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Simplifying Management

Establishing your company Core Values: Rules of Engagement

In the beginning, every decision, customer interaction, and employee issue is handled by the company founder. Where it starts to break down is when the company grows and the founder isn't involved in every interaction any more. Employees now have to make decisions and represent the brand consistently, in the same way the leader would.

In this RESULTS.com whitepaper, you will learn how to create a culture that aligns everyone in the pursuit of common goals, by harnessing the power of Core Values.

Written by industry thought leader [Stephen Lynch](#)

What are Core Values?
Why are they important?





Establishing your core values: your company rules of engagement

There are several complicated academic definitions of "values," but at RESULTS we prefer something simple. Your values are the behaviors you expect from your people. Values are clear statements of how you expect people in your company to act.

There are no studies we're aware of about the profit-building power of values per se, but there are plenty of studies about the power of culture. Culture is the collection of internalized rules of behavior for the people in your company. Those rules form the basis for your Core Values. By identifying your Core Values and making them explicit, you shape your culture.

**That's important, because your
Core Values and culture do several
things for your company**



- Your Core Values provide a moral compass for your people. They can help your staff decide on the right course of action, regardless of the challenge they face.
- Your Core Values establish a basis for consistent decision making by everyone. When people share the same Core Values, they tend to make decisions using the same principles.
- Your Core Values give you some guides for hiring, rewarding, disciplining, and firing. Think about companies with strong Core Values and cultures like Nordstrom, Southwest Airlines, Zappos, or Enterprise Rent-a-Car. People often say that "a certain kind of person" does well there. Those are the people whose personal values match the company's Core Values.



*When creating your
Core Values keep simplicity
top of mind!*





Establishing your core values: your company rules of engagement

Here's the catch – simply writing down some rules and turning them into a statement of Core Values doesn't work. Your Core Values must be unique to your company and reflect the values you have. An excellent example of what that looks like is a value statement by the New Zealand firm James Wren & Co. It's simple and to the point:

"Three coats means three coats."

James Wren & Co. has been a high-quality painting contractor in the city of Dunedin for over a century. It's a business where firms come and go and where many compete on price. Wren is different. Managing Director Richard Daniel explains the ideas behind their unique Core Value statement this way:

"It is easy in this industry to get away with one less coat if you tint your sealer/primer coat, and many of our opposition are known for it. We know you can do it, too, but you end up with inferior finish, so we choose not to take the shortcut approach, often to the detriment of securing a contract. It is core because we are prepared to miss out financially by not securing contracts; it is spoken virtually every day by either one of our shareholders, estimating staff, tradesmen, supervisors, or clients. Examples of it are given in every edition of our newsletter. We incorporate this Core Value in nearly every decision we make."

That's a lot of words, but Wren gets all of that into a single sentence:

"Three coats means three coats."

That simple value statement reminds their people not to cut corners when preparing a bid. It tells buyers such as architects and interior designers why Wren's bid may be higher than the competition's. And it reminds their workers on the job about what really matters.

Imagine you're fifteen years old, and you've just left school and joined this painting firm as your first job. When Core Values are expressed like this, you know exactly what sort of behavior is expected of you. It's not an ambiguous and generic word like "integrity." It is a clear statement of "Here's how we do things around here."

If you've been in business for a while, you've probably already developed some of those unwritten rules – "the way we do things around here" – that you'll sharpen into your Core Values later. In the meantime, here are some questions we want you to answer and think about:

- Who in your company is a living example of "the right behavioral standards"?
- What is your company known for?
- What behaviors are so important that you'll fire anyone who doesn't consistently demonstrate them?



*Now, how to define your
Core Values?*





Establishing your core values: your company rules of engagement

Southwest Airlines is the most profitable airline in the history of the USA. The company was founded in 1971; 1973 was its first full year of profitability, and Southwest has been profitable every year since then. That's 39 consecutive years. Other airlines have come and gone. No other airline has matched Southwest's record.

There's no one secret to success like that, but one key to Southwest's success is its culture, "the way we do things around here." One of Southwest's most powerful cultural values is related to the concept of "fun."

