

Chapter 5

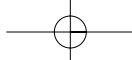
Leadership and values

Introduction

Leadership and values are the cornerstone of the Service Excellence Awards. They address the direction and culture of the organisation and how successfully the values and leadership of the organisation create a passion for customers. They build a foundation in the business that guides and directs how people behave with each other, what is important and where resources should be focused. Before turning to the questions in this vector of the service excellence questionnaire, it is worth considering leadership and values in turn.

What do we mean by leadership?

There are numerous definitions of leadership and equally many different ways of categorising leadership. Yet despite this, there are very few leaders who really inspire or who can generate the kind of vision and values that are essential for organisational success. Sadly, there are many chief executives and senior managers in business today who are not leaders but good managers and understanding the difference between the two is crucial. Being a manager is a position in the organisation and it comes with power and responsibility, but it does not mean that the position necessarily inspires people to 'follow'. Unless the needs of people within the organisation are taken into account, leadership will be ineffective. People need to give their permission for leaders to lead and have a desire for to follow them.

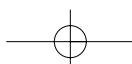


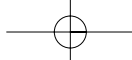
Leaders need to generate 'followership'. So how can they do that? What are the key elements that form the core of leadership? In their book the 'Essence of Leadership', Professors Andrew and Nada Kakabadse argue that 'the capability to lead must be coupled with the practical skills that leaders need to have to manage their day-to-day affairs'. They have distilled the views of today's great thinkers on leadership and developed a categorisation of leadership, the essence of which is noted here:

- Leadership can be considered to be a special type of power which can command and focus resources to achieve a particular vision, change or goal. Leaders can transform a business by creating a vision of the future, then investing heavily to share that vision with the rest of the organisation.
- Leaders should live the values that they share with the organisation. In other words 'practise what they preach'. Without this, they lack integrity and their 'followership' will disintegrate.
- Leadership involves broad capabilities, including having the skills and ability to handle the mundane, operational and daily transactions of corporate life.
- Leaders need to have a high degree of people skills, to manage the complex human interactions that take place between people to ensure they get the best out of them. They recognise that they need to involve other people to achieve success.
- Leaders need to have good conceptual skills and good judgement to enable them to see opportunities where others are not able to.
- Leaders need to be politically astute. They need to know how to use their power in awkward situations and not just to seek power for the sake of it.
- Leadership requires character, namely: ambition, ability, conscience and integrity, so that leaders can follow an ethical and appropriate way forward. Sadly it is these two last aspects of character that are so frequently missing in many leaders, which has led to the recent failures of corporate America.
- Finally, leadership does not necessarily mean that you are the 'boss'. Leadership can be exerted by people who are not in a position of authority.

The importance of values

In his book *The Committed Enterprise*, Professor, consultant and author Hugh Davidson discusses the results of his interviews with 125 organisational leaders on the subject of values. He found that



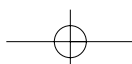


there was broad agreement on three issues in every organisation. Davidson refers to these as the fundamental questions of life and he uses the terms 'purpose' (others may say 'mission'), 'vision' and 'values' to describe them.

- 'Purpose' covers 'What are we here for?'
- 'Vision' handles 'Where are we going?'
- 'Values' answers 'What behaviours will guide us on our journey?'

This chapter focuses on the role of values in the service excellence model. So why are they so important? Put simply, values (sometimes referred to as the 'ethos' of the business or even the 'principles', 'guidelines' or 'rules') are the beliefs that guide our behaviour. They guide everything that happens in an organisation and form the basis on which organisations are founded. Values that are 'lived' in an organisation can be very influential in guiding staff behaviours without having to rely heavily on numerous rules and regulations. Staff know what is expected of them, they know how to behave and how to respond to new or unforeseen circumstances. The stated values in a company are those that are found on posters, mouse mats and are regularly reviewed in staff meetings. Actual values, however, can be observed in the way the organisation works. Successful organisations have only a narrow gap between these two. They work hard to ensure that 'what is preached is practised', and that there is a common understanding in the organisation about what the values mean and how they should be enacted.

Over 90 per cent of the entrants to the Service Excellence Awards have values statements, yet interestingly, one in ten do not include 'customers' in their core values. Only 50 per cent value having 'fun' at work and one quarter do not think 'innovation' is important enough to include as a core value. Eighty per cent of the statements share the four core themes of 'external focus', 'continuous improvement', 'concern for people' and 'social responsibility'. However, recently 'altruism' has appeared as a new emphasis to values. Altruism takes the values of 'concern for people' a stage further to being really concerned about the health, wealth and well-being of people in the organisation. One of the case studies that we will examine in this chapter is CragRats, a Yorkshire-based company specialising in the use of theatre for communication and training for both the public and private sector. They were the Overall and Business-to-Business Winners of the 2001 Service Excellence Awards and are typical of a company that has the value of altruism at the heart of its business. They genuinely



care about their employees and help them improve their lives through their relationships with the business. The signs are that 'altruism' will increasingly appear in the value statements of service excellence companies in the future.

This chapter

This chapter is structured around the five key statements that are used in the Awards scheme to assess how well companies achieve leadership and values. These statements are:

- Our values are widely understood and practised.
- Leadership reflects the organisation's values.
- Our processes of management enact our values.
- Senior managers actively champion customers.
- We invest in developing leadership across the organisation.

Two previous winners of the Awards scheme have been chosen to demonstrate how well they have managed to engage their employees in providing service excellence. The companies are: CragRats (Business-to-Business) and Happy Computers (Small Business).

Our values are widely understood and practised

Values are the life blood of the organisation and as a result it is important that they are 'lived' on a daily basis. It is essential that they are widely understood and practised so that they can guide staff behaviour in appropriate ways. However, unfortunately many companies develop values statements and present them to staff without ever having discussed them with the staff. They then wonder why there is a wide gap between stated values and the actual behaviour that people observe in the organisation. It is absolutely vital that draft values are discussed widely with employees and modified in the light of those discussions. Once values are agreed, supporting practices and procedures can then be drawn up to support the values.

