

Most of the answers we get, when based on sound evidence, are perfectly valid. However, if we're starting with the wrong questions, if we don't understand the cause, then even the right answers will always steer us wrong... eventually.

The ability to motivate people is not, in itself, difficult. It is usually tied to some external factor. Tempting incentives or the threat of punishment will often elicit the behavior we desire.

Great leaders, in contrast, are able to inspire people to act.

## **Part 1**

### **A World That Doesn't Start With Why**

#### **Assume You Know**

Our behavior is affected by our assumptions or our perceived truths. We make decisions based on what we think we know.

Not only bad decisions are made on false assumptions. Sometimes when things go right, we think we know why, but do we really?

You have to be careful what you think you know. Assumptions, you see, even when based on sound research, can lead us astray.

...The American auto executives asked at what point they made sure the door fit perfectly. Their Japanese guide looked at them and smiled sheepishly, "We make sure it fits when we design it." In the Japanese auto plant, they didn't examine the problem and accumulate data to figure out the best solution—they engineered the outcome they wanted from the beginning. If they didn't achieve their desired outcome, they understood it was because of a decision they made at the start of the process.

Even though the outcome may look the same, great leaders understand the value in the things we cannot see.

#### **Carrots And Sticks**

If most companies don't really know why their customers are their customers or why their employees are their employees, then how do they know how to attract more employees and encourage loyalty among those they already have?

There are only two ways to influence human behavior: you can manipulate it or you can inspire it.

Typical manipulations include: dropping the price; running a promotion; using fear; peer pressure or aspirational messages; and promising innovation to influence behavior—be it a purchase, a vote or support. When companies or organizations do not have a clear sense of why their customers are their customers, they tend to rely on a disproportionate number of manipulations to get what they need. And for good reason. Manipulation works.

I cannot dispute that manipulations work. Every one of them can indeed help influence behavior and ever one of them can help a company become quite successful. But there are trade-offs. Not a single one of them breeds loyalty. Over the course of time, they cost more and more. The gains are only short-term. And they increase the level of stress for both the buyer and the seller. If you have exceptionally deep pockets or are looking to achieve only a short-term gain with no consideration for the long-term, then these strategies and tactics are perfect.

There is a big difference between repeat business and loyalty. Repeat business is when people do business with you multiple times. Loyalty is when people are willing to turn down a better product or a better price to continue doing business with you. Loyal customers often don't even bother to research the competition or entertain other options. Loyalty is not easily won. Repeat business, however, is. All it takes is more manipulation.

For transactions that occur an average of once, carrots and sticks are the best way to elicit the desired behavior. When the police offer a reward they are not looking to nurture a relationship with the witness or tipster; it is just a simple transaction. When you lose your kitten and offer a reward to get it back, you don't need to have a lasting relationship with the person returning it; you just want you cat back.

Manipulations are a perfectly valid strategy for driving a transaction, or for any behavior that is only required once or on rare occasions. In any circumstance in which a person or organization wants more than a single transaction, however, if there is a hope for a loyal, lasting relationship, manipulations do not help.

Though loyal customers are less tempted by other offers and incentives, in good times the free flow of business makes it hard to recognize their value. It's in the tough times that loyal customers matter most.

Manipulations work, but they cost money. Lots of money. When the money is not as available to fund those tactics, not having a loyal following really hurts.

Knowing you have a loyal customer and employee base not only reduces costs, it provides massive peace of mind. Like loyal friends, you know your customers and employees will be there for you when you need them most. It is the feeling of “we're in this together,” shared between customer and company, voter and candidate, boss and employee, that defines great leaders.

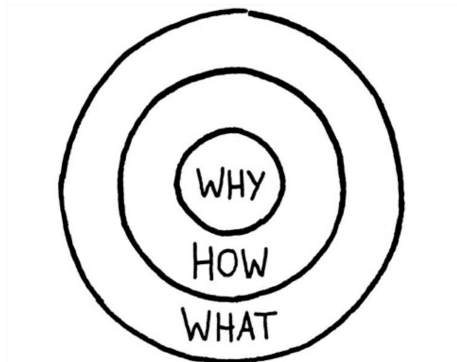
The reality is, in today's world, manipulations are the norm.

But there is an alternative.

## **Part 2**

### **An Alternative Perspective**

#### **The Golden Circle**



The alternative perspective is not just useful for changing the world; there are practical applications for the ability to inspire, too. It can be used as a guide to vastly improving leadership, corporate culture, hiring, product development, sales, and marketing. It even explains loyalty and how to create enough momentum to turn an idea into a social movement.

And it all starts from the inside out. It all starts with Why.

