ALIGN THE CORE VALUES

(ACV+STF+LTO+MDW+SWY) + (APC+SCF+SST+MTC+APQ) = LC

In 1986, Ken Iverson took over as CEO of Nucor, a maker of steel products based in Kansas City.[1] He inherited a stodgy corporate culture characterized by hostile relationships between management and rank and file. Until Iverson, Nucor appeared destined for oblivion.

Iverson turned the culture around by doing three things:

1. He did away with titles.
2. He did away with hierarchies.
3. He did away with all executive perks. (Until that point, executive importance was determined by club memberships and access to the company's executive dining room.)

His goal was clear—he sought to eliminate the "we" versus "them" mentality that cripples organizations. Under Iverson, Nucor negotiated a highly successful profit-sharing arrangement with its trade unions. He also embraced—rather than feared—foreign competition.

With Iverson at the helm, Nucor changed its values, its structure, and its culture—and that, in turn, enabled it to achieve an extraordinary level of success. In fact, when you compare Nucor's performance to that of one of its chief competitors, Bethlehem Steel, what you see over a fifteen-year period is nothing short of amazing. Nucor increased its share value to more than twenty times that of Bethlehem Steel.[2]

Tony Hsieh, the CEO of Zappos, the shoe and clothing company, has built a phenomenally successful company by aligning employees around ten core values. Employees are hired and fired based on the ten core values. The core values are prominently displayed on Zappos' website. In fact, each box of shoes is inscribed with one of the core values. How successful is Zappos? Consider this: Starting in 1999, when Hsieh joined the company, it had virtually no sales. Ten years later, it had grown to over $1 billion in gross sales annually.

Zappos' ten core values are:

1. Deliver WOW Through Service
2. Embrace and Drive Change
3. Create Fun and a Little Weirdness
4. Be Adventurous, Creative, and Open-Minded
5. Pursue Growth and Learning
6. Build Open and Honest Relationships With Communication
7. Build a Positive Team and Family Spirit
8. Do More With Less
9. Be Passionate and Determined
10. Be Humble

So how have these ten core values created a leadership culture at Zappos? Here are three interesting innovations that the core values have sparked:

- The company provides free shipping both ways.
- Zappos has a 365-day return policy.
- Sales staffers don't have scripts.

"If you get the culture right, then most of the other stuff, like great customer service or building a brand will just happen naturally," Hsieh says. Building a leadership culture that gives employees freedom and space is the essence of what Hsieh has done to make Zappos so successful.

These two examples show what is possible when leaders engage in a deep exploration of their companies' core values and shift the culture

from one that is personality driven to one that is values driven. In the process of aligning core values, underlying conflicts are forced to the surface. Tough discussions occur about what is truly essential to the enterprise. As people become aligned, they can take on more authority and responsibility. As they feel more empowered, morale and productivity increase. It's a virtuous cycle!

"We are constantly making sure people are aligned with our values," says Laura Batten, the CEO of a consumer goods manufacturing company. "It is the secret to our strong performance year after year." Her recipe includes annual surveys of all employees to assess where the organization is adhering to its core values—and where it's falling short. She follows up by facilitating employee forums to share the survey results and brainstorm ideas for improving in those areas that score low. For example, when "maintaining work-life balance" scored low, she made a public commitment to reducing overtime and backed it up with initiatives to distribute workload more evenly.

Defining the organization's core values—and applying them—is the first step in developing a leadership culture. Aligning your people around a framework of core values brings multiple benefits. It frees managers from the suffocating constraint of having to second-guess every decision and micromanage every detail. In a values-driven organization, managers can delegate decisions and ask people to think for themselves. When people act on the basis of clearly understood values—linked to performance measures—they are naturally engaged in making the right decisions consistently over time.

Alignment also attracts other talented people. It's easier to get the right people to join your organization when you can clearly communicate what's important, and what behaviors you're looking for. This reduces turnover, thereby cutting the costs associated with recruiting, retaining, and retraining employees. In a service economy with higher intrinsic labor costs and increasing labor mobility, this is an important source of competitive advantage and profit.