A good way of assessing the degree of fit between stated values and actual values is to be a fly on the wall and watch what happens in an organisation. For example, customer focus may be a stated

value, but it may be possible to see managers walking past ringing phones and not answering them, or even standing by while a queue of customers wait for service. Another example may be that a company has a stated value around the treatment of employees, yet it may be possible to observe that in a call centre there is nowhere for staff to retreat or relax away from customers. These are exactly the sorts of observations that the judges of the Service Excellence Awards are making when they visit companies. The degree to which the values are 'lived' is constantly assessed, as well as the extent to which they are widely understood and practised. This is why it is important to ensure that values are translated into action. To ensure values really are 'lived', they need to be turned into measurable practices. For example, if a value is to 'identify, anticipate, serve and satisfy customer needs', then one way of measuring this would be to ask when was the last time a particular staff member sat down with a customer to find out their needs. Measuring practices helps focus staff attention on what is important; it guides their behaviour and the future direction of the business.

Leadership reflects the organisation's values

As we have already seen, values are the beliefs that guide our behaviour. In a company, therefore, it is essential that leaders reflect the organisation's values. Without that, the values of the organisation become hollow, empty statements, that are meaningless to staff. At a very senior level in the organisation, if there is a gap between the stated values and the actual values, staff will perceive their leaders not enacting the values of the organisation and will ask themselves why they should do so too. This kind of hypocrisy is endemic in many organisations. There are many companies that have spent vast sums of money on developing values (often with the help of an outside agency), publicising the new values via glossy brochures but never actually manage to change the deep-seated practices that are held at every level in the company. However, if the leaders of the organisation reflect the values and are seen living them on a day-to-day basis then people will take note and realise that the company is serious about what it is trying to achieve. Actions in this respect, speak more powerfully than words as the following quote highlights:

We judge managers by their actions, not their pious statements of intent.
Sir Adrian Cadbury

Cascading down values from the top of the organisation is also doomed to failure if there is not a critical mass of support for the values at the top. This support needs to be there before the cascading process starts; otherwise the message will become distorted as it flows throughout the organisation. Conflicts will undoubtedly arise and the power of the values will be diluted. Communication is, therefore, a key ingredient in this cascading process and it is the leader's personal responsibility to get it right. Organisations can communicate in a number of different ways and all of these ways need to be considered when company leaders wish to communicate the values of the organisation both internally and externally. Hugh Davidson has identified eight ways in which companies communicate, and each way should be thought of as an opportunity to reflect the values of the organisation:

1. Actions are the reality of what goes on in an organisation. It is what an organisation does and, as such, provides a very good opportunity to demonstrate organisational values.
2. Behaviour describes how things are done in the organisation and how people treat each other.
3. Face-to-face communication by management includes meetings, presentations, conversations and answers to questions that are posed.
4. Signals are the objects which convey information about an organisation. For example, customer parking taking precedence over executive car parking.
5. The quality and style of the products and services embody the organisation's vision and values. This has the potential to show that the company cares.
6. Advertising, which covers all paid-for communication.
7. Word of mouth and the web are also very important ways for organisations to communicate their values.
8. Comments by other organisations such as the media, government bodies and regulatory bodies, as well as suppliers and competitors.

Our processes of management enact our values

All companies too often spend time and resources on developing values but fail to really embed them into the organisation. In the Service Excellence Awards, the judges seek to examine the extent to which there are systems and processes in place to translate the values of the organisation into strategies and practices, which in turn are

linked to managing staff behaviours on a day-to-day basis. Some of the key processes that are considered are as follows:

- The appraisal, promotion and reward schemes are always thoroughly scrutinised to ensure that they are aligned with the values of the organisation. In this context, individuals need to be clear about what their personal objectives are. They should be in line with the organisations' values and should establish what individuals must do and what their individual responsibility is. This guides their behaviour and ensures their own and the company's success. Unfortunately, very often there is a mismatch between the company values and the appraisal and reward scheme. For example, if the staff are appraised and rewarded for customer acquisition but the values of the company are focused on customer satisfaction, staff are likely to be pulled in different directions and may even experience role conflict and ambiguity. The appraisal and reward system should flow from the values of the organisation.
- Organisation structure is also carefully examined as part of the Awards, as it too should be aligned to the organisations' values. For example, if the company values cooperation and teamwork but it is observed that people are working in silos with little opportunity for collaboration, it is likely that the organisation's values will not become embedded in the company.
- How organisations recruit is also a key ingredient in 'fixing' the values in the company. It is important that staff are recruited who are not only attracted by the values of the company, but who are able and capable of enacting those values on a daily basis. If there is a close match between the company and employee values, it is more likely that the staff will be happy and will want to remain with the company.
- It is also important to have mechanisms in place to ensure that the values in a company are continually kept alive. It is very easy to allow values to fade away into the background, especially when times are hard or organisations are experiencing times of stress. Therefore, continually updating practices in line with the values helps to keep them fresh, and building annual themes around specific values can assist in embedding them in the company.

Senior managers actively champion customers

This statement relates to the extent to which senior managers purposefully design a customer-centric organisation and consider customers in their decisions and actions. This is the ideal best practice organisation where 'the customer is king' and where everything from

the structure of the organisation to the practices, procedures and rewards are designed and planned with the customer in mind.