WHAT: Every single company and organization on the planet knows WHAT they do.

HOW: Some companies and people know HOW they do WHAT they do.

WHY: Very few people or companies can clearly articulate WHY they do WHAT they do. When I say WHY, I don't mean to make money—that's a result. By WHY I mean what is your purpose, cause or belief? WHY does your company exist? WHY do you get out of bed every morning? And WHY should anyone care?

When most organizations or people think, act or communicate they do so from the outside in, from WHAT to WHY. And for good reason—they go from the clearest thing to the fuzziest thing. We say WHAT we do, we sometimes say HOW we do it, but we rarely say WHY we do WHAT we do.

But not the inspired companies. Not the inspired leaders. Every single one of them, regardless of their size or their industry, thinks, acts and communicates from the inside out.

It's worth repeating: people don't buy WHAT you do, they buy WHY you do it.

Companies try to sell us WHAT they do, but we buy WHY they do it. This is what I mean when I say they communicate from the outside in; they lead with WHAT and HOW.

When communicating from the inside out, however, the WHY is offered as the reason to buy and the WHAT's serve as the tangible proof of that belief.

WHAT companies do are external factors, but WHY they do it is something deeper.

I'm not so foolhardy as to propose that their products don't matter; of course they do. But it's the reason they matter that is contrary to the conventional wisdom.

Knowing WHY is essential for lasting success and the ability to avoid being lumped in with others.

But only companies that act like commodities are the ones who wake up every day with the challenge of how to differentiate. Companies and organizations with a clear sense of WHY never worry about it. They don't think of themselves as being like anyone else and they don't have to "convince" anyone of their value. They don't need complex systems of carrots and sticks. They *are* different, and everyone knows it. They start with WHY in everything they say and do.

Having good quality products is of course important. No matter how clear your WHY, if WHAT you sell doesn't work, the whole thing falls flat. But a company doesn't need to have the best products, they just need to be good or very good. Better or best is a relative comparison.

And that's one of the primary reasons why so many companies feel the need to differentiate in the first place—based on the flawed assumption that only one group can be right. But what if both parties were right? What if an Apple was right for some people and a PC was right for others? It's not a debate about better or worse anymore, it's a discussion about different needs. And before the discussion can even happen, the WHYs for each must be established first.

Knowing your WHY is not the only way to be successful, but it is the only way to maintain a lasting success and have a greater blend of innovation and flexibility. When a WHY goes fuzzy, it becomes much more difficult to maintain growth, loyalty and inspiration that helped drive the original success. By difficult, I mean that manipulation rather than inspiration fast becomes the strategy of choice to motivate behaviors. This is effective in the short term but comes at a high cost in the long term.

## **This Is Not Opinion, This Is Biology**

Now, the Star-Belly Sneetches had bellies with stars.  
The Plain-Belly Sneetches had none upon thars.  
Those stars weren't so big. They were really so small.  
You might think such a thing wouldn't matter at all.  
Then, quickly, Sylvester McMonkey McBean  
Put together a very peculiar machine.  
And he said, "You want stars like a Star-Belly Sneetch?  
My friends, you can have them for three dollars each!"

As with so many things, Dr. Seuss explained it best. The Sneetches perfectly capture a very basic human need—the need to belong.

They just feel right. The reason gut decisions feel right is because the part of the brain that controls them also controls our feelings.

Henry Ford summed it up best. "If I had asked people what they wanted," he said, "they would have said a faster horse."

This is the genius of great leadership. Great leaders and great organizations are good at seeing what most of us can't see. They are good at giving us things we would never think of asking for.

If we were all rational, there would be no small businesses, there would be no exploration, there would be very little innovation and there would be no great leaders to inspire all those things. It is the undying belief in something bigger and better that drives that kind of behavior.

Products are not just symbols of what the company believes, they also serve as symbols of what the loyal buyers believe. People with Apple laptop computers, for example, love opening them up while sitting in an airport. They like that everyone knows they are using a Mac.

## **Clarify, Discipline, And Consistency**

Once you know WHY you do what you do, the question is HOW will you do it? HOWs are your values or principles that guide HOW to bring your cause to life. HOW we do things manifests in the systems and processes within an organization and the culture.

For values or guiding principles to be truly effective they have to be verbs. It's not "integrity," it's "always do the right thing." It's not "innovation," it's "look at the problem from a different angle."

Everything you say and everything you do has to prove what you believe. A WHY is just a belief. That's all it is. HOWs are the actions you take to realize that belief. And WHATs are the results of those actions—everything you say and do: your products, services, marketing, PR, culture and whom you hire.

