

Chapter Two

Purposeful Behavior: What Are We Working Toward?

The essence of Bottom Line Management is that organizations are engaged in purposeful behavior aimed at achieving a true organizational bottom line. It is crucial that everyone in the organization be clear about this overarching organizational purpose. In Chap. 3, I will tell you about five types of organizational bottom lines.

Before we get there, though, it is important that we understand how organizational bottom lines tie in with such other features of organizations as mission, values, visions, and constraints. In this chapter, we will look at these in turn.

Mission

Some organizations have highly effective and truly motivating mission statements. Here are some of my favorites. Charles Schwab, the discount investment broker, sees itself as “the guardians of our customers’ financial dreams.” Oticon, a hearing aid manufacturer, has as its mission “helping millions of hard-of-hearing people lead better lives.” The pharmaceutical giant, Bristol-Myers-Squibb, proclaims that its mission is to “extend and enhance human life.” Scientists at Amersham, a British company taken over by General Electric, “are moved more by the science of the human genome than the corporate bottom line.” These sorts of mission statements truly engender a sense of mission. They *are* very important. As a manager in an organization or as an ordinary employee, you want to have a good idea of the organization’s mission and you should feel good about it.

At the part of Cornell where I work, our Dean states our mission as “Advancing the World of Work.” Five words. I understand them and am motivated by them. As I head for my office in the morning, I envision ways in which I will advance the world of work that day: Teaching a class that will convey to students a useful way of thinking. Conducting

research on labor markets in the U.S. and overseas. Doing policy work for international organizations that may help working people earn their way out of poverty. I identify with the mission of “Advancing the World of Work.” That is really and truly what I believe my part of Cornell is about, and I am really and truly glad to be a part of it. I can understand this mission.

I know what I am supposed to do each day. I am supposed to teach and do research that helps advance the world of work. I also know what I am *not* supposed to do – raising money to fund my teaching and research is the job of the Dean and the development officers, not mine. In my job, I have the option of conducting or participating in executive education programs for managers or extension programs for worker groups, but as a professor that is not my main job – it *is* the day-to-day job of our extension associates. I know that I am not supposed to substitute faculty governance for teaching and research aimed at advancing the world of work. There are lots of things that I *do not* do because not doing them is implied by what I *am* supposed to do.

And so I think these mission statements genuinely mean something. They *can* be helpful *if* the people in the organization can understand them, if they can really get it, and if they can orient themselves accordingly.

How the Bottom Line is Different from Mission, Vision, and Values

But – and this is a very big “but” – an organization’s mission is not the same as its bottom line. My colleagues Pat Wright and Lee Dyer proposed a model for organizational capability. At its core are “shared vision” and “shared values.” They then went on to develop six management principles, one of which was “achieving contextual clarity.” As they explained, “Abiding by other principles, while failing on this one, can result in highly energized, but rudderless, employees – all thrust and no vector.” That is such beautiful language – I wish I had written it myself.

We economists have a model that we use for most companies. The model we use is built around the pursuit of profit – specifically, a higher net present value of profit, now and in the future – about which much will be said in the rest of this book.. Is profit a vision? Granted, there are

some organizations that say something like, “Our vision is to make as much money as we can,” and that is what gets the employees up in the morning – the dollar signs at the end of the day – but there are not too many like that. What about shared values? Is this what we think is important? Profit is not necessarily what people think is most important and most compelling. We hear a lot of talk about “making this a compelling place to work” and that sort of thing. Saying “you can make a lot of money here” is, for a lot of people, simply not sufficiently motivational.

Abundant references are made in the business literature to the importance of profit. Here is one example from the head of Fortune Inc., Steven Brown: “When you get to heart of the matter, you find that managing a successful company is like being a juggler trying to keep five balls in the air. Four of these balls are white. On one is written *PRODUCT*. On another it says *SALES*. The third is labelled *CORPORATE AND PUBLIC RELATIONS*, and the fourth says *PEOPLE*. In addition to the four white balls, there’s one red one. On it is the word *PROFIT*. At all times, the juggler must remember: No matter what happens, never drop the red ball!” [Emphasis in the original].

So what is profit? Is it the mission? A shared vision? A shared value? My answer is that it is *none* of these. What it is, is a shared *objective* and a core one at that. Put differently, profit is the true bottom line of a typical business.

