Changing culture at pizza hut

Art & Culture

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ChangingCultureat Pizza Hut and Yum! Brands, Inc. The concept of corporate culture has captured the imagination of executives for years. For executives struggling to manage organizational change, understanding their organization's culture has become paramount before undertaking such a change. They realize that significant strategic and structural realignment cannot occur if it is not supported by the organization's norms and values. Organization cultures are created by leaders and, therefore, one of the most important functions of a leader is the creation, management, and sometimes the destruction of a culture.

An organization's culture re? ects the values, beliefs and attitudes of its members. These values and beliefs foster norms that in? uence employees' behaviors. Organizational cultures evolve imperceptibly over years. Unlike mission and vision statements, they are never written down, but are the soul of an organization. Cultures are collections of unspoken rules and traditions and operate 24 hours a day. They determine the quality of organizational life. Cultures determine much of what happens within an organization. While managers are aware of their organization's culture(s), they are often unsure about ow to in? uence it. If cultures are powerful in? uencers of behaviors, they must be created. One way to analyze shared assumptions is by exploring top management's answers to the following questions: 1. How do people in this organization accomplish their work? 2. Who succeeds in this organization? Who doesn't? 3. How and when do people interact with one another? Who participates? 4. What kinds of work styles are valued in this organization? 5. What is expected of leaders in this organization? 6. What aspects of performance are discussed most in evaluations?

The purpose of this article is to share with you how senior leaders at Pizza Hut in particular and at Yum! Brands, Inc. (Pizza Hut, Taco Bell and KFC) in general answered these questions and were able to create a new culture after the restaurants were spun off from PepsiCo Inc. Culture change does not occur in a vacuum. It is an integral part of the company's fabric. To change a company's culture, rewards systems, leader behaviors, and organizational designs must be created Acknowledgments: This research was sponsored by a research grant from the OxyChem Corporation.

The primary focus of this article is Pizza Hut and how Pizza Hut both generated and experienced the culture change at Yum! It is based, primarily, on the thoughts, re? ections and opinions of senior managers who experienced and helped communicate the changes discussed in this article. The authors would like to acknowledge the constructive comments made by Steve Arneson, Leon Avery, Chris Koski, Mike Rawlings and Don, and Leslie Ritter. 319 to support the change, as the experience of Pizza Hut demonstrates. THE SPIN-OFF AND PIZZA HUT

Started in 1958 by the Carney brothers, Dan and Frank, Pizza Hut played a major role in turning pizza from an Italian specialty into a mass-market, mainstreamfood. Pizza Hut had developed a reputation for and commitment to product quality that was ‘‘ built into the bones’’ of restaurant managers, and with it, great pride in the brand. By the mid 1990s, Pizza Hut had become a powerful brand, with some 8, 000 U. S. -based restaurants, 140, 000 employees and over $5 billion dollars in system-wide sales. One internal Pizza Hut market researcher estimated that over 90 percent of American pizza eaters had tried a Pizza Hut pizza.

One of the key drivers of the success of Pizza Hut was PepsiCo. Along with KFC and Taco Bell, Pizza Hut was and had long been part of the PepsiCo Restaurant Division. PepsiCo had brought its national marketing muscle to the Pizza Hut brand, raising sales and increasing brand visibility. But it had also brought something that had a major impact on Pizza Hut: the PepsiCo management system. Even before Jack Welch made General Electric Co. 's personnel management system the envy of American industry, PepsiCo had a reputation for producing great general managers.

Its personnel planning system, shepherded by a set of organizationalpsychologyPh. D. consigliore in each of PepsiCo's operating divisions, produced a stellar cast of professional managers. This system, layered on an existent Pizza Hut founding culture, was far from a natural ? t for the quick-service restaurant industry. PepsiCo was what Kerr and Slocum would call a market culture with a performancebased reward system. PepsiCo's very fast moving, individually focused, consumerpackaged goods, entrepreneurial culture would prove not a great ? t for the relatively mature, slow-moving, team-oriented, quickservice restaurant business. 20 ORGANIZATIONAL DYNAMICS The integration of these two companies, PepsiCo and Pizza Hut, resembled a failed vinaigrette: a large amount of oil slowly churning in one direction, overlaid by a thin layer of vinegar, a whirlwind of speed moving in the opposite direction. The vinegar represents the high-potential PepsiCo general managers rapidly moving among the many divisions and corporate of? ces of PepsiCo. Smart, ambitious, competitive and results-driven, they were attracted by PepsiCo's ability to

move them up fast and give them a breadth of management experience in different PepsiCo businesses.

