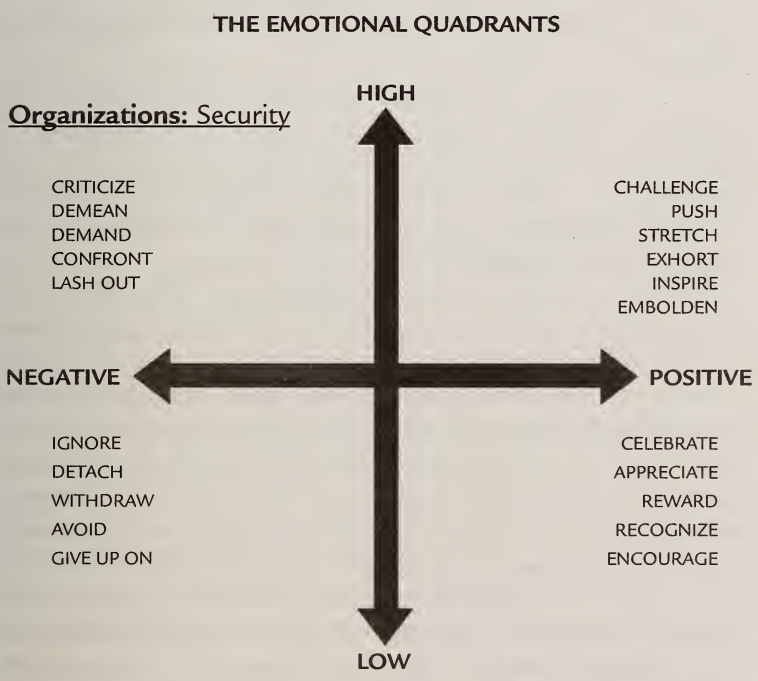
# A New Value Proposition




Every organization has a distinct emotional climate, and typically it's set at the top. That's why we refer to leaders as "chief energy officers." Energy, after all, is contagious. A leader's job is to mobilize, focus, inspire, and regularly renew the energy of those they lead. Just as individuals perform best when they move between expending and renewing energy, so leaders inspire the highest performance when they move between challenging people to exceed themselves—the

upper-right quadrant—and regularly recognizing and rewarding their accomplishments—the lower-right quadrant.

In its 2007 study of 90,000 employees in eighteen countries, Towers Perrin found that the single highest driver of engagement was whether or not senior management was perceived to be sincerely interested in employees' well-being. An organization's reputation as a great place to work was the highest driver of retention; second was the satisfaction of employees with the organization's people decisions. The third was having a positive relationship with one's direct supervisor. The conclusion is inescapable: truly valuing people pays huge dividends.

The vast majority of employers don't do so very effectively. Only 38 percent of employees worldwide believe their senior managers are genuinely interested in their well-being. More than 50 percent feel they're treated as if they don't matter at all or that they're just another part of the organization to be managed. Only one out of every ten employees feel they're treated as vital corporate assets.

Building a culture that deeply values people doesn't preclude holding them to high standards. In the upper-right organizational quadrant depicted on the previous page, leaders inspire the highest performance by pushing those they lead beyond their comfort zones: challenging, stretching, exhorting, emboldening, and inspiring them to exceed their own limits. Stress is the means by which we expand capacity, as long as it's balanced by intermittent renewal. That means leaders and organizations must also intentionally spend time encouraging, recognizing, appreciating, rewarding, and celebrating people's accomplishments—the lower-right quadrant. Pushing people too relentlessly, even with the most positive intent, eventually runs them down. Pumping them up without good cause only encourages low-quality work. It's when leaders find the right balance between time spent in the upper-right and lower-right quadrants that they fuel the ideal performance pulse.

It's certainly possible to lead from the upper-left quadrant, using a blend of threats, bullying, and criticism. The problem is that fear drives us into fight or flight, which undermines our capacity to think clearly and rationally. Feeling devalued also diminishes our passion, commitment, and ultimately our performance. Leaders who rely on negative emotions may get the short-term results they're seeking, but

the costs accrue over time. A harsh leader begets not just fear but also resentment, and those feelings are likely to influence people's performance and their loyalty in the long run.

In 2005, Jeff Blake, who heads marketing for Sony Pictures Entertainment in Los Angeles, had a heart attack and nearly died. Recognizing that he had to make some significant changes, he started a regular exercise program, but still found he spent a lot of time at work feeling frustrated, impatient, and angry. "It was huge for me to realize that when I am in a high-negative state, I have to step back," he told us. "The worst time to decide what to eat is when you're famished, and I came to understand that the worst time to make a decision is when you're feeling stressed and overwhelmed.

