# The How Manifesto

Why *how* Business Gets Done Around the World is the New Competitive Advantage & New Metrics for a New Reality

Dov Seidman

# "How?" is not just a question.
# HOW is the answer.

HOW. We'll see that word a lot in this manifesto. Simply stated, HOW is the belief that in our more interconnected and interdependent world, we rise and fall together. The way to forge a better, more sustainable path of growth and progress lies in the realm of human behavior— HOW we do what we do. The days of "It's not personal; it's just business" are over. We truly have entered the Era of Behavior.

Leaders have become successful at measuring "how much" by out-selling and out-spending. But instead of asking "how much", we should be examining HOW. How we behave, lead, consume, build trust in our relationships, and relate to others has always mattered but in an age when everything can be tweeted and blogged about and where there is no such thing as private behavior, HOW matters more than ever and in ways it never has before.

Progressive leaders recognize that traditional approaches to business are no longer sufficient in the 21st century. The hierarchical, command-and-control organizational paradigm of the 19th and 20th centuries is giving way to a flatter, more values-based, self-governing design.

Short-term mindsets are being displaced by long-term considerations, and there is increased focus on how to evolve to more values-based and principled governance, culture, and leadership systems that put humanity at the center of how a company operates and relates to stakeholders.
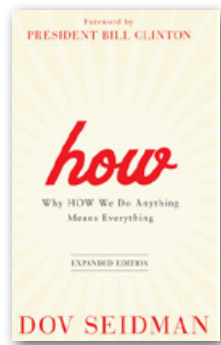
I documented this paradigm shift in my book *How: Why HOW We Do Anything Means Everything*. Applied to the 21st Century, HOW postulates that an organization builds the foundation for sustainable success on a system of governance, culture, and leadership based on a clear set of fundamental values, fostering trust both inside and outside the organization, and embracing and pursuing a corporate mission that is rooted in a higher, enduring purpose, not simply here-and-now success. These fundamental elements of Self-Governance—trust, values, and mission—informs how an organization is governed and led. Just as importantly, they inspire the individual and organizational behaviors that produce superior performance outcomes. This is not theory—it is empirical fact, as you will see in the findings of our HOW Report detailed later in this manifesto.

HOW offers us a better way forward through the intentional, deliberate, and systematic shaping of our governance, culture, and leadership. And in shaping these, we can elevate our behavior—behavior being the single most important differentiator for your company and your brand in the 21st century marketplace. **HOW is simply this: You can *outbehave* the competition.**

# Economic behavior has always had a moral dimension.

In the preface to *How*, I remind readers that Adam Smith, author of *The Wealth of Nations*, was a moral philosopher and not an economist. But, in a capitalist society, we naturally assume that economic growth is good for everybody. More growth equals more jobs, more money, and more security for businesses and citizens alike.

Throughout the 20th century, we saw a pattern of industries consolidating into fewer and fewer huge companies. The assumption here was that growth was good because big companies were ipso facto stronger than small companies. All businesses aspired to become "too big to fail," to use a term that acquired a very different meaning during the mortgage meltdown. An entire ecosystem of business schools, investors, capital markets, business media and companies grew up and still measures success around this "principle." Venture capitalists still ask young entrepreneurs how they plan to "scale" their startups and create hockeystick growth.

Markets still reward companies that grow rapidly, and punish enterprises that do not. But in business, size alone can't guarantee long-term survival. To the contrary, the aggressive pursuit of scale—whether it's more revenues, profits, customers, stores, or a bigger market capitalization—tempts companies to lose sight of the values that create true sustainability. Show me a company that's "too sustainable to fail" and I'll be interested in buying shares.

Think of it as a shift from valuing size to valuing significance. Conversations about "How much" constantly echo throughout business, politics and our personal lives: How much revenue can we squeeze into this quarter? How much debt can we tolerate? How much growth can we generate? How big should government be? But "how much" and "how big" aren't the right questions. Instead we should, and are beginning to, ask how we can create organizations and societies that mirror our deepest values. We are moving from "how much" to "how." So *how* do we keep this going?

No doubt you've heard the old business cliché that "hope is not a strategy." It's an expression used to belittle managers who don't do their analytic homework before embarking on a course of action. But inspirational leaders understand that hope is very much a strategy. Franklin Delano Roosevelt understood that in the depths of the Great Depression, when he galvanized a despondent nation by telling Americans that they had nothing to fear but fear itself. Hope is a sustainable value which inspires us to see the world as a source of meaning and to connect with people in valuable ways. Hope is a catalyst. Like trust, hope is fundamental to how we connect in a connected world. Without hope there can be no progress, no innovation and no lasting prosperity. Hope impels people to get up out of their chairs and inspires them to take on challenges that they never dreamed of taking on before—and to stick with them however hard things get. Of course hope alone is not a strategy, but it is the essential starting point for any sustainable strategy. In this way, hope inspires the pursuit of significance. And that's the ultimate HOW.

But HOW does not just happen on its own—it requires a willful decision to embark on a journey. To be on a journey means to focus on the way, not just the destination; on HOW, not WHAT. Journeys are by nature curvilinear. They are rarely linear and easy. They have highs and lows and require more effort for the climb than the descent.
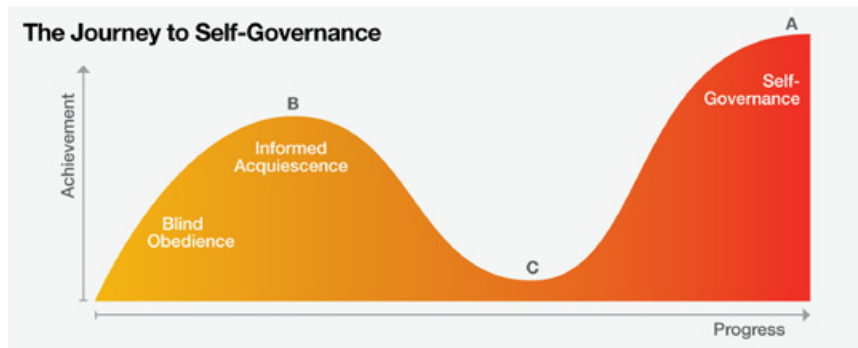


The Journey to Self-Governance

To reach the peak of a sustainable system of governance, culture, and leadership, we are going to have to tear down what traps us where we are (the "how much" functional and hierarchical command-and-control mindsets and structures of the 19th and 20th centuries) and build toward the HOW mindset and frameworks of Self-Governance. To do so, we must be willing to move beyond our basic understanding of what worked in the past (B) and accept some uncertainty and confusion (C) as we struggle to gain a deeper understanding of what it will take to achieve long-term success in the new reality of the 21st Century (A).