What authenticity means is that your Golden Circle is in balance. It means that everything you say and everything you do you *actually* believe.

When salesmen actually believe in the thing they are selling, then the words that come out of their mouths are authentic. When belief enters the equation, passion exudes from the salesman. It is this authenticity that produces the relationships upon which all the best sales organizations are based. Relationships also build trust. And with trust comes loyalty. Absent a balanced Golden Circle means no authenticity, which means no strong relationships, which means no trust. And you're back at square one selling on price, service, quality or features. You are back to being like everyone else.

It is a false assumption that differentiation happens in HOW and WHAT you do. Simply offering a high-quality product with more features or better service or a better price does not create difference. Doing so guarantees no success. Differentiation happens in WHY and HOW you do it.

What changes is who is talking to us, but it is always a single individual who is listening. Even when a company airs its message on TV, for example, no matter how many people see the commercial, it is always and only an individual that can receive the message.

In reality, there is no difference between sales and dating. In both circumstances, you sit across a table from someone and hope they say enough of the right things to close the deal. Of course, you could always opt for a manipulation or two, a fancy dinner, dropping hints of tickets that you have or whom you know. Depending on how badly you want to close the deal, you could tell them anything they want to hear. Promise them the world and the odds are good that you will close the deal. Once. Maybe twice. With time, however, maintaining that relationship will cost more and more.

The goal of business should not be to do business with anyone who simply wants what you have. It should be to focus on the people who believe what you believe. When we are selective about doing business only with those who believe in our WHY, trust emerges.

## **Part 3**

### **Leaders Need A Following**

#### **The Emergence Of Trust**

It is a company's responsibility to look after the employees first. Happy employees ensure happy customers, he said. And happy customers ensure happy shareholders—in that order.

Trust is a feeling, not a rational experience. We trust some people and companies even when things go wrong, and we don't trust others even though everything might have gone exactly as it should have. A completed checklist does not guarantee trust. Trust begins to emerge when we have a sense that another person or organization is driven by things other than their own self-gain.

With trust comes a sense of value—real value, not just value equated with money. Value, by definition, is the transference of trust. You can't convince someone you have value, just as you can't convince someone to trust you. You have to earn trust by communicating and demonstrating that you share the same values and beliefs. You have to talk about your WHY and prove it with WHAT you do.

"It doesn't matter who wins or loses, what matters is how you play the game." It was at this point that young Howard raised his hand and asked, "Then why do we keep score?"

Howard understood from a very young age the very human desire to win. No one likes to lose, and mostly healthy people live their life to win. The only variation is the score we use. For some it's money, for others it's fame or awards. For some it's power, love, a family or spiritual fulfillment. The metric is relative, but the desire is the same.

The drive to win is not, per se, a bad thing. Problems arise, however, when the metric becomes the only measure of success, when what you achieve is no longer tied to WHY you set out to achieve it in the first place.

"We measured things the employees could truly control," Bethune said. "We made the stakes something the employees would win or lose on together, not separately." Everything they did made people feel like they were in it together. And they were.

Like all cities, it's only right for those who are good fits. The same can be said for any place that has a strong culture or recognizable personality.

A company is a culture. The goal is not to hire people who simply have a skill set you need, the goal is to hire people who believe what you believe.

When you fill an organization with good fits, those who believe what you believe, success just happens. And how did Shackleton find his amazing crew? With a simple ad in the *London Times*.

Like Shackleton, we run ads in the newspaper, or on the modern equivalents, Craigslist or Monster.com. The issue is how we write those ads. They are all about WHAT and not about WHY.

His ads did not say: “Men needed for expedition. Minimum five years’ experience. Must know how to hoist mainsail. Come work for a fantastic captain.”

His actual ad ran like this: “Men wanted for Hazardous journey. Small wages, bitter cold, long months and complete darkness, constant danger, safe return doubtful. Honour and recognition in case of success.

Great companies don’t hire skilled people and motivate them, they hire already motivated people and inspire them. People are either motivated or they are not. Unless you give motivated people something to believe in, something bigger than their job to work toward, they will motivate themselves to find a new job and you’ll be stuck with whoever’s left.

Companies with a strong sense of WHY are able to inspire their employees. Those employees are more productive and innovative, and the feeling they bring to work attracts other people eager to work there as well. It’s not such a stretch to see why the companies that we love to do business with are also the best employers.

