

## CHAPTER FOUR

# Marketing the Values to the Employees

### VALUES UNDER FIRE

The image of businesspeople has been greatly damaged in recent years. Many consumers have lost trust in major corporations and in their executives. In a 2009 survey of the image of different professions, only 16 percent of respondents said they respect the integrity of business executives.<sup>1</sup> The survey further revealed that marketing-related professions such as car salesmen and advertising executives were the least admired by the public. The most admired professions are the ones that make a more personal difference in people's lives like teachers, doctors, and nurses.

The survey's negative result is not surprising in light of events in the recent decade. Since the early 2000s, a string of corporate scandals has struck the business world. These scandals made corporate values almost meaningless to consumers and employees. Among the most prominent ones were the scandals at WorldCom, Tyco, and Enron. The Enron scandal was an accounting fraud that led the company into bankruptcy. Enron included unrealized gains into its income statement that resulted in inflated earnings—a practice known as mark-to-market accounting.

In the best-selling book on the fall of Enron, *The Smartest Guys in the Room*, you can read about the values of the company in 2000, a year before it went bankrupt.<sup>2</sup> Two of their four values were *respect* and *integrity*. Unfortunately, Enron's leaders did not practice these values at all. It was apparent that the accounting misconduct had been practiced for a long time and that the leaders were aware of the risks. In fact, Enron was considered a "deeply dysfunctional workplace where financial deception became almost inevitable."<sup>3</sup>

A more recent case was insurance company AIG's bonus controversy in March 2009. Huge bonuses were paid to AIG's executives using taxpayer money that bailed the company out of bankruptcy following the financial crisis. What makes it particularly ugly for the company's image is the fact that two of AIG's six corporate values—according to its Code of Conduct—are *respect* and *integrity*.<sup>4</sup> Although the executives finally returned the bonuses after a massive public outcry, they were in no way practicing *respect* and *integrity*. To make matters worse, AIG's executives charged the company with breaking trust with its employees. Jake DeSantis, an executive vice president of AIG, sent a resignation letter to the then AIG's CEO, Edward Liddy, that was also published in the *New York Times*:

...we in the financial products unit have been betrayed by AIG.... I can no longer effectively perform my duties in this dysfunctional environment.... You have now asked the current employees of AIG-FP to repay these earnings. As you can imagine, there has been a tremendous amount of serious thought and heated discussion about how we should respond to this breach of trust. As most of us have done nothing wrong, guilt is not a motivation to surrender our earnings.<sup>5</sup>

Clearly a company will take a beating from both the consumers and its employees over a violation of corporate values.

Some employees are ignorant of their corporate values or see them designed only for public relations. Some employees

who really live up to the values are disappointed because other employees ignore them. In these cases, companies are not practicing Marketing 3.0. In Marketing 3.0, companies must convince both their customers and their employees to take their values seriously.

Employees are the most intimate consumers of the company's practices. They need to be empowered with authentic values. Companies need to use the same storytelling approach with their employees that they use with their consumers.<sup>6</sup> The use of metaphors that resonate with the human spirit works for employees as well. However, storytelling to employees is harder because it is about staging authentic and consistent employment experience. One misaligned action will spoil the entire story. Consumers can identify an inauthentic brand mission easily. Imagine how much easier it is for employees to spot fake values internally.

Privately-held companies usually have better chances at building strong values. They usually grow at the right pace without pressure from investors. They can ingrain their values one employee at the time. Attracting business is done within the framework of the company's values. Public companies can also achieve this practice of values as exemplified by such companies as IBM, General Electric, and Procter & Gamble. We believe that practicing corporate values will create the ProfitAbility, ReturnAbility, and SustainAbility that will be discussed later in Chapter 6.

### VALUES DEFINED

According to Lencioni, there are four different types of corporate values.<sup>7</sup> *Permission-to-play values* are the basic standards of conduct that employees should have when they join the company. *Aspirational values* are values that a company lacks but the management hopes to achieve. *Accidental values* are acquired as a result of common personality traits of employees. *Core values* are the real corporate culture that guides employees' actions.

A company needs to distinguish these four types of values. Permission-to-play values are so basic that other companies have the same standard. The values of professionalism and integrity are normally assumed and therefore not core values but permission-to-play values. Moreover, remember that aspirational values are values that employees do not have as yet and therefore, cannot form the fundamental corporate culture. Nor can accidental values be treated as core values; they can alienate prospective employees with different personalities. Understanding the four types of values can help companies to design their core values better and avoid inauthentic ones.