# Measuring HOW

This sounds great in theory. But does HOW hold up under real-world business conditions? Can HOW deliver real, hard-currency performance results? Can HOW, the "soft stuff" of governance, culture, and leadership, even be measured?

Yes it does and yes it can.

For nearly 20 years, LRN has worked with more than 700 organizations to help business leaders strengthen and reinforce governance, culture, and leadership as a source of lasting competitive advantage. As a result of this work, we now have the knowledge that these intangible notions can be made tangible—and therefore actionable—through the direct observation of actual behavior in an organization. To analyze and influence governance, culture, and leadership, we have developed and market-tested a unique framework and organizational assessment tool that is the foundation of the analytics presented in this manifesto—the HOW Metrics.

The research examined how governance, culture and leadership influence behavior and impact performance. We've got good news and bad news to share. The good news is that, after having argued for two decades that principles and profits reinforce each other, the findings of The HOW Report prove this to be true: Companies truly built on purpose, guided by values and permeated with trust experience significant advantages over the competition.

These companies characterized as "self-governing" scored the highest on every one of the 14 performance outcomes evaluated by the study:

- 93% of employees at high-trust and truly values-based businesses observe financial performance greater than their competitors vs. 48% of those at strict top-down organizations.

- Employees functioning in a high trust organization are 22 times more likely to take a beneficial risk – which, in turn, enables 8 times the levels of innovation as compared to the competition.

- When it comes to loyalty, 92% of employees of businesses based on values and trust plan to be working for their company in a year, compared to 46% of those in strict top-down organizations. 98% would recommend their values and trust-based company to a friend vs. just 33% at strict top-down organizations.

- 99% of high-trust and values-based companies observe highly satisfied customers vs. 42% of top-down organizations. Employees at high-trust, values-inspired companies are 92% more likely to observe high levels of innovation relative to the competition.

- Further, in high-trust, values-inspired companies, only 24% of employees observed misconduct or unethical behaviors, compared to 47% in low-trust, non-values focused organizations.

The bad news from The HOW Report? Only 1 in 30 companies meet the standard of being based on values and trust. Just 11% of organizations foster high-values environments where employees are encouraged to take risks, make decisions, and innovate around products, services, and processes. Only 1 in 5 respondents strongly agree there is a high level of trust in their company.

For years, business leaders have wrestled with how to get the business outcomes they want without resorting to stop-gap measures. The findings in the HOW Report demonstrate that there exists a host of concrete, fact-based, effective and transformative actions leaders can take to engage employees, delight customers, increase average employee tenures, boost innovation and ultimately increase revenue while strengthening resiliency.

In business, it is often said that you manage what you measure. But it is also true that what we measure is a window into what we value—and into our values. Since most leaders remain comfortable managing only what they can measure, in a more interdependent world it has become important to develop a new framework for analyzing, and an independently confirmable method for measuring, *how* organizations operate and relate to society, *how* their people behave and make decisions.

This accounts for why we developed HOW Metrics.

The HOW Report found that all companies fit into one of three Governance, Culture, and Leadership Archetypes: **Blind Obedience, Informed Acquiescence, and Self-Governance.**

# Archetypes of Governance, Culture, and Leadership

**Blind Obedience:** Organizations characterized by command-and-control, top-down leadership, and coercion. Blind Obedience organizations rely on rules and policing, are transactional, and focus on short-term objectives—there is little focus on building enduring relationships in the workplace, the marketplace, or society.

**Informed Acquiescence:** Organizations that reflect 20th century good management practices like hierarchy, structure, and control processes. Employees follow the rules, policies, and procedures established by what they believe to be a skilled management team. Managers rely on performance-based rewards and punishments to motivate people. Long-term goals are important but often give way to considerations of short-term success.

**Self-Governance:** Organizations that are primarily values-based. The organization's purpose and values inform decision making and guide all employee and company behavior. In short, people act on the basis of a set of core principles and values that inspires everyone to align around a company's mission, purpose, and definition of significance. Employees at all levels strive to be leaders, and the company is focused on its long-term legacy and endurance.

# Putting HOW to the Test: The Governance, Culture, and Leadership Assessment (GCLA)–an organizational MRI

The results presented in the HOW Report are derived from a rigorous statistical analysis of roughly 2 million observations by 36,000-plus employees in 18 countries, from the C-Suite to the junior ranks. It was developed by LRN and independently conducted by the Boston Research Group, in collaboration with Research Data Technology and The Center for Effective Organizations at the University of Southern California.

It is based on the Governance, Culture, and Leadership Framework, a foundation for disciplined analysis of the system of individual and collective behaviors that drives an organization forward. These behaviors constitute a critical operating system in an organization—call it the Human Operating System—that can be measured and acted upon as a deliberate strategy. We have developed a measurement tool for this task, the Governance, Culture, and Leadership Assessment (GCLA). Functionally, the GCLA is a survey consisting of 63 questions: 49 about observed behaviors and 14 about observed business outcomes. The GCLA is not an employee engagement survey—it is an MRI of a company's human operating system. It gets to "the way things really happen around this place" and allows companies to understand—and quantify—whether and to what extent the drivers of self-governing behavior are present in their organization and what impact these behaviors have on real outcomes and performance.

# Finding #1: Self-Governance is rare across the world.

Only 3% of the 36,280 employees in the study across 18 countries observe high levels of self-governing behavior within their organizations, regardless of the country, industry, economic environment, language, or ethnic culture. While most organizations today exhibit some degree of Self-Governance, it is rarely their dominant, defining mode of operation. Instead, the 20th century paradigm prevails not just in the United States but also around the world, as indicated by the level of Blind Obedience (43% of organizations) and Informed Acquiescence (54% of organizations).

