



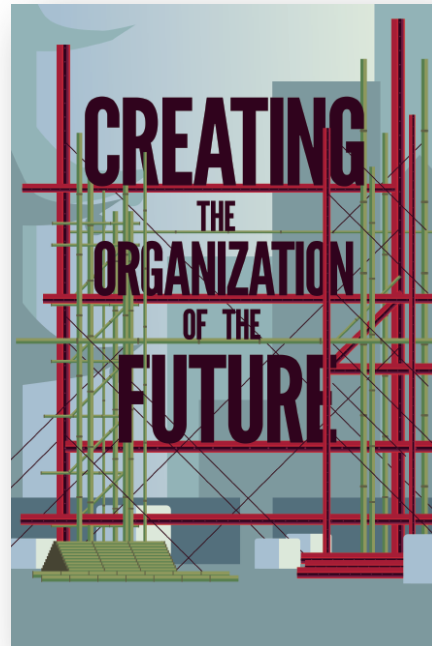
Creating the Organization of the Future

Bernie Jaworski, Peter F. Drucker Chair, ISBM Distinguished Research Fellow

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The Solution is...



Direction Setting
&
Values and Culture
“Guardrails”

The Challenge is...

Competing in Two
Time Periods

Motivating
Employees to See
and Commit to
Larger Purpose

Alignment of
Everyone
(Drucker POV)

Webinar 1& 2

Key Topics

- **April 11**, Mission, Vision, Purpose
- **July 11**, Values & Culture

Webinar 3

Sep 12, Getting Started on the Journey

- 7-step process to set direction
- 8-step process to create (or revise) values and culture

Values – Belief

A value statement answers the simple question:

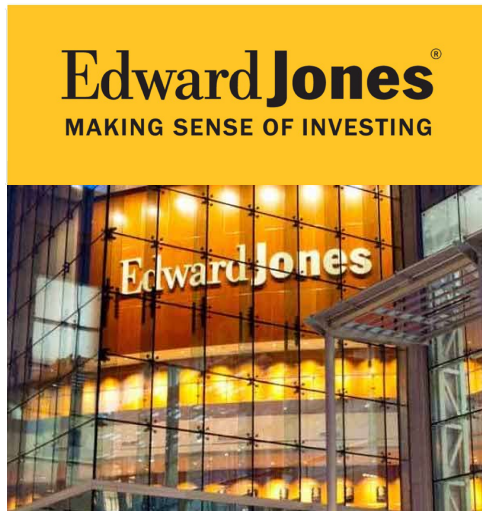
What are important “boundaries” for how we IDEALLY operate?

These boundaries form guard rails on the specific behaviors of employees.
Employees must buy into the values.

We advocate six criteria to assess an organization’s values:

1. Must be meaningful
2. Easy to understand
3. Includes a combination of must-have and firm-specific values
4. Connected to specific behaviors and expectations of every job
5. Specific, not general, values
6. Uniquely supports the strategy of the firm

Edward Jones – Meaningful, unique and easy to understand values



- 15,000 branch office, over \$1 trillion under management
- Only focus on individual, long-term, conservative investors (not institutions)
- Privately held partnership with a deep commitment to clients and the communities it serves

Edward Jones's core values

- Our client interests come first.
- We believe in a quality-oriented, long-term investment philosophy.
- We value working in partnership.
- Individuals and their contributions are valued and respected.



- ✓ **“Must-have values”** – e.g., “clients’ interests come first”
- ✓ **Firm-specific values**
 - E.g., “long-term investment strategy” and “working in partnership” are unique to Edward Jones in the U.S. market
- ✓ **Uniquely supports the strategy**
 - Clients’ interests first, long-term investments, and partnerships - are all decisions that support the strategy to focus on individual or family investors who are committed to a life-long, very conservative investment strategy.

Patagonia – A best-of-class example of values statements



- Well-known purpose-driven organization - in the business of saving the planet
- Designer and producer of outdoor clothing for “silent” sports
- Active in using its resources and voice to address the issue of climate change

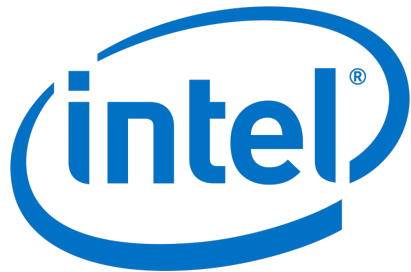
Patagonia’s core values

- Build the best product
- Cause no unnecessary harm
- Use business to protect nature
- Not bound by convention



- ✓ **Meaningful, unique and easy to understand values**
- ✓ **“Must-have values”** – e.g., “build the best products”
- ✓ **Firm-specific values that support the strategy**
 - “No unnecessary harm”, i.e., protecting nature is closely tied back to Patagonia’s purpose (“to save the planet”)
- ✓ **Each value gives detailed explanation that is connected to specific behaviors and expectations**
 - E.g., “Use business to protect nature” – The challenges we face as a society require leadership. Once we identify a problem, we act. We embrace risk and act to protect and restore the stability, integrity, and beauty of the web of life.

Intel – Meaningful, actionable and easy to understand values



- ✓ **“Must-have values”**
 - Many of these values could apply to other organizations, e.g., “truth & transparency”, “quality”, “customer obsessed”
- ✓ **Firm-specific values**
 - “One Intel”
 - “Fearless”- not a typical organizational value
- ✓ **Each value gives detailed explanation that is connected to specific behaviors**
 - “Truth & transparency”- unique and actionable
 - Explained as: We are committed to being open, honest, ethical, and timely with our information and feedback. We **constructively challenge** in the spirit of getting to the best possible result. We act with uncompromising integrity.
- ✓ **Some values are tied to strategy, but there is room for improvement**

Scoring Your Value Statement

Our employees live by **a core set of values**, animated by the belief that an organization needs values **“as a human body needs vitamins and minerals.”**



The firm does not have a values statement – or it is “generic” in structure– could be for any firm. Not understood and/or embraced by the majority of employees.

