

How does a business keep a promise?

A conversation with:
CEO Club of Marin and
Business Edge Briefings

Elizabeth Doty

November 8, 2016



LeadershipMomentum.net

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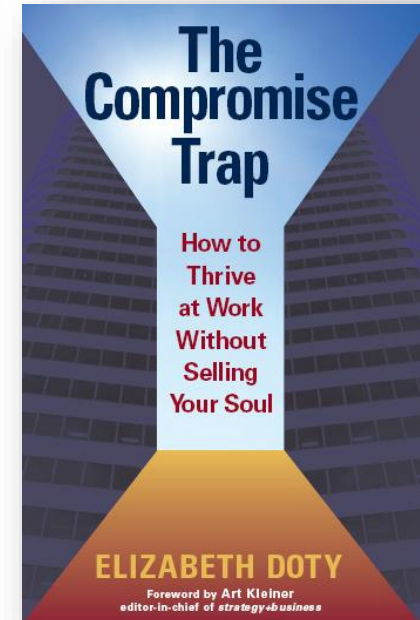


- **Founder, Leadership Momentum**
- **BA, UC Berkeley, Economics, 1985**
- **MBA, Harvard, Operations, 1991**
- **Author, The Compromise Trap, 2009**
- **Network Fellow, Safra Center for Ethics at Harvard University, 2012-2014**
- **Top Thought Leader in Trust, 2016**
(Trust across America)
- **Regular contributor to strategy + business**

*We serve mission-driven companies
who want to improve execution
to deliver on their most critical commitments*



*Mission & Values
Brand Promises
Strategic Objectives*



Businesses make many promises



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To Wells Fargo customers: Our commitment to you

Print

A publication for friends of MD Anderson

PROMISE

SUMMER 2014

Career Opportunities

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INTERFACESERVICES™

CAREERS HOME

CAREER
OPPORTUNITIES

EQUAL

Mission Zero™

We're on a mission. We call it Mission Zero. It is our promise to eliminate any negative impact our company may have on the environment by the year 2020. At InterfaceFLOR, we've made it our mission to go way beyond green product attributes. Every creative, manufacturing and building decision we make is intended to help us achieve zero environmental footprint by 2020 and give you the most fashionable, high performing and environmentally well-rounded

HILTON
SATISF
PRO

**BORN TO
BEAT CANCER**
Melanoma is no match for you

Our



United Nations
Global Compact

About

WHO WE ARE

THE SDGs

PARTICIPATION

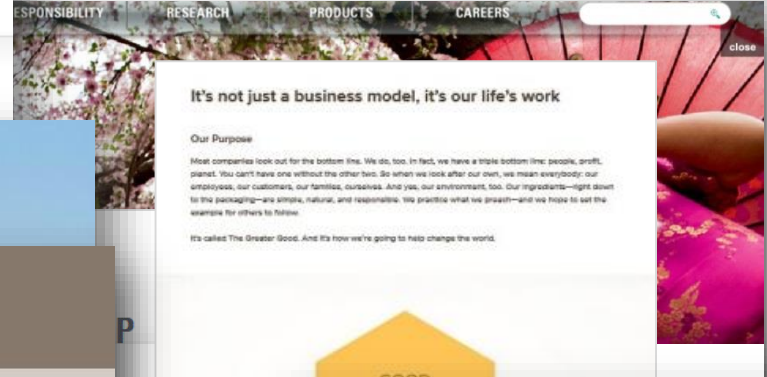
TAKE ACTION

ENGAGE

Patagonia's Promise



**9,000 companies
+ 3,000 non-businesses**



The B Corp Declaration



**DECLARATION
OF INTERDEPENDENCE**

We envision a global economy that uses business as a force for good

Keeping promises is part of integrity



Keeping promises is good leadership

- **Strategy Execution**
- **Customer Retention**
- **Brand Differentiation**
- **Employee Engagement**
- **Trust & Collaboration**
- **Ethics & Social Responsibility**
- **Innovation**



There are benefits from being trusted

Behaviors for Distrusted Companies

48% Refused to buy products or services

42% Criticized companies

26% Shared negative opinions

20% Paid more than wanted

12% Sold shares

Behaviors for Trusted Companies

Chose to buy products or services **68%**

Recommended them to a friend or colleague **59%**

Shared positive opinions online **41%**

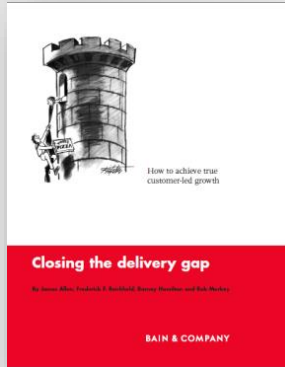
Paid more **37%**

Bought shares **18%**



General Population sample, n=32,200. Thinking back over the past 12 months, have you taken any of the following actions in relation to companies that you trust?... For companies you do not trust?

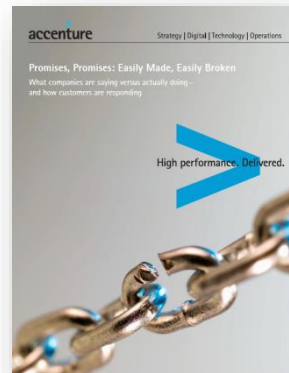
Then why is the record so poor?



