

Creating a High Performance, Values-Aligned Culture

All good performance starts with clear goals, yet it is amazing how unclear goals are in many organizations.

Leaders who are clear about their company's reason for being (purpose) and who define what "good corporate citizens" look like (values) are able to deliver and sustain both performance and employee satisfaction over time. The creation of a purposeful culture—one that holds employees accountable for exceeding performance expectations while modeling the organization's declared values—is critical for business leaders in today's marketplace.

Developing a high performance, values-aligned culture requires three integrated steps. They are:

1. Clarify performance expectations
2. Define values in behavioral terms
3. Hold leaders and staff accountable

Clarify Performance Expectations

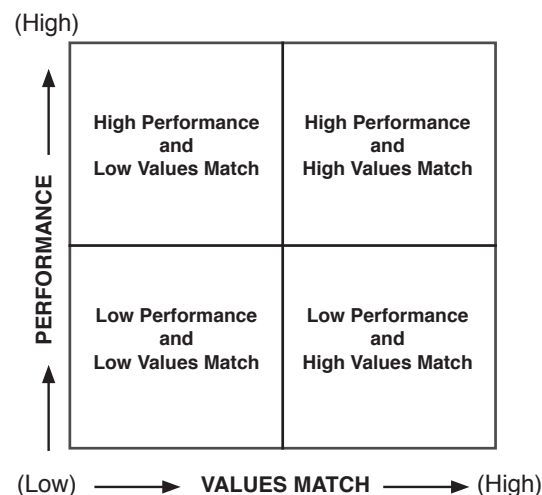
Leaders can help contributors gain an understanding of their performance expectations through formal planning forms or more informal discussions. The critical outcome is for everyone to agree on standards for key goals. This step reduces confusion, clarifies targets, and focuses efforts for everyone.

One key to creating a sustainable business that creates passionate employees who exceed performance standards is shown in the Performance Values Matrix.

This model comes from Jack Welch, who, while President/CEO of General Electric, was one of the first corporate senior executives to formally hold leaders and managers in his organization accountable for both performance and values.

The model is a simple X-Y graph with the vertical axis representing Performance and the horizontal axis representing the Values Match. The quadrants represent the four possible combinations of high or low performance and high or low values match.

The Performance-Values Matrix



Senior Leaders Must Model Declared Values: Four Best Practices to Unlock the Potential of Your Executive Team

It is extremely important for senior leaders to model the desired values and valued behaviors—every day, with every interaction. Unless senior leaders embrace the new expectations, demonstrating valued behaviors, the change will not take hold and senior leader credibility will suffer. Here four ways that a senior team can get off to a good start acting with one voice, one heart, and one mind.

1. **Clear Purpose:** The executive team must define its reason for being—beyond their relationship as direct reports of the president/CEO. The purpose statement clarifies why the team exists, who their primary customers are, and what they're trying to accomplish as a team (provider of choice, employer of choice, etc.).
2. **Team Goals:** What strategic goals are the executive team trying to accomplish? Clarifying executive team goals helps define what a good job looks like at the end of the fiscal year. Performance goals might include employee work passion targets, customer service excellence, financial success, etc.

The best place for all staff members (leaders, managers, supervisors, employees) to exist on this model is the upper right quadrant. That means they are meeting or exceeding performance standards and are consistently demonstrating desired valued behaviors. You should wildly praise and recognize the high performance, values aligned players who reside here!

A poor place for staff to reside is the lower-left quadrant. If they are here, it means these players fall short of performance expectations and do not demonstrate desired valued behaviors. This group does not have a future in most organizations, as it is unlikely that time and energy spent to raise skills (to improve performance) and coach to modify behavior (to increase the values match) will pay off in the short term (or long term). It's usually best to let these people go work somewhere else.

The bottom-right quadrant offers an interesting challenge. What should you do with the values-led players who are unable to perform? You need to train them, build their skills, and even shift their roles to leverage their talents as required. You don't want to lose the high values match! However, if they are unable to consistently perform in any role, then you need to respectfully consider moving them outside the organization also.

Surprisingly, the upper-left quadrant is where the most damaging players reside. The high performance/low values match players are poison in your organization. They exceed performance expectations, which is good, but demonstrate a very different set of values from those you desire, which is bad. What should you do with these players? Terminate them as fast as you can. Their existence in your organization erodes leader integrity and trust among staff and customers.

Accountability for both performance and values can occur only after expectations for both are clear and agreed to. It takes intentional effort to build the necessary foundation for applying this model and creating the high performance, values-aligned organization.

Define Values in Behavioral Terms

Some organizations attempt to define their culture by establishing elaborate purpose and values statements and then publishing these statements far and wide—posting them in the workplace and on company Web sites. However, the most effective approach is to draft straightforward declarations of purpose with values defined in behavioral terms, which enable values metrics to be established. Without a behavioral definition of values, confusion reigns when staff members try to hold each other accountable for those values.