"That's the time to walk away, and that's what I learned to do—to take a walk around the studio lot. I use the first ten minutes of a walk to relax and get grounded and the last ten minutes to strategize about the next steps to deal with whatever challenge I was facing before the walk. That's been a real game changer for me. Folks like to know that the guy in charge is in control, and they don't hear me yelling anymore or slamming a door. I monitor my mood, and I intentionally manage my emotional state by incorporating breaks throughout the day, especially if I find myself in high negative."

Matthew Lang was a rising young leader at Sony Europe when we began working with the senior Sony Europe team several years ago. Aggressive, impatient, and driven, Lang was valued for his sharp mind and his ability to get things done. In January 2005, he was assigned to take over the Nordic countries—Sweden, Denmark, and Norway. His charge was to reverse a long, slow sales decline in that region. Appalled by what he saw as "a culture resigned to mediocrity," he set out to shake up the organization. At the time we met him, early in his new role, Lang was feeling frustrated and unhappy with his progress. He was also skeptical that anything we had to offer was going to help him in his business.

"I always thought it was okay that my behaviors were dictated by the mood I was in," Lang acknowledged. "It didn't occur to me that I had control over what I was feeling or that my mood affected the way others felt. When I started, I was very aggressive, like a bull in a china shop. I was easily triggered, and I was often grumpy and pissed off. The emotional quadrants helped me understand the impact of my

being in the Survival Zone. The first place I made changes was physically. I started going to the gym in the mornings. Instead of working with my head down all day, I began taking regular breaks, and the result was that I felt better afterwards. When I stopped feeling like a victim, I was able to lead in a different way."

Next, Lang took his own executive team through our program. "I think it woke people up to the fact that we're each in control of our lives," he says. "The same way I had, our leaders started saying to their people, " 'It doesn't matter if we have difficult market conditions. You can do a good job no matter what's going on. We believe in you, and we're invested in you.' We were able to turn our region from bust to boom. We didn't do it with a new strategy or better products or different processes. It was about valuing our people. We succeeded because people began to feel different at work."

Like a number of the senior executives at Sony who most embraced our work, Lang decided to become a trainer himself, and he began delivering our curriculum throughout his organization. In 2007, based on his success in the Nordic countries, he was assigned to take over Sony South Africa, a critical region for the company not just because it had very high potential for growth but also because the multibillion-dollar World Cup soccer tournament will be held there in 2010.

Once again, Lang took his leadership team through the program and then began cascading it down through his organization. "It's had the same effect on business performance," he says, "a dramatic improvement in sales and profitability." Revenues increased 58 percent in Lang's first full year. Roy White, the HR leader for Sony Europe, is convinced there is a direct relationship between Lang's emotional shift and his division's performance. "Matthew's transformation as a leader has contributed tens of millions of dollars to the bottom line at Sony," says White.

More than 3,000 leaders and line employees at Sony Europe have gone through our program. One of the key benefits, says White, is the introduction of a common language for talking about emotions. "In our senior management population, we've reduced the time leaders spend in the Survival Zone by at least fifty percent. A big part of the reason is that we now have a simple way of holding each other accountable. It's become common for people to say to each other, 'What

zone are you in?' and 'What story are you telling?' We've had a shift in our senior team's level of awareness. It's like we've all grown up a bit and taken more responsibility for the effect that our feelings have on others. That's allowed our organization to be able to challenge itself around unhelpful emotions. It's also made us far more resilient in the face of the huge stresses in the business."

## MANAGING THE ROLLER COASTER

Awareness by itself is essential for leaders at all levels, not just because their emotions influence those they lead but also because events in their own lives can so quickly and dramatically change the way they're feeling. In one fascinating study, researchers asked a group of subjects to watch a range of people on a video and estimate how much each of them weighed. Afterwards, they were shown one of three short movies. The first was meant to prompt feelings of gratitude, the second anger, and the third no emotion at all. Then, they returned to the first task and were offered help in making more accurate estimates of people's weight.

The subjects who watched the gratitude movie were the most likely to accept help; those who watched the anger-inducing movie were least receptive. Unless we're observing our own emotions—and intentionally taking control of them—we're often the product of our most recent experiences. Think about a leader who arrives at work after just a few hours of sleep, an argument with a spouse, or having been delayed by a traffic accident. What impact would the negative emotions she might be feeling have on any given decision she faced? How receptive would she be to new ideas? How much more likely would she be to take out her frustration on someone at work?

