

MoS Episode Transcript – Angela Ahrendts Part One

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ANGELA AHRENDTS: I realized that I had to do it my way and they brought me in to do it my way. I was told very early on, we don't do videos. Like, "Excuse me, it's like a YouTube world." No videos period.

REID HOFFMAN: That's Angela Ahrendts. And she's telling a story from her first months as Apple's Head of Retail.

AHRENDTS: It'd been a couple of months and somebody came up to me and said, "We think you should send an email out to all 70,000 employees and if you give it to us by Friday, we'll translate it into 36 la-..."

I picture my three teens in these stores and they don't read email. And no, that's not going to work. I said, "I'm going to do a video."

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I said, "I'm going to do a video, and I don't want a studio and I don't want hair and makeup. We have a phone. I'm going to do it like my kids do YouTube videos. It's going to be three thoughts in three minutes or less, no editing, nothing."

HOFFMAN: So Angela recorded her first video memo to Apple employees from her desk, using an iPhone.

AHRENDTS: I just said, "Hi, sorry I haven't reached out before, but we're going to do these videos. I'm going to talk to you once a week, three thoughts in three minutes or less, because I want you to be aware of what our plan is, where we're going, I want us to connect. I want you to trust me." I just was very open and honest.

HOFFMAN: As Angela was speaking, something happened.

AHRENDTS: One minute in my phone rings. I look down and it's my baby, it's my daughter. And I said, "Don't stop." I said, "Excuse me." I picked it up and I said, "Angelina, Mommy will call you back in like two minutes," laid it down, and just kept going.

And so of course they want to edit it. Apple's got to be perfect. And I said, "Not in this world." It does not have to be perfect. They have to see that I am authentic. They also have to see that I put my kids first.

HOFFMAN: Yes.

AHRENDTS: The next day I must have gotten 500 emails of people thanking me for taking my daughter's call.

HOFFMAN: Angela taking a quick phone call from her daughter – that set the stage for what she really wanted to communicate.

AHRENDTS: "I'm not a king or a queen or a dictator. I'm here to do my life's greatest work. Will you help me? Can we do it together?"

HOFFMAN: Angela knew she needed to connect with every employee in every store, at a human level, in order to transform the business. Even at an iconic company like Apple, the icon alone won't do the work for you. Whether your staff is 70,000 – or only seven – a leader has to get everyone pulling in the same direction.

That's why I believe: It takes more than a logo to rally the troops. You need an elevated mission – and everyday human contact – to unite a team.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe it takes more than a logo to rally the troops. You need an elevated mission – and everyday human contact – to unite a team.

Quick, what do you think of when I say the words "Red, white, and blue"?

A lot of you – statistically speaking – probably said, "The United States." But we have a global audience here at Masters of Scale, and 45% of you may have named the United Kingdom, Australia, the Netherlands – or one of the other 23 countries with red, white, and blue flags. A few of you may have even said "Cardiff City Football Club." They're red, white, and blue too.

The colors themselves are meaningless without two things: the elevated messaging around what the flag represents, and the people who stand beneath it. It's true of countries – and companies, too.

Which makes me think of the Apple Store. The walls are glass, of course, so you can see the gleaming products inside... and so you can see the team members, dressed in their simple but iconic uniform, a Pacific Blue shirt (recently updated from navy blue). Apple Store employee

shirts often change with the season, prompting obsessive blog posts and sub-discussions about what the change symbolizes. And once a year the entire store logo turns red for World AIDS Day. Every time the color changes, it delivers a single, elegant message to the team: something's different today, and we're all in it together.

But rallying a team takes more than just a logo or a color. It takes real work, a lot of it, to imbue that color – and that logo – with meaning.

I wanted to speak to Angela Ahrendts about this because few executives have shown a greater talent for uniting global teams. As CEO of the British luxury brand Burberry, she led an astounding turnaround after years of flat sales and brand dilution. Before that, as an executive vice president at Liz Claiborne, she handled dozens of successful acquisitions.