In most organizations, values are defined in lofty terms that are difficult to translate into practical, day-to-day application. Without clearly defined behavioral guidelines describing exactly how a “great corporate citizen” behaves, each leader and staff member can define those values as it suits their personality, role, and activities. For example, if there is not a mutually agreed upon definition of what “honesty” looks like in an organization and an employee doesn't behave according to how a leader uniquely defines this particular value, then the leader's trust of the employee is eroded. The result over time is a loss of respect, increased stress and anxiety, and inconsistent treatment of employees and customers.

To make your company values actionable, follow these steps to define your values in behavioral terms.

3. **Values and Norms:** Values defined in behavioral terms describe how team members should behave as they pursue their team goals. All effective teams create agreements around what a good citizen of the team looks, acts, and sounds like. Values are typically too vague and lofty to guide day-to-day actions, so behavioral definitions solve that issue. Team norms emerge from the valued behaviors—norms are practical guidelines that ensure values are lived in team member interactions.

4. **Accountability:** With the team's purpose, goals, and values formalized, the most important practice comes into play: holding team members accountable for these agreements. Accountability is not the sole responsibility of the executive team's leader (typically the president/CEO), it is every team member's responsibility. Accountability conversations are not drawn out conflicts—they are conversations that inquire about a valued behavior or norm, asking for insights about demonstrated behavior that seems to be outside those agreements. They are sincere efforts to understand behavior and guide members to embracing their agreements.

When these four agreements are in place, decision making is easy. Executive team members easily understand their role in furthering the team's purpose by cooperating, communicating, and focusing on the greater good.

- **For each value, brainstorm potential behaviors that you'd be proud to see all staff demonstrate when they're modeling this value.** Note that we say “demonstrate” because we cannot measure nor hold people accountable for what they “think,” what their “attitude” is, or what they “believe.” We can, however, measure and hold people accountable for demonstrating (acting on) clearly defined behaviors.
- **Cull through the behaviors to reduce the list to three to five behaviors per value.** Answer these questions to help with the selection process: Is this an observable behavior? Can I assess someone's demonstration of this behavior by watching and/or listening to their interactions with customers, peers, and stakeholders? Can I reliably “score” this behavior from low to moderate to high at any point in time? Is this behavior unique to a particular function or unit? (The behaviors for these “organization-wide” values must be global and relevant to all staff. If the behavior isn't one that is appropriate for all staff members, no matter what function or unit they serve in, it should not be included in the final cut.)
- **For each behavior, define three key measures.** “Exceeds standard,” “Meets standard,” and “Needs improvement” are three simple measures. Here is a real-life example to map out how this works. Note that the value and behavior have already been identified as recommended in the previous two steps. Also note that each valued behavior requires a separate set of measures. Ensure that each measure truly gauges only one behavior (not multiple behaviors).
 - **Value:** Integrity—We work with customers and prospects openly, honestly and sincerely. When we say we will do something, we will do it; when we say we cannot or will not do something, then we won't do it.
 - **Behaviors:** I clearly define the commitments I make, ensuring my promises are well-understood by the person I'm making that promise to. I do not lie, stretch the truth, or withhold information from a peer, customer, or stakeholder. If I am unable to keep a commitment, I inform all people who will be impacted immediately.

Exceeds Standard: “I willingly make promises and commitments. I proactively keep people informed of my progress. I let others know if, despite my best efforts, a deadline will be missed. I rarely miss promised delivery.”

Meets Standard: “I make promises and commitments in the present, keenly aware that I'm guaranteeing my performance on that promise. I consistently deliver what I promise.”

Needs Improvement: “I am hesitant to make promises or commitments. I don't always keep people informed about my progress. My ‘word’ isn't highly trusted among my peers. Delivery of expected results are inconsistent.”
- **Test these measurements with key players throughout the organization.** The best approach is to create a draft “community values” assessment and pilot it with a few teams. Refine it to the point where you are confident it effectively measures these valued behaviors.
- **Monitor performance.** Survey the entire organization twice each year. Publish results throughout the organization in as many ways as necessary to ensure all staff know how the organization is doing with the goal of modeling your values. Reward those folks who are seen as demonstrating desired valued behaviors and coach and redirect those who have values gaps.

Demonstrated ROI of Culture Change

Often senior leaders know that an existing culture needs to change, but doing so will require travelling down an unknown path. Sometimes it seems prudent to stay on an existing path, staying with the current, known issues rather than embark on a path that may not make the culture better.

Here are highlights from select Blanchard global clients who have followed the three steps of clarifying performance expectations, defining values in behavioral terms, and holding leaders and staff accountable for both.

ASDA—after implementing their culture change process, this retail division of Walmart in the U.K. was voted the number one employer of choice in a survey conducted by *The Sunday Times*. Eighty-percent of employees believe management listens to and understands their needs. In terms of sales and profit, the company outperformed the whole of the U.K. retail sector for growth over a two year span, with profit goals well ahead of plan.