Focusing on core values and vision also attracts and retains loyal customers. People are attracted to companies they trust—that are value driven. Smart companies use this to build tight bonds with their

customers. Zappos, Starbucks, Google, Apple, Southwest, Nordstrom, IBM, and Porsche are all examples of companies that have effectively aligned their employees and customers around a set of core values.

It always surprises me to learn that a company pays only lip service to its core values, since operating from a well-understood framework of core values can have such a positive impact. I've come to believe that many people don't really understand what core values mean—or how to identify them successfully. So the purpose of this chapter is to make sure you learn all the techniques needed to align people around your company's core values.

PRACTICE #1: ALIGN THE CORE VALUES

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The first quantum shift for leaders to make in their thinking is to recognize the importance of aligning everyone around the *company's* core values. These are the behaviors and activities essential to the organization's success. This is a significant departure from the traditional way of thinking about core values when people got together to talk about what behaviors were important to them. It is the leader's job to discover these fundamental core values and make them apparent to all. By doing so, you begin to instill deep feelings of trust, ownership, and mutual accountability.

As Larry Johnston, the CEO of Albertson's supermarket chain puts it: "There are two dimensions to leadership. Performance and values. You can't have one without the other."[3]

Before we go any further, let's be sure everyone understands what I mean by core values. For example, if I say my house has a lot of "value," it means my house is worth a lot of money. But that's not the same as a core value. If I say: "I value time with my friends," it means I enjoy spending time with them. But that's not the same as a core value. When I say, "I value my family," I am stating what is of utmost importance to me. That begins to capture the meaning of "core values."

BENEFITS OF CORE VALUES

	OPERATING WITH CORE VALUES	*OPERATING WITHOUT CORE VALUES*
EXTERNALLY	• People perceive the company as being motivated to do good. • Customers are drawn to the company's services and/or products. • The company is known for its integrity and innovation.	• People view the company as being self-serving. • Customers perceive little difference between the company and its competitors. • The company is known for being cautious, reactive.
INTERNALLY	• People operate out of trust. People raise uncomfortable issues and discuss them openly. • Decisions are decentralized. People feel empowered. • Innovation is encouraged. • Employees embrace change and adapt quickly. • Talented people are drawn to join the organization.	• Trust is low. People operate out of fear. People are reluctant to raise conflicts or sensitive issues. • Decisions are centralized. There's a culture of command and control. • Innovation is stifled. • Employees lack energy and motivation to change. • Talented people leave. Mediocrity prevails.

To make things more complex, there are different *systems* of values orbiting around us like electrons around a proton. First, we have our *personal values*. These are what we value most as an individual: survival comes first, followed by family, personal dignity, and freedom.[4] Beyond these lie other personal values. Some people value amassing a vast fortune. Others value public service. It's safe to assume that Donald Trump holds a different set of personal values than the pope.

Another layer of values is our *work values*. These are the things we consider important in our working lives. Some people value creativity. Others value teamwork. Some people value hard physical labor. Some value intellectual activity.

Orbiting around our personal and work values are *cultural values*. Cultural values vary greatly. Freedom of individual expression is highly valued in the United States. People in Denmark value egalitarianism. Deference to authority is valued in Saudi Arabia. A culture's values influence and permeate the people who live within it.[5]

Finally, there are the *company's core values*. When I talk about an organization's "core values," I'm referring to the things that are essential to its success, such as product reliability, customer satisfaction, and ethical integrity. These are the values that the organization, if it had a mind of its own, would say are essential to its long-term success.

THE LEADER AS STEWARD

Let's pause there for a moment. I said that the company's core values are what the company would say are the behaviors essential to its success. But the organization clearly has no voice. Or does it? What is the role of a leader if not to articulate what is most important to the organization itself? Effective leaders are stewards, doing whatever is necessary to develop and sustain the organization for a period of time and then turn it over to the next group of leaders in as good if not better shape than when they received it.

This notion of stewardship is critical. When the leaders in an organization view themselves as stewards, it enables them to take a longer view—and to put in place systems that will help the company grow, sustain, and endure. Google's core values reflect this kind of stewardship: (1) creativity and challenge; (2) unbiased, accurate, and free access to information; (3) independence and focused objectivity; (4) long-term financial sustainability; and (5) investment in talented employees. They define very clearly what activities and behaviors are essential for Google's success.