Why is this so? The HOW Metrics Indices provide the key insights. The indices represent the principal drivers that place a company in one of the three archetypes. As such, they allow us to take a look "under the hood" of each archetype to determine how organizational behaviors translate into real performance.

> " *To reach the peak of a sustainable system of governance, culture, and leadership, we are going to have to tear down what traps us where we are and build toward frameworks of Self-Governance.*

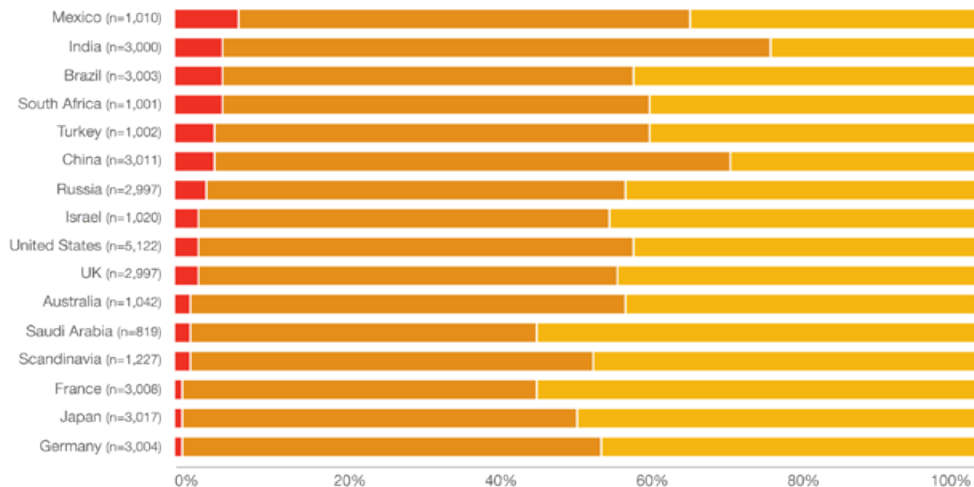# Archetypes of Governance, Culture, and Leadership n=36,280

3% Self-Governance
54% Informed Acquiescence
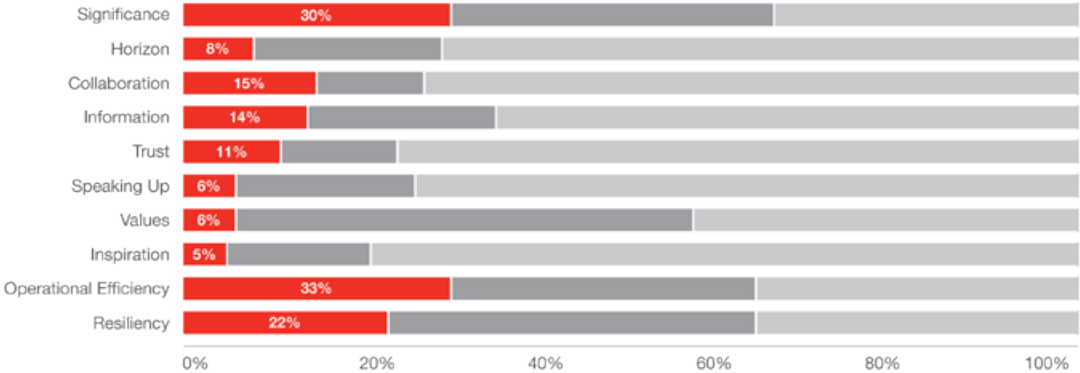43% Blind Obedience

## GCLA Archetypes by Country

# The HOW Metrics Indices

The results of the GCLA can be viewed through ten indices that, together with the archetypes that summarize them, comprise the HOW Metrics. The HOW Metrics can be thought of as the instrument gauges or control panel of the GCLA. They provide deep insight into how organizational behaviors actually translate into real performance outcomes.

## Global GCLA – HOW Metrics™ Indices

■ High  ■ Medium  ■ Low

n=36,280

| Index | High |
|---|---|
| Significance | 30% |
| Horizon | 8% |
| Collaboration | 15% |
| Information | 14% |
| Trust | 11% |
| Speaking Up | 6% |
| Values | 6% |
| Inspiration | 5% |
| Operational Efficiency | 33% |
| Resiliency | 22% |

0%   20%   40%   60%   80%   100%

**Significance Index:** The extent to which an organization aspires to and pursues making a positive impact on the world versus focusing only on short-term success.

**Horizon Index:** The extent to which an organization is animated by long-term rather than only short-term decision-making and goals.

**Collaboration Index:** The extent to which organizational structure fosters effective coordination among departments and groups.

**Information Index:** The extent to which the organization's leaders and employees share information authentically and truthfully.

**Trust Index:** The extent to which an organization demonstrates and fosters trust.

**Speaking Up Index:** The extent to which employees voice their opinions or report improper behavior.

**Values Index:** The extent to which an organization uses a values-based system versus a rules-based system to guide behaviors and decisions.

**Inspiration Index:** The extent to which inspiration, rather than motivation and coercion, is used to stimulate an organization.

**Operational Efficiency Index:** The extent to which an organization's system of governance, culture, and leadership facilitates effective, rapid, and aligned decision-making at all levels.

**Resiliency Index:** The extent to which an organization can respond effectively to unexpected and sometimes sudden and dramatic changes in competitive dynamics, economic conditions, and societal forces.

# There is a distinct deficit in trust, values, and inspiration in the workplace.

Only 11% of organizations foster high-trust environments where employees are encouraged to take risks, make decisions, and innovate around products, services, and processes; only 6% observe that they work in a company that has a strong sense of values to inform their actions over time and in uncertain, novel situations; and only 5% are inspired to perform to their highest potential whereas 95% are either motivated by "carrots and sticks" or coerced through fear.

There are a number of striking insights that emerge from the responses to many of the individual questions that underlie the HOW Metrics Indices.

(Because the indices are often derived from multiple questions, the percentages in the insights, below and on the next few pages, will not always match the percentages in the indices.)