Bain, *Closing the Delivery Gap*, 2005. 362 companies surveyed & compared with Satmetrix Net Promoter data

80% *of companies surveyed believed they deliver a “superior experience”*

8% *of their customers agreed*



Accenture, *Promises, Promises*, 2012. Online survey of 3,023 adults

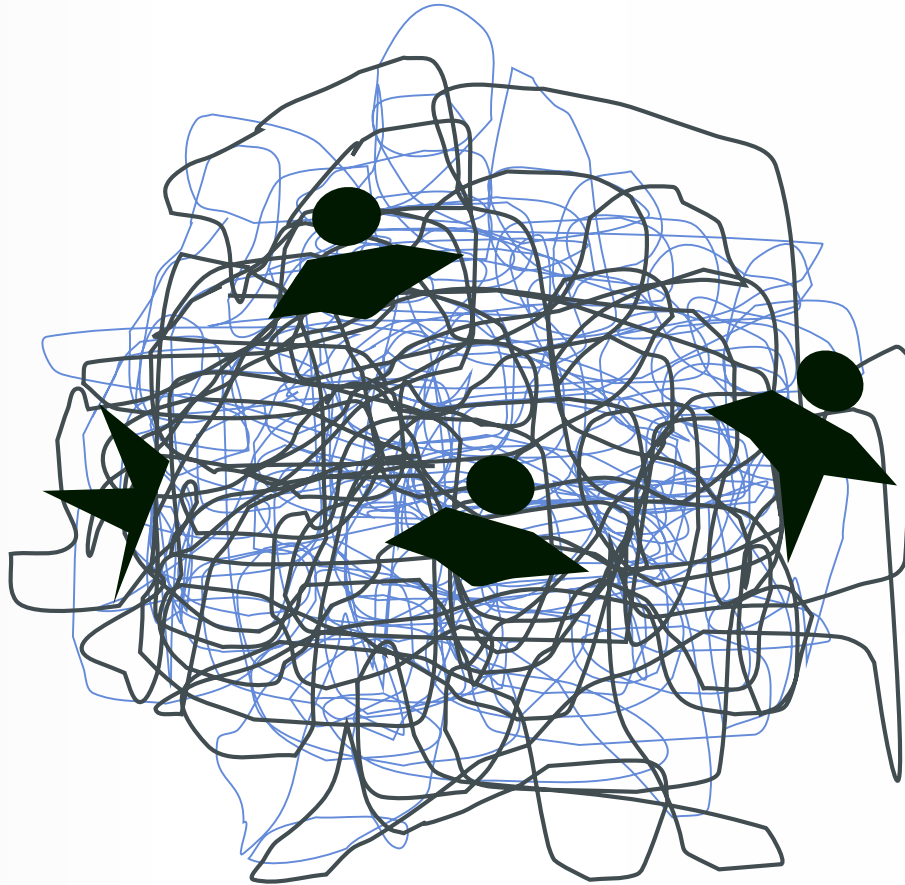
40% *of adults surveyed say a company made a promise in the past year & broke it*

54% *experienced multiple broken promises from the same company*

How stakeholders feel



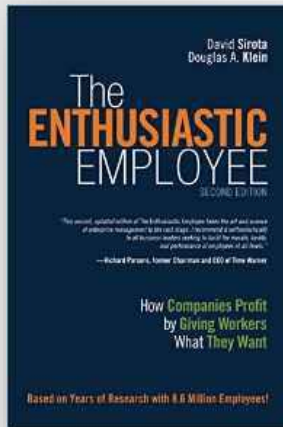
It's harder than we think!



Every aspect of your business is at play



Are your employees fully engaged?



Sirota & Klein, *The Enthusiastic Employee*, 2013 (40 years, 13.6 million responses, 840 companies)

95% *of new employees start out excited about their work & their organization*

86% *of companies see a decline in average employee morale after six months due to issues with:*

- *Equity*
- *Achievement*
- *Camaraderie*

How do we support, challenge & learn from our front line?

Are your leaders committed?

84 CEO's were rated on behaviors associated with "character"

(Integrity, responsibility, forgiveness, compassion)

**"Virtuoso"
CEO's**

Self-rating

84%

Employee Rating

87%

**"Self-focused"
CEO's**

Self-rating

83%

Employee Rating

68%

Never

Always

How do we continually expand our self-awareness as leaders?

Source: Kiel, Return on Character, 2015

Do you have a culture of commitment?

Strong corporate culture leads to strong performance

ROBIN MORDFIN | APR 07, 2014



Robin Mordfin, Chicago Booth Review, 2014 highlighting Zingales, Guiso & Sapienza, The Value of Corporate Culture 2014. Analysis of 1,000 US firms.

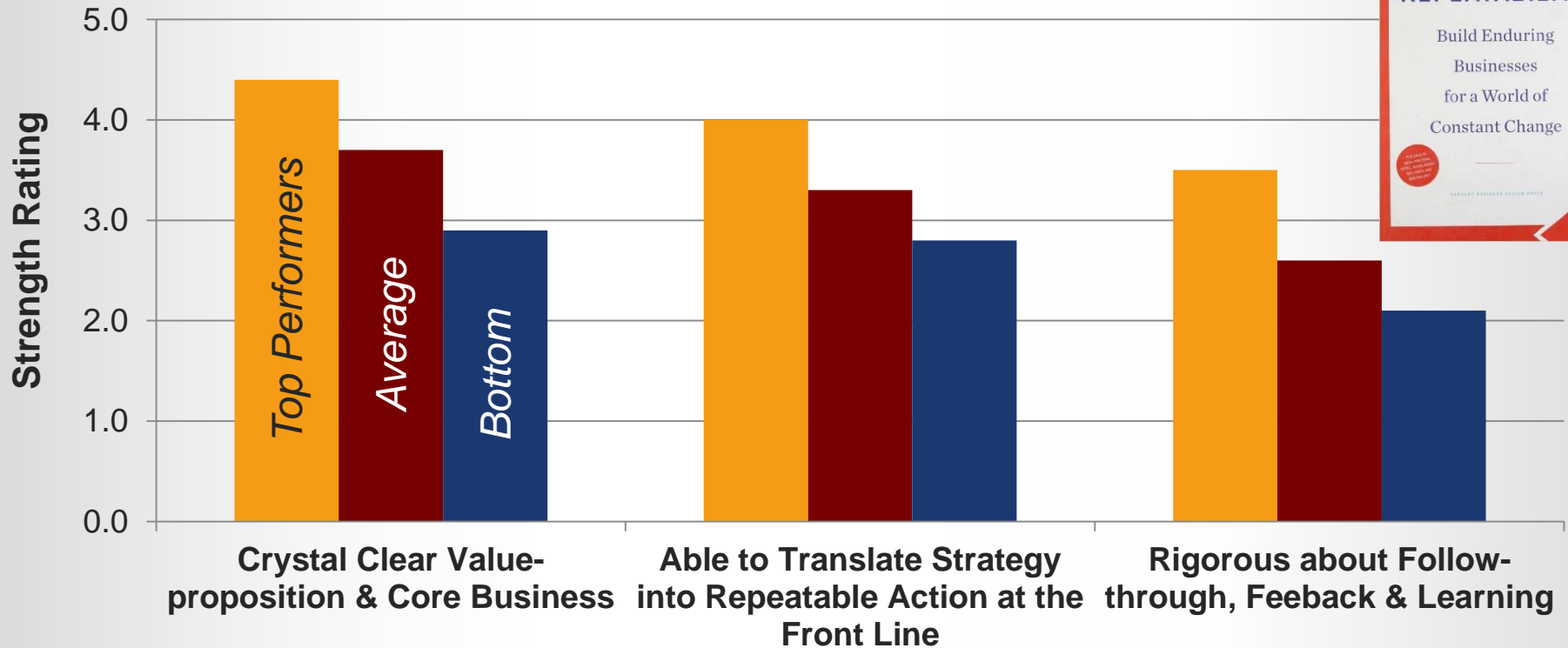
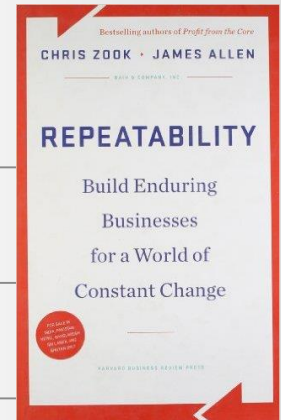
Companies with a culture of keeping their word -- as perceived by employees -- are more productive, more profitable, and more attractive to prospective job applicants.