But you may know her for her work with a different company. Of course, we're talking about Apple. As head of retail and online sales, Angela re-imagined the Apple store. From its inception, the Apple Store had almost mythic status as a mecca for Apple superfans. But as Apple grew more and more popular, Apple customers had grown too.

The challenge: maintain the iconic magic of Apple, while managing crowds that now include just as many technological late bloomers as obsessive early adopters. To pull that off would require a new vision for one of the most successful retail operations of all time. But it also required everyday, hands-on coordination among retail teams separated by languages, time zones, and geography.

In this special two-part episode, we'll be talking with Angela about what it takes to turn a far-flung team into a mission-driven family. And our story starts in her family's hometown, a town with a population one-tenth the number of daily visitors to a single Apple flagship store.

AHRENDTS: I grew up in a tiny, tiny town: New Palestine, Indiana. One of six kids and I'm in the middle, if you can be in the middle of six. A couple of miles away was the largest orphanage in the state. And the school bus would go by it and it hurt me, looking out the window at holidays or going to ball games. My imagination would go crazy, and I felt so sad. I had such an amazing, tight-knit, loving family. And I always felt so sorry for all the individuals who had nobody.

HOFFMAN: As Angela watched the orphanage from the window of her school bus, an idea struck her. Her tight-knit family wasn't the norm, it was the exception. And she started to notice all the things her parents did to unite the family.

AHRENDTS: I learned from my parents: celebrate, just celebrate. My parents celebrated everything. My dad was an only child, my mom grew up in an orphanage, ironically. And so they celebrated every holiday. So I learned the power of celebrating.

HOFFMAN: What Angela came to realize was that celebrating every holiday as a family is a choice, one that united her family. In a family of eight, it's easy to let the little wins get lost in the shuffle. Every birthday party, every special dinner in honor of someone's straight A's: those are deliberate choices to commemorate success and reinforce "This is who we are, as a family. This is what we value." It's a principle that would stay with Angela: achievements deserve celebrating. And not just the big ones, but also the little wins along the way.

Angela followed her older sister to Ball State University. She was drawn to fashion, and thought she'd become a designer. Until she encountered a teacher who changed the course of her life.

AHRENDTS: Very early on I had a teacher that told me point blank that I actually wasn't that creative, but I had a very strong opinion on what everybody else was doing. So, she said, we call you a merchant. And that actually was great for me, year one, because it helped guide me.

HOFFMAN: Mmhmm.

AHRENDTS: It was interesting because merchandising uses my right brain and marketing uses my left brain. But again, I didn't know all of this. I didn't understand who I was. I didn't understand back then that I was half right brain and half left brain. I didn't even know what it meant.

HOFFMAN: This notion of being "half left-brain, and half right-brain" is something Angela talks about a lot. This ability to toggle between the analytical and the creative is a guiding force in her professional career.

But it took time to balance her logical and intuitive sides into a unified identity as a leader. That would only come after finding a series of role models, with very different leadership styles, who rallied their teams in different ways.

There was Linda Wachner, CEO of the clothing manufacturer Warnaco.

AHRENDTS: She kinda took me under her wings. And at a really, really young age, I'm in big meetings with CEOs. And she was about as left brain – she was a finance wizard. And I really felt like an idiot around her half the time. I would pull all-nighters to prepare for meetings so that I could understand what she was saying and keep up.

HOFFMAN: Then there was Donna Karan. Angela spent half a decade as president of her firm.

AHRENDTS: Donna Karan is the epitome of right-brain. We're going to Corso Como to the fabric shows. With Donna, you had to be on your product and your merchant game. And with Linda you had to be on your business and strategic game.

HOFFMAN: Each of these strong CEOs taught Angela how to lead with an elevated mission and to know her own strengths. Another leader, Paul Charron, gave Angela the final piece of her leadership puzzle. Paul was Chairman and CEO of the multibillion-dollar clothing label Liz Claiborne when Angela was executive vice president.

