

## Values-based Leadership: Leading from the inside out

By

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Becoming a successful leader—someone who is able to build a long-lasting, high-performing team, organization, or community—is not about what you do, although that is important; it is about *how* you do what you do—it is about living your deeply held values.

Sustainable advantage and enduring success—both for companies and people who work for them—now lie in the realm of *how*, the new frontier of conduct.<sup>1</sup>

What my research<sup>2</sup> and the research of others shows is that values-driven teams, organizations, and communities are the most successful on the planet.<sup>3</sup> Values-driven organizations generate higher earnings; they are more customer-focused and more productive, and they have higher levels of employee engagement, higher retention rates, and lower absenteeism. Because employees feel cared for, they willingly bring their creativity and discretionary energy<sup>4</sup> to their work.

Values-driven organizations also generate more customer loyalty and more societal goodwill. The reason they do this is because they strive to meet the needs of all their stakeholders.<sup>5</sup> This in turn generates high levels of trust. Trust is the glue that bonds people together and the lubricant that allows energy and passion to flow. Trust builds internal cohesion.

Stephen Covey states:

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<sup>1</sup> Dov Seidman, *How: Why How We Do Anything Means Everything* (New York: John Wiley & Sons), 2011.

<sup>2</sup> Richard Barrett, *The Values-Driven Organization: Unleashing Human Potential for Performance and Profit*, Richard Barrett, (Fulfilling Books: 2013)

<sup>3</sup> Raj Sisodia, David Wolfe, and Jagdish Sheth, *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose* (Upper Saddle River, NJ: Wharton School Publishing), 2007.

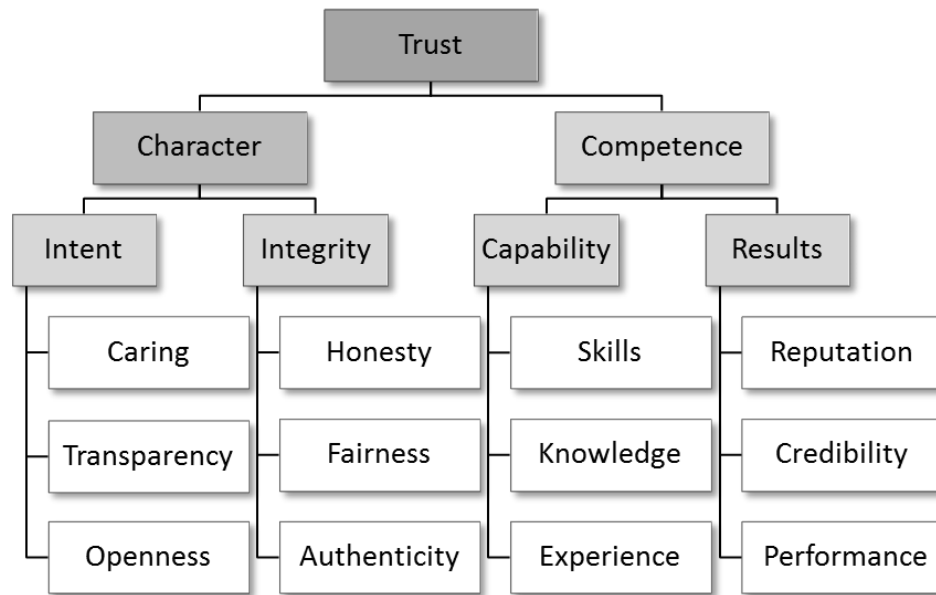
<sup>4</sup> Discretionary energy is the energy that employees choose to devote to their work over and above the normal amount of energy that is required for them to fulfil their duties or work contract.

<sup>5</sup> John Mackey and Raj Sisodia, *Conscious Capitalism* (Boston: Harvard Business Review), 2013.

Trust always affects outcomes—speed and cost. When trust goes up, speed will also go up, and costs will go down. When trust goes down, speed will also go down, and costs go up.<sup>6</sup>

Trust is an end value; in order to trust and be trusted other values have to be in place. Figure 1 shows the components of trust.

*Figure 1: The Trust Matrix*



On the left-hand side of Figure 1 are the values you need to live by to engender trust; on the right-hand side are the competencies that have to be acquired to engender trust.

Character is a reflection of how you are on the inside, your intent, and the level of integrity you display in your relationship to others. These depend primarily on the level of development of your emotional intelligence and social intelligence. Intent is demonstrated by caring, transparency, and openness; integrity is demonstrated by honesty, fairness, and authenticity. Whilst all these values are important, authenticity is perhaps the most important value for building trust.

The authentic leader pursues purpose with passion, practices solid values, leads with heart, establishes enduring relationships, and demonstrates self-discipline. The authentic

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<sup>6</sup> Stephen Covey, *The Speed of Trust: The One Thing That Changes Everything* (New York: Free Press), 2006, p. 13.

leader brings people together around a shared purpose and empowers them to step up and lead authentically in order to create value for all stakeholders.<sup>7</sup>

Competence is a reflection of how you are on the outside; your capabilities and the results you achieve in your role. These depend primarily on the level of development of your mental intelligence, your education, and what you have learned during your professional career. Capability is demonstrated by skills, knowledge, and experience. Results are demonstrated by reputation, credibility, and performance.

