



THE ART OF LEADERSHIP



**THE HISTORY FACTORY**

A HERITAGE MANAGEMENT AGENCY

## HERITAGE MANAGEMENT AND THE ART OF LEADERSHIP

Heritage management is a vital and pervasive yet hard-to-pin-down approach to getting the best out of your business. Corporate executives trying to define the issue are often in the same bind—at least conceptually—as former US Supreme Court Justice Potter Stewart. In a landmark case about pornography, he said, “I know it when I see it.”

In our experience, there is not a great dictionary-worthy description of heritage management. With that in mind, this white paper explains the concept, highlights its prevalence, and makes a case for its broader and more intentional use: an essential tool for twenty-first century leadership.

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### HERITAGE HOME RUNS

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Before we take a crack at defining heritage management ourselves, let’s learn from the pros and look at some premier examples of heritage management in action. Nothing better illustrates the use of heritage today than the way sports organizations effectively leverage it to sustain and increase their popularity.

Heritage management can be found everywhere in the sports world. Halls of Fame, classic stadiums and arenas, throwback uniforms, old timers’ games and, most importantly, the preservation and constant recycling of images of great players and plays showcase how leaders in sports use heritage management to sustain brand loyalty.

And yet some of the best heritage management applications in sports are far more subtle. The Chicago Cubs, for example, have one of the richest histories in Major League Baseball. Despite its challenges on the ball field, the Cubs franchise has managed to retain a fan base and sustain what all brands covet: a unique customer experience.

The Cubs’ rituals and traditions—keeping part of the fence open at Wrigley Field during games, throwing opponents’ home-run balls back onto the field, having guests lead the crowd in “Take Me Out to the Ball Game”—define a culture that is like no other.

Then there is the franchise that is the yin to the Cubs’ yang. The New York Yankees for decades epitomized the best—or at least the winningest—in baseball. The pinstriped magic still moves America, as anyone who witnessed the repeat standing ovations for Derek Jeter during the 2014 All-Star Game can attest. Different player, different circumstances, different times, but the echo of the great goodbye from baseball legend Lou Gehrig resonated around the stadium, and around the world on video screens large and small. The past was present, and it was a marvel to behold.

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While sports offer a visceral example, heritage management is similarly applied by leaders across all sectors of business. One such example is Southwest Airlines, which has demonstrated how strong corporate culture translates into strong performance. Much like the Cubs, Southwest has created a culture built on tradition. The company's defense of its employees in customer disputes and the creative leeway it gives flight attendants are both well-known and distinctly different from the practices of most of its competitors.

After an unexpectedly rough landing in the New York area recently that led to collective gasp from passengers, one Southwest flight attendant deadpanned, "Well, we're here." The passenger compartment erupted in laughter, and goodwill was restored.

And then there's General Electric, the gold standard of innovation reaching back to founder Thomas Edison, which has sustained greatness largely through its ability to consistently develop great leaders. Rising stars at GE participate in structured training and development programs that feature the history of great organizations such as Google and the United States Military Academy at West Point. They understand that successful organizations rely on leaders who can drive innovation and are willing to take big risks for potentially big rewards. CEO Jeff Immelt's early bet on NBC Universal didn't work out, for instance, so he sold it off and doubled down on emerging market power and green solutions.

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### HERITAGE MANAGEMENT DEFINED

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Heritage management is the practice of taking the collective memory of an organization and systematically telling a story that is compelling, authentic and relevant, to ensure the past remains a vital element in the collective identity of the organization's future.

History is a comprehensive record of what happened, how it happened and who was involved. While history theoretically includes everything, heritage is selective. It is what we choose to remember, what we tell, and what we reinforce. Some expressions of heritage are visible and conscious, such as rituals and traditions, founding stories, and oft-cited examples of innovation and success. Other elements of heritage often lie below the surface: think values and basic assumptions—the long-forgotten reasons "we always do it this way."

As processes, procedures and tools achieve, or appear to achieve, success, they gather meaning and can take on iconic status. Powerful leaders are also often enshrined in an organization's collective

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memory, and with them, their personal beliefs and methods. Products—and their advertising and marketing campaigns—can help define generations and become part of the broader lifestyle and cultural fabric of their times.

Heritage can be used to create brands that motivate consumers and employees, making it easier to sell products and get work done. Strong leaders sometimes instinctively and often consciously use heritage to drive their strategies knowing that words, stories, processes and events can trigger collective memories—both real and mythic. But leaders ultimately must learn how to leverage heritage in a world where social and economic influences, technology advancements, and new competitors require change.

