

GROW

How to Change the Narrative of Business

JIM STENGEL

It's time to change the narrative of business.

From a winner-take-all tale, no-holds-barred, no matter what the cost to individual firms, investors, the economy, and society, to doing business on the basis of what I call brand ideals, shared ideals of improving people's lives.

Wider adoption and leveraging of brand ideals would be the best medicine the economy could possibly get. Instead of inflating a bubble that would sooner or later burst with tragic consequences for everyone, it would trigger and sustain unprecedented growth in every sector it touched.

Make no mistake, however. The business case for brand ideals is not altruism. It's self-interest and mutual interest. In addition to its wider positive impact, a devotion to brand ideals will do more for your own business and career than any other factor.

Maximum business growth and high ideals are not incompatible. They're inseparable. To beat the competition and lead your category, you must grasp and act on the fact that doing the right thing in your business is doing the right thing for your business. The cause-and-effect relationship between brand ideals and business growth is the central finding of a ten-year-growth study I commissioned and carried out in collaboration with research firm Millward Brown Optimor and UCLA Anderson Graduate School of Management.

Before we go any further, let me explain that I use the words brand and business interchangeably. A brand is what a business is all about in the hearts and minds of the people most important to its future. In any competitive market, what drives margin and growth and separates one business from another—for employees, customers, end-consumers, partners, and investors—is the brand. And what increasingly separates great companies and businesses from good, bad, or indifferent ones are brand ideals.

I first saw the full potential of brand ideals in several line management roles at Procter & Gamble, and then as the company's global marketing officer. In my consulting and research since then I have seen how leaders in many industries are seizing the power of brand ideals. The ability to leverage brand ideals is also what increasingly separates great business leaders from good, bad, or indifferent ones.

Think about what and how you buy in your business and personal life—whether it's household products or enterprise data services. What ultimately determines why you buy from one company rather than another? It's their brand's image and reputation and the relationships you have with them. A brand is simply the collective intent of the people behind it. A brand defines who you are and what you stand for as a business. If you want great business results, you and your brand have to stand for something compelling. And that's where brand ideals enter the equation.

A brand ideal is a business's essential reason for being, the higher-order benefit it brings to the world. A brand ideal of improving people's lives is the only sustainable way to recruit, unite, and inspire all the people a business touches, from employees to customers. It is the only thing that can enduringly connect the core beliefs of the people inside a business with the fundamental human values of the people the business serves. Without that connection, without a brand ideal, no business can truly excel.

The importance of brand ideals to the bottom line is rising fast, and this trend is inexorably reshaping the business landscape. In 1980, virtually the entire market capitalization of the Standard & Poor's (S&P) 500 consisted of tangible assets (cash, office, plants, equipment, inventories, etc.). As I explain in my book, *Grow*, research by Millward Brown Optimor shows that in 2010 tangible assets accounted for only 40 to 45 percent of the S&P 500 companies' market capitalization. The rest of their capitalization consisted of intangible assets, and about half of that—more than 30 percent of total market capitalization—came from brand.

The growth in the importance of brand value over the last thirty years is unmistakable. Brand value is now most companies' single biggest asset, and the consequence is that business leadership and brand leadership are converging in every industry and every sector of the economy. The world's best companies have responded to this by ensuring that they bring together business leadership and brand leadership in the C-suite and throughout their organizations.

In short, businesses are now only as strong as their brands, and nothing else offers business leaders so much potential leverage. That is why I believe every business leader—whether you are selling cars, chemicals, or cosmetics—needs to think and act like a brand leader.

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Again, the business case for brand ideals is not about altruism or corporate social responsibility. It's about expressing a business's fundamental reason for being and powering its growth. It's about linking and leveraging the behaviors of all the people important to a business's future, because nothing unites and motivates people's actions as strongly as ideals. They make it possible to connect what happens inside a business with what happens outside it, especially in the “black box” of people's minds and how they make decisions. Ideals are the ultimate driver, my research has found, of category-leading growth.

The only study to track both growth in financial value and growth in customer and consumer commitment to brands, the Stengel Study of Business Growth pored over the more than 50,000 brands in WPP's BrandZ database and identified fifty business-to-business and business-to-con-

sumer brands across the globe that are centered around ideals of improving people's lives and that grew three or more times faster than the competition in their categories from 2001 to 2011. The fastest growing of the Stengel 50, such as Apple and Google, grew as much as ten times faster than their competition. And an investment in the Stengel 50 as a whole over the 2000s would have been 400 percent more profitable than an investment in the S&P 500.

