Managing By VALUES®

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Introduction

IN 1986, I PARTICIPATED in a convention where John Naisbitt gave a speech on his book *Reinventing the Corporation*, coauthored with his wife, Patricia Aburdeene. Toward the end of his speech, John shared his dream that "someday there will be a list of 'Fortunate 500' companies." I was immediately intrigued by this unusual, yet obviously intentional, play on words.

John went on to explain that while we all know that a Fortune 500 company is defined by its size and volume, a *Fortunate 500* company would be defined by the quality of service available to its customers and the quality of life accessible to its employees.

After his speech, I shared with John my fascination and excitement about the Fortunate 500 concept and asked him if he had done any real thinking about what qualified an organization as a Fortunate 500 company. He said he hadn't.

I suggested we get together to try to determine what defines a Fortunate 500 company and to see if we could find a way to identify companies or organizations that were on their way to becoming Fortunate 500 companies. John was intrigued by the idea, but at the time he and Patricia were working on their next book, *Megatrends 2000*, so he encouraged me to go ahead and pursue the Fortunate 500 concept on my own.

My first move was to speak with Mary Falvey Fuller, a fellow Cornellian. Mary had worked with McKinsey and Company, Inc., an international management consulting firm; she had also managed the operational side of organizations. As Mary and I reviewed many of the studies that had been done on "excellence," we found that whenever people talked about it, they focused on results—the key success indicators that suggested a company was a leader.

These indicators included the usual things like volume, profit, return on investment or assets, and the like. Typically, once the list of excellent companies was established based on their results, consultants and researchers next focused on the companies' management practices to identify what gave these organizations the kinds of results they were getting.

The more we investigated this concept of "excellence," the more we questioned its definition. We questioned it because we noticed how people's motivations and expectations were changing with respect to their work and how virtually every company was facing increasing complexity, competitive challenge, and rate of change. As we saw it, the practices that had produced the best results from the sixties through the eighties would not be effective in the nineties and beyond. Today's economy called for a new and broader approach. So we began to focus instead on what we believed to be the foundation of an effective organization—namely, its *mission* and its *values*.

Perhaps more than at any previous time, an organization today must know what it stands for and on what principles it will operate. No longer is values-based organizational behavior an interesting philosophical choice—it is a requisite for survival.

The particular mix of dilemmas in which competitive companies do business nowadays requires that they build success upon effectiveness. Once an organization has a clear picture of its mission and values, it has a strong basis for evaluating its management practices and bringing them into alignment with the articulated mission and values.

I got so excited about this Fortunate 500 concept that Norman Vincent Peale and I mentioned it in our book, *The Power of Ethical Management*. Erv Kamm, then president and chief operating officer at Norstan, a telecommunications company headquartered in Minneapolis, read about it in the copy of the book that Sid Cohen, chairman of that same company, had given him. They both became interested in how Norstan might become a Fortunate 500 organization, and Erv wrote us a letter to that effect. Mary Falvey

Fuller and I then visited with Erv, Paul Baszucki, and Richard Cohen at Norstan. The first Fortunate 500 project was begun.

It didn't take long for us to realize that the concept was a lot easier to describe than to effectively install. As a result, it became obvious we would need an expert on values-based interventions. That's where Michael O'Connor came into the picture.

While I was working on making the behavioral sciences come alive for people at work and at home, Michael had been methodically studying the practical application of insights about values. When I contacted him in 1990, he had already discovered the untapped power of values as an integrating force in the lives of highly effective individuals, work groups/teams, and organizations and was busy implementing this know-how with clients and other consultants.

I invited Michael to join Mary and me in helping organizations put our Fortunate 500 business philosophy into practice through his own process of *Managing By Values* (MBV). He accepted, and Norstan became our first joint Fortunate 500 project for the MBV process.

Michael had already begun an extensive intervention with the Holt Companies, a major Caterpillar distributor and gas compressor manufacturer headquartered in Texas. Peter Holt, chief executive officer of the Holt Companies, had been searching for some way to manage his company more effectively, leave a legacy that would survive beyond his leadership, and at the same time establish further congruency in his personal life. The Holt Companies soon became our second Fortunate 500 project.

We divided the duties. Michael focused on helping organizations articulate their corporate values and executives identify their personal values. He also devised systems for resolving misalignments between individual, work group, and corporate values. Mary zeroed in on identifying the strategic decisions and management practices where the fusion of values and an orientation toward results would be most powerful. I acted as spokesperson and cheerleader for the MBV process and for the top managers of our project companies.

Together, we worked with Norstan and Holt to address specific decisions and modify key practices to bring their walk in line with their talk. After about three years, Mary shifted her focus to coupling corporate strategy with management of change and organizational learning, while Michael and I teamed with my Blanchard Training and Development (BTD) colleagues, Fred Finch and Drea Zigarmi, to continue our work with Managing By Values.