When time, new technologies and new competitors demand change, a former pathway to success will not always remain so, and a proud heritage may someday become an obstacle to progress.

Two leading management authorities—Larry Bossidy, renowned former CEO of Allied Signal and Honeywell, and Ram Charan, a consultant to senior management—collaborated on the highly praised 2002 book *Execution: The Discipline of Getting Things Done*. Bossidy and Charan argue that leaders seeking change are right to focus on the so-called “soft” stuff—beliefs and behavior—because they are “at least as important as hard stuff . . . if not more so.” They explain that “in an organization the hardware (strategy and structure) is inert without the software (beliefs and behavior).”

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However, they also critique efforts aimed first or solely at cultural change. “Most efforts at cultural change fail because they are not linked to improving the business’s outcomes,” they say. “To change a business’s culture, you need a set of processes—social operating mechanisms—that will change the beliefs and behavior of people in ways that are directly linked to bottom-line results.” Beliefs and behavior are simply another way of describing heritage.

Psychologist Howard E. Gardner is a MacArthur Fellow who studies how humans think and work, particularly geniuses and leaders. In his book *Leading Minds: An Anatomy of Leadership* (1995), Gardner looks at the use of heritage by leaders. “In recent years, social scientists have come to

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appreciate what political, religious and military figures have long known: that stories (narratives, myths or fables) constitute a uniquely powerful currency in human relationships,” he says. He adds that stories “of identity—narratives that help individuals think about and feel who they are, where they come from and where they are headed—that constitute the single most powerful weapon in the leader’s . . . arsenal.”

Studies from the past two decades consistently reveal significant positive associations between heritage and stock performance. John Kotter and James Heskett’s *Corporate Culture and Performance* (1992) emphasizes the role of leadership in ways that echo Bossidy, Charan and Gardner: “In the cases of successful change that we have studied, we have always found one or two unusually capable leaders on top. These individuals had track records for producing dramatic results.”

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### A MEANS TO AN END

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Today’s frequent references to authenticity are a response to “aspiration fatigue.” Many organizational mission, vision and value statements—as well as advertising claims and counterclaims—ring hollow. Popular culture also has demonstrated that you cannot “create” authenticity.

A tagline from the 1970s achieved iconic status by asking a question that challenges the sometimes thin line between reality and appearance: “Is it live or is it Memorex?” Successful leaders who know they need emotional as well as rational levers to pursue their strategies often turn to heritage. The danger: heritage management can degrade into a tactical (“Maybe this will work”) use of rituals, symbols and stories that is manipulative rather than genuine. The presentation may be theatrical, but strong leaders eschew manipulation. As Bossidy and Charan say, “Only authenticity builds trust, because sooner or later people spot the fakers.”

The Harvard Business Review article “Authenticity: Is It Real or Is It Marketing?” refers to a decision to revitalize a brand by building on its past. In one of the responses included in this March 2008 article, The History Factory’s founder and CEO Bruce Weindruch discusses the shortcomings of focusing on perceptions of the past rather than “inherent attributes that make the brand ‘authentic.’” He asserts: “I typically recommend that marketers . . . invite a group of company engineers down to the archives to spend a couple of hours exploring old engineering drawings, ads and product photographs. Here they can identify exactly how things have changed.”

Weindruch observes that connections with the past not only identify sources of authenticity but also can be “part of repenting and reforming process when they’ve strayed from their original vision.”

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### START WITH THE FUTURE AND WORK BACK™

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“The annals of business history are filled with companies . . . whose ‘authenticity’ didn’t save them from the bruising realities of the rough-and-tumble global marketplace,” Weindruch says in the Harvard Business Review article. Bossidy and Charan also make clear that heritage management is a means, not an end. Execution and results are key, whether the organization is a global corporation or a regional nonprofit.

According to Weindruch, the usefulness of managing heritage starts with the future. “A company needs to know where it’s going before it can claim the authenticity of where it came from. Its success in this regard hinges on involving customers and employees alike in a vision for the company’s future.”

### THREE VISIONS OF LEADERS



“The real value of your history is in knowing it and using it as a resource that supports your character and informs your path ahead,” Weindruch says.

For organizational leaders, the pursuit of the future involves integrating and managing three visions: future, strategy and heritage. For strategy, it seems obvious that you start with the future. Organizationally, strategy defines the future and the related expectations from results.