You know about fun if you've ever taken a Southwest flight. A fairly typical experience include: Southwest flight attendants singing the safety instructions; attendants dressed in costumes; ad lib little bits to liven up the standard safety language. No other airline seems to have fun like Southwest.

That's no accident. Southwest is clear about its values, and it hires people who have the same values and will fit into the culture. That's simple, but not easy.

Southwest's number-one hiring criterion, the one they look for first, is a sense of humor. People with the right skills and a sense of humor are A-Players for Southwest. In some ways, their hiring process is like that of every other company that hires well. They have a clear idea of what knowledge, skills, and abilities they're looking for. They check references. But there's more.

Southwest has designed a hiring process that helps them make smart decisions about whether a candidate has a sense of humor. Candidates are interviewed by groups of Southwest employees. The process is longer than most, but, in the end, Southwest Airlines winds up with people who fit.

That's where you want to wind up, too. You need to be clear about your Core Values so you can make them part of your hiring criteria. You'll need to design a rigorous hiring process and follow it every time. That's not easy, but it's how great companies hire the A-Players who drive their success. So let's start by looking at your Core Values.

Here's a reminder of what your Core Values do for your company, besides guide your hiring.

- Your Core Values provide a moral compass for your people. They can help people decide on the right course, regardless of the challenge they face.
- Your Core Values give you a basis for consistent decision making by everyone. When people share the same Core Values, they tend to make decisions in the same way.



*Avoid ambiguity with your
Core Values, be specific, and
work with your team.*





Establishing your core values: your company rules of engagement

Get your team together. Let's try to clarify what your Core Values are right now.

1. First, think about starting your company from scratch: Which five people would you rehire because they behave the way you expect your people to behave? Forget functional skills and roles for a moment and identify people who act the way you want everyone in your company to act, regardless of role.
2. Identify the behaviors that are common to all these people. Describe those behaviors in short, concise, three- to five-word descriptive statements. What did you come up with?
3. Here's another way to get at your values: What behaviors has your company always been known for or stood for, no matter what the circumstances? If you want to really develop this line of thought, contact some of your customers and ask them what you're known for. Put the answers into three- to five-word descriptive statements.
4. Let's see if we can make some decisions. What are the top five behaviors that you want demonstrated by everyone in your company? State each one in three to five words like James Wren & Company did with their Core Value I described earlier: *"Three coats means three coats."*

TIPS: things to remember when crafting your company core values

- Consider your Value Discipline when you're crafting your Core Values. If Operational Excellence is your discipline, one of your values should probably reflect efficiency and cost control. If you chose Product Leadership, one of your Core Values should probably include something on innovation. And, if you picked Customer Intimacy, one of your Core Values should probably emphasize how you work with customers.
- There's no rule that you should have exactly five values. Zappos has more, but my view is that your people should know them by heart, so it needs to be a manageable and memorable list.
- Use three to five word statements, because one word values statements are too ambiguous and not very helpful. In three to five words, you should be able to state very clearly the type of behavior you expect from your people.
- Having Core Values like "honesty and integrity" is a waste of time. These are table-stakes behaviors for any company and are not things that are unique to your firm and your culture. You are not going to hire or keep anyone who is dishonest and a liar, are you?





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Your Core Values are "musts." They are not just "nice-to-haves." Use the following questions to test whether the values you've listed are really "core":

1. Would you confront a colleague if he or she were not demonstrating this value?
2. Would you spend money or leave money on the table to uphold this value?
3. Would you fire someone for violating this value, even if he or she were an excellent performer otherwise?

**Your Core Values must pass all
three tests above.**

Once you've created your list of Core Values, you need to make sure that they're visible and that people remember them so that they can act on them. Some companies have found creative ways to help people remember their Core Values.



*Make your Core Values
easy to remember.*





Establishing your core values: your company rules of engagement

AnswerLab is a flourishing company in the USA in the growing field of user experience research (UX). Co-founder Dan Clifford says that AnswerLab helps clients understand how their digital products (websites, mobile apps, etc.) are perceived by their users. Then the clients can "improve areas that are confusing or frustrating so that they can deliver compelling products that are easy to use."