Dream teams are not always so dreamy. When a team of experts comes together they often work for themselves and not for the good of the whole. This is what happens when companies feel the need to pay mega-salaries to “get the best talent.” Those people are not necessarily showing up because they believe in your WHY, they are showing up for the money. A classic manipulation. Paying someone a lot of money and asking them to come up with great ideas ensures very little. However, pulling together a team of like-minded people and giving them a cause to pursue ensures a greater sense of teamwork and camaraderie. Average companies give their people something to work on. In contrast, the most innovative organizations give their people something to work toward.

The role of a leaders is not to come up with all the great ideas. The role of the leader is to create an environment in which great ideas can happen. It is the people inside the company, those on the front lines, who are best qualified to find new ways of doing things. The people who answer the phones and talk to customers, for example, can tell you more about the kinds of questions they get than can anyone sitting in an executive suite miles away. If the people inside a company are told to come to work and just do their job, that’s all they will do. If they are constantly reminded WHY the company was founded and told to always look for ways to bring that cause to life while performing their job, however, then they will do more than their job.

Many companies have star employees and star salesmen and so on, but few have a culture that produces great people as a rule and not an exception.



What that feeling of support, those in the organization are more likely to put in extra effort that ultimately benefits the group as a whole.

I will admit that there are always those who will take the risk, for the first time or repeatedly, without the net. There will always be those who will explore regardless of who is home holding down the fort. These people sometimes earn their rightful spots as the innovators. The ones who pushed further, the ones who did things no one else would do. Some of them may advance a business or even society. And some of them end up dead before they achieve anything.

There is a big difference between jumping out of a plane with a parachute on and jumping without one. Both produce extraordinary experiences, but only one increases the likelihood of being able to try again another time.

Developing trust to encourage people other than those with a predilection for risk, like Nick Neeson, is a better long-term strategy.

Great organizations become great because the people inside the organization feel protected. The strong sense of culture creates a sense of belonging and acts like a net.

Trust is maintained when the values and beliefs are actively managed. If companies do not actively work to keep their Golden Circle in balance—clarity, discipline and consistency—then trust starts to break down. A company, indeed any organization, must work actively to remind everyone WHY the company exists. WHY it was founded in the first place. What it believes. They need to hold everyone in the company accountable to the values and guiding principles. It's not enough to just write them on the wall—that's passive. Bonuses and incentives must revolve around them. The company must serve those whom they wish to serve it.

### **How A Tipping Point Tips**

The best does not always win. Like any natural law, the Law of Diffusion must be considered if mass-market acceptance is important to you. Refusal to do so will cost a lot of money and may result in a mediocre success, if not complete failure.

There is an irony to mass-market success, as it turns out. It's near impossible to achieve if you point your marketing and resources to the middle of the bell, if you attempt to woo those who represent the middle of the curve without first appealing to the early adopters. It can be done, but at massive expense. This is because the early majority, according to Rogers, will not try something until someone else has tried it first. The early majority, indeed the entire majority, need the recommendation of someone else who has already sampled the product or service. They need to know someone else has tested it. They need that trusted, personal recommendation.

According to the Law of Diffusion, mass-market success can only be achieved after you penetrate between 15 percent and 18 percent of the market. That's because the early majority won't try something new until someone else has tried it first. This is why we have to drop our price or offer value-added services. We're attempting to reduce the risk tolerance of these practical-minded people until they feel comfortable to buy. That's what a manipulation is. They may buy, but they won't be loyal. Don't forget, loyalty is when people are willing to suffer some inconvenience or pay a premium to do business with you. They may even turn down a better offer from someone else—something the late majority rarely does. The ability to get the system to tip is the point at which the growth of a business or the spreading of an idea starts to move at an extraordinary pace. It is also at this point that a product gains mass-market acceptance. The point at which an idea becomes a movement. When that happens, the growth is not only exponential, it is automatic. It just goes.

The goal of business then should not be to simply sell to anyone who wants what you have—the majority—but rather to find people who believe what you believe, the left side of the bell curve. They perceive greater value in what you do and will happily pay a premium or suffer some sort of inconvenience to be a part of your cause. They are the ones who, on their own volition, will tell others about you. That 15 to 18 percent is not made up of people who are simply willing to buy the product. It is the percentage of people who share your beliefs and want to incorporate your ideas, your products and your services into their own lives as WAHTs to their own WHYS.

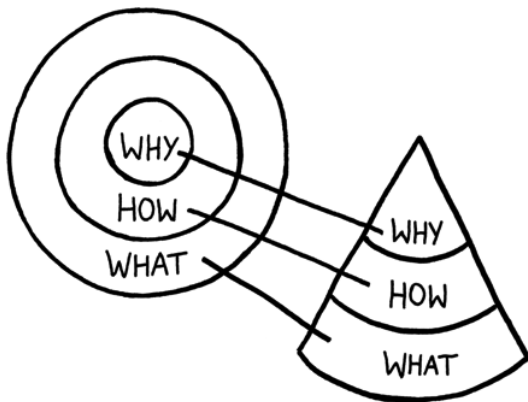
If you have the discipline to focus not on the early adopters, the majority will come along eventually. But it must start with WHY.