A rising star might spend two years in ? eld marketing at Pepsi Cola North America, a year and a half in product marketing at Frito-Lay, an additional 18 months as a product brand manager there, two years at Pepsi Cola International, followed by a senior director position in marketing at Taco Bell, etc. The bottom layer, the oil, represented the bulk of Pizza Hut's operations, staffed by hard working, dedicated, long-tenured restaurant-focused operators who loved the Pizza Hut brand and the restaurant business.

They were less likely to be at the top of their class in college and less likely in fact to have graduated from college. Many had started as cooks, or dishwashers or delivery drivers. Slowly, as they had mastered the complexity of running retail operations and built their experience, they would move up the system. A select few even reached the top of operations, where they sharedleadershippositions with PepsiCo general managers, some of whom had non-operational functional backgrounds (in ? nance, say, or even marketing,) and who were doing their ‘‘ ops rotation. ’ This two-tiered system of PepsiCo ‘‘ short termers’’ and Pizza Hut restaurant-dedicated ‘‘ lifers’’ had a number of built-in tensions and misalignments, including: Home office glorification: Business was done in the restaurants, but ‘‘ the power and the glory,’’ as well as the field programs, all originated in corporate headquarters, whether Pizza Hut's in Dallas, Texas, Yum! 's in Louisville, Kentucky or PepsiCo's in Purchase, New York. Top management's line of sight was focused away from the restaurants. Short-term mentality: The ‘‘ up or out’’ of the PepsiCo professional management system, a reward system

linking short-term results to individual rewards, created pressure to make one’s mark and make it quickly. Anything that took too long to build or was built for long-term impact was a hard sell. Lack of continuity: The need for quick success and the relatively rapid turnover in headquarters management made for a ‘‘ program of the month’’ mentality. Financefirst headset: ‘‘ Making plan’’ seemed sacrosanct in PepsiCo’s results-driven organization.

This was often perceived by the ‘‘ restaurateurs,’’ and even by some franchisees, to be at the cost of commitment to long-term restaurant essentials like product and asset quality. Passive resistance in the field: The perception of short-term focus combined with a ‘‘ program of the month’’ mentality engendered, at its worst, a system of passive resistance in field operations—compliance without commitment. Field operators, especially franchisees, often felt secure in the knowledge that if they just delayed program implementation long enough, Pizza Hut management would turn over and the new group would charge out with the ‘‘ next great idea. ’ A performance-based, consumer packaged goods company like PepsiCo was not a natural ? t with the restaurant business. But whether it was bad business ? t, strategic or culture misalignment, or simply lack of tolerance for the restaurants business’ relatively low margins and slow growth (despite its huge cash ? ow), PepsiCo gave up on Pizza Hut and its restaurants, spinning off its entire restaurant division in 1997, under the name Tricon Global Restaurants, Inc. , now Yum! Brands. ALIGNING BUSINESS/ CULTURE Yum! anagement understood that they had to create a radically different culture than the one at PepsiCo if the new company was to succeed. PepsiCo is primarily a consumer packaged goods company. Direct interaction with

consumers takes place through advertising, or is mediated by supermarkets and other retail and wholesale establishments. Marketing was king, and at the time of the spin-off, one of the kings of marketing, Roger Enrico, was the CEO. Tricon Global Restaurants, Inc. was a restaurant company. Hundreds of thousands of low-pay, high turnover front-line mployees interacted with millions of customers a week in some 30, 000 restaurants around the world. Quality control was not in the hands of process manufacturing gurus as at Pepsi Cola or Frito-Lay, but in those of part-time, often teenage employees making discrete decisions about quality with every product served. This posed an enormously different challenge for top management at Yum! PepsiCo was a holding company. If general managers made their ? nancial numbers and grew their people, then headquarters people left each general manager alone to run his or her business.