Awareness also helps leaders be more alert to their own triggers. "The key for me," explains Sarah Henbrey, a Sony leader who also now teaches our work to other employees, "was understanding the connection between my triggers and my own sense of value. Instead of reacting when I felt triggered, I learned how to step back and take a deep breath. I stopped making it so much about me. Even in the most challenging times, I find I can now be less focused on myself and more fo-

cused on building the value of others. It's when I'm feeling positive emotions that I have the best impact. In the survival zone, you actually squander energy and destroy value."

Sony has changed the way it evaluates its leaders in Europe to encourage more attention to the effect they have on those they lead. "In the past we accommodated leaders who were technically skilled and hit the numbers," explains Roy White. "Now they also have to be able to harness the energy of their people. We want people to be led positively, because we know that translates into productivity. We've redone our compensation structure for leaders to take into account the satisfaction levels of people working for them. If leaders have a lot of unhappy people, they get paid less, and if they don't improve, we eventually let them go."

Thinking about performance through the lens of positive and negative energy has broad organizational implications. David Patton, the CEO of Grey Advertising in London, saw this play out vividly after taking his executive team through our work. "The agency business is a roller coaster of emotions," he explains. "You go from the joy of winning new business to the exhaustion and despair of being rejected after laying your value on the line to make a pitch for new business. We used the framework of the quadrants to help channel people's emotions in a more intentionally positive way and generate a different way of thinking. We recognized that we needed to pause to celebrate our successes along the way, or else people get burned out and feel taken for granted. We also needed to reflect on what we can learn when we aren't successful. That's also an opportunity to grow, and looking at it that way helps keep you away from negative emotions that drag you down."

One of the most extraordinary shifts in emotional climate we've observed has been at Ford, in the period since Alan Mulally came from Boeing and took over as CEO in 2006. The change is a measure of how profoundly the emotions of the top leader can influence those below him. As much as any leader we've met, Mulally recognizes the power of emotion. His positive energy is hard to resist.

"How people feel might be the most important thing for personal and team success," Mulally says. "People have to know you care, so you regularly express appreciation. You say 'Thank you' a lot. You look for things to celebrate. You treat people with respect. My view is

that we're here to appreciate each other and to enjoy the journey, regardless of the outcome. For some people, when I got here, this was new information. But pretty soon you realize it works and it's a better way to operate."

Mulally's insight is supported by the research. In Baumeister's review of the literature on "belongingness," he found that many of the strongest emotions we feel, both positive and negative, are influenced by the degree to which we feel connected to others. "People seem to need frequent positive interactions with the same individual," he writes, "and they need these interactions to occur in a framework of long term, stable caring and concern." We hunger for close relationships not just in our personal lives but also at work, and we especially need to feel valued by those who manage and evaluate us.

Even in the military, the most appreciative leaders seem to be the most effective. In one study in the U.S. Navy, after annual awards were given to the most efficient, safest, and most highly prepared squadrons, researchers decided to look the leaders of these most highly rated squadrons. They turned out to be more positive and outgoing, more emotionally expressive and dramatic, warmer and more sociable (including smiling more), friendlier and more demonstrative, more appreciative and gentler than the leaders of average squadrons. The average leaders tended to fit the stereotype many of us have of the military. They were more "legalistic, negative, harsh, disapproving, and egocentric" as well as "more authoritarian and controlling, more domineering and tough-minded, more aloof and self-centered. They also needed to show they were right more often."

## FIRST, DO NO HARM

Because gestures of appreciation are so rare in most organizations, a little goes a long way. In one study, researchers found that giving a small gift of candy to medical residents improved the speed and accuracy of their diagnoses. Another study found that a 10 percent increase in something called "motivating language" from leaders boosted worker satisfaction by 10 percent and performance by 2 percent. The neuroanatomist Jill Bolte Taylor came to believe that positive encouragement lay at the heart of her recovery from a stroke that

nearly killed her. "I needed those around me to be encouraging," she wrote. "I needed to know that I still had value. I needed to have dreams to work toward. I needed people to celebrate the triumphs I made every day because my successes, no matter how small, inspired me." Every leader would do well to heed Taylor's prescription.

