

PEAK

How Great Companies Get Their Mojo from Maslow

Chip Conley



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“You can be born smart, but you cannot be born wise. Wisdom takes time to acquire. I found a lot of wisdom in Chip’s book that would work for any organization.”

—**Robert Stephens**, founder and chief inspector of Geek Squad

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*To Abraham H. Maslow, whose lifetime of learning
offered a precious gift to the world.*

*And to my Joie de Vivre crew, who “seek the peak” with
me every day.*

PREFACE

Deep down I always knew that business could be done differently. I founded and grew my company, Joie de Vivre Hospitality, with this rebellious spirit. But it wasn't until I was rocked to my foundation with a desperate economic downturn that I was truly able to see the power of my principles.

Celebrated restaurateur Danny Meyer told me he wrote his book *Setting the Table* because it helped him move from the intuitive to the intentional in how he ran the Union Square Hospitality Group. Brazilian CEO Ricardo Semlar has said he wrote his books *The Seven Day Weekend* and *Maverick* to address one of his director's questions about whether what works in practice for their company could also work in theory. I decided to write *Peak* because it allowed me to combine three of my greatest interests: writing, psychology, and business. Writing this book required me to reconcile how Joie de Vivre has successfully interpreted one of the most famous theories of human motivation into how we do business. But my learning was most profound when I discovered dozens of other peak-performing companies that have also consciously and unconsciously relied on Abraham Maslow's Hierarchy of Needs. It wasn't just my little company that was fond of Abe's pyramid. Yet, taking all of this learning and turning it into a book was quite a task. Thankfully, at a very young age, I knew I wanted to be a writer when I grew up, so all the time spent researching and writing just helped connect me back to a lifelong aspiration. I guess that means I'm now grown up.

This book is about the miracle of human potential: employees living up to their full potential in the workplace, customers feeling the potential bliss associated with having their unrecognized needs met, and investors feeling fulfilled by seeing the potential of their capital leveraged. Celebrated author Fred Reichheld says, "The fundamental job of a leader is to be a role

model, an exemplary partner whose primary goal is to help people grow to their fullest human potential.” Great leaders know how to tap into potential and actualize it into reality. My hope is that whether you are a start-up entrepreneur or in management at a Fortune 500 company, you will be able to use the theory in this book to maximize your own potential as well as the potential of those around you. Don’t get discouraged if this theory feels a little foreign. Here at Joie de Vivre, we aren’t perfect either. I can’t say we act on this theory every day in every one of our forty businesses, but the process of educating everyone in the company about these principles has made a big difference in our lives.

I might have called this book *How I Survived the Great Depression and Created a Great Company and Great Relationships Along the Way*, but I don’t think my publisher could have fit that on the cover. It seems trite to say that companies are just communities of relationships. But common sense suggests, and empirical studies show, those organizations that create deeper loyalty—with employees, customers, and investors—experience more sustained success. In this age of commoditization, one of the truly differentiating characteristics of leaders and companies is the quality and durability of the relationships they create. *Peak* (a much more succinct title) will help you create peak experiences with those you work with so that these flourishing relationships will help you sustain peak performance.

PEAK

PART ONE

MASLOW AND ME

Note: Many of the Abraham Maslow quotes and references in this text were sourced from *Maslow on Management* (edited by Deborah Stephens and Gary Heil).

CHAPTER ONE

TOWARD A PSYCHOLOGY OF BUSINESS

If we want to answer the question, how tall can the human species grow, then obviously it is well to pick out the ones who are already tallest and study them. If we want to know how fast a human being can run, then it is no use to average out the speed of the population; it is far better to collect Olympic gold medal winners and see how well they can do. If we want to know the possibilities for spiritual growth, value growth, or moral development in human beings, then I maintain that we can learn by studying the most moral, ethical, or saintly people.

ABRAHAM MASLOW

Pop.

That word conjures up some nostalgic images for me: my dad who doubled as my Little League coach, a style of music I couldn't get enough of, the Shasta Orange I used to drink by the six-pack.

At the end of 2000, as we were enjoying the second millennium celebration, the word *pop* had a new meaning to me: it was the sound of champagne flowing, of good times continuing to roll, of prosperity anointing me with a hero's halo.