Synergies across various lines of business were simply not a high priority on PepsiCo's strategic agenda. In the restaurant division, this resulted in three strong, independent consumer brands. In effect, the three restaurant brands were really three separate companies, with independent cultures, informationtechnology(IT) systems, operations, ? eld management practices, human resource systems, etc. Yum! , saddled with a large debt by PepsiCo and in the relatively lower margin restaurant business, was in no position to economically justify itself as a holding company overseeing three independent restaurant businesses.

It had to look for operating synergies, shared resources, etc. It had to be much more of an operating company. A shift from three independent companies to one company with three independent restaurant brands was

required for ? nancial survival. Top management needed to meld three independent company cultures into one shared culture and one set of restaurant-focused values, built on a set of shared functions (e. g. , IT, bene? ts and compensation, legal). Succeeding at Pizza Hut could no longer be about making it to Purchase, New 321 York to work for PepsiCo.

It had to be about making the customer experience in Pizza Hut restaurants great. David Novak, newly named vice chairman at Yum! had already started creating a restaurant-focused culture during his stint as president of KFC. Novak was fond of saying that he hated the term ‘‘ culture’’ because it reminded him of germs. But his savvy understanding of how to build a restaurantfocused business culture was one of the reasons why he had been selected to run Yum! With little time between his selection and spin-off date, the new restaurant-focused culture was going to have to be jump-started.

Launch date: October 7, 1997. CREATING THE CULTURE OF YUM! BRANDS Changing and integrating the culture of three companies with very strong founders, founding traditions and underlying assumptions about what constitutes success would be an enormous challenge, even after the homogenizing effects of PepsiCo culture were factored in. The actions that Yum! took to push its culture toward a desired end-state alignment with its business strategy and business model included: 1. Starting with a set of shared values to de? ne a culture across the three brands; 2.

Founding the new company in a way that that embodied its new culture; 3. Using titles to signal intentions and signify new cultural meanings; 4. Creating a coaching management system to maximize restaurant

performance; 5. Developing a recognition culture to reinforce cultural behaviors; 6. Realigning reward systems to validate and ‘‘ walk the talk’’ on the values; and 7. Measuring the effectiveness and commitment of senior managers to the values. Starting with Shared Values The political philosopher, Hannah Arendt, trying to distinguish what was unique and 322 ORGANIZATIONAL DYNAMICS uccessful about theAmerican Revolution(vs. those of France, and Russia, for example), focused on the concept of founding— both as a source of authority and as a statement of the power and commitment that comes from being a founder. The founding that was America’s Revolution was encoded in two distinct documents: The Declaration of Independence and the Constitution. The former served to articulate those values that were distinct to America and the latter to codify them into workable systems and processes of government. Whether the leaders of Yum! ad read Arendt is unknown, but they intuitively understood the elements that had made the American experiment unique—and they incorporated them into the values statement and the launch of the new company. Rather than start with yet another statement of corporate values, they declared their differences with the ‘‘ mother country,’’ that is, PepsiCo, with a set of ‘‘ Founding Truths. ’’ The nine distinct statements in this one shared document were Yum! ’s ‘‘ Declaration of Independence. ’’ They announced what Yum! would stand for, while at the same time differentiating the new company from its progenitor— he PepsiCo Restaurant Division. For example, one statement reads, ‘‘ The RGM (Restaurant General Manager) is our #1 Leader . . . not senior management. ’’ Another reads, ‘‘ Great Operations and Marketing Innovation Drive Sales . . . no ? nger-pointing. ’’ These two statements suggest both the direction Yum! wanted to take and

the behaviors it wanted to avoid. Taken together, the nine statements clearly demarcate both the essentials of a genuinely restaurant-focused company and the differences between what employees could expect from Yum! and what the restaurants and their operators had resented in PepsiCo.