We will talk only about the core values that guide employees to live up to the brand mission. We call them *shared values*. Shared values are one half of the corporate culture. The other half is the *common behavior* of employees. Shaping a corporate culture means aligning shared values and common behavior. In other words, it is about demonstrating the values through everyday behavior within the corporation (see Table 4.1 for examples<sup>8</sup>). The combination of employee values and behavior should reflect the company's brand mission. It is important to have employees acting as values ambassadors to market the brand mission to consumers.

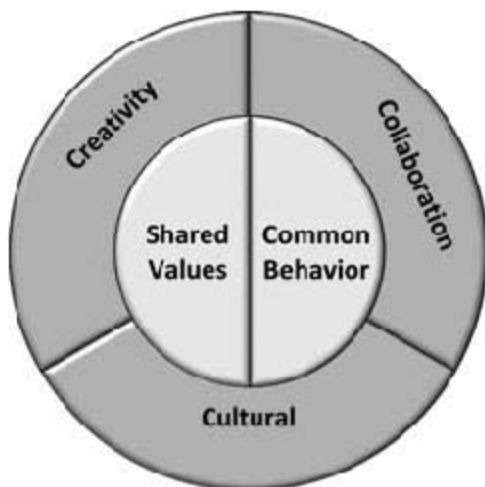
Not all shared values are necessarily relevant and powerful in Marketing 3.0. Good values are the ones aligned with the forces at work: collaborative technology, globalization-driven cultural transformation, and the rising importance of creativity. Chapter 1 described these forces. In the interlinked world powered by information technology, people are increasingly collaborating to achieve one goal. Globalization causes cultural transformation to take place quickly and frequently. Finally, people are moving up Maslow's pyramid and becoming more creative. Hence, good values are those that stimulate and nurture the collaborative, cultural, and creative sides of employees (see Figure 4.1).

A company with collaborative values encourages employees to work with one another and with networks outside the

**Table 4.1** Select Examples of Shared Values

Company	Select Shared Values	Select Common Behavior	Relevance in Marketing 3.0		
			Collaborative	Cultural	Creative
3M	Collaborative curiosity	Employees can spend a portion of their time collaborating and finding funding for pet projects; failure is embraced as a process of innovation.	●	●	●
Cisco	Human network collaboration	Offices are labs for products. Employees are allowed to telecommute. Decision making is spread among hundreds of executives.	●	●	●
Enterprise Rent-A-Car	Entrepreneurship	All executives, including the chairman and CEO, start as management trainees; good performers are given the chance to run a branch.	●	●	●
IDEO	Multidisciplinary creativity	Always assign multidisciplinary individuals to work in teams. Employees are given freedom to design their own workspace.	●	●	●
Mayo Clinic	Integrated caring	Multiple physicians, scientists, and allied health professionals collaborate to diagnose and treat each patient.	●	●	●
S.C. Johnson	Family values	No meetings on Fridays; employees who are couples have overseas assignments together.	●	●	●
Wegmans	Passion for food	Employees are trained to be food ambassadors and can purchase discounted gift cards to buy food.	●	●	●
Whole Foods	Democracy	Decisions made based on employee votes; stores are autonomous profit centers.	●	●	●

Note: Darker bullet means more relevance.



**Figure 4.1** Shared Values and Common Behavior in Marketing 3.0 Context

company to make an impact. Cisco literally builds technical and human networks. The company uses its own offices as internal labs for products. Employees can telecommute using the company's network infrastructure. Decision making is spread among 500 executives worldwide. This enables Cisco to make critical decisions faster and empowers collaboration of its global executives. The company's values are mainly collaborative, but they also make cultural transformation by interlinking people globally.