The starting point in doing this is always to have a clear vision or picture of where the company wants to go. Good leaders are able to do this. They are able to create a vision of the future and then invest heavily in sharing that vision. Through sharing their vision, they clarify the present and propose future direction, while at the same time inspiring and stimulating people to action. A successful vision should be memorable and clear, and provide a way of generating understanding and commitment from people. As well as being ambitious it should also be customer related and be capable of being translated into measurable strategies. It should also generate debate and, furthermore, invite comment and questions. However, all too often vision statements are uninspiring and bland. They do not paint a picture and, as a result, do not inspire people to follow. Of course when a company is new and is started with a clear vision of what it wants to achieve and how it wants to organise to get there, it is relatively easy to be customer centric. But doing this with an older, more established organisation, which is struggling with legacy systems and power structures that are not customer facing, is an altogether more challenging task. There are examples of both kinds of organisation in this book. In this chapter, for example, we consider CragRats, a company which was founded in 1991 specialising in the use of theatre for communication and training for both the public and private sector. The vision, which inspired the development of the company, was a series of strong value statements, which would become enshrined in the business. In contrast, Nationwide, whose case is explored in the final chapter, shows how an older more established organisation was able to reorient itself around the customer despite the established practices in the company. Again, it did this by having a clear vision and establishing values in the company that everyone could buy into.

We invest in developing leadership across the organisation

As already discussed in Chapter 4, companies who acknowledge that staff can really add value to customer relationships, jealously guard their cultures and relationships with their staff. They recognise that service excellence cannot be bought 'off the shelf', it has to be developed and grown from within. For this reason, best practice companies tend to develop their own leaders. Of all the entrants to the Service

Excellence Awards, 69 per cent of the top teams have come from inside the organisation. TNT refers to this as 'home-grown timber'.

The need to develop leaders across the organisation is now becoming increasingly recognised as essential to corporate success. The key question, though, that all companies are keen to have answered is, 'how do you do it', 'how do you develop leaders?' The recommendations for leadership development are driven by the results of a number of surveys carried at Cranfield School of Management, which highlight ways of developing the actual and latent capacity of individuals. In their book the *Essence of Leadership*, Professors Andrew and Nada Kakabadse particularly emphasise the following:

- *Career development*: Developing leaders through career development helps individuals adopt a wider perspective of their organisation and a positive attitude to relationship management. Giving individuals early exposure to leadership helps them appreciate the challenges of leadership. It helps them gain confidence in the role and, as a result, enables them to accept responsibility and accountability for their own development and performance as well as that of others.
- *On-the-job development*: On-the-job development can be a powerful experience in improving leadership performance. It can be conducted through a series of activities. For example, personal coaching, which allows for one-to-one exploration of what each person needs to do to improve their performance on the job. Team feedback can also be used as well as organisational feedback using organisational surveys. However, when surveys are used for on-the-job development, care needs to be taken to ensure the trust and credibility of the process. By doing this, more effective results will be possible and issues will be explored more fully.
- *Off-the-job development*: Off-the-job development usually includes structured leadership programmes, where individuals are able to practise and prepare for the leadership challenge by replicating the dynamics of strategic and leadership work in practice.

Summary points

- A manager holds a position in the organisation that comes with power and responsibility, but it does not mean that the position necessarily inspires people to 'follow'. Leaders need to generate 'followership'.
 - Values are the beliefs that guide our behaviour. In an organisation where values are 'lived', they can be very influential in guiding staff behaviour without having to rely heavily on rules and regulations.
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- To ensure values really are 'lived', they need to be turned into measurable practices. Measuring practices helps focus staff attention on what is important; it guides their behaviour and the future direction of the business.
- Leaders need to reflect the values of the organisation and be seen living them on a daily basis. Communication is a fundamental part of this and it is the leaders' responsibility to get this right.
- There need to be systems and processes in place to ensure that the values of the organisation are translated into strategies and practices which are, in turn, linked to managing staff behaviours.
- Leaders need to be able to create a vision or picture of where the company wants to go and then invest heavily in sharing that vision throughout the company. Visions should inspire and stimulate people into action.
- Leaders need to be developed across the organisation. Three key areas of leadership development are career development, on-the-job development and off-the-job development.

Further reading

Andrew Kakabadse and Nada Kakabadse (1999). *Essence of Leadership*. Thomson Business Press.

Alan Axelrod (2002) *Profiles in Leadership*. Prentice Hall Press.

Hugh Davidson (2002). *The Committed Enterprise: How to Make Vision and Values Work*. Butterworth Heinemann.

Best practice cases

Introduction

The two cases in this chapter have been selected to illustrate how leadership and values create a passion for customers. The first case focuses on Happy Computers (Overall and Small Business Winner 2003 and Business-to-Business Winner 2002). Happy Computers began life as a small, people-oriented training organisation running hands-on courses in all the popular PC applications. It continues to offer person-to-person training, but has also expanded into online delivery and is now expanding into non-IT topics. The company has grown from one person – founder Henry Stewart – to 43 staff over a period of 14 years. Happy has more than 4000 customers, over 90 per cent of whom are

repeat customers. The company does not actively advertise its services, and has managed to grow on reputation alone. More than 15,000 people learn IT skills through Happy every year. Customers come from all sectors, though the company has a particularly strong presence among public sector and not-for-profit organisations.

There were many aspects of Happy's approach to service excellence that impressed the judges from creating a happy environment for their staff to work in, through to a happy relaxed environment for their customers to learn in. In fact it is fair to say that the 'Happy' philosophy permeates their whole business and every aspect of the Service Excellence Award.

The second case focuses on CragRats, a company founded by a pair of former schoolteachers, specialising in the use of theatre for communication and training for both the public and private sector. They were the Overall and Business-to-Business Winner of the 2001 Service Excellence Awards. The vision, which inspired the development of the Yorkshire-based company, was a series of strong value statements which would become enshrined in the business. This case study reveals how the founders were able to take these values and use them as the basis for building the foundations for a successful enterprise. In particular it considers how being a 'CragRat', coupled with a 'can do attitude', where the focus is on empowerment and allowing people to be themselves, is a formula which all the staff understand and respect.



Happy Computers

Introduction

Happy Computers is a happy looking place, clearly designed by and for human beings. The company's offices on the edge of the City of London are painted in bright colours and fitted out with comfortable furniture. Its website has a cheerful, homemade look that belies the depth of information contained in it, and its links to the many glowing write-ups the company has received from an admiring media.

