crisis. Despite the gung-ho attitude often associated with investment bankers, this particular team of smart bankers knew how it felt to be scared and insecure. They believed because of their own experience they could empathize with their clients' insecurities more easily than their competitors could. They believed that instead of eclipsing the egos of their clients with their own financial acumen, they should rather aim to build their clients' esteem and enhance their stature within their own companies. So they identified the intangible contribution they bring to their clients as the following:

Our ability to simplify financial complexity enhances our clients' confidence and stature. Our trusting relationships are built on our integrity and deep commitment to understanding and empathizing with our clients' unique needs and risks.

The second investment bank, on the other hand, believed that the CFOs it serves are generally bored with their corporate lives and are a little envious of the glamour that the investment bankers seem to enjoy. So they identified stimulation, prestige, and recognition as some of the intangible needs they could satisfy in their clients. Their strategic purpose read as follows:

We win our clients by inspiring them with energy, intellectual stimulation, market insights, high-level networking, and smart financial thinking. This, together with our premium brand and our personal attentiveness, enhances our clients' prestige and their sense of recognition.

Same industry. Same market. Same time. Yet notice the difference in emphasis in the way each bank has chosen to satisfy its clients. Each built its intangible offering on its own *corporate soul* and on the deep human needs each saw in their clients. We worked with each of the banks to design the cultural architecture that would best deliver these intangibles. They hired different types of people and trained and developed them in different ways. Neither could imitate the other, because each was fiercely authentic to itself. Interestingly, both businesses exceeded their stretch budgets by more than 20 percent. They transformed the intangibles of their strategic purposes into material value for their shareholders. When leading with soul, you don't have to compete just to get a bigger piece of the pie. Inevitably, you actually create new and bigger pies, no matter what market or industry you are working in, provided you keep in mind that shareholder wealth is the *outcome* of business, not its purpose.

A portrait of David Lapin, a middle-aged man with a grey beard and glasses, wearing a dark suit, white shirt, and dark tie. He is looking slightly to the right of the camera with a neutral expression. The background is a soft, out-of-focus grey.

DAVID LAPIN

“We would not be where we are today without David.”

Michael Mark, CEO – Truworths International, Ltd., Cape Town

“David Lapin is a man of extraordinary intellect and insight.”

Peter Gent, COO – Rand Merchant Bank, Johannesburg

“David has taken my firm on a journey of self-discovery ... his insights are unique and valuable.”

Chris van Someren, CEO – Ascentador, London and Singapore

“David has a God-given gift of wisdom, clarity of thought, ethics, intellect, and sense of humor, which, when combined, positively influence and make more productive lives of those he meets.”

Paul Goncharoff, Chairman of the Ethics Committee
– Independent Directors Association of Russia

“David’s work is cutting edge...”

Richard Cairns, Senior VP and Managing Director
– PNC Wealth Management, Philadelphia

“David has reignited my passion to achieve extraordinary results. His ability to unlock a leader’s true potential ... has been a ‘game changer’ in my career!”

Doug Lippert, Senior VP – PNC Financial Services Group, Pittsburgh