I had a lot to be thankful for. My company, Joie de Vivre Hospitality, had grown into one of the three most prominent boutique hoteliers in the United States. My first book of any

note, *The Rebel Rules: Daring to Be Yourself in Business*, which included a foreword from my demigod, Richard Branson, was hitting the shelves. And *USA Today* had just profiled me as one of fourteen Americans, along with Julia Roberts and Michael Eisner, to be “watched” in 2001. Every indication was that my life, my company, and my budding career as an author were all heading in the right direction—up—and the New Year would be a welcome one. Little did I know that the real thing to “watch” in 2001 would be that I didn’t jump off the Golden Gate Bridge.

I went from being a genius to an idiot in one short year. You see, *all twenty* of my company’s unique hotels were in the San Francisco Bay Area. Yes, you can tell me all about the value of geographic diversification, but in the late 1990s there was no better place, with the possible exception of Manhattan, to operate a hotel. I had learned long ago that a company can be product-line diverse or geographically diverse, but it’s hard to be both. Rather than be a Holiday Inn with replicated product all over the world, we consciously chose the opposite strategy as we built our company. We would focus our growth in California and create what has become recognized as the most eclectic, creative, and handcrafted collection of hotels, lodges, restaurants, bars, and spas in a single geographic location.

But that pop I heard around New Year’s was more than just champagne. It was also the sound of the bursting dot-com bubble. It was the pop heard around the world, but nowhere was it louder than in my own backyard. I won’t bore you with the details, but even before the tragedy of 9/11 sent the worldwide travel industry into an unprecedented tailspin, San Francisco and Silicon Valley hotels were experiencing annualized double-digit revenue losses because of the high-tech flameout. Bay Area business leaders didn’t want to admit that we were as addicted to electronics as Detroit is to cars or Houston to oil, but in 2001, during that first full year of the new millennium, we came to realize that we were going through withdrawal.

It turns out the millennium was sort of the midpoint of the seesaw. The Bay Area had partied for five good economic years in the last half of the nineties. But just like if you drink heavily for five days approaching New Year’s you might also suffer through a

five-day hangover, our region experienced a comparable nausea in the first five years of the new millennium. That seesaw hit the ground really hard. My business, my confidence, and my self-worth all took a precipitous fall.

What do you say to a journalist who asks, “How does it feel to be the most vulnerable hotelier in America?” I knew I was feeling rotten, but I didn’t realize my melancholy was being observed on a national stage. The reality is my company, after fifteen years of rising to the top of the hospitality industry, was suddenly undercapitalized and overexposed in a world that had changed overnight. I never realized that after founding Joie de Vivre at age twenty-six and dedicating fifteen years to building it, there was a risk I could lose everything. Most industry observers thought we were done for.

It wasn’t just the dot-com meltdown or 9/11 that led to a truly troubled travel industry. A couple of wars, an outbreak of SARS (severe acute respiratory syndrome), and a very weak worldwide economy from 2001 to 2004 didn’t help. It seems as if everyone wanted to stay close to home. The San Francisco Bay Area was ground zero for this “great depression” for American hoteliers. In the history of the United States since World War II, no hotel region in the country had ever experienced the percentage drop in revenues the Bay Area experienced in those first few years of the new millennium. And because Joie de Vivre operated more hotels in the region than any other hotelier, we faced a classic “thrive-or-dive” dilemma.

I remember sitting on the dock of my best friend Vanda’s houseboat in Sausalito, facing the sparkling city of San Francisco across the bay on a crystal-clear morning. It was low tide, which exposed all of the mud and muck of the shoreline. It felt familiar: my business was at low tide. Vanda certainly knew it and, being the poet aficionado she is, she read me a line from a Mary Oliver poem, “Are you breathing just a little and calling it a life?”

I was speechless. I’d been holding my breath ever since I’d heard the pop of the bubble bursting. I had a moment of clarity. This downturn was proving to be a true stress test for my business, but it was also a stress test for me personally. I’d been joking with my Joie de Vivre leadership team that we were

becoming a “faith-based” organization. We truly believed this downturn wouldn’t last forever, but with each passing quarter, things only got worse. The pressure made me feel like *I* was going to pop. I realized I needed to stop holding my breath. Speechless, yes; breathless, no.

A couple of days later, when I was experiencing a bit of malaise, I snuck into the Borders bookstore around the corner from Joie de Vivre’s home office. I needed another Mary Oliver fix or some form of inspiration. A CEO in the poetry section of a downtown bookstore on a weekday afternoon? I felt like I should be wearing sunglasses and a disguise. Somehow I drifted over to the psychology section of the bookstore; maybe it had something to do with my own mental state.