The Mayo Clinic also fosters the values of collaboration. A number of physicians and other health experts come together to serve each patient. They collaborate to perform faster and more accurate diagnoses. They collaborate to treat the patient comprehensively. The culture of collaboration is what makes good physicians come to work for Mayo Clinic. By using the so-called Mayo Clinic Model of Care, the health care provider transforms the way doctors treat patients. Thus, it has cultural impact as well.<sup>9</sup>

Having cultural values means inspiring employees to make cultural changes in their own lives and the lives of others. Wegmans transforms the way people see food. Its employees are encouraged to appreciate food more deeply than ever before. The company also help consumers appreciate food. S.C. Johnson changes the way employees see family. They become better contributors to their families. The company develops products that are good for families. Whole Foods changes the way employees experience democracy. They feel more empowered as many decisions that affect employees are made through employee voting. Enterprise Rent-A-Car transforms college graduates into entrepreneurs by giving them the chance to run their own branches when they are ready. The company also transforms why people rent cars. At one time, people primarily rented cars in airports when they were traveling. Today, people can rent cars conveniently for many different reasons because there are so many car rental branches near their neighborhoods.

Finally, building creative values is about giving employees the chance to develop and share their innovative ideas. Companies such as 3M and IDEO rely on innovation as a major source of competitive advantage. In such companies, it is imperative to have creative employees. To nurture creativity, 3M allows employees to spend a portion of their time on pet projects. Employees can seek company funding for these projects and look for support from their colleagues. If successful, the outcome could be the company's next innovative product. Besides encouraging creativity, this policy also deepens collaboration among employees. There is the possibility of cultural transformation as well if the product can influence people's lives.

### **VALUES WILL DO YOU GOOD**

Having great core values delivers several payoffs. A company with values has an advantage in competing for talent. It can

attract better employees and retain them longer. The productivity of the employees is higher when they have a good set of values to guide their actions. Furthermore, they become better company representatives to serve consumers. The company is also more capable of managing differences within the organization, which is important especially for a large corporation.

### **Attracting and Retaining Talent**

An influential 1997 survey by McKinsey & Company revealed that 58 percent of executives rated brand values and culture as the key motivation for employees.<sup>10</sup> In comparison, career advancement and growth only obtained a rating of 39 percent while differentiated compensation obtained 29 percent. This proves one thing: Good values attract good people. Prospective employees unconsciously compare their personal values with the values of corporations and look for a good fit.

This is especially true for recent graduates, many of whom are idealists. For instance, 50 percent of MBA graduates said in a poll that they were willing to take a pay cut to work in a socially-responsible company.<sup>11</sup> This is especially true in growing emerging markets. A recent study by Ready, Hill, and Conger focused on attracting and retaining talent in emerging markets.<sup>12</sup> They discovered that purpose and culture are among the most important factors for employees in Brazil, Russia, India, and China (BRIC). Emerging-market employees look for employers that provide the opportunity to change the world and bring cultural transformation to their home countries. They also are interested in employers that fulfill their brand promises internally, that is, companies with a good culture.

Once jobseekers are in the company, they will test the integrity of their employer. They will observe how companies demonstrate the values they proclaim. An employee survey by Tom Terez confirms that purpose is one of the meaningful experiences in the workplace. Companies that defend their



values even when they hurt their business will earn admiration from their employees. One of the core values of the Bagel Works store is health and safety. To demonstrate its commitment to these values, the company buys smaller bags of flour to avoid back injuries to employees that carry them, although purchases in smaller packaging are more expensive.<sup>13</sup> It is imperative for companies to keep their integrity and practice what they preach. When employees witness the integrity of their employer, they are most likely to stay with full commitment. Well kept values improve employee loyalty.

A change of ownership of a company that might alter values has the potential to reduce the employee commitment. Consider the strong values held by Ben & Jerry's. After being purchased by Unilever in 2000, the values remained strong. However, as reported in the company's social and environmental assessment report in 2007, the commitment of employees had lessened, perhaps due to continued concern over the future of the company's values under Unilever.<sup>14</sup> This anxiety was also felt when The Body Shop was bought by L'Oreal. Employees recognized the increased growth potential. But the question is whether the values will be maintained. This is especially true for companies that had a strong tradition of practicing corporate values such as Ben & Jerry's and The Body Shop.<sup>15</sup>

### **Back-Office Productivity and Front-Office Quality**

The happiness of employees has a significant impact on their productivity. Companies listed in *The Sunday Times*' "100 Best Companies to Work For" outperform the FTSE All-Share Index by between 10 percent and 15 percent.<sup>16</sup> Employees are more productive when they believe in what their company tries to achieve. They will commit their minds, hearts, and spirits. Starbucks' Howard Schultz called this "pouring your heart into it" when referring to employees' commitment.

Porter and Kramer argue that companies with a social purpose can gain advantage by shaping their competitive

environment.<sup>17</sup> For instance, Marriott is educating its employees who may come from backgrounds of limited education. By adding education as part of its values, Marriott is able to hire better and more productive employees.