Including both newcomers and enterprises active for more than a century, the Stengel 50 are:

Accenture, management and enterprise consulting services

Airtel, mobile communications

Amazon.com, e-commerce

Apple, personal computing technology and mobile devices

Aquarel, bottled water

Blackberry, mobile communications

Calvin Klein, luxury apparel and accessories

Chipotle, fast food

Coca-Cola, soft drinks

Diesel, youth-targeted fashion apparel and accessories

Discovery Communications, media

Dove, personal care

Emirates, air travel

FedEx, delivery services

Google, Internet information

Heineken, beer

Hennessy, spirits

Hermès, luxury apparel and leather goods

HP, information technology products and services

Hugo Boss, luxury apparel and accessories
IBM, information technology products and services
Innocent, food and beverages
Jack Daniel's, spirits
Johnnie Walker, spirits
Lindt, chocolate
L'Occitane, personal care
Louis Vuitton, luxury apparel and leather goods
MasterCard, electronic payments
Mercedes-Benz, automobiles
Method, household cleaners and personal care
Moët & Chandon, champagne
Natura, personal care
Pampers, baby care
Petrobras, energy
Rakuten Ichiba, e-commerce

Red Bull, energy drinks
Royal Canin, pet food
Samsung, electronics
Sedmoy Kontinent ("Seventh Continent"),
retail grocery
Sensodyne, oral care
Seventh Generation, household cleaners
and personal care
Snow, beer
Starbucks, coffee and fast-food retailer
Stonyfield Farm, organic dairy products
Tsingtao, beer
Vente-Privee.com, e-commerce
Visa, electronic payments
Wegmans, retail grocery
Zappos, e-commerce
Zara, affordable apparel

As you can see, there are no banks in the Stengel 50. Indeed, the only businesses related to financial services in the list are the electronic payment service providers MasterCard and Visa. When I talk about the Stengel 50 to bankers, they invariably are dismayed that it includes no banks. Others may share their dismay, but no one else is surprised.

With the largest banks bailed out by taxpayers and top bank executives paid huge sums despite innumerable management failures, which collectively put the economy into dire straits and inflicted huge losses and costs on clients and customers, it should be no surprise that banks score low on customer bonding.

The world's biggest banks remain fragile enterprises, vulnerable to potentially crippling fallout from the sovereign debt crisis in the euro zone as well as from the toxic assets still on their own balance sheets. And the banks have run afoul of their foolhardy risks, blinded by their self-interested assumptions, precisely because they have not been guided by brand ideals of improving people's lives. The onset of the financial crisis hinged on the largest banks' being distracted from serving clients and customers by trading on their own accounts, often in serious conflict with the needs of those clients and customers, including mortgage-holding consumers. Likewise the recovery is so tentative and incomplete, because the banks are still mired in conflicts between their own interests and those of their clients and customers.

For the recovery to proceed and gain momentum, the largest, too-big-to-fail banks must rediscover their fundamental reason for being. They must reclaim their essential role of being fair and honest providers of ready credit and trustworthy facilitators and stewards of capital flows.

Two banking brands are showing the way. On the international scene, Standard Chartered Bank, the result of a 1969 merger between two long-established British banks, has steadfastly been keeping its eye on helping to improve people's lives. As a result, it is making steady progress in achieving its long-term strategic aim of being the best bank active in Asia, Africa, and the Middle East. In North America, Ally, the new online banking arm of General Motors Acceptance Corporation (GMAC), is growing rapidly by striving to take consumer banking to new levels of trust, ease, quality, and cost savings. Standard Chartered and Ally are doing in the banking sector what the Stengel 50 do in their areas. The potential for financial services businesses to achieve growth through ideals of improving people's lives illustrates how ideals can strengthen bottom lines even in sectors where the profit motive alone seems to reign.

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There are four profound findings from the Stengel Study of Business Growth that you must heed, if you want to succeed with 21st century customers and end-consumers:

- 1. Brand ideals drive the performance of the highest growth businesses.**
- 2. The brand ideals of the highest growth businesses center in one of five areas, or fields, of fundamental human values.**
- 3. The highest growth businesses are run by business artists, leaders whose primary medium is brand ideals.**
- 4. Business artists excel in similar practices that constitute an operating system for generating and sustaining high growth.**

Let me give you a brief look inside each of these findings.