There among the stacks I came upon a section of books by one of the masters of twentieth-century psychology, Abraham Maslow. I started leafing through *Toward a Psychology of Being*, a book I’d enjoyed twenty years earlier in my introductory psychology class in college. Moments grew to minutes, which grew to hours as I hunkered down, sheepishly looking over my shoulder every once in a while to make sure no one was watching. I couldn’t put the book down. Everything Maslow was saying made so much sense: the Hierarchy of Needs, self-actualization, peak experiences. In the midst of the crisis that was threatening my business, that was challenging me personally as I had not been challenged before, this stuff reminded me why I started my company.

When you name your company after a hard-to-pronounce, harder-to-spell, French phrase for “joy of life,” as I did, you must have different motivations than the typical Stanford MBA. The goal I set for myself just a few years out of Stanford was to create a workplace where I could not only seek joy from the day-to-day activities of my career but also help create it for both my employees and customers. I’d done a short stint at Morgan Stanley investment bank and realized that my aspiration in life was not to climb the typical corporate ladder. After deciding against a career in investment banking, I’d spent a couple of years in the rough-and-tumble world of commercial real estate construction and development and realized that spending all day negotiating through adversarial relationships wasn’t my idea of a good time either.

It was on my twenty-sixth birthday that I finished the business plan for Joie de Vivre. At that point, I'd become a tad disillusioned with the traditional business world and was considering a career as a screenwriter or massage therapist (I did training in both). Starting a boutique hotel company was my last option before I took an exit off the business superhighway. What inspired me about the hospitality world was that if we got our job right, we made people happy. And as a boutique hotelier, I could tap into my creativity to do things that I could never do in building an office tower. I remember telling an MBA friend back in 1987, when he was helping me paint my first hotel (I didn't have the budget to hire a professional painting contractor), that Joie de Vivre was my form of self-actualization (we'd both been exposed again to Maslow in a business school class called "Interpersonal Dynamics," which all of us deridingly called "touchy-feely").

Each day during the early part of 2002, when there seemed to be no limit to the depths the San Francisco hotel industry could fall, I would come home from work weary and a little battered and crack open another Maslow book. I even had the opportunity to read his personal journals from the last ten years of his life. I started using some of his principles at work. I came to realize that my climb to the top wasn't going to be on a traditional corporate ladder; instead, it was to be on Maslow's Hierarchy of Needs Pyramid. During the next few months, I began to mentally "compost" this book—throwing everything into the bin I had experienced and everything I was learning—while giving my business mouth-to-mouth resuscitation based on Maslow's principles.

A BRIEF PRIMER ON MASLOW

A musician must make music, an artist must paint, a poet must write, if he is to be ultimately at peace with himself. What a man can be, he must be. This need we call self-actualization. . . . It refers to man's desire for self-fulfillment, namely to the tendency for him to become actually in what he is potentially: to become everything one is capable of becoming.

ABRAHAM MASLOW

Abraham Maslow is probably the most recognized and quoted psychologist in corporate universities and leadership books. In best-selling business books by legendary authors Stephen Covey, Peter Drucker, and Warren Bennis, you find many limited references to Maslow's seminal work. The influence of his thinking is everywhere. Author Jim Collins (*Built to Last, Good to Great*) wrote, "Imagine if you were to build organizations designed to allow the vast majority of people to self-actualize, to discover and draw upon their true talents and creative passions, and then commit to a relentless pursuit of those activities toward a pinnacle of excellence."

Maslow believed human beings had been sold short, especially by the traditional psychology community. Freud's perspective on the human psyche was a kind of "bungalow with a cellar," with his main psychiatric focus being on people and their neuroses, which often came from childhood traumas. B. F. Skinner pioneered the idea of "behaviorism" in psychology based on the premise that we could learn a lot about humans by studying lab rats (think of the bestseller *Who Moved My Cheese?*). Maslow came at this from a very different angle, focusing more on people's future than on their past. Instead of studying just people who were psychologically unhealthy, he began reading about history's acclaimed sages and saints to look for commonality in their outlook and behavior. Maslow focused on the "higher ceilings" of human nature rather than the basement cellar. Of course, this all made sense: in sports, the arts, and in business, we study peak performers to understand how to improve our own performance. By recognizing that all humans have a higher nature, Maslow helped spawn the human potential movement in the 1960s and 1970s. And even the U.S. Army picked up on his theory when their internal Task Force Delta team turned Maslow's "What man can be, he must be" into the phrase "Be all you can be," which became the advertising slogan in its recruiting campaign.