DEVELOPING CORE VALUES

If core values capture what's essential to the long-term, sustainable success of the organization, it makes sense that they need to be defined first,

before anything else can be put into place. Before you decide where your company is going, you need to put your finger on the pulse of the company's core values. So how do you figure out the core values? Where do you look? What steps should you take? How do you begin the process?

Developing core values begins with exploring questions like these: "What did the people who came before us say? What do our founding documents say? What would someone who was acting in the best interest of this organization do to ensure its success?" This is the essence of John Rawls's "neutral man" standard, which he articulated in his groundbreaking book *A Theory of Justice*.[6] Defining your company's core values means taking the time to engage in a deep exploration of what truly is essential to its success.

Here's a trick: I've discovered that people need to explore certain broad *categories* of core values to make sure that they identify all the core values relevant to their organization. The following diagram shows these different categories.

Why these seven? Customer satisfaction and reliability are obvious, since they cut to the heart of attracting and retaining customers, regardless of your product or service. Ethical integrity is essential as well. Given the transparency revolution, companies simply risk too much by not behaving ethically. Attracting and retaining talented people is also essential. Safety is critical to success in many companies. And environmental protection, while at one time not viewed as an essential activity, is now seen by many companies to be a core value, both because it's the right thing to do and because damaging the environment can be ruinous to a company's reputation. And finally, financial sustainability is essential. Without financial resources, the enterprise cannot function.

In short, these broad categories of core values are a good starting point for exploring what is essential to the success of your organization. By exploring all of them, you can be sure that you've left no stone unturned. Knowing the broad categories is just the starting point, however. You must develop the details surrounding each core value, including the management and employee behaviors that support each core value (what I refer to as the "we statements"). You also have to peg the core values to a scorecard, so you can measure whether they're being achieved.

Here's a five-step process to help your organization define its core values.

STEP ONE: FORM THE CORE VALUES PLANNING TEAM

Defining the core values planning team is an all-important step, because the rest of the company will look to see whether this team owns the core values, consistently communicates them, and champions them when conflicts arise, as they inevitably will. In most cases, this team should consist of the senior-most leaders of the organization. After all, they're the current stewards of the enterprise. The CEO or top leader definitely needs to be a part of the planning team. This is not a job to delegate. His or her strong participation is crucial, given that the outcome will be the essential values and performance measures[7] for the company. If he or she chooses not to actively take part, it's a sure sign that the exercise is not serious.

STEP TWO: REFLECT ON THE CORE VALUES

The basic question is this: What activities are essential for our organization's success? In an earlier part of this chapter, I listed the seven categories of core values that one should explore. Use those seven categories to begin writing down your company's core values and detail some of the activities and behaviors that are essential to support it (the "we statements"). For example, for the core value of financial sustainability, supporting behaviors might be "maintaining competitive prices" or "assuring access to credit." The team should meet several times and generate a list of core values and supporting behaviors as shown in the example on the following page.

STEP THREE: IDENTIFY POTENTIAL CONFLICTS

Before you too quickly decide on a set of core values, you should talk about areas where conflict could occur between the core values. Not all core values will be in harmony with each other—some will be in discord. A core value of financial profitability will be discordant with a core value of customer satisfaction. Talk about cases where these conflicts have occurred—or might occur—between the values. For example, a planning team member might say: "We currently don't measure customer satisfaction in any rigorous, systematic way. To do so will be expensive. We assume it will pay off in increased customers and higher sales per customer. Those assumptions are untested. And it will put pressure on our core value of financial profitability."

Another planning team member might say: "It is not clear to me that doing no harm to the environment is a core value. It is not entirely within our span of control. There are things we may need to do that would conflict with this value. I want to see us motivated to do the right thing in making our decisions—but not at the expense of doing the smart thing for our company."