As simple as it seems, writing notes of appreciation is one of the basic behaviors we encourage in senior leaders. Doug Conant, the CEO of Campbell Soup Company, is said to write up to twenty handwritten messages a day to employees. He believes, as we do, that a note written by hand and sent through the mail is more personal and powerful for the recipient. At Wachovia, Ben Jenkins, now retired as president, created a ritual of taking one executive a week out to lunch. The only sit-downs he'd previously had with his direct reports were to hear monthly reports on their numbers or to give them yearly performance reviews. Instead, over meals, he made it a priority to recognize their accomplishments and to talk with them about their lives and their aspirations rather than their immediate work responsibilities.

As a young reporter at *The New York Times,* I was at my desk talking on the phone one morning when Joe Lelyveld, then a fast-rising editor at the paper, walked by. I barely knew him, but Lelyveld, who would one day become the paper's managing editor, picked up a blank pad on my desk and wrote, "Yours is the best story in the paper today." That incident occurred thirty years ago, and I still vividly remember its inspirational impact. I also recall clearly the sense of fear and dread that A. M. Rosenthal, the paper's managing editor at the time, prompted among reporters whenever he walked through the newsroom. Rosenthal had an explosive temper, and his criticisms could be searing.

The Hippocratic Oath applies to physicians, but it's just as relevant to leaders: First, do no harm. Because the impact of bad is stronger than good, the first rule for an effective leader is simply to avoid devaluing emotions: anger, intimidation, disparagement, and shame. In one of his most famous findings, John Gottman, a leading researcher in the field of marriage, discovered that in the most successful marriages, the number of positive interactions exceeds the negative ones by five to one. Put another way, it takes five positive comments to offset the impact of a single negative one. A workplace culture characterized by appreciation and high regard for employees undeniably

drives higher engagement and loyalty. At the same time, the harm caused by a negative, disparaging culture may be even more potent.

Many companies we've worked in simply avoid the expression of emotions altogether. Instead, bland politeness and superficial pleasantness prevail, and conflict and disagreement go underground. Aggression morphs into passive aggression. The result can be corrosive backbiting and distrust, which makes people feel even more unsafe than they do when they're criticized more openly. The latter at least leaves them knowing where they stand.

Conflict avoidance was the culture we encountered when we began working with the senior team at Sony Pictures Entertainment. The atmosphere at meetings was superficially collegial and cordial. It was rare for people to disagree openly but also rare for them to work together effectively. Led by Co-Chairman Amy Pascal, the team decided to confront the issue directly. Among the rituals they designed together to create a more authentic level of dialogue was one they named "Code." Any time another colleague said something that left you feeling you weren't getting the full story, you had the right to say, "Code." This single word served as shorthand for "I really want to know what you're feeling, so be straight with me." It was a way of surfacing the unspoken without resorting to attack or disparagement. The ritual created both a permission to tell the truth, even about difficult issues, and a shared expectation that team members would do so, too. Pascal, for example, found it particularly helpful in her relationship with her co-chairman, Michael Lynton.

She gave us this example: Say that she'd asked Lynton to attend a marketing meeting she was running, and at the last minute he canceled because something urgent came up. Since both of them were eager to accommodate the other, he might say to her, "Just go ahead without me," and she might say, "Okay fine." Subsequently, though, Pascal would find herself wondering if he really was okay with it and Lynton might wonder if Pascal really was fine with his *not* attending. Because both of them disliked conflict, neither would mention their concerns. "Code" gave them a simple, shorthand way to address the issue directly.

"If I realize it's *not* okay with me," explains Pascal, "then I have the responsibility to say to Michael, 'Well, actually it's a pain for you not to be there. We've got some big issues to decide, and I could really use

your help.' If Michael says 'Code,' that forces me to stop and think about whether it's really okay with me that he isn't coming. If it is, I can just say, 'No, really, it's not a big deal, I can totally do it myself.' Or if it's not okay with me, I say that. Either way, I put all my cards on the table. Neither of us wastes energy later feeling resentful. It's a way of cutting through the typical disingenuous Hollywoodspeak—the 'I loved your movie, you look so wonderful' nonsense that everyone says to each other but rarely means. It's about telling the truth, even when it's hard. That's how you build a culture of trust."

## TRUST AND TRANSPARENCY

The safer and more valued people feel, the more resilient they are in the face of high demand and uncertainty. Not even the best-run organizations can avoid challenges, conflict, and stress, especially in tough economic times. But leaders at all levels can profoundly influence the way an organization responds under pressure and the stories it tells about its challenges. When we first began working at Ford, prior to Alan Mulally's arrival, the company was in a severe downward spiral, hemorrhaging money. Fiefdoms and silos dominated. Fear ran high, as did distrust. It was hard to imagine an organization more mired in survival mode.