The foundation of Maslow's theory is his Hierarchy of Needs Pyramid, which presumes that "the human being is a wanting animal and rarely reaches a state of complete satisfaction except for a short time. As one desire is satisfied, another pops up to take its place. . . . A satisfied need is not a motivator of behavior."

FIGURE 1.1. HIERARCHY OF NEEDS PYRAMID.



Maslow believed that each of us has base needs for sleep, water, and food (physiological), and he suggested we focus in the direction of fulfilling our lowest unmet need at the time. As those needs are partially fulfilled, we move up the pyramid to higher needs for physical safety, affiliation or social connection, and esteem. At the top of the pyramid is self-actualization, a place where people have transient moments called “peak experiences.”

A peak experience—comparable to being “in the zone” or in the “flow”—is when what *ought to be* just is. Peak experiences are transcendental moments when everything just seems to fit together perfectly. They’re very difficult to capture—just like you can’t trap a rainbow in a jar. Maslow wrote, “They are moments of ecstasy which cannot be bought, cannot be guaranteed, cannot even be sought . . . but one can set up the conditions so that peak experiences are more likely, or one can perversely set up the conditions so that they are less likely.”

This was pretty fascinating stuff. But as much as I searched for books on Maslow, I couldn’t find one that applied his theory

to the universal motivational truths that define our key relationships in the workplace.

Although I knew I wouldn't find a book that would say, "Here's how you can get out of your funk and create peak experiences at Joie de Vivre," I began to wonder: if humans aspire to self-actualization, why couldn't companies, which are really just a collection of people, aspire to this peak also? Maslow wrote, "The person in the peak experience usually feels himself to be at the peak of his powers, using all of his capabilities at the best and fullest. . . . He is at his best, at concert pitch, the top of his form." Why couldn't that same sentiment be applied to my company? What does a self-actualized company look like? And how could Joie de Vivre "set up the conditions so that peak experiences are more likely?"

I started studying Maslow even more deeply. I learned that this rebel with an IQ of 195 was elected to the presidency of the mainstream American Psychological Association in his later years. His studies of exceptional individuals like Abraham Lincoln, Albert Einstein, and Eleanor Roosevelt helped him to realize that there was a "growing tip" of humanity who could prove to be role models for the rest of us. He called these individuals "peakers" as opposed to most people who were considered "nonpeakers." The characteristics of these self-actualized people included creativity, flexibility, courage, willingness to make mistakes, openness, collegiality, and humility.

MASLOW IN THE WORKPLACE

In the summer of 1962, Abraham Maslow spent a few months at Non-Linear Systems (NLS), a digital voltmeter factory just north of San Diego, California. His goal was to see if the characteristics that defined the self-actualized person could also apply to a company. He saw industry as a "source of knowledge, replacing the laboratory . . . a new kind of life laboratory with going-on researches where I can confidently expect to learn much about standard problems of classical psychology, e.g., learning, motivation, emotion, thinking, acting, etc." In essence, Maslow wanted to see if the science of the mind could be translated into the art of management.

Andrew Kay, the owner of NLS, relied heavily on Maslow's 1954 book *Motivation and Personality* to create a more productive and enlightened workplace. He believed, based on Maslow's theories, that employees satisfied their deeper social and esteem needs when they could witness the fruits of their labor. Kay noticed that his workers were more productive at the end of the assembly line, where finality of the assembly provided a sense of accomplishment. Kay dismantled the assembly lines, created small production teams that were self-managed, offered stock options, and created a post called the "vice president of innovation." These teams were even allowed to choose the décor of their private workrooms—a pretty revolutionary approach during the era of the "Organizational Man," more than thirty years before the first dot-coms sprouted.

Maslow was fascinated with how NLS used basic theories of human motivation and applied them in the workplace. He went on to publish a book on business called *Eupsychian Management* in 1965, but the inaccessible title doomed this effort, as did the fact that many of his ideas were probably ahead of their time (the book sold only three thousand copies when it was first printed). Maslow's interest in business didn't wane, as he spent his last couple of years as the scholar-in-residence at the Saga Corporation on Sand Hill Road in Menlo Park, California, just off the Stanford University campus. (A couple of decades later, this street became the number one address for the world's leading venture capital firms.) I only wish Abe Maslow had lived to a proper age (he died in 1970 at sixty-two) because I might have had the opportunity to meet him: just eight years after he died, I was regularly running along Sand Hill Road as a freshman on the Stanford water polo team.