The statement of shared values, Yum! 's ‘‘ How We Work Together’’ principles, doesn't differentiate Yum! from its competitors. Values statements rarely can serve this role, and Yum! 's restaurant-focused, but otherwise standard values certainly can't: customer focus, belief in people, recognition, coaching and support, accountability, excellence, positive energy, teamwork—who could be against these? Instead, as we'll demonstrate, they served more to structure processes and systems and stand as a code for measurable behavior. In other words, they served the role of the U. S. Constitution.

And, like the Constitution, while the details of the document weren't easy to remember, their impact was ubiquitous. The Founding The launch of a large, new public, U. S. -based company, whether from spin-off, merger or acquisition, usually follows a rather standard process. You ring the opening bell of the New York Stock Exchange, throw a big launch event at corporate headquarters, presumably beamed live to division headquarters and by videotape to international locations, blare the news across the corporation's internal media and push your best foot forward in the press.

In this regard, the launch of Yum! followed the same format: Wall Street, a big event in Louisville, Kentucky, featuring the new Yum! Management team and the restaurant brand presidents, moderated by then ‘‘ Good Morning,

America'' co-host Joan Lunden and beamed around the country. But if the launch was going to embody the culture, as enunciated in the '' Founding Truths'' and the '' How We Work Together Principles,'' with its principles of putting restaurants and their managers first, it was necessary to turn the usual launch format on its head. Yum! id this in three ways: by making local activities the center of the action instead of the headquarters event; by centering activities on restaurant managers, and by signing up those managers as '' founders. '' The local events were focused primarily on enlisting local restaurant general managers in the new company. Activities centered on team-building exercises for the managers designed by Yum! 's organizational and leadership development team. These were simple, but often powerful group activities. For example, the local event that one of the authors facilitated for some 200 participants in Miami, Florida, epresented the ? rst time that area Pizza Hut, KFC and Taco Bell managers had ever met together in one place. There were managers who ran restaurants of different brands, often adjacent to each other, who had never met! The simple act of sharing personal biographies and store histories created new connections. After two hours of team-building activities, the message that we were now one company, not three, and that we were part of a team together came across loud and clear. The national event reinforced the local event rather than the other way around.

The invitation to and attendance primarily by restaurant managers told them they were important. This was reinforced by the national event which stressed the primary role of the RGM and introduced the '' Founding Truths,'' and it was graphically embodied in the new Yum! stock certi? cate, which

featured one real manager from Pizza Hut, Taco Bell and KFC on its front. The most powerful part of each local event was saved for the end. Each locality had been supplied with a large poster featuring the new companies ‘‘ Founding Truths. ’’ The poster was put outside the event meeting room, along with a set of magic markers.

The managers were invited, on their way out, to sign their names on the poster and to become a ‘‘ founder,’’ but only if they agreed with the principles of the new company. They were told that no top managers would be there to watch, and that there would be no penalty for not signing. It was strictly voluntary. They were, in effect, invited to sign the company’s ‘‘ Declaration of Independence,’’ and in doing so, make a public commitment to the culture and the company. Over 80 percent of the attending RGMs left their signatures. ‘‘ Founder’s Day’’ as it is now called, has become a yearly event celebrating the culture of Yum!

Titles Given the symbolic importance of titles, Yum! was smart enough to actively use title changes to signal culture changes. ‘‘ Corporate Headquarters’’ was re-named 323 the ‘‘ Restaurant Support Center,’’ signifying that the restaurants were the central focus of the company. Presidents of the KFC, Taco Bell and Pizza Hut were, at least initially, re-named ‘‘ chief concept officers,’’ signifying that there was now only one company with three concepts, not three companies. The entire above-restaurant management team also had their titles changed from ‘‘ managers’’ to ‘‘ coaches. ’ Area managers were now ‘‘ area coaches,’’ operations directors were ‘‘ market coaches’’ and division vice presidents became ‘‘ head coaches. ’’ It was one thing to state that coaching was a

company value—it was quite another to construct an entire management system based on coaching—to embed that value in the way the company worked. That was to be perhaps the biggest culture change of all. Coaching The idea that coaching could be something that all associates in a company could have to improve their performance, right down to the front lines, and that every manager had the capacity to coach may still appear radical, or at least improbable.