## **Part 4**

### **How To Rally Those Who Believe**

#### **Start With Why, But Know How**

Energy motivates but charisma inspires. Energy is easy to see, easy to measure and easy to copy. Charisma is hard to define, near impossible to measure and too elusive to copy. All great leaders have charisma because all great leaders have clarity of WHY; an undying belief in a purpose or cause bigger than themselves.



The cone represents a company or an organization—an inherently hierarchical and organized system. Sitting at the top of the system, representing the WHY, is a leader; in the case of a company, that's usually the CEO (or at least we hope it is). The next level down, the HOW level, typically includes the senior executives who are inspired by the leader's vision and know HOW to bring it to life. Don't forget that a WHY is just a belief, HOWs are the actions we take to realize that belief and WHATs are the results of those actions. No matter how charismatic or inspiring the leader is, if there are not people in the organization inspired to bring that vision to reality, to build an infrastructure with systems and processes, then at best, inefficiency reigns, and at worst, failure results.

In this rendering the HOW level represents a person or a small group responsible for building infrastructure that can make a WHY tangible. That may happen in marketing, operations, finance, human resources and all the other C-suite departments. Beneath that, at the WHAT level, is where the rubber meets the road. It is at this level that the majority of the employees sit and where all the tangible stuff actually happens.

For every great leader, for every WHY-type, there is an inspired HOW-type or group of HOW-types who take the intangible and build the infrastructure that can give it life. That infrastructure is what actually makes any measurable change or success possible.

The leader imagines the destination and the HOW-types find the route to get there. A destination without a route leads to meandering and inefficiency, something a great many WHY-types will experience without the help of others to ground them. A route without a destination, however, may be efficient, but to what end?

WHY-types are the visionaries, the ones with the overactive imaginations. They tend to be optimists who believe that all the things they imagine can actually be accomplished. HOW-types live more in the here and now. They are the realists and have a clearer sense of all things practical. WHY-types are focused on the things most people can't see, like the future. HOW-types are focused on things most people can see and then to be better at building structures and processes and getting things done.

HOW-types don't need WHY-types to do well. But WHY-guys, for all their vision and imagination, often get the short end of the stick. Without someone inspired by their vision and the knowledge to make it a reality, most WHY-types end up as starving visionaries, people with all the answers but never accomplishing much themselves.

To reach the billion-dollar status, to alter the course of an industry, requires a very special and rare partnership between one who knows WHY and those who know HOW.

The relationship starts to clarify the difference between a vision statement and a mission statement in an organization. The vision is the public statement of the founder's intent, WHY the company exists. It is literally the vision of a future that does not yet exist. The mission statement is a description of the route, the guiding principles —HOW the company intends to create that future.

For a message to have real impact, to affect behavior and seed loyalty, it needs more than publicity. It needs to publicize some higher purpose, cause or belief to which those with similar values and beliefs can relate. Only then can the message create any lasting mass-market success. For a stunt to appeal to the left side of the curve of the Law of Diffusion, WHY the stunt is being performed, beyond the desire to generate press, must be clear.

What would have been the impact of Dr. King's speech had he not had a microphone and loudspeakers? His vision would have been no less clear. His words would have been no less inspiring. He knew what he believed and he spoke with passion and charisma about that belief. But only the few people with front-row seats would have been inspired by those words. A leader with a cause, whether it be an individual or an organization, must have a megaphone through which to deliver his message. And it must be clear and loud to work. Clarity of purpose, cause or belief is important, but it is equally important that people hear you. For a WHY to have the power to move people it must not only be clear, it must be amplified to reach enough people to tip the scale.

It's no coincidence that the three-dimensional Golden Circle is a cone. It is, in practice, a megaphone. An organization effectively becomes the vessel through which a person with a clear purpose, cause or belief can speak to the outside world. But for a megaphone to work, clarity must come first. Without a clear message, what you will amplify?

A clear sense of WHY sets expectations. When we don't know an organization's WHY, we don't know what to expect, so we expect the minimum—price, quality, service, features—the commodity stuff. But when we do have a sense for the WHY, we expect more. For those not comfortable being held to a higher standard, I strongly advise against trying to learn your WHY or keeping your Golden Circle in balance. Higher standards are hard to maintain. It requires the discipline to constantly talk about and remind everyone WHY the organization exists in the first place. It requires that everyone in the organization be held accountable to HOW you do things—to your values and guiding principles. And it takes time and effort to ensure that everything you

say and do is consistent with your WHY. But for those willing to put in the effort, there are some great advantages.