AHRENDTS: I would watch him address huge groups and his charisma, and that was actually almost icing on the cake.

HOFFMAN: More than anyone she'd worked for, Paul had the ability to connect – and not just from the stage.

AHRENDTS: Paul would stop by my office seven, eight o'clock at night sometimes, and he'd lean in and he'd say, "I have no idea what you do, but keep on doing it."

HOFFMAN: It sounds like an offhand comment. But it stuck in Angela's mind because it captures Paul's gift for connecting human-to-human. I actually see something else in that story. I see a leader who knows how to appreciate people who are different from him. And this is essential.

For example: One thing I've learned about myself as a leader is that my strength is creative problem-solving. I'm far less good at making the proverbial trains run on time. So, as a leader the best thing I can do is to elevate someone to leadership who complements my skills with theirs.

Angela and Paul made a great team at Liz Claiborne.

AHRENDTS: What we started to do was acquire businesses. So we would buy Juicy Couture and take it from \$50 million and write a billion-dollar business plan. I related to those creative founders. The finance guys would look at the numbers, but I believed in their vision and their products and what they were doing. I think Paul, and even myself, had this natural connection with these creatives.

I think it was all of those acquisitions at Liz that really, helped that corporation understand the brilliance of a founder, right? So many private equity, so many companies go in and they buy these companies and they think the founders are stupid because they don't talk the same language. They don't understand who they are. My job was to keep those founders in situ and protect them and let them dream, and – right?

HOFFMAN: Angela IS right. And I want to spend a moment on why. Angela looks at acquisitions as an exercise in team-building. Acquisitions aren't always treated this way... but they should be! It's like making a hire. The point of an acquisition is to say, "We love what you do, we think it's important. Your mission will add to ours."

It's really self-defeating to take on a new team, only to tell them, "Forget what made you special; do it our way."

It's on you to see how the acquisition contributes to your elevated mission, and then unite this new team under it. And that turns out to be one of Angela's super powers.

HOFFMAN: Was there anything in particular you learned about how to do this kind of acquisition well?

AHRENDTS: This might sound odd but probably the foundation of the basis of any great relationship, be it business or personal, is looking somebody in the eyes and truly hearing them, right? Not thinking of the next question. Truly hearing them, feeling them, like human-to-human connecting with them, and building this incredible trust.

HOFFMAN: Angela understood the value in this human-to-human connection, and leveraged it to build trust. With trust came smoother acquisitions and a more united team.

It was this ability that caught the eye of the London legacy brand Burberry. After seven years at Liz Claiborne, she got the call.

HOFFMAN: So then the call from Burberry comes in. What's your kind of first reaction to this staid, quiet, maybe even decaying British brand that calls you and says, "Hey, we think you might be the right one for us"?

AHRENDTS: One, I was almost taken aback because I had had a conversation about a week earlier with, there was another woman, we were both EVPs at the company, she said, "You know, you've been here for a while now and I fear that you're going to go someday. Why would you ever leave here? Like, what would it take?"

And just off the top of my head, just very spontaneously, I said, "I love luxury. It would be so intuitive to be in luxury someday. I would love to be in more of a direct-to-consumer business, and I would love to be so much more global," because my businesses were very domestic. And I just threw that out there. And the cosmos works in really weird ways. So a week later I get this phone call and my immediate instincts are like, "No thank you." But as I thought about it, I thought it is exactly what I had said.

HOFFMAN: It was a serendipitous offer. But, Angela turned it down.

AHRENDTS: So, I am loyal to a fault. I refuse to break anybody's trust. We have a really great meeting that they call up later and I'm like, "I can't. No, thank you. I just can't," right? Now I feel like I've cheated on my husband. Like I can't.