In 1992, the Fortunate Companies Foundation was created as a nonprofit corporation for the purpose of promoting and perpetuating this management process in organizations. In a joint venture with BTD, the foundation is currently working with aspiring Fortunate 500 project companies on their Managing By Values journey. At the time of this writing, Michael serves as director of consulting services for the foundation's Center for Managing By Values.

As chairman of Blanchard Training and Development, I am the number one spokesperson and cheerleader for the Managing By Values process, while several of my BTD associates are working with Michael and other foundation consultants on its implementation.

I am an MBV believer because I have witnessed the significant payoff experienced by organizations undergoing the process. These organizations have developed clear mission statements and operating values and have communicated these values throughout their companies; their journeys have been all about managing by those values. The kinds of continuing success stories in the areas of performance, satisfaction, and return on investment are documented in this book. While it is written as a fictional account, the story is based on actual reports by the implementers, customers, and owners at Norstan, Holt, and our other MBV project organizations.

Managing By Values can and does make a difference. I invite you to join Michael and me on this Managing By Values journey. The story, written with the help of Jim Ballard, depicts the transformation your organization could undergo and how you can make a difference in the lives of your people, the customers you serve, and the shareholders who depend on your success. Welcome to the Fortunate 500 journey!

Ken Blanchard
Fall 1996

I

Finding Out

Tom Yeomans drove his silver Lexus off the freeway two exits before the one he always used on his way home from work. He followed a winding country road for a mile or so to where a short, unpaved road took him into a stand of trees on a rise overlooking a bend in a wide river. He stopped the car and switched off the engine. He got out, walked a few paces, then stood gazing downriver. Even with designer sunglasses shading his eyes against the late afternoon sun, you could see that he wore the look of a troubled man.

Tom Yeomans' life was outwardly impressive. He'd become president and CEO of a top manufacturing company before the age of forty. The highly profitable company was a leader in its field and occupied a respected role in the community. Tom had a fine home and a wife and children who would make any man proud. Outwardly, his life did not seem to lack for any comforts or possessions.

It was an outcome of a pattern of ceaseless striving. His whole life had been a matter of setting and achieving goals. He was now at a point most people would call the "pinnacle of success," yet he felt strangely empty, cut off from the kinds of things he sensed made a man really rich. The plain fact was Tom wasn't happy.

He picked up a stone and threw it into the water. As he gazed at the widening ripples, his thoughts traveled back to a decade ago when he and Barry Lofting had founded L&Y Manufacturing, a successful furniture manufacturer. The two had been friends since junior high school and had worked night and day to craft L&Y into a leader in its field.

They'd had a ball doing it, too. Their success was due in part to their differences. Tom enjoyed the part of the "high roller," thriving on the risks of wheeling and dealing. Barry exuded a human intelligence demonstrated by his natural talent for establishing trust and rapport with clients and employees. The trouble had come when Tom went behind Barry's back to sell the company to a foreign buyer. Barry had never forgiven Tom for that.

Tom tried repeatedly to placate his partner's feelings. "Hey, what are you squawking about?" he'd say. "You're rich!" His efforts hadn't worked. It was only when he had tried unsuccessfully to interest his friend in going in with him on a new venture that Tom had realized money was not the real issue.

Now, as he stood looking downriver, Tom's mind was replaying that last uncomfortable conversation before Barry left the office.

"Come on, Barry. I need you. We can do it—the old fire, man. Just stick with me for two years. Sure, it may mean twelve- and fourteen-hour days for us, but we'll be having a blast blowing the competition away, and besides, it's only for a little while. Guaranteed, we'll triple our investment in that time. Then you and I will get that place in Baja and spend the time we want with our wives and kids."

Barry had looked at him steadily. "Tom, tell me something honestly."

"Anything, pal."

"When is the last time you and Leslie and the kids did anything together?" The silence between them had seemed to push the walls back.

"When is the last time you and Leslie had a real talk?" Again that maddening silence. "I thought so. Hey, I gotta go," Barry sighed. As he reached the door, he turned, looked at Tom directly, and said, "The trouble with you, Tom, is that *you're in a rat race. Remember, even if you win the race, you're still a rat.*"

That was the last time Tom saw the man he'd called his best friend—the person with whom he'd won high school swim team trophies, scaled peaks in Alaska, and built a successful business. After that, Tom dropped the notion of starting another company and instead used his track record and contacts to join RimCo, a growing auto parts manufacturer, as a regional vice president.

The ensuing years found him competing in a grueling succession of power moves as he scaled RimCo's corporate ladder. Now, having attained the top rung as president, Tom was beginning to wonder what he'd given up. Keeping a schedule of long hours, late meetings, and frequent traveling had kept him from being a real member of his family. Leslie complained that the kids were growing up without him.