Hold Leaders and Staff Accountable

Many organizations struggle to hold leaders, managers, and staff members accountable for performance or for values. The reality is that without consequence management, you are not leading—you are creating chaos. Your credibility is maintained, day by day, when you do what you say you will do. Accountability is really not that complicated. Here are two ways leaders can improve accountability in their organizations:

- **Proactive Observation:** Seek information about your team member's performance on that expectation. Take time to watch your team member working on the goal or task. Create feedback channels so that the team member's key internal and/or external customers can provide you with their perceptions about goal or task delivery (or progress). Gather and review these data points so you will be confident of the team member's performance on that expectation.
- **Consequence Management:** Apply the appropriate consequences. If they are doing what they committed to do, praise, encourage, and reward the team member. If they are not doing what they committed to do, engage them in a conversation to understand why progress has not been made. If you learn that it is an ability problem (i.e., circumstances have gotten in the way of their performance on this goal or task or they do not have the skills to complete the task), you may have to renegotiate the deadline, provide training, etc. If you learn it is a motivation problem, coaching, redirection, or even a reprimand will help them learn that you're watching and you require they deliver on their commitment.

Getting Started with Your Own Culture Transformation

Organizations that successfully create high performing, values-aligned cultures share these five critical success factors:

1. **The senior leadership team must demonstrate commitment to the long-term process.** The culture change process must be embraced and championed by the entire senior leadership team. They must lead this effort with "one heart, one mind, and one voice." Senior leaders cannot delegate the responsibility for culture creation, maintenance, or refinement any more than they can delegate the responsibility to breathe. They will be held to high standards as desired values are defined (in behavioral terms) and communicated. Cultural transformation is an ongoing project that will never go away.
2. **Values must be defined in behavioral terms.** This is the only approach that makes your desired behaviors observable, tangible, and measurable. Ultimately, you don't care about someone's beliefs or attitude, you care that they demonstrate desired valued behaviors with every boss, peer, customer, and stakeholder, every day, in every interaction.
3. **Accountability for delivering promised performance and demonstrating valued behaviors is paramount.** Consequences must be swift and consistent. Positive consequences for meeting performance and values expectations must be described and demonstrated. Praise and encourage the performance and values demonstration you want. Negative consequences must be applied when performance is below standards or valued behaviors are not demonstrated. You must not tolerate undesirable behavior from anyone at any level.

Banta Catalog Group—this catalog printing and distribution center outside of Minneapolis, Minnesota generated significant benefits during their culture change process. Two years after starting the process, the plant found:

- Profitability increased 36%.
- Employee engagement improved 20% within six months
- Employee retention improved 17%.

Foodstuffs Auckland Limited—New Zealand's biggest grocery distributor and retailer used a culture change process to build on their successes and develop leaders at all levels of the organization to ensure focused growth in their market. Results from the program were exceptional with a huge positive shift in employee morale and attitude.

- Within the first year, ROI on the project exceeded \$600,000—a more than tenfold return on the training investment.
- There was a 28% reduction in employee turnover within three months in just one supermarket.
- There was a 1% out-of-stock reduction, resulting in \$100,000 additional profit.
- A reduction in delivered cost per carton of 9.5% through one of their Distribution Centers resulted in \$200,000 in additional profit.

- 4. It is vital that all staff are involved in and buy into the culture transformation at every phase.** This process is not about “managing by announcements,” where leaders tell everyone what the new expectations are but don’t invite thoughts or hold people—including themselves—consistently accountable. For all staff to embrace the desired culture, they must be included in the clarification process. They must help define and commit to what the new culture will demand of them (and their bosses and peers).
- 5. One step at a time.** Find a manageable scope for the change initiative. Don’t try to change the entire organization at once; move at a pace that the organization can tolerate. Start with a distinct part of the organization—a department, division, plant, or regional office—to learn how the process flows. Then select another distinct part of the organization and begin the change process there, modifying and refining the rollout based on what you learned with the first group. Continue until you’ve reached the entire organization.

Getting Started

The process of creating a high performance, values-aligned culture requires consistent attention by company leadership and day-to-day reinforcement by managers throughout the journey. It can take 18-24 months from the process kickoff to achieve the demonstrated values-aligned behaviors across the organization. Each step taken progressively builds understanding of performance expectations and commitment to behaviorally defined values, and accountability systems will reinforce the commitment of the organization to creating a purposeful culture. While this is not a process to be approached casually, the increased employee commitment, company performance, and satisfaction derived from working in a values-driven culture more than compensates.

About the Author

Chris Edmonds is a senior consulting partner with The Ken Blanchard Companies. Chris is a coauthor of Blanchard’s culture change process based on Ken Blanchard’s Best-selling book, *Gung Ho!*[®], which was recognized as one of the Top Ten Training Programs of 2000 by *Human Resource Executive* magazine. The program continues to have significant impact on organizational performance and employee passion all over the world.

About The Ken Blanchard Companies[®]

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Our programs are based on behavioral models that add a situational context to the training experience, so individuals learn to be more productive in real-world scenarios and make the shift from learning to doing more quickly and effectively.

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