

When Your *Culture* Needs a *Makeover*

Every company needs to refresh its culture now and then, but Alberto-Culver – maker of consumer product mainstays such as Alberto VO5, St. Ives, and Mrs. Dash – needed a complete reinvention.

by Carol Lavin Bernick



I GOT A PHONE CALL NOT LONG AGO THAT MADE MY DAY. It was from one of our suppliers, stranded by weather in Minneapolis and waiting out the delay at a hotel. “Carol, you’ve got to hear this,” he told me. “I was just talking to a guy who’s an executive recruiter. When I mentioned I was from Chicago, he said, ‘You know, I used to get half my talent from a place there—a company called Alberto-Culver. But not any more. Lately, people there don’t even return my calls.’”

I can’t say I pitied that recruiter. After all, he and his ilk had picked off our talent for years. Not so long ago, the turnover rate at Alberto-Culver North America—the oldest part of our business and the part I led—was twice the industry average. We were known as a place where people gained a lot of valuable experience fast, but then, if they were good at what they did, cashed it in for better jobs elsewhere.

And turnover wasn’t our only problem. In 1994, when my husband and I took the reins of the business my father and mother had built, we faced flattened sales and slipping margins on our best-known consumer brands

(although our Sally Beauty Company's stellar performance was allowing the company to report record results). Retailer consolidation was under way, power retailers were emerging, and our competitive environment was getting tougher than ever before. In short, we were in the midst of the most difficult period in our company's history. And, as I looked around me, I realized that the North American organization was not equal to the challenge.

It wasn't our people who were to blame; Culver employees have always

them the knowledge and perspective that could make them our true partners in growing the business.

This is a story about a significant cultural change.

How Did We Get Here?

I'll never forget the day it became clear to me that we were facing a cultural crisis at Alberto-Culver. In late 1992, our head of human resources had engaged an outside consultancy to survey a random sample of employees in order to gain input for our compensation planning. I told him, "Don't bother. If you want my parents' attention [at the time, my father was CEO and human resources reported to my mother], survey only the people they think are the 100 top performers. Those are the people whose judgment they'll trust." They were also, I thought, the least likely to have an ax to grind with the company.

To get the best of both worlds, the consultant surveyed that group as well as a more general employee group and reported the results in tandem. The satisfaction levels of the two groups differed, of course. But the eye-opener was that neither was very satisfied. Even our best people complained about noncompetitive benefits, opaque policies, and lack of family-friendly poli-

cies, to name just a few. I remember that day clearly because in less than an hour, I went from feeling pretty good about our company to feeling despair.

When I think of how far we have come since that day in early 1993, I realize we changed our culture by taking four major steps. First, we made an issue of culture, focusing attention and resources on something we had not previously thought much about. Second, we made fixing our culture a job—actually, about 70 jobs. Third, we fashioned ways to measure our gains on the cultural front and did so obsessively. And fourth, we reinforced our stated values by celebrating everything we wanted to see happen again.

Focusing on Culture

As soon as we heard the dismal news of our employee survey, I knew we needed to make cultural change a priority. I immediately asked for budget and other resources to attack the problem. I had no idea how much it would take, and I had little idea what I would even do—but I named a big sum. I only knew I wanted this problem to be on the radar screen.

Now, understand that at heart, I am a marketer. I began my career in the company in the new product department; Static Guard spray and Mrs. Dash seasonings are two innovations I brought to market. My first thought was that the problem with our culture was, to some extent, a matter of perception. Morale would be higher, I suspected, if we stopped hiding our light under a bushel. We went straight to work finding ways to get the word out about all the things we could feel good about as a company.

Finding positive notes to accentuate wasn't hard at all. We had long been a good company and a solid member of our community. In many ways, Alberto-Culver had been one of this country's success stories. It started in 1955 with a single product—Alberto VO5 Hairdressing—that did \$100,000 in sales in its first year, not bad since we were competing with the likes of Procter & Gamble and Gillette.