The reason I draw the distinction between mission, vision, values, and bottom line has to do with management itself. When you manage, you and your people must understand what the business is trying to do. So let us suppose you are working for the hearing aid company I mentioned earlier. If you take seriously “helping millions of hard of hearing people lead better lives” and you do not take any account of business objectives like profits, you may say: “I know what I’m supposed to do. I should requisition cases of these hearing aids and go out and find people who need hearing aids and hand them out.” If you do that, you would not be helping your company achieve its business objective. You would be helping it achieve its mission statement but not its bottom line.

If the organization is a for-profit type of organization, then we’ll talk about its “business objective.” If the organization has some other objective, such as “excellence in teaching and research” or “advancing the world of work,” or other kinds of things, which would typically be found in not-for-profit kinds of organizations, we have some other objective.

Good managers will be trying to achieve *that* objective, whatever it may be. We will talk more about those other objectives in Chap. 3.

How a Clearly-Defined Bottom Line Helps You Manage Yourself and Others

What I am trying to say is that *if* the organization has a clearly-defined objective, then there are decisions that people can make along the way, if they understand the objectives. They can ask themselves over and over again, “What should I be doing?” and they can manage themselves accordingly.

Cornell University expects its professorial faculty to be excellent in teaching and excellent in research. (Teaching and research are two of Cornell’s bottom lines. The third is public service, which traditionally has been the responsibility of extension associates). What I picture, literally, is the President of the university walking into my classroom or into my office and asking, “What are you doing to advance the mission of the university right now?” I can picture him walking into my classroom and listening to me teach, and I would hope that he would leave thinking, “Yes, this man is teaching the students worthwhile material.” Or I can picture him walking into my office, looking at my computer screen and saying, “What is that on this funny black and yellow screen? It looks some statistical program. What are these statistics about?” And after I explain what I am studying, I would hope that he would walk out satisfied that I am conducting sound research on a worthy subject.

I wish I could tell you that Cornell University is always a focused organizational setting, but that would not be true. I once headed a small institute at Cornell, which I thought was doing the good work of the organization. After three years, senior management surprised us by announcing that the institute would be shut down, but we were not told why. Only later did I learn that it was because we had not brought in enough money. Why was this a surprise? Because we had never been told that the institute was supposed to bring in money! It would have been much better if the criterion for success had been communicated to us from the very outset.

Lack of Clarity is Endemic

I am continually dismayed by some organizations' apparent lack of focus. A leading global agribusiness company came to Cornell and gave a presentation on developing leaders. A Senior Vice President gave a speech on "the importance of aligning 15,000 people around the world with the organization's corporate vision, mission, and strategy." The company states: "Our vision: abundant food and healthy environment." It continues: "Our mission: For the world's food producers, we work to deliver products and solutions to help them reach their goals in ways that:

- Meet the world's growing food and fiber needs
- Conserve natural resources
- Improve the environment.

By serving our customers, we serve our shareholders."

And then it ends.

I was so puzzled by this – I thought, there has got to be more to it – that I went to their website and I looked up "Business Purpose and Mission." Indeed, there was a lot more. Under "Our Vision" and "Our Mission," the company had posted five principles with many subpoints under each. They were:

- Taking ownership of our company's success
- Delivering highest-quality products and technology
- Building strong relationships
- Creating a great place to work
- Conducting ourselves with integrity.

And then the website went on and listed operating principles in many pages of small print:

Corporate operating principles: We are the stewards of [X's] success. As such we are accountable to a broad range of groups that give us license to operate: our shareholders, our customers, our communities, consumers, society and each other. We are committed to these principles:

Taking ownership of our company's success by being accountable for:

- Achieving results
- Working with our customers to create value
- Making wise decisions
- Stewardship of company resources

- Focus on our top priorities
- Discipline in our process.

Delivering the highest quality products and technology through:

- Sound and innovative science
- Excellent product and environmental stewardship
- Embracing safety and health in everything we do
- Customer-driven solutions.

Building strong relationships through:

- Customer involvement
- Consultation with stakeholders
- Collaboration and partnering
- Sharing our research and knowledge
- Listening to diverse views.

