CENTER FOR VALUES-DRIVEN LEADERSHIP

Making

VALUES

Meaningful

a menu of options for senior leaders

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Making VALUES Meaningful

How Values Drive Effectiveness

Landing a $2 million dollar contract is a big deal in a company the size of Syncroness, a Denver-based engineering consulting firm. CEO Mike Walraven was delighted when a new client signed Syncroness to provide research for a technology feasibility study.

"It was a fairly significant contract for us," says Walraven. This was exactly why the team was disappointed to find – two weeks into a two year contract – that the existing technology could not do what the client wanted. "The physics were such that it just couldn't be done – it couldn't be scaled to fit the need," says Walraven.

Now Walraven and his young company faced an ethical decision: let the client know immediately and loose the $2 million dollar deal or drag the project out in hopes of keeping some of the contract's money on the table.

Walraven made the ethical choice because it aligned with the company's values of creating lasting relationships and leaving a legacy of integrity. "I had to tell the client, 'We'd just be burning your money to continue this research.'"

The tough choice paid off. It took a few years,

but the client returned to Syncroness the next time they had an engineering research need. More importantly, word of Walraven's honesty with clients circulated in the industry, leading to a stellar reputation and many new clients.

Syncroness' story is just one of many we've heard over the years: stories of leaders making critical decisions guided by a strong set of core values. There are no guarantees in business, but this equation generally holds true:

> Clear Leadership
> + Solid Strategy
> + Values-Driven Culture
> ─────────────────
> = Sustainable Success

What is a Values-Driven Culture?

Values-driven companies are guided by a publicly-identified set of core values that reflect their highest aspirations.

Typically these values include a commitment to honesty and integrity, care for people, excellence in products and services, concern for all stakeholders, a long-term view, and contribution to a flourishing society, but the values need to fit with the company's purpose and industry. While the value of "safety" is central to DuPont, online shoe and clothing retailer Zappos puts the focus on "Creating fun and a little weirdness."

In strong, values-driven companies, these core values are consistently used to guide day-to-day decision making, inspire leadership, and hold the organization and its people accountable.

Why Does It Matter?

One word: success.

In their book, *Firms of Endearment*, Raj Sisodia and co-authors showed that "purpose-driven" companies (those with a strong sense of purpose and core values; a commitment to customers, team members, suppliers,

Source: FirmsOfEndearment.com
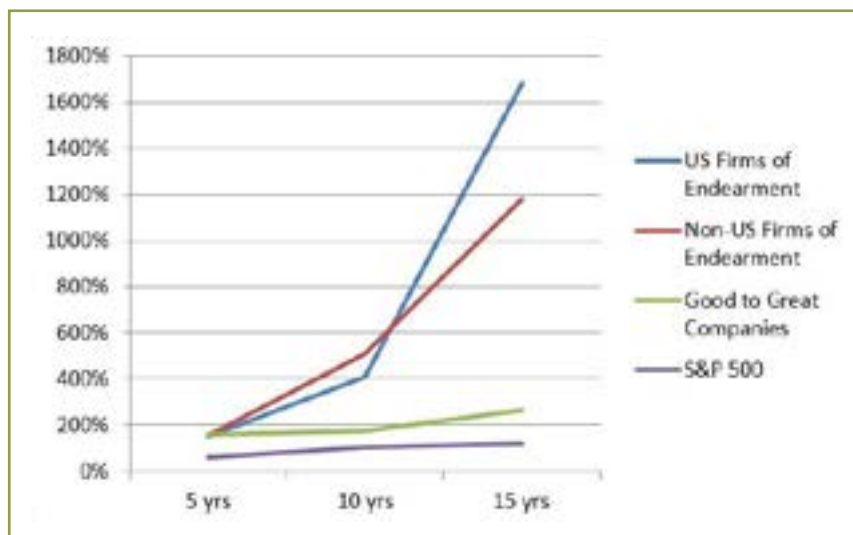
and communities; and people-centered cultures and leadership) out-performed the S&P 500 in cumulative returns by 14 times and *Good to Great* companies by 6 times over a period of 15 years from 1998-2013.

Since 1997, the Great Places to Work Institute and *Fortune* magazine have shown that firms on their list of America's "100 Best Companies to Work For" (companies high in trust, pride, camaraderie, and fulfillment among team members) have significantly outperformed the market.
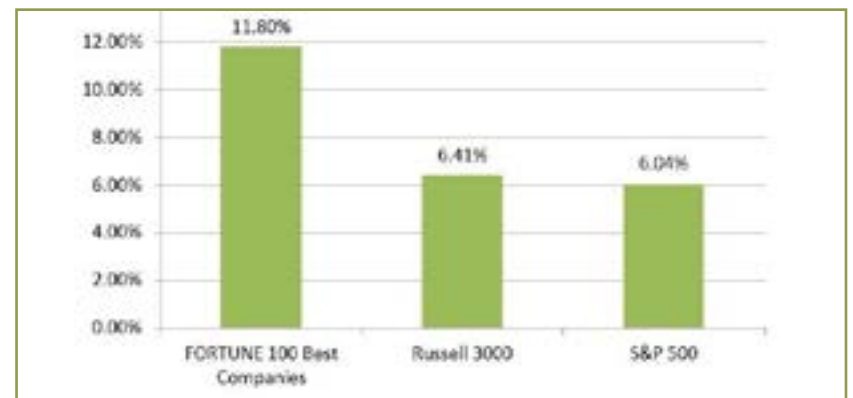

Source: GreatPlacesToWork.com

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About this e-Book

This e-book is a resource for leaders who want to leverage their corporate values to drive sustainable success. Think of this book as a "menu of options" that allows you to identify the ideas that best fit your culture and organization.

Along the way we share tools, resources, and stories of companies large and small who have successfully built thriving values-driven cultures. We prominently feature five companies on which we have done extensive research through our Return On Values Research (ROV) Project in partnership with the Small Giants Community. Those companies are:

- Amobee - a global digital marketing technology company (called Adconion Direct at the time of our research).

- BerylHealth - a Dallas-based health care call center now owned by Stericycle.

- Integrated Project Management - a national project execution consulting firm.

- Service Express Incorporated - a national data server maintenance company.

- Tasty Catering - Chicagoland's leading business caterer.
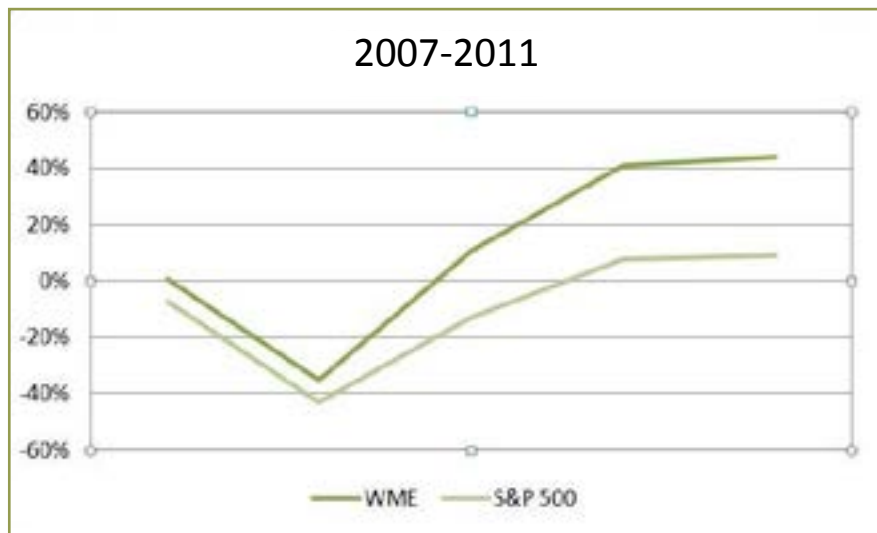
Ethisphere shows similar results in their annual "World's Most Ethical Companies" list, which considers corporate citizenship; governance; innovation for public well-being; industry leadership; "tone from the top;" legal, regulatory and reputation track record; and ethics and compliance programs. Collectively, these companies have outperformed the S&P 500 by an average of 7.3% annually.

How do values-driven companies like these deliver superior results?

It boils down to four key factors:

1. Credibility and Trust – Integrated Project Management Company (IPM), a project execution consulting firm based on Burr Ridge, IL, has made the Inc. 5000 list as one of the fastest growing companies in America for seven years running (2007-2013) and has been designated a "Top" or "Best" Small Workplace by Winning Workplaces, the *Wall Street Journal,* the Great Place to Work Institute, *Entrepreneur*, and *Fortune*. Check out this video, in which Founder and CEO Rich Panico explains the link between IPM's core values and business success: "Our clients realize we're honest, our repeat business is over 90%, and that is driving top and bottom line growth."

2. Committed and Engaged Team Members – Like IPM, BerylHealth, the industry leader in outsourced contact center services, has consistently made the Inc. 5000, has received many "Best Workplaces" awards, and regularly returns profit margins that exceed competitors three to four fold. In this video, Paul Spiegelman, founder of BerylHealth and author of the best-selling books *Why is Everyone Smiling?* and *Patients Come Second*, uses the phrase "Circle of Growth" to describe how investment in people leads to employee loyalty, which leads to customer loyalty, and in turn leads to financial success.

3. **Happy, High-Quality Customers** – In their book *Conscious Capitalism*, John Mackey and Raj Sisodia argue that the number one explanation for superior performance is superior acceptance by customers. Great companies are loved by their customers who become ardent fans and advocates. As a result, these companies generate higher sales, routinely outperform industry averages on metrics such a sales per square foot and revenue per team member, and can reinvest earnings back into the company and still be cost competitive. Like Paul, they claim it's a virtuous cycle: engaged team members attract high-quality customers, which in turn drive top and bottom-line growth.

4. **Resilience and Innovation** – Leadership expert Kim Cameron and his colleagues at the University of Michigan (see references) have identified six core values (called

positive practices) that are predictive of organizational effectiveness. They include caring, compassionate support, forgiveness, inspiration, meaning, and integrity. These values build resilience by buffering against the negative effects of poor relationships, hyper-change, and relentless competition. They spark innovation by amplifying the positive effects of strong relationships, creativity, and future-focused collaborative actions that often lie dormant in many organizations.

