





"The world is won by those who let it go."
Lao Tzu



“Welcome to Nordstrom. We’re glad to have you with our company. Our number one goal is to provide outstanding customer service. Set both your personal and professional goals high. We have great confidence in your ability to achieve them.

“Nordstrom Rules: Rule # 1 Use your good judgment in all situations. There will be no additional rules. Please feel free to ask your department manager, store manager or division general manager any question at any time.”

Complete text of Nordstrom Shoe Company Employee Handbook

In this booklet, the seventh in our series, we explore one of the most difficult questions for leaders at all levels: what to hold on to in order to keep the organisation on track, what to let go of so that the organisation can discover better pathways.

**“Hierarchy is an organisation
with its face toward the CEO and
its ass toward the customer”**

Jack Welch, former CEO
General Electric

The controlling leader

The challenge to leaders at all levels is simple but not easy: raise performance. The natural instinct is to set tough goals and clear measures, take all the significant decisions, challenge low standards, even create a bit of stress. And this works well to begin with as people respond to sharp priorities and firm direction.

But there comes a point when more control has the opposite effect. The objectives are no longer achieved. No-one shows initiative. Energy and enjoyment drain away. The business loses sight of the customer. Some people have quit, others have withdrawn their discretionary effort. The leader has to push and shove yet harder to make things happen. What has gone wrong?

Paradoxically, the cause is the control itself. More control means more decisions sucked to the top, more projects, procedures and targets, less elbow room to do what seems sensible on the ground. People keep their head down for fear of having it removed. They look inward and upward, not outward.

Nor does it work for the leader. Every scrap of organisational trivia appears on their desk for approval, every decision is run past them. At first this proves how right they were: people here really are not up to it! But soon, the burden of digesting all the data becomes intolerable. This way disaster lies.



Case Study 01: Plugging the values in

As the UK’s largest computer store and a major part of the Dixons Group, PC World works within the Being The Best values:

- Operating with integrity
- Giving outstanding service to customers
- Respecting our colleagues
- Continually seeking ways to improve performance
- Working together to beat the competition

Over the last year more than 200 PC World staff at all levels in stores and at head office have spelt out what these values mean in daily practice. This means saying literally what you would see if the values were being lived.

Managing Director Keith Jones has made clear, face to face with all his store managers, that he aims to demonstrate Being The Best in his own way of working.

The enabling leader

Leaders who provide no sense of purpose and direction and do not track and act on the measures critical to the organisation’s success have obviously abdicated. But beyond that, what should they hold on to?

We know that the evolution of living systems of all kinds, despite apparent huge complexity, is shaped by very few factors. These factors give the system its identity but allow its elements to respond to their changing environment. The evolution of the UK’s most successful organisations – Cadbury-Schweppes and Serco, the Royal Marines and Oxfam – is similarly shaped by a small number of ideas which, coupled with the strategic intent, give the organisation its identity and enable its people to act. These may be described as the organisation’s beliefs, values, credo, imperatives, company way, moral purpose or even – if you like marketing speak – corporate brand attributes.

What the ideas are called matters less than knowing what they can do. We call them guiding principles because this helps to emphasise the importance of a rock to stand on, something eternal, not conditional. When truly effective they are upstream of strategy, upstream even of mission. Why? Because they define the way of being of the organisation and they permeate all it does. Unlike everything else in the business they never change. One might even say they express the organisation’s soul.



Leading on principle

Guiding principles guide. If the organisation knows what it stands for, it is guided on what to do when faced with both hard choices and opportunities. Is being in this market, developing that product or dealing with our customers this way consistent with our principles?

Often the principles have come from the very beginnings of a company, when small and struggling: Virgin is a good example. Later, when successors have lost sight of their power and see them just as warm words, they may have to be rediscovered.

Guiding principles help the leader know what to do not just within the organisation but across the bigger system of which the organisation is part. In 2004 Tesco lost its crown as Britain's most admired company because of low marks for community and environmental responsibility. But guided by its principle to "create value for customers to earn their lifetime loyalty" the company will be savvy enough to know that loyalty lies not only in the shopping basket but also in its wider social contribution, and to work out how to deliver that.

At the everyday level, guiding principles help people know what to do without being told. The Marriott receptionist knows how to respond to the elderly lady coming in from the rain with no reservation, not because a supervisor tells her or because she finds the damp customers section in the operating manual, but because the company's principles give the answer.

Case Study 02: Lawful behaviours

In 2004 Addleshaw Goddard was named Legal Week's 'UK Firm of the Year'. With its five year strategy laid out, senior partner Paul Lee's attention turned to guiding principles. The intention was to provide a frame for decision-making and behaviour, inspire pride and confidence and assert the firm's distinctive identity.

Groups of support staff, trainees, associates and partners discussed what represented the best of the firm today and their hopes for the future. The outcome was posted on the intranet, with comments invited.

The key themes were drawn together to form a first draft of the guiding principles, reviewed at the partners' conference. After vigorous but constructive debate, the agreed version was taken to the firm at large.

Now work begins to embed the principles. It will include activities demonstrating the principles in practice, developing partners' leadership skills in a way consistent with the principles and enabling teams to explore together what they mean at a workaday level with each other and with their clients.

More importantly, the principles energise the organisation because they speak to the heart as well as the head and trust people to use their judgement. The nature of dialogue changes from conversations which instruct, criticise and oversee to conversations which enquire, encourage and steer.