But advertised values have no correlation to profitability.

How do we keep our word & our values real?

Are your promises clear?

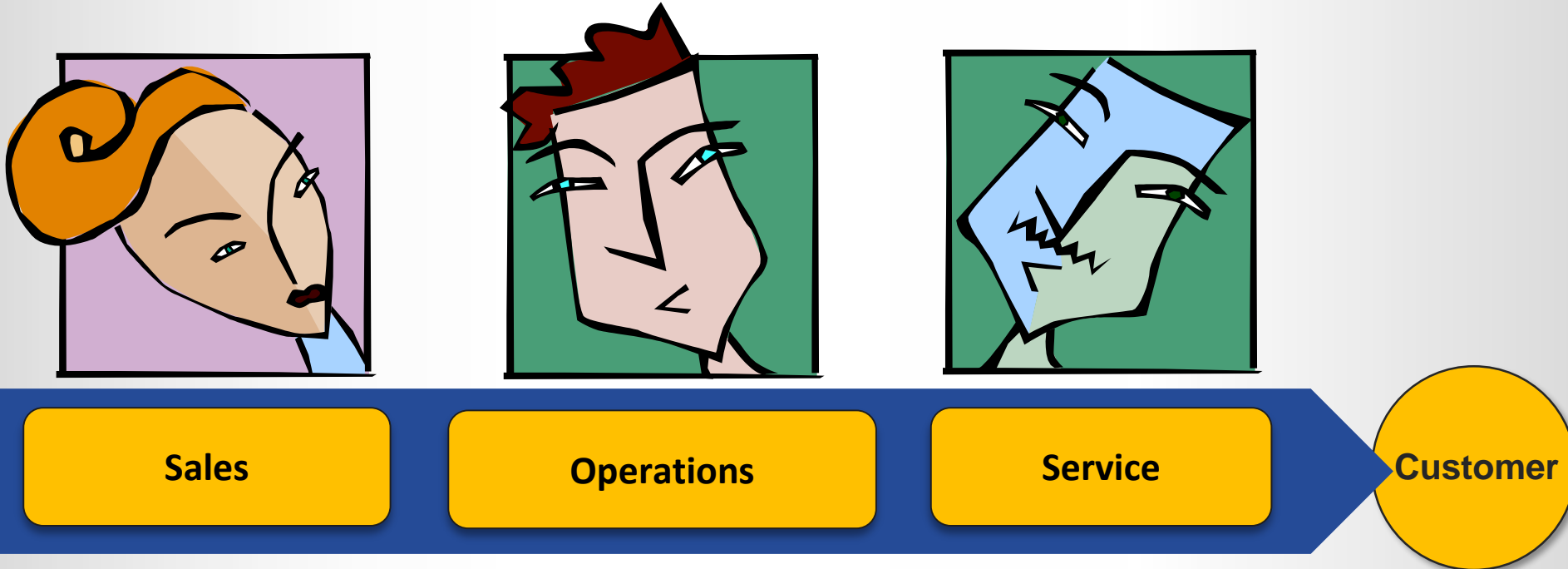
In a 10-year study of 200 companies, sustained top performers exhibited three characteristics



What exactly are we promising? What does that mean we do differently?

Are you set up to deliver repeatably?

Without repeatable processes, units end up optimizing local measures

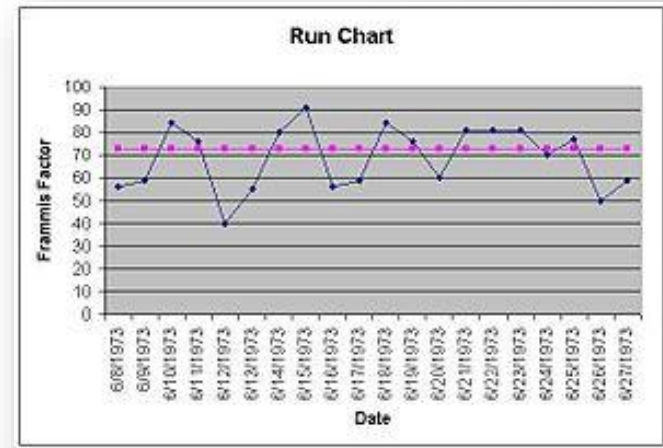


Do you make it easy to connect the dots? To do things right the first time?