**HOW Metrics Insight** » **Trust.** Only 1 in 5 respondents strongly agrees that there is a high level of trust in their company and only 1 in 5 strongly agrees that they are inspired by their company to perform their jobs to their very best ability.

**HOW Metrics Insight** » **Values.** Over a third (34%) of respondents state that those who demonstrate obedience to senior management are rewarded, even when their actions conflict with the company's mission and values.

A strong sense of purpose and mission is generally absent in companies and short-term considerations tend to trump their long-term goals. As the Significance Index shows, 70% of companies are more focused on situational success rather than on achieving a higher, more significant purpose in the world. This is reinforced by the Horizon Index, which indicates that 92% of companies have a short-term view of success and tend to forgo the pursuit of long-term goals and significance.

**HOW Metrics Insight** » **Significance and Mission.** Only 1 in 5 respondents strongly agrees that their company is focused on making a significant impact in the world and only 1 in 4 employees strongly agrees that their company's purpose and mission are understood.

There is a general lack of effective and transparent information sharing in most organizations around the world, a condition that is further exacerbated by organizational structures that inhibit effective coordination among departments and groups. Only 14% of organizations effectively share information and only 15% demonstrate a high degree of collaboration.

**HOW Metrics Insight** » **Information Sharing.** Only 4 out of 10 respondents state that information is accessible to everyone regardless of seniority or status, and 1 out of 3 states that people actually hoard information.

Finally, the Resiliency and Operational Efficiency Indices show that 81% of organizations do not respond effectively to unexpected changes in competitive dynamics, economic conditions, and societal forces, and 70% do not foster effective, rapid, and aligned decision-making at all levels.

**HOW Metrics Insight** » **Decision-Making.** Only 1 in 10 respondents strongly agrees that they are empowered to make most business decisions within their company.

That Self-Governance is rare in companies across the world would not be so significant a finding if it weren't for our next most important take-away from this research: that Self-Governance companies outperform their peers on every important measure of desired outcomes and performance.

" *Employees in self-governing companies observe lower levels of misconduct, speak up more when they observe misconduct, and experience less retaliation when they do speak up.*

# Finding #2: Self-governing organizations in all 18 countries in this study outperform other types of organizations across every important performance outcome.

These outcomes include: higher levels of innovation, employee loyalty, and customer satisfaction; lower levels of misconduct; and superior overall financial performance.

**HOW Metrics Insight** » **Innovation.**
Less than half (47%) of respondents question established ways of doing things.

**HOW Metrics Insight** » **Employee Loyalty.** Fully 9 out of 10 employees in self-governing organizations strongly agree that they hope to be with their companies 12 months from now. Only 2 out of 10 employees in Blind Obedience organizations strongly agree that they hope to be with their companies 12 months from now.

## Innovation

Q: Relative to our competition, the level of innovation at my company is:
Percentage who responded "Much Above Average" or "Above Average."

**92% Self-Governance**
67% Informed Acquiescence
38% Blind Obedience

## Ideas

Q: Good ideas are readily adopted by my company:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

**97% Self-Governance**
73% Informed Acquiescence
25% Blind Obedience

Employees in self-governing companies observe lower levels of misconduct, speak up more when they observe misconduct, and experience less retaliation when they do speak up. One might theorize that organizations animated by trust, values, and a purpose-inspired mission would lack the discipline and control environment designed to ameliorate risk. In actuality, the opposite is true, and the results below speak for themselves.

**HOW Metrics Insight** » **Misconduct**

Only one third of respondents will apply peer pressure to colleagues who do not behave in accordance with company values.

## Loyalty

Q: If I have my way, I will be working for my company 12 months from now:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

**92% Self-Governance**
80% Informed Acquiescence
46% Blind Obedience

## Staff Referrals

Q: I am willing to recommend my company to a friend as a place to work:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

**98% Self-Governance**
81% Informed Acquiescence
33% Blind Obedience

## Customer Satisfaction

Q: My company has very satisfied customers:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

**99% Self-Governance**
82% Informed Acquiescence
42% Blind Obedience

Employees in self-governing organiza-
tions—whether in the C-suite, middle
management or all employees on
average—consistently observe higher
levels of financial performance relative
to the competition.

It is particularly significant that this is
true across C-suite respondents in
all countries in the study, as those execu-
tives are the best informed and most
acutely aware of how their organizations
perform relative to their competitors.

It is important to note that the positive
performance outcomes associated
with Self-Governance were found in
every one of the 18 countries, with
no exceptions. This would indicate
that the aspirations of people are

## Corporate Reputation

Q: My company has a good reputation among
its customers:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

99% Self-Governance
84% Informed Acquiescence
45% Blind Obedience
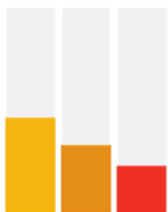
## Observing Misconduct

Q: I have observed employee misconduct and/or
unethical behavior in the past 12 months:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

24% Self-Governance
34% Informed Acquiescence
47% Blind Obedience

## Reporting Misconduct

Q: People report unethical behavior
when they observe it:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

88% Self-Governance
61% Informed Acquiescence
27% Blind Obedience

growing more homogeneous as distances among them shrink through advanced technologies, the trend toward transparency, and our increased economic interdependence.

Conversely, Blind Obedience and Informed Acquiescence companies, which map to a 20th century command and control, rules-based model, do not correlate as strongly to positive performance outcomes anywhere in the world. Again, this is consistent across all 18 countries.

## Speaking Up

Q: The extent to which employees feel invited to voice their opinions or to report improper behavior:

### 6% High
20% Medium
74% Low

## Retaliation

Q: People here are not retaliated against when they report employee misconduct or unethical behavior:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

### 79% Self-Governance
57% Informed Acquiescence
28% Blind Obedience

## Financial Performance

Q: How would you gauge your company's financial performance relative to its competitors?:
Percentage who responded "Much Above Average" or "Above Average."