As a business that aims to train people in using computers, Happy lives at the toughest interface the IT world has to offer: the place where the power of technology meets the fear of its users. The mission of learning influences every aspect of Happy's operations, and it is in the mechanics and mysteries of learning where the company's success in the Service Excellence awards is rooted. A 1999 finalist and 2002 Winner in the Business-to-Business category, Happy Computers was the Small Business Winner in 2003 as well as the Overall Winner of the 2003 Awards.

Understanding how we learn

The key to Happy's success lies in its understanding of how adults learn. This understanding not only allows it to design and deliver effective training materials, but also to develop and sustain a culture that prizes service excellence above bottom-line performance. One way of describing Happy's insight into learning is as a tolerance for, and indeed encouragement of, mistakes. Stewart points out that children learn naturally by trying things out, making mistakes and developing alternatives. They do not associate mistakes with inadequacy, but discount them as steps along the path to eventual success. As we become more self-conscious about our performance, we grow to dread mistakes and see them as evidence of failure rather than as intermediary steps towards competence. And as adults, our abilities often come to define our status and security. Being unable to master a task instantaneously can make us feel angry, guilty or inferior. None of these states of mind is conducive to learning, with each pattern of thought tending to freeze our ability to accept new information and integrate it with our existing mental models. What adult learners need is a way of unfreezing or letting go, so that they can absorb new ways of thinking.

This is why relaxation is such an important element of Happy's approach. We tend to associate relaxing with shirking, in the belief that productive and responsible adults must be seen to be applying themselves to meaningful tasks at all times. However, the task of learning can only begin when the mind is receptive, and when the individual is confident of being able to make mistakes in a supportive environment. The bright colours and comfortable chairs at Happy Computers are part of the relaxation process. It is notable that enterprises typically apply this psychology in their reception areas but abandon it in the recesses of the office. Perhaps we should not be surprised if creativity and collaboration tend to stop at the doors of many organisations.

The importance of learning and feedback

Happy collects feedback from all its customers to determine how well it is meeting its objectives. The company regards any satisfaction score below 80 per cent as equivalent to a complaint, and reacts by contacting every member of the affected event. Customer feedback data is used to help design new courses and make changes to the service offerings, so that the learning circle is completed. Explicit complaints are investigated and dealt with in a 'no blame' style, with the team assuming by default that a service failure is a learning opportunity.

Happy Computers believes the expectations we create of others (and ourselves) of instant, perfect learning come about largely through frustration. It is not always easy to empathise with those who do not understand something we find easy, and it is often hard to remember that we ever faced such difficulties ourselves. But we tend to excuse such reactions in ourselves because we are not professional educators. We put the onus of learning on to the 'victim', and needlessly ramify the barriers to learning by maintaining a judgemental and guilt-laden attitude to their learning progress.

This could be a purely academic discussion with no business relevance: except for the fact that in today's highly competitive environment, the ability to put customers at the centre of the business's concerns relies on our people's ability to learn. They need to learn new skills and new ways of interacting with customers. They also need to learn about customer needs, and to be passionately interested in discovering and meeting those needs. Happy people need to find answers to challenges delivered by a customer-driven business environment, often crafting solutions that will never have been tried before. And in order to develop the business, organisations need to increase the number of mistakes they are prepared to make in pursuit of improved offerings and performance.

Trust is fundamental to success

Encouragement of mistakes goes against the grain of received management practice. The fundamental law of traditional management could be stated as the obligation to measure. In the classic management cycle, managers set (or negotiate) goals, design tasks, observe performance and then measure outcomes against goals. This approach

naturally dictates layers of supervision, and plays to suspicions that people will fail or shirk in their duties rather than succeed as independent, trusted adults. Stewart marshals the experience of Happy Computers to refute the idea that control produces the best results: 'The key to our company is that people work best when they feel good about themselves. No one ever disagrees with that statement, but very few put it into practice.'

Trusting people can be the hardest step any organisation ever takes, yet the most productive. 'It's not rocket science, it's basically about trust,' says Stewart of Happy's approach to business. 'Ask yourself: "What would my organisation be like if everybody was completely trusted?" And then think about what you need to do, in terms of training and support, to enable people to be worthy of that trust.'

The trust and creativity nurtured at the heart of Happy are evidenced in its ability to create new service offerings that rapidly capture lead positions in the learning provision market. For example, many training providers rushed into online learning as a potentially lucrative revenue stream. The cynical view was that existing training materials could be rapidly 'repurposed' for the web and new customers recruited at negligible cost. Training packages could be delivered automatically, grades awarded automatically and fees taken automatically. This is a neat line of business – in theory. But those who have tried this approach to learning have not scored significant successes. And such an approach would be anathema at Happy, given its commitment to people and its insights into the learning process.

Happy's move into online provision, therefore, incorporates the best of its people-centred approach with the efficiencies of electronic delivery. The online modules are combined with classroom sessions in a style called 'blended learning'. Extensive helpline support ensures that learners are never far from a friendly and knowledgeable coach. This approach retains the strengths of the online and human delivery channels, and crucially maintains full personal contact between the business and its customers. The rationale for the online offering is not solely as a means of expanding the company's delivery capacity, but recognition of customers' needs to study at times and places convenient to their work commitments and lifestyles. Happy's online product LearnFish is used in local and national government organisations as well as being the sole supplier to the National Health Service (NHS), where LearnFish is underpinning the delivery of European Computer Driving Licence (ECDL) certification to 450,000 NHS employees over a 3 year period.

Happy's staff!

A striking aspect of Happy Computers is the simplicity its principles bring to items of policy that cause problems in companies with less clarity of purpose. Happy believes in empowering people, and believes that learning enables people to achieve their potential. This belief is reflected in its own staff processes. So, for example, Happy's staff are encouraged to develop a work-life balance that suits their preferences, aspirations and feelings towards the community. Stewart spends one morning per week helping out at his children's school, while other team members work flexible hours or only during school-term time. Maternity and paternity leave are generous by UK standards, and every employee can spend one day per month on voluntary work.

