Sustaining Results:
Balancing People, Values and Business

Mike Nordbye is principal of Proven Strategies, a business and management development firm. Recognizing that companies and situations are unique, Mike adapts the best management and leadership strategies to produce measurable results quickly for his clients. Being sensitive to individual situations, Mike skillfully adapts the philosophy and theory of validated growth strategies into practical, easy to implement solutions that have both immediate and sustainable positive impact on the bottom line. His goal always is to see ideas and systems translated into realities.

Mike holds a Ph.D. in Adult Learning Strategies, an MBA and a Masters Degree in Organizational Behavior and Development. For the past 15 years Mike has been working one-on-one and with groups to create meaningful results over a broad range of industries. Clients describe him as being direct with a sense of humor that provides for a light touch combined with an innate ability to inspire and create confidence.

In the last few years several books have addressed why some companies are more enduring than others. What distinguishes the great from the merely good? What factors contribute to sustaining success in today's rapidly changing economic environment? *Built to Last, Good to Great, Hidden Value, The Knowing-Doing Gap,* and *Peak Performance* are just a few of the books that are providing answers.

Really great companies, even in bad times, place people and values first. The obsession with stock prices has obscured our vision. The late 90's caused companies to lose their way. The current economic shake-up will cause them to find their way again, or sink. The link between people and the bottom line is becoming clearer. Organizations that succeed over time are those that have a strong values-driven culture. They are *people-centered organizations*.

The quality of the interaction with and among employees drives the quality of the products and services. A focus on treating employees with warmth, dignity and respect pays off in how customers are treated and consequently in how the business performs.

Many organizations seem to forget the connection between customers, employees, and financial results. If you want to have great business results, you need to have customers who love your products and services — customers who believe that they're getting excellent treatment from the company. In order to do that, you have to have employees who are motivated, committed, and using their talents on behalf of the organization.

The best companies are able to get extraordinary results from their people because they lead with people-centered values. Values come first. After clearly identifying and defining core values, these companies ensure that their business strategy is consistent with people's values. This violates the "business first" mentality so common in today's organizations. By doing things this way, successful, enduring companies have been able to align the company's purpose with the spirit of their employees, *capturing their emotional as well as intellectual energies*.

Successful, enduring organizations offer their employees more than a job — they offer a sense of community, security and mutual trust and respect. Although these concepts may be out of favor, they are at the heart of what it means to unlock the value hidden in organizations. Charles A. O'Reilly III and Jeffrey Pfeffer talk about this in their book, *Hidden Value: How Great Companies Achieve Extraordinary Results with Ordinary People* (2000). They emphasize that this hidden value is not scarce or unique; it can be found in all companies. It resides in the minds and hearts of its people. But most organizations squander this resource and even ignore it.

Underlying the over-stated cliché that "people are our most important asset" is a deeper truth — to the extent that any organization can truly become people-centered, it will increase its chance of success. Most organizations do not tap into the energy of their people by connecting through values. Successful companies place high importance on their values and the alignment between values, strategies and their people. Aligning values, strategies and management practices may be simple to understand but it is very difficult to actually implement.

In the conventional way of designing strategy, executives answer two fundamental questions:

1.   What business are we in?

2.   How shall we compete?

This is reasonable, rational and likely exciting only for those at the top engaging in this intellectual exercise. It is not engaging to those charged with implementing the strategy. It does not engage anyone on an emotional level. After the strategy is announced, only then are managers encouraged to ensure that the "values" and practices of the organization are aligned with the strategy. The message is to pick values that fit the strategy. And only afterwards are lower-level managers and employees involved in order to get "buy-in."

A values-based view of strategy starts with a set of fundamental values that are *energizing to everyone in the organization*, especially front-line employees. These values are capable of unlocking the human potential of their people. Such values may include fun, fairness, challenge, trust, respect, community and family. All management practices are screened for how they are consistent with these core values. In this approach to management, *strategy comes last*, after the values and practices are discovered and aligned, and after the company produces capabilities that set it apart.

As Herb Kelleher of Southwest Airlines is fond of saying, "We put our employees first, our customers second, and our shareholders third. In that order it works and out of that order nothing works."

It is crucial that the organization has a well defined competitive strategy that helps it make decisions about how and where to compete, but these strategic decisions are secondary to living a set of values and creating the alignment between values and people.

Companies such as Southwest Airlines, The Home Depot, The Men's Wearhouse, SAS Institute, AES, New United Motor Manufacturing, Inc. and Cisco Systems are examples of organizations that place people and values first. George Zimmer, founder and CEO of The Men's Wearhouse, puts it this way: "Most business practices repress our

natural tendency to have fun and socialize. The idea seems to be that in order to succeed you have to suffer….When people feel connected to something with a purpose greater than themselves, it inspires people to reach for levels they might otherwise not obtain…Our business is based on human potential."

In his book *Good To Great, Why Some Companies Make the Leap…and Others Don't*, Jim Collins and his research staff discovered some fundamental differences between companies that outperformed the market and comparison companies that were "merely good."

The good-to-great companies founded their strategies on a deep understanding of answers to three key questions:

1. What can we be the best in the world at?
2. What drives our economic engine?
3. What are we deeply passionate about?

You can't manufacture passion or "motivate" people to feel passionate. It is not something that can be formulated, but must be discovered. It is assumed to be there and only through an exploration process can it be found. Those companies that discovered their passion tapped into an energy that led them to generate cumulative stock returns that beat the general stock market by an average of seven times in fifteen years.