The company took early advantage of television's broad market reach by sponsoring programs like *What's My Line?* and our brands quickly became familiar household names. Our first offering of shares on the New York Stock Exchange, in 1965, took off fast. My father appeared in *Time* in 1963, and in 1973 my mother was named one of *Fortune's* most influential businesswomen. I've often thought that those early days must have been like life in the heyday of the dot-coms. Even through the 1980s, we posted sales increases every year, and our share price grew 18-fold.

We knew that plenty of innovation and initiative was occurring in pockets of the company, but we had to find it and call attention to it. We held a celebration in our parking lot when we cut



Carol Lavin Bernick, President, Alberto-Culver North America

been decent and hardworking. It was our culture. We needed people to have a sense of ownership and urgency around the business, to welcome innovation and take risks. But in the existing culture, people dutifully waited for marching orders and thought of their bosses' needs before their customers'. Through long-standing practice, rooted in good intentions, we had sheltered our people from our detailed operating results and all the business realities that drove them. In doing so, we had denied

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ILLUSTRATION BY BRIAN JENSEN

paperwork by 30%. Why there? To accommodate the bonfire, of course. And we made people more aware of the many ways we live our company ethics—from a robust program of charitable giving in which employees often get involved, to a fund for helping employees with unexpected financial problems, to our Jumpstart scholarship program that each year helps a number of employees' children further their education.

All this awareness-raising work was having an impact—morale was on the rise—but I also knew that the problem with our culture wasn't simply a matter of perception. We had some realities to adjust, too. We needed to turn members of our North American group into more committed team players. We had to develop a sense of urgency throughout the company and a real hunger for innovation. And just as important, we

had to make working at Alberto-Culver more fun. Only if we could make these changes, I thought—and make them last—could our consumer products businesses begin to thrive.

In 1994, my father handed the day-to-day operating control of the business over to my husband, Howard, who became CEO, and myself. We knew cultural change had to be a priority, and we were now in a position to tackle it.

At the outset, my executives were arguing about logic: "Do we make people happy and then the business gets better; or do we fix the business, which will make the people happier?" It was easy for me to answer this: I firmly believe that people drive everything. As it turned out, we focused on both at once, and it wasn't a trade-off after all.

The key to doing both was to recruit everyone in the battle and get every

single person focused on the same goals. After a long history of management's keeping its cards close to the vest, we needed to open up and explain the business to our people. Once the facts were on the table, we would find the people who were excited about responding to the challenges.

To get the process started, I invited every Alberto-Culver North America employee to a "state of the company" address, a two-hour intensive look at where we were and where we wanted to be. It's since become an annual event. As I waited for people to file in to that first one, I scattered pennies around the floor, then sat back and watched. Many people glanced at the floor, but no one bothered to pick up a cent.

I started the meeting with the announcement that we were all there to learn and then posed a softball question

to the group: "Can anyone name our best-selling product?" The response came back in a happy roar: "VO5 shampoo!" I followed up with another one: "And how about our profits—where do most of them come from?" The group fell into speculation and confusion, and I left it that way for a moment. Then I spoke again. "Look around you on the floor, and if you spot a penny, pick it up. That penny represents our total profit on a bottle of Alberto VO5 shampoo." I then went on to explain that the chain

If I'm telling this story clearly, you're starting to see the culture we were working hard to achieve. We wanted to create a new world of in-your-face honesty and shared ownership of results. And that wasn't all. We've developed a list of ten cultural imperatives: honesty, ownership, trust, customer orientation, commitment, fun, innovation, risk taking, speed and urgency, and teamwork. After we'd agreed on the list, in no particular order, someone came up with the acronym HOT CC FIRST—and thank

goal but a personal one: to raise my three children well. GDLs help people throughout the company achieve the right balance for themselves.

I meet with the GDLs every six weeks or so. They are expected to bring forward their people's questions and concerns and, afterward, to share with their groups the topics and solutions we've discussed. At most of the meetings, each brings a group member as a guest. We talk about sales and earnings, new programs, workplace rumors, new products, analyst ratings of our stock—whatever is on their minds and mine. We market the things we're doing well, and we aren't afraid to identify the things we're still doing poorly.