Even though the focus on competence (capability and results) is important, these are skills that can be learned and accumulate over time. I believe the focus on character (intent and integrity) is more important because these qualities are required for creating internal cohesion and are much more difficult to develop. Competence is about achieving results; character is about *how* you achieve them.

### **How do you create a high-performance culture?**

Everyone agrees that the culture of an organization determines its success. Who you are and what you stand for have become just as important as the quality of the products and services you sell. But where does culture come from? Simply put, the culture of an organization is a reflection of the values and beliefs of the leaders. Who you are as a leader determines the corporate culture. Therefore, if you want to change the culture, either you must change or you must change the leader. Cultural transformation begins with the personal transformation of the leaders; organizations do not transform, people do. The first step in creating a high-performance culture is to measure the culture you have created. Most cultures are created unconsciously. When you are able to measure your culture, you can consciously create the culture you want.

### **How do you measure culture?**

It used to be that culture was considered an intangible, and therefore not susceptible to measurement. This is no longer true. You can now measure your culture by using the Barrett Values Centre's Cultural Transformation Tools (CTT).<sup>8</sup> The CTT are based on the Seven Levels of Consciousness model. The model, along with the Cultural Transformation Tools, is

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<sup>7</sup> Bill George, *True North: Discover Your Authentic Leadership* (San Francisco: Jossey-Bass), 2007.

<sup>8</sup> For more information on the use of the Cultural Transformation Tools go to [www.valuescentre.com](http://www.valuescentre.com).

fully described in my previous books (*Liberating the Corporate Soul* (1998), *Building a Values-driven Organization* (2006), and more recently *The Values-driven Organization* (2012)). As of January 2014, more than 6,000 organizations in 60 countries have used the CTT to support their journey to high performance. The Seven Levels of Organizational Consciousness are described in Table 1.

*Table 1: The Seven Levels of Organizational Consciousness.*

| <i>Levels of consciousness</i> |                     | <i>Actions and needs</i>                                                                                                                                        | <i>Developmental task</i>                                                                                                    |
|--------------------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| 7                              | Service             | Creating a long-term, sustainable future for the organization by caring for humanity and preserving the Earth's life support systems.                           | <i>Serving</i> : Safeguarding the well-being of the planet and society for future generations.                               |
| 6                              | Making a difference | Building the resilience of the organization by cooperating with other organizations and the local communities in which the organization operates.               | <i>Collaborating</i> : Aligning with other like-minded organizations and communities for mutual benefit and support.         |
| 5                              | Internal cohesion   | Enhancing the capacity of the organization for collective action by aligning employee motivations around a shared set of values and an inspiring vision.        | <i>Bonding</i> : Creating an internally cohesive, high-trust culture that enables the organization to fulfil its purpose.    |
| 4                              | Transformation      | Increasing innovation by giving employees a voice in decision making and making them accountable for their futures and the overall success of the organization. | <i>Empowering</i> : Empowering employees to participate in decision making by giving them freedom and autonomy.              |
| 3                              | Self-esteem         | Establishing structures, policies, procedures, and processes that create order, support the performance of the organization, and enhance employee pride.        | <i>Performing</i> : Building high-performance systems and processes that focus on the efficient running of the organization. |
| 2                              | Relationship        | Resolving conflicts and building harmonious relationships that create a sense of loyalty among employees and strong connection to customers.                    | <i>Harmonizing</i> : Creating a sense of belonging and mutual respect among employees and caring for customers.              |
| 1                              | Survival            | Creating financial stability, profitability, and caring for the health and safety of all employees.                                                             | <i>Surviving</i> : Becoming financially viable and independent.                                                              |

## Case Study

The following Table and Figures show what happened when a 27,000 person company in South Africa consistently used the CTT to measure their culture from 2005 to 2011. Each year, based on the results of the values assessment, the leaders made changes that aligned with the type of culture that employees wanted. Table 2 shows the key performance indicators during this period (income, number of staff, revenue per capita, and cultural entropy).

*Table 2: Cultural evolution key performance indicators*

| <i>Year</i> | <i>Income (ZAR millions)</i> | <i>Number of staff</i> | <i>Revenue/capita (ZAR thousands)</i> | <i>Cultural entropy</i> |
|-------------|------------------------------|------------------------|---------------------------------------|-------------------------|
| 2005        | 15,809                       | 22,188                 | 713                                   | 25%                     |
| 2006        | 18,948                       | 24,034                 | 788                                   | 19%                     |
| 2007        | 22,428                       | 26,522                 | 846                                   | 17%                     |
| 2008        | 22,077                       | 27,570                 | 801                                   | 14%                     |
| 2009        | 21,570                       | 27,037                 | 798                                   | 13%                     |
| 2010        | 23,635                       | 27,525                 | 859                                   | 13%                     |
| 2011        | 28,115                       | 28,494                 | 987                                   | 12%                     |

Since this company started mapping their values in 2005, the level of cultural entropy decreased from 25% to 12%.<sup>9</sup> At the same time, revenue per capita increased from 713,000 ZAR to 987,000 ZAR—a 38% increase.