Creating a great place to work by:

- Clarity of direction, roles, and accountabilities
- Fostering innovation, creativity, and learning
- Rewarding and recognizing our people
- Ensuring diversity of people and thought-inclusive teamwork
- Respecting and trusting each other.

Conducting ourselves with integrity based on:

- Courage
- Respect
- Candor
- Honesty
- Humility
- Consistency
- Keeping our promises

Tell me honestly: did you read through to the end?

This company lists twenty-seven operating principles. Bossidy and Charan would say that this is about twenty-four too many. Think of it this way. If you were working for this company, would you know what you're supposed to align your behavior with? Would you know what you should do (and what you should not do)? Imagine yourself being one of those 15,000 employees asked to align your activities with the

organization's vision and mission. You walk into work in the morning. What do you do? What do you try to achieve?

I am truly baffled by companies that do things like this. What is the point of having such a mushy mission statement? Does this company not have a bottom line? Or is it afraid to mention it? Cutting from twenty-seven objectives to three, or even to one, may be very hard. Still, it would be worth doing. This company and many others would benefit from a healthy dose of bottom line management.

The consultancy Watson Wyatt says that lack of focus is pervasive. Their *WorkUSATM* survey analyzed the responses of 13,000 workers. The study found that fewer than half of employees (49%) understand the steps their companies are taking to reach new business goals. The study's author concluded, "Companies cannot develop effective teams and working relationships unless everyone involved understands the connections between their jobs and [corporate] objectives."

The academic management literature is also replete with unfocused statements of purpose. Charles Hill and Gareth Jones are the authors of a leading text on strategic management theory. They state: "Typically, strategic managers select financial goals they wish their company to achieve, such as growth, profitability, and return to shareholder goals, and then they measure whether or not these goals have been achieved." Hill and Jones go on to narrate the following story. "Stock price, for example, is a useful measure of a company's performance, primarily because the price of the stock is determined competitively by the number of buyers and sellers in the market.... When Ford Motor's stock price failed to increase in 1996, for example, CEO Alex Trotman took heed of the shareholders' complaint that Ford's product development costs and cars' prices were too high. In response, he took steps to reduce costs and boost the company's ROI and stock price." I am not sure what Hill and Jones would have wanted Trotman to do, but I know that *I* would have preferred for him to have taken steps to make the company more profitable this quarter, this year, and in the years ahead. (Trotman is long since gone from Ford.)

Whatever the organization's bottom line is, some employees do not know how their jobs contribute to the bottom line. If you have the misfortune of being in a job where you do not know how it contributes to the bottom line, then it is probably a good idea to find out or else find a different job, because you are not necessary to the organization. Few

organizations in today's highly competitive, globalized world follow the traditional path of keeping people on simply because they have been there a long time; "emergent employers," who focus more on performance than seniority, are gaining market share, in large part because they have produced superior bottom line results.

Cultural and Ethical Constraints

When I have spoken to audiences about bottom lines, profits, and other single-minded objectives, I have sometimes been asked about the role played by ethics, values, and cultural constraints. Do they enter in, and if so, how?

I *do not* want you to think that by pursuing an organizational bottom line, you do so at the expense of *all* else. You should not think that the way to maximize profits is to assassinate your competitors or otherwise do them bodily harm. Drug lords, Mafiosi, and other such unsavory characters do that, but that is not what ordinary profit-seeking firms do: they operate within self-imposed constraints. I *do* want you to think about maximizing the organizational bottom line *within the constraints* imposed by shared ethics, values, and culture in your organization.

The constraints are often ones that organizations choose for themselves – for example, “we aim to operate in an ethical way” by not doing illegal activities in the pursuit of higher profits. Or “our cultural ethic is one where we donate part of our profits to the larger society.” Or, “we aim to develop certain products that may be good for humanity but may not be good for the bottom line.” Organizations constrain themselves in ways like this. If they do, then they are not in a literal sense *maximizing* profit, because they are knowingly relinquishing some profits along the way.

A better description of the aims of such companies is that they are *profit-seeking*. They may be presumed to be seeking to have higher profits within the ethical and other constraints that they place upon themselves. And once they have these higher profits, they of course are in a position to decide what they are going to do with them. They may, at that point, decide to contribute more to humanitarian causes. Or they might decide before they earn the profits to engage in less-than-profit-maximizing activities in order to be achieving something else.