Values-driven employees not only work harder but also become a better face of the company. They deliver consumer value that is aligned with their company's stories. Their beliefs shape their common behavior in everyday work especially when interacting with consumers. Their behavior will be part of the brand stories that customers talk about. Companies should see their employees as values ambassadors. Consumers will judge the authenticity of companies by judging their employees.

When Wegmans declares that the company understands food better than others, consumers' in-store experience will determine the integrity of the claim. Wegmans employees are trained to be food ambassadors. The company helps its employees appreciate food. The employees know the details of all the food they sell. As a result, employees are empowered to educate consumers about food when they interact in stores. They deliver the integrity of the brand story.

The best salespeople are those who use their own product and understand it inside out. At Cisco, the network company, employees experience daily what it means to be well-connected to everyone in their company and its network. Everyday work is like product training for them. Thus, they can deliver convincing and realistic stories to their prospective clients about the benefit of human interconnection. Employees are empowered to tell the brand story because they are living the story. Nicholas Ind calls this "living the brand."<sup>18</sup>

### **Integrating and Empowering Differences**

A study of large corporations by Rosabeth Moss Kanter revealed that strong shared values help companies accomplish seemingly opposing goals.<sup>19</sup> A big corporation has multiple

offices with diverse employees. Shared values reduce the differences and integrate the employees in one corporate culture. Strong values that are internalized by every employee give the company the confidence to empower its employees, including the ones who are distant from the corporate headquarters. Those employees will commit all their actions to benefit the company. Companies with strong shared values usually succeed with decentralized or localized decision making. These values help companies not only to standardize but to localize as well.

Enterprise Rent-A-Car is a classic example of this. Unlike Avis and Hertz that compete mostly in airports, Enterprise has a strong presence in local neighborhood markets. The culture that it fosters ensures its success. All Enterprise employees embody the strong values of hard-working and friendly entrepreneurs. Enterprise uses a long-standing routine to create this culture: Recruit new college graduates, tell them to work hard by washing and shuttling cars, teach them how to build long-term relationships with customers, let them progress up the ranks, and give them a branch to run when they are ready.<sup>20</sup> Employees that pass through this routine will come out as hard-working entrepreneurs. The humility that employees pick up while washing and shuttling cars as well as building relationships transforms them into friendly people. These employees have the same values but each one of them has unique local knowledge. The values enable Enterprise not only to create customized local strategies but also to coordinate the strategies of different markets. The values are so difficult to imitate that Enterprise continues to maintain its lead in the local markets.

Values also integrate and empower diversity at the same time. Looking at the annual list of the Fortune 100 Best Companies to Work For, we see a group of companies that nurture diversity by hiring women and minorities. The companies' shared values unify the diverse employees under one culture. That diversity will be sustained without creating conflicts because of the shared values.

### **PRACTICE WHAT YOU PREACH**

To instill values, most companies rely on formal training and informal coaching. Values training is necessary but it may have some weaknesses. The training can turn into preaching instead of practicing. Trainers and coaches might not act as role models in their everyday activities in the workplace. Employees might see this and realize the value talk is largely just words. Furthermore, employees tend to listen passively and have less opportunity to contribute. Their understanding is also limited because they have not experienced the values through practice.

Marketing 3.0 is about more than just training and coaching. It is about aligning values with behavior. According to Jim Collins, there are two parts to creating such alignment.<sup>21</sup> First, a company should examine current corporate policies that might weaken corporate values. This is challenging because most corporate policies are more institutionalized than corporate values themselves. Changing them requires action by the company's leaders and collaboration with all employees. Most of the time, employees have the same sense of the corporate practices that they misaligned. But unless you empower them, they will not say anything. Second, a company should create a mechanism that directly links actions with values. For instance, a company can create a mechanism that requires 30 percent of revenues to come from new products to strengthen the value of innovation. Marketing 3.0 is about transforming employees and empowering employees to transform others.