In the remainder of this e-book, we provide practical tools you can use to build a successful values-driven company by leveraging credibility and trust; committed and engaged team members; happy, high-quality customers; and resilience and innovation over the long haul.

About the Authors

James D. Ludema, Ph.D., is the Co-founder and Director of the Center for Values-Driven Leadership and a Professor of Global Leadership at Benedictine University. He is a sought-after consultant on issues of leadership, culture and change, and has worked with a variety of organizations including GlaxoSmithKline, Merck, BP, McDonald's, John Deere, USG, and the U.S. Navy.

Amber A. Johnson, M.A., is the Chief Communications Officer and a Senior Research Associate at the Center for Values-Driven Leadership. She is a specialist in the integration of culture, values and brand. At the Center, she directs communications for the Return on Values research project, which explores the relationship between culture and profit in business.

Legend

Throughout this e-book, we use the following icons to draw your attention to valuable resources:

Content drawn from our Return on Values (ROV) research project with the Small Giants Community. Learn more at www.returnonvaluesproject.com.

Links to short videos drawn from the ROV project or executive interviews from our other research initiatives, that share more detail in a CEO's own words.

Downloadable templates and resources you can use in your organization.

Examples featuring our fictional company, Origami Carton & Crate (OCC). We will introduce you to OCC on Page 7.

CEO as Chief Culture Officer

The first and most important thing you can do to create a values-driven organization is to make values and culture a central task of leadership. In his book *Organizational Culture and Leadership*, management guru Edgar Schein claims that leaders are the main architects of culture. Through their words and actions, leaders create, embed, evolve, and sustain their company cultures. In turn, culture drives performance.

We all know this to be true. Employees are constantly watching senior leaders to see what they say, what they do, where they invest their time and energy, and what they support, promote, and reward. People want to know, "Do my senior leaders really walk the talk? And if they don't, why should I?"

Schein lists twelve things a leader does to build culture. He calls the first six "primary embedding mechanisms" and the second six "secondary articulation and reinforcement mechanisms." We call them Culture Creators and Culture Sustainers.

Culture Creators

1. What leaders pay attention to, measure, and control;

2. How leaders react to critical incidents and organizational crises;

3. How leaders allocate resources;

4. Deliberate role modeling, teaching, and coaching;

5. How leaders allocate rewards and status;

6. How leaders recruit, hire, fire, and promote.

Culture Sustainers

1. Organizational design and structure;

2. Organizational systems and procedures;

3. Organizational rites and rituals;

4. Design of physical space and buildings;

5. Stories about important events and people;

6. Formal statements of organizational philosophy, creeds, and charters.

As a leader, the best way to make your values meaningful is to invest time, money, energy, and intellect into building a values-driven culture. Senior leaders in the most successful values-driven companies we've worked with see themselves as "Chief Culture Officers," no matter what else is printed on their business cards. They take primary responsibility to ensure that Schein's culture creators and culture sustainers are alive and well throughout the organization:

- They actively participate in onboarding,

How Values Can Transform a Leader

Tom Carmazzi, CEO of Tuthill Corporation, says he wasn't always the likable guy he is today.

"I was once told in a crowded room that I did not care about people," Carmazzi says. "Another time someone offered the gentler comment that I had 'a lot of energy.'"

The direct and sometimes confrontational side of Carmazzi's personality had at its source a sense that relationships were transactional: he entered each interaction with the objective of fulfilling his own agenda and "getting things done" rather than truly listening to the people around him.

This approach stood in direct contrast to Tuthill's values of integrity, respect, excellence, courage, responsibility, and awareness. Carmazzi made a conscious effort to change. The results, he says, were undeniable: more and more, he receives positive feedback regarding his modeling of the company's values.

"I now see my role as someone who develops relationships both inside and outside of Tuthill," Carmazzi says. "These relationships are directly linked to our Vision, Mission, Values, and Brand statement which states we want to 'cultivate relationships that last for life.'"

Read the full story, in Carmazzi's own words, at www.cvdl.org/Carmazzi.

mentoring, training, and coaching;

- They apply resources, hire, fire, and promote to support and reinforce the values;

- They are constantly telling stories and recognizing people who put the values into practice;

- They promote dialogue about the values in senior team meetings, company-wide events, and through all communication channels;

- They use the values to evaluate company decisions big and small;

- They proudly post the values in their offices, on their company merchandise, and in visible public places;

- They use the values to set strategy and build customer relationships; and

- They relentlessly make sure that the values are integrated into every system and process of the organization.

As Schein points out, when senior leaders assume the role of "Chief Culture Officers," it pays off. In a recent study of a major healthcare system in the Midwest, our colleagues Dr. Prem Mony and Dr. Marie DiVirgilio discovered that when the senior leadership team led the charge to build a culture based on shared values of commitment, collaboration, excellence, courage, authenticity, and transparency, it generated more respect, dialogue, alignment around vision and direction, and resource sharing across the organization, which led in turn to increased performance and business results.

To see a great example of how one CEO transformed his company's culture, check out this video featuring Tom Walter of Tasty Catering. In the video, Tom describes how he turned the development of the culture over to a team of employees who designed and implemented a culture built around core values, audacious goals, and a unifying purpose. Team members began using the language of the values to guide their decisions and shape interactions. As the culture transformed Tasty Catering, Tom's business cards were transformed too. They now read *Chief Culture Officer.*

Introducing Our Fictional Company

Throughout this book we use many examples from companies we've consulted with or studied as part of our research initiatives. We also use a fictional company, Origami Carton & Crate (OCC) to illustrate key ideas. OCC is an Indianapolis-based firm that designs and manufactures product packaging. Here are a few more fictitious details:

2013 GROSS REVENUE	$200 million
EMPLOYEES	3,000 worldwide
OPERATIONS	US, China, Mexico
VALUES	Integrity, Respect, Creativity, Excellence, Sustainability

Developing Clarity Around Your Values

In business, it is easy to speak the same language and still need a translator. The problem isn't that the words aren't understood; it's that the underlying meaning is missed.

Dr. Richard Boyatzis, a professor at Case Western Reserve University and author of *Resonant Leadership*, shares a perfect illustration of this. He tells the story of being in a classroom of executives working on their MBAs. Two men in the group, both leaders in their 40s, identified "family values" as being important.

Boyatzis asked each what they meant by "family values." One man said it meant he was home every night for dinner. He'd turned down a promotion because it would have meant relocating his children. The other man said it meant he worked long hours, traveling constantly, so his wife and children had everything they wanted and needed.

Two men, the same value, very different meanings.

Consider another example, an organization that has "transparency" as one of its values. What does it really mean to be transparent? Should you be fully transparent with everyone, internally and externally, about everything all the time, or are some people and topics off limits in certain circumstances? Where do you draw the line between good transparency and bad transparency, and what standards do you want to set for yourself and your organization?

Getting Clear about Meaning

How do you make sure that you and your colleagues are all on the same page when it comes to core values? Here are two steps you can take:

## 1. Ask the right questions, all the time.

Job candidates at BerylHealth are asked to "Define compassion," a value the company believes is essential for successful employees. If the candidate can't express a clear understanding of compassion, they won't fit within the organization.

Clarifying questions around an organization's values aren't helpful just in hiring. Imagine our fictional company, Origami Carton & Crate, has identified a competitor it may want to acquire, but doing so will put a great burden on the existing team to work harder in the coming months. This may challenge the core values of "respect" and "excellence." On one hand, the acquisition will support respect and excellence by leading to new organizational capacity, increasing profitability, and offering new advancement opportunities for OCC's people. On the other hand, it may stretch people too thin or risk damage to existing relationships with clients, eroding both respect and excellence.

Asking, "What does it mean for us to pursue respect and excellence in this circumstance?" will offer new insights, create alignment among OCC's people, strengthen the culture, and provide guidance on whether the acquisition is the right thing to do.

On the following page, we introduce you to one of the best exercises we know of for developing clarity around core values, creating a map of each values' meaning.

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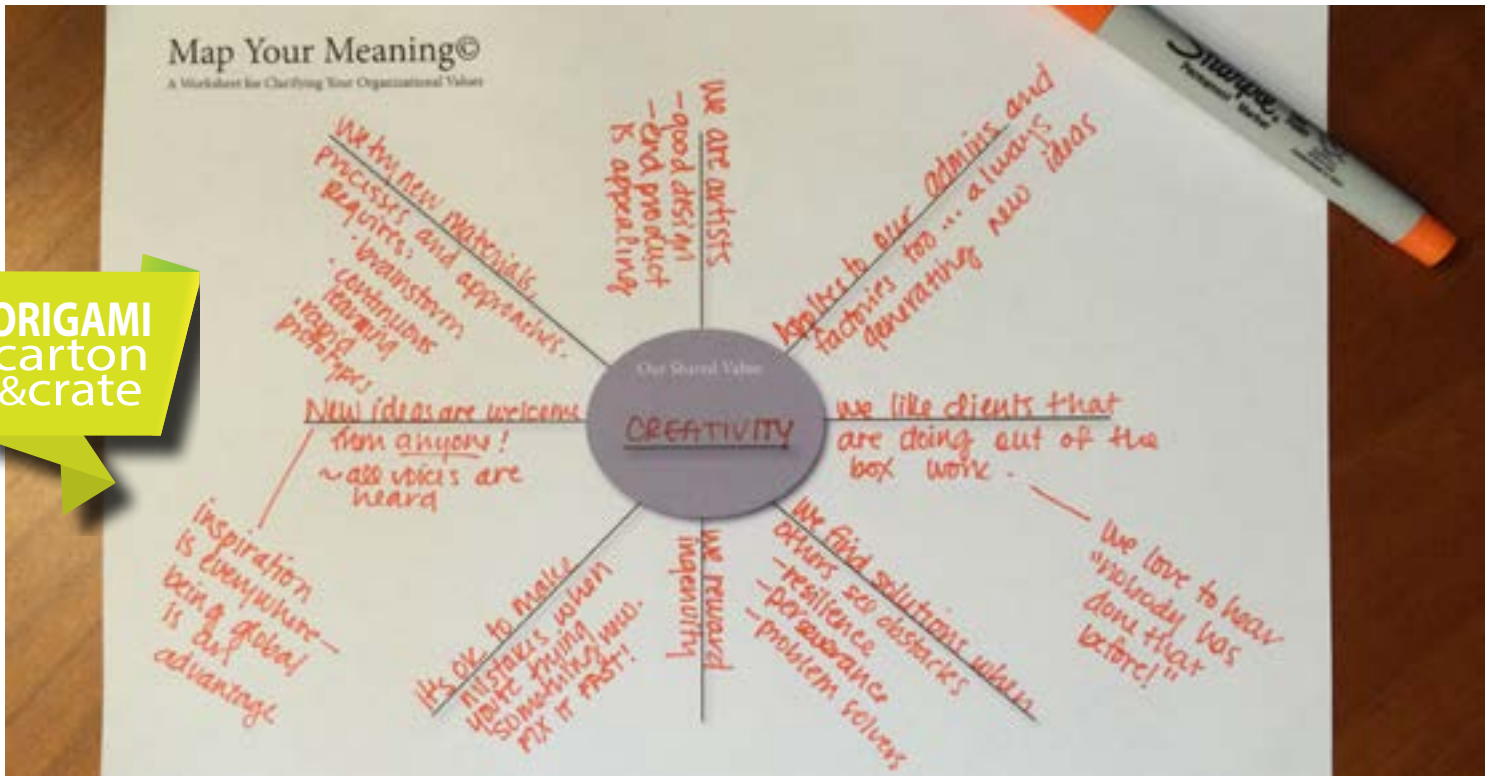
2. Map Your Meaning.