AnswerLab defined seven Core Values for their firm. Here they are:

- *Build trust*
- *Provide amazing service*
- *Jump in to help others*
- *Handle change with flexibility*
- *Innovate our processes*
- *Figure it out and get it done*
- *Make AnswerLab a great place to work*

Those are great, but they're hard to remember. You can do the usual things that companies do to keep their values visible. You can put them on plaques that you post around the office and on little cards that everyone carries in their pocket. You can even recite them every day.

AnswerLab did something creative. They created a mnemonic device to help people remember. It's a simple sentence:

"Beer Pong Judges Have Incredible Floor Mops"

They also illustrate the mnemonic device with a picture of – well, I'll leave it to your imagination, but you can bet it helps their people remember the Core Values.

Remembering is just the beginning. You should make your Core Values an explicit part of the way you do business. Reference them when you make management decisions. At every weekly meeting, share stories of people in the company who have done a great job of exemplifying one of the Core Values. You may even give a monthly award to the person who best exemplified the Core Values.

Your Core Values determine the way you do everything that involves people at your company. Talk about your Core Values every day in the normal course of business to help drive engagement. Make them a key part of your performance appraisal process too.....

This RESULTS.com whitepaper is an excerpt from the book: *Business Execution for RESULTS: A practical guide for leaders of small to mid-sized firms.* By Stephen Lynch



Core Values Workbook.
It's about results, not
theory... Get started NOW!





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Core Values Workbook: Step 1

If you had to rebuild your company from scratch, name the 5 people you'd hire first because they behave the way you expect your people to behave. Forget functional skills and roles for a moment and indentify people who act the way you want everyone to act, regardless of role:

Write your answers here:

1. ____

2. ____

3. ____

4. ____

5. ____





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Core Values Workbook: Step 2

Use 3-5 word statements to describe the behaviors that are common to all of these 5 people.

Write your answers here:





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Core Values Workbook: Step 3

What behaviors has your company always been known for, or stood for no matter what the circumstances?

Write your answers here:





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Core Values Workbook: Step 4

Using 3-5 word prescriptive statements, list the top 5 behaviors you want demonstrated by everyone in your company? State very clearly the type of behaviors you expect from all your people, regardless of role.

Write your answers here:

1. ____

2. ____

3. ____

4. ____

5. ____





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Core Values Workbook: Step 5

Core Values are “musts” not “nice to haves”. Do each of your chosen Core Values pass these 3 tests? If not, they are NOT Core and should be eliminated from your list.

- 1. Would you actively confront a colleague if he or she were not demonstrating this behavior?
- 2. Would you spend money (or leave on the table) to uphold and demonstrate this value to your team?
- 3. Would you fire someone if they could not demonstrate this value consistently, even if they were an excellent performer otherwise?

Write your answers here (YES / NO):





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Core Values Workbook: Step 6

How to keep your Core Values alive

- Keep visible at all times
- Test people – everyone should know them by heart
- Reference them when making management decisions
- Share Core Value stories at weekly team meetings, where everyone must share a story of where someone in the team lived one of the Core Values
- Awards for the people who best exemplify your Core Values every month



Where will you display your Core Values so they are clearly visible to your people every day?

Write your answers here:





Core Values Workbook: Step 7

How will you incorporate your Core Values into your recruitment process and performance appraisal process?

Write your answers here:



Align Core Values to your Human Resource systems

RECRUITMENT

- List Core Values in your job advertisements.
- Create hiring interview questions that look for examples where candidates have demonstrated your Core Values in previous job positions.

INDUCTION / ON-BOARDING

- Share company legends – memorable stories of where each Core Value was exemplified in a powerful way.

PERFORMANCE REVIEWS

- Incorporate Core Values stories in your performance reviews.
- An “A-Player” employee achieves their Goals AND lives the Core Values.



About RESULTS.com

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