### 93% Self-Governance
74% Informed Acquiescence
48% Blind Obedience

So rather than hardening their rules and enlarging enforcement efforts, companies might look to the fundamentals of Self-Governance—trust, values, and a purpose-inspired mission—not just to reduce misconduct in their organizations but to inspire behavior that proactively leads to exceptional results for employees, customers, suppliers, investors, and other stakeholders.

## Finding #3: There is a marked disconnect between C-suite executives and the employees they lead.

The Global GCLA reveals that C-suite executives—CEO, COO, CFO, and other senior executives—have a vastly different view of their governance, culture, and leadership systems than do the employees they lead and manage. This means that the very people who define the vision for a company, establish its strategic priorities, and set the tone "at the top" are far more likely to observe that their organizations exhibit self-governing behaviors than do the employees charged with getting the job done. C-suite executives outnumber other employees by, on average, 3 to 1 (and, in some countries, up to 8 to 1) in observing self-governance in their companies. C-suite respondents are also approximately 3 times more likely to see their organizations as more inspiring and less coercive compared to the overall employee population.

# Self-Governance as Observed by the C-Suite

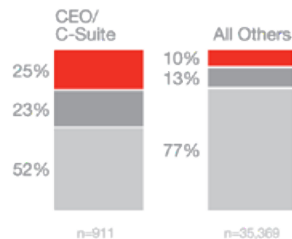Self-Governance norm Global GCLA excluding C-Suite = 3%.
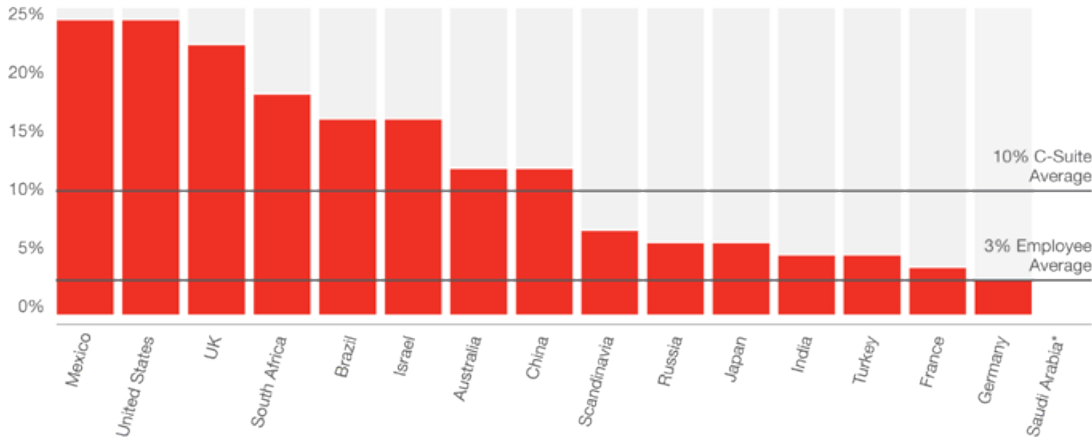


Fully 3 times (up to 8 times in some countries) the percentage of C-suite respondents observe their companies as self-governing compared to the other 35,000+ in the study.

*Small sample size

**HOW Metrics Insight** » **C-Suite Disconnect.**

Three times the percentage of C-suite respondents observe their companies as being self-governing compared to the other 35,000+ in the study. Additionally, roughly 1 in 4 C-suite executives see their companies fitting the Blind Obedience Archetype whereas more than 4 in 10 employees do.

Underlying this finding is the significant disparity between how the C-suite, compared to all others, observes the key drivers of Self-Governance, most significantly: trust, values, significance, inspiration, speaking up, resiliency, and operational efficiency.
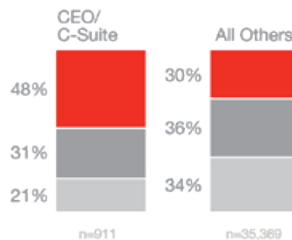


CEO/C-Suite — n=911 / All Others — n=35,369

**Trust –**
CEO/C-Suite
vs. All Others Average
High
Medium
Low

CEO/C-Suite: 25% / 23% / 52%
All Others: 10% / 13% / 77%
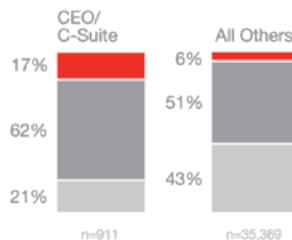
**Values –**
CEO/C-Suite
vs. All Others Average
High
Medium
Low

CEO/C-Suite: 17% / 62% / 21%
All Others: 6% / 51% / 43%

**Significance –**
CEO/C-Suite
vs. All Others Average
High
Medium
Low
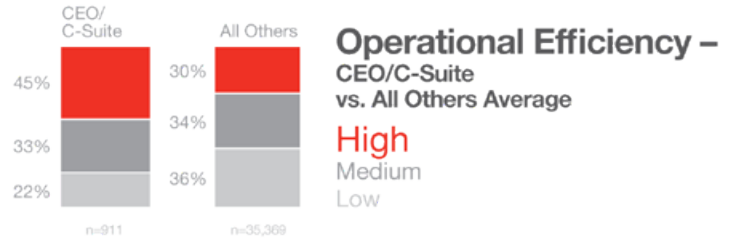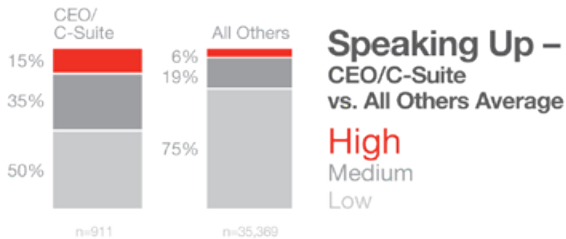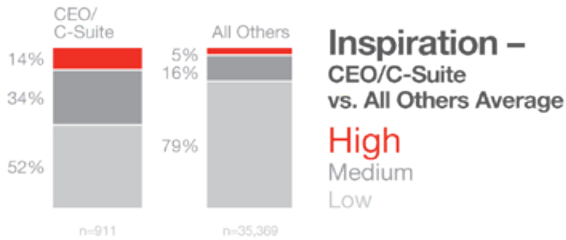
CEO/C-Suite: 48% / 31% / 21%
All Others: 30% / 36% / 34%

