

FEATURE INTERVIEW

Straight Talk

with Jeffrey Pfeffer

The author, speaker, and Stanford business professor doesn't hold back in this wide-ranging conversation.



Photo courtesy of Jeffrey Pfeffer

IF YOU'RE LOOKING for sugar-coated advice, don't talk to Jeffrey Pfeffer. If you want the hard facts as perceived by a noted authority in the area of organizational management, talk to Jeffrey Pfeffer.

Pfeffer is the Thomas D. Dee II Professor of Organizational Behavior at the Stanford Graduate School of Business. Chances are that you have encountered him before. Perhaps it was in one of his books such as *The Knowing-Doing Gap*, *Hard Facts*, *Dangerous Half-Truths*, and *Total Nonsense*; or his latest: *Power: Why Some People Have It—and Others Don't*. Perhaps it was in one of his Harvard Business Review articles such as "Evidence-Based Management." Perhaps you've seen him interviewed on *60 Minutes* or featured in a magazine column. He has been teaching since 1971 (at Stanford since 1979), and as a speaker, consultant, and research writer, his influence has a far reach.

In Summer 2011, CEO Advantage advisor Troy Schrock, had the opportunity to meet with Pfeffer near his Stanford University office. In a wide-ranging interview, Pfeffer's passion for business, excellence, life, and his work come through strongly. "I'll stay at Stanford until I die," he says, "and maybe longer if I can be buried here."

Pfeffer's blog is titled "Rational Rants." That fits his style: direct, authoritative, and thought-provoking. In this edited interview, you will likely find your own notions challenged on a point or two.

You have written about Pfeffer's Law, which says, "Instead of being interested in what is new, we ought to be interested in what is true." Why is that law necessary?

Too many leaders today have no discipline. They don't stick with something

program, but they never had to refund a cent. That's partly because the program worked, but not everyone who attended his classes saw an increase in sales. Most of them just failed to do the basic blocking and tackling required for an effective sales call. He would tell them

by his high school coach. Kurt Warner was stocking grocery shelves before the Rams finally gave him a chance.

Simon & Garfunkel were right: a man sees what he wants to see and disregards the rest. If we're going to be interested in what is *true*, we need to *think*. Peter

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long enough to master the fundamentals. Most of execution is driven by doing the small things—the details—extraordinarily well. That requires a lot of discipline and focus, and both are in short supply. That goes for everybody, not just leaders.

Why is there such a lack of discipline and focus? Are business leaders simply bored?

They're being told by strategy consultants that they must keep changing their strategy. Rarely are problems attributed to poor execution, even though problems are nearly always results of poor execution.

I once served on the board of a medical device company. Our overseas sales were great, but our U.S. sales were not. We looked at all kinds of strategies and tactics that might be causing that disparity, but to no avail. Finally, I said, "We've got a controlled experiment here. The same product that sells well overseas is not selling well in the United States. Is it possible that the U.S. sales leader doesn't know what he's doing?" Everyone insisted that was not the problem. But when we eventually had to replace him for disciplinary reasons, sales went up 30% in four months. Sales strategy was not our problem; it was sales execution!

I have a friend who sold a successful sales training company for \$300M. The company offered a money-back guarantee for anyone who completed his

what to do, but they wouldn't do it. It was simply an execution issue.

So it's a matter of finding the right disciplines and following through on them.

They are well known. That's what *The Knowing-Doing Gap* is about. In many instances, people already know what to do. They just don't do it.

What is the role of a leader?

To bring discipline and focus to the organization. Those who do it are successful. A friend of mine told me, "Anybody can do anything for a short time and on a limited scale. The question is whether you can do it repeatedly and scale it." You and I could probably cook one dish at one time as well as Thomas Keller, but can we do it more than once? That requires attention to process.

We teach a little bit of process at Stanford Business School, but executives don't find it interesting. They would rather talk about strategy.

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Is it a myth that an organization will succeed simply because it has better people?

Complete myth. There's no evidence for it. I suppose that's a good thing since peoples' ability to identify talent is not so great. Look at Michael Jordan; he was cut

Drucker said "Thinking is hard work, which is why so few people do it."

So it's not about better people.

It's about better processes, focus and discipline. Sure, there are differences in ability, but people and organizations really excel through practice and coaching.

In the interest of learning what does and does not work, organizations will often benchmark other companies. Do you see value in that?

No. Why would you benchmark anyone? That will only tell you what someone else *has been* doing, not what they *will* do. The furthest that benchmarking will get you is to the middle of the pack. No exceptional organizations do what everyone else does. I don't know any great organizations that benchmark.

If that's the case, why do so many companies do it?

Job security. If you say you did what everyone else did, nobody can criticize you. It's not about performance; it's about job security. To create your own path, you have to be as crazy as Steve Jobs.

Surely there is something to learn from successful companies.