#### **Change the Lives of Employees**

S.C. Johnson's values as a fifth-generation family company are, of course, family values. The company is putting a lot of effort into promoting the values not only to consumers but also to employees. To work in a company with family values is to lead a balanced family-work lifestyle. That is what employees get from S.C. Johnson. A man and his wife, both working

at S.C. Johnson, can expect to get an overseas assignment together.<sup>22</sup> At S.C. Johnson, there are no business meetings on Fridays so that employees can go home early for family weekends.<sup>23</sup> Working at S.C. Johnson can transform employees into family people. The company's values have a direct impact on employees' lives. Erickson and Gratton call it creating "signature experience within an organization." Creating a signature experience requires understanding the motivation of employees. Studies by Erickson, Dychtwald, and Morrison reveal six segments of employees:

1. The *low obligation and easy income* segment is a group of employees who look for quick wins.
2. The *flexible support* segment is a group that goes with the flow because they do not see a job as a priority yet.
3. The *risk and reward* segment includes employees who see jobs as opportunities to challenge and excite themselves.
4. The *individual expertise and team success* segment seeks jobs that offer teamwork and collaboration.
5. The *secure progress* segment looks for a promising career path.
6. The *expressive legacy* segment looks for opportunities to create a lasting impact on the company.<sup>24</sup>

This segmentation is somewhat similar to the employee segmentation framework that McKinsey & Company developed.<sup>25</sup> That study distinguished four types of employees. *Go with a winner* employees look for growth and achievement. *Big risk big reward* employees look for good compensation. *Lifestyle* employees seek flexibility. Finally, *save the world* employees seek opportunities to contribute to a great mission.

Understanding employee segmentation gives companies the inspiration to design the signature experience for their target segment. It also helps companies weed out unsuitable

employees who will likely deviate from the values and ruin the experience of the suitable ones. In Marketing 3.0, signature experience should be collaborative, cultural, or creative.

Companies should target specific segments that their core values can best satisfy. An adventurous company with creative values might be suitable for the risk and reward (or big risk big reward) segment. Companies with cultural values that offer the opportunity to market their products to poor people would suit the expressive legacy (or save the world). The individual expertise and team success segment is the right target segment for companies with collaborative values that offer opportunities to work with other people around the world.

### **Empower Employees to Make Change**

A Chinese proverb says, *"Tell me and I'll forget; show me and I may remember; involve me and I'll understand."* This is relevant to employee empowerment. Employees need to be involved and empowered. Their lives have been changed by the company's values. Now, it is their turn to change the lives of others. It is about creating a platform for employees to make a difference.

Employee empowerment can come in various forms. The most common one is volunteering. In *Volunteering for Impact*, Hills and Mahmud argue that volunteering achieves high impact when there is a strategic impact that leverages the company's resources.<sup>26</sup> In her book *SuperCorp*, Kanter discusses an example focusing on IBM.<sup>27</sup> When the tsunami and earthquake hit Asia in December 2004, employees of IBM pushed forward an innovation whose mission was to help the victims. While the company had no initial business interest when it launched the effort, the innovation later brought commercial payoff. A SuperCorp, according to Kanter, is a vanguard company that has bigger societal purposes embedded in how they make money. They make a strategic impact when working for a social purpose. High-impact volunteering is one way to be a SuperCorp.

Another form of empowerment is through innovation. IDEO is famous for developing some of the best product designs in the world. To achieve this, according to founder David Kelly, IDEO moved up the Maslow pyramid and introduced human-centered design in which IDEO brings performance and personality into products. IDEO assigns a project to a multidisciplinary team with a marketer, psychologist, physician, anthropologist, economist, and others to develop innovative products that solve their clients' problems. IDEO brings this approach one step further by making its proprietary methodology available to those outside the firm. The company creates an open-source toolkit to develop solutions for social problems in developing nations in cooperation with the Gates Foundation and many other nonprofit organizations.

Empowerment can also mean sharing power. In Marketing 3.0, the role of leaders is to inspire. They are not necessarily the sole decision makers. Companies such as Cisco and Whole Foods practice collaborative democracy where employees are given opportunities to shape the future of the company through decision making and voting. In these cases, companies are increasingly becoming communities. In communities, decisions are made together to advance the common interests of the members.

### **SUMMARY: SHARED VALUES AND COMMON BEHAVIOR**

In Marketing 3.0, corporate culture is about integrity. It is about aligning the shared values and common behavior of employees. In the context of the forces at work, corporate culture should be collaborative, cultural, and creative. It should transform the lives of employees and empower employees to transform the lives of others. By building their integrity, companies can compete in the talent market, improve productivity and the consumer interface, and manage differences. Marketing its values to employees is as important as marketing the mission to consumers.

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