Each year, one of the most important meetings is dedicated to what we call "macros and irritations." On this occasion—and no one knows in advance which meeting it will be—the GDLs and their guests are split into four subgroups and given just 15 minutes to agree on what they think are the four biggest challenges confronting our business (the macros) and the four most annoying aspects of life at Alberto-Culver (the irritations). Fifteen minutes is pretty much the right amount of time because if an issue doesn't come quickly to mind, it isn't a big deal. We then combine the lists, and I tell the whole group: "Okay, you're the CEO. You have only so many resources, and you can't do it all. Which four deserve our focus?" After the vote, the priorities that rise to the top (and have a chance of being adopted—this is not a pure democracy, and occasionally I scratch one that I know is not right for us) have names assigned to them for follow-up, and we get results. At our last meeting, one of the irritations was not enough laptops for people who are traveling. The CIO and I exchanged a quick glance and conferred over the next break. Several days later, we had a system up and running whereby anyone, on a day's notice, could sign out a laptop with his or her e-mail and requested software programs already installed.

One of the interesting things I've noted over the years is that, in the be-

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of beauty supply stores called Sally Beauty—which the people in Alberto-Culver North America sometimes considered our side business—was, in fact, the powerful, growing, profitable driver of the entire Alberto-Culver Company and, indeed, was carrying the rest. The process of turning our employees into businesspeople had begun.

Over time, as people became more attuned to our business challenges, we also helped them see exactly how their own work fit in. In 1998, we developed the concept of spelling out "individual economic values," or IEVs—short statements that describe how individuals contribute to our profitability. It's a big deal to us to get these right. Let me give you an example. In her IEV, one of our consumer relations people specified actions like "I respond to any customer's call within x hours" and "I am prompt and courteous in my responses." All true, but not quite the perspective we need in an IEV. We talked about it and came up with "I turn every customer I talk to into a company fan." We want each employee's IEV to communicate—to its owner and to the world—that this is a person with the power to drive the success of the company. That consumer relations rep is now a person who can send coupons, make settlements—in short, take action. A lot of people here have their IEVs printed on their name badges.

goodness, because we want all our people to be able to recite these values by heart. As a mnemonic, it's not elegant, but I like it that way because it shows that nothing was added or subtracted for the sake of a better catchphrase.

Making Cultural Change a Job: The GDL

If there is one move I credit more than anything else for the success of our cultural makeover, it's our decision to create a role called the growth development leader (GDL). Each GDL (we now have about 70 at Alberto-Culver North America) mentors a dozen or so people, who may or may not be direct reports. We had originally called these people group development leaders because the idea was for them to bring about cultural change at the small group level. We changed the word to "growth" when we realized the role works as a conduit in both directions. It's as important to the growth of the company as it is to the growth of individuals.

GDLs are involved in the careers and lives of the people in their groups, helping to frame IEVs, participating in the performance review process, making sure employees understand and take advantage of all our benefits and human resource policies, and building team spirit. We insist that this be a company that respects family and personal lives; my own priority in life is not a business

ginning, the groups weren't coming up with anything I considered a macro. There were lots of irritations back in 1993: our lack of personal days, direct deposit capabilities, and—I'm not kidding here—Post-it notes. But as time went on, the issues got bigger. At this point, our employees are nailing every major business problem we have—such as the need for better recruiting approaches in a full-employment economy. I like to think it's because our people are becoming more strategic thinkers; but it also may be that you have to remove immediate annoyances before people can focus past them. Every year, there's a bigger buzz in the building following this meeting. "What did they make happen this time?" puts pressure on us all to find answers.

Having real power to make change is part of the reason people don't consider it a bother to be a GDL. Quite the contrary: it's an honor. And it's not something that comes automatically with a certain rank; we have GDLs from every rung of the management ladder. The people who serve as GDLs have been handpicked for qualities like empathy, communication skills, positive attitude, and even the ability to let one's hair down and have fun.

Still, being a great GDL isn't everything around here. You can be a really good one and not be promoted if you don't excel at your other work. Our performance review process stands apart from our assessment of people as GDLs. That said, someone who's a superstar as an individual contributor won't get as far—here or, I would expect, anywhere—if he or she can't develop the leadership qualities and people skills that make for a good GDL.