**Inspiration –**
CEO/C-Suite
vs. All Others Average

High
Medium
Low

CEO/C-Suite: 14% / 34% / 52% (n=911)
All Others: 5% / 16% / 79% (n=35,369)

**Resiliency –**
CEO/C-Suite
vs. All Others Average

High
Medium
Low

CEO/C-Suite: 31% / 46% / 23% (n=911)
All Others: 32% / 34% / 34% (n=35,369)

**Speaking Up –**
CEO/C-Suite
vs. All Others Average

High
Medium
Low

CEO/C-Suite: 15% / 35% / 50% (n=911)
All Others: 6% / 19% / 75% (n=35,369)

**Operational Efficiency –**
CEO/C-Suite
vs. All Others Average

High
Medium
Low

CEO/C-Suite: 45% / 33% / 22% (n=911)
All Others: 30% / 34% / 36% (n=35,369)

" *Rather than hardening their rules and enlarging enforcement efforts, companies might look to the fundamentals of Self-Governance—trust, values, and a purpose-inspired mission.*

**Finding #4:** Trust, shared values, and a deep understanding of and commitment to a purpose-inspired mission are the three fundamental enablers of the self-governing behaviors that produce competitive advantage and superior performance.

Of all the behavioral dynamics, three were associated with maximum impact on self-governing behavior and positive performance outcomes. When these three—trust, values, and a purpose inspired mission (indicated by the Significance Index)—were present in an organization, the other seven indices (Information, Collaboration, Inspiration, Horizon, Speaking Up, Resiliency, and Operational Efficiency) registered successively higher levels. In other words, there was a "cascading" effect of the three fundamental markers on the other seven, a synergy that elevated and amplified the presence of the others and had a stronger impact on positive outcomes and performance, most notably in the areas of innovation and financial performance.

Trust, Values, Mission

Information, Collaboration, Inspiration, Horizon, Speaking Up, Resiliency, Operational Efficiency

Innovation, Loyalty, Ethical Behavior, Customer Satisfaction, Reputation, Financial Performance

2X
Enablers

1X
Behaviors
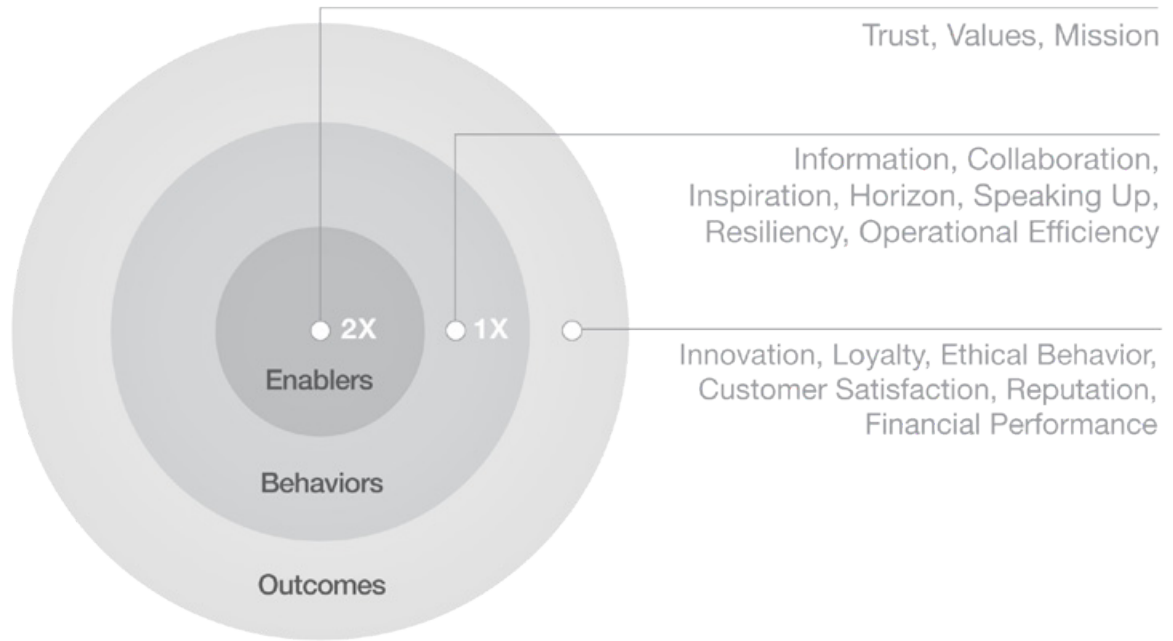
Outcomes

Trust, values, and mission have TWICE the impact on performance outcomes as the second tier of behaviors.

# From Disconnected to Super-Engaged

Multiple regression analysis reveals another extremely important dynamic driven by the 'inner core' enablers of trust, values and mission. When those enablers are high in an organization, they inevitably give rise to a highly inspired group of employees—employees with confidence and pride in the organization, its reputation, ability to satisfy its customers and contribute to its communities; employees willing to put forth extraordinary efforts on the organization's behalf; and employees who intend to stay for the long haul and bring recruits into the fold. Those employees are the Super Engaged (see chart on the next page), and exhibit all or nearly all of the nine engagement traits in the box below. In contrast, the Disconnected, on the other end of the chart, tend to reside in organizations that score low on trust, values and mission and therefore generate few, if any, of the strong positive behaviors and outcomes that characterize the Super-Engaged. Organizations with moderate amounts of trust, values, and mission fall in the vast middle, with some degree of positive behaviors and outcomes.