Do you measure what you promise?

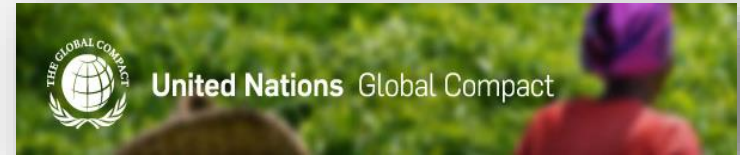
Companies that systematically reduce defects rely on

- *Operational measures*
- *That provide rapid feedback*
- *On critical customer drivers*
- *Directly to those doing the work*



**Do we measure operational indicators of promises kept?
Do we sustain focus over time?**

Does it matter?



Monitor & evaluate
sustainability performance

59%

Align government affairs
activities (ie, lobbying)

29%

You try it: The Promise Success Check



Three places to start



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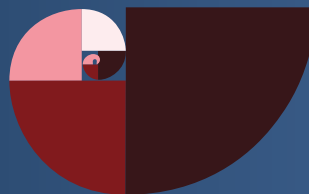


Thank you!



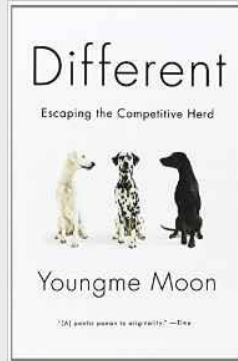
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Q&A



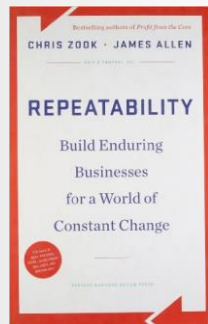
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Closing thoughts



Moon, *Different*, 2011 (Direct quote is from HBS Working Knowledge, 2010)

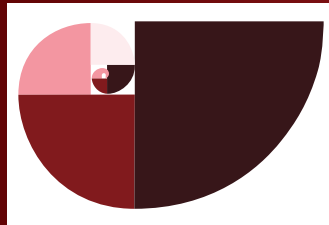
Differentiation is not a tactic.... It's a commitment. A commitment to be different, not in a superficial, I'm-going-to-offer-a-couple-of-features-my-competitor-doesn't-offer kind of way, but in a way that is fundamental and near impossible to replicate.



Zook & Allen, *Repeatability*, 2009 (Quote is from Closing the Delivery Gap)

Creating repeatable processes is not easy and often requires major investments in IT, training and change management programs, and a tough examination of the mission, vision and values of the company. Above all it requires committed leadership, devoted to keeping the promises a company makes.

Backup



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Safra Center Study



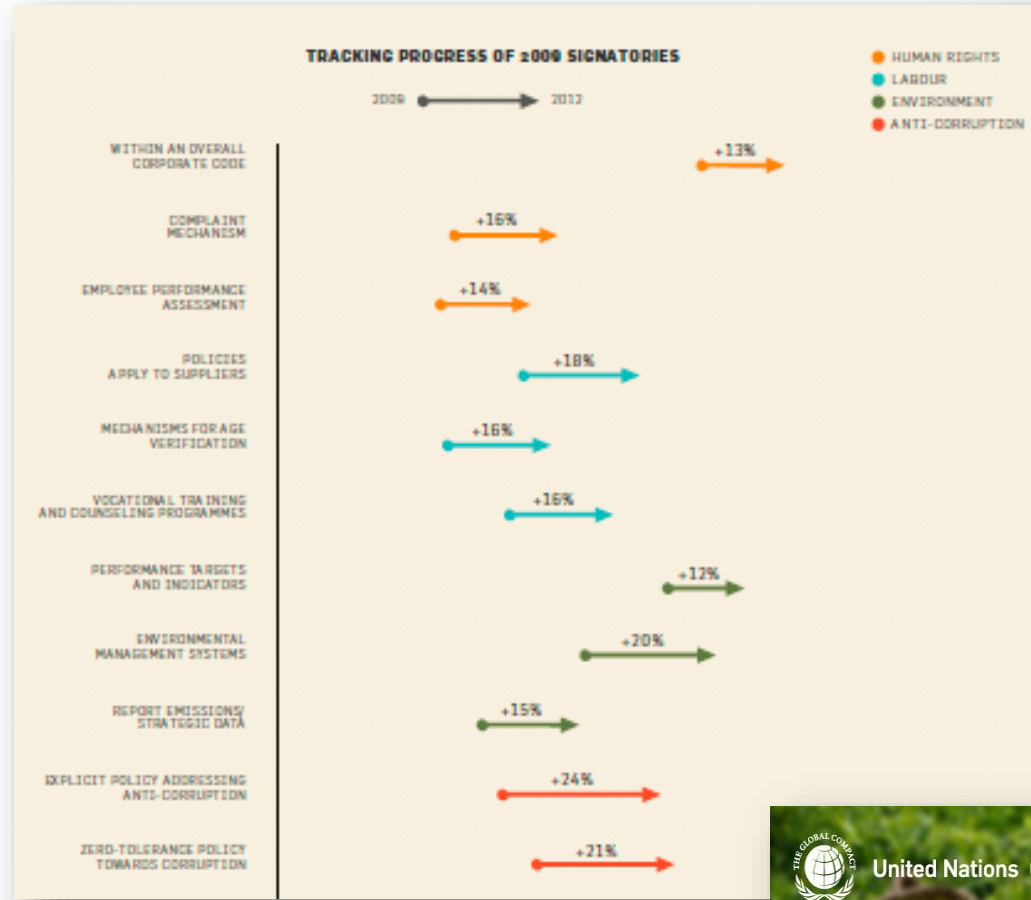
*Somebody said... **we were a company of promises, and more properly said, probably unfilled promise, and that's what we're going to change***