Measure Early, Measure Often

I'm a firm believer that you change what you measure. Once a year, we do an all-employee survey to assess our progress against cultural goals and to gather 360-degree feedback. People are identified by group but are individually anonymous. We include a survey question such as "How much ownership do

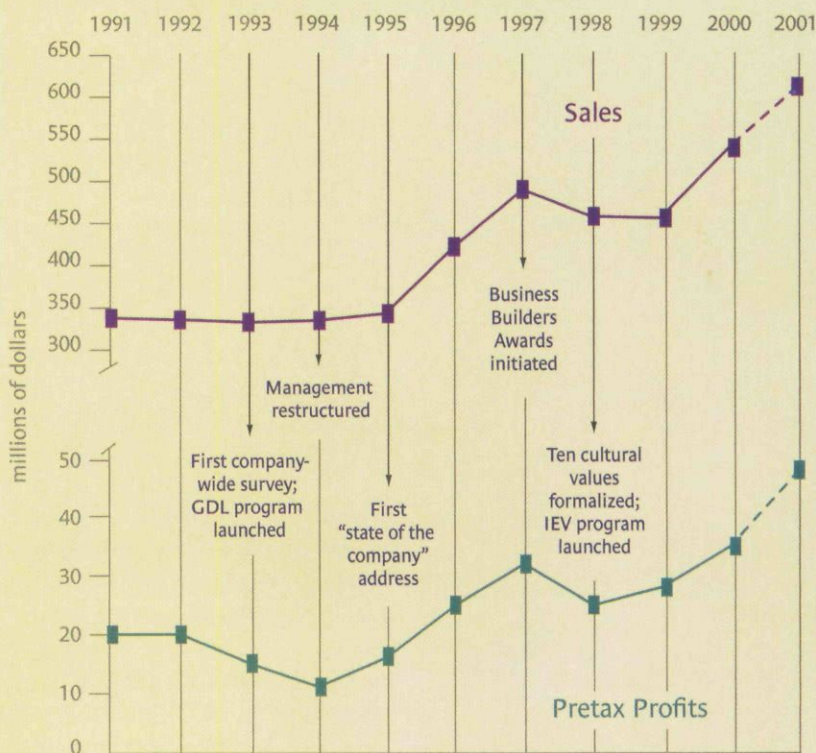
Alberto-Culver at a Glance

The Alberto-Culver Company, with 13,000 employees worldwide, is a \$2.25 billion manufacturer and marketer of personal care, specialty grocery, and household products. Its Sally Beauty Company, with more than 2,000 stores in the United States, United Kingdom, Canada, Germany, and Japan, is the world's largest distributor of professional salon products.

Its consumer packaged goods are sold in more than 130 countries. The portfolio includes global brands such as the company's flagship Alberto VO5 hair care line and St. Ives skin care, facial, and hair care products, as well as a number of other well-known brands: Consort, FDS, Just for Me, Molly McButter, Motions, Mrs. Dash, Static Guard, and TRESemmé in the United States, and, internationally, strong portfolios of regional personal care and household brands ranging from Salveqvik bandages and Samarin antacid to the Indola professional hair care line.

In consumer products, Alberto-Culver's competitors include Procter & Gamble and Unilever, and its customers include the largest and most demanding retailers in the world. Despite that, in a market with relatively flat growth rates, the company has reported nine consecutive years of record sales and earnings, most at double-digit rates. Its packaged goods businesses, after plateauing in the early 1990s, have shown accelerating sales and profit growth rates throughout the last half of the decade.

A Culture on the Move: Alberto-Culver North America



The cultural changes within Alberto-Culver North America since 1993 have underpinned corporate growth.

you personally feel for the company's products?" because when you ask such a question, you're really telling people what you care about. We ask about ethics and team spirit and whether we're having fun yet. We ask about management's success in providing a vision of where the company is going.