He sees a world in which people accept the lives they live and do the things they do not because they have to, but because no one ever showed them an alternative. If you can simply show someone that an alternative route is possible, it can open the possibility that such a route can be followed.

No matter how good an opportunity looks on paper, no matter how smart he is and no matter his track record, he would never be able to achieve anything unless there were others to help him. He knows that success is a team sport. He has a remarkable ability to attract those who believe what he believes. Talented people are drawn to him with out request: “How can I help?”

### **Know Why. Know How. Then What?**

WHY never changes. WHAT you do can change with the times, but WHY you do it never does.

The marketplace is made up of all the customers and potential customers, all the press, the shareholders, all the competition, suppliers and all the money. This system is inherently chaotic and disorganized. The only contact that the organized system has with the disorganized system is at the base—at the WHAT level. Everything an organization says and does communicates the leader’s vision to the outside world. All the products and services that the company sells, all the marketing and advertising, all the contact with the world outside communicate this. If people don’t buy WHAT you do, they buy WHY you do it, and if all the things happening at the WHAT level do not clearly represent WHY the company exists, then the ability to inspire is severely complicated.

When a company is small, this is not an issue because the founder has plenty of direct contact with the outside world. Trusted HOW-types may be in short supply and the founder opts to make a majority of the big decisions. The founder or leader actually goes out and talks to customers, sells the product and hires most, if not all the employees. As the company grows, however, systems and processes are added and other people will join. The cause embodied by an individual slowly morphs into a structured organization and the cone starts to take shape. As it grows, the leader’s role changes. He will no longer be the loudest part of the megaphone; he will become the source of the message that is to flow through the megaphone.

As the organization grows, the leader becomes physically removed, further and further away from WHAT the company does, and even farther away from the outside market.

Just as the cone demonstrates, the CEO’s job, the leader’s responsibility, is not to focus on the outside market—it’s to focus on the lawyer directly beneath: HOW. The

leader must ensure that there are people on the team who believe what they believe and know HOW to build it. The HOW-types are responsible for understanding WHY and must come to work every day to develop the systems and hire the people who are ultimately responsible for bringing the WHY to life. The general employees are responsible for demonstrating the WHY to the outside world in whatever the company says and does. The challenge is that they are able to do it clearly.

The struggle that so many companies have to differentiate or communicate their true value to the outside world is not a business problem, its a biology problem. And just like a person struggling to put her emotions into words, we rely on metaphors, imagery and analogies in an attempt to communicate how we feel. Absent the proper language to share our deep emotions, our tangible things for those who believe what we believe to point to and say, "That's why I'm inspired." If done properly, that's what marketing, branding and products and services become; a way for organizations to communicate to the outside world. Communicate clearly and you shall be understood.

### **Communicating Is Not About Speaking, It's About Listening**

Symbols help us make tangible that which is intangible. And the only reason symbols have meaning is because we infuse them with meaning. That meaning lives in our minds, not in the item itself. Only when the purpose, cause or belief is clear can a symbol command great power.

Most companies have logos, but few have been able to convert those logos into meaningful symbols. Because most companies are bad at communicating what they believe, so it follows that most logos are devoid of any meaning. At best they serve as icons to identify a company and its products. A symbol cannot have any deep meaning until we know WHY it exists in terms bigger than simply to identify the company. Without clarity of WHY, a logo is just a logo.

For a logo to become a symbol, people must be inspired to use that logo to say something about who they are.

It no longer simply identifies a company and its products; it identifies a belief.

What a company says and does are the means by which the company speaks. Too many companies put a disproportionate amount of weight on their products or services simply because those are the things that bring in the money. But there are many more things at the base of the megaphone that play an equal role in speaking to the outside world. Though products may drive sales, they alone cannot create loyalty.

It is a flawed assumption that what works for one organization will work for another. Even if the industries, sizes and market conditions are the same, the notion that "if it's good for them, it's good for us" is simply not true.

The idea that copying WHAT or HOW things are done at high-performing organizations will inherently work for you is just not true.

It is not just WHAT or HOW you do things that matters; what matters more is that WHAT and HOW you do things is consistent with your WHY. Only then will your practices indeed be best. There is nothing inherently wrong with looking to others to learn what they do, the challenge is knowing what practices or advice to follow. Fortunately, there is a simple test you can apply to find out exactly WHAT and HOW is right for you. It's a simple metaphor called the Celery Test.

