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Value to Customers…Begins with the Values of Leaders

There are two fairly undisputed concepts that occur in a growing business that are not always addressed together:

- A business is driven by the values of its Leaders
- A successful business is driven by what's *of value* to Customers

One refers to a customer's perception of the relationship between quality and price of your products and services. The other defines the personal principles of the organization's leaders. Not only is there a link, but in successful businesses, they have a cause-and-effect relationship. Yet, too often there is a disconnect.

Growing entrepreneurial organizations are usually driven by passionate leaders. In fact, others are often attracted to the new organization because they share the passion and values of the founder. A particular leader may be driven by an advanced technology they created, offering an innovative new service, or serving an underserved market. Or, they may just value the ability to control their own destiny or turn a personal hobby into a money-making business. Some leaders want to establish a family business committed to employing extended family members for generations to come. There is nothing wrong with any of these drivers for a new business. But as for the second part of our equation, if a business is to be successful in the long-term, it must equally be driven by what's *of value to customers.* That means the leader must equally value, and create a culture, that consistently delivers what customers value.

Value to Customers

For a business to produce products and services that are *of value* to customers, it must first understand what their target customers need and expect from them. It is the customers' definition of quality, value, and service that is critical to meet. It is the customers' problem the organization is trying to solve, or expectations they strive to meet. On the other hand, the business will not survive long if they simply "give away the store" to meet every need of customers. It is equally important to provide that value at a profit. This requires the business to continually improve its efficiency and processes, ensuring appropriate costs as perceived value goes up. Who has to do all this? Your employees. The organization must also have skilled, motivated employees who focus on customer needs, and continually work toward internal process improvement.

For years, I've simply called this managing the **3E's of business improvement**:

- ensuring your *Effectiveness* in meeting customer needs;
- while continually improving the *Efficiency* of business processes;
- and maintaining a work *Environment* conducive to high employee performance

There is nothing new here that isn't captured in Management 101, right? Easy to understand – yet not always easy to do. What is often the missing piece in this puzzle? Though intellectually it seems obvious, these three cornerstones simply may not be what drives the culture of a growing organization.

Values of Leadership

Once a new business understands what their target customers value, achieving that value often becomes the *stated* mission of the business. As the organization grows and gets more complex, the reality of consistently satisfying those needs gets much more difficult. The ultimate goal is to have all processes and behaviors throughout the organization aligned with these objectives. But how does that culture get established?

Different organizations are driven by different goals from its leadership. A business may be very technology driven, or it could be financially motivated. It may be focused on employee development, or seek to excel at customer service. A culture may also be engrained that promotes increasing ROI or pushing the leader's pet projects. There may be an emphasis on maintaining current systems, not bucking the system, hiring family members, or retaining centralized control of all operations. Yet, if any of these take priority over executing on the 3E's, the organization's culture may actually hinder, rather than help create value for their customers.

As with everyone, the actions of organizational leaders are driven by their internal values. It is their specific interests, principles, perceptions, and priorities that eventually frame their goals and actions. These values influence how decisions are made, who will be hired, promoted or reprimanded. In general, the leader's values set the stage for what will be done and how. People succeed or are weeded out depending on their "fit" with these values and performance expectations of the leader.

As the company evolves and grows, this value system is formalized into the practices and policies of the organization. They are perpetuated by reward systems, service policies, criteria for employee promotion or discipline, preferred suppliers, and so forth. Organizational practices may emphasize lowest possible cost or highest quality, or strive to seek a balance. Employees may be considered valued contributors to success, or expenses to be minimized. Customers could be viewed as the reason for the company's existence, or as demanding whiners who simply want more for less. When combined, these are simply "how we do things around here". Those that agree or follow the organization's accepted practices will likely do well, and those that don't will eventually move out (or be moved out). That is why culture is so strong, and so difficult to change.

Culture Change

The organization's culture is ultimately the driver, or the primary barrier, for the behaviors that effectively and efficiently create value for customers. If your customers are not perceiving the value of your products and service as you expected, it may require a culture shift within your organization. Organizational change requires individual change. The same leadership process that created the current culture must produce an altered culture that puts higher value on customer needs, employee engagement, and continuous process improvement.

The following are just simple examples of how culture may override company rhetoric:

- The organization's HR literature may tout how employees are their most valued resource. Yet, internally there is little formal communication, flexibility, or investment in training and advancement of employees. Or the family business continues to put extended family members in key roles – even if they are not as qualified as others.

- Leaders express how all employees should focus on continually improving processes, but their immediate manager allows no time for it. "We have more than enough *real* work to do." The manager's performance is of course judged by successfully completing the "real work".

- Employees are sent to *Customer Service* training, since there had been some concerns with service. But when they return from training, they continue to be rewarded for the *quantity* of calls taken. They may even be scolded for taking too long with a customer, since the manager may also be compensated for the number of calls completed. Or the customer service person may actually be reprimanded for offering a refund to a "complaining" customer. Any service training is quickly dismissed by the employee.

- The company markets itself as "quality is job one". But when efforts to increase profits becomes a key strategy, purchasing employees may be told to find much less expensive components. Their manager may even "joke" about customers just having to buy another product if it breaks!

All of these behaviors reinforce the old adage of *"what you DO speaks so loudly, I can't hear what you are SAYING"*. Not only must leaders value what's of value to their target customers – but they must *also* drive the internal practices and behaviors that will *deliver* that value! Too often, it is "assumed" by leaders at the top that if they say it, the processes and behaviors will follow. What they miss is that the current culture, that they played a major part in creating, may already be firmly engrained for the opposite behaviors. Leaders need to understand how their organization may *unintentionally* be rewarding the very behaviors they don't want – while discouraging the execution of the 3E's.

Many business improvement efforts fail because they are in opposition to the organization's prevailing culture. A new marketing program, training session, or even management coaching will not override well-established systems and practices that align to support the current culture. Even when leaders feel they are committed to a major improvement effort, they often do not realize the depth of change required, including a reassessment of their own values/priorities.

To be fair, leaders are not the only contributors to an organization' s culture. Culture evolves over time from various factors including the market and clients they serve, the requirements of their vendors, improvement efforts of employees, and the latest technology. But it remains the leader's role to set the tone for how business will be done, ensuring all these align with the vision and values of the organization – which should align with creating value for customers.

In Summary

What is valued by an organization's leadership drives their goals, strategy, systems, and expected behaviors. An organization's culture is simply, "the way we do things around here", reinforced over time. That culture effects individual behavior, which effects quality, service, cost – those things valued by customers. It flows like this:

1. *The Values of Leaders* are instrumental in establishing an organization's strategy, priorities and practices – eventually establishing the culture or "how we do things here".
2. *Culture* is the primary influence on daily decisions, current processes, and employee behaviors.
3. Long-term success requires processes and behaviors that efficiently produce products and services *Valued by Customers.*
4. It is the role of the leader in growing organizations to assure that these three are in *Alignment*. Leaders need to not only value what customers want, but value what it takes to consistently *deliver* that value.

Leadership teams should regularly ask themselves:

- What is uniquely of Value to our specific target Customers?
- What is required internally (skills, processes, quality, behaviors) to consistently create that value?
- Are these requirements not only stated, but planned for, prioritized, and *reinforced* in our culture, rather than hindered?

Value to customers *begins* with the values of the organization's leaders.