Using the Power of Purpose
(How to overcome bureaucracy and achieve extraordinary business success)
A very brief synopsis

To survive and prosper in the future, any company with more than ten employee must understand and address three major issues facing it today. First is the coming labor shortage as the Baby Boomer generation leaves the work force. Generations X and Y that will replace the Boomers, have a birth rate that is 800,000 per year less than the Boomer generation. That is 20% less and means that for every five Boomers that retire, there will only be four generation X or Yers to replace them. This shortage will begin soon and continue for the next seventeen years. As the labor shortage sets in, there will be fierce competition between companies to attract *and retain* the few Generation X & Y employees available which is the second issue. This will be compounded by the unique characteristics of these generations. As a group, these two generations:

- Do not trust business or government
- Do not respect authority
- Are loyal to people, but not loyal to companies
- Are independent with a get off my back attitude
- Have definite ideas on how they want to be managed and won't accept it any other way
- Demand balance between their professional and personal life
- Do not fear losing a job

Because of these and other characteristics, if these generations become unhappy with the job or management, they will simply quit. Therefore, employers must find a way to create a work environment that is attractive to these generations if they want to be successful.

The third issue is the arrival of the Information Age. It is the arrival of the Information Age that has made the Bureaucratic Management System that virtually every company uses today, obsolete. Yes, that's right, obsolete and also inefficient. A little history will make this clear. Prior to the arrival of the industrial age in approximately 1840, the management system that was used by owners of companies was the Autocratic Management System. During this time, most companies were single proprietorships or partnerships with no more than 10 to 15 employees. Almost all production was done with manual labor or animal power. In this environment (which lasted about 12,000 years), the owners could manage it by themselves, and they did. Then, with the arrival of the industrial age that all changed. The industrial age brought the coal powered steam engine which in turn powered high output industrial equipment and also the steam powered railroad system. It also brought the telegraph. With these new technologies, it was possible for the first time in man's history to produce a large amount of product at a single location, distribute that product over a large geography, and control the entire organization from a central site using the trains and telegraph for high speed communications. This meant that companies could now employee hundreds or even thousands of people. In this environment, the owners could no longer manage the company themselves, so professional, salaried managers were hired by the owners to assist them. These changes required a new management system to support the new business environment. That new management system evolved between 1850 and 1920 when it reached its final form. Today we know that new management system as the Bureaucratic Management System. This is a management by control system that is fear driven.

Fear is used to keep the employees in line. So it was the rash of new technologies of the industrial age that changed the business environment so much that it made the Autocratic Management System obsolete, and it required that a new management system be developed.

It is the arrival of the information age that has made the Bureaucratic Management System obsolete and it is now time to move to a new management system that meets the needs of today's Information Age business environment. To understand why this is true, a comparison between the business environment during the industrial age and today's business environment will be helpful. During the industrial age, the business environment had the following characteristics:

- The market place power was held by the producer
- The knowledge power base was held by management
- Increasing productivity was achieved via new industrial machines
- Jobs were simple, using mostly hand tools
- The rate of change was relatively slow.

Today however, all of that has changed. There has been a 180 degree shift in the business environment from the industrial age to now. Today, the business environment has the following characteristics:

- The market place power is held by the customer
- The knowledge power base is held by the employee
- The key to increasing productivity is the utilization of knowledge and brainpower
- Jobs are complex because of the high knowledge and information content
- The rate of change is relatively fast

A quick comparison of the two sets of characteristics makes the 180 shift clear. In the Industrial Age, the customer traveled by foot or horse to the nearest general store and had to take what was offered or do without. Today however, the customer has worldwide choices from the comfort of their own home and therefore, has the market place power. This shift is graphically represented in figures 1 & 2.

Industrial Age

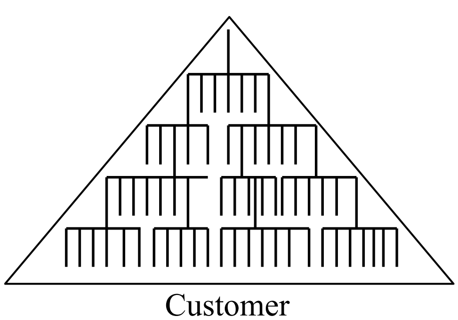

Figure 1.