Happy's administrative staff are known as 'smoothies', because they see their role as making the company run smoothly. This is a striking example of how a simple matter like role labelling can switch the focus of a team. While many companies regard administrative roles as overhead, Happy sees them in their true light as business enablers. The job title's originality is another sign of Happy's interest in remaking the world of work to fit the people who do that work.

Having a strong mission and values naturally helps the company to take principled stands on issues rather than looking for ways in which to fudge them (see Table 5.1) Team members are encouraged to join a union, for example. All staff salaries are known rather than kept secret. Significantly, the company's smoothies wrote their own job descriptions after analysing their tasks and responsibilities and allocating them among themselves. By trusting its people, Happy simplifies a large proportion of its business processes. And by celebrating the learning power of mistakes, it removes the need for a supervision culture or a system of sanctions.

The iconoclasm of Happy's people-centred principles is no more obvious than in its decision to give away training materials on its website. Most training organisations guard their intellectual property with fierce jealousy. Happy, on the other hand, believes that by giving away valuable content it encourages customers to approach the company while eloquently communicating its belief in personal empowerment. This is the kind of decision that organisations find hard to take, despite clear evidence from many successful online ventures that free distribution of content is a key element of creating customer loyalty and establishing relationships of trust.

Our Mission Statement

Our business is that of empowering people to reach their full potential in their work. Happy Computers' mission is to provide the highest quality training in the UK, creating standards which others follow.

To this end we will actively develop new training approaches, and other ways to help people learn, to enable all students to overcome easily any obstacles and be able to learn quickly and enjoyably.

Empower Our People

People are our greatest asset at Happy Computers. We have a responsibility for their training and for their personal growth while they are working with us. We will always look for ways to enable people to push back their personal limits and to reach their full potential.

If we treat our people excellently then we will receive excellent work in return.

Excellence in Everything We Do

We must strive to ensure that everything we do, we do excellently. We always look to provide the best possible service. This means that, however satisfied our customers, we must never be complacent. We must always ask how things could be better.

If we cannot provide a truly excellent service, then Happy Computers should not be providing that service at all.

The Customer

The customer is the whole reason for our existence and their needs must come before our convenience. We must listen carefully to all our customers and strive to find out (and to find new ways to find out) what they need and how we can help them.

If we cannot serve our customers better than our competitors (or at the same level for a lower price) then we should not be providing that particular service.

Innovation: Go Make Mistakes!

We must look for innovation in everything we do at Happy Computers – and particularly in the training process. Most people have lost much of their inherent capacity and eagerness to learn. A core element of Happy Computer's mission is to find new ways to enable people to regain that capacity and that eagerness.

Table 5.1 Mission and values

Experimenting and innovation are crucial in this process. We must try out new ways of doing things and celebrate the mistakes we make along the way.

Have Fun!

We are in the business of empowering people and helping them to learn new skills. That is a challenging, but potentially very enjoyable experience. We must take delight in the process, including the obstacles and blockages which appear to get in the way. Relax and have fun.

Table 5.1 (Continued)

Small is beautiful

Happy Computers is a small business, and we might question its ability to scale its highly personal approach as the business grows. A concern for personal responsibility and a learning style is the hallmark of small, creative teams such as design agencies – the closest analogue of Happy in terms of corporate style and values. Can an organisation of a hundred or a thousand souls still roll with a culture that celebrates mistakes, or does it need tighter control – a greater reliance on rigid structures? Stewart believes that large monolithic organisations are unlikely to succeed in the long term, but that the style of Happy Computers can be applied at any sensible human scale. He finds inspiration in Ricardo Semler, the CEO or ‘Counsellor’ of Brazilian company Semco and author of *Maverick!: The Success Story Behind the World’s Most Unusual Workplace* (Random House, 2001). Semco is a ‘natural business’ with a participatory management style. Full people empowerment includes the embracing of decisions a traditional CEO figure might disagree with. This kind of total involvement throughout the company retains the attributes of ‘smallness’ without imposing limits to growth. And just as Happy Computers can deliver learning to large numbers of people through deliberately small classes, so organisations can grow as collections of small groups.

A great place to work

The success of Happy Computers clearly owes as much to its values, work style and continuously renewed commitment to learning as its

technical delivery skills. The contribution of its beliefs and culture is indeed so central to the company's capabilities that these aspects have become the foundation of a new offering. Happy is developing a 'soft skills' business known as Happy People. This service will help people to create organisations that are 'great places to work', in Stewart's phrase. This does not just mean creating organisations where people look forward to coming to work – although that is an important goal. There are sound commercial benefits on offer too. For example, the theme of relaxing to enable excellence finds further practical application in Stewart's observations of why many companies fail in their objectives: 'Most companies do know what their customers want, but they put processes in the way that stop it happening.'

Happy has always had the habit of sharing its approach, evangelising its values through organisations such as Inside UK Enterprise (IUKE), a service of Business Link. IUKE gives people the opportunity to visit selected companies or 'hosts' to learn how they manage their businesses. Each host runs a series of one-day sessions, which include presentations, discussions, site tours and a networking lunch. Happy's programme as a IUKE host includes a session on 'Great customer service': 'The first principle of great customer service is "treat your customers as you would want to be treated". The second principle is "don't treat your customer as you would not want to be treated". It is a novel and challenging approach that stems characteristically from Happy's experiences of creating and delivering excellent customer service. The seemingly paradoxical principles lead directly to practical matters – in particular, the ability to recognise what differentiates great service from normal service. Happy's IUKE programme also includes a session on 'Creating a great place to work', which again focuses on practical actions and features a checklist of 22 steps organisations can take.