*Company CEO
Report to Analysts
Early 2013*

But companies improve over time

2009 Global Compact Signatories

Progress 2009 - 2012



Only 30% are fully engaged

Engaged

*Passion, energy, new ideas
Brings in new customers*

30%

Disengaged

*"Checked out," putting in time
without passion or energy*

52%

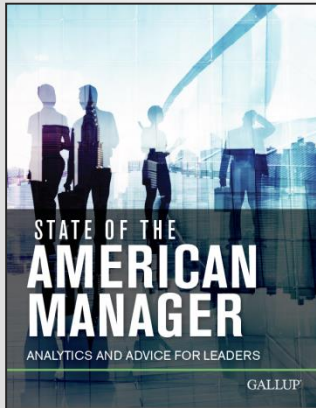
Actively Disengaged

*Unhappy, acting on it, undermining
others who are engaged*

18%

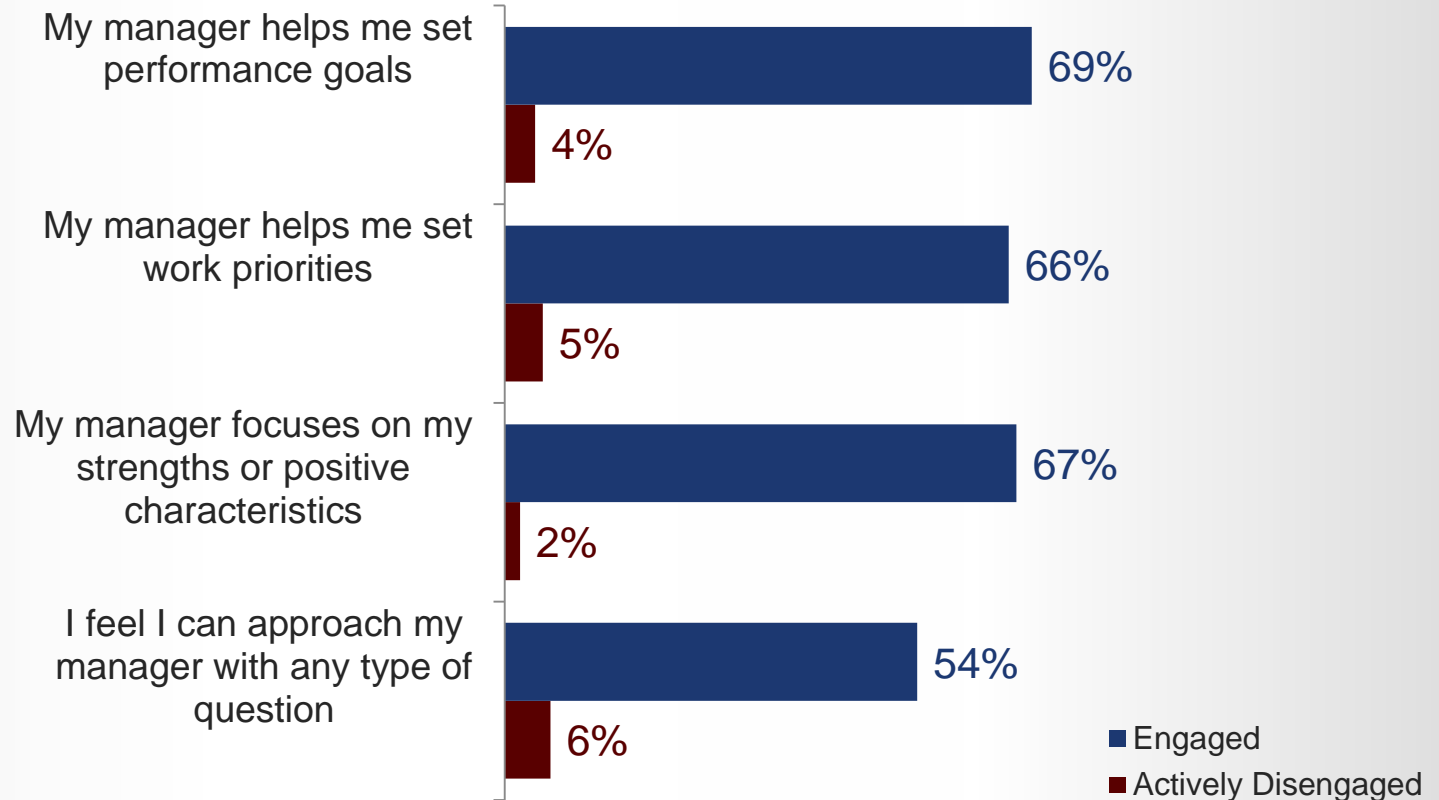
Source: Gallup (2013); *State of the Global Workplace Report*

Your managers are the key



Gallup, *State of the American Manager 2015*

70% *of the variance in employee engagement scores is due to managers' behavior*



What are they trying to tell you?

They must know! They know, don't they?

I have questions but I don't want to sound like a whiner.

Can we really put the customer first?

They made us promise the customer the moon; then they made us go back & tell them we couldn't deliver.