One of the clearest ways to make sure all team members have the same understanding of your core values is to "map" what you mean by them.

To get started, at a staff retreat or meeting, write the name of one value in the center of a whiteboard or flip chart. Ask, "When we say TRANSPARENCY, what do we mean?" Surround the value with the responses you receive.

As participants grow quiet, ask them to think about their responses again from the perspective of customers or clients, from the community, from others within the organization. Ask them to consider role-specific applications of the value. For example, What does it mean to be transparent with financials? How does that differ from being transparent with strategic plans or internal communications?

Whenever possible, ask people to elaborate on their responses and write down key words or phrases. Make special note of the language your team members use to describe a specific value. Pause to allow time for story-telling as an illus-

tration of the core values.

In the end, you'll have a full white board of meaning around the value, with little ambiguity.

Do this for each of your values. You and your fellow leaders will walk away with a sense of pride in your organization as well as a clear understanding of the shared meaning of the values and guidelines for action.

Our fictional company, OCC, might map their value of creativity as you see above. In this example, we've used our free *Map Your Meaning* worksheet, which you can download at www.cvdl.org/mapyourmeaning.

Note that OCC's team members recorded specific language for the value ("out of the box," "no one has done that before"); they've drawn implications ("we reward ingenuity," "it's okay to make mistakes"); and they've given thought to how this value is shown in different organizational roles. The map creates clarity that in turn can shape behavior.

Making Values Visual

Organizations that have a meaningful set of core values aren't satisfied with leaving them in a file cabinet. Values-driven leaders use visual cues to remind team members of the company's values. These visual cues are important: they help new employees become familiar with the values and understand them as a priority; they serve as a reminder to consult the values when making important decisions; they offer ongoing motivation to all team members.

At a minimum, your values list should be found in these places:

- Website: Usually under "About Our Company"

- Employee Handbook, job descriptions and new hire contracts

- Annual Report and Investor Prospectus documents

Once you've integrated the values into these key areas, you can begin to look for more creative ways to help team members cross paths with the values on a daily basis. Some ideas include:

- Décor: Painted on an office wall or etched into the glass of a conference room divider.

- Merchandise: Printed on the side of a coffee mug or water bottle.

- Art: Symbolic depictions of the values – such as the "Home Plate" from Sundog Interactive (see photo next page), placed in common areas.

- Signage: Printed value lists hung in break rooms or other common areas.

- Posters: Tasteful illustrations of the values for hanging in cubicles or elsewhere.

- Newsletter: Highlighted through stories in print and electronic newsletters.

- Videos: Include in training or internal videos as in this video from BlinkUX.

- Digital: Use on displays throughout your office, or as wallpaper on computer monitors.

Of course, it's not enough to wallpaper your HQ with the values. Moving them from a list to a living, breathing organizational priority that drives sustainable success takes deep integration. On the following pages, we'll discuss how this can be done.

Above: **Teach for America** is one of the only non-profits to ever make *Fortune* magazine's list of the 100 best places to work. Employees say the organization's values are a key factor in creating an award-winning workplace. The organization displays their values on walls and glass dividers throughout their offices.

Appreciative Inquiry

The Benefits of Strength-Based Change

One of the best, fastest, and most cost-effective strategies for making your values meaningful is to engage the entire organization in understanding and leveraging your strengths. Strengths are a reflection of what you value most and what enables your company to succeed. At the Center for Values-Driven Leadership, we help leaders build values-driven, performance-focused companies through a powerful strength-based organizational change process known as Appreciative Inquiry.

Appreciative Inquiry, originated by David Cooperrider and his colleagues at Case Western Reserve University (see references), allows people at every level to understand what works – what gives life, health, and vitality to their organization when it's at its best in both human and financial terms. They then build on what works to identify and implement new strategies for a successful and rewarding future.

Appreciative Inquiry can be done in many ways at any level in an organization, but is fundamentally based on two key questions:

- When our organization is at its best, what are the forces and factors that make it possible?

- Looking to the future, what are our boldest dreams, and how can we innovate and organize to make them happen?

We provide a deeper explanation of Appreciative Inquiry in the section on values-driven strategy creation, on page 25, but you will see this appreciative approach weaved throughout this e-book in the stories we tell, the activities we recommend, and the research we cite to support our recommendations. We use it because it works better than any other approach we know of.

How One Company Makes Values their Home Plate

Marketing and technology firm Sundog Interactive has doubled in size in the last three years, earning a regular spot on the Inc. 5000. CEO Brent Teiken gives credit for the company's rapid expansion in part to their strong, positive corporate culture which is grounded in six shared values:

- Passion

- Integrity

- Creativity

- Quality

- Fun

- Innovation

Teiken takes personal responsibility for strengthening the culture. To help keep the Sundog values front-and-center for team members, Sundog's leaders use an analogy that makes immediate sense to most sports fans: home plate.

"In baseball, home plate is where you start and where you go back to," Teiken says. "At Sundog, it's the same with our values. They are where we start, and where we always return."

To serve as a reminder for the Sundog team, the company commissioned artist Kay Hilde to paint the values onto actual home plates, which are displayed in conference rooms throughout the company.

Communicating Values through Executive Story-Telling

Story-telling is one of the greatest tools in a leader's toolbox. Stories illustrate what it looks like to live out core values. Research shows that we listen to and remember stories much better than we do a list of bullet points or a deck of PowerPoint slides.

Leaders looking to make values meaningful in their company should become adept at seeing how the values are at work in the people and stories of the organization, and in retelling these stories in a way that provides insight and inspiration to team members.

Integrated Project Management has Honesty and Integrity as their first core values. The leadership at IPM holds these value dearly, letting them influence daily practices. At speaking engagements, staff meetings, new employee trainings, and virtually everywhere he goes, CEO Rich Panico shares a compelling story to illustrate IPM's commitment to honesty and integrity. (You can watch Rich and colleagues tell this story in this video, which we also shared earlier on page 4.)

As Rich shares, IPM's contract states that clients may not hire their IPM consultants. When one consultant turned in her resignation with news that she had been hired by a client, Rich knew it was a violation of the company's value of integrity. Rich negotiated with the client's CEO to get financial remuneration for the violation – money that IPM quickly donated to local charities.

If you worked at IPM, imagine how your perspective of the organization would be influenced after hearing that story. Would you have a better idea of what IPM meant by honesty and integrity? Would it influence your own decision making? Would it make you proud to be a part of IPM?

Kim Reed Perell, formerly Adconion Direct CEO, now president of global digital marketing technology company, Amobee, makes a point of telling stories that illustrate the company's core value of resilience. Through Adconion Direct's employee newsletter, Kim regularly recognizes team members who have been "caught" showing resilience. Kim's stories and the public recognition of values-driven behavior gives clarity around the meaning of resilience, positively reinforces behavior, and serves as a much appreciated (and low cost) reward.

Tell stories wherever you go, in meetings, speeches, one-on-one conversations, coaching sessions, and electronic communication. Use our 10-Minute Story-Telling Tool (see sidebar) to jumpstart your values-driven story-telling.

On the following page, we provide an example of how Kathy Hopinkah Hannan, KPMG's national managing partner for diversity, inclusion and responsibility, also a doctoral student in our executive Ph.D. program, prompts story-telling at KPMG.

10-Minute Story-Telling Tool

Jump start your values-driven story-telling with our 10-Minute Story-Telling Tool. Download the instructions and worksheet at www.cvdl.org/storytellingtool, then use it in your next team meeting. As compelling stories of your company values in action surface, challenge your executive team to integrate the stories into their daily communications with their team members.

Winning Hearts & Minds: The Battle for Diversity & Inclusion Needs Authentic Leadership (Here's Where to Start)

by Kathy Hopinkah Hannan

Executive Story-Telling

Kathy Hopinkah Hannan, KPMG's National Managing Partner for Diversity, Inclusion & Responsibility and doctoral student in the Center for Values-Driven Leadership's executive Ph.D. program, offers tips for how to do executive story-telling well in her article, *Winning Hearts & Minds*, abridged from an earlier version published on our website.

Hannan speaks to how leaders can support the value of diversity through story-telling, but her advice is broadly applicable for other shared values.

As a diversity and inclusion executive, I've watched many initiatives waver, stall, or at worse, completely fail. What brings about these downfalls isn't strategy – the ideas are usually sound.

