

**Jennifer A. Chatman** is the Paul J. Cortese Distinguished Professor of Management at the Haas School of Business, University of California, Berkeley. Professor Chatman's recent research focuses on how a culture emphasizing innovation and adaptation buffers firms from economic volatility, how CEO's personality influences organizational culture, and how diverse groups perform in high pressure situations. Jennifer Chatman spoke with ExecEd about leadership and adaptive cultures.

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**ExecEd:** Today we're talking with Dr. Jennifer Chatman who is the Cortese Distinguished Professor of Management at the Haas School of Business, University of California Berkeley. She also serves as faculty director for the flagship Executive Education program, the UC Berkeley Executive Leadership Program. She received her PhD from UC Berkeley and BA in Psychology from UC Berkeley.

Professor Chatman's research and consulting focus on the business advantages of leveraging organizational culture and leading strategic change. She has worked with a variety of organizations including Adobe, Boise Cascade, British Telecomm, Cisco Systems, Genentech, Intel, Microsoft, and even The US Treasury. Professor Chatman's research has been highlighted in Business Week, Business 2.0, The Financial Times, Fortune Inc., The Jungle, The New York Times, The San Francisco Chronicle, The Los Angeles Times, The Wall Street Journal, and Working Mother.

She has written articles that have appeared in various academic journals such as Administrative Science Quarterly, Journal of Applied Psychology, and California Management Review. Professor Chatman has won numerous awards for her research and was awarded the award for teaching excellence in the Berkeley Columbia executive MBA program. Thank you for joining us today Jenny.

**Jennifer Chatman:** Thank you.

**ExecEd:** I like to dive right in and start out with a lot of your research that has dealt with leadership. I was wondering if you could help define what traits define a leader.

**Jennifer Chatman:** Well, that's an interesting question. There's actually been a fair

amount of research trying to isolate specific traits, and it's been largely unsuccessful to be honest. The reason is because there are many, many traits that can help. But what matters is what's the combination and what's the situation. Really researchers have abandoned the study of traits as indicators of leadership effectiveness. When I look at the research on leadership and the practice of leadership what I see is that great leaders have 3 attributes in common, at a broader level than traits.

The first one is that they are diagnostic and deliberate about leadership. What that means is that they look at situations and ask, "How can I add value on a situation by situation basis?" They also plan and anticipate how people are likely to react to the things that they do. That's the first one.

The second is that the best leaders have a broad behavior repertoire. Right away from that first criterion I used, which is our leaders' diagnostic about situations, if you're going to ask yourself the question, "How can I add value on a situation by situation basis," chances are you're going to need to rely on a broader set of styles than the ones that come to you naturally. Great leaders push beyond the styles that they reflexively use to learn how to respond broadly in a broad set of situations.

Then third, the best leaders are courageous and ambitious about leadership development, recognizing that developing as a leader takes specific attention and effort, and is also a lifelong endeavor. Rather than going to a trait model, are the best leaders domineering or are they good at influence, I like to think in these broader categories about being clear on who you are as a leader, being deliberate in thinking about your own development, and adding value in various situations.

**ExecEd:** How about leadership styles though? Are there distinct leadership styles, even if you're choosing one at a given time or situation?

**Jennifer Chatman:** There are a couple of styles that are better to have in your long run toolkit than others. If you were to look across a set of styles that are regularly used across situations, what I would argue that all leaders need to have some substantial capability on is being a visionary. I know that's a very overused term, but what I mean by that is setting the context for other people so they can make good decisions, judgment calls, and tradeoffs on a moment to moment basis without having to ask someone every time.

That's when you get groups firing on all cylinders. That's when people understand

the strategic priorities within their team or within their organization. That's when people are inspired to step up. If they understand how the work that they do connects to the larger objectives of the organization, people are much more likely to make good decisions and more likely to be inspired about those decisions as they work.