Although Maslow's impact in the workplace took decades to gain widespread acceptance, many business pioneers beyond Andrew Kay took his theories to heart. Charles Koch of Koch Industries got an authorization to reprint the long-forgotten *Eupsychian Management* for his senior executives as they built the country's second largest private company. Lee Ozley was a consultant to Harley-Davidson's president, Rich Teerlink, during the 1980s and 1990s when the company was struggling to survive. Ozley had studied with Maslow as a graduate student at

the University of Wisconsin and believed the key to Harley's renaissance was aligning the employees' intrinsic motivations with the needs and priorities of the company. Harley's reengineering of its company and its unique approach to creating a cult brand with its customers can be partially traced back to Maslow's theories. Senior leadership in diverse companies from Whole Foods Market to Apple to Men's Wearhouse also credit Maslow's influence with helping develop the foundational elements of how they operate their businesses.

Maslow's message struck a chord with many business leaders. In essence, he said that with humans, there's a qualitative difference between not being sick and feeling healthy or truly alive. This idea could be applied to companies, most of which fall into the middle ground of not sick but not truly alive.

Based on his Hierarchy of Needs, the solution for a company that wants to ascend up the healthy pyramid is not just to diminish the negative or to get too preoccupied with basic needs but instead to focus on *aspirational* needs. This idea is rather blasphemous for some. The tendency in psychology and in business has always been to focus on the deficits. Psychologists and business consultants look for what's broken and try to fix it. Yet, "fixing it" doesn't necessarily offer the opportunity for transformation to a more optimal state of being or productivity.

TAKING MASLOW TO HEART

It seems natural that corporate transformation and personal transformation aren't all that different. In this era when more and more individuals have undertaken deep personal change striving for self-actualization, it's not surprising that this has also become the marching orders for many companies. Employees are looking for meaning. Customers are looking for a transforming experience. Investors are looking to make a difference with their investments. We often forget, especially in today's high-tech world, that a company is a collection of individuals. As my friend Deborah Stephens wrote in *Maslow on Management* (which helped to resuscitate *Eupsychian Management*), "Amid today's impressive technological innovations, business leaders

sometimes forget that work is—at its core—a fundamental human endeavor.”

As a guy who runs his company in the shadow of the iconic Transamerica Pyramid, it’s only fitting that I would become so pyramid-obsessed. Maslow’s pyramid offered me a way of rethinking my business at a time when the brutal travel economy demanded it. During my first fifteen years in business, I’d found that having an organizing philosophy I could live and teach to my team helped drive Joie de Vivre to success. Best-selling author Malcolm Gladwell (*The Tipping Point* and *Blink*) told the *New York Times* that part of the reason for his books’ successes is, “People are experience-rich and theory-poor . . . people who are busy doing things don’t have opportunities to collect and organize their experiences and make sense of them.” I came to realize that Maslow’s Hierarchy of Needs would become my organizing structure for understanding the aspirational motivations in my workplace and in the marketplace. It would be the road map for the next chapter in my company’s history.

Using Maslow as our inspiration, we created a new *psychology of business* based on not just meeting the tangible, foundational needs of our key stakeholders but, more importantly, focusing on their intangible, self-actualizing needs. I came to realize that creating peak experiences for our employees, customers, and investors fostered peak performance for my company. This book illustrates that new psychology of business and tells the story of how Joie de Vivre transcended its challenging situation during the first five years of the new millennium and not only survived but thrived. It’s all about where you put your attention. Are you focused on the base or on the peak of the pyramid in your relationships with your employees, customers, and investors?

Whereas our biggest hotel competitors, who had much deeper pockets, experienced bankruptcies and lender defaults during the big hotel downturn of 2001–2004, Joie de Vivre grew market share by 20 percent, doubled revenues, launched our most successful hotel ever, was named one of the ten best companies to work for in the Bay Area, and reduced its annualized employee turnover rate to one-third of the industry average. How is it that Joie de Vivre, seemingly left for dead during the worst hotel downturn in sixty years, avoided the fate of its peers