Information Age

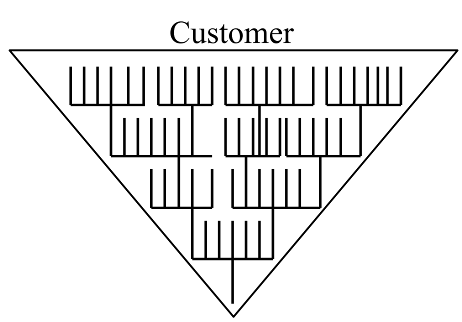

Figure 2

In the first figure, the customer is at the bottom of the hierarchical pyramid structure of the Bureaucratic Management System next to the front line employees who serve them. In the second figure however, everything has changed. Now the customer is at the top showing their market place power. This means that in order for the front line employees to remain next to the customer, that the pyramid must be inverted, a 180 shift. This changes everything and graphically shows just how out of step the current Bureaucratic business model is with today's business environment.

Also, the knowledge power base has shifted from management to the employees for several reasons. First, during the Industrial Age, management was the only ones who were educated and knew how to execute the more complex industrial processes. As late as 1903, only six percent of the labor force could even read. Today however, the work force is highly educated. Also, with the information age, there has been dramatic increase in the rate of change and an explosion of new information. Research shows that 90% of all the information we have today, in the history of man kind, has been created in the last fifteen years. That is expected to double in the next five years. Also, during the Industrial Age, the cost of a product was 80% materials and 20% knowledge. Today, that has shifted to 30% materials and 70% knowledge. Because of this information explosion and the associated increased rate of change, management simply can not keep up with it. They can not absorb all of the information. There is too much information and too many new things to learn all of the time. Only the employees have any change of keeping up. Because of this, managers are no longer in a position to tell employees how the work is to be done, because they no longer know in many cases. Only the employees know.

The Bureaucratic Management system is comprised of four subsystems. These are the leadership, management, measurement and performance evaluation/compensation systems. These four sub system are so tightly integrated, that it is next to impossible to change one of them without changing all of them. In deciding if we are going to change, there are two questions that must be answered. First, what needs to be changed and why? Second, if we are going to change, what do we change to and why? Without answers to these questions, we need go no further.

<u>The first question: What do we need to change and why?</u>

Leadership. Under the current business model, the role of the leadership is to direct and control all employees below that persons level in the organization. This is graphically represented in the figure 1. This control of the employees is achieved through the use of fear (losing one's job if they do not perform/conform). Under the new business model however, the leadership shifts from a control through fear mode to a support through trust mode similar to what some describe as a servant leadership model. This change is dictated by the inversion of the pyramid and other factors to be described later.

Management.

The management system today is based on the hierarchical pyramid structure previously shown. However, there are some very negative and inefficient aspects of the current management system that come into play as information moves up and down within the hierarchical structure.

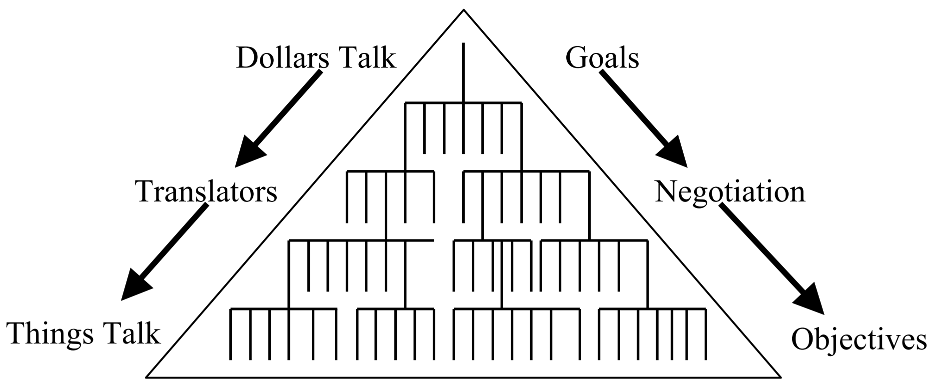

Figure 3.

Looking at the left side of figure 3, at the top of the organization, the senior management talks in financial terms, or dollars talk. The employees at the bottom talk in terms of the things that they do, or things talk. As the information flows from the top of the organization to the bottom of the organization, the middle management must translate the dollars talk into the things talk. As a result of the information flowing down through multiple layers and also the translation from dollars to things talk, the goals and objectives of the employees at the bottom have very little in common with the goals and objectives of senior management at the top. They are not on the same page. They have very different goals and personal interest. Therefore they are not working as a team and do not have common goals. For example, a Harris Interactive Survey shows that only four out of ten employees know what the company goals are, and even worse, only two out of ten employees care about those goals. The right side of the above figure shows another major problem with this model. Each year, the senior management sets the goals for the coming year. These goals then flow down the organizational structure and become fixed numeric objectives in the performance plans of the employees. However, an interesting thing happens during this process. The middle management does their best to negotiate a safe goal, one they KNOW THEY CAN ACHIEVE! By definition then, it is low, non-aggressive, mediocre goal. Then, they achieve the goal, BUT JUST BARELY! Why would they do this? Because if the miss their goal, they know that their jobs and the financial security for their family is at risk. After all, that is why the managers are in place, to ensure that the goals are achieved. If the senior management could make the goals without the middle managers, they would not need them or the added expense. Also, if they greatly exceed the goal, then the goal will be raised significantly in the coming year putting them at risk of not making the goal and losing their job. So the game is clear. Negotiate a safe goal, and then exceed it, but just barely. Consequently, the organization has locked in average or below average performance because once the goal is achieved, everyone shuts down production, celebrates and waits for the next year. They know how the game is played.