That's not the way Mulally saw it. To him, Ford remained one of the world's great brands, and he viewed turning it around as one of the world's great challenges. One of the first actions he took was to institute a weekly Business Plan Review at 8 A.M. on Thursday mornings, which includes the leaders in charge of Ford's four main profit centers and its twelve functional units, ranging from manufacturing to marketing to product development to government relations. Mulally was determined to make sure that everyone spoke to everyone else, and openly. Each executive was asked to report each week on how his or her area was doing, color-coding their reports green for "good," yellow for "caution," red for "problems." The first week a sea of green folders appeared. Mulally would have none of it. "Guys, this company lost a few billion dollars last year," he said. "Isn't there something that's not going well?"

A few executives began to acknowledge the issues they were facing.

Mulally didn't flinch, even when the news was terrible. Instead, he made it a point to thank the executive for being clear and transparent. He treated bad news as a form of good news as long as it was delivered promptly and directly. "It's one thing for someone to stand up in victim mode and say, 'Life is hopeless and I don't know any way out of this mess,' " Mulally told us. "It's another to deal with reality as it is, ask for help if you need it, and then move forward to solve the problem. It's all about how you respond. If someone calls you a son of a bitch, take it as a chance to learn. You say, 'Thank you very much for telling me, and I'd like to know more about why you think that.' It's incredibly liberating when people can feel safe saying the truth, no matter what it is. We have a clear plan going forward, but sometimes we have to modify our plan to meet the current reality."

Mulally set out to create a culture grounded in realistic optimism. That requires facing the facts, no matter how brutal they may be, and then having the faith and the focus to find the best possible solution—the same approach James Stockdale adopted as a prisoner of war. The reward is that minimal energy is spent in blame, second-guessing, and interdivisional politics, leaving more energy to devote to the business itself. Transparency and openness are fundamental, and that includes dealing with the outside world. That's why Mulally invites a broad range of outside guests to attend and observe his team's weekly business plan meeting.

Zappos, the hugely successful online clothing and shoe company founded in 1999 and purchased by Amazon for more than $900 million in 2009, defines positive energy as a core value and key driver of strategy. With no particular product to set itself apart from competitors, CEO Tony Hsieh built the brand around providing great customer service—but he began by creating a great work environment for Zappos' employees. The vast majority, as we noted earlier, are customer service representatives earning between $12 and $18 an hour. One way the company makes its employees feel valued is by offering them perks such as free lunches, access to a life coach for any workplace issues they might have, a budget for every team to decorate its main meeting room in any way it chooses, and all kinds of social events, from happy hours to ice cream socials.

Any Zappos employee who sees a colleague doing something special—a "Wow," in company parlance—has the right to give that per-

son a $50 bonus (with a limit of one per month). Hsieh and his top executives sit at side-by-side desks in a large room, along with everyone else in the company, giving all employees easy access to their bosses. In the vast majority of company call centers, workers operate from a bland, unchanging script. A key metric used to judge their efficiency is the average time they spend on a call—the less the better. At Zappos, customer service representatives are encouraged to express their personalities, connect with customers, and stay on the line as long as it takes, on the assumption that customers will be more likely to make future purchases if they feel well treated. It's a simple principle that companies overlook when they ask their employees to operate like machines. Treat employees well, make them feel more valued, and they will treat their customers well. Energy, after all, is contagious.

## CHAPTER THIRTEEN ACTION STEPS

- Think of a time when you were most inspired by a leader or a direct supervisor. What adjectives would you use to describe that person? How do you seek to inspire others? Are you intentional about doing so?
- Write a note of appreciation to someone with whom you work. Tell the person specifically what you appreciate about him or her. Write at least one note of appreciation to someone in your life once a week. We're far quicker to notice what's wrong than to celebrate what's right in others. Remember that people are energized and inspired by feeling recognized and appreciated. The next time you are in a meeting, find a way to end it on a positive note so that people leave feeling better than they did when they arrived.
- Identify a difficult situation you have failed to address. Avoiding conflict typically creates more harm than communicating directly and honestly about it. The key is not to assume you're right but rather to enter any conversation with openness and curiosity. Try this: "Here's the story I'm telling myself about what happened. Have I got it right?"