People are hired and promoted within Happy using straightforward rules that ensure the best match between business requirements and team members. 'We believe if you're promoted to managing people it should be because you're good at managing people – which seems radical,' says Stewart. Managers are in fact termed 'co-ordinators', and their responsibility is to look after the development of the people in their care, rather than direct their activities. Co-ordinators are, therefore, selected on their coaching and nurturing skills rather than technical abilities.

The same kind of strong distinction is at work in the company's recruitment policy. Stewart is proud that Happy has never put a qualification requirement into a recruitment advertisement. 'If you really mean to hire people according to their attitude, then you should

never put discriminatory things like “graduate” in your advertisements. That’s shorthand for something else,’ says Stewart.

Community work

It has long been fashionable for commercial organisations to make contributions to the community, though the taint of tokenism inevitably attaches to those companies who communicate their efforts too piously. The public often assumes that corporate charitable programmes are ‘clean hands’ operations, where the company writes a cheque to a worthy cause and then basks in a virtuous glow. This is generally an unfair assumption, since corporate donors are increasingly aware of the internal benefits of genuine contact with the causes they support as opposed to lip-service payments. Happy Computers’ community involvement is typically hands-on. The company gives away around 25 per cent of its profits every year – an exceptional figure for any organisation, let alone one that does not have any obvious social or moral deficit to make up in the community which hosts it. Every member of staff can nominate a cause for a £75 donation, and the company stocks a timebank of 100 person-days per year for special projects. In 2002, two Happy team members spent a month teaching IT trainers in Uganda, and a similar project took place in Cambodia in 2003 and Nigeria at the beginning of 2004.

Stewart firmly believes that voluntary work brings many benefits to the company as well as to the clients served by each project. People who contribute to the voluntary work scheme derive great energy from it, and their experiences help to build rounded and committed individuals with a strong sense of self. There is a direct effect on skills as well, since team members who volunteer put themselves outside their usual settings. Of course, Happy would not be happy if it forced its people to do voluntary work. However, even among those who choose not to volunteer, there is a clear sense of pride at being in a company that whole-heartedly supports voluntary activities.

Conclusion

Happy’s development work with IT trainers abroad echoes its core learning principles. These principles centre around involvement.

As the company's website puts it: 'Tell me and I forget. Show me and I remember. Involve me and I understand.' The aim of the learning approach is to get people acting for themselves. The sooner they can take responsibility for their own learning, the faster, deeper and more enjoyable their learning experience will be. It is worth noting that Happy's emphasis is very much on *learning* rather than *teaching*. Learning is something we do ourselves, with help and guidance, whereas teaching is something somebody else attempts to do to us. There is little doubt which emphasis produces the best results.

Happy also knows that learning is a journey of discovery. As a company, it is still learning how best to help its customers learn, and it confidently expects this to be a lifelong – and Happy – process. Meanwhile, the values of the company and the techniques it has developed to foster and communicate those values may help to create a new family of Happy companies. Just as the 'Easy' prefix has become a recognised brand in the consumer arena, indicating innovative approaches to providing traditionally upscale resources such as airline flights or cinema tickets, so 'Happy' may come to signify service excellence across a range of vertical markets. That would be one way for the Happy family to grow in line with its people-centred principles, while sharing its discoveries and methods with an ever-widening customer base. And maybe one day all organisations will be proud to stand for happiness as well as quality, value and service.

CragRats

CragRats

Introduction

On 30 August 2001, the audience gathered at the Savoy for the annual ceremony of the Unisys/Management Today Service Excellence Awards and waited with baited breath to learn who would take the coveted prize for the year's Overall Winner. The name read out to enthusiastic applause was not one of the large national companies

or household brands present that day; instead it was CragRats, a business founded 10 years earlier by a pair of former schoolteachers, and specialising in the use of theatre for communication and training. The Yorkshire-based company's submission had been in sharp contrast to many of the other leading contenders: where the others used systems, processes and reams of data to demonstrate the quality of their service, CragRats' strengths appeared to be founded in an altogether more natural and intuitive relationship with both customers and staff. But this is just one of the many ways in which CragRats has shirked convention. For this is an arts company that operates without subsidy and is run as a profitable commercial enterprise; it is a business set up without anything recognisable as a business plan, without investors or advisers; and CragRats has also invented its own market without recourse to market research, yet with a surefooted instinct that seems to defy many of the rules in the marketing textbooks. The pressing question for many who have first-hand experience of CragRats is whether the lessons it provides can be readily taken on board in larger organisations.

Starting out

CragRats was founded by Dave Bradley and Mark Greenop, who met as teachers at Hemsworth High School in West Yorkshire at the start of the 1980s. Both were highly successful in their school careers: the former was promoted to head of humanities and the latter became head of the creative faculty. Among their common interests they shared a love of climbing which provided an opportunity to take students on expeditions outside the school. It was during a climbing weekend in the Lake District in 1989, when Bradley and Greenop were holed up by rain on a boat on Derwent Water, that they started talking seriously about leaving education and starting a business for the first time. Something like 150 ideas were written down on a piece of paper, but the two reached no firm conclusion about the nature of the business they would start. What they did articulate, however, were some strong statements about the values that would be enshrined in the business.

These included:

- We wanted everyone who worked for us to grow and be as fully developed as they wanted to be.

- We wanted to have fun.
- We believed that the only way you can do anything valuable is where there is a sense of beauty, a sense of purpose. So that was the aesthetic: to make a difference.
- We wanted an entirely social collaborative team environment: all for one and one for all.

It remains a point of pride to CragRats that these values came before deciding what the company would actually do. The founders believed that if they had the right ethos, their staff would live it and would in turn communicate it to their customers, and that this was the essential foundation for a successful enterprise.