Pizza Hut itself wasn't even sure it could be done when it started the process. There were two incentives to create a coaching culture in operations: first, business growth had stalled and the company needed a jump-start and second, the PepsiCo management system was incongruent with the quick-service restaurant business. PepsiCo's focus on individual, instead of team success, its short-term mentality and the intensely financial results driven culture had its strengths and its shortcomings. It was not a culture that could lead to sustained team performance in a restaurant.

For example, under PepsiCo, management had been by exception. As Pizza Hut chief operating officer (COO) Aylwin Lewis put it before a national conference on coaching and mentoring, ‘‘ If you're a good performer, you get left alone; if you're a poor performer, you get an action plan. ’’ In other words, getting the kind of management attention embodied in effective coaching and training to build 324 ORGANIZATIONAL DYNAMICS managerial competencies was seen as a sign offailure. The short-term focus of PepsiCo's management system had meant that fixing things quickly was a strength.

But short-term fixes became dysfunctional for building longterm capabilities through coaching. Finally, the focus on individual instead of team performance made it difficult to coach. Coaching ultimately has to be about the team and the person to be coached. It can’t be about the personal success story of the coach. Coaching supported the restaurantfocused culture in a number of ways. First, it required physical proximity. It’s best done face-to-face. Coaching can’t be done very effectively from another state. That meant above-restaurant management would have to start spending time in the restaurants.

Second, it required interpersonal and operational, as well as ? nancial competence. To coach a restaurant manager, you had to know the business at least as well as they did and know how to share that knowledge, or you’d be wasting their time. Shifting the basis of control to knowledge from command of resources and rewards would force ‘‘ general’’ managers to become ‘‘ restaurant coaches. ’’ Third, it required partnership. The coach can’t be successful and have the player fail. Market coaches, area coaches and restaurant managers were networking, mirroring the teamwork required in the restaurants.

COACHING MAY BE THE RIGHT WAY TO GO—BUT HOW DO YOU GET THERE? The first 90 days: Before anything else had been done, job titles were changed. All operations vice presidents, directors and area managers became ‘‘ coaches. ’’ That was the ‘‘ changeable moment’’ that signaled to employees that a new mode of operating was inevitable. There was ‘‘ boot camp’’ for the entire operations team. The fastest way to ensure that all managers could master and understand the skills of the average employee

was to bring them together, make them re-learn the basics of the business of making pizza and then test them o their competence was ‘‘ certified. ’’ While this was going on, the organizational development team was developing job maps and outlining roles, responsibilities, outcomes, and behaviors for the role of coach. With title, certi? cation and job map, the coaching culture was launched. And barely stayed a? oat. The epiphany on what wasn’t working occurred to Aylwin Lewis during a roundtable with area coaches in Columbus, Ohio. One of the area coaches looked at him and said, ‘‘ You’ve changed our titles and you’ve given us training and said, ‘ Now, I want you to be in restaurants 80 percent of the time. Okay, now what do you want us to do there? What do we do with all that time? ’’ Without any existing precedents for building a new management system based on coaching, it wasn’t immediately apparent that a model of coaching was needed. Coaching was a skill that had to be taught. People needed a model for how to coach. In PepsiCo, coaching wasn’t rewarded and therefore not practiced. A coaching culture model needed to be developed at Yum! It had to be practical, simple and action-oriented—it had to ? t the fast paced, high-turnoverenvironmentof the restaurant business.

A teachable threestep process, with an easy to learn acronym, EAR, was developed: taught all market coaches, while the market coaches bypassed all area coaches and personally taught all restaurant managers. This simple method had huge implications for fostering a new culture at Yum!. First, it meant that all the coaches had to learn the coaching model well enough to teach it. Second, they had to demonstrate their commitment to it in order to teach it well, and were held accountable for achieving results. It would not

have had the same impact if the training department employees had led the classes.

