

ROB LEBOW & WILLIAM L. SIMON

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LASTING CHANGE

THE SHARED VALUES PROCESS
THAT MAKES COMPANIES GREAT



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That Makes Companies Great

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and William L. Simon

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**Those who talk only of people are small-minded;
shun them.**

**Those who talk of events are thinkers;
listen to them.**

**Those who talk of ideas are leaders;
follow them.**

William L. Simon

Acknowledgments

From Bill Simon

It seems highly appropriate to begin this book on values by acknowledging my wife, Arynne, whose exceptional set of values includes fun and adventure along with kindness, caring, and the responsibility to add beauty and quality to the world. She is an inspiration not just to me and to our children, Victoria and Sheldon, but to the many people she teaches as a mentor, consultant, and writer. My precious wife is a super model of values to live by, a fact well recognized by the many people whose lives are the better because of her.

My gratitude to our editor, John Boyd—now Editorial Director at VNR—who was strongly committed to this book from the very first.

There are other people who deserve my recognition and appreciation for their help with extensive research. Jennifer Larson is the admin who supports both Arynne and me; in addition to juggling our typically pressured schedules, she manages to keep any number of librarians busy tracking down the facts and data, and then she somehow manages to keep these growing stacks of research documents organized. On a daily basis, in a gracious and kind way, she protects me from interruptive phone calls without injuring old friendships.

Upstream of the copy editing by New Yorker Shelley Flannery, a sharp-eyed West Coast editor named Jane Alberts proofed the manuscript; both offered more valuable suggestions than I had any right to expect. A good copy editor is hard

to find, and the manuscript flows just a little better and reads just a little more smoothly thanks to their suggestions.

And then there is John Kistner, of Rob Lebow's staff, who volunteered his services as a beyond-the-call-of-duty effort. John's style is impressively tenacious and I'll never know how he manages to locate obscure pieces of accurate information in such short order.

Finally, my thanks to co-author Rob Lebow for keeping after me and keeping his enthusiasm high until we found a way to do this book together.

From Rob Lebow

**In Memory of Ruth Lebow—who would not have
been surprised that her son has so much to say and
finds a way to say it.**

In 1918, my father left school to help support his family. His job was carrying a pail of hot coals to keep rivets at the right temperature for the riveters in the Boston Shipyards. He recalls how bitter the winds and the work felt to him at age 15. But now, at age 93, when Dad talks about those days, you can see a sparkle of pride in his eyes as he recalls building destroyers to help support the war effort.

His work in the shipyards didn't last long. For the past 70 years, my father's contribution has been through his artistic talents. In the 1960s, his ads for *Newsweek* could be seen every Monday in major newspapers around America. Maybe you or your parents responded to the public service ads he created for U.S. Savings Bonds and other national causes, which appeared in newspapers and on rapid transit vehicles. Dad prides himself on their artistry as well as their effectiveness.

He still paints vigorously and lives on his own, while lighting

up the lives of those around him with his boundless creativity. If you could meet my Dad, his unassuming manner would not expose the real story of who he is and he wouldn't tell you about the thousands of people he has touched and helped. His name has never been up in lights but he has electrified my life. Dad was my first hero and has always been my primary role model—kind, caring, and unconditionally there for me.

The other hero in my life is my wife, Sharon. Why she has put up with my unique ways of thinking all these nearly 30 years, I shall never know. But she's stuck by me through thick and thin and is, as many other lucky men would say, my most honest critic. For finding her I shall always be grateful. And to my daughter, Lauren, who at age 13 has developed the ability to accept the reality that to see me usually requires a trip to the office, I am grateful for her love and understanding.

One does not just sit down and write a book. I found it even more demanding than my co-author, Bill Simon, warned. His patience and laid-back style were a perfect balance to my high intensity; we have not only written a book but built a fine relationship. Arynne Simon, Bill's wife, is one of those people whose every thought and idea is worth writing down; I continue to delight in her wisdom, humor, generosity, and forthrightness.

John Boyd at VNR is a rare editor, indeed—inspiring, uplifting, and supportive. John Kistner and editor Jane Alberts, as well others on our Seattle staff, helped in various ways to improve the manuscript.

As for the many clients and consulting distributors we have come to know over the past ten years, we are grateful to them for having the patience to listen while the Shared Values ideas were still being shaped. I know these early adopters will be proud of this book because they took a risk and courageously pioneered the Shared Values Process with us.