The survey for the year 2000 had 180 questions, and 33 focused exclusively on the respondent's GDL. These questions range from the straightforward ("How often does your GDL meet with you?") to the highly subjective ("During the last year, do you feel your GDL has made you feel better, the same, or worse about working for Alberto-Culver?"). Once the results are tabulated, we recognize all the GDLs who scored well in each key category, announce the overall best-scoring GDLs, and reward those folks with company stock.

More important, we sit down and talk with all the GDLs about their results and what's behind them. I personally pore over these surveys. I fret over the people who've shown a downturn; I marvel at those who've outdone themselves. Right now, I'm thinking about the conversation I'll have with one recent hire. She's great at what she does and very much in demand by team leaders around the company, but her GDL scores aren't impressive. My take is, she has the ability but hasn't realized how seriously we take this. Next year, I'd lay money on it, she'll be up toward the front of the pack.

I mentioned that we want people to memorize our list of ten values. It's in our survey ("Do you know our corporate values by heart?"). Do I trust people to answer that one honestly? I do; if people can't answer it when they get to the question, they've since looked it up. This is an open-book test.

Celebrate

I have one last piece of advice. If you want something to grow, pour champagne on it. We've made a huge effort—maybe even an over-the-top effort—to celebrate our successes and, indeed, just about everything we'd like to see happen again. I've already talked about the

stock rewards to outstanding GDLs. We also have a program called Business Builders Awards, given to individuals and teams who make a real impact on our growth and profitability, usually by going well beyond their job requirements. A BBA went to someone who spent a month in Mexico helping to upgrade our information systems there. An R&D team working on our TRESemmé product line won recently when their formulation earned a record-breaking score for product performance at the independent testing laboratory we use. And remember those Alberto VO5 shampoo bottles that were earning us only a penny? One team found a way to update the package design and reduce its product cost. A definite business builder.

We also give everyone the chance to vote in our recently launched People's

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we were not the highest
bidder, but the founder
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Choice Awards. The 21 categories cover all kinds of things we like to see. Employees vote for the person they'd most like to have on their team; the colleague who best blends commitment to our community with great performance at Alberto-Culver; even, on a lighter note, the person who has the best hair. All of these programs are designed to reinforce central points that we stress at every opportunity: individuals here can make a difference, and companies don't succeed—people do.

Mostly, though, our celebrations aren't awards programs—they're more spontaneous or event-driven. We've thrown a surprise thank-you party to celebrate an exceptional fiscal year, complete with entertainment and 700 pounds of popcorn. On a smaller scale,

we note all work anniversaries and personal milestones with "Alberto appropriate" gifts (cheap but tasteful, and not the same for everyone). Many gifts are given from GDLs to their team members and from colleague to colleague just to say thank you—and we have a couple of creative people and a supply room dedicated to the need. The real point is that when someone receives a gift, it sits on a desk for a while, drawing attention. People ask about the occasion, a story is told, and the lesson of what our culture values is reinforced.

Culture Drives Results

With all this discussion of awards and celebration, it may surprise you to hear that we're still considered a tough place to work. We have high expectations of our people, and we don't hesitate to make it clear when they're not living up to them—another aspect of that in-your-face honesty we value. So we talk about having a culture of "caring, not caretaking." We believe in running a fair race. We've removed constraints on people who have the skills and initiative to excel, but we're not carrying poor performers over the finish line.

I'm encouraged to claim we're doing the right things because, certainly, our people are delivering. In my last state of the company address, I reported that our North American sales for 2000 were up 18.2% (corporate sales climbed 13.7%) and our pretax profit was up 25% (corporate net earnings were up 12.6%). These strong growth trends are continuing in FY01 and will produce gains from 1994 through 2001 of 83% in sales and 336% in pretax profit. Over that same period, we've cut employee turnover in half and seen our ability to attract top people from top companies improve. I have the strongest management team right now that's ever been assembled at the company. And great people want to work for great people, so culture and performance tend to become self-perpetuating circles.