Third, it put the one level down coaches (the direct supervisors of the students) on notice for accountability to their immediate subordinates. Fourth, operators were able to bring real-life examples into the role-plays, increasing the relevance, impact, usefulness and credibility of the coaching material. In addition to training, coaching logs were created in each restaurant to document each coaching session, its lessons and commitments. Audiotapes of coaching sessions were circulated to restaurant managers to provide real-life demonstrations. Creating a coaching culture had begun. Recognition

Top managers learned from Southwest Airlines Co. the power of recognition to motivate employees, and to elicit positive discretionary behavior among employees. Southwest Airlines separates reward from recognition, celebrating behaviors that reinforce the culture, creating an elaborate, yet spontaneous process of positive behavioral feedback. Recognition is done by everyone, not just senior managers. This means that all levels of supervisors can recognize behavior, empowering those supervisors, but also ensuring that the recognition is timely, specific and meaningful to the person who receives it.

There were three keys to building a successful recognition program at Pizza Hut: 1. Starting at the top; 2. Ensuring it was continuous and ongoing, and got built into communications; and 3. Reinforcing it publicly. 325 Exploring Observe/ask/listen Analyzing Facts? Isolated or pattern? Root cause?

Responding Teach new skills and knowledge Provide feedback Offer support and gain commitment Operational leaders (not training personnel) would be responsible for teaching all coaching classes for those two levels down from them. For example, COO Aylwin Lewis bypassed head coaches and personally

Starting at the top: David Novak, now chairman of Yum! , formerly president of Pizza Hut (and of KFC) single-handedly brought recognition to Pizza Hut. He said that he had learned the power of recognition during his job as chief operating of? cer at one of the PepsiCo divisions. His deep-seated belief in the power of recognition and his commitment to it made all the difference. Novak's ? rst foray into recognition as president of a division occurred at KFC, where he created the ''? oppy chicken'' award. The award itself embodied the distinction between recognition and reward.

It was one of those rubbery ? oppy chickens used for pranks or jokes that would be as likely to show up on Halloween as at any other time. In other words, it wasn't valuable in and of itself—it wasn't a watch, or a ring, fancy clock, tie tack, brooch, earrings, etc. Three things made it valuable as recognition. First, it was numbered. So it wasn't just a ? oppy chicken. It was the #45 ? oppy chicken. Second, it was signed and had a personal message written on it. And third, a picture of the recipient and Novak was taken, framed and sent to the recipient. A $100 gift certi? ate was also given, but Novak was clear to point out that this was simply an add-on: '' We know you can't eat the chicken. '' At Pizza Hut, Novak started the '' Big Cheese'' award —a rubber cheese hat (similar to those worn by fans of the Green Bay Packers football team.) This was also numbered, and personally inscribed.

The recipient had to wear it while being photographed with the president. When Novak became vice chairman of Yum! at the spin-off, his successor as president of Pizza Hut, Mike Rawlings, continued the tradition. During his ? ve-year tenure, Rawlings handed out over 500 ‘‘ Big Cheese’’ awards.

The frequent tears, positive emotions and heartfelt gratefulness of the recipients were reinforcing for culture and forthe giver. One author personally experienced the impact of getting the award in front of 600 employees at an ‘‘ All-Team’’ meeting. The power of the award is in the public recognition. The author’s $100 gift certi? cate remains unspent. 326 ORGANIZATIONAL DYNAMICS To create a recognition culture, rather than simply a recognition award, things couldn’t stop and start with Novak. He encouraged his immediate reports to create their own recognition awards, and they soon did.

What followed was a slow process of osmosis, reinforced by the positive impact of recognition. For example, the chief operating of? cer created a recognition award and gave it out at all operations meetings. The positive feedback and public recognition that accompanied it built pride and goodwill amongst recipients and reinforced their positive behavior. The obvious and widespread positive feedback gave a reason for head coaches to create their own recognition awards for their meetings, and so on down the line right into the restaurants. Like osmosis, the spread of recognition was uneven and sometimes slow.