He thought of Leslie. When they spoke, it was usually to coordinate their schedules; they seldom even went to bed at the same time now. He thought of his children. Just last week he'd arrived home late at night after three days of back-to-back strategy meetings on the road. The next morning Michael, his fourteen-year-old, had come into the bedroom to kiss his mother before going off to school. Leslie, in her usual motherly attempt at building family togetherness, nudged her son, "Hey, don't you say 'hi' to your dad anymore? He's missed you while he was gone." Michael, in his sunny innocence, replied, "Oh! Were you gone again, Dad?"

Tom Yeomans turned and walked back to his sleek, silver automobile. He put his hands on the hood and leaned down over it. Reflected in the creamy wax finish he saw a face lined with suffering. As he studied that face, it spoke to him. "How about it, Tom? Do your loved ones think you're a rat?" Turning and leaning against the hood, he folded his arms and shivered in the breeze picking up off the water. The truth was, the state of his relationships at home was only the tip of the iceberg.

During the last six months at work, the ground had begun to cave in under him. Everything seemed to be coming apart. The company had lost two major accounts to its chief competitor. Complaints from customers had increased. Stockholders were getting edgy about the loss of market share. And employee morale was taking a nosedive. Some of the company's best people had quit.

Alarmed, the board of directors called in a consulting group to study the situation. Tom was concerned about outsiders snooping around, but the board gave him no choice.

The consultants used interviews, surveys, focus groups, and document reviews to put together an in-depth analysis of the company, its management, employees, stockholders, and customers. When the study was finished, the board had an all-day meeting with Lynn, the consulting team leader. Tom sat sullenly, listening to the team's list of recommendations.

The list was formidable. Tom had always thought he was out in front of the pack. But as he listened, he recognized that RimCo's problems were no different from the problems other organizations were experiencing in the highly competitive market of the nineties. The consultants suggested that the organization must be leaner, flatter. Managers must empower their people, delegating whole projects to self-managing work teams. Quality and service must become everyone's business, regardless of job title. In short, the company must "reinvent" itself from the top down.

Typically, Tom assumed that the problem was "out there." His mind began to flash with ideas about fixing "them." It was at that point that Lynn's feedback started to hit closer to home.

As she finished summarizing the results of an employee survey, Lynn put down her papers. She looked at Tom and said, "What they're saying, Mr. Yeomans, is that you manage more by fear than by consensus. Your management style breeds these problems, for it has resulted in an environment of mistrust. Without a dramatic change on your part, it will be difficult, if not impossible, for RimCo to become a really competitive company for the long term."

Well, there it was. It seemed Barry's prediction had come true. Tom's own people thought he was a rat.

The sun was sinking as Tom Yeomans climbed behind the wheel of his car and started the engine. He sat there, hands on the wheel, thinking. Then he drove off.

Even before he reached home, Tom felt that something in him had changed, that back there on the riverbank a certain clarity had started to set in.

When he got home, he did something he'd never done before—he sat down and watched cartoons with his seven-year-old daughter, Peg. From the way she snuggled up to him and stroked his hand he could tell that Peg, who was usually the "odd one out" when her older brothers got together, liked the attention. But the real recipient of the affection was Dad.

Later, when Leslie drove up, she found Tom shooting baskets with the boys in the driveway. After greeting her, Tom helped Leslie carry the groceries in from the car.

The phone rang as they were putting the groceries away. It was Fran, Tom's assistant. "I hope you're planning to attend your service club meeting tonight. Jim Wheeler was scheduled to introduce the speaker, but he's not feeling well. He wondered if you'd stand in for him."

"Well, um, okay. Looks like they need me."

"You mean you'll do it?"

"Sure."

"Great! The speaker you'll be introducing is Jack Cunningham. I'll fax the background notes on him to you right away."

"Okay. Thanks, Fran," Tom said.

There was a pause on the line. Then Fran asked, "Mr. Yeomans, are you all right?"

"Sure. Why do you ask?"

"Oh, I'm just kind of surprised that you'd do it."

"No problem, Fran. Really. Send the fax."

Reading Jim Wheeler's notes, Tom noted the title of Cunningham's speech, "The Journey of the Fortunate 500," and smiled at the play on words. He reviewed some brief background facts on the man and his clients, then turned to the key points to be used in the introduction. One item caught Tom's attention—it read: "Many executives claim Jack Cunningham has not only helped them change their companies but has impacted their personal lives as well." Tom was pondering this as Leslie came into the room.

He turned to her suddenly. "Honey, would you go with me tonight to my club meeting? I'd like you to be there when I introduce the speaker, and then, on the way home, we can talk about the things we heard him say."

Leslie's quick smile evidenced her pleasure. "That suits me fine," she glowed.