I dream of a future that includes quality values woven into the tapestry of life and I am grateful to all of you who share my dreams.

We were born to manifest the glory of God
that is within us.

It is not just in some of us; it's in everyone.

And as we let our own light shine, we unconsciously give
other people permission to be the same.

As we are liberated from our own fears, our presence
automatically liberates others.

Anonymous

Values Under Fire: The Pepsi Case

A crisis will quickly test the strength and fiber of any organization. About lunchtime on Thursday, June 10, 1993, in the midst of its peak selling season, the Pepsi-Cola bottler in Seattle received a jarring phone call that would echo across America and explode into an international news event.

Taking the call was Carl Behnke, CEO of Alpac Corporation. On the other end of the line was a newsman asking for a statement. Behnke was alarmed to learn that a distraught 82-year-old man said he had found a hypodermic syringe in a can of Diet Pepsi. As Pepsi's regional bottler for the Northwest, Alpac was in the direct line of fire.

Yet Behnke knew it would be virtually impossible for a foreign object to get into a can of Pepsi at the plant; even a disgruntled employee would be hard put to defeat the processes and protections.

You know the claim is a phony, you know an investigation will prove that the person who says he found the object is curiously mistaken, seriously disturbed, or committing blatant fraud. So what do you do? Stonewall? Put out a first-strike press release arguing the claim is impossible?

A descendant of the Skinners, who were, like the Nordstroms, Weyerhausers, and Boeings, one of the original Seattle families, Behnke lived with a deep commitment to his community. And he remembered all too well how ineptly Exxon had handled the *Exxon Valdez* oil spill just four years earlier—so

badly that public antagonism had forced the company to sell its retail gas stations in the Pacific Northwest.

Now it was Behnke's turn to react; without warning, he had become a celebrity, and it looked as if this unwelcome spot in the limelight was going to last a good deal longer than Andy Warhol's promised 15 minutes.

In the years since taking over as president of Alpac, Behnke had sought to build a company with a social conscience. One morning in early 1990, after he had learned of the work of our consulting group, he had challenged his senior team to join in taking the company on a journey toward a "Heroic Environment." The cost of the effort was projected to be two cents per case of soda, and he asked, "Will we get two-cents-a-case worth of value out of investing in a process based on Shared Values?" Saying "No" to Carl Behnke once he had decided on a course of action was always hard—his personal charisma went far in winning people to his view. That morning he had put the question in financial terms; at a cost of only two cents a case, no one could turn the proposition down. We soon began the process of bringing all Alpac employees to the practice of Shared Values.

Forty-two months later, when the crisis hit, the executives got an unmistakable confirmation that they had made the right choice in beginning that journey.

Two of the eight basic Shared Values defined the ground rules here: *Put the interests of others first*, and *Treat others with uncompromising truth*. To CEO Behnke this meant, "We had to operate under the premise that the tampering could have happened in our plant until we could prove differently." The company immediately notified the Food and Drug Administration, but Behnke recalls the FDA people "were perturbed that the consumer's lawyer had told the story to the press," fearing the report might trigger copycat complaints.

The next day around 3 P.M., another customer reported finding a syringe, this time in a can of Mountain Dew that had been produced months earlier—making it almost certain this was ex-

actly what the FDA had feared, a copycat claim. The individual approached Alpac directly, suggesting the contact be kept quiet, but Alpac recognized its obligation to alert everyone immediately: the crisis would not be handled behind closed doors. Together the company and the FDA prepared a joint advisory recommending that consumers pour their Diet Pepsi into a glass before drinking it; Behnke asked to take the lead role in informing consumers, and the agency agreed. That evening Behnke went on TV, live.

Why would Alpac executives alarm their own customers like this? Simple: they were putting consumer safety and the interests of others first, as their corporate shared values required—despite knowing there was only one chance in a million, a hundred million, that the reports could be true.

With the second report, the FDA sent in a team that embarked on a thorough examination of the plant, production records, and quality-assurance processes. Meanwhile a flood of press calls began to pour in. Alpac fearlessly threw its doors open, inviting reporters and TV crews to tour the plant and see for themselves the process in which each can is turned upside down, blasted clean with a powerful jet of air or water, turned back up, filled, and closed—all within nine-tenths of a second.