**ExecEd:** What about other styles? I know I've heard you speak about there's coercive, there's affiliative or ... What about the other styles? When are they appropriate?

**Jennifer Chatman:** Well once again, there is a broad set of styles, each of which is particularly useful in some situations and less useful in other situations. For example, a coercive style is useful in a true emergency situation. But if you overuse the coercive style, meaning that you make all the decisions as the leader and you retain decision rights and you simply tell people what to do, over the longer run people are going to start becoming reliant on your decisions, and you've really just made your job bigger, because people are not thinking independently about how they can resolve the most pressing strategic problems. Each style again has some advantages in certain situations but if overused can really be problematic.

**ExecEd:** How does one, how does a business leader use these different styles without feeling insincere or more chameleon like, that people aren't sure what to expect in a given situation?

**Jennifer Chatman:** Yes, so that's a good question about whether people expect consistency. People certainly expect authenticity, and within each of these broad leadership styles there are myriad ways of behaving. One leader's version of retaining decision rights and being directive is going to look different than another's and it's going to be part of a person's behavioral repertoire. What we encourage leaders to do is really locate these styles in their own behavior repertoire, because even if a leader is not doing a lot of some and a lot of others, they're doing some of each of them. The question is, do they need to increase or decrease the extent to which they're emphasizing each of these styles.

**ExecEd:** I'm always thinking of Steve Jobs as one of the pinnacle examples of visionary. Yet, a lot has been written about perhaps a more coercive style. How would you describe maybe what he was able to achieve from what you know of?

**Jennifer Chatman:** Well Steve Jobs is an interesting case and a somewhat puzzling case for those of us who study leadership. On the one hand, he was a brilliant visionary and he was a brilliant strategist and had a very, very keen understanding of industrial design and what consumers would view as appealing. Indisputable facts about him. He was also as people say a very coercive leader.

One wonders whether he could have been even more successful and the organizations that he ran could've been even more effective without that directiveness. Because what we know psychologically, it's a universal truth, is the more you make decisions yourself, the more you own the decision rights, the less accountable other people are going to feel for results. That psychological fact is going to have some kind of impact on how an organization performs. A coercive leader will always reduce the number of people who are deeply engaged in the game. One wonders whether you're getting full-fledged organizational performance or whether you've simply just made the leader's job much bigger.

**ExecEd:** I wanted to shift gears just slightly about this, and it does relate to what we're talking about with Steve Jobs and now that he's no longer there. I know you speak a lot and you've researched about culture driving business. He's not at the helm anymore and yet it seems to be doing all right. Can you talk a little bit about what you mean when you say culture drives business?

**Jennifer Chatman:** Well, I wouldn't say culture drives business. What I would say is that culture is your strategy execution engine. I would never say that culture comes first. In fact, I think it's a problem if culture comes first, because organizations then limit their strategic options. We've always done it this way? How could we possibly then go after that? Really, I encourage leaders to define their strategy first. Then, once those strategic aspirations have been defined, think clearly about the most important behaviors that are going to enable people to achieve those strategic objectives. That's what really culture defines, is how are you going to prioritize behaviors in order to achieve these strategic objectives.

The problem is most organizations is that they have at least some competing objective, some competing strategic demand. For example, the demand to provide the highest quality products, but also to be efficient. Those are potentially competing demands, because quality often requires munificence and spending and investment, and efficiency often requires being more frugal and cost cutting and so forth.

Really what culture does is if defined effectively and if culture meets the 3 criteria I believe to be important, which I'll mention in a moment, then what you have is the ability to really address those close calls throughout the organization without people again having to come and ask every time which way should I go on this.

Let me talk a little bit about the 3 criteria for using culture as a leadership tool, which has really been the essence of my research and consulting effort. The 3 criteria are this. The first one we talked about, culture needs to be strategically aligned. In other words, the behaviors that are most important are actually the ones that will get you full execution on your strategic imperatives.