> ❝ *The very people who define the vision for a company ... are far more likely to observe that their organizations exhibit self-governing behaviors than do the employees charged with getting the job done.*
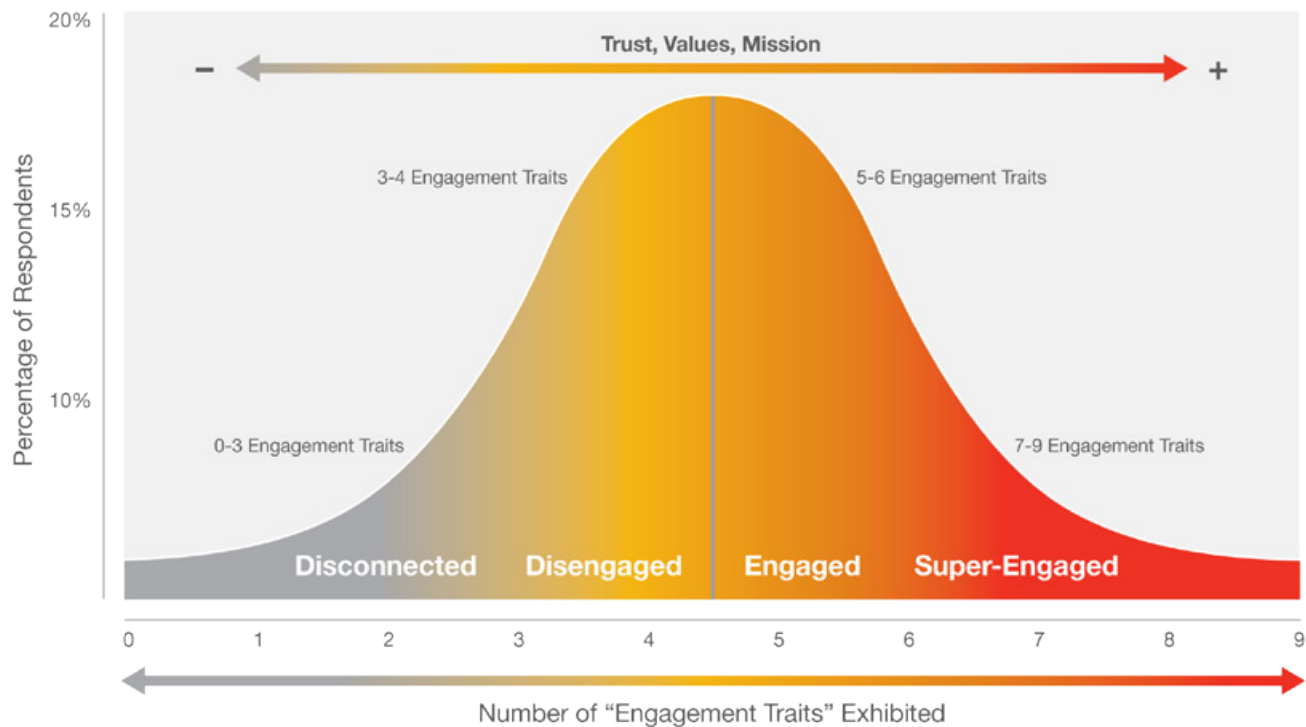
**Nine Engagement Traits**

1. I am willing to put in a great deal of effort beyond what is normally expected in order to help my company be successful.

2. I try to inspire others in my company through my comments and actions.

3. My company takes its responsibilities to the community seriously.

4. My company has a very good reputation among its customers.

5. My company has very satisfied customers.

6. I am willing to recommend my company to a friend as a place to work.

7. My company invests in the communities in which it operates.

8. If I have my way, I will be working for my organization 12 months from now.
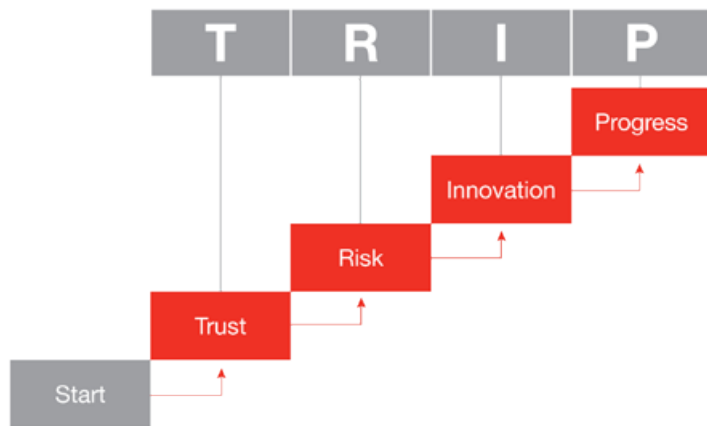
9. Good ideas are readily adopted by my company.

# Take a TRIP

These findings are consistent with the HOW philosophy and the concept of TRIP. The extension of trust is the key enabler of employees taking the risks that in turn spur innovation. And it is this kind of innovation that leads to and results in real performance and real progress. This is the basic formula for thriving in the hyperconnected, hypertransparent world of the 21st century.

Statistically, our research shows that employees who experience a high-trust environment are 22 times more likely to be willing to take risks that could benefit the company. Employees functioning in an organization of high trust are 8 times more likely to report higher levels of innovation relative to their competition. And finally, employees functioning in a culture of high trust, risk-taking, and innovation are 6 times more likely to report elevated levels of financial performance compared to the competition.

This statistical validation of the TRIP concept suggests that organizations should not view culture as merely an enabler of strategy. Rather, culture is a strategy in and of itself, and business leaders can be intentional and deliberate about developing and strengthening it. If you're wondering where to start, start with trust.

| T | R | I | P |
|---|---|---|---|

Start → Trust → Risk → Innovation → Progress

Financial Performance
Innovation
Risk-Taking

**Trust**  22X  8X  6X
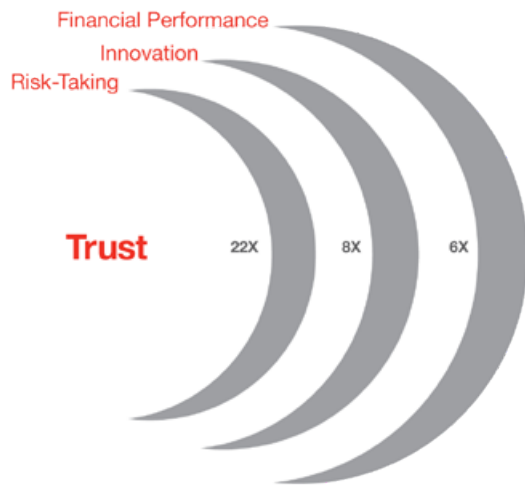
# Another word for TRIP is journey—
# a 'journey' toward Self-Governance.