Stengel Study Finding 1 | Brand ideals drive the performance of the highest growth businesses. The Stengel Study team and I found that all of the Stengel 50 have ideals of improving life that are appropriate for their categories. Some brands, like Google and IBM, have obvious life-improving ideals. Google exists to immediately satisfy every curiosity, IBM to build a smarter planet. Other brands, like Moët & Chandon and Diesel, bring an extra

dimension to life, providing their consumers with a special experience that enhances life. Moët & Chandon's ideal is to transform occasions into celebrations, and Diesel's ideal is to inspire imagination and endless possibilities in style.

When I use the phrase "improving life" in discussing brand ideals, there is, of course, a continuum in how deeply the brands in the Stengel 50 impact life. But they all do impact life in distinctively positive ways.

Stengel Study Finding 2 | The brand ideals of the highest growth businesses center in one of five fields of fundamental human values. Looking for patterns in the Stengel 50, my team and I found that they group into five very rich and interesting fields of fundamental human values:

Eliciting Joy: Activating experiences of happiness, wonder, and limitless possibility. Coca-Cola, Moët & Chandon, and Zappos, among others, exemplify this field.

Enabling Connection: Enhancing the ability of people to connect with one another and the world in meaningful ways. Ideals centered in this field characterize such otherwise different businesses as FedEx and Starbucks.

Inspiring Exploration: Helping people explore new horizons and new experiences. The ultimate source of profit for Amazon.com, Apple, Discovery Communications, Google, and Visa, among others, is enabling people to explore the world in different ways, whether online or via high technology, the media, or direct encounters.

Evoking Pride: Giving people increased confidence, strength, security, and vitality. Within the Stengel 50, Hermès, L'Occitane, Mercedes-Benz, Snow Beer, Calvin Klein, Jack Daniel's, and Hennessy all evoke pride in a sense of personal accomplishment, security, and confidence across the whole spectrum of price points.

Impacting Society: Affecting society broadly, including by challenging the status quo and redefining categories. Generally emphasizing societal impact in their appeals to customers and end-consumers, brands in this field are about making systems function better, whether it's the system of the human body (Stonyfield Farm, Innocent, and Chipotle), business and technology systems (Accenture and IBM), or our interface with the environment (Method, Seventh Generation, and the Brazilian energy giant Petrobras, which consistently ranks at the top of the energy industry on third party measures of environmental impact and sustainability).

These five brand ideals fields provide a way to judge whether businesses are positioned in the right space. They give you an acid test for gauging the validity and growth potential

of a brand ideal, and show whether you are aiming high enough and have a chance of engaging people at the level of their most profound concerns, needs, beliefs, and values. If your business or brand is not serving an ideal in one of these five fields of fundamental human values, you're likely not positioned for significant growth.

Stengel Study Finding 3 | The highest growth businesses are run by business artists, leaders whose primary medium is brand ideals. There's nothing more substantial and powerful in this world than an ideal. For good or ill, ideals move millions of people at a time, and the actions of those people move mountains, politics, war and peace, art, technology, science—and markets! The leaders running the world's fastest growing businesses never lose sight of that fact. The business artists in the Stengel 50 include the late Apple co-founder Steve Jobs; new Diesel CEO Daniela Riccardi; Discovery Communications founder and chairman John Hendricks; FedEx founder, CEO, and chairman Frederick Smith; Google co-founders Sergey Brin and Larry Page; Ernst Tanner, CEO and chairman of Swiss premium chocolate maker Lindt and Sprüngli; Method co-founders Eric Ryan and Adam Lowry; Red Bull co-founder and CEO Dietrich Mateschitz; Starbucks founder, CEO, and chairman Howard Schultz; and Zappos CEO Tony Hsieh. For example, Ernst Tanner has ensured that Stengel 50 brand Lindt fulfills its ideal of providing joy through small luxuries by orchestrating the activities of its Maîtres Chocolatiers (master chocolate makers).

Bernard Arnault, CEO and chairman of French luxury conglomerate LVMH, has said, “Star brands only stem from an artistic and creative mind,” and he insists that every one of LVMH’s businesses must have an operator and an artist in leadership positions. That’s a good leadership model for any business. Sometimes one person can fill both roles, as Dietrich Mateschitz does at Red Bull, but not often. Effective leaders must understand whether their strengths are those of the business operator or the business artist, and then find and empower a colleague who can fill the other role. Many observers of Apple in the late 2000s noted the partnership of CEO Steve Jobs, indisputably its business artist, and COO Tim Cook in running the enterprise. It will be fascinating to see how Cook evolves at Apple’s CEO: Will he primarily be an operator? Or will he shift to more of an artist? And what will be the impact on Apple’s brand ideal of empowering people’s creative exploration and self-expression?