HOFFMAN: But the more calls Angela fielded about the position, the more intriguing it started to sound. Burberry as a brand had gone through a decade of oversaturation in the public eye. And that was a challenge Angela thought she could tackle. She talked it through with Burberry's lead designer Christopher Bailey, a colleague from years past.

AHRENDTS: I met with Christopher and we had not reconnected since our Donna Karan days. And there's about a 10-year age difference, but I had always admired and respected him and he had been brought in about a year or so earlier. And so we really reconnected and we actually put the strategy together on the back of a napkin. I mean, our minds were going a hundred miles an hour. So that was an incredible sign that I'd never done this before, he had never done what we were dreaming of doing, but wow, to have a partner like that.

HOFFMAN: Did either of you keep the napkin?

AHRENDTS: We didn't. And I wish we would have.

HOFFMAN: Angela didn't keep the napkin. But she did take the job as CEO of Burberry. After the break, we'll hear the inspiration – and the ultimatum – she brought to her team there.

[AD BREAK]

HOFFMAN: When we last left her, Angela was joyfully mapping Burberry's new mission on a napkin with designer Christopher Bailey. But when she first arrived at Burberry as CEO, she found herself in charge of 11,000 people who were not necessarily on board. The company was in turnaround, trying to reclaim and elevate a brand name that had gone plebeian.

She and Christopher agreed: They needed to rescue Burberry's signature pattern: A beige Scottish tartan run through with black and white intersecting stripes and a filament of red. Angela calls it "the check."

AHRENDTS: One of the first things we said was the check had been hijacked in England and had almost become ubiquitous.

HOFFMAN: Even for the fashion-challenged among you, it's very probable you've already encountered the "Burberry check." The pattern itself dates back to the late 19-tens, when Burberry would use it to line its overcoats. I even recall having one of these coats myself, when I was a student at Oxford.

But in recent years, it had spread to the masses – not just through counterfeits, but through over-licensing of the pattern. The "Burberry check" was drifting from the luxury brand's 150-year-old roots.

AHRENDTS: We had decided then that we really needed to clean it up, elevate it, make it more innovative. We had also decided that we would do everything in our power to reinforce the Britishness of the company. We felt that had been lost as it had gotten global over the years. And we sat there and he was like, British models, British music. The greeter at the store. We decided then on the trench coat, how we were going to just drive that and innovate that.

HOFFMAN: Part of establishing an elevated mission is determining the “One Factor” from which All Other Factors flow, a bit like an Eigenvalue in math and engineering. In this case, the Eigenvalue is “Britishness.” So Angela’s job would be to tie every subsequent decision back to this one: from the models to the music playing in their stores.

This kind of laser-focus is key in a turnaround. But Angela knew they also needed something aspirational. Something that elevates the work of each employee from the transactional to the purposeful. She added a critical new element to Burberry's brand: social impact.

AHRENDTS: But the most important thing we said was, we decided then we were going to create the Burberry Foundation because there was nothing like that. And we said, "We will have known that we did a really great job if in the future when someone bought the check, they knew that it was more important than just what they bought. That it had a deeper meaning."

HOFFMAN: The Burberry Foundation took proceeds from every sale to support social causes. And with that, Angela found a guiding mission that could inspire the entire team, invigorate the brand, AND invite the customer to buy in as well. Forget red, white, and blue: Unite under the beige and black!

But once again: It’s not enough to fly a Burberry tartan flag – you also need human, face-to-face engagement with your team. And if the teambuilding mantras so far have felt a little warm-and-fuzzy for your taste, get ready – that’s about to change.

Because Angela still faced a tricky turnaround. She needed to get every employee on board with the new company vision. And that would take some face-to-face conversations.

AHRENDTS: Maybe six months in, we had had a huge offsite, and we had 200 of the top executives from around the world we flew in.

And I'm a pretty good read of people. My right brain kicks in and I'm just watching. And this was two or three days. And at the very end I got up and I said, "Look, this is the strategy. This is what we're doing. And I know some of you are skeptical and I know you've been here for a long time and I know the way you think you're doing it in Hong

Kong or Korea is the best, but it's not. We won't win. We're not winning now and you're not, right?"