Few organizations pursue a single-minded objective unconstrained by such social fundamentals as legality, decency, and respectability. I prefer to think of it as organizations that maximize by choice of *some* instruments *taking others as given*.

These wide-ranging decisions – whether to pursue profits to the exclusion of all else, whether to threaten bodily harm to competitors, and that sort of thing – will typically be made by the senior executive team. The rest of the employees then have the responsibility to work on behalf of those leaders in order to achieve what *they* are trying to achieve.

Here is my advice to you. If you are working for a company, what you should aim for, unless you are told otherwise, is higher profits for the company. Here is your job description: “My job is to make money for the company in ways that are consistent with my personal values and ideals and those of the company.” If you are working for a not-for-profit, your job description would be slightly different: “My job is to contribute to the organization’s bottom line in ways that are consistent with my personal values and ideals and those of the organization.”

A group of 700 leading British companies have formed an organization called Business in the Community. BITC has established four principles for “Winning with Integrity”: to treat employees fairly and equitably, to operate ethically and with integrity, to respect basic human rights, and to sustain the environment for future generations. What “winning” means is not spelled out, though.

Returning to the case of a for-profit company, you might be able to make money for the company by harming your competitors physically, but you probably do not want to. You may make money for the company by engaging in unethical activities like publishing fraudulent financial statements, backdating options, or forcing your employees to work off the clock, but it is not likely. And so on. You have to ask yourself how far you will be willing to go to help your company be more profitable. Again, “making money for the company” is going to be subject to constraints. These are constraints that you impose on yourself and constraints that are imposed from the outside, including by the company itself. You need to be aware of those. And once you know what the constraints are and what you are comfortable with, your job is to do the most you can to increase company profits, now and in the future.

In Summary

Bottom line management is about purposeful behavior. The purpose, very simply, is to contribute continuously to improving the organization's bottom line. It may be difficult to discern what the organization's bottom line is. Chapter 3 will tell you about the different kinds of organizational bottom lines.

Organizations' mission statements often state one thing, but the true bottom line may be something quite different. When they are different, be sure to believe in the mission but aim to improve the bottom line.

Once you know what the bottom line is, manage yourself and those around you with that bottom line clearly in mind. If it is helpful, post it on your wall so that all who enter your workspace know what you are trying to achieve.

Your bottom line is being maximized subject to constraints, both internal ones imposed by the organization and external ones imposed by the marketplace. Be aware of the limitations imposed by your organization's ethics, values, and culture. Honor them. And do the best you can within them. If you cannot abide the constraints in your present organization, find yourself another one. You will be happier if you do.

Notes

The Amersham quote is from "GE Breaks the Mold to Spur Innovation," *Business Week*, 26 April 2004.

The Wright and Dyer work comes from Patrick M. Wright and Lee Dyer, "People in the E-Business: New Challenges, New Solutions." (New York: Human Resource Planning Society, 2000)

The Brown quotation is from W. Steven Brown, *13 Fatal Errors Managers Make and How You Can Avoid Them*, Berkley, 1987.

The Towers Perrin Study is *2003 Rewards and Performance Management Challenges*.

The results of the Watson Wyatt survey are available at <http://watsonwyatt.com/news/press.asp?ID=10390>.

The story of Ford's Trotman is from Charles W. Hill and Gareth R. Jones, *Strategic Management Theory*, Fourth Edition, Houghton-Mifflin, 1998, pp. 387–389.

On the contrast between traditional employers and emerging employers, see Spherion, *Emerging Workforce Study*, 2005.

"Making this a compelling place to work" is from Edward L. Gubman, *The Talent Solution*, McGraw Hill, 1998.

The BITC principles on “Winning with Integrity” are taken from BITC, *Indicators that Count*, available online at <http://www.bitc.org.uk/resources/publications/indicators.html>.

Unethical workplace practices are detailed in Steven Greenhouse, *The Big Squeeze: Tough Times for the American Worker*, 2008.

My favorite example of maximizing *without* constraints (at least, the same constraints that most of us impose upon ourselves) is Mario Puzo’s *The Godfather*.



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