So why aren't more strong initiatives moving forward? It's because we've not yet won the hearts and minds of many stakeholders. To accelerate change, we need to move beyond grasping the value propositions, articulating the strategy, creating goals and metrics, defining specific accountabilities, or developing corporate slogans or vision statements. Though dialogue and efforts have increased and we are beginning to see progress, we will only be able to move faster through Authentic Leadership.

Authentic Leadership can be defined in many ways, but essentially it is a genuine approach to leadership that connects actions to core values and personal convictions. Leaders who do not truly and deeply believe in the mission of the initiative they are driving will never guide the organization to full success. Leaders at all levels must genuinely demonstrate, on a very personal level, why as an individual they personally believe diversity to be important.

One Leader's Story

Fortunately, I have seen the impact that this type of leadership can have on an organization. One example that comes to mind is that of a specific white male CEO who spoke of his commitment to diversity, his expectations of inclusion, and even his establishment of bold goals for the organization. But to the organization it appeared to be rhetoric, another goal amongst many.

To fully win the hearts and minds of individuals within the organization, the CEO shared a personal story that illustrated his own commitment to diversity and inclusion.

The story was simple. He shared how he was the youngest child and the only boy in a large family. He spoke of being aware of the differences in treatment between himself and his sisters. He shared specific facts of the inequities he witnessed when his extremely capable older sisters entered the workforce.

The CEO's story became the catalyst for accelerating change within the organization, particularly with respect to the advancement of women.

> "Leaders who do not truly and deeply believe in the mission of the initiative ... will never guide the organization to success."

Individually we are all different, but collectively our impact can be dynamic. You can apply the principles of Authentic Leadership story-telling to your own diversity and inclusion work through the following quick tips:

- Tell a genuine story about how you have personally been impacted by diversity in your own voice. Do not read from a script.

- Be sure you are deeply involved in the story and not recalling observations from a distance.

- Reveal some of the personal challenges encountered during your diversity journey.

- Ask for reactions or questions.

- Share your story often and with various levels and audiences including external constituents.

- Be engaged beyond the moment.

Values as a Unifying Principle

In our research, we find examples again and again of companies who use their values – and sometimes, a single, overriding value – as a guiding principle that shapes the strategic direction and cultural life of the company. Here is one brief example:

Shortly after Andy Studdert arrived at NES Rentals as their new CEO, an accident occurred that could have seriously injured a mother and child. In his previous role as the Chief Operating Officer for United Airlines, Studdert had learned to make safety a top priority.

As news of the accident came to him, Studdert made an immediate decision to utilize this potential tragedy as a way to further emphasize his commitment to safety as the primary and overriding corporate value. He shut the company down, asking every employee to return to their home office and wait for a company-wide conference call. On the call, Studdert told his employees, "I'm tired of being lucky that we haven't killed anyone." In a compelling speech, he called for every employee to be retrained in safety precautions; no one was allowed to return to the field until their training was complete.

Now, he says, "People say that was the defining moment in changing the company." Studdert ends every employee conversation with 'Be Safe.' The single value has become the defining feature of the company.

Hear Studdert tell the story in his own words at www.cvdl.org/Studdert.

Which Values are Most Common?

Recently at the Center for Values-Driven Leadership, we conducted a study to identify the values held by companies on the global *Fortune* 500 list. We found wide variety, but also a significant amount of overlap. In alphabetical order, here are the values most commonly held:

- Accountability
- Commitment
- Diversity
- Excellence
- Honesty
- Innovation
- Integrity
- Leadership
- Loyalty
- Openness
- Partnership
- Passion
- Professionalism
- Quality
- Reliability
- Respect
- Responsibility
- Safety
- Service
- Social Responsibility
- Sustainability
- Team work
- Transparency
- Trust

While many companies use a single word to represent a core value, leading values-driven companies explain their values in much greater detail in order to make them operational. For example, here are Whole Foods' core values:

- We Sell the Highest Quality Natural and Organic Products Available
- We Satisfy, Delight and Nourish Our Customers
- We Support Team Member Happiness and Excellence
- We Create Wealth Through Profits & Growth
- We Serve and Support Our Local and Global Communities
- We Practice and Advance Environmental Stewardship
- We Create Ongoing Win-Win Partnerships with Our Suppliers
- We Promote the Health of Our Stakeholders Through Healthy Eating Education

On the Whole Foods website, each of these values has a one-sentence description, and then you can click on a link to "learn more" about how the value is operationalized. For additional ideas on how to develop deeper meaning and understanding around values, see "Mapping Your Values," on page 9.

Values-Driven People Practices

In a small business, the leader's values are virtually synonymous with the organization's values. But once a business has grown beyond a few dozen employees, it becomes increasingly important to create values-driven people practices. Whether you lead an organization of 50 or 50,000, you'll find many benefits in integrating your company values into your human resources functions.

As a starting place, we recommend integrating your values into the following people practices:

- Recruitment and Hiring

- Training and Development

- Performance Feedback

- Rewards and Recognitions

- When necessary, Firing

Recruitment & Hiring

In his book, *Good to Great*, Jim Collins popularized the idea of "getting the right people on the bus." For a values-driven company, this means identifying job candidates who align with your corporate values.

Earlier we introduced you to Integrated Project

Management, where honesty is the first value. CEO Rich Panico has a hard-earned reputation of being deeply ethical, even when it requires costly choices. Here's how Rich connects the company's values to their hiring process:

ROV *So bringing the right people on board: people who have the talent, but most importantly have the same values; not similar values. We make that very clear in our recruiting process when we're interviewing people. We are not looking for someone who reasonably agrees with our values. I had one candidate who said, "I'm pretty honest." I said, "You're pretty honest? When are you not honest? You're either honest all the time or you're implying that sometimes you find reason not to be honest. We're not looking for that. We're looking for someone who is honest all the time."*

For Rich and his leaders, getting the right people on the bus begins with understanding the values at play – and it starts in the interview process. BerylHealth screens prospective employees with a single question: *Define compassion.* Because most employees at Beryl are in daily contact with people facing health crises, the company's leaders have determined that compassion is the most important value a Beryl employee

Technology as a Tool for Sharing Values

Technology plays an important role in making values visible in companies with multiple offices, spread over large geographic territories. Southwire, a manufacturer of wire and cable with locations across North America, is working to create a collaborative culture with five shared values, including "doing right," which includes the respect and transparency team members show toward one another.

To facilitate these values across diverse locations, Southwire CEO Stuart Thorn offers a "Just Ask" question box on the company's internal website, with a promise he'll respond directly to any employee-generated question. Southwire's "iAm" online system gives team members at every level a chance to receive coaching and feedback from anyone in the company. "Pulse Board" digital displays at every site measure progress toward values-aligned goals. Southwire University offers online training across the company.

"We use technology to create a sense of connectedness," says Thorn. "You have to build mechanisms into the company."

can hold. If the job candidate can't explain what compassion means to them, then the conversation is a non-starter.

ORIGAMI carton &crate

If your company has a clear and meaningful value set, consider how you can use these values as part of the initial screening process for applicants. At our fictional company, Origami Carton & Crate, they might incorporate their values of Creativity, Integrity, Respect, Sustainability and Excellence with questions such as these:

- Think of a time when you found a creative solution to address a problem, or when you brought creative ideas to an existing process or product. Tell the story. (Note that this question is applicable for people in traditionally creative roles, such as graphic design, but it works equally well for executives such as a CFO or COO.)

- At OCC, we value integrity. What does integrity mean to you? In the past, how have you handled circumstances where your personal integrity, or the integrity of your company, was challenged?

- What experience do you have in integrating sustainability into the workplace? How and why has this mattered to you? How have you helped clients see the importance of sustainability?

- We strive for excellence in all we do. Tell me a story about a time when you didn't settle for good enough: what was the situation, how did you push for excellence, and what were the results? When is it okay to compromise on excellence?

These questions are tailored to the unique value set of our fictional company, but they can be easily adapted for your company's values. As you adapt these questions – or create your own – work to develop questions that help connect a job candidate's belief system with their professional experience, then look for alignment with your organization's core values. Often asking for a story is the best way to truly see a candidate's

commitment to the values. If the story lacks detail, or is unconvincing in its focus, it may be because the candidate doesn't truly share your perspectives.

This leads to an important next step in the Recruitment & Hiring process. Never hire a maybe.

Hire a Resounding "Yes"

If your values – and the culture they shape – are the bedrock of your company, then you cannot afford to hire someone who *might* fit. Many of the executives we work with have told us what happens when they hire a maybe. It's a costly mistake. Don't cave to pressure to fill a role quickly; hires who are a bad culture fit will leave quickly, or (worse) stay too long and pull the team around them down.

A human resources executive for one company we've studied explained the final step of their hiring process, which includes group interviews with company leaders and colleagues. The ability to give the team an opportunity to interview a candidate helps confirm if a candidate aligns with the company's core values. If even one interviewer gives the candidate a "maybe" vote, the candidate is not hired. "We want everyone to have a resounding yes," the executive told us.

Training & Development

Once you've accomplished the first step of bringing values-aligned employees in the door, you need to focus on helping new team members understand your culture and values quickly and in-depth. How this is done varies depending on the size and nature of your organization and the role of the new team member, but here are some useful tools used by exemplary companies we've studied:

For Leaders at All Levels

Onboarding: Strong values-driven companies bring new hires together for multi-day onboarding sessions. The CEO and other senior leaders actively participate in these meetings and lead discussions on the company's values and culture. This can be done through:

- Story-telling to convey the organization's history, mission, vision, values, challenges and successes. See page 12.

- Values mapping activities to establish clarity around the meaning of the values. See exercise on page 9.

- Preprepared videos, such as the values video from BlinkUX mentioned in our earlier "Making Values Visual" section on page 10.

- Values interviews or facilitated conversations between new and existing team members, where new hires collect stories of the values in action. Stories can be recorded with smartphones, and the videos played for the training audience later in the day.