And I said, "So, I am happy to meet with you after this meeting and give you the greatest retirement package. I'm not looking to hurt anybody, but you need to walk out of here 100% believing in everything we're doing – or I don't want you on the team and I will take care of you. But we can't afford it. We have no time."

HOFFMAN: And did anyone take you up on that?

AHRENDTS: Yeah, they did. And if they didn't, I could tell by the body language in the room and I went back to them. And said, "Look, I know you're not on board. This isn't going to work."

HOFFMAN: Angela's approach here is tough. And it's exactly right. Too many leaders avoid difficult conversations, and this puts their work in danger. Especially in a turnaround, people want the vibrancy and clarity of adopting a new mission. People want to be clear on who you are as a company and what you've been put here to do. If you don't get all your employees united and all-in on the mission – the turnaround won't achieve liftoff.

AHRENDTS: I tell everybody now that when you go into a new, and especially a turnaround, you have to have such a clear, bold vision. And you can't have, I call it cancer. You cannot have cancer eating away at different parts of the organization. You need everybody. You need that body, just every part of it functioning if you want high performance. And literally six months after that meeting, we started comping up double digits, from that September onward. And then that gives them more confidence. We talked a lot about quick wins....

HOFFMAN: Yes, exactly. That's a classic turnaround thing is get some wins as soon as you can. So they will go, "Okay, we're on path. This could work, let's dedicate ourselves, let's really make it happen. We want to be part of the heroes making this work."

HOFFMAN: Quick wins. They're great for morale, and great for uniting your team behind the goals that serve the mission. Every employee knows the difference between big bold ideas, and big fat results. And when Burberry stores started double digit growth in their "same store sales" – they knew that Angela's vision wasn't just talk.

Once she got those wins on the board? She did what her parents taught her to do: She celebrated.

AHRENDTS: We had icon awards, we had service awards, and that actually forced Christopher and I around the world for all those different awards where we could get hundreds together and celebrate and photograph and share.

HOFFMAN: Angela shared the story of one particularly memorable awards night...

AHRENDTS: We had a huge theater area at Burberry that we created and we celebrated a lot in there. One day Christopher and I had been on stage and hundreds, hundreds standing room only of – and I don't even remember exactly what we were there for – but we were celebrating something, and it went so great. We're high-fiving and hugging and we go off the stage and we both go down the side corridor to go into the elevator bank.

So he opens the door and I walk in and we're in the closet. We are in the closet and he looks at me and I look at him and it's like, "Oh my God, now what do we do? Do we actually just stand here for an hour until everybody leaves..." So we walked out and we laughed like hell. We got into the elevator. I mean, we laughed about that for years.

HOFFMAN: These awards were a big driver of the culture of celebration and unity... especially when the bosses end up making a really human mistake. It's hard to overstate how much more familial a company can seem when hard work, success, and the occasional gaffe are acknowledged on a day-to-day, human level.

AHRENDTS: My job, and I have felt this way as I've been put into very responsible leadership positions, is to make sure that it's a family, a community. Everybody belongs. Everybody is welcome and loved. I use words a lot of leaders maybe don't use, but I would argue at Burberry everybody felt loved 11,000 and that's why we achieved the results that we did.

HOFFMAN: They also celebrated by making quarterly videos honoring departmental achievements, the kind Angela mentioned at the top of the show, the kind she would one day push at Apple.

The videos themselves were a project the employees collaborated on together. But as much as making those videos fostered cohesion and a sense of pride, Angela also wanted the footage for another reason.

AHRENDTS: As I would meet with analysts and investors, I'd make them watch the video first because I knew they weren't going out to the stores, I knew they weren't following all of the other stuff we were doing. All they cared about was the numbers. And it's like, "No, I'm here. You're going to watch this video. You're going to feel what we're doing," because it is a feeling when you're leading and you're uniting people behind this vision, etc. And it gets so lost, I think, sometimes.