SUPPORTING BEHAVIORS FOR CORE VALUES

CORE VALUES	ORGANIZATIONAL BEHAVIORS
Financial Sustainability	• Profitability • Competitive prices • Credit rating • Return on capital • Return on investment
Customer Satisfaction	• Customer satisfaction • Customer "reference-ability" • Customer retention
Ethical Integrity	• Honesty • Responsibility • Fairness • Community service • Respect
Employee Satisfaction	• Workplace satisfaction • Attract and retain qualified employees • Diversity/inclusion
Reliability	• Reliable supply • Reliable quality
Safety	• Customer safety • Employee safety
Environmental Protection	• Protection of environment • Healthfulness of one's products and services • Promotion of cleaner environment

These are exactly the discussions you should be having at this point. Start to talk about how you might measure your success in achieving each core value (I'll talk more about that in a moment). Discuss how the team might need to communicate to resolve those conflicts. How should you make decisions when two or more core values are in tension? There's no right answer to the question. The right response is that you've thought it through and trust that you can communicate effectively with each other to strike the right balance.

STEP FOUR: LINK BEHAVIORS TO THE CORE VALUES

As you start to pin down your core values, it's important to list the management and employee behaviors that support them in the form of "we statements." In the example below, you can see how one company translated its core value of customer satisfaction into we statements.

LINKING BEHAVIORS TO CORE VALUES

CORE VALUE: CUSTOMER SATISFACTION
We communicate with our clients regularly and assure "no surprises."
When serving multiple clients, we communicate regularly with all of them.
We accomplish projects on deadline.
We accomplish projects within budget.
We are flexible and adapt to changes in our clients' needs and desires.
We communicate internally when a client's needs are not being met (e.g., deadlines, project completion, and budget).
We provide adequate time to get projects done.
We provide the resources to sustain and advance the firm.
We respond to all client calls and emails within twenty-four hours.
We regularly brainstorm innovative ways to serve our clients.
We keep each other informed about our clients' activities and about new clients.

Inevitably, someone will ask: "How many we statements do we need?" The answer is: "As many as there are behaviors that support the core value." Typically, there will be ten to fifteen we statements for each core value.

One note: You'll find yourself tempted to use the word "quality" in your we statements, as in: "We maintain quality customer service." There's a problem with this. Every single core value is about quality. My suggestion is to find words other than quality. And don't, by any means, create a separate category for quality. Down that road lies vast confusion!

STEP FIVE: DEFINE HOW TO MEASURE THE CORE VALUES

As you hone your core values, it's very helpful to discuss and define how you'll measure them. This is a critical step. By articulating how you'll measure your core values, you help make sure people understand what they mean. Ultimately, as the adage goes, what you measure is what you do. So metrics are key to aligning people around the core values.

What are some examples? Customer satisfaction can be measured by asking customers to rate your products or services. Competitive pricing can be measured via an index of competitors' prices. Reliability can be measured by the percentage of defects. Integrity can be measured by asking people what they think (your employees, your customers, your shareholders). Each value should be tied to a metric (what you'll measure) and a target (the desired level). The process of determining how to measure each value will help you clear away any lingering cobwebs about what the value means. For example, if innovation is a core value, then figuring out how to measure it will help clarify what it means. Is it generating new products and services? Is it being perceived as innovative by your customers? Is it continuous improvement in quality? There are many different ways to measure it.

THE BALANCED SCORECARD

Remember our definition: core values reflect what's essential to the success of the company. So in the process of linking specific performance metrics and targets to your core values, you are, in effect, creating a balanced performance scorecard for the organization. It's a scorecard that balances the competing values of cost effectiveness and customer satisfaction, of reliability and innovation.

CORE VALUES SCORECARD

CORE VALUES	METRICS	TARGETS
Financial Sustainability	• Keep prices competitive • Maintain access to credit • Preserve profit margin • Generate return on equity	• Retail prices average 5% below competitors' • Sales growth of 5% per year • Sales per customer up 2% each year • Minimum 7% profit margin • AAA rating from Moody's • ROE 11%
Reliability	• Sell defect-free products	• Fewer than 12 products returned for quality reasons per thousand sold
Customer Satisfaction	• Delight customers	• Composite customer satisfaction ratings over 95% • No single measure below 85%
Employee Satisfaction	• Attract and retain a productive workforce	• Score 85% or better in annual employee satisfaction survey
Ethical Integrity	• Be honest in all of our dealings with one another and with customers • Comply with conflict-of-interest code	• Zero tolerance for instances of dishonesty or noncompliance • Internal assessment over 95%
Environmental Protection	• Do no direct harm to the environment	• Zero tolerance for violation of applicable laws • Recycling equals 50% of total waste stream
Safety	• Protect the safety of our employees and customers	• Fewer than 1 safety incident per month for employees • Fewer than 1 safety incident per quarter per store for customers