There is a second negative aspect of the hierarchical pyramid that comes into play as the information flows in the opposite direction, from the bottom to the top. This is known as the pyramid of truth.

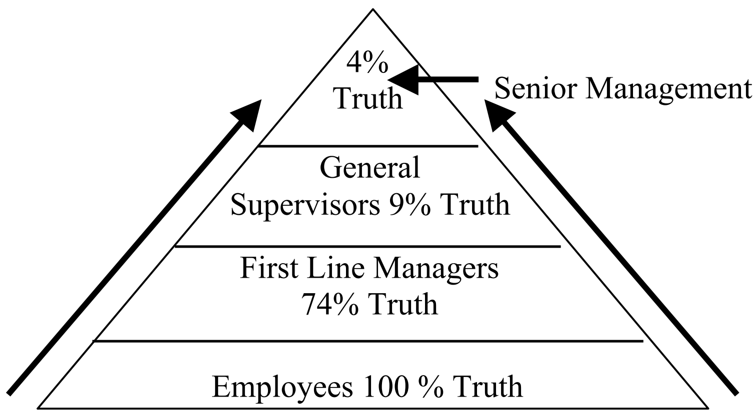

Figure 4.

At the bottom of the pyramid the employees doing the work know 100% of the truth. They know if project is on schedule or not and they know what the problems are. However, since managements blames them for most problems, they are afraid to tell management the bad news so they hide 24% of the bad news (truth) from their immediate manager. As the information proceeds up through the levels of the organization, each level will minimize the degree of the problem believing that the lower level is just being too conservative, not being aggressive enough and thinking that with enough effort, things will get back on schedule. By the time the information reaches the senior executives, only 4% of the bad news remains. The rest has been either white washed or diluted out of the end information. That is why the employees can not understand why senior management keeps making such dumb and stupid decisions! It is not because senior management is dumb or stupid. It is because senior management does not know what the truth is, and now you know why.

As long as the goals set out by management are being achieved, everyone is happy. It is only when the goals are not being achieved that the negative aspects of this management system reveal themselves. When the goals are not being achieved, the first thing that management might do is to implement some type of contest or financial incentive for the employees to improve performance. When that fails to produce the desires results, the next phase is to start the blame game. Management will blame others (employees, competition, other departments, the economy, etc) for the poor performance and while this is going on, they will also start CYA activities just in case the blame game is not successful. While these activities are going on, if senior management then applies enough pressure to make the numbers, then other things will happen. The numbers will be manipulated and employees will begin to withhold information from others because information is viewed as power. This will lead to peer mistrust because in this environment, the employees do not know who or what to believe. Finally, when a company has reached this stage, the work environment will become very political and the only way one employee can influence another employee is through coercion and threat. What started this sequence of events? Not making the fixed numeric objectives!

The management operating with this business model with the number one objective being profit (or as some managers say, to maximize shareholder wealth), they will prioritize the constituencies of the company as follows:

1. Stockholders (Profit)
2. Management
3. Customers
4. Business Partners
5. Community
6. Employees
7. The Environment

With this set of priorities, management will consistently make short term decisions to protect short term profits. They will do this even if they have to do so at the expense of the customers, employees or the long term viability of the company. Over time, decision after decision for short term profits while sacrificing the interest of the customers and employees will create a negative feedback loop which will manifest itself in low customer and employee satisfaction. This will in turn result in no better than average financial performance by the company and in the long term may drive the company out of business.

Measurements.