But within three years, recognition awards were regularly appearing in restaurants, as managers used recognition to motivate front-line employees.

And because the spread was spontaneous—never dictated by ‘‘ corporate’’—and completely voluntary, there was a sense of ownership for the behavior. Recognition built deep roots. Those roots had the time to grow because once the recognition tradition started, the continuous, ongoing commitment of senior leaders kept it alive, front and center. Every public meeting included recognition awards on the agenda.

Over time, the continuity of recognition starting generating a sense of anticipation and ‘‘ pull’’ for awards. Within three years, recognition had become so routine and omnipresent that it lost any tinge of self-awareness and simply became ‘‘ the way we do things around here. ’’ Rewards The balanced scorecard was the primary mechanism for allocating rewards and handing out bonuses for restaurant managers. Two changes to the reward system helped align it with the ‘‘ Founding Truths’’ and ‘‘ How We Work Together Principles’’ on which the new culture was based.

First, people measurements were added to ? nancial measurements and customer measurements, reinforcing the ‘‘ putting people ? rst’’ credo. It might have taken three years before all restaurant managers had been trained as coaches, but the scorecard was ? exible enough to allow for measuring the results of good coaching—such as reduced turnover—within a year. Second, in a move unprecedented in the industry, restaurant managers were given stock options as an outright block grant, and stock options were added to the list of performance incentives.

Legally limited initially in the number of stock options it could award, Yum! chose to award its restaurant managers these options before their bosses,

the area coaches, were able to get theirs. This powerfully reinforced the founding truth that the ‘‘ RGM was #1,’’ and should act like an owner of the business. The symbolic value and the boost to management credibility was at least as important as the value of the options themselves. ? nancial of? cer of Yum! was let go, and his lack of cultural ? was cited as a reason, this sent a powerful signal that the cultural values of the company were important. RESULTS The nature of Pizza Hut’s business makes it very difficult to make causal links between the change in culture and changes in its business. For one thing, the main determinant of Pizza Hut sales is new product launches, somewhat orthogonal to culture as a sales determinant. For another, as a result of the spin-off, Yum! had been burdened with a huge debt and was in the process of selling off its company-owned restaurants. This undoubtedly mpacted morale, potentially slowing the impact of culture change, and it may have skewed the same-store sales averages of the remaining restaurants, obfuscating the impact of culture. These points notwithstanding, during the ? rst four years of its culture change, Pizza Hut experienced record highs in same-store sales and a record low in restaurant manager turnover. In the ? ve years, from mid-1997 to mid-2002—when Pizza Hut was led by president Mike Rawlings, a time at the heart of the change in culture—same-store sales growth rose 19 percent, overall operating pro? doubled and margins improved to record highs. While these results may not have been caused directly by the change in culture, they were certainly consonant with it. ‘‘ Founder’s Survey’’ results show strong belief in company leadership, commitment to and belief in the brand, and strong execution of the values at all levels. At the least, the changes in culture provided a strong foundation for and enablement of high

performance. The management practices at PepsiCo and Yum! had a signi? cant impact on the cultures created in each organization.

In a hologram, any fragment encapsulates the essence of the whole. Interpretations of a single management practice need to be consistent with the interpretation of other 327 Measurement ‘‘ What gets measured, gets done,’’ is one of the oldest maxims of business. But when you’re trying to change a culture and using values to do it, what do you measure about the culture? Yum! answered this question in two ways. First, it created the ‘‘ Founder’s Survey,’’ an annual company-wide survey that measured the company on its adherence to the ‘‘ How We Work Together Principles. ’ All employees, except restaurant managers, were invited to participate, with participation rates in the mid-80 percentages. Results could be broken down by function and by levels, providing a picture on how different parts of the company perceived the company’s commitment to the culture. Managers were then required to come up with action plans for those areas where results were less than satisfactory. Second, Yum! created values-focused, 360-degree performance reviews, which were eventually pushed to the restaurant manager level.