You will also notice that during the global economic meltdown in 2009–10 the level of income only showed a slight dip (other companies in the same sector in South Africa suffered a more significant reduction in income). The productivity of staff also dipped, but quickly rebounded by 2010, and has since grown significantly.

Figure 2 shows the changes in revenue per capita (productivity) and Figure 3 shows the level of cultural entropy. As the level of cultural entropy decreased the productivity of employees increased. The level of employee engagement also increased.

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<sup>9</sup> Cultural entropy represents the degree of dysfunction in an organization. It is a key cultural performance indicator. A level of 10 percent or below is considered to be prime. Cultural entropy is inversely correlated with employee engagement: Low entropy leads to high engagement, and high entropy leads to low engagement.

Figure 2: Level of cultural entropy

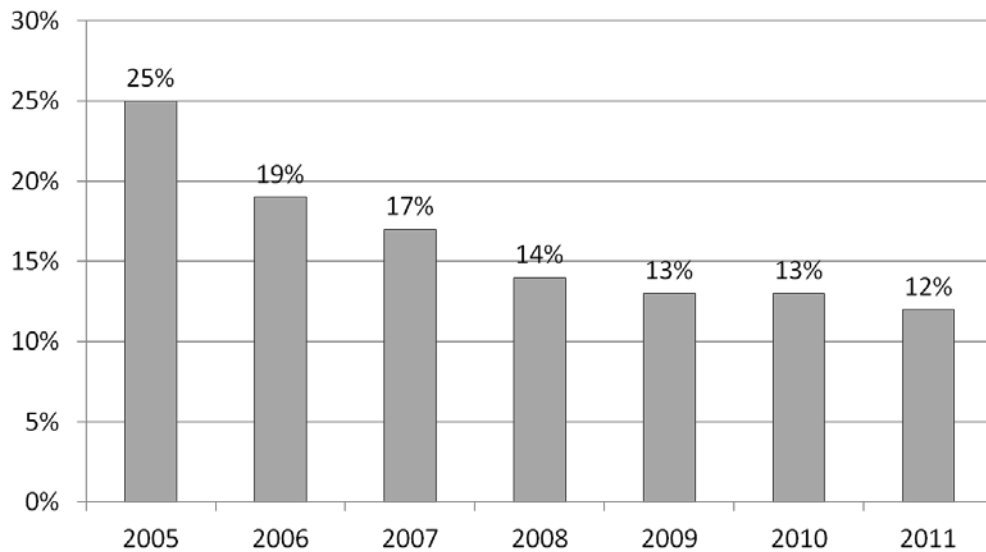
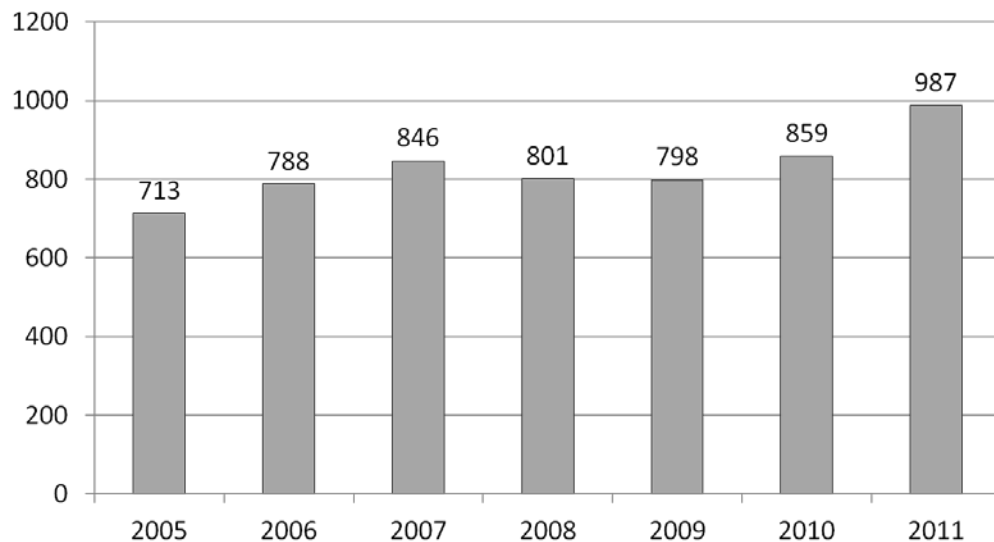


Figure 3: Employee productivity (revenue per capita)



## Conclusion

The culture of an organization is a reflection of the values and beliefs of the leaders. As the leader's values change, the culture changes. If you want to change your culture, you must begin by measuring employees' perceptions of the current culture and their desired culture. This allows the leadership group to find out what is working and what is not working and take actions to introduce changes that align with employees' desired cultural values. As you do this, year by year you will find the level of values alignment increasing, the level of cultural entropy decreasing, and the level of employee engagement increasing.