The accounting based measurement system used in the Industrial Age business is very simple, and also very damaging. It works like this. A numeric objective is given to the employee. If the employee meets or exceeds the objective, that (and the employee) is good. If the employee does not meet the objective, that (and the employee) is bad. So what is the problem? There are lots of problems but only three will be addressed here. First, this type of measurement system ensures mediocrity. In setting the goals, management must set the goals so that something over 80% of the goals can be achieved. If this is not done, then management has a big problem. For example if only 30 or 40% of the goals are achieved then management must either tell 60 or 70% of the employees that they are bad, or change the objectives. In this case, management will usually change the objectives (and their own in the process) so they do not have to deal with letting 60 or 70% of the employees go. When this happens, the measurement system loses all integrity. Also, by setting the objectives low enough that most people can exceed them, they are by definition then mediocre or below average. Second, even though the objectives are annual objectives, because management does not trust the employees, they will divide the annual objective by 12 to get a monthly objective so they can check on the employees every month. As a result, the company will have a short term focus (one month or less) which makes long term decision making (which may be necessary for survival) difficult if not impossible. Third, this measurement system destroys teamwork. That is because each employee is forced to focus on achieving their own personal objectives even if they have to do so at the expense of their department, the company or the customer. They have no choice and teamwork is finished. Their job and the financial security of their family is at stake.

Compensation and Performance Evaluation.

Compensation within the industrial age business model has two major issues. First, it has a high correlation with the level of the job within the organization. The higher the level of the person, the greater the compensation. It is not necessarily tied to a persons value to the company, just their level within the organization. Second, in most cases, the compensation is not tied to productivity. A person can work really hard, or slack off, and at the end of the pay period, they will receive the same pay check regardless.

The first problem with the performance evaluation system is that it is primarily based on numeric objectives. Regardless of what is said or done, numeric objectives are the primary determinant in the employee evaluation process. There are two problems with the objectives. First is the objective setting process. Management guesses, projects, estimates (pick your preference) what the objective should be. However, the actual attainment can easily be 20% higher or lower due to what is known as normal variation. In the real world, anything that is measured on a continuing basis will show a normal range of variation. Up, down, down, up, etc. When the employee evaluation takes place, the employee may have achieved only 85, 90 or 95% of the objective. This then will be determined by management to be unsatisfactory performance and the employee will be told that they are below average, that their performance is unacceptable, and that they may lose their job if they do not improve things, even though it falls within the normal range of variation. The employee is devastated, depressed, demoralized and their productivity goes into the tank! An evaluation like this is totally unjustified and not rational. For example, look at Joe the salesman who sells widgets. What determines how many widgets Joe will sell? The price of the widgets, the economy, the competition, Joes sales territory, customer support, the warranty, etc. These and many more factors all play a role in determining how many widgets Joe will sell in a year. These factors will introduce a normal range of variation in each month’s attainment. Also, Joe has no control over any of these factors and yet he is held totally responsible for them. This is totally irrational and does not recognize the normal variation in the real world.

The second problem is that this type of performance evaluation system ensures mediocre performance by the company and it makes true teamwork nearly impossible. As pointed out in the measurements section, the objectives are set at an average or below average level. Then when the objective is achieved, the employees will shut down production to protect themselves from higher objectives (which may be unachievable) in the future. This ensures that the company will only achieve an average level of performance. Teamwork is nearly impossible because each employee must focus on their individual objectives and also because the employees have different goals than the management. Teamwork requires two basic items. First, a common goal. Second, the team members must trust each other. Under this business model, there are not common goals as was clearly shown by the Harris Interactive data, and the business model is based on control that is fear driven, not trust driven. This low level of trust is compounded by the fact that Generations X & Y naturally do not trust management. Their trust must be earned which is very difficult to do when the business model is fear driven.

In summary, all four systems of the Industrial Age business model must be changed to overcome the many issues previously described and many more issues not addressed here. A new business model must be created that addresses all of these issues and that meets the needs of the information age business environment. It must also create a work environment that is attractive to Generations X & Y.

The new Information Age Business Model

The new Information Age Business model is the result of over 20 years of research and the analysis of more than 70 companies in five categories:

- The most profitable companies
- The most productive companies
- The companies who have shown sustained high levels of performance
- The companies that transitioned from average to outstanding performance
- The companies that have the highest customer loyalty

The stock of the publicly held companies in these categories out performed their peer/comparison companies by a factor of about six to one. That's right, six times better. The research further shows that the high performing companies in all five categories have two things in common that explains this six times higher level of performance. First, all of the high performing companies are purpose driven companies, not profit driven companies. What is a profit driven company? A company can have only one number one objective. That number one objective can be profit, or it can be something beyond profit. A purpose driven company is a company whose number one objective is something beyond profit. For example, Disney is a purpose driven company. Their purpose is to "bring happiness to millions, especially children". That is their number one objective, and that is the company purpose. The second factor that these companies share and capitalize on is trust. They fundamentally trust and empower their employees. So, a new business model must at a minimum incorporate these two fundamental principles. Purpose and trust.

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The New Information Age Business Model

Leadership.