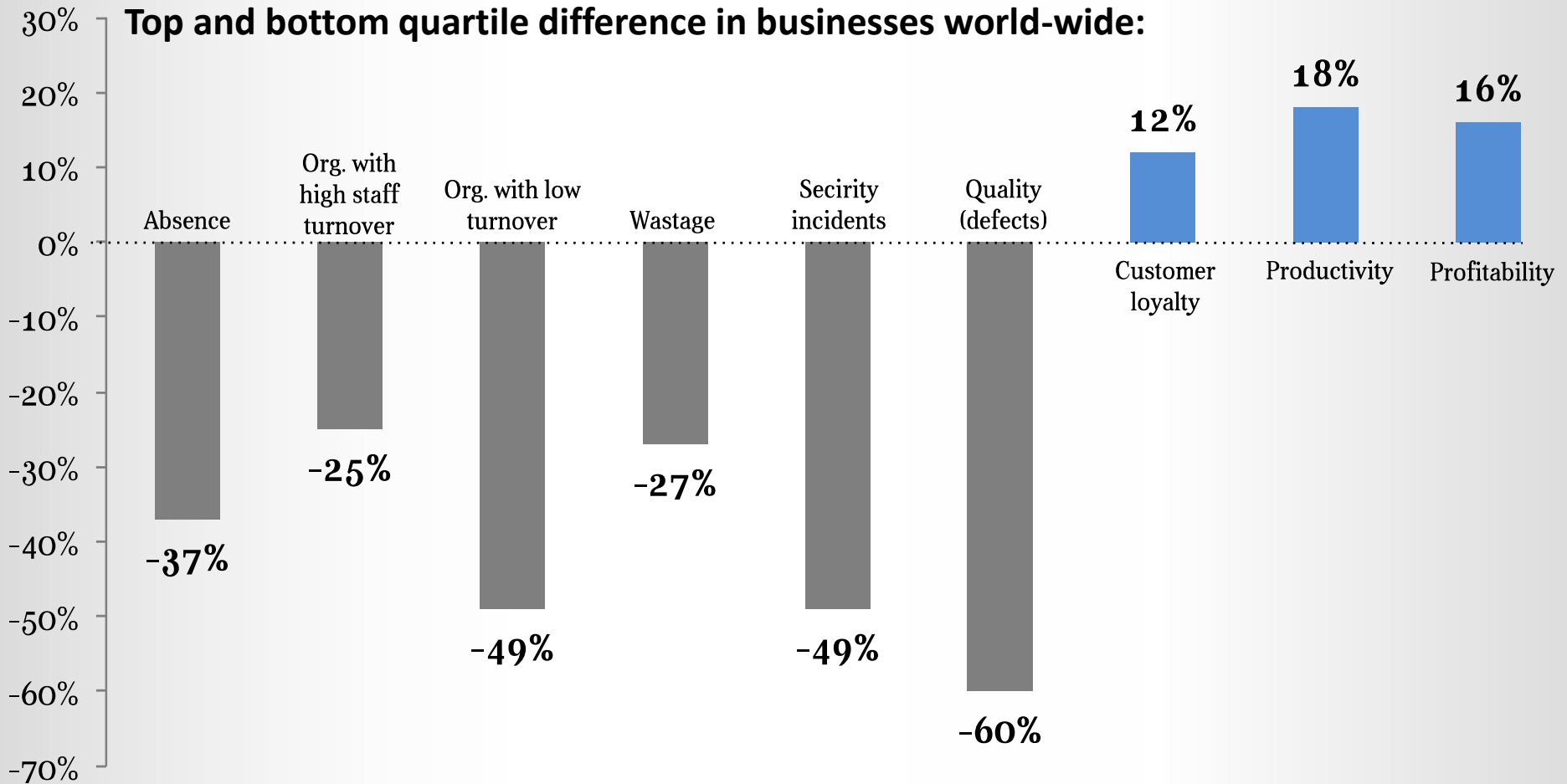
We just want to be able to do a good job.

We try not to care, but we can't help it.

Impact of engagement

29

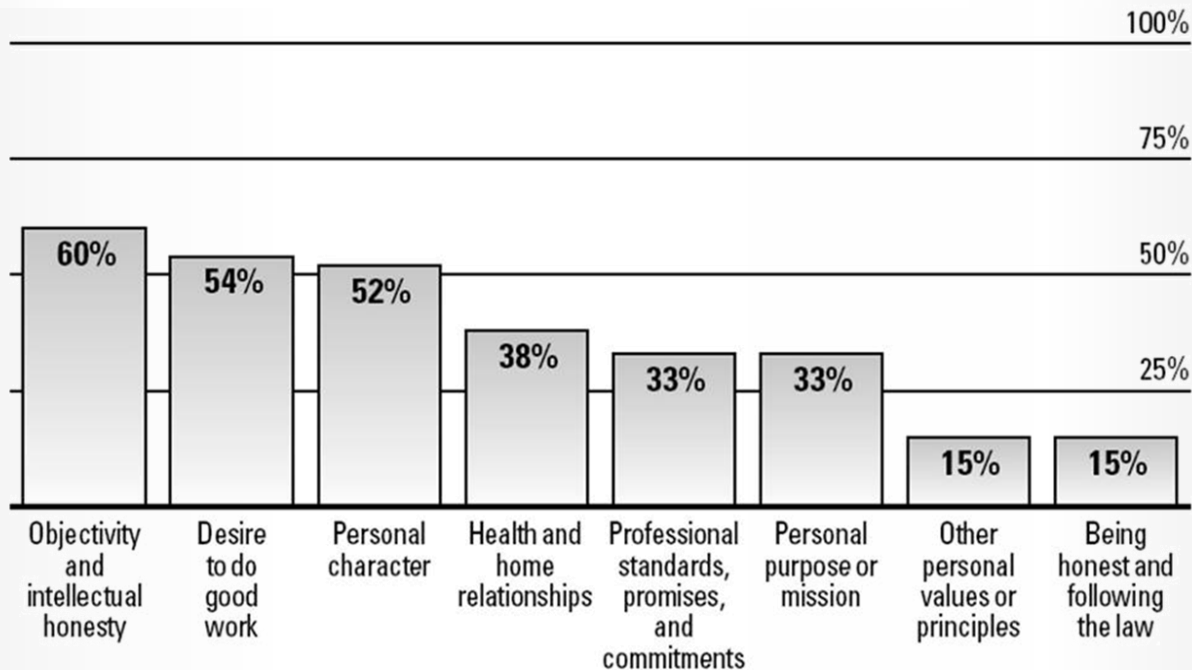
People



Source: Harter et al. (Gallup 2009); *The Relationship Between Engagement at Work and Organizational Outcomes*.

