

GROWTH AND SUCCESS BY CORE VALUES

By Vern Harnish, June 2012

The key finding from our *Built to Last* research, the fundamental distinguishing characteristic of the most enduring and successful corporations is that they preserve a cherished core ideology while simultaneously stimulating progress and change in everything that is not part of their core ideology. Put another way, they distinguish their timeless core values and enduring core purpose (which should never change) from their operating practices and business strategies (which should be changing constantly in response to a changing world).

In truly great companies, change is a constant, but not the *only* constant. They understand the difference between what should never change and what should be open for change, between what is truly sacred and what is not. And by being clear about what should never change, they are better able to stimulate change and progress in everything else. Articulating a vision provides the guiding context for implementing the “preserve the core/stimulate progress” concept in an organization.

A well-conceived vision consists of two major components—*core ideology* and an *envisioned future*. Notice the direct parallel to the fundamental “preserve the core/stimulate progress” dynamic. A good vision builds on the interplay between these two complementary yin-and-yang forces: it defines “**what we stand for and why we exist**” that does not change (the core ideology) and sets forth “**what we aspire to become, to achieve, to create**” that will require significant change and progress to attain (the envisioned future).

To pursue the vision means to create organizational and strategic alignment to preserve the core ideology and stimulate progress toward the envisioned future. Alignment brings the vision to life, translating it from good intentions to concrete reality.

In building Verifone from \$30 million to \$600 million to dominate the global market of clearing credit card transactions, Hatim Tyabji said his key leadership/management tool was a small booklet that explained in eight languages the eight core values at the heart of Verifone's culture and success "I essentially spent the last six years repeating myself," noted Tyabji.

What are the rules? Below are eight ways to bring these core values alive and a recommended process for "discovering" your true values if you've never committed them to writing. In essence, replace all the random "people" lists (hiring guidelines, performance appraisal criteria, recognition awards, etc.) with a coherent single list and simplify that part of your company.

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To give you a flavor for the core values of a growth company, following are Gazelles':

- Practice what we Preach
- Nothing less than Ecstatic Customers
- 1st Class for Less

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- Honor Intellectual Capitalists
- Everyone an Entrepreneur
- Never, ever, ever give up

TECHNIQUES FOR BRINGING YOUR CORE VALUES ALIVE

Once you have your core values, it's the "repeating" of and living "consistent" with the firm's values that's the most difficult part of the process. A leader must go beyond merely posting the values on the wall and handing out plastic laminated cards. Here are eight ways to keep these values alive and simplify your people systems.

1. **STORYTELLING** Everybody enjoys a good story and most great leaders have taught through parable or storytelling. Identify some "legends" and current stories that represent each value. And stories provide the explanation for any core values that might seem unusual or cryptic on their own.
2. **RECRUITMENT AND SELECTION** Design your interview questions and assessments to test a candidate's alignment with your core values. Then rate the person in terms of their perceived alignment with each core value. Your goal, after all, is to make sure your new hires fit in.
3. **ORIENTATION** Once hired, it's time to inculcate (bring into the culture) the individual. Like many social organization initiations, orientation (you do have one?) is when you can further emphasize the company's core values. Consider organizing your orientation around the teaching of your core values.
4. **PERFORMANCE APPRAISAL AND HANDBOOKS** Core values should provide the framework on which you hang your performance appraisal system. With a little creativity, any performance measure can be made to link with a core value. In addition, organize your employee handbook into sections around each core value.
5. **RECOGNITION AND REWARD** Organize your recognition and reward categories around your core values. You also gain a new source of corporate stories and legends each time a reward or recognition is given that highlights a core value.

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6. **NEWSLETTERS** Why struggle to come up with a catchy title for a newsletter when some word or phrase from your core values will do beautifully? Highlight a core value with each issue, incorporating stories ♦ yes, more stories ♦ about people putting these core values to work for the betterment of the company.

7. **THEMES** Use your core values to bring attention to your corporate improvement efforts. Milliken, the textile manufacturer, takes one of their six core values and makes it the theme for the quarter, asking all employees to focus on ways to improve the company around the theme. The Ritz-Carlton chain goes to the other extreme and highlights worldwide one "rule" everyday. In either case, establish a rhythm that keeps the core values top of mind in a repetitive fashion.

8. **EVERYDAY MANAGEMENT** I've found that managers and CEOs can almost repeat core values endlessly without it seeming ridiculous so long as the core values they're using truly are relevant and meaningful to their employees. When you make a decision, relate it to a value. When you reprimand or praise, refer to a value. When customer issues arise, by all means, compare the situation to the ideal represented by the value. Small as these actions may sound, they probably do more than any of the aforementioned strategies for bringing core values alive in your organization.