The leadership model for the new business model is commonly known as a level 5 as described by Jim Collins in his book *Good to Great*. Level 5 executives are commonly found as the CEOs of purpose driven companies and they have the following characteristics:

- Modest, humble individuals with a tremendous professional drive
- Treats everyone as equals
- Open, truthful, instills trust
- Thinks long term
- Expects risk taking and mistakes
- Gives others credit for any company success

Management.

The new business model has a completely new structure. It consists of three concentric circles (see a top view in Figure 5). To see the complete business model however, a front view is necessary (see Figure 6).

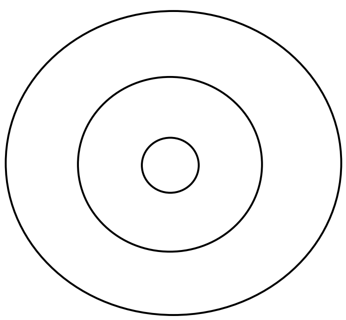

Figure 5 top view.

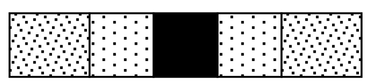

Figure 6 front view.

In looking at the new organizational structure, it is immediately apparent that the hierarchical, multilevel pyramid is gone. The new structure is flat and horizontal. Everyone is on the same level, they are equal and they have no one overseeing them. The top down element has been eliminated. The bedrock or foundation upon which the new model rests is the purpose of the company. The purpose of the company is defined by three statements:

1. Purpose Statement
2. Values Statement
3. Vision Statement

The purpose statement explains why the company exists and gives meaning and purpose to everything that goes on inside the company. It lets everyone know why they do the things they do. The values statement defines for the company how all of the company's constituents will be treated during the conduct of business functions. This includes stockholders, employees, customers, business partners, the community and the environment. Finally, the vision statement describes a future state that the company is striving to achieve. A state that may never be achieved, but is always pursued. A graphical form of the new model is shown in figure 7.

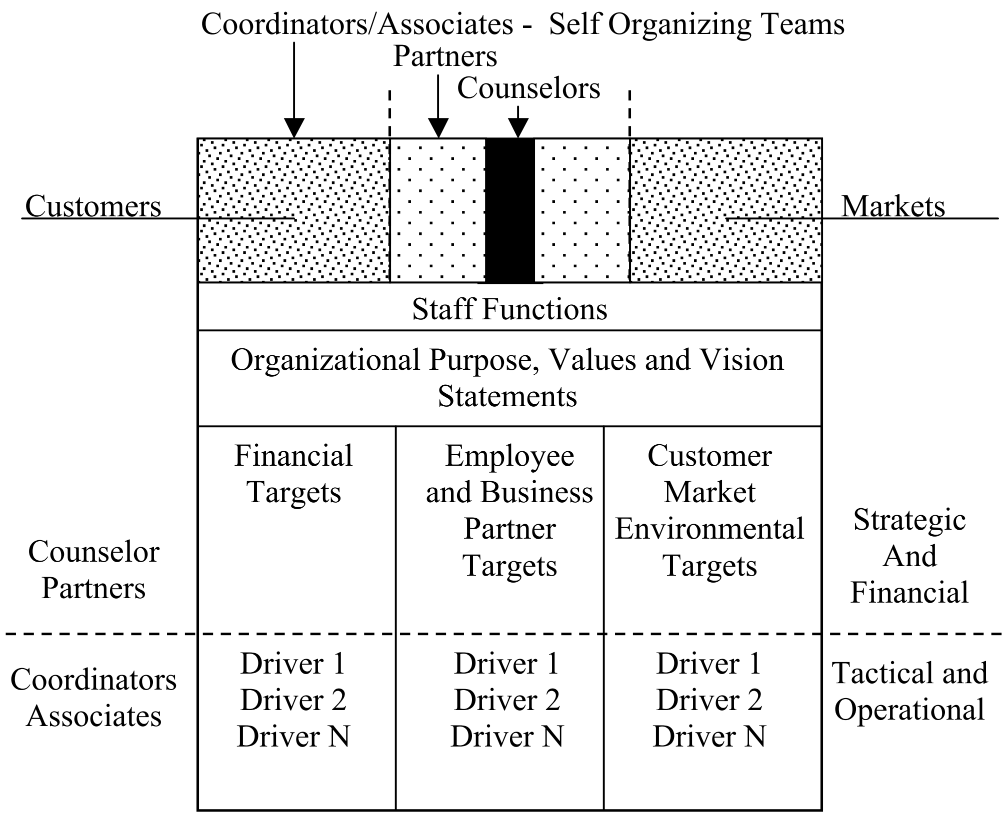

Figure 7.