Where's the Evidence?

A wealth of empirical evidence shows the effectiveness of a people-centered approach that delivers value to the customer, the employee, the organization, and the shareholders. Consider the following studies (cited by O'Reilly and Pfeffer in *Hidden Value*, Harvard Business School Press, 2000):

One study found that by using multiple samples and measures, a change of one standard deviation in an index of innovative human resource management practices produced increases of $20,000 to $40,000 in stock market value per employee. Another study reported that companies that were one standard deviation higher in their use of high-performance work practices enjoyed more than $27,000 in increased sales per employee, $18,000 in increased market capitalization and $3,800 in profits as well as a decrease in employee turnover.

A study of the five-year survival rate of 136 companies that made initial public offerings in 1988 revealed that those companies that survived at a much higher rate were those that emphasized the importance of their people and offered rewards to everyone, not just senior management.

The Gallup organization surveyed more than 2,500 business units in 24 organizations, using 12 questions that constitute the Gallup Workplace Audit. They reported than "every one of the 12 questions was linked to at least one of the four business outcomes: productivity, profitability, retention and customer satisfaction…The 12 questions were capturing those few, vital employee opinions that related to top performance."

Similar results are found internationally. In Germany, a study found that companies that place employees at the core of their strategies produced higher shareholder returns than industry peers. And Korean enterprises discovered from one research study that "dedicated positioning strategies appear to be executed more effectively where organizations exhibit a high level of commitment to their employees."

What Do People-Centered Companies Do?

According to Pfeffer and O'Reilly in *Hidden Value*, three common themes underlie the things that successful companies do to develop and tap the potential of their people:

1. The company has a clear, well-articulated set of values that are the foundation for management practices that provide for the company's competitive success.

2. The company has a remarkable degree of alignment and consistency in the people-centered practices that express its core values.

3. Senior managers in these companies (not just the founders or the CEO) are leaders whose *primary role is to ensure that the values are maintained and constantly made real to all of the people who work in the organization*.

The most visible characteristics that differentiate the successful companies are their values and the fact that the values come first even before stock price. Why are values so important? Because money by itself isn't sufficient for motivating long-term high performance. Most of us need to believe that what we are doing makes a difference to others and that our work is important. We also want to feel that we are valued as people, not simply as economic agents. We want to be respected for who we are, not simply what we do.

It is not enough to articulate values and to put them into formal company literature. They must be living values that show up in the day-to-day operations. A value is the basis for a set of norms or expectations about appropriate attitudes and behaviors. They act as a powerful social control system. They form the basis of organizational culture in which people share expectations that guide behaviors.

An example is a company that values "fun." It does not mean that playing games or kidding around is emphasized, but that the company values an environment that encourages smiling and laughter, where people can use their gifts and skills to make a difference without fear of being squelched, where creativity and interpersonal relationships are important. Southwest Airlines and Walt Disney come to mind as examples of companies that live this value.

Critical areas where values show up are during the hiring process where potential employees are screened for fit with the culture, training and development opportunities, an emphasis on information sharing, team-based systems, and in rewards and recognition programs.

You do not create core values. You discover them. You do not deduce them by looking at the external environment. You understand core values by looking inside. Ideology has to be authentic to the people within the organization. Ask yourself: "What core values do we truly and passionately hold?" You should not confuse values that you think the organization ought to have, but does not, with authentic core values. Those authentic core values that have been weakened over time can still be considered a legitimate part of the core ideology, as long as you acknowledge to the organization that you must work hard to revive them.

As we continue into this new century with new uncertainties, companies will need to draw on the full creative energy and talent of their people. Why should people give full measure? Peter Drucker points out that the best and most dedicated people are ultimately volunteers, because they always have the opportunity to do something else with their lives. Confronted with an increasingly mobile society, cynicism about corporate life, and an expanding entrepreneurial segment of the economy, companies more than ever need to have a clear understanding of their people and their values in order to make work meaningful and thereby attract, motivate and retain outstanding people. There must be a balance with people, values and business.

15 Questions to Ask to Create a People-Centered Organization

Once core values are clearly defined and articulated, then they should become living values that get communicated and reinforced

continually. Otherwise they do not do much good. In the absence of repetitive reminders of these values, other implicit and negative values can take over, such as individual ambition at the expense of team work. The only insurance against such undermining is to constantly reinforce values in both language and in actions.

John Miller authored *QBQ! The Question Behind the Question: Practicing Personal Accountability in Business and in Life*, (www.qbq.com). He suggests asking some questions in order to stay connected with core values:

1. How can I reinforce and communicate our core values on a daily basis?

2. How can I create and communicate a clear vision for the part of the business that I manage?

3. What can I do to help others understand how our values drive our strategies?

4. How can I provide the people with whom I work with clear performance objectives that support our values?

5. How can I create an atmosphere in which people feel included and valued?

6. What can I do to ensure that everyone is heard?

7. How can I help my people succeed?

8. How can I show people they're important to our success?

9. What can I do to maximize the talents of those who work with me?

10. How can I help people learn from their mistakes?

11. What can I do to ensure that people have the knowledge, skills and tools they need to be successful?

12. How can I build better relationships with my customers?

13. How can I increase the value my customers receive?

14. How can I build better relationships with my suppliers?

15. What can I do to build strong relationships with the local community?

John Miller, *QBQ! The Question Behind the Question: Practicing Personal Accountability in Business and in Life*, www.qbq.com.

Resources for Sustaining Results

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