HOFFMAN: Yes, it does. And Angela was right to get the analysts and investors, well, invested, in the whole of what Burberry stood for.

Angela remembered this when, once again, she was wooed away from the Burberry check to... a different iconic logo.

HOFFMAN: So then you get a call from Apple. And that must have been very tricky. Even though Apple is obviously iconic, magical.

AHRENDTS: Yeah. You know, and of course it always comes from the search firm. And so it was so easy to say no. And I said, "I'm honored, absolutely honored to be considered, but I have the greatest job in the world, and we just bought our beauty business back. We just told the board we're going to double the business again in the next five years and I'm on a mission. We're going to be number one in the luxury sector. So, no, thank you."

HOFFMAN: Angela's bid to lead the luxury sector was already well underway. In the eight years since Angela joined Burberry, the stock price had risen 200%. Revenues and operating income had both doubled. The change was so dramatic, Angela herself became by some estimations the highest-paid executive in Britain. She turned Apple down – the first time.

AHRENDTS: And so of course then I get the phone call again and I said, "Look, it's only been six months and nothing has changed. I had a senior team. I mean, we just could do no wrong, and it's magical – and go back to what I said at the very beginning, I'm loyal to a fault.

There is no reason for me to have a conversation. And oh, by the way, I had two kids in university in London, right? And a husband who thinks we're living there the rest of our life. So, leave me alone. So again, lovely meeting with him. Thank you, but no thank you.

It was quite easy.

HOFFMAN: It was easy for Angela to say no – even to Apple. Until, of course, it wasn't.

AHRENDTS: Why is it when your life is perfect that somebody wants to flip it upside down?

HOFFMAN: Well, because they see that perfect and they go, "That's awesome."

AHRENDTS: It was like one Christmas or something and then I get a phone call. "So you're going to be back in the States. Would you just have a cup of coffee with Tim?" I'm like, "Urgh really?" And so I thought, you don't want to be disrespectful and you don't want to be arrogant, he's like the biggest CEO in the world. And so I said, "Fine, I'll have a cup of coffee."

HOFFMAN: What Angela would find in Apple CEO Tim Cook was the exact quality we've been talking about in a leader: someone with the ability to project a grand vision, while making you feel like you're the only person in the room.

But as persuasive as Tim Cook was face to face, she turned him down. A bunch of times.

AHRENDTS: I told Tim, I said, "Trust me, I'm not the right person. You don't know me. I'm instinctive. I'm creative. I'm not a store operator."

He's so calm. He said, "We run the most productive stores in the world. I think we've got a lot of good operators." And I said, "But I'm not a techie either. I don't code. I don't... I know enough questions to ask to be dangerous. And I know enough to get the teams to go where I want them to go, but I'm not..."

Very calmly: "We have enough of those." And so only after a while did I realize that it was really leadership that he was looking for, that he wanted the teams to be very united again.

HOFFMAN: In this moment, Tim Cook knew incredibly well the importance of uniting his retail team under a leader who knew how to do just that. And he also knew how to play to Angela's sense of mission. He had a great precedent to follow. Legendarily, when Steve Jobs first recruited Pepsi President John Sculley to become CEO of Apple, he posed a question: "Do you want to sell sugar water for the rest of your life or come with me and change the world?"

But this wasn't a typical CEO pitch – Angela wasn't even interviewing to be CEO. Not everyone is willing to take what might seem like a step backwards in title. So Tim appealed to her sense of the larger mission.

What happened next?

HOFFMAN: Apple is, in many ways, an amazing company: inventive, soulful, caring. What were those first few months like for you?

AHRENDTS: I hated it.

HOFFMAN: We'll pick that story up in Part Two of our interview with Angela Ahrendts.

I'm Reid Hoffman. Thanks for listening.