The black rectangle in the center top represents the inner most circle and is where the executive team resides. Formerly known as the CEO and direct reports, they are now known as Counselors. The next two rectangles labeled Partners is the second circle. The Partners may have had a title of divisional or regional manager in the past. The two outside rectangles is a front view of the third or outside circle. This circle is labeled Coordinators/Associates – Self Organizing Teams. The next rectangle below labeled Staff Functions shows the staff organizations that support all three circles. These are such teams as Information Technology, Human Resources, Legal, etc. The foundation upon which the new organizational structure rests is the three organizational statements (the organizational purpose). Below the organizational purpose statements are rectangles with the target and driver measurements. Separating the targets and drivers is a dotted line. Above that dotted line on the left side are “Counselors and Partners” and on the right side is “Strategic and Financial”. This is to show that the Counselors and Partners are responsible for, and make the Strategic and Financial decisions. They set the targets. Below the dotted line on the left is “Coordinators and Associates” and on the right is “Tactical and Operational”. This is to show that the Self Organizing Teams make the Tactical and Operational decisions. There are also dotted lines separating the two inner circles from the outer circle at the top to show this separation of decision making responsibilities.

The separation and delegation of the tactical and operational decision making is being driven by the information age and this separation is crucial to increasing speed and driving down costs. For example, when you go into a Walmart store and buy x number of items, when you check out, those items are scanned. Where do you think that information goes? You may think that the information goes via Walmarts internal satellite communications to headquarters to the purchasing organization. You might also assume that once the data arrives, that it is accumulated, organized, analyzed and later a purchase order (once approved by management) will be issued to replenish the inventory sold. That would be reasonable to expect, but it would be wrong. For many items, the data is forwarded directly to the supplier who then immediately begins producing or shipping the inventory necessary for replenishment. This symphony goes on 24x7x365. You buy it, and within minutes the supplier has the information and begins replenishment. You buy it, they ship it, you buy it, they ship it. Because of the volume and high speed of the data, management is not in a position to absorb it all, and if they tried to, they would only succeed in slowing the process down and drive up the cost. So, management is left out of the operational decision making process. This type of replenishment does however require a very high level of trust and integration between a company and its suppliers. Without a high level of trust, this could not be accomplished. But with a high level of trust and the delegation of the operational decision making, Walmart has a very fast, cost effective replenishment system.

For each of the self organizing teams, a mission statement is created. This mission statement clearly states what the team is responsible and accountable to improve, increase or enhance. If the team does not improve, increase or enhance anything, then they have no added value and should be disbanded. If the do improve, increase or enhance some number of things, then those things can become driver measurements. Driver measurements are operational measurements such as sales made, money collected, product produced, etc. The driver measurements must then be reviewed to see if they support the attainment of the targets. If they do not, then perhaps this work should be eliminated. If they do support the attainment of one or more of the targets, then they are in alignment and can be considered for use as an organizational driver measurement. The driver measurements must be derivatives of, and in alignment with the targets. The targets must be in alignment and derivatives of the organizational purpose statements. This is how alignment throughout the organization, top to bottom, is created and maintained. After the self organizing teams have their driver measurements in place, then it is their responsibility to make the tactical and operational decisions necessary to produce the highest driver measurement attainment possible. That is their responsibility. Period. However, it is the responsibility of the people in the inner two circles to explain to the people in the outer circle why the driver measurements are important, and there is a special method for doing that. It is called open book management.

Open book management is simple and straight forward. The income statement and balance sheet are presented to the employees each month. The employees are also educated on site so that they can read and understand the income statement and balance sheet. Further, direct links are made between the driver measurements for each self organizing team and line items on the income statement. With open book management in place, the team members can now see and understand how their work is reflected in the financial performance of the company and they can see how their efforts make a direct impact on the company's performance. The employees also understand how profit is generated and wealth is created. With open book management successfully implemented, the associates will make a paradigm shift from the "employee" paradigm to the "owner" paradigm, because they can now think and act like owners.

With the organizational purpose statements as the foundation for the company, the management team operating within the information age business model will assign the following priority to the company's constituencies:

1. Customer
2. Employees
3. Management
4. Business Partners
5. Community
6. Environment
7. Stockholders (Profits)

With this set of priorities, this management team will make long term decisions and focus on satisfying the customers while taking care of the employees. It is interesting to note that just as the information age created a 180 degree shift in the business environment, it has also created an almost 180 degree shift in the priority of the company constituencies by management. The stockholder has fallen from number one to number seven, and the customer and employees have moved from numbers 3 and 6 to numbers 1 and 2 respectively. In looking at the priority of the constituencies, it may be surprising that the seventy companies whose stock out performs their peers by a factor of six to one are doing so even though the stockholders and profits are the seventh priority. How can this be? John Mackey, the CEO of Whole Foods (and one of the companies with the highest customer loyalty) explains it this way.