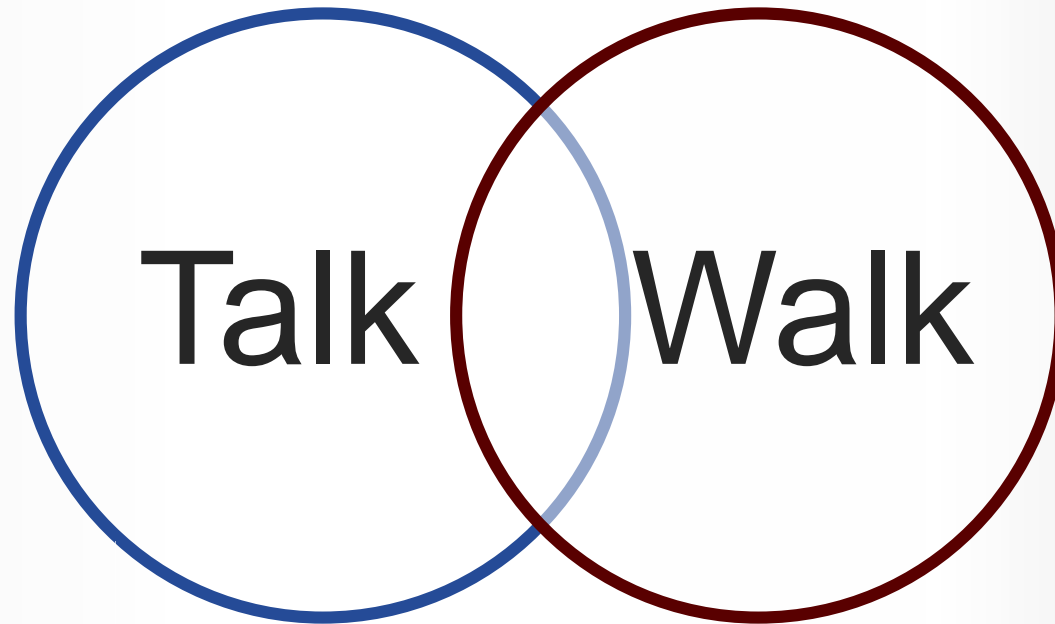
Employees may feel pressured

Where Employees Felt Pressure to Compromise on the Job



Doty, The Compromise Trap, 2009

Good leaders live their values...



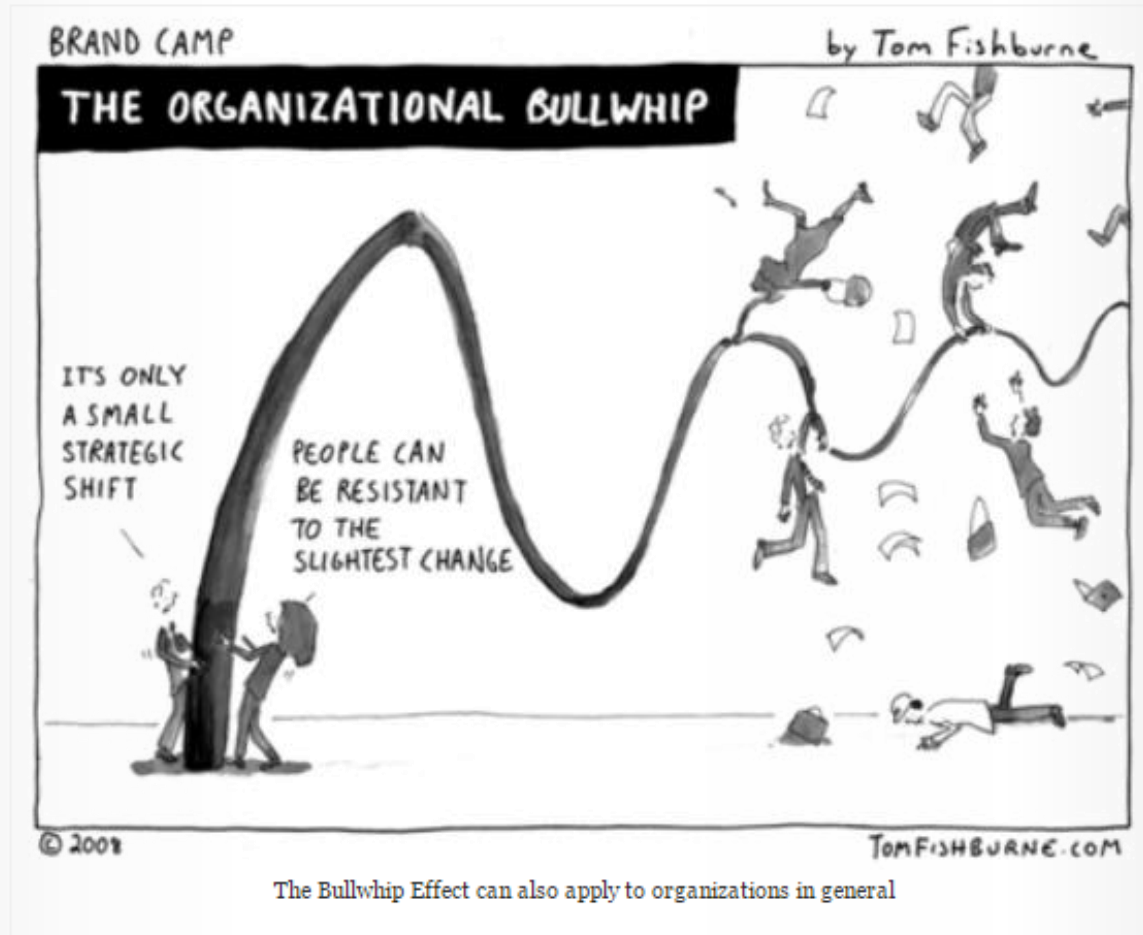
No single management behavior has a bigger impact on profitability than keeping your word & living your values