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Heritage also depends on your vision of the future. The roots of heritage are in the history of success, Weindruch says. People are smart. They remember and repeat in words, stories and actions the characteristics that make them successful. But organizations get into trouble when they stop learning and adapting, and heritage can become an obstacle. In pursuit of the future, leaders use their heritage as a launching pad in one of two ways: either “here’s how we’ve succeeded in the past,” or “here’s specifically how we need to change, because what worked for us in the past won’t or isn’t working now.”

Recognized leaders, who are generally known to be forward-thinking, are among the most ardent students of history and heritage, a field that many consider passive and backward-looking. Not surprisingly, Harvard and West Point—both known for producing great leaders—concentrate heavily on case studies and history, because they realize the importance of learning from the past and acknowledge the significance of managing heritage in leadership.



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### IN SICKNESS AND IN HEALTH

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Heritage management is not a CEO's fair-weather friend. It serves an organization and its leaders in good times and bad. But its application in each case is often quite different.

Heritage management played a vital role in helping many companies and leaders navigate the Great Recession. In the days, weeks and months following the collapse of Lehman Brothers in 2008, advertising and public relations firms responded to the public panic with campaigns and ads touting financial firms' longevity and experience to convey stability and adaptability. Even corporations with strong performance records, like spirits company Brown-Forman, used historical figures and heritage iconography in their 2009 annual reports to bolster investor confidence.

New York Times advertising columnist Stuart Elliott writes that "hard times have frequently inspired fond looks in the rear-view mirror." He notes that economic turbulence triggered nostalgia in the marketplace as far back as the 1970s, and that the current recession has led to "time-machine tactics . . . primarily evoking four decades—the 1950s through the 1980s."

Since then, the pervasive use of heritage has transitioned from calming the waters and informing business strategy to driving new trends in brand and product development. In fact, heritage has become manifest in the consumer experience as companies have revived old products and brands, as well as advertising jingles, slogans and characters from bygone eras, using "newstalgia" and "comfort marketing."

Heritage management takes on a noticeably different hue during periods when companies are emphasizing growth and innovation. While the economic recovery has been uneven around the world, especially in terms of job creation, there is little doubt that the global economy has, in fact, recovered since the Great Recession. China's growth may have slowed, compared to earlier eras, by 2013-2014, but it is still growing smartly, and even much of Africa is in growth mode.

Heritage management can offer the biggest bang for the buck when times are good. Every company wants to be at the top of its industry's best-performing list, but many do not use the multi-decade record of accomplishment, innovation, growth and, yes, setbacks. That's precisely the DNA that drives innovation and growth. Heritage is a differentiating factor. Companies A and B are both bringing a new generation of xyz smart controls to market. For A, this is the latest in a string of innovative product developments that continues to set the industry standard. For B, this is an opportunity to enter a market experiencing rapid growth. You are customer C.

Aren't you likely to go with your A game plan, given A's proven heritage of accomplishment and leadership?



## HERITAGE MANAGEMENT AND THE ART OF LEADERSHIP

Within a company, heritage builds the past platform for future success. We all want to be a part of something bigger than ourselves. And we want more than just a job. Heritage management conveys the values of an organization and its founding story of risk-taking, innovation, best-in-class customer service and focus. That aligns and engages the troops internally; it also sends them over the top of the competitive trenches. In many markets around the world, that heritage management boost can help spell the difference between building an even better future and living in the past.

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### HERITAGE CHAMPIONS

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Anyone senior in communication, branding, human resources, strategy implementation or transformation projects has likely thought long and hard about heritage management, no matter what they've called it. But most organizations lack a "chief" for a function called heritage management.

Whether heritage management is the responsibility of the executive suite, a division manager preparing for a product launch, corporate communications, advertising, human resources, archives or even facilities management, each function likely views its use of heritage differently. Some leaders comfortable with a command and control culture may see the diffuse nature of heritage management as a challenge. Others may see it as an opportunity, and precisely the tool they have been looking for to connect their organization's past with their future.

These heritage champions understand that their full spectrum of heritage assets is waiting to be focused in support of growth, change, innovation and a host of parallel goals. Successful heritage champions will be the ones who may not be able to summon a precise definition of heritage. But when it comes to focusing heritage to drive organizational outcomes, they, like Potter Stewart, will know it when they see it.

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