AN EXAMPLE OF CORE VALUES

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Here is an example of core values, taken from one of the most successful companies in the world. First, review the list of core values. Then I'll reveal the company.

CORE VALUES	SUPPORTING BEHAVIORS
People	• We attract and recruit the finest people in the world. • We build our organization from within, promoting and rewarding people without regard to any difference unrelated to performance. • We act on the conviction that the men and women of P&G will always be our most important asset.
Leadership	• We are all leaders in our area of responsibility, with a deep commitment to deliver leadership results. • We have a clear vision of where we are going. • We focus our resources to achieve leadership objectives and strategies. • We develop the capability to deliver our strategies and eliminate organizational barriers.
Ownership	• We accept personal accountability to meet the business needs, improve our systems, and help others improve their effectiveness. • We all act like owners, treating the company's assets as our own and behaving with the company's long-term success in mind.
Integrity	• We always try to do the right thing. • We are honest and straightforward with each other. • We operate within the letter and spirit of the law. • We uphold the values and principles of P&G in every action and decision. • We are data-based and intellectually honest in advocating proposals, including recognizing risks.

(continued)

CORE VALUES	SUPPORTING BEHAVIORS
Trust	• We are determined to be the best at doing what matters most. • We have a healthy dissatisfaction with the status quo. • We have a compelling desire to improve and to win in the marketplace.
Passion for Winning	• We respect our P&G colleagues, customers, and consumers and treat them as we want to be treated. • We have confidence in each other's capabilities and intentions. • We believe that people work best when there is a foundation of trust.

By now, you may have guessed what P&G stands for. Procter & Gamble is one of the world's leading makers of consumer products. With billions in sales, P&G has a reputation for excellence in marketing.[8] It is a company whose leaders have assured its enduring success by continually reaffirming and communicating its core values.

Having a balanced scorecard will also help you address your critics. For example, some people might voice concerns about financial performance. Yes, you might respond, we could have higher levels of profits in the short term by cutting employees, but our service and reliability measures would decline—and ultimately our customers would start to leave and revenues would erode. Does operating that way somehow increase profitability?

My bias, based on my experiences, is that the financial performance results are universally positive when a company aligns its people around core values. At a grocery chain, for instance, profits rose 24 percent the year after our firm facilitated the introduction of a core values–based management system. At a $200 million software company where we did this, profits rose 37 percent.

Once you've defined your scorecard, waste no time in starting to communicate it. The CEO of one of our clients, a large energy company,

insists that the scorecard be communicated to shareholders, customers, and employees every month. This is the most important thing that leaders can do to align everyone in the organization around the core values. Public communication about the scorecard builds trust that leaders are holding themselves—and everyone else—accountable. Remember, it is okay for the company to fail to hit its performance targets. People can accept that. What they cannot accept is a lack of transparency—or being held to performance standards by bosses who themselves are not held accountable. Though this point is intuitively obvious, how many leaders have failed to grasp this most fundamental idea? I can think of a few!

COMMUNICATE THE CORE VALUES

Once the core values are defined, it's important to engage managers and employees in understanding them. This will build buy-in. It will also give you an opportunity to communicate what you're doing and why. People need to hear that you are intent on building a values-based, performance-driven organization.

This education process should be conceived as a campaign designed to accomplish three things: (1) engaging people, (2) stimulating additional discussion and brainstorming, and (3) communicating how the core values will be used and measured.

This takes time and energy. But it's well worth it. People should be encouraged to fully discuss and understand the values. Not everyone will get it at first—but that's okay. Strive for 90 percent. The rest will eventually get it—or get weeded out.