The Pepsi scare quickly hit the headlines coast to coast as 60 people all over the United States filed reports of syringes in their soft-drink cans. Over the next several days, sensationalist coverage led the network evening news programs. Nationally, Pepsi-Cola lost \$25 million in the first week alone.

But the tone of the stories changed just as quickly, as the authorities, including FDA commissioner David Kessler, began making comments favorable to Pepsi's quality assurance and commitment to protect consumers. The national media, not usually known for a pro-business stance, weighed the evidence and began asking questions about the validity of the consumers' claims. Soon newscasters were reporting arrests; in time, some 60 reports would prove to be fraudulent.

What caused the press to turn around so quickly and become advocates for Pepsi-Cola? Pepsi had handled the situation heroically, in an open, forthright manner, valuing the public interest and safety above company prestige and financial interests. And public support rebounded quickly: within a week, sales were up by 800,000 cases nationally; Pepsi sales for the Fourth of July week set a record for the year, while PepsiCo stock went up more than a point. Carl Behnke and his organization were seen as honorably responsive.

The PepsiCo attitude was summed up by corporate CEO Craig Weatherup: "Public safety was paramount to all other concerns. Our strongest allies during the crisis were honesty and openness." Values, not tactics, had ruled the actions of the company and its people. In the end, what mattered most was an ingrained organizational commitment to Shared Values.

Advertising Age called the incident "a textbook case of how to come through a PR crisis," and the company was even lauded by the FDA for its handling of the situation. Pepsi-Cola corporate received accolades on the floor of the U.S. Congress as well as a national consumer award for an excellent example of corporate citizenship.

PepsiCo had lived up to its vision statement, which includes the words "We will be . . . guided by Shared Values." An outside observer, not knowing about Shared Values and the power values hold, could have believed in the early hours that the crisis could go either way. Indeed, it could have been another *Exxon Valdez*.

John Eastham, then president of Alpac's outside public relations firm, vividly remembers those terribly stressful days and has his own answer for the reason it turned out as well as it did: "Like Alpac, we had brought the Shared Values philosophy into our firm and it gave us the guidance. For Carl Behnke and me, there was only one answer: telling the truth. When values lead your actions, decisions are easy."

Preface

In a time frame just short of a decade, tens of thousands of people around the world have accepted that working in a Heroic Environment can boost productivity and profitability while creating a workplace with positive feelings about individual contributions and the ways that individual employees relate to others. These people now work in energized surroundings where positive values are widespread and where successes are enthusiastically shared by all.

We call this a Heroic Environment because the idea of putting the interests of others first is a concept virtually unique in the workplace. It is a Heroic Environment because self-expression, a can-do attitude, and a passion for playing at the top of your game are the expected behaviors instead of a surprising exception.

WHY COMPANIES FAIL TO PROSPER

A wise man suggested that the best working definition for insanity was "continuing to do the same thing you have always done while expecting a different outcome."

Not seeking new and improved ways to handle your organizational challenges puts you in a high-risk situation that could ultimately force you out of business. Even for a publicly funded or nonprofit organization, once you lose the ability to serve the customer, the marketplace will turn away from you.

Think that sounds overly dramatic? Take a look at the statistics. *Fortune* magazine has been keeping records on the top

500 U.S. companies since 1950. In that half-century, only 11 percent of the original 500 companies still exist under their own banner. The others have been driven out of business or have merged with a stronger, more dominant player.

And what was the one common denominator that destabilized these once-outstanding organizations? In almost every case, it was an internal malaise that quietly undermined the vision, flexibility, and culture of the company. A *people* problem was the iceberg for these *Titanics*.

Ten years of watching hundreds and hundreds of organizations, large and small, try to remake themselves should have sent a clear message to business leaders who have been putting their trust in programs like Total Quality Management, reengineering, rightsizing, restructuring, and culture change. If you've been in the business world for any period of time, you've seen your own organization buy into an assortment of programs and interventions aimed at improving morale, enthusiasm, teamwork, sales, quality, creativity, and conflict resolution. Each was hailed as the silver bullet to slay the demons keeping your operation from achieving the success that seemed just beyond grasp.

Repeatedly the message went out, "If only we all embrace this new program, everything will be improved." And each time another new banner was displayed in the lobby, the implicit promise was that by acquiring the right set of work habits, by adopting the right approach to knowledge, by correcting everyone's thinking, emulating a ninja-warrior philosophy, or introducing the right reengineering strategy, the people of your company would be saved and the business would prosper beyond imagination. But it was the corporate version of the cult mentality, a setup for repeated failures.