Mentoring: Mentoring is a crucial part of the onboarding process and is a significant opportunity to reinforce the company values and help new team members understand how to operationalize them on a day-to-day basis. Consider creating a one-page summary sheet of your core values that gets revisited each time a mentor and mentee meet. Encourage mentors and mentees to tell stories of the values in action. Have pairs complete the values mapping exercise using the Map Your Meaning worksheet found at www.cvdl.org/mapyourmeaning. (See the Adconion example on page 18.)

Values-in-action training: Develop training modules that focus on putting values into practice in key situations. For example, what should you do if an important client asks you to do something that violates your core value of integrity? How should you handle it, what are the proper channels, who do you turn to for support? Or what does it mean to treat people with respect? How do you build strong relationships while still maintaining appropriate boundaries? How much should you go out of your way to help others? How do you deal with legitimate conflict around vision, direction, or allocation of resources? A great resource for creating these kinds of modules is Dr. Mary Gentile's Giving Voice to Values website, at Babson College. The website provides dozens of cases, tools, and resources for values-based training.

Incorporating in ongoing training: Work with your training facilitators to integrate values-based content into all formal training sessions. Integration can be simple.

For example, imagine our fictional company Origami Carton & Crate has planned a 2-day software training session for its designers. Early in the session, facilitators can remind participants that the software is meant to make work easier, freeing up more time for fostering the value of creativity. Participants could be encouraged to play around with the system in the days immediately following the training, so they develop mastery – a factor of excellence.

However your company chooses to do it, incorporating values into your training processes is an important part of making them meaningful.

For Senior Leaders

In addition to the ideas above, executive leadership teams should give close consideration to how senior leaders – especially those new to their roles – should be taught values integration. Dialogue with executive peers is an effective means for training new senior leaders. Have your new leader meet with each of her peers during her first weeks on board. In these sessions, ask your officers to specifically address the company's values, sharing stories of how they've shaped interactions, guided decision making, and influenced the outcome of initiatives. This is important for new leaders from outside the company, but is also vital for leaders who are rising through the ranks: values integration becomes more complex as responsibility grows.

Modeling is also important. Model values-driven leadership by incorporating the values into executive team meetings. Reference the values as you discuss concerns and strategies. Celebrate examples of the values in action.

Provide visual reminders of the company's values in your office suite with a plaque, trophies, works of art, or a series of framed photographs of employees putting the values into practice. Consider including the values on the title sheet of important documents, such as strategies and forecasts.

Mentoring for Values-Sharing

ROV

Mentoring plays an important role in new employee training at Adconion Direct, now Amobee. Through "The Buddy Program," new employees are assigned a tenured team member to meet with during their first months. When the mentoring period ends, new team members have a playful and public graduation ceremony which ends with posing for a picture on a trampoline. The trampoline represents Amobee's core value of resilience and the ability to "bounce back" from adversity. The photos, displayed throughout the office, are a regular reminder of the company's values. Informal mentoring continues after graduation. Buddies often end up developing personal and professional friendships that last long after the formal program has ended.

Photo courtesy of Amobee

Performance Feedback

Effective performance feedback looks both at a person's job competencies and their alignment with core values.

Making this connection can be as simple as making time in performance feedback sessions to revisit the same core values summary sheet that is used as part of the mentoring process.

Another option is to include a set of questions about values in your 360-reviews or other evaluation processes. For example, as part of a 360, a colleague might be asked,

"On a scale of 1-5, to what extent does Tom demonstrate the value of creativity in his work? Please share specific examples and/or ways in which Tom might develop in this area."

This data can then be included in regular (monthly or quarterly) performance feedback meetings. One company we've worked with uses a web-based tool and is developing an app that

employees can use to give one another real-time feedback on their congruence with the values. Making time for frequent feedback is important, so there are no surprises during annual performance reviews, and so there is continuous company-wide alignment around core values.

Creating a Values Competency Framework

Some companies go a step further and develop a Values Competency Framework (VCF) to show how individual values can be put into practice at various levels of the organization. A VCF can incorporate the ideas and examples you identified during your values mapping exercises.

On the following page you will find a simple VCF for Origami Carton & Crate, focusing on the value of creativity. A full VCF would have similar components for each value.

Origami Carton & Crate:
Values Competency Framework for Creativity

ORIGAMI
carton
&crate

Employee at
Any Level

- Understands what we mean by Creativity

- Actively participates in idea generation

- Encourages colleagues to share creative ideas while brainstorming

- Shows a willingness to learn new approaches and integrate new ideas

- When faced with a challenge, looks for a satisfactory solution

Director
& Above

- Shows ability to integrate ideas across departments and industries

- Regularly coaches others to look for creative approaches

- Brings new ideas to existing processes and products

- Quickly identifies stagnating concepts and finds new paths to success

- Shows resilience in the face of challenges

- Brings outside ideas into the organization

Vice President
& Above

- Fosters an environment where team members can pursue creative approaches

- Carefully balances creativity and risk in decision making processes

- Able to generate or galvanize support for new ideas that benefit the organization at a macro level.

- Portrays the company's creative capacity in external markets and media

This simple Values Competency Framework illustrates how a series of level-appropriate competencies can emerge from a single shared value, Creativity. Developing your own VCF is a significant undertaking that, to be done well, requires input from every corner of the organization, often under the guidance of an external consultant or project manager. However, you can move in the direction of establishing a VCF just by answering a series of questions:

- How should everyone in the organization demonstrate the value of Creativity?

- How should leaders in the organization demonstrate Creativity?

- What Creative skill sets are necessary for executives in the organization?

Once established, you can begin to use these values-driven competencies in your performance feedback processes, but only after you've made the competencies public for an extended period of time. It's never a good idea to evaluate someone on expectations you have not made clear.

Rating Performance

With an established Values Competency Framework, you can rate team member performance to help people understand how well they are perceived to be living out the values. The decision to do this should be made with caution, and only after you have fully developed your values set and its competencies within the organization. However, rating values-based performance can also be a helpful tool in guiding the organization, because it helps team members understand what it looks like to succeed within the organization. As the old adage goes, you manage to what you measure. The following rating scale can be considered:

1. Lagging: demonstrates a lack of familiarity and intent toward the value and shows significant opportunity for growth in meeting the competencies required.

2. Developing: demonstrates familiarity and intent toward the value, but has opportunity for growth in meeting the competencies required.

3. Proficient: regularly meets all or most of the competencies required.

4. Excellent: consistently meets all of the competencies required.

5. Exemplary: meets all of the competencies required at their level, and shows capacity for meeting competencies at the next level.

Having a clearly outlined VCF and a performance feedback system that identifies competency can also help you recognize areas in which mentoring or training might help develop a high potential employee within your organization.

Rewards & Recognition

A Native American legend tells the story of a grandfather, discussing life with his granddaughter. "I feel as if I have two wolves warring in my heart," he tells her. "One is a good wolf, and the other bad." She asks him, "Which one wins?" "The one I feed," he tells her.

In life and in business, research shows that if you positively "feed" the behavior you want you'll get more of it. Recognize and reward your team for behaviors that reflect the values, and it will breed more values-based behaviors.

Values-Based Recognition

We've come across dozens of companies who actively reward values-driven behavior. Earlier we shared the story of Adconion Direct's eNews shout-outs to employees caught living out the value of resilience (see page 12). Here is another compelling example:

PRIDE at Beryl is a program that celebrates team members who are doing good work. PRIDE stands for Peers Recognizing Individual Deeds of Excellence. Beryl's "Queen of Fun and Laughter," Lana Morrow, explains:

"At any point in time an employee can go out to our internet and … send a certificate of recognition to anyone else that is for something that they did above and beyond their normal call of duty. The catch though is they have to select which one of our five core values that person represented …

Once they click submit it generates a whole behind-the-scenes process where they eventually receive their certificate and on that certificate is a PRIDE Buck that's worth five dollars.

Every month we select a really "wow" PRIDE certificate that was received for each one of those core values. And we give away a [prime] parking lot spot for each one of our values.

We send out an email … sharing what they did, who recognized them and how. Then quarterly we do a drawing for every single one of

"Recognize and reward your team for behaviors that reflect the values, and it will breed more values-based behavior."

the core values. If you received one during the quarter then you go into that drawing and if your name is drawn, then you get a $250 prize of your choice."

Beryl isn't the only company publicly rewarding values-based behavior. Lou Gerstner, the former CEO of IBM who also held senior roles at American Express, offers this example of values recognition in an October 2014 McKinsey Quarterly:

"At American Express, we had an annual award for people, all over the world, who delivered great service. One winner I'll never forget was a young chauffeur whose car windscreen had smashed and hit him in the head while he was driving an American Express client to the airport. Bleeding profusely, he continued the journey and got the client to the plane on time. By explicitly recognizing through worldwide communications the incredible commitment of people like this (and the rewards they receive), you can get people to behave in a certain way. Simply talking about it as part of your values isn't enough."

Values-Based Promotions

Recognitions like this are important, but the best way to really reward values-based behavior is to promote your culture leaders. Advancing team members who exemplify the values ensures two things:

1. Others see the path to success requires living out the values;

2. Leaders that get promoted to senior levels are truly aligned with the organization's culture and know how to leverage the values to drive success.

Firing

While hiring, training, and rewarding for values can go a long way toward creating an effective team, it is sometimes necessary to let someone go. We cannot forget the BerylHealth executive who gestured toward his colleagues. "Take a look," he said. "You won't find any jerks here."

He was confident of two things: 1) His company's hiring process was good at finding people who fit the company culture. 2) When they missed something, they were good at quickly moving that person out of the organization.

As advocates of values-driven organizational behavior, we encourage a robust dismissal process that incorporates clear expectations, coaching, and adequate time for personal development. But when a team member has failed to live up to these expectations, move them out of your organization quickly. The opening line of a _Wall Street Journal_ article summarized it well: _Superstars get a lot of attention from bosses. But bad apples deserve even more._

For an exceptional example of how to dismiss someone with dignity, see this video on BerylHealth's "decision day" process. Beryl executives give the employee a final day to provide a letter expressing their intent to develop, or to leave and "part as friends." In some cases, the day sparks growth of an employee's cultural alignment. More often, it gives employees a dignified opportunity to leave.