The second is that culture has to be strong. It can't just be something people talk about in vacuous terms. It can't just be printed on your coffee mug. It actually has to be something that people internalize and they're willing to act upon and take risks on behalf.

Then the third criterion, which became massively clear to me in the past year or 2 when I published a trilogy of academic papers that tracked 60 of the largest high technology firms across a 6-year period is that the culture has to be adaptable. Organizations won't grow, won't change, won't hit their financial results or whatever outcomes they're interested in unless they have a capacity to change that culture overtime as external circumstances change.

**ExecEd:** In terms of adaptive culture and innovation can you give some examples of what that means?

**Jennifer Chatman:** Organizations that do a good job of being adaptive manage the challenge of surfacing creative ideas with the speed or pace of the opportunity window. What they really do well is they figure out how to surface ideas and quickly address those ideas to decide which ones they're going to pursue and which ones they're not going to pursue. The real differentiator between organizations with innovative cultures and those without them is not how many creative ideas they have. It's whether or not they're able to move on those ideas at a rapid enough pace. What you see is organizations who manage that challenge do well.

These are organizations that make very extensive use of pilot tests and prototyping. These are organizations that embed innovation and reward systems within the

organization, giving employees time to think up ideas and develop them as part of their regular work. These are organizations that have systems that quickly can review and filter ideas for those that won't work and they turn down most of them. People understand that the odds just are like that with the innovation pipeline. These are some of the ways that organizations manage that tension.

**ExecEd:** What does it mean to be innovative, have an innovative culture, and what does that mean in terms of risk, taking risks?

**Jennifer Chatman:** Well, the most innovative firms recognize that the innovation pipeline is very wide at the front end in order to find the 1 or 2 ideas that are going to work effectively. One example that people have known about for a long time is 3M, which is an interesting organization because it's big and it's old and yet it's able to maintain a focus on innovation that's quite impressive.

One of the practices they use is what they call the 3-page rule. For an initial idea to come in people need to write it down in 3 pages or less. Now why would you specify such an arbitrary page number? Well, there are all kinds of obvious benefits. People are more likely to read 3 pages than a longer document. It's pretty hard to summarize an idea, so it means that you've thought about it pretty clearly before you write it. But the most important reason why 3 pages or less is a valuable cut off is because most of these ideas are going to be turned down, 99.9% of them. What are the odds that your 3 pager is the next post-it note?

Really what successful organizations have done is both recognize and help their people understand that the hit rate is low. So psychologically maintaining an ability to withstand what otherwise might be called as failure but to view it as part of the process enables people to keep trying, even that none of their ideas have hit so far.

**ExecEd:** Let's talk a little more specifically about what you do, even within your programs, for business leaders that are trying to embrace that idea of the innovative culture and something that you call OCP. Can you explain a little bit about what whole process entails?

**Jennifer Chatman:** One of the most unique features of the Berkeley Executive Leader Program is heavy self and cross evaluation assessment component. Leaders come in with, this is UC Berkeley and we're a research institution, so we do a little research on each of our leaders, research that is helpful for them to figure out

where they are and what might need to change. One of the ways we do that is assessing their leadership style. That's a whole category of things. One of our most unique approach is to actually assess the culture that that leader has created within their organization. We do this in 2 ways.

The first is that we ask people within the organization to assess the current culture within that organization, whether it's the department or the whole organization, describe the current culture. We ask them to do it in a very systematic way so that each person's assessment can be compared to each other person's assessment in that organization.

We then look at that aggregate profile and we compare it against a second assessment using different people from within the organization. Here we ask the question, "If you were fully executing on your strategy, what would your culture look like?" Now we're in a position to aggregate these 2 profiles and make a comparison between what the organization is currently doing and what it would be doing ideally if they were fully executing on their strategy. This enables leaders to zero in on exactly the dimensions that are misaligned with their strategy and enables them to think in a forward looking way about how to modify the culture in a way that will support their most important strategic initiatives.