When you're standing in line at the supermarket with all of these items in your arms, your celery, rice milk, Oreos and M&Ms, nobody can see what you believe. What you do is supposed to serve as the tangible proof of what you believe, and you bought everything.

But what if you knew your WHY before you went to the supermarket? What if your WHY is to do only things that are healthy? To always do the thing that are good for your body? You'll get all the same good advice from all the same people, the only difference is, the time you go to the supermarket, you'll buy only rice milk and celery. Those are the only products that make sense. It's not that the other advice isn't good advice, it's just not good for you. The advice doesn't fit.

Filtering your decisions through your WHY, you spend less time at the supermarket and you spend less money, so there's an efficiency advantage also. You're guaranteed to get value out of all the products you bought. And, most importantly, when you're standing in line with your products in your arms, everybody can see what you believe.

This is an idealistic concept and in the real world that level of discipline is not always possible. I understand that sometimes we have to make short-term decisions to pay bills or get some short-term advantage. That's fine. The Celery Test still applies. If you want a piece of chocolate cake, go right ahead. The difference is when you start with WHY, you know full well that the chocolate cake is a short-term decision that doesn't fit with your beliefs. You're under no illusions. You know you are okay doing it for the short-term sugar rush and you'll have to work a little harder to get it out of your system. It's astounding the number of businesses I see that view an opportunity as the one that's going to set them on a path to glory, only to have it blow up or slowly deflate over time. They see the chocolate cake and can't resist. Starting with WHY not only helps you know which is the right advice for you to follow, but also to know which decisions will put you out of balance. You can certainly make those decisions if you need to, but don't make too many of them, otherwise over time, no one will know what you believe.

But here's the best part. As soon as I told you the WHY, you knew that we were going to buy only celery and rice milk even before you read it. As soon as I gave you the filter, as soon as I said the WHY, you knew exactly what decisions to make before I said so.

That's called scale.

With a WHY clearly stated in an organization, anyone wishing the organization can make a decision as clearly and as accurately as the founder. A WHY provides the clear filter for decision-making. Any decision—hiring, partnerships, strategies and tactics—should all pass the Celery Test.

If a company tries too many times to “seize market opportunities” inconsistent with their WHY over time, their WHY will go fuzzy and their ability to inspire and command loyalty will deteriorate.

What companies say and do matters. A lot. It is at the WHAT level that a cause is brought to life. It is at this level that a company speaks to the outside world and it is then that we can learn what the company believes.

## **Part 5**

### **The Biggest Challenge Is Success**

#### **When Why Goes Fuzzy**

The problem was that his cause was not clearly handed down after he died. In the post-Sam era, Wal-Mart slowly started to confuse WHY it existed—to serve people—with HOW it did business—to offer low prices.

“A computer can tell you down to the dime what you’ve sold, but it can never tell you how much you could have sold,” said Walton. There is always a price to pay for the money you make, and given Wal-Mart’s sheer size, that cost wasn’t paid in dollars and cents alone. In Wal-Mart’s case, forgetting their founder’s WHY has come at a very high human cost. Ironic, considering the company’s founding cause.

For Wal-Mart, WHAT they do and HOW they are doing it hasn’t changed. And it has nothing to do with Wal-Mart being a “corporation”; they were one of those before the love started to decline. What has changed is that their WHY went fuzzy. And we all know it.

If we, as outsiders, have lost clarity of Wal-Mart’s WHY, it’s a good sign that the WHY has gone fuzzy inside the company also. If it’s not clear on the inside, it will never be clear on the outside.

As their tangible success grew, something more elusive started to dissipate. Every single one of those successful business owners knew WHAT they did. They knew HOW they did it. But for many, they no longer knew WHY.



Achievement is something you reach or attain, like a goal. It is something tangible, clearly defined and measurable. Success, in contrast, is a feeling or a state of being.

In my vernacular, achievement comes when you pursue and attain WHAT you want. Success comes when you are clear in pursuit of WHY you want it.

In the course of building a business or a career, we become more confident in WHAT we do. We become experts in HOW to do it. With each achievement, the tangible measurements of success and the feeling of progress increase. Life is good. However, for most of us, somewhere in the journey we forget WHY we set out on the journey in the first place.

Those with an ability to never lose sight of WHY, no matter how little or how much they achieve, can inspire us. Those with the ability to never lose sight of WHY and also achieve the milestones that keep everyone focused in the right direction are the great leaders.

## Split Happens

The reason so many small businesses fail, however, is because passion alone can't cut it. For passion to survive, it needs structure. A WHY without the HOWs, passion without structure, has a very high probability of failure.