Values-Driven Decision-Making

A company's values can be a powerful source of unity when facing difficult decisions. Shinobu Ishizuka, president of LA-based Dyna-Search, which helps Japanese companies learn management and leadership strategies from U.S. companies, shares the story of one Japanese manufacturing company that recently transitioned into their third generation of leadership, a status worthy of great respect in Japanese culture.

The grandson of the founder now runs the company, and discovered he had a unique problem: because he was significantly younger than many of the company's managers, the managers did not want to follow his leadership.

The CEO saw an opportunity to shape the culture. He began by establishing a dozen corporate values, and then spent time working with team members to ensure understanding of and respect for the values. Now he tells his managers, "We don't make decisions based on what I say; we make them based on what the values say."

> "We don't make decisions based on what I say; we make them based on what the values say."

Like this Japanese executive, many leaders have found core values make decision-making in your organization easier and more consistent. But, at times, there are also significant tensions between values. For example, in our work with a leading quick-service restaurant chain, we learned that team members struggle to manage the tension between speed and quality. Speed drives short-term revenue, but quality drives long-term reputation. People were left wondering, "How should we prioritize the two when making decisions about our global brand, strategies for growth, investment of resources, and employee evaluations?"

Here we offer three simple tools for making values-driven decisions: The Critical Question, The Compass for Decision-Making, and The Decision-Making Checklist. You can choose the appropriate tool based on the complexity of your decision and the culture of your company.

The Critical Question

For day-to-day decision making, one simple question can shine a light on the issue at hand. When faced with a choice, whether as a group or individual, ask this question: *How does this decision fit with our core values?*

Invite dialogue around the question. If the answer is not easy, it may signal the need to find alternatives.

The Compass for Decision-Making

One of the most effective tools we know of to promote values-driven decision making is our Compass for Decision Making, which serves as a guide to point leaders in the right direction.

In this grid, leaders plot where a particular decision falls in terms of the company's values (is it fully aligned with our values, partially aligned, or not aligned?) and the company's financial position (is it a financial driver, an uncertain or potential driver, or a financial drain?).

	VALUES NOT ALIGNED	**VALUES PARTIALLY ALIGNED**	**VALUES FULLY ALIGNED**
STRONG FINANCIAL DRIVER	**Square 7** — Does not align with values but is a strong financial driver	**Square 4** — Partially aligns with values and is a strong financial driver	**Square 1** — Aligns fully with values and is a strong financial driver
POTENTIAL/UNCERTAIN FINANCIAL DRIVER	**Square 8** — Does not align with values and has uncertain potential as a financial driver	**Square 5** — Partially aligns with values and has uncertain potential as a financial driver	**Square 2** — Aligns fully with values and has uncertain potential as a financial driver
FINANCIAL DRAIN	**Square 9** — Does not align with values and is a financial drain	**Square 6** — Partially aligns with values and is a financial drain	**Square 3** — Aligns fully with values but is a financial drain

Questions to Ask

As leaders work to identify a decision's place on the grid, new questions arise. Here are questions to consider for each square on the grid:

Square 1: For the most part, decisions that land in Square 1 are "no brainers" – they align with your values and are strong financial drivers. Before you move forward, however, be sure to ask, Is now the right time?

Square 2: Decisions in Square 2 align with your values but have uncertain potential as a financial driver. Ask, What should we further explore to understand the financial implications? Is the benefit we get from the values-aligned decision worth a potential risk?

Square 3: Leaders are sometimes called upon to make the right decision even though it's costly. These choices fall in Square 3. Is this the time for that sort of choice? If so, evaluate carefully then proceed.

Square 4: Decisions often land in Square 4 not because they conflict with values, but because they represent a potential challenge to the values. Often this can still be a good decision as long as values-driven safeguards are put in place. Will a decision to take on a new project compromise the excellence you can deliver to existing customers? How can you make it possible to be excellent at both projects?

Square 5: Decisions that land in Square 5 also indicate a potential challenge to values. These challenges are worth overcoming if the project can become more values-aligned and the potential financial value is worth the effort. If there's no long-term potential for values-alignment and financial results, the decision does not need to be considered further.

Square 6: Choices in Square 6 often help one part of the company, with a neutral or negative effect on other parts. Leaders should ask, How can we help this choice align more fully with who we are? How can we minimize cost or make the choice profitable? If answers can't be found, avoid the choice.

Square 7: Avoid choices in this square, as they represent true risk for your company.

Square 8: Like Square 7, this decision represents a true risk for your company, and it has no payoff. Avoid choices in this square.

Square 9: Just as Square 1 was a "no brainer," so is Square 9. There is no reason to give further consideration to choices that land in this square, as it represents a compromise of the company's values and financial stability.

Let's use the example from our fictional company, Origami Carton & Crate, of whether to acquire a competitor. Acquiring the company would extend OCC's market share and add new product lines. The cost would be high in the short term, but it holds promise for significant long term gain. Since the decision holds high profit potential, but not immediately, we can place its financial value on the grid somewhere in the top two rows.

When considering the values (Integrity, Respect, Creativity, Excellence, Sustainability) in this acquisition, OCC's leaders determine it will greatly advance Creativity and will have a neutral effect on Sustainability. The decision's impact on the values of Integrity, Respect, and Excellence are harder to anticipate: purchasing the competitor company could align well with these values, as long as the leaders are able to behave with integrity and respect toward the employees of the company they are purchasing, while also delivering excellence to their customers. We can place its values-alignment on the grid somewhere in the middle column.

With this in mind, OCC's leaders can place the decision in either Square 4 or Square 5 on the Decision Making Grid. When choices fall in these squares, leaders must address the challenges to the values (How can guarantee excellence and integrity in this process?) while weighing the long-term value (Can we afford this purchase? Will the pay-off merit the investment?).

Values-Driven Decision Making:
A Real-Life Example from Zingerman's Deli

Let's look at a specific example. Zingerman's Deli and the Zingerman's Community of Businesses (ZCOB) in Ann Arbor, Michigan, are local legends with a national reputation – Oprah Winfrey and a host of other celebrities praise their specialty foods. ZCOB operates according to a triple bottom line they call "great food, great service, great finance." And they do this without neglecting another component of traditional triple bottom line approaches: the planet. This operating mantra ties directly to their corporate values.

A few years ago, Zingerman's was faced with a choice. Their disposable soft drink cups were costing the company up to $1800 a month. The staff wanted to make the move to washable cups that could be reused, preventing landfill waste. The problem: each reusable cup was more than $5 each. And they needed thousands.

If we map this decision on the Compass for Decision-Making, we see the reusable cups align well with ZCOB's concern for the environment, putting it in the right hand column. The choice has high short-term costs, but offers long-term savings, earning it a spot in the middle row. Because ZCOB's finances were stable, they decided to go ahead with the decision to buy reusable cups. The initial expenditure would be costly but savings would be seen eventually, and thousands of pounds would be diverted from landfills. Now that the transition has been made, the company has recouped their initial expenditure, and saves nearly $1200 a month.

"We want to be as much 'zero-waste' as we possibly can," says Rodger Bowser, chef and managing partner of the Zingerman's Deli, connecting the company's shared values to their financial strategy. It's a business imperative, he says, because "the less product we use, the more efficient we become."

A Values-Driven Decision-Making Checklist

We've shared our Critical Question and Compass for Decision-Making. Here's one final tool for integrating your values into the decision-making process. This checklist will help insure that choices align with your values. You can find a downloadable template of this checklist at www.cvdl. org/decisionchecklist.

Keep a copy of the checklist in your boardroom, suggest team members hang the list on cubicle walls, and place it in other communal spaces where decisions are made.

Values-Driven Decision Checklist

- We have considered the decision in light of each corporate value, and confirmed there is significant alignment between the decision and the values.

- We have considered the decision in light of all stakeholders involved – employees, shareholders, customers, vendors, the public – with attention given to their interpretation of our values, and their expectations for our company.

- We have allowed ample time and provided adequate opportunity for those most impacted by the decision to raise concerns or suggestions about the decision's alignment with our values.

- When we have identified a concern about the decision's alignment with a specific value, we have identified strategies and assigned responsibility for safeguarding the value.

- We have a strategy for communicating our decision and addressing potential concerns.

Values-Driven Strategy Creation

In his book, *Good to Great,* Jim Collins writes that great companies have a firm understanding of three key things – what they are deeply passionate about (including core values and purpose); what drives their economic engine; and what they can be the best at in the world. To set and execute strategy, they translate these understandings into a simple, crystalline concept – called the Hedgehog Concept – and establish "Big Harry Audacious Goals" (BHAGs) to guides their efforts.