**ExecEd:** Do you find because you've been doing this for a number of years now, are there a lot of aha moments among participants? Is it shocking in terms of the percent of the disconnect of the 2 different data dimensions that you're looking at?

**Jennifer Chatman:** It can be very shocking, which is why we love using objective data. Because often times we lull ourselves into believing that either things aren't as bad as they could be, or that we have great intentions and we're trying to do certain things and that's not how it pans out. This kind of very data driven analytical approach can be incredibly revealing for leaders. Not only that, but when we do follow ups we find that leaders can very intentionally affect their culture.

One of the things that we found about this approach in particular is that leaders actually can change culture much more quickly than I think what the big consultants have led us to believe in the past. In fact, I wrote a case on Genentech that illustrated this exact fact. Within an 11-month period the division within Genentech that I write about actually achieved its 5 year goals, and most of that accelerated performance was attributed to the culture change process initiated by exactly the

OCP analytical approach. I feel very confident that this is a very useful analytical tool for leaders to pinpoint the issues that are the highest priority from a strategic perspective.

**ExecEd:** I understand that OCP allows leaders to pinpoint the difference between perhaps what they think is happening and what the ideal would be. Can it give them any other information?

**Jennifer Chatman:** Well yeah, there are actually 2 ways that leaders benefit from using OCP. One is by learning about the substantive basis for their organization's culture. Are we way too detail-oriented and not focused on innovation enough? Are we so collaborative that we're actually slowing down a little bit? That's a great comparison.

The second insight that it offers is that we measure the strength of the culture directly. We measure that by the extent to which people in the organization agree about what the current culture looks like and agree about what the desired culture should look like. That's an important consideration for leaders, because if they're starting from a point where people disagree vehemently about what the current culture is and/or about what the desired culture is, then that means you need to build the case for why the desired culture in particular is so important to emphasize certain characteristics. That typically means that the leader has not had done a thorough enough job in emphasizing the strategic priorities for the organization. That's an important place to start, even before you start thinking about what are the gaps in the culture.

My research has really been focused on the combination of the substantive aspects of culture and the strength of an organization's culture. Most research has sort of clumped those things together and assumed strength when they're actually talking about substance. In fact, it's really an important question to tease apart the extent to which the culture is strong versus not strong, because if the culture is not strong the substantive aspects are probably not that solid.

**ExecEd:** What I'm hearing again from a layman standpoint a lot of times we think culture as just more of a squishy kind of thing, an emotional sort of thing, but what you're saying seems to be that it's the data that's telling the story. Would that be your advice to leaders, to look at the data?



**Jennifer Chatman:** One of the hardest things about culture is that it is so soft. What I've tried to devote my career to is offering an analytical framework for thinking about culture. What we know is that no matter what leaders do or don't do a culture will form. Culture is inevitable in organizations. Any time you get people meeting together on a regular basis where important things are at stake like their job and their reputation and their pay norms will form. Really leaders don't have a choice about whether a culture will form or it won't form. What they do have a choice about is whether that culture is one that will enable them to achieve their strategic objectives, or a worst case scenario, an unmanaged culture which constraints them from being able to do so.

My view is that culture is way too important to leave to chance. Even though it is soft and difficult to capture, I think with an analytical framework and an objective way of quantitatively assessing culture leaders are in a much better position to be able to deliberately create and inspire a culture that will help them achieve their strategic objectives.

**ExecEd:** Thinking about those objectives as key then are you saying don't leave it to chance, don't let it be bottom up, it's more top down?

**Jennifer Chatman:** No. Because part of culture change involves bringing people into the organization to help you execute or figure out what that culture is going to look like in behavioral terms. It varies across organizations, but typically what I recommend is that leaders conduct an assessment of their organization's culture, and become they and their leadership team have the best understanding of their strategy, that they weigh in reasonably heavily on what the aspirational culture is going to emphasize. Which doesn't mean that they discount any of the data they've looked at. It may mean that they select the high priority gaps among a couple of gaps.