The direction of the business came about in part through accident. A former colleague had left teaching to work for one of the Government's Training and Enterprise Councils (TEC) in Barnsley and was looking for a way to inform impending school leavers about the Compact Initiative, a scheme in which year 10 students would make a series of commitments such as timekeeping, homework and good behaviour that would make them more attractive to employers. In return they would be guaranteed interviews when they left school. Greenop wrote a short play to sell the Compact Initiative to the students and their parents. There was no budget to hire actors: he and Bradley played all the parts. At the end of the performance, students could sign up, and the results were so successful in all the schools where CragRats put on its inaugural production that word quickly got around. The education and business partnership in Newcastle was looking for a way to communicate careers advice to schoolchildren. It signed CragRats for a tour of 70 schools. Initially, the business was run on a part-time basis, with both Bradley and Greenop continuing to teach. Actors were auditioned for the Tyneside tour, and by the end of 1991, the founders had given up their day jobs and set themselves up with a fax machine in some converted pig-sties at Greenop's farmhouse. They also took on their first full-time employee.

Bradley learned the rudiments of running a business by attending more than 30 business development courses sponsored by the Dti. One that left a deep impression was on 'how to become a millionaire'. 'The second night we were told a golden rule: find a niche market and dominate it. Our niche market soon became the TECs.' CragRats stumbled into this market without any market research. The original intention had been to work for the corporate sector, but when the TECs and other quasi-public sector clients came along, they were warmly embraced. As to using theatre as a communications tool, the

nearest precedent was to be found in educational theatre companies, heavily dependent upon subsidies, which had mainly disappeared when their grants were cut by the Conservative government. The idea of a performing theatre company operating on purely commercial lines was a novel one.

Video Arts, the video training company set up by John Cleese, had demonstrated that there was a market for alternatives to flipcharts and PowerPoint presentations in communication and training. But Greenop and Bradley believed that as a two-dimensional medium, video's power to communicate was limited. By performing to their audiences in person, they believed they could truly engage their hearts and minds. Neither of them ever doubted that it would work, they say. This confidence was born in part from their experience of using drama in school and elsewhere. 'I'd been doing similar stuff during my sabbatical with the New York Police Department, on how they treated people in the Bronx, and I knew it worked,' says Greenop. But their climbing and outdoor activities had also invested the pair with a powerful sense of self-belief in their ability to make things work.

Growing the business

From modest beginnings – turnover was £7000 in year one – CragRats grew rapidly and had sales of £100,000 after 4 years. There was little need for advertising or the other marketing skills that Bradley had learned on evening courses, the work 'just came in' with corporate clients soon joining the TECs and other public sector bodies. In 1996, CragRats moved into a new headquarters, a former mill in the Yorkshire town of Holmfirth. The five-storey building was purchased for just £70,000, and extensive work was carried out on renovation and conversion. For the first time CragRats had to borrow money. The business had been entirely self-funding until this point, and for the first three years the founders did not even take out a salary.

In 1998, a theatre and cafe-bar were opened on the ground floor. The theatre acts as a touring venue for small-scale drama, music, dance and comedy, including an extremely popular Christmas pantomime; it can also be hired out. The cafe-bar attracts the local community and serves as an in-house meeting place. It also led CragRats to diversify in 2000 into corporate catering. More recently, CragRats

bought a nearby country house to provide better accommodation for actors. From its initial concept of providing bespoke theatre-based presentation, CragRats has developed a series of brands – Action Training, Conferencing, Event Management, Digital Media production, Production, Careers Education, Entertainment, ReAct (issues for young people), Theatre and Corporate Catering. The company employed 44 people full-time and 10 part-time in December 2001, with turnover expected to reach £3.6 million during the financial year. It has also become a significant employer of actors – who are self-employed – with up to 150 on tour for CragRats at any one time.

Service with a spine

From the outset, there has been a philosophy at CragRats that if its own people understand the values that the company stands for, they will live these values and will in turn communicate them to customers. In practice, there is no specific training on customer service. The company depends heavily upon ‘recruiting for attitude’ which means that it is vital to select those who demonstrate the right level of commitment in the first instance. At the heart of the CragRats philosophy is a belief that real customer care comes from allowing people to be themselves, rather than presenting them with scripts or even a prescribed tone for communication. This is summed up as: ‘We simply treat people the way we’d like to be treated on the phone.’

Staff work in a closely-knit open plan environment and are expected to provide feedback to each other if one of them is doing something wrong. In gauging customer satisfaction, there is less emphasis on measurement – albeit more than 250,000 customer evaluations are collected each year – than on obtaining qualitative feedback. Every client is telephoned after the event in order to get feedback. CragRats’ people are encouraged to be honest and direct with their customers. As Greenop puts it: ‘You have to be direct with your customers, sometimes tell them: that’s crap. Sometimes you have to be brutal with them. It’s about honesty. You have to say “trust me” when clients are nervous.’ Equally, though, one of the company’s philosophies is ‘to encourage self-esteem of those who work for and with CragRats’. Fortright interaction, in other words, must be constructive in its nature.

The notion that some customers are more equal than others gains little support at CragRats. The ethos is to always do the best, whoever

the customer is. An example is given of a relatively junior training manager at BT who recommended CragRats to his superiors, landing them with their biggest single piece of business, the BT FutureTalk project. This is summed up as: 'the person in front of you is always the most important'. CragRats also has a strategic view that it is important to give extra value – to deliver more than the customer has signed up for. In part this stems from a desire to challenge clients, to push them further than they are comfortable with. But it also has a sound commercial basis, since it makes it harder for anybody to compete with CragRats.

To be a CragRat

At CragRats there is a well-established notion that somebody either is, or is not, 'a CragRat'. This seems to be largely intuitive, although there are some tangible characteristics that are sought. 'They have got to have respect, belief and passion. They've got to want to progress,' says Greenop. In other words, CragRats are expected to be self-reliant, to engage fully with their work, and to have a level of ambition – even if that is not necessarily along conventional career lines. An example of someone who is not a CragRat is an actor who refuses to join with other members of the team in unloading the van and other assorted tasks on the road. In fact, flexibility and absence of demarcation are hallmarks of employment at the company. Employees sign a contract which, along with outlining their basic duties, adds '... and anything else'. On one occasion, the entire office was closed so that everybody could help out at an event being staged for Cadbury's; on another, staff and managers dropped their work to stuff envelopes for an urgent mailshot to schools.