"Profits are one of the most important goals of any successful business and the investors are one of the most important constituencies of the business. Paradoxically, the best way to maximize profits over the long-term is to <u>not</u> make them the primary goal of the business."

By focusing on the customer and providing customer pleasing goods and services with happy employees, these companies far out perform their competitors.

Measurements.

The new measurement system is based on statistical analysis. After the key driver measurements have been identified, they can be charted on driver performance charts such as the one shown in figure 8.

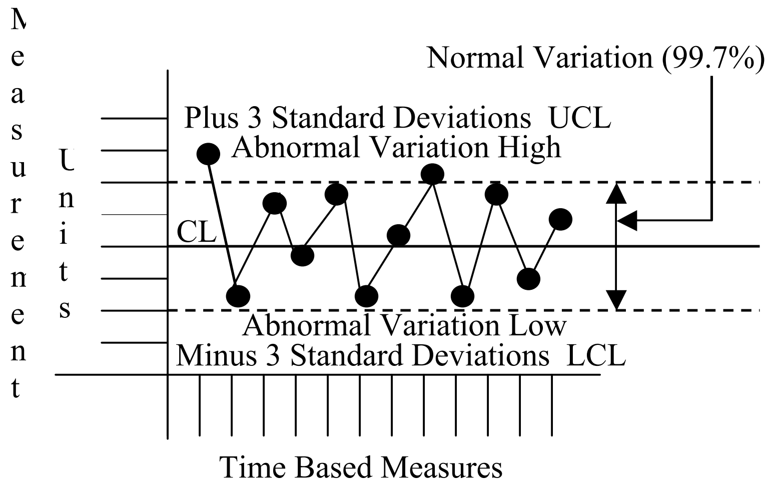

Figure 8.

On the driver performance charts, the units of measure are on the left and the time measurements are across the bottom. The center line (CL) is determined by the average of the measurements. The standard deviation of the measurements is then calculated and the Upper Control Limit (UCL) is three standard deviations above the average line and the Lower Control Limit (LCL) is three standard deviations below the average line. Between the Upper Control Line and the Lower Control Line is the Normal Range of Variation. If the data has a normal distribution (which most data does), then 99.7% of the data points will fall between the UCL and the LCL. That range of variation in the measurements is also the normal or expected range of variation. With this chart in place, it is now possible to determine what is normal variation as opposed to abnormal variation. Abnormal variation is any data point that falls outside of the UCL or LCL. In this case, the first and eighth data points are outside of the normal range of variation. When this occurs, it means that something abnormal has occurred and must be investigated. It also means that the system that produced the measures is not stable or predictable. The cause of the abnormal data points must be identified and corrected (removed) from the system from which the data came. When the causes of abnormal variation have been removed from the system, the system will then become stable, predictable and repeatable. When this has been achieved, then it is up to the team to determine if they are satisfied with the systems performance. If so, they leave it alone. If not, then the team can go about improving the performance by using standard quality improvement techniques.

This method of analyzing company performance data is vital because the focus in on the system and the data and not the employees. The focus is now on what is wrong instead of who is wrong. In this environment, the employees are now free to tell the truth and work on the real problems without being blamed for them by management. When the focus is on what is wrong, and the teams are working together to improve the results on a company wide basis, productivity will improve dramatically. The new measurements addresses all of the problems with the old accounting based measurement system and more.

Compensation and Performance Evaluation.

Compensation within the information age business model has four elements. The employees will receive:

- 65 to 90% of their base salary
- Driver attainment compensation
- Profit sharing
- Equity in the company in some form

No longer does anybody receive 100% of their base salary. The greater the clarity between driver attainment and the teams effort, then the less the percent of salary should be. Further, the combination of the base salary compensation plus driver attainment compensation should allow the employees the opportunity to exceed 100% of their current salary. The profit sharing and equity in the company will then be additional sources of income and wealth for the employees.

After the above elements of the new business model are in place, then the performance evaluation system should be eliminated. It is no longer necessary. The self organizing teams can interview and hire new team members. They can also vote members off the team. They manage themselves. Eliminating the performance evaluation system and the associated job descriptions will free the employees to design, change and continually modify their responsibilities to most effectively improve the driver measurement attainment which they now get paid on. While most companies may feel that this can not be done, it has already been done. For example, steel producer Nucor implemented productivity based compensation, eliminated the performance evaluation system and at their Darlington South Carolina plant, the employees increased the steel production from 30 tons per day to 100 tons per hour!