A new set of metrics for moving organizations forward The Global GCLA findings make clear that a new set of measures can be an inflection point for organizations seeking innovation and sustainable growth. Moreover, from a competitive perspective, the world of self-governing organizations is, for now, small and uncrowded; there are major advantages for organizations willing to make the journey. In addition, our findings point to three major enablers of progress: trust, values, and a purpose-inspired mission.

By outbehaving their competitors, self-governing organizations can exploit this currently wide-open field and achieve authentic differentiation. The research also suggests that outbehaving is, in fact, so rare that few employees, customers, partners, communities, analysts, investors, or customers will fail to notice it when an organization self-governs. It will be there for all to experience in the tangible outcomes achieved by a self-governing organization. While journeys to Self-Governance will depend on the unique circumstances of individual organizations, there are some common steps and themes that every organization will need to consider. Here are five initial steps on the journey to Self-Governance.

# A better way forward: Some initial steps

**Challenge your assumptions.** Rethink your assumptions about governance, culture, and leadership, and the behavior they foster. These are not soft intangibles that hold little relevance to "real" performance. When used properly, governance, culture, and leadership are hard, measurable, and powerful tools. They manifest themselves in real behaviors, actions, and relationships that produce real performance. As such, they can be measured and acted upon deliberately and intentionally.

In other words, culture can be a business strategy in and of itself. Authentically understanding and leveraging your culture will differentiate your organization in the marketplace and drive sustainable growth and impact.

**HOW?** Take the time to measure and benchmark the governance, culture, and leadership of your organization. When you do, you can then become intentional and deliberate about fostering behaviors that strengthen your organization and minimizing behaviors that weaken it. Don't sit by and just let your culture happen. Declare culture a strategy for growth and differentiation.

**Focus on a higher purpose.** Purpose is enduring. It connects your actions to something significant and beyond yourself. Purpose is what makes businesses sustainable. If you only focus on here-and-now notions of success as articulated in here-and-now mission statements, you may meet

immediate requirements, but fail to see unfolding trends and opportunities that could make your business sustainable and productive over the long haul. There is a difference between being in a business solely to generate wealth and being in a business with a significant purpose that also generates wealth.

**HOW?** Clearly communicate and deliberately imbed a sense of purpose in your organization. Provide a trajectory — a clear direction that will inform and inspire your workforce in the presence of uncertainty and the absence of guidance. By providing a clear and compelling purpose, you can shape your "Human Operating System" and reap the systemic, synergistic benefits of innovation, creativity, adaptation, and entrepreneurship that will rise from the ground up in your organization.

**Extend trust and commit to inspirational leadership.** Inspirational leadership that fosters and extends trust brings a sense of purpose to work and life because the role of leadership is not limited to a few at the top. Inspirational leadership is deeply rooted in every individual. But to be activated, individuals must personally commit to changing how they think, how they decide, and how they behave. It also requires an organizational commitment to invest energy and resources toward shaping culture and elevating behavior. In both cases, you must be self-reflective and ask hard questions about your own behaviors, as an individual and as an organization.

**HOW?** Ask yourself: Are we being good role models both in the home and in the workplace? Are we providing a general sense of direction to our people and then extending them the trust they need to get the job done without excessive (oppressive) supervision? Are we, as an organization, doing the right thing, striving to be leaders in our industries and influencing the behaviors of others in the marketplace—suppliers, buyers, and customers alike?

The commitment to inspirational leadership means that you must turn from an Industrial Age system of rules designed to control behaviors and embrace a system of values that inspires behaviors. Some rules are necessary, but you'll be better served if you arm your people with a system of values that can be applied to any situation, rather than imposing a static system of rules that only applies to certain situations.

**Embrace transparency.** There are no more secrets. This is a 21st century reality. If your actions don't match your words, you will suffer not only in terms of reputation but also in terms of business. This fact is played out repeatedly in the media, in the marketplace, and in communities all around the world.

**HOW?** Leverage transparency to your advantage. Focus your energies more on earning your reputation than on managing your reputation. Welcome the attention that comes with transparency as a way to differentiate yourself in the marketplace. The key is to stay authentic.

Go beyond mere marketing campaigns. Actively align your values and behaviors with your purpose and business strategy. Once you do, your business will not only be differentiated in a highly competitive world, it will be sustainable and profitable.

**Don't stop.** Once the decision is made to get deliberate about governance, culture, and leadership, the volatility and increased rate of change happening around the world may tempt you to stop moving forward, to hunker down and hold on to what you believe works. But as the recent financial crisis has demonstrated, the processes, frameworks, and metrics that once served us well are failing to address our new reality. Now is the time for change. And change demands enduring commitment.

**HOW?** Make the choice to get deliberate about culture and elevate your behavior. Recognize that it will be a journey marked by many unknowns as well as many lessons. By choosing to be proactive rather than reactive, you will be able to take real, tangible actions in a purposeful, consistent, and continuous manner.

This means implementing analytics, education programs, and engagement and communication strategies that will produce genuine shifts in behavior and, in the end, real improvement in performance.

**The key is to commit fully and to stick with it.** ⬚

# Info
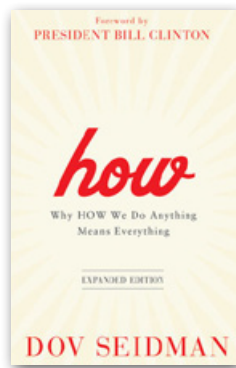


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**ABOUT THE AUTHOR** | Dov Seidman's professional career has focused on how companies and their people can operate in both a principled and profitable way. He is the founder and CEO of LRN. Since 1994, LRN has helped hundreds of companies simultaneously navigate complex legal and regulatory environments and foster ethical cultures. Fortune magazine called Dov the "hottest advisor on the corporate virtue circuit" and he was also named one of the "Top 60 Global Thinkers of the Last Decade" by the Economic Times. Dov became the exclusive corporate sponsor of the Elie Wiesel Foundation for Humanity Prize in Ethics in 2008.

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