The founders are nevertheless adamant that there is not a single template for a CragRat. Some employees are noticeably extrovert, others much less so. The philosophy is that they should be allowed to be themselves – so long as they adhere to the company's values. The aim is to pick the right people at the recruitment stage, but all employees face a three-month trial period, and managers do occasionally get it wrong. However, turnover of staff is reported as 'extremely low' less than one per cent annually.

CragRats places a strong emphasis on empowerment for its regular employees too, which extends not just to making decisions, but to how they organise their work. For example, there are virtually no

regular scheduled meetings; most tend to 'just happen', often in the kitchen. If two people have a problem with each other, they are expected to sort it out between themselves, rather than approach a manager. The approach is not so much laissez faire as one of self-reliance, and stems from a belief that in order to learn, people have to make their own mistakes – although not to the cost of a customer. And it is not inconsistent with discipline. A small number of employees have been sacked: a chef who failed to turn up for an assignment; an actor who smoked cannabis during a tour; and an actor who could not learn his lines. Any misconduct that risks damaging the CragRats brand is treated very seriously, particularly because of the link with schools. Support is provided in a number of ways. A buddy system has been introduced, so that every member of staff has an opposite number who can do their job if they are away or sick. It is recognised that some mentoring – or intensive supervision – is needed, especially where somebody has taken on a new job where a new skill set is required. People tend to learn on the job rather than being sent on external courses, but CragRats encourages those taking external qualifications, and does hold occasional 'company days' where everybody works on issues together. Staff congregate in the cafe-bar after work, but there is little in the way of regimented socialising.

It is not the money

The strategy regarding reward is to focus on providing an environment in which people are fulfilled, rather than offering financial incentives. Pay and conditions for actors are above the levels required by the actors' union, Equity, and include free accommodation – in a recently acquired country house – as well as a commitment to pay wages at the end of each week (in contrast to other employers in a sector renowned for late payment). Paradoxically, many of the salaried employees earn less than they could elsewhere; quite a few have left much higher paying jobs to work for CragRats. This appears to vindicate the assertion that money is not the main motivator for employees. They are not offered other financial incentives such as bonuses, profit share or share options, in the belief that this would prove 'divisive' and would distract from the team ethos. This state of affairs is probably accepted by employees because the two owners of CragRats lead by example, reinvesting profits in the company and leading a relatively unostentatious lifestyle.

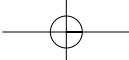
Reward also comes in other forms at CragRats: through being engaged in work, and caring about it, rather than just doing a job; through working in an environment with a palpable buzz about it; and through being able to realise potential as an individual. One of the outstanding characteristics of CragRats is the way that people have been allowed to move into jobs that they wanted to do, when other companies would have ruled them out because of lack of experience or the 'wrong' background. For instance, one employee, Rob Machon, came in to do some plastering work, and persuaded Bradley and Greenop to let him run the cafe-bar at its inception, through dint of his enthusiasm. He is now general manager. Another employee who left school at 15 to run a milk round is now in charge of the company's accounts. Everybody is asked on a regular basis if they are happy with what they are doing, or whether they want to move to a different job.

CragRats also has an unconventional take on recognition. There is no 'employee of the month' scheme, no material awards of cash or vouchers as many companies practise. Instead, recognition consists of people being simply thanked for outstanding efforts.

Directors and managers attempt to speak to each member of staff at length every week, so that they know when recognition is deserved and praise can be given. Nobody has to wait for their annual appraisal. The founders of CragRats were in fact resistant to the idea of having a formal appraisal, and only agreed to do so when staff asked for it. Now, employees are set individual targets at their appraisal, but these may be more personal and less conventional than in many other companies: for example to keep your hair cut tidily or to be aware of the fact that others find you intimidating.

Just do it

Since the company's inception, there has been only minimal reliance upon formal business plans, and although each brand team does have an ongoing plan, with budgets and targets, the accent is on flexibility and it is subject to constant revision. The directors of the business take the view that a rigid business plan serves little purpose as it is almost certain to prove wrong and is, therefore, a hostage to fortune. By the same token, new ventures have been approached in an ad hoc fashion, rather than through in-depth market research and feasibility studies. CragRats has been able to do this because of its financial



solvency; with no need to borrow money, it has been able to proceed without the need to make a carefully argued business plan. New ventures seem to have relied upon a combination of factors: intuition, closeness to customers and expediency. The cafe-bar was conceived because there was a vacant space on the ground floor of the building. The idea to move into corporate catering came from the cafe-bar's manager, who suggested: 'We've got great food, let's sell it to some of these companies'. But it was also underpinned by the knowledge that some clients were looking for food to go with their events.

There is a discernible tension between Greenop's desire to act with spontaneity – summed up by the motto 'just do it' – and Bradley's instinct to take a more controlled approach. The two seem to be finely balanced, with CragRats managing to remain creative and dynamic, at the same time as being able to pay out up to £45,000 a week in wages, without encountering cash flow problems.

The future

CragRats clearly faces a number of key issues in the next few years. At its current level of growth, it will outgrow its existing premises fairly quickly, and have to decide whether to remain on a single site, or whether to move to a number of sites. This will also have a knock-on effect on the way the business is currently run. As the company grows larger, it is hard to see how the short lines of communication and the personal interaction between directors and individual members of staff will be sustainable.

The two founders have inevitably begun to take more of a back seat with respect to the day-to-day running of CragRats, and are focusing much more on innovation. Their vision for the future includes a 'CragRats Resort' including theatre, conference, restaurant, hotel and other facilities all under a single roof, and encapsulating the CragRats culture. In this vision, which they hope to realise within the next five years, CragRats would be seen as a way of finding meaning, and obtaining complete enrichment. The values first hatched on a boat in the Lake District back in 1989 have already achieved a great deal; just how much further they can go remains to be seen.