Simons, The High Cost of Low Trust, 2002

The biggest challenge



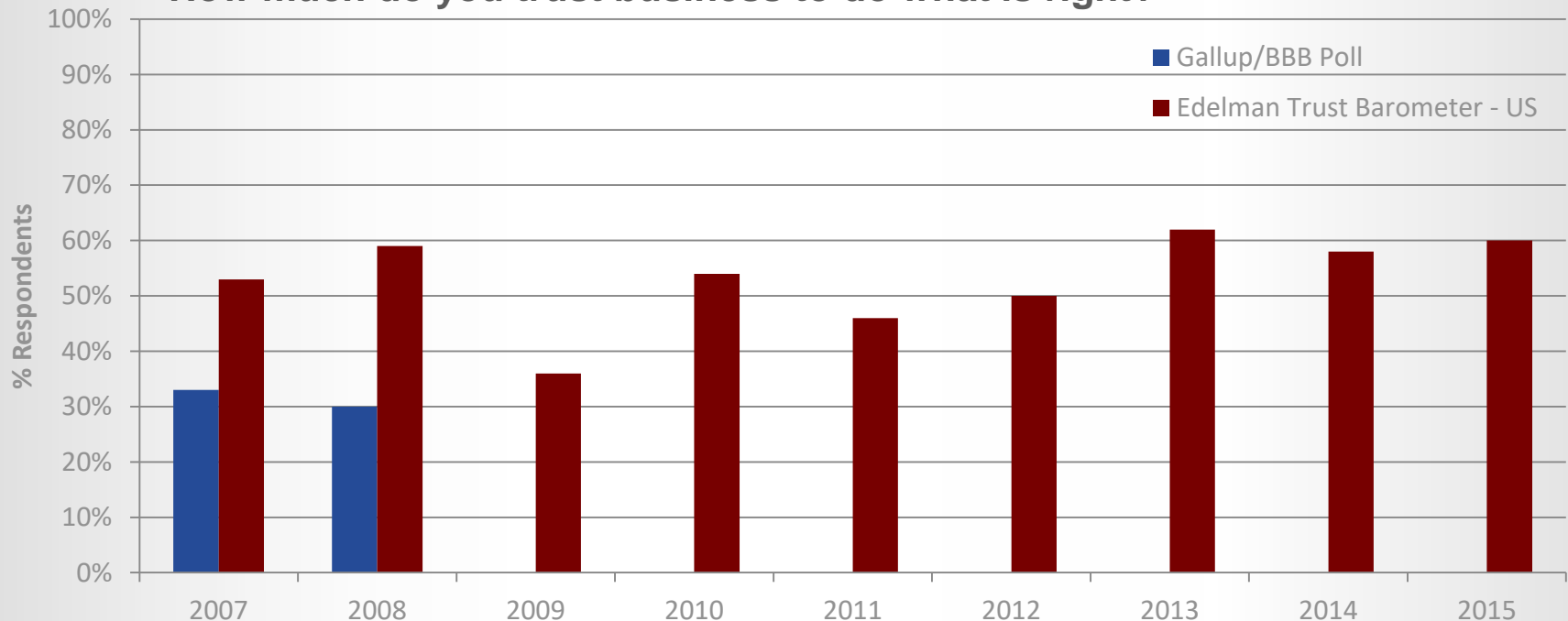
Can you sustain focus over time?



Broken promises are linked to distrust

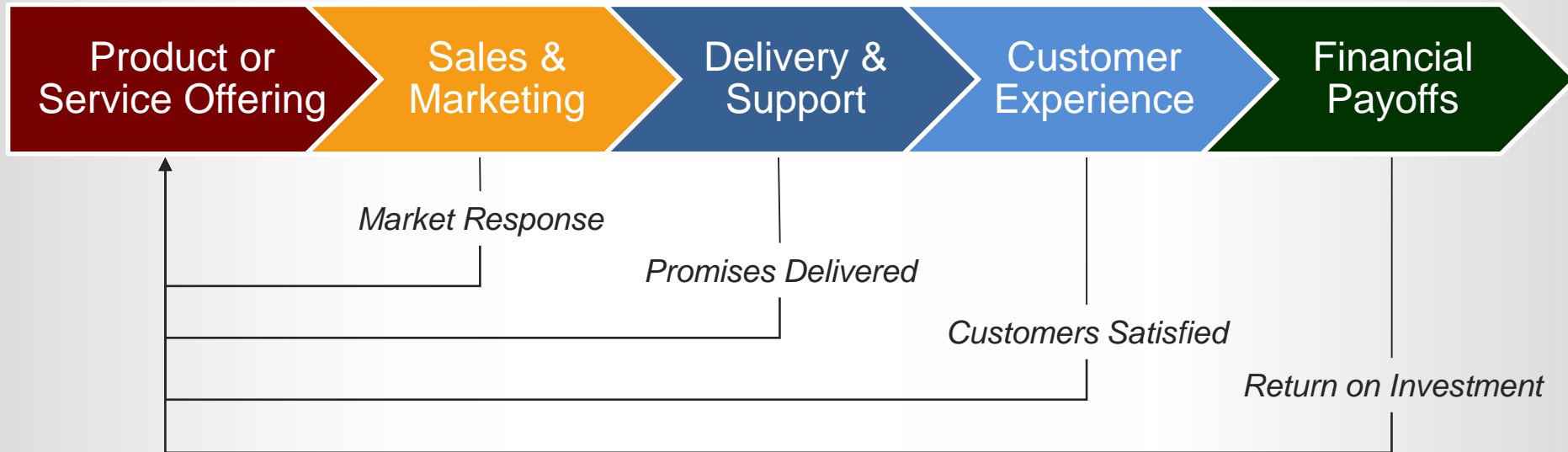
To improve trust... “Do a better job delivering on your promises”

How much do you trust business to do what is right?



Source: Gallup/BBB: % of Respondents with High Trust in Companies They Do Business With Frequently - U.S. Based
Edelman: How much do you trust business to do what is right? – Global, Respondents

Do you measure what you promise?



Do we measure non-financial indicators of promises kept?
Do we sustain focus over time?