Creating Value Through People

By David H. Maister

Executive summary

The financial performance of a business is not something you can or should directly control. It is achieved by providing superior value to the marketplace.

Marketplace value is a consequence of energizing and focusing employees to create and deliver value.

To make money, managers should not spend all their time managing money, but should instead devote their efforts to the things that produce the money: the enthusiasm, commitment, and drive of the labor force. Don't manage money. Manage people.

Introduction

Which of the following does your firm report on, monitor, and react to most frequently? Which consume the most management time?

- Client satisfaction levels.
- The strength of key client relationships.
- Employee motivation and energy.
- Levels of collaboration among staff.
- Financial results.

If you're like the overwhelming majority of businesses you will focus primarily on financial results. Consequently, you're making less money than you could.

Why? Because managing a business by looking at financial results is like trying to win a game by keeping your eye firmly fixed on the scoreboard. Financial results are just that: results. They are the *outcome* of excellence (or the lack of it) in the key processes that produce the value that your customers and clients pay for. What you must manage are the things that produce value: energized employees who deliver outstanding quality and service to the marketplace.

Does this mean that you don't monitor financials in great detail? Of course not. Financial discipline is the bedrock of business success, but it's not all of it, and maybe not even the greater part of it. The real key is the ability to get your people sufficiently focused so that they eagerly and willingly strive for high standards.

Challenges and Opportunities

Over the years, I've been trusted to see the strategic plans of many direct competitors. Remarkably, they are almost always identical. Everyone figures out correctly which client sectors are growing, which services are in rising demand, and which dimensions of competition, such as client service or innovation, clients are looking for. The strategy documents are the same because everyone's smart! Everyone knows what needs to be done.

If this is so, then what is competition really about? It's about who can best complete the work that needs to get done. And this in turn is determined by the following set of closely related concepts:

- energy
- drive
- enthusiasm
- excitement
- commitment
- passion
- ambition

Where these exist the discipline can be found to engage in diligent execution and thereby outperform the competition. The role of the manager is to be a net creator of enthusiasm, excitement, passion, and ambition. Alas, all too often managers are destroyers of excitement. If all they ever talk about is finances (How are your billings? What's happening to receivables?), it can deaden the spirit.

That doesn't mean they don't need to talk about these things—they do. But they shouldn't talk *only* about these things. It's the manager's job to inspire, cajole, exhort, nag, support, critique, praise, encourage, confront, and comfort, as individual people (and groups of people) struggle to live their work lives according to high standards.

All strategies, at some time or the other, involve a tradeoff between short-term cash and executing the strategy. If you're going to get the benefits of a strategy, you need to be willing to make hard choices and act as if you truly believe it. You must be willing to practice what you preach, both when it's convenient and, most important, when it is not.

Many people don't believe that their leaders truly want them to act strategically. Whenever a choice needs to be made between strategy and short-term cash—and it always does—most people feel under significant, if not irresistible, pressure from management to go for the cash. Usually the message from the firm's leadership is clear: strategy can wait for tomorrow (if we can get paid for competence, why strive for excellence?). Rather than leaders being a source of encouragement to execute the strategy, they're all too often the biggest obstacles to the implementation of strategy.

If you want to be known as excellent at something, you have to be reliably, consistently excellent at it. Business life is filled with daily temptations, short-term expediencies, and wonderful excuses for why we can't afford to stick to high standards today. We take in work that's off-strategy (after all, it's cash!), we defer training until some more convenient time (often never), we postpone investments until the ever-escalating profit goals are met, and the marketing principle is: we never met a dollar of revenue we didn't like!

There is nothing inherently wrong about making these choices, but you shouldn't fool yourself. If you're willing to sacrifice value to earn short-term cash, you won't create a market reputation for superior quality. It takes courage to believe that a reputation for excellence is worth more in the long run than incremental cash. In their vision, mission, and strategy documents, firms say that they are aiming for excellence, but that's not how they operate.

Managers must have the courage of the convictions they espouse, maintain a long-term focus, and intervene personally whenever there are departures from the values and vision that create excellence. The problem with the implementation of strategies is the absence of certain and recognizable consequences for noncompliance. If the manager doesn't have the courage to tackle individuals who aren't behaving in accordance with the strategy, others will quickly realize that the new strategy is not something they have to do. They'll quickly cease striving to comply, and the benefits of the strategy will never be attained.

Great managers give their people individually and collectively the confidence that greater success, fulfillment, accomplishment, and profits are indeed attainable. They give their people the courage to try. Change is threatening, however, and many, if not most, people operate well within their comfort zone, reluctant to abandon the old habits that brought them to their current success. If managers are often demanding, they must also be supportive. They must manage with a positive, supportive style.

Just as management involves a delicate balance between being supportive and being demanding, it also requires a style of insistent patience; it's the difference between saying Rome wasn't built in a day and insisting that we *are* building Rome. People must believe that the manager has the courage to believe in something and, more important, will stick with it. There's no greater condemnation of managers than to say that they're expedient, and no greater commendation than to say that a manager truly lives and acts in accordance with what he or she practices.

BEING EFFECTIVE—AND SUCCESSFUL

An effective manager must be:

- articulate and vocal about his or her personal beliefs;
- disciplined about standards;
- even-handed and even-tempered;
- genuine and sincere;
- able to read people's characters and skill levels effectively;
- honorable, with high integrity.

What do the most successful managers believe?

- First you build your people, and the rest will come.
- Fun and discipline combined get the job done.
- It's important how people treat each other; monitor it and manage it.
- People have to trust management and trust each other.
- Success is about character, respect, integrity, trust, honesty, empowerment, confidence, loyalty, and keeping promises.
- You must bet on the long term and not get stampeded by short-term pressures.
- You need to balance your focus on people, clients, and finances.
- You should live up to your values every day.
- Your agenda as a manager is to create a great place to work, not

to work at making your own star rise.

Finally, here are the rules on which the most successful managers model their behavior:

- Act as if not trying is the only sin.
- Act as if you want everyone to succeed.
- Actively help people with their personal development.
- Always do what you say you are going to do.
- Do what's right over the long term for clients and for your people.
- Don't regard yourself as separate and distinct from your people.
- Facilitate, don't dictate.
- Let people know you as a human being, not just as their manager.
- Show enthusiasm and drive; they're infectious and addictive.
- Speak regularly about your vision and philosophy so that people know where you stand.
- Take work seriously, but don't take yourself seriously.
- Understand what drives individuals.
- Know all your people as individuals.

MAKING IT HAPPEN

To get started, take out the documents that describe your company's mission, vision, values, and strategy. Turn them into a questionnaire and ask your people how well they think you're currently living up to the things you espouse.

If you find out that there are some things that you're not doing so well, either fix them or drop them from your declarations: there's no point lying, pretending to advocate things you're not willing to live up to. Practice what you preach! Make it the short-term immediate priority to make the firm live up to its overarching vision.

Another vital step is to involve as many people as possible in the process of implementing, if not actually setting, strategy. The task of energizing, mobilizing, and motivating action is easier with people feeling involved, rather than being imposed on from above.

CONCLUSION

A person doesn't build a business. A person builds an organization that builds a business. Many managers are appointed because of their financial skills, their business development skills, or their technical excellence. However, there comes a point where the central question is, Can you manage? Are you a net creator of energy, drive, and ambition in others? Can you cause others to strive to achieve high standards?

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