Most of the successful values-driven companies we know follow Collins' formula to the letter. They begin with a clear understanding of their core values and purpose and then study what drives their economic engine and what they can be the best at in the world. They do this by actively engaging people inside and outside the organization in a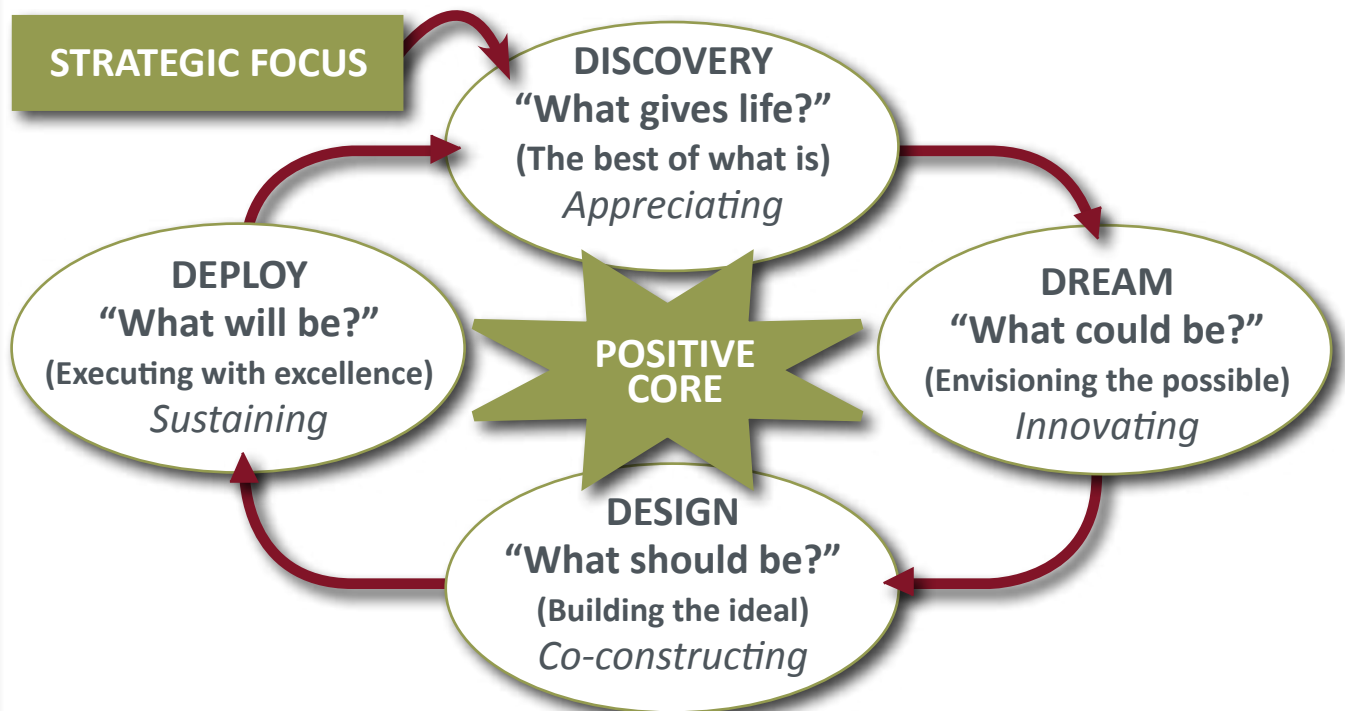sking questions, debating ideas, shaping strategy, and designing the organization for execution, all led by senior leadership.

Appreciative Inquiry is the best approach we know of for leading a strategy creation effort like this because it is based on three powerful principles:

- Appreciation – understanding core values and strengths past, present, and future

- Inquiry – systematic study of what works and what's possible in relationship to values and strategy

- Wholeness – engagement of all stakeholders for a fully-informed, values-driven strategic perspective

Appreciative Inquiry also provides a clear four-step process for execution called the "4-D model" – Discovery, Dream, Design, and Deploy.

The Appreciative Inquiry 4-D Model

STRATEGIC FOCUS

DISCOVERY
"What gives life?"
(The best of what is)
Appreciating

DEPLOY
"What will be?"
(Executing with excellence)
Sustaining

POSITIVE CORE

DREAM
"What could be?"
(Envisioning the possible)
Innovating

DESIGN
"What should be?"
(Building the ideal)
Co-constructing

We used Appreciative Inquiry to help one of the world's leading pharmaceutical companies, let's call it PharmCo, align its Latin America growth strategy with its values. Since its founding more than 100 years ago, PharmCo has been dedicated to improving health and well-being around the world, led by a strong set of core values such as: Honesty & Integrity, Innovation, Promoting Life, Expanding Access to Healthcare, and Teamwork.

The Latin America division has been recognized as a leader in living out the values and in financial performance, and they wanted to build on their track record by charting new values-driven growth strategies for the future. Along with our colleague, Diana Whitney, author of *Appreciative Leadership*, we helped PharmCo Latin America lead their stakeholders (employees, customers, consumers and government officials) through an Appreciative Inquiry process based on four core questions:

1. Think of a time that PharmCo Latin American was at its best, a time that it was thriving and growing in a way that was fully congruent with its values. What made it possible?

2. Imagine that tonight you fall into a deep relaxing sleep, and you don't wake up for 10 years. When you awake, you are in your home country and you see that many small and large miracles have occurred, and the world has changed in ways you would most like to see it—for yourself, for children, for grandchildren, for nature, etc. You go out into the world and get a panoramic view. You are happy with what you see. It's the kind of world you most want to be part of. What has changed in society, education, health, people, nature, technologies, economy, arts, spirit, community? What do you see in your vision of a better world?

3. Now, more specifically, what do you see in your vision about PharmCo Latin America? How is PharmCo Latin America helping to create the world you envisioned? What's happening at PharmCo Latin America that is new and different and better? How is your ideal PharmCo Latin America organized, designed, and led for values-driven growth? What special practices – business, management, HR, customer service – are helping to bring out the best in people? What do you see PharmCo Latin America doing to create and maintain its extraordinary relationships with its customers? To continue as the number one division in all of PharmCo?

4. Finally, if you could develop or transform PharmCo Latin America's growth strategy in any way, what three wishes, in order of priority, would you make to elevate its overall excellence and vitality?

As a result of the process, PharmCo Latin America strengthened its relationships with customers, consumers, government officials, and other stakeholders and charted a bold new strategy for growth.

PharmCo and many other companies have found that Appreciative Inquiry's power for setting and executing values-driven strategy lies in the questions it asks. Just like plants grow toward the light, human systems grow in the direction of the questions they ask. Ask negative questions and you'll receive negative answers. Ask positive, values-focused questions and you'll receive positive, values-focused answers. By incorporating positive, values-focused questions into your strategy sessions you'll move in a direction that is aligned with your values and strategic to your overall objectives.

How Values Shaped One Executive's Strategy

Chicago's Elkay Manufacturing has "be in business forever" as their first value. CEO Tim Jahnke mentions this value regularly, and it guides his decision-making and strategy-setting. Challenging times arose in 2008 when the housing market began to plummet. Focusing on the company's value of being in business forever helped clarify strategies that ensured the company's survival. Hear the story in Jahnke's words, in this short video, www.cvdl.org/Jahnke.

Values-Driven Customer Relationships

As leaders and their companies progress in the integration of their values, it moves from being an internal tool for strategy and relationship, to an external tool that strengthens partnerships and builds long-term positive reputations.

Strong values-driven companies often experience exceptional customer loyalty. Our colleagues Dr. Mike Manning and Dr. Basil Chen, found this as they studied Michigan-based Service Express Incorporated (SEI), a data server maintenance company. Year after year, SEI earns a 98 percent customer retention rate, thanks to the strong company-wide focus on its core value of delivering exceptional customer service.

> "Year after year, SEI earns a 98 percent customer retention rate."

How does SEI do it? They do it by hiring, training and promoting service-oriented team members, and by continual modeling from the company's executives. Hear more about their process in this video.

Making Your Values Public

Rich Panico, founder and CEO of Integrated Project Management (IPM), incorporates his company's strongly ethical values into every client contract, as a "code of conduct."

"We want our client's to know what they can expect of our employees," says Rich. They ask clients to abide by these standards as well. Rich says most client legal departments remove the expectations, but IPM commits to meeting the standards anyway.

Clients of IPM may not notice the values in their contracts, but they certainly see it in each interaction with IPM consultants. Clients and customers will notice how your engaged and values-driven employees live out your corporate values.

Firms like IPM work closely with a relatively small number of clients. How do you make your values public if your company works with hundreds, thousands, or even millions of customers daily?

We've seen values statements show up in unlikely places, such as printed on a child's fast food meal bag, or on receipts for purchases. If you've ordered shoes from Zappos, you may have received an email like the one below. Each email highlights a different Zappos core value.
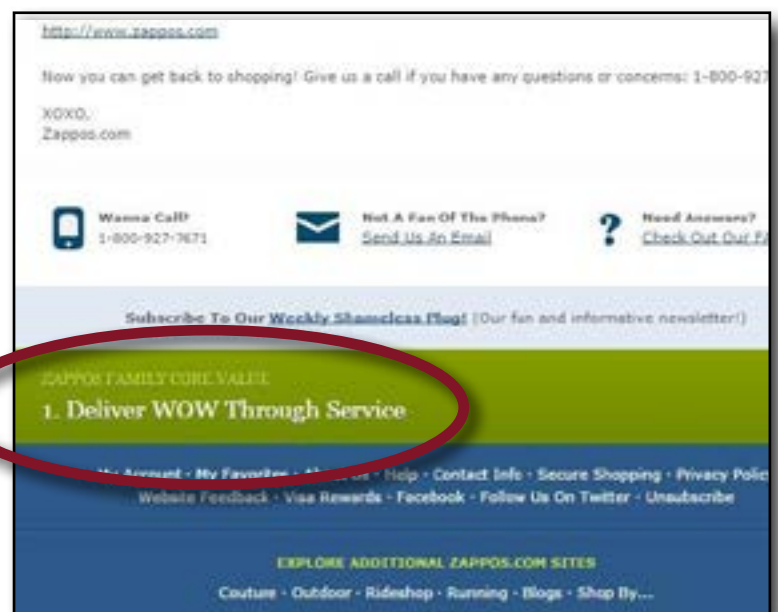

http://www.zappos.com

Now you can get back to shopping! Give us a call if you have any questions or concerns: 1-800-927

XOXO,
Zappos.com

Wanna Call? 1-800-927-7671   Not A Fan Of The Phone? Send Us An Email   Need Answers? Check Out Our F

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ZAPPOS FAMILY CORE VALUE
1. Deliver WOW Through Service

My Account · My Favorites · Help · Contact Info · Secure Shopping · Privacy Polic
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EXPLORE ADDITIONAL ZAPPOS.COM SITES
Couture · Outdoor · Rideshop · Running · Blogs · Shop By...

Often your clients and customers will notice your corporate values in action in unfortunate circumstances. Chicagoland's Tasty Catering holds, among others, the value of "high customer service standards" and "quality in everything we do." Employees are empowered to right any situation where the values aren't being met.

Tasty Catering CEO Tom Walter, author of *It's My Company Too*, recalls a time when this was tested. A young shift leader was in charge of catering service for an important client's summer picnic. A variety of mistakes occurred – orders missed, white wine at room temperature – and the shift leader knew the event hadn't met Tasty's values. She offered the client a refund on a significant portion of their bill.