The firm has a values statement. Employees may be able to articulate the values – but their behavior is “sometimes” consistent with the firm’s values and sometimes not.

Is a values-led organization. The values are the north star that guides the firm. The firm regularly discusses if it adhering to its values. All employees “buy into” and “live” the values. Those that do not are removed from the organization, even if they are high performers.

Culture – Behavior

Culture is...

...the business practices, workflows,
and habits that shape
how we ACTUALLY work.

The way things are done around here.

Some of culture is written down –
and some is unwritten.

We advocate six criteria to assess a culture:

1. Not (and should not) be for everyone —a great fit for one segment of the workforce
2. Reflects how the company believes it will succeed and why
3. Connected to specific behaviors and expectations
4. One can imagine what it would be like to work in this organization
5. Identifies points of tension between cultural elements are recognized and articulated
6. Takes a position—makes specific bets

Netflix – One of the most well-known corporate cultures in the US



| | | | |
|--|--|---|---|
| <p>Values are what we value</p> <p>We particularly value these 9 behaviors and skills: judgment, communication, impact, curiosity, innovation, courage, passion, honesty, selflessness,</p> | <p>High performance</p> <p>Great workplace is stunning colleagues. We're like a pro-sports team, not a family. We do not measure people by how many hours they work or how much they are in the office.</p> | <p>Freedom & responsibility</p> <p>Our model is to increase employee freedom as we grow, rather than limit it to continue to attract and nourish innovative people, so we have better chance of sustained success. Flexibility is more important than efficiency in the long term.</p> | |
| <p>Context, not control</p> <p>The best managers figure out how to get great outcomes by setting the appropriate context, rather than by trying to control their people.</p> | <p>Highly aligned, loosely coupled</p> <p>Teamwork effectiveness depends on high performance people and good context. The goal is to be big and fast and flexible.</p> | <p>Pay top of market</p> <p>One outstanding employee gets more done and costs less than two adequate employees. We endeavor to only have outstanding employees.</p> | <p>Promotions & development</p> <p>We develop people by giving them the opportunity to develop themselves, by surrounding them with stunning colleagues and giving them big challenges to work on. Career "planning" not for us.</p> |

- ✓ **Not for everyone**
 - Not a family atmosphere
 - Segment of the workforce who value self-control, responsibility, and a "sports-team"
- ✓ **Clearly reflects how it thinks it will succeed**
 - Push decisions and responsibility as far down into the organization as possible
 - Great deal of autonomy, e.g., *it's not how many days you work but the results you produce*
- ✓ **Connect to specific behaviors and expectations**
 - Actual values are the behaviors and skills valued by fellow employees
- ✓ **Choiceful**
 - People are given freedom, not career planning

Costco – People-first culture



Costco's cultural characteristics

- Focus on **employee satisfaction**
- Focus on **internal collaboration**
- Focus on employee **training and growth**
- Low pressure related to productivity and performance
- A **learning environment** that provides the best opportunities for learning and growth
- Focus on **customer service and satisfaction**

- ✓ **Segment fit: “We're not offering jobs; we're offering careers.”**
 - For those looking for training, growth, and a supportive atmosphere, very different from Netflix, where everyone is asked to develop their own career path
- ✓ **Reflects how the company believes it will succeed and why**
 - Focus on keeping both employees and customers very satisfied
 - Promote employee passion, integrity, ownership, motivation
 - Ensure customer can trust they are always getting the best deal
- ✓ **Makes specific bets on specific actions**
 - Learning and service ahead of productivity
- ✓ **Limited points of tension**
 - Directed toward goal of employee development and learning as well as high customer satisfaction
- ✓ **One can imagine what it would be like to work in this organization**
 - Caring, nurturing, and development-oriented culture
- ✓ **Not closely tied to specific behaviors, but such exercise would be easy to do**

PwC – Easy to see what it would like to work at PwC



- ✓ **Reflects how the company believes it will succeed and why**
 - Service orientation is critical to success
 - Client success will come from working together, innovating in services, and caring about fellow workers and clients
- ✓ **Makes specific bets on specific actions**
 - Act with integrity - We speak up for what's right, even when that's the harder option.
 - Integrity is a bedrock foundation in today's world of auditing
- ✓ **One can imagine what it would be like to work in this organization**
 - Caring, professional, inclusive yet innovative
- ✓ **Not for everyone**
 - For those looking for "making a difference"

Scoring Your Culture Statement

Our culture is based on **a strong set of values, beliefs, norms, and rituals** that shape the behavior of employees. We have a strong culture – in the sense that almost everyone “knows” how things work in this organization. Our culture is a **great fit for some people and a terrible fit for others.**



Our culture – whether implicit or explicit – is not supportive of our strategy, mission and vision. Some elements of our culture are positive, and some are quite negative.

Our culture is neither a strength nor a weakness. Indeed, our culture is so embedded in what we do - it is hard to articulate and document our culture. Our culture is not a distinctive driver of our success.

We have a strong, positive organizational culture that supports our strategy. Our culture enables new employees to imagine what it would be like to be employed by our organization. Our culture is a perfect fit for some people and a terrible fit for others. Our culture is one of the secrets of our success

Questions? Comments?