Passion may need structure to survive, but for structure to grow, it needs passion.



The simple greatest challenge any organizations will face is... success. When the company is small, the founder will rely on his gut to make all the major decisions. From marketing to product, from strategy to tactics, hiring and firing, the decisions the founder makes will, if he trusts his gut, feel right. But as the organization grows, as it becomes more successful, it becomes physically impossible for one person to make

every major decision. Not only must others be trusted and relied upon to make big decisions, but those people will also start making hiring choices. And slowly but surely, as the megaphone grows, the clarity of WHY starts to dilute.

Whereas gut was the filter for early decisions, rational cases and empirical data often serve as the sole basis for later decisions. For all organizations that go through the split, they are no longer inspired by a cage greater than themselves. They simply come to work, manage systems and work to reach certain preset goals. There is no longer a cathedral to build. The passion is gone and inspiration is at a minimum. At that point, for most who show up every day what they do is just a job. If this is how the people on the inside feel, imagine how those on the outside feel. It is no wonder that manipulations start to dominate not only how the company sells its wares, but even how they retain employees. Bonuses, promotions and other enticements, even instilling fear in people, become the only way to hold on to talent. That's hardly inspiring.

The volume of the megaphone comes solely from growth of WHAT.

The moment at which the clarity of WHY starts to go fuzzy is the split. At this point organizations may be loud, but they are no longer clear.

“What gets measured gets done,” as well-known sales coach Jack Daly says.

Harbridge knew, however, that no matter her intentions, if she measures the results the same way as others, the same awful behavior would result. So she came up with an entirely new way to incentivize her people. She found a way to measure WHY. Harbridge measured WHY her company existed, not WHAT they did.

Honoré believes that people should not spend all their time at work, but rather they should work to spend more of their time with their families.

Every employee at Honoré Construction is required to clock in in the morning and clock out in the evening. But there's a catch. They must clock in between 8:00-8:30 a.m. and out by 5:00-5:30 p.m. Stay any later and they are taken out of a bonus pool. Because employees know they have to leave by 5:30 p.m., wasted time has dropped to a minimum. Productivity is high and turnover is low. Consider how much you get done the day before you go on vacation. Now imagine every day is like that.

On a strictly rational scale, the generic rackets offered better value. But again, value is perception, not a calculation, which is the reason companies make such a big deal about investing in their brand. But a strong brand, like all other intangible factors that contribute to the perception of value, starts with a clear sense of WHY.

If those outside the megaphone share your WHY and if you are able to clearly communicate that belief in everything you say and do, trust emerges and value is perceived. When that happens, loyal buyers will always rationalize the premium they pay or the inconvenience they suffer to get that feeling. To them, the sacrifice of time or

money is worth it. They will try to explain that their feeling of value comes from quality or features or some other easy-to-point-to element, but it doesn't. Those are external factors and the *feeling* they get comes completely from inside them. When people can point to a company and clearly articulate what the company believes and use words unrelated to price, quality, service and features, that is proof the company has successfully navigated the split. When people describe the value they perceive with visceral, excited words like "love," that is a sure sign that a clear sense of WHY exists.

Successful succession is more than selecting someone with an appropriate skill set—it's about finding someone who is in lockstep with the original cause around which the company was founded. Great second or third CEOs don't take the helm to implement their own vision of the future; they pick up the original banner and lead the company into the next generation. That's why we call it succession, not replacement. There is a continuity of vision.

"We're in the business of building an organization, an institution that we hope will be here fifty years from now. And paying good wages and keeping people working with you is very good business."

When people know WHY you do WHAT you do, they are willing to give you credit for everything that could serve as proof of WHY. When they are unclear about your WHY, WHAT you do has no context. Even though the things you do or decisions you make may be good, they won't make sense to others without a clear understanding WHY.

## **Part 6**

### **Discover Why**

#### **The Origins Of A Why**

The WHY does not come from looking ahead at what you want to achieve and figuring out an appropriate strategy to get there. It is not born out of any market research. It does not come from extensive interviews with customers or even employees. It comes from looking in the completely opposite direction from where you are now. Finding WHY is a process of discovery, not invention.

Gaining clarity of WHY, ironically, is not the hard part. It is the discipline to trust one's gut, to stay true to one's purpose, cause or beliefs. Remaining completely in balance and authentic is the most difficult part.

Henry Ford said, "If you think you can or you think you can't, you're right."

#### **The New Competition**

When you compete against everyone else, no one wants to help you. But when you compete against yourself, everyone wants to help you.