Our culture has also had an impact on our success in acquisitions—an important part of our growth story over the past decade. In 1996, when we acquired

St. Ives Laboratories, which produces a line of botanically based products, we introduced ourselves to our new colleagues with a version of a state of the company address that made clear how our businesses complemented one another. We offered an honest assessment of St. Ives's strengths and weaknesses and the competitive environment we would now face together. Afterward, many St. Ives employees said that they'd learned more about business on that day than during years of working there. In another recent acquisition, we learned that we had not been the highest bidder but that the founder had chosen to go with us because he had a good feeling about our culture.

A Passion for Culture

Have we finished the job of changing our culture? Not yet, despite a lot of positive changes. Cultural change, perhaps obviously, is not one change but numerous changes—some big, most little. The majority of them, ultimately,

Passion is probably the single prerequisite to cultural change, for those inclined to attempt it. If you're not passionate about it, don't even bother.

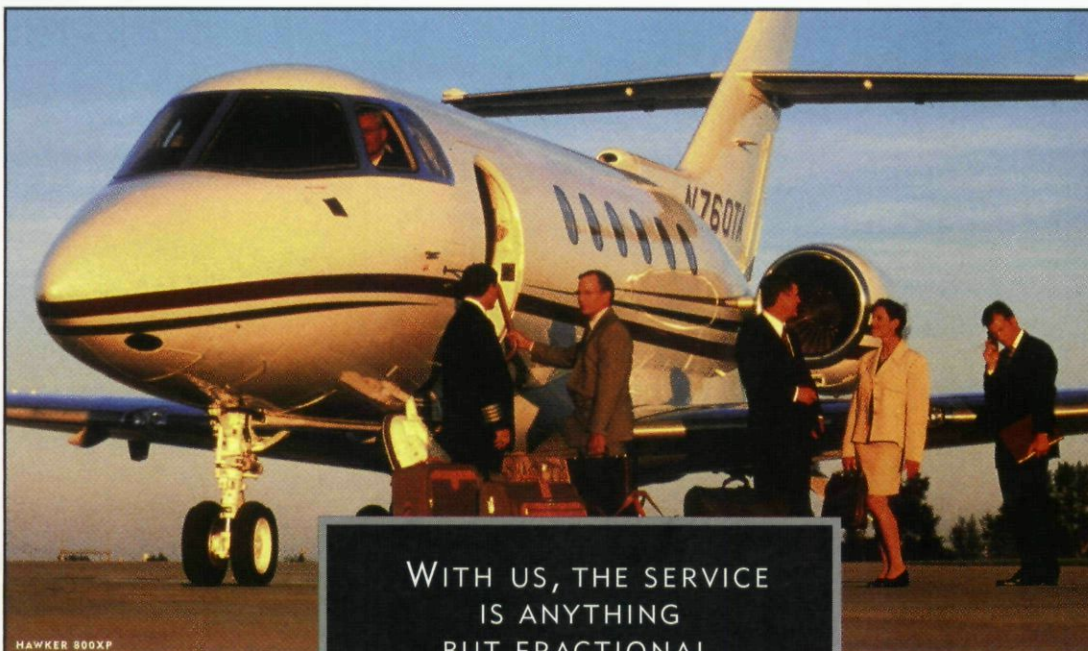
are not mine. I've learned to let our cultural initiatives take on lives of their own. For instance, I've stood back and watched as the head of our sales organization has put his own spin on the GDL teams in his area, urging them to build their emotional intelligence. Meanwhile, our group VP of operations has extended our Business Builders Award to the plant floor, calling the new program "Accolades." There's a lot of ownership of culture around the organization, and it's become a shared passion.

Passion, in fact, is probably the single prerequisite to cultural change, for those inclined to attempt it. If you're not passionate about it, don't even bother. Every decision we make, we now

see, is an opportunity to support or to undermine the culture we want. Happily, culture is on a lot of people's minds here now. We've made it an issue and a part of people's jobs, we measure it carefully and celebrate it constantly. As a result, we all enjoy the benefits of greater honesty, ownership, trust, customer orientation, commitment, fun, innovation, risk taking, speed and urgency, and teamwork. It's working today. And we believe if we face tough times at some point in the future, our culture will carry us through. At Alberto-Culver, we have people and we have brands. We care deeply about both. 

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