Today’s world, again, is seeing the convergence of business leadership and brand leadership. In a global economy of excess supply and insufficient demand in every sector, it is not enough to have a product or service that plays a functionally useful role in customers’ lives. That’s table stakes and nothing more. The business case for ideals is about playing a role in the lives of both customers and employees at a much more important level than the competition. It’s about connecting with people holistically, rationally and emotionally, left brain and right brain. And that requires brand leadership at the highest levels of a business.

In enduring, successful businesses an ideal of improving people's lives takes relevant new form in every generation. IBM has been devoted to making business and technology systems work better since its beginnings in 1911. At different points in IBM's history, that has meant automating the office, helping to put a man on the moon, or today improving the world's complex infrastructures in health care, transportation, the power grid, and other areas. Founder Thomas Watson, Sr., and his son and successor as CEO, Thomas Watson, Jr., began and fostered the brand ideal within IBM. More recently, Louis Gerstner and Samuel Palmisano have both refreshed and extended the IBM ideal. As with Tim Cook's becoming CEO of Apple, it will be fascinating to see where new IBM CEO Virginia Rometty takes her organization's distinctive brand ideal.

Stengel Study Finding 4 | Business artists excel in similar practices that constitute an operating system for generating and sustaining high growth. The Stengel 50 and their leaders have widely varying styles, from freewheeling to buttoned-down, but they all excel at five basic activities that underpin the approaches they take to their businesses. I find that similarity absolutely amazing, and believe it is the most important finding of the Stengel Study, a critical new benchmark for business leadership. The business artists in the Stengel 50 excel at:

- Discovering, or rediscovering, a brand ideal in one of five fields of fundamental human values.
- Building the business culture around the ideal.
- Communicating the ideal internally and externally to engage employees and customers.

- Delivering a near-ideal brand experience.
- Evaluating business progress and people against the ideal.

Whether your business is in the Fortune 500 or a new venture, whether you are in senior management or beginning your career, getting started on an inspiring brand ideal is the foundation for changing the narrative of business. That narrative centers on growth and profit, to be sure, but as I've sketched out here, and as I explain more fully in *Grow*, the only viable path to sustained growth and profit lies in improving the quality of people's lives.

“A movement is building, a profound shift to shared growth and prosperity based on ideals of improving people's lives.”

The reasons why the narrative of business must change are right in front of us every day. Frenetic business cycles and a winner-take-all mentality have turned “value” into no more than a ticker symbol that must be chased quarterly and that can virtually disappear overnight. We are also living in an increasingly transparent world where elaborate shell games of boosting image cannot obscure or cancel out bad behavior. Most telling of all for any business serious

about its future, we have a generation of young people who are three times more likely to work for a company that does something they care about.

A movement is building, a profound shift to shared growth and prosperity based on ideals of improving people's lives. The Stengel 50 show the extraordinary achievements in enterprise growth and profit of this nascent movement. But the best is yet to come.

Will you be part of the movement? Will you plant brand ideals at the center of your business and career?

Go to [facebook](#) and give me your pledge. What is your ideal and how are you going to bring it to life?

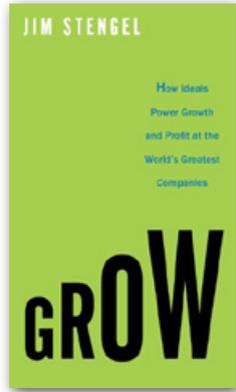
I'll be reporting via social media on the Ideal Projects, as I'm calling them, at the Stengel 50 and elsewhere, including those you share with me. These Ideal Projects can give our world a new kind of intellectual property on which to build a better future for business.

Together we can change the narrative of business.

Start big or start small, but start now.

It's time. 📍

Info



BUY THE BOOK | Get more details or buy a copy of [Grow: How Ideals Power Growth and Profit at the World's Greatest Companies](#).

ABOUT THE AUTHOR | Jim Stengel is the former Global Marketing Officer of Procter & Gamble, where he had organizational responsibility for nearly 7,000 people. He has been named multiple times by *Advertising Age* as the number one “Power Player” in marketing and recognized as Grand Marketer of the Year by *Brandweek* magazine in 2005; in September 2011, he was named to the Fortune Executive Dream Team. He is currently President/CEO of The Jim Stengel Company, LLC, and adjunct Professor of Marketing at the UCLA Anderson School of Management. Stengel appears regularly in the media, including Kudlow, the Wall Street Journal, Adweek, etc. He is based out of Coronado, CA and Cincinnati, OH.

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