But then the culture change process is simultaneously top down and bottom up. If you don't invite people in to help with that change, it's never going to happen.

**ExecEd:** You're not going to get the buy in, right?

**Jennifer Chatman:** You're not going to get the buy in, exactly. I think transparency around culture is very, very important. A leader's best friend in this situation is to be clear about strategic priorities. In fact, if you're clear about strategic priorities and

you ask people, “Well, what behaviors would solve for these strategic priorities,” you can pretty much count on people coming up with a fairly tight set of behavioral priorities that are going to suit that set of strategic initiatives.

**ExecEd:** Any last advice, any final words that you would give leaders that are trying to maneuver through this?

**Jennifer Chatman:** Once we identify the gaps that exist for leaders what I like to talk about are the levers that they have available for changing the culture. We spend a lot of time in our executive programs helping leaders think about what those levers might be. They include who you recruit and who you bring in. Because selecting people matters. If you select people who resonate with the culture you're trying to cultivate, chances are they're going to be successful across a variety of roles within the organization.

Socialization and development, how do you develop talent within the organization? How do you prioritize performance indicators? Culture change often involves switching priorities rather than just adding more priorities to the list. Third, rewards both formal and informal. We talk about the research that shows that it's often the informal rewards, the pats on the back, the celebrations that really help clarify for people what the true priorities are within the organization. Finally, leader behaviors and the signals that leaders send out are often a very, very critical part of people really understanding what the culture is about.

**ExecEd:** We're here at Berkeley and I know you studied at Berkeley and you teach at Berkeley. How does what your research, all the research that you've done, how does it align with maybe the Berkeley culture?

**Jennifer Chatman:** It's a great question. Let me start by saying how it aligns with the broader Berkeley orientation. Berkeley is first a research institution. That's an interesting challenge within a business school because as a business school our job is not just to conduct the research, but to translate the research into meaningful practical approaches for leaders who are operating in challenging situations every day. My work I think really exemplifies that tension or what I think of as an opportunity.

I do research that's published in the most arcane academic journals and meets the sniff test for all the quantitative rigors that it has to go through. But at the same

time I've devoted my career to making this meaningful for use in external environments, in real organizations with real people and real leaders. I take great pride in leaders finding this work useful to them.

Now there's another level which is the Haas School's unique defining principles that are really a codification of what the Haas School and UC Berkeley have been for decades. When we think about being students always, that's a very, very deep theme in our approach to leadership, which is that leadership is a lifelong endeavor, it's a developmental activity. You need to continue to seek input on how you're doing. Leadership is not about how you think you're doing. Leadership is about the impact that you're having on other people. Therefore, you need to gather some information from other people to keep tabs on how it's going. Student always is obviously a very critical issue.

Confidence without attitude, a lot of our leadership advice pertains to ensuring that people are getting really significant credit for the incredible work they do in organizations every single day. No leader operates in a vacuum, and leaders who take credit or take too much credit for the work that happens in organizations almost always get into trouble, because either they become the sole decision maker or bad things happen in organizations and they're left on the hot seat. The idea of confidence without attitude is very, very critical.

Beyond yourself is similar in that regard. We're thinking about ways of making the whole greater than the sum of its parts. That's a core principle of leadership. Question the status quo is closely aligned with our emphasis on agility, adaptiveness, and innovation, which is a theme that transcends all of the work that we do within the Haas School. The idea that you can continue to operate in the same way that you've operated before is just not realistic. The world is changing at a rapid pace. Unless organizations are chronically prepared to adapt they are not going to do well.

**ExecEd:** Thank you so much. I feel like we've all learned a lot about adaptability and innovation today and culture. Thank you so much for joining us.

**Jennifer Chatman:** You're welcome.