Of course, but you have to look at how they think, not copy what they

do. *Fortune* published an article years ago about how Toyota gives tours to competitors. They know that quality comes from philosophy, not the buttons that stop the line. I can copy a great hotel's carpet, atrium, etc., but it's not their structure that makes them great. It's their service, which is rooted in their philosophy.

What is "philosophy" in this sense?

A basic insight about what makes your

business successful. Southwest Airlines acts on a basic insight that you don't make money when your planes are on the ground. That's simple. Whole Foods acts on an insight that you can charge more for food that people want to eat. Since they understand that tastes vary by locale, they don't worry about purchasing by the railroad car to minimize costs. Theirs is not a cost minimization strategy; it's a margin maximization strategy.

So it's about identifying what is more important to your business and measuring that.

That's right. If you measure the wrong things, you make poor decisions. Lots of organizations are in a death spiral right now. They've done a great job of cutting costs, but if your objective is to minimize costs, you might as well close. Your costs will be zero.

Cost minimization is not the objective; maximizing profits is the objective. Most companies need to be less focused on costs and more focused on revenues. Variances in profitability seldom come from difference in costs, but in pricing. Singapore Airlines can charge more than United because people don't feel like they're going through torture during the flying experience. Whole Foods costs are probably higher than their competitors; but their margins are better thanks to their service, quality, and selection.

That's true for any business in any industry. The most profitable organizations are those that provide in a cost-efficient way an extra value for which people are willing to pay a premium.

Let's return to Pfeffer's Law. How do you create a culture of truth-telling?

The first step is to get rid of fear.

How?

As a leader, you must admit your own mistakes in front of every employee in the organization. Gary Loveman of Harrah's Entertainment wants to admit all the mistakes he's made so he can convince his managers that they can't possibly cost the company as much money as he has. If I want you to tell the truth, I have to begin by telling the truth myself.

A leader can't expect from an organization anything more than what he will do himself. That's very rare. A lot of people have too big of egos to admit mistakes.

If I'm your doctor, and your PSA test comes back 8 (meaning you have prostate cancer), and to avoid worrying you, I tell you it's a 0.8, I haven't done you a favor. I've killed you. If you wouldn't tolerate lies from a doctor, why would



Photo courtesy of Jeffrey Pfeffer

you tolerate them from any leader?

I don't think leaders who lie always do it deliberately. I think they create their own world in which they can't distinguish truth from a lie. That's even more dangerous. If you can't distinguish what is real, it's hopeless.

In *The Knowing-Doing Gap*, you talk about a surprising result from your research on how people learn. Talk about that.

People learn by doing. For example, no longer do the most innovative software design companies design a product, spec it, build it, then launch a big product release. Instead, they are in constant contact with the customer, releasing incremental versions and collecting feedback. They learn by doing.

You mentioned feedback, which is such an important part of the process. Have you seen any particular companies with exceptionally effective mentoring programs?

Mentoring just means two people sit down every once in a while and have a conversation. Coaching, on the other hand, means being in the trenches and giving real-time feedback. It's much more time intensive, but also much more effective. The military does this well. They play war games where superiors closely observe the action. When it's done, they sit down and figure out what they did wrong.

That coaching/feedback loop is

essential, but most organizations are reluctant to invest the time and resources to close the feedback loop. Many people don't have 20 years of experience; they have one year of experience repeated 20 times.

You have written about organizations wasting talent by pursuing bad practices. Give an example of that.

People hire talent and then tell them what to do. Why would I hire an experienced executive only to constrain him with "our way of doing things?" If I'm going to tell my people what to do, I might as well hire idiots. It's cheaper.

How do we reconcile that with the importance of process? Can people really have the freedom to engage if we've implemented an experience-driven process of best practices?

Yes, process is crucial, but who has a perfect process? There is always room to improve. An executive in one of my classes told me how he questioned a machinist who was machining a part differently from the company process. The machinist answered, "My way is 50% faster and has 20% less waste. Would you like me to do it your way?" The executive replied, "No, I want you to do it your way and teach everyone else how to do it that way, too."

Processes are important, but they must allow people to pilot new ideas and test them. And don't punish people when something doesn't work. Most new ideas

are bad, so failure rates are high. But you learn by doing. You don't get to idea #27 that works until you try #26.

Are you teaching class right now?

Yes. I teach a class to MBAs called "The Paths to Power." We talk about how to become rich and successful.

I bet that class is full.

It is, but they don't like what I teach: hard work, building strategic relationships, learning how you spend every minute of every day, understanding that your peers are also your competitors. This is California, the now/me generation. They don't have the stomach for that stuff.

I read an article about school districts going away from the idea of valedictorians. At swim meets, eight kids swim, and eight get ribbons. We're trying to say, "There's no competition." That's not true. There's only one CEO in an organization, one managing partner in a law firm, one superintendent in a school district, one congressman in each district, one president.

How long do you plan to work?

Forever, because I don't work. A friend asked me recently, "Are you retired?" I said, "No. Would you be able to tell the difference if I was?" He said "No." I said, "Then why would I retire?"

I have the best job in the world.

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