The CEO or top leader needs to be fully involved in the education process. His or her leadership in the process is symbolically crucial and is the catalyst needed to build ownership of the values at each level. For example, a financial services company in Los Angeles came up with three core values: Purpose, People, and Passion. Each of these was tied to "we statements." The CEO then spent several months communicating these core values, making sure they were integrated into everything from the company's recruiting to its employee satisfaction survey.

As you're educating people about the core values, make it a big deal. We've seen leaders translate them into banners, post them in every

meeting room, incorporate them into stationery. In one case, the CEO had a new sign erected in front of the headquarters with the core values emblazoned on it. The day the sign was unveiled, he stood at the entrance, shook every employee's hand, gave them a matching lapel pin, and said: "These are our values: when you enter here, know that these are the things that guide us in everything we do."

But that's not enough.

THE FOUR CONVERSATIONS

Through trial and error, I've discovered that four conversations are necessary before everyone truly feels aligned with—and committed to—their organization's core values.

The first conversation is how each person interprets the core values. You begin by handing people a copy of the core values and then asking a simple question: "Would you agree that these are the things most essential to our organization's success?"

This conversation enables people to discover their common ground—and areas of disagreement. The disagreement is healthy and critical, for it furnishes an opportunity for important dialogue and a chance for people to discover a deeper connection to the value than first appeared. The danger is not that people won't unite around the core values; it's that they will unite too quickly, thus avoiding the tough conversations that build understanding and trust.

The second conversation explores the difference between organizational core values and personal core values. This discussion is best handled by asking people to say: "What's most important to you, personally? How does it tie to the organization's core values?" This conversation enables people to articulate their own values (often for the first time). It gives people a chance to know one another, to appreciate their differences, and to reflect on the fact that their differences are born of deeply held beliefs. For example, an employee of a large retail chain said his greatest passion was painting natural landscapes. He then pointed out that his love of painting shared a surprising connection with excellent customer service. "You have to find hidden delight in each and every encounter," he said.

CORE VALUES EXAMPLE: STARBUCKS

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Starbucks is a good example of an organization that is clear about its core values. It has six:

1. Provide a great work environment and treat each other with respect and dignity;
2. Embrace diversity as an essential component in the way we do business;
3. Apply the highest standards of excellence to the purchasing, roasting, and fresh delivery of our coffee;
4. Develop enthusiastically satisfied customers all the time;
5. Contribute positively to our communities and our environment;
6. Recognize that profitability is essential to our future success.

At Starbucks, performance is measured on the basis of these core values. The information is translated into a scorecard and readily shared with managers, who in turn brainstorm ways to continually improve. All decisions are driven by these core values. The result? Starbucks has enjoyed extraordinary growth because it could maintain the quality of both its customer service and its products while opening more than 7,200 stores—a remarkable feat of decentralization.

The third conversation applies the organization's values to real cases. It's constructive to look back at times when the organization was not true to its values. Without casting blame, people can ask what happened. Looking forward, they can anticipate scenarios in which the values might again be challenged.

The conversation can begin by asking: "Looking at how we've defined the organization's core values, think of a time when we did not uphold these. What happened? How did we make decisions that led us to that point? What could we do differently in the future in our communication and decision making to forestall it from happening again?"

The final conversation is translating the core values into performance objectives for each job classification. People need to understand that the "we statements" are not philosophical fluff—they will be appraised based on how closely their behaviors align with the behaviors tied to each core value. This is what creates a powerful linkage and an integrated performance management system.

"HOLLOW" VALUES

When you're defining an organization's core values, it's critical to avoid making them sound hollow. Here's one set of core values defined by a corporation that looks good on paper, but doesn't stand up to scrutiny:

- We work as a team.
- We act with integrity and honesty.
- We champion and celebrate diversity.
- We expect and support exceptional service.
- We celebrate our successes.
- We encourage creativity and innovation.
- We care about our community.

This list has three problems: First, there's no definition of what these things are or what they mean. Are they the behaviors essential for the company's success? Are they behaviors that are important to a team? Second, some core values appear to be missing, such as financial sustainability. Last, some things seem to belong to others. For example, "we celebrate successes" seems to belong with "we work as a team." It should come as no surprise that this particular set of values had little impact on this organization.