In addition to the performance plans being eliminated, work hours can also be eliminated. Employees can be treated as the educated, responsible adults that they are. There are many good reasons to eliminate the old 8 to 5 works hours. First, the information age has made them obsolete. Work is not done only in the office any more. For many employees, work can be done from any location at any time. Today, numerous employees can do their work anywhere, anytime with just a lap top, a cell phone (or blackberry) and access to the internet. When Best

Buy eliminated work hours at their corporate headquarters, the involuntary turn over rate dropped by 90% which saved the company over $5 million dollars per year on a pool of only 380 employees. Also, the corporate audit team increased their number of audits from 300 to 600 even though they had one less person. This change is also very attractive to generation X & Y because it shows that they are trusted by management and it allows them to achieve the professional and personal life balance that is so important to them. By eliminating work hours, the employees will now focus on results rather than time. This is a key point and represents another paradigm shift, a shift from the time paradigm to the results paradigm.

These companies experience industry low levels of voluntary turnover which is a key component of their success. This is critical in the information age for two reasons. First, long term employees establish and maintain long term relationships with customers leading to long term customer satisfaction and higher sales. Second, in the information age, the key to increasing productivity is the utilization of knowledge and brain power. Business is an ongoing, never ending set of problems to be solved. In the old industrial age business model, only the upper management can to use all of their brain power to solve problems because only upper management gets to make decisions and carry them out. However, in the information age business model, all of the employees can use all of their brain power and creativity to solve problems and be innovative in serving the customers and improving productivity because they now have the knowledge, information and motivation to do so. This allows a company to go from using about 5% of the available brain power to 100% of the creativity and brain power which results in innovation!

Purpose, the supercharger.

Viktor E. Frankl in his book *Man's Search for Meaning* says "Man is able to live and die for the sake of ideals and values [purpose]." That is how important purpose is to humans. In a survey by John Hopkins University, they asked college students what was very important to them. They said that the following two things were very important to them:

1. Making a lot of money
2. Finding meaning and purpose in their lives

The surprise was the only 16% said that making a lot of money was very important while 78% said that finding meaning and purpose in their lives was very important. This data clearly shows that purpose is a greater motivating factor than money by a factor of about five to one. Data also shows that employees who identify with the purpose and values of the company they work for will work for that company even if they are offered a 15% higher salary by another company. It is the company purpose, values and vision that attract and inspire the employees (especially generation X & Y) on a daily basis.

What are the results?

Using the Power of Purpose
(How to overcome bureaucracy and achieve extraordinary business success)
A very brief synopsis

As was noted earlier, the seventy companies upon which the new information age business model is based, have generated an average of six times greater stock performance than their peers. In addition, individual companies have achieved the following results:

- Tripled sales with the same staff
- Decreased the time to produce product by 18 times
- Produced 25X more profit per employee than the industry
- Increase productivity 1% per month for seven years
- Increase sales per employee by 125% per year for 12 years

The data clearly shows that the companies who have adopted the techniques incorporated in the new Information Age Business Model out perform their peers not by percentages, but by multiples. They have demonstrated the ability to achieve far greater levels of productivity than their peers. That is exactly what will be required to compensate for the coming labor shortage as the Boomers retire. Every company must find a way to increase productivity at a rate equal to or greater than the rate of decline in the labor force or face a declining future. Any company that is willing to move to the new business model can increase productivity at the rate necessary and achieve results similar to the purpose driven companies. ANY COMPANY!

Summary

When the new business model is implemented within a company, a working environment is created that allows and in fact mandates that each and every employee must think and act like an owner. The employees have all of the necessary knowledge and information to manage themselves and their part of the business. With open book management, they have the ongoing and up to date information necessary for them to make the short term versus long term trade offs when considering expenditures and risk taking. Because of the leveraged compensation plan tied to productivity combined with profit sharing and equity in the company, they have the financial incentive to act like owners. With the additional motivation that is provided by a company purpose and values that are in alignment with their own personal purposes and values, a very strong and powerful company unique culture is created. The powerful company culture is also naturally selective. With everyone on a leveraged compensation plan, anyone who does not carry their share of the load or does not conform the norms of the culture will soon be expelled by it. It is the company specific culture and everything that goes into creating and maintaining it that manifest itself in the outstanding long term financial performance of the company.

Company success is not a matter of circumstance. It is a matter of choice. A company can choose to hold on to the outdated industrial age bureaucratic business model and have just average performance, or it can choose to move to the new information age business model and achieve extraordinary business success. The company's future success or failure will be determined by the choices that it makes. It is as simple or complicated as that.