Case Study 03: Best values

With 55,000 staff Birmingham City Council is the largest local authority in Europe. Its work covers almost every aspect of life in the city. With the visible support from the top, staff have developed a way of working summarised as belief, excellence, success and trust: Birmingham BEST.

Each of the four elements has been defined by staff themselves, with illustrations to bring them to life. Now customer-facing staff to directorate management teams are assessing themselves against BEST. This is leading to plans for change at three levels: individual, team and the wider organisation.

BEST has been included in a very practical way alongside job objectives and skills in the new performance management system. This signals that how people do their job matters as much as what they do.

Guiding principles are not necessarily noble. Wanting to exploit technology, cock a snook at the established order or have fun are equally *raison d'être* which have made organisations like Vodafone, Dyson and Carphone Warehouse successful. Nor should an organisation's guiding principles attract everyone. Goldman Sachs makes clear what the company stands for, speaking loudly to certain groups while saying to others it is probably not the place for them. What always seems to be key is something beyond financial success.

Case Study 04: Getting on track

Operating in the UK across five business units, Balfour Beatty Rail (BBR) has capabilities in major project management, track, power and electrification, signalling and asset management.

It is vital to collaborate across the different services and skills of the business units and to present a seamless offer to customers. In order to do this, BBR set up a 'diagonal slice' team representing all business units and levels. They developed a simple internal contracting procedure and an accompanying statement of behaviours. The behaviours are:

- deliver what we promise
- show what we can do together
- help colleagues succeed
- resolve differences without blame

Group MD Jim Cohen initiated this project and played a key part in ensuring that the outcome was embedded. In a tough business where competitors have fallen by the wayside, BBR continues to thrive and grow.



Principles at work

There is a well-established route to failure with guiding principles. First, a committee drafts them. Usually they fail the generic test, ie they could apply to any organisation ('quality') and the platitude test, ie no-one would reasonably maintain the converse ('we care about our customers'). Then the internal communication manager adds a logo and puts them on posters. Next there is an exhortation from senior managers about their importance. Lastly the HR manager designs them into an already over-engineered competence model. Meanwhile the organisation carries on as before, albeit a little more sceptically. Thus are the principles laminated but not lived.

So what does work? A tried and tested route:

- With groups of staff who have demonstrated commitment explore what is important to them about the business. Think of it as a dialogue with the leading citizens
- Do the same outside with people who have known the organisation for a long time. Delve into the history: What inspired Jesse Boot to open a herbalist's? Why was the ready mixed concrete business so enthralling in its early days?
- Distil the outcome into what seems to be the essence the business: what, when it is at its best, gets people coming to work with a spring in their step. Doing this is an art, not a science, as some of the examples in this booklet show

“Companies that enjoy enduring success have core values and a core purpose that remain fixed while their business strategies and practices adapt endlessly to a changing world.”

James Collins & Jerry Porras,
Building Your Company's
Vision in Harvard Business
Review, Sept-Oct 1996

- Give it substance. What would be different if everyone lived every minute of every day by those principles, and everyone the company dealt with could see them put into practice? Ask the people who are actually in that situation – serving the customer, dealing with suppliers, keeping the accounts – to do the thinking
- Consider what could stop the organisation working that way. Is it who we recruit or what we reward or the way the leadership leads? Think through what needs to change to overcome that. Look at parts of the organisation which already work that way. What can we learn?
- Don't impose the guiding principles and don't have a ra-ra programme to launch them. Encourage and help the early adopters – mostly the people who have taken part in the process – to live by them. Others will follow their example quickly when they see that it works. Later, make it clear to the rest that they are expected to deliver the same level of performance as their colleagues
- Meanwhile, gently embed the guiding principles over time into everything: strategic plans, people recruitment and management, business processes, external relationships.

If some sort of guiding principles statement already exists, use a similar process to get it off the wall and into the life of the organisation.



The leader's journey

The transition from control to leading through guiding principles is tough. Leaders have to understand their own impact on the organisation and beyond, and be prepared to change themselves. Most will have risen to the top because of their ability to analyse, find solutions and persuade others. Not only is this behaviour reinforced for them by years of seeing it work, it is also expected by those around them.

Now instead they are to find ways forward other than by more analysis, by allowing ideas and alternatives with which they may not agree and by trusting that people will work within the spirit of the guiding principles. They are asked to protect fresh thinking from forensic examination at birth by those whose interests lie in the status quo. They are asked to cope with the paradox of letting go in order to hold on.

In Summary

- controlling leaders damage performance, the organisation and themselves
- enabling leaders energise people by freeing them to act within guiding principles
- Guiding principles are drawn from what inspires people, not from the deliberations of a committee
- to lead through guiding principles often requires a tough personal transition.

Further reading

- Leading Change When Business Is Good, Samuel Palmisano (CEO, IBM), Harvard Business Review, Dec 2004
- Surfing The Edge Of Chaos, Pascale, Milleman and Gioja, Crown Publishing, 2000
- Leadership on the Line, Ronald Heifetz, Harvard Business School, 2002

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Energising the organisation

- a series of think pieces from Stanton Marris

Issue 01: the sources of energy

Issue 02: managing energy

Issue 03: leading with energy

Issue 04: managing the energy in M&As

Issue 05: decluttering

Issue 06: de-fogging

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