Individuals were held accountable for how they lived the values. When the chief management practices. Top managers at Yum! had the capacity to envision and enact a culture that inspired intenseloyalty, strong commitment, increased productivity, and even greater pro? tability. To achieve consistency at Yum! and differentiate Yum! from PepsiCo, Yum! ’s top managers developed practices that were consistent with its culture.

Cultural anthropologists for decades have studied the behaviors of members of numerous tribes.

While each tribe might worship different ‘‘ gods,’’ the behaviors of tribe members can be described using four concepts, all starting with the letter ‘‘ T’’: Totems are things that are worshipped or prized; taboos are practices used to control or punish deviant behaviors or those not sanctioned by the tribe; traditions are practices that have been passed down through generations to preserve the status quo, and transitions (or rites of passages) are practices that serve to indoctrinate new members into the culture of the tribe. We summarize the differences in these four T’s between PepsiCo and Yum! n Table 1. Corporations have spent considerable amounts ofmoneyin response to consultants’ seductive promises of easy cultural change. Some managers have sought to replicate the strong cultures of successful companies, while others have tried to engineer commitment to a culture, in the hopes of increasing loyalty, productivity, and/or pro? tability. Unfortunately, culture is rooted in the countless details of an organization’s life. How decisions are made, how careers are TABLE 1 Yum! Brands YUM! VERSUS PEPSICO: COMPARISON OF CULTURAL ARCHETYPESa

TOTEMS Focus of attention: TABOOS Results without values ‘‘ Quick hits’’ TRADITIONS Recognition TRANSITIONS Pizza ‘‘ certification’’ and other ‘‘ boot camps’’ for making products Becoming a ‘‘ founder’’ Restaurants Team players Operations/marketing partnership Focus on people Effective operations Division interdependence Retail mentality Financial results Values without results Individual stars Lack of upward mobility Marketing is king

Long-term projects without short-term results Not making a plan Coaching Restaurant General Manager is #1 Values driven Specialization PepsiCo

PeoplecareerQuarterly financial planning results review Move up or out Cross-functional rotations to build general managers Strong brand mentality Making a plan Division independence Wholesale/distribution mentality a This table is not meant to be a de? nitive anthropological statement. Rather, it represents perceptions of the differences between Yum! and PepsiCo corporate cultures. Note as well, that Yum! ‘‘ traditions’’ tend to be founding behaviors and values created at its spin-off and continuously reinforced in systems, processes and leadership communications over its existence. 28 ORGANIZATIONAL DYNAMICS managed, how rewards are allocated—each small incident serves to convey some aspect of the organization’s culture. The founders of Yum! did not want to create a culture that perpetuated their own values and sense of immortality and stayed away from quick ? xes. What is the soul of Yum!? First, forget the numbers. Internal competition ends up making people less committed, creative, and caring. In the restaurant business, the lack of these three C’s leads to poor customer service, which ultimately affects store pro? tability.

Second, people need appreciation. Big cheeses and other tokens of appreciation for talented high performers are an integral part of maintaining a strong culture. 329 SELECTED BIBLIOGRAPHY For selected works on corporate culture and its impact on organizational performance, see Harrison Trice and Janice Beyer, The Cultures of Work Organizations (Prentice-Hall, 1993); Joanne Martin, Cultures in Organizations (Oxford University Press,

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Mike's educational background includes two master's degrees as well as completion of his course work for a Ph. D. inSociologyfrom the University of Pennsylvania. In May 2001, he received his M. B. A. with honors from the Executive M. B. A. program at the Cox School of Business at Southern Methodist University (SMU). John W. Slocum Jr. holds the O. Paul Corley professorship in management at the Cox School of Business, Southern Methodist University.

He serves as the co-director for SMU’s Corporate Director’s Institute and is chairperson for the management and organizations department at the Cox School. He is the author of more than 24 books, over 130 articles, and has worked as a consultant in the human resources area for many Fortune 500 companies, including Lockheed Martin, IBM, and Aramark, among others. Currently, he is co-editor of the Journal of World Business, Journal of Leadership and Organizational Studies and associate editor of Organizational Dynamics. 330 ORGANIZATIONAL DYNAMICS