Here's another example of what I consider to be hollow values from Jamba Juice, a health-oriented seller of fruit-based shakes and other products:

Fun—Have fun. Smile and create a spirit of celebration for your customers.

Integrity—Do what you say. Demonstrate good character and encourage an atmosphere of mutual trust and respect.

Balance—Live a balanced life. Consider the needs of customers, team members, and shareholders alike.

Empowerment—Believe in yourself. Be responsive and innovative. Do whatever it takes to make your customer happy.

Respect—Be respectful. Help each other to grow. Contribute to a vibrant and diverse community.

The sentiment behind these values is heartfelt, but the values don't reflect all that is essential to Jamba Juice. Choosing company values based on the initial letters of the words makes the words themselves feel trite. You need to listen carefully for clues that your organization has failed to engage in a deep examination of the organization's core values. If you sense this, resolve to do something about it right away. Nothing is more harmful to a company's morale than the appearance that its leaders gave too little thought to what makes the company successful.

USE VALUES TO DECENTRALIZE DECISIONS

One of the greatest benefits of developing a framework of core values is that decision making can be decentralized. When people understand the company's core values, there is no need for top-down command and control. Instead, you can implement "values-based decision making." The result can be higher levels of innovation, performance, and creativity. In the early days of Southwest Airlines, Herb Kelleher and his management team wanted to reduce the turnaround time for aircraft on the ground. They set a goal of fifteen minutes. They got it down to ten. Kelleher describes watching in awe as the maintenance supervisors and frontline employees came up with innovation after innovation to meet what was seen as an impossible standard. How did they do it? Southwest had

already established a culture of decentralized decision making and performance. What was standard at Southwest was the exception elsewhere.

The tension between centralization and decentralization tends to disappear when values-based decision making is in place. One California state agency, for example, articulated its core values and tied them to performance measures. The result? Dozens of new entrepreneurial ideas sprang up, with far less need for centralized check-off or intervention.

On the other hand, when core values are missing, bureaucracy and centralization tend to take over. One software company insisted on a uniform hardware and software platform for every single employee, despite the differences in end users' needs. Customers complained about poor customer service; financial performance plummeted. A "black market" emerged to address the problem, creating further internal tensions. Lacking an explicit framework, the *de facto* values continued to reign, with the press for uniformity trumping employee innovation, trust, and satisfaction.

In short, the link between core values and decentralized decision making is one of the most powerful arguments for this first quantum shift. Successful leaders should strive to instill a culture of values-based decision making throughout their organizations. When they do, the results can be extraordinary.

As you align the core values, look around and see what remnants of older thinking you can get rid of. Ask yourself whether the following systems need to be retooled to make them consistent with your organization's core values:

- Reporting systems—the organizational structure and hierarchy
- Executive perks
- Hiring practices and systems
- Training systems
- Compensation systems
- Performance review systems
- Internal communication systems
- Information technology systems
- Rules on information access and disclosure

As you align people around the company's core values, you'll find that each of these systems needs tweaking. For example, your compensation guidelines will need to be modified to reward people who uphold the core values. Communication systems need to default to sharing, not hoarding, key information about company performance. Training workshops need to build competencies that align with the core values. Once you set these wheels in motion, it can take a year to get all your systems aligned. The fun is in seeing it materialize in the form of higher levels of trust.

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CONCLUSION

Effective leaders who want to generate lasting, sustained success in their organizations spend a considerable amount of time and energy clarifying and communicating the strategic focus of the organization. They understand that it is the first step in building the levels of trust needed to get people to do their best. Good leaders devote considerable energy and time to a deep examination of the organization's core values. By doing so, they get to the heart of what is essential for the customers and shareholders—and thus essential for success. This is true whether you're a small company or a large one, a nonprofit, or a public entity. Communicating the core values creates powerful alignment across departments and divisions. This yields clarity of focus and enables people to make better decisions, consistently, across long spans of time.

Core values are not mysterious. Typical core values include things like ethical integrity, customer service, product excellence, and environmental stewardship. The hard work is in communicating them consistently, day after day, so that a culture of respect is built around them. Creating this kind of culture is crucial for building trust.