Many of these programs did bring results, albeit modest ones. But almost always they have left the companies still wanting a cure for a range of remaining distresses. Unless the changes were begun with a focus on people at every level, the

efforts to remake or transform the business in the hopes of competing more effectively have met with disappointing results.

THE EIGHT HEROIC VALUES

More than ten years ago, I began leading a team on a quest to find the reason that organizations were not reaping the reward of established training. We set out to answer a simple but challenging question:

What do people want in their work environment to be more productive and to perform at the top of their game?

Our team spoke to and interviewed dozens of business people, HR professionals, instructional designers, business consultants, training companies, researchers, business leaders, CEOs, organizational development specialists, and business journalists. We scanned the libraries for every scrap of pertinent data and haunted bookstores for new thoughts and ideas about what people wanted in order to become more productive. After all the searching, we knew that no person or organization had a satisfactory answer.

Finally we stumbled upon a research project that had begun at the University of Chicago, in which the team had collected 17 million surveys of workers in 40 countries around the world on what people wanted in their work environments to be productive, creative, fulfilled, and competitive. The data outlined what it would take for everyone in an organization, regardless of the job or industry, to play at the top of his or her game.

We asked, "What are the components of the work environment that people want?" The answers were right there in the database: eight items that we have since come to call the eight Shared Values. Yet we almost missed the significance; the list seemed too easy, too obvious—almost like sitting down with a zealous Bible student and asking, "What are the virtues the Bible teaches us to practice?"

Luckily we realized the significance: these eight Shared Values revealed what 17 million workers had said they wanted in order to feel fulfilled in the workplace. And our nearly 100,000 surveys since then, with employees, managers, and corporate executives, confirm those original findings. The eight values come not from the musings of some management guru, but from the people in the workplace themselves. We eventually came to realize that if the list seems obvious, the reason is entirely valid: what employees, managers, and executives sense they are missing grows out of fundamental human needs that are virtually universal.

The Eight Shared Values of the Heroic Environment

| | |
|-----------------------|---|
| Truth: | Treat others with uncompromising truth |
| Trust: | Lavish trust on your associates |
| Mentoring: | Mentor unselfishly |
| Openness: | Be receptive to new ideas |
| Risk-taking: | Take personal risks for the good of the organization |
| Giving credit: | Give credit where it's due |
| Honesty: | Be honest in all dealings; do not touch dishonest dollars |
| Caring: | Put the interests of others before your own |

THE SHARED VALUES ENVIRONMENT

When the process of instilling Shared Values is launched in an organization, at first almost everyone assumes it will be just another flavor-of-the-month management program of short life span. They soon discover it is not a program, and is not short-lived.

The carefully designed process of sharing values allows people for the first time in their work experience to purposefully and carefully challenge the *context* of their work environment instead of placing blame, pointing fingers, or trying to "fix" peo-

ple as they have always done in the past. When you systematically examine the subject of Shared Values within the context of what you do, and invite everyone regardless of rank to do the same, the discussion changes dramatically. Individuals who have regularly sat on the sidelines become fully engaged; people who have remained silent are heard from; and leaders and managers discover that their people have capabilities never before recognized or imagined.

With Shared Values, the transformed behavior results from how people at all levels take charge of problems. People come to realize that *they* are the instruments of change, that if they wish others to behave in a certain way, they must first model the desired behavior themselves. This one aspect of Shared Values does more to change the work environment than anything else.

With Shared Values, constructive conversations replace old political one-upsmanship patterns and manipulative promises. Behaviors of recognition and respect couple with responsible inquiries into root causes, as people seek to proactively eliminate problems.

The values of an organization are in essence not what we say they are. The values of an organization are how people behave every day. Behaviors in a Shared Values environment are judged by fellow employees, management, and the company's customers.

Experiences and stories from the leaders, managers, and people in organizations that have adopted Shared Values suggest some important lessons. They report how Shared Values has changed for the better just about everything in the way they conduct their lives and their businesses. They describe feeling more in control of their interpersonal relationships, goals, objectives, and organizational strategy, and report with some pride that customers and family members notice the difference. And they report that people within their organization who had been unreachable are now enjoying uncommon levels of involvement and even coming to work with enthusiasm.