"You can't do that," the client told her.

"Yes I can," she said, citing Tasty's core values. She reached Tom by phone and he quickly backed her decision, assuring the client that they wouldn't be charged for the mistakes.

Despite receiving imperfect service, Tasty Catering's values-driven approach to making it right built customer loyalty, says Tom.

Of course, your values can "show up" to customers and clients, without ever using the word "values." The printed inside of Tasty's lunch boxes (above) are an example of this: though the word "values" doesn't appear, Tasty makes it clear you can anticipate all Tasty employees - from their chefs to their drivers - will emulate the values of "quality in everything we do," "high customer service standards," and "a competitive and strong determination to be the best."

ROV

Values as a Competitive Advantage with Customers

Nagano Chuo Taxi earned its reputation for exceptional care during the 1998 Winter Olympics in Japan when, instead of going after the lucrative business of tourists, Chuo decided to maintain and even grow their service to the elderly and infirm of Nagano. They gave up short-term profit, but got exceptional customer loyalty and long-term growth in return.

While most taxi companies might see their purpose is to get customers from Point A to Point B, Chuo's mission statement includes the charge to "protect the dignity of people." They do this through warm greetings, intentionally opening the door for clients, and offering an umbrella service on rainy days. They are small acts of great significance for Chuo's elderly and disabled clientele. As one regular customer wrote to the Chuo leadership, "You give me courage to live, and it only costs me five dollars."

Reception from customers has been warm, but Chuo has also found the strategy has financial advantages. Their company is nearly twice as profitable as competitors.

Scaling Values from 300 to 16,000

Occasionally executives are skeptical about the ability to deeply align values in a large company. To close this e-book, we'd like to share the story of one senior leader who is doing just that. The story begins in a small company 20 years ago, and offers a "how to" on shifting the culture of a large company to be more values-aligned:

BerylHealth, a healthcare call center, had its start with three employees and the phone line in a backroom. Between 1985 and 2012, founder and CEO Paul Spiegelman grew the company to 300 employees. The company earned multiple Inc. 500 and Best Places to Work awards for its impressive growth trajectory and strong, positive values-driven culture that was built first on truly caring for employees.

Paul entertained purchase offers over the years, but turned them all down until 2012 when Stericycle offered him an opportunity other potential buyers hadn't: a chance to build corporate culture at a much larger scale. Paul was named Stericycle's new Chief Culture Officer.

Now he was faced with a new challenge of accomplishing in a company of 16,000 what he'd made possible in a company of 300.

Stericycle's 25 year history is one of steady growth. They've met or exceeded their earnings projections every quarter for the last 70 quarters. While Stericycle's culture was positive, with very loyal employees, recently appointed CEO Charlie Alutto believed culture and values could be used to advance the company and to bring together the various divisions and geographic locations. Paul and Charlie felt it was a blank-slate opportunity.

How to Shift a Culture

Paul began by assembling 40 leaders from across the globe to talk about values. Together, they landed on the company's core purpose (to help customers fulfill their promise by providing solutions that protect people and brands, promote health and safeguard the environment), which became a banner to rally around.

One leader suggested using a handprint (see below) to aid in remembering Stericycle's core values.

Paul and his team directed the initial efforts to focus on four key areas:

1. Communication;

2. What it looks like to live the vision and values;

3. Training and development;

4. Rewards and recognition.

Measuring the Value of Culture

Stericycle's new Chief Culture Officer called on his colleagues in the executive suite to set the

One Team. One Goal.
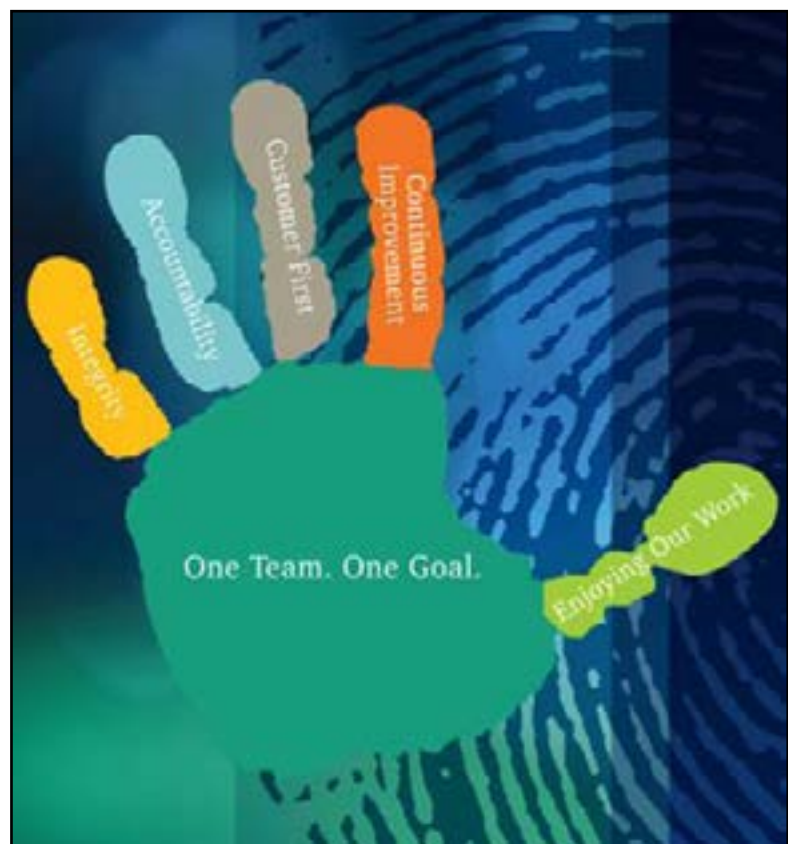
This image and others in this section courtesy of Stericycle.

metrics that would be used to measure success. "If they've set the metrics, they can't downplay the results," he says. He also worked with an internal financial analyst to quantify costs, such as employee attrition, so that the financial value of culture could be readily seen by organizational leaders.

In the end, Stericycle determined to measure culture in a variety of ways, including:

- An annual engagement survey;
- The amount and cost of team member attrition (if culture-changes can reduce attrition by 10 percent, it will save Stericycle $4 to $5 million annually);

- Customer loyalty;
- Engagement and profitability by site;
- Participation in wellness and other benefit programs.

With areas of focus and metrics in place, Paul's team borrowed ideas from the BerylHealth playbook to create strategies for spreading the culture across the organization. Below are just a few programs that are helping to shape Stericycle's new values-driven approach to culture:

	The Core Values Toolkit is a 12-page operating manual that helps Stericycle leaders and managers understand how to align the company's core values with their daily responsibilities.		SteriStories is an intentional effort to collect stories of Stericycle employees "living out the values." These stories are then used in newsletters, and other channels like SteriTV (below).
	Each Stericycle business unit has a Culture Ambassador who acts as the local champion for the company's culture and core values.		Quarterly townhalls at rotating locations feature Paul, along with the CEO and other executives, sharing stories of values in action.
	SteriTV is a quarterly news show produced by Stericycle team members. The show highlights news within the organization, with a focus on values and culture.		Through SteriCares, the organization invests in their local community and provides hardship support for team members, reflecting the core values.
	100 existing and future leaders come together annually for the Leadership Summit, to build relationships and focus on culture and values training.		SteriCore platform, viewable on smartphones or home computers, recognizes and encourages employees, many of whom don't have work email accounts.
	With operations in dozens of countries, Stericycle relies on their new Steri University to provide training - including a focus on values.		Stericycle's purpose is to promote health, including the health of employees. SteriWell provides education, resources, and gym memberships.

What Comes Next?

We called this book a "menu of options for senior leaders," in hopes that executives would find it useful to "cherry pick" the ideas that make the most sense for making values meaningful in their organization. While it is very possible to adopt all the strategies in this book, it cannot be done all at once.

Even once you have adopted a strategy, your job is not complete. Our research shows that the strongest, most positive workplace cultures are built through absolute consistency, starting with the senior leadership team and working its way through every level of the organization.

Consistency isn't accomplished in a single day: it takes revisiting the topic with great frequency – monthly, weekly, daily, hourly. The truly exceptional leaders we know are masters of this.

At the Center for Values-Driven Leadership, we believe in the capacity of leaders like you to have a transformative impact on business and society. We hope this publication helps make that possible.

> "The strongest, most positive workplace cultures are built through absolute consistency."

About the Center for Values-Driven Leadership

The Center for Values-Driven Leadership (CVDL) offers research, education and outreach opportunities to help business leaders forge new paths to profitability. It is a gathering place where top executives, entrepreneurs and thought leaders come together to innovate at the forefront of sustainable business practice.

Our vision is to benefit business and society by being the world's leading provider of values-driven leadership research and education.

Our programs help corporate leaders drive competitive financial performance through social, ethical and environmental excellence. We accomplish this through:

- Education: Our Ph.D./D.B.A. Program in Values-Driven Leadership is designed for senior executives who want to connect values with strategy to drive growth. The program is the first of its kind, integrating the fields of leadership, strategic change, and corporate responsibility and sustainability. Learn more on page 33, or at www.cvdl.org/lead. Additionally, we offer customized executive education and leadership development courses for companies, and one-day Senior Executive Roundtables.

- Research: In partnership with the Small Giants Community (www.smallgiants.org), we have launched a 3-year research initiative to explore the link between culture and profit in small and mid-size companies (www.returnonvaluesproject.com). Additional research initiatives explore the influence of values-driven leadership on business practice.

- Custom Solutions: We work individually with companies to align values and culture with strategy and create high-impact learning, development, and change initiatives tailored to the needs of each client. Our custom solutions are designed to provide an immediate return on investment by integrating a values-driven approach to business with the development of leaders and the achievement of your company's strategic goals. **Email us at info@cvdl.org** to discuss a Custom Solution for your company.

For more information about the Center for Values-Driven Leadership, please visit www.cvdl.org or email info@cvd.org.

Making
VALUES
Meaningful

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