



Profitability *and* Well-Being: Measure What Matters Most

By Paul Werder and Mark Anielski

The Hidden Compromise

Many successful business executives are unwittingly thinking about profitability and well-being backwards. They primarily focus on the metrics that support financial profitability, and address well-being as a high priority at the annual retreat.

Their actions throughout the year, however, are aligned with a subtle, unexamined belief that quality of life must be sacrificed for financial success. The irony is that business leaders who focus on creating a culture of well-being as their highest priority often dramatically outperform those who consider profitability their number one goal.¹

The Big Idea

What if a new economic paradigm that places well-being at the heart of all economic and monetary policies was emerging? What if well-being was the highest aspiration of nations, governments, communities, and businesses all over the world?

These are the transformational concepts that leading economist, Mark Anielski, has dedicated his career to. His latest book sets a very challenging tone that many of us feel uncomfortable with, but have not known how to reconcile:

Economics and the gospel of economic growth have failed humanity when it comes to delivering the well-being we all desire: to live happy and meaningful lives. The economics of eternal growth has lost touch with the original Greek meaning of the word economy (oikonomia), which referred to the wise management of the household. Instead, genuine economics – a concern for the well-being of the household – has been usurped by a culture of hedonistic materialism and love of money.²

¹ Culture Trumps Everything: The Unexpected Truth About The Ways Environment Changes Biology, Psychology, and Behavior by Gustavo Grodnitzky Ph.D. 2014

² An Economy of Well-Being: Common-Sense Tools for Building Genuine Wealth and Happiness, Mark Anielski, New Society Publishers, 2018

This provocative description of an overly-materialistic society only points to those who acquire financial wealth with little regard for the well-being of all stakeholders and society at large. Others, meanwhile, accumulate vast wealth in service of enriching the quality of life for everyone.

This short paper illuminates how wise business leaders are already managing their companies from a strong foundation of well-being without sacrificing their financial success. Indeed, they are experiencing genuine wealth as it was originally defined in Old English, by creating “the conditions of well-being,” of which financial success is certainly one prerequisite.³

The Background Principles

One of the central tenets of Anielski’s visionary call for transforming our economic paradigm is to begin focusing on and measuring the intangible factors that enhance the quality of our lives. Anielski offers these insights from psychologist Martin Seligman:

The science of well-being and happiness, also known as positive psychology, has advanced to the point that we can now measure certain forms of happiness. His model for measuring well-being, PERMA, looks at these five attributes:⁴

1. **P**ositive emotions (feeling joyful, content, cheerful);
2. **E**ngagement (connection to activities or organizations, feeling absorbed, interested);
3. **R**elationships (feeling socially integrated, cared about, supported, and satisfied with one’s social connections);
4. **M**eaning (believing that one’s life is valuable and feeling connected to something greater than oneself), and;
5. **A**ccomplishment (making progress toward goals, feeling capable, and having a sense of achievement).

Entrepreneur Chip Conley is the founder and CEO of Joie de Vivre Hospitality, the second largest boutique hotelier in the world. He demonstrated how the power of positivity could transform his struggling, undercapitalized company into a highly profitable business with over 40 award winning hotels, restaurants, and spas.⁵

Conley studied and employed Maslow’s hierarchy of needs to become an industry leader using a “new psychology of business based on not just meeting the tangible, foundational needs of our key stakeholders, but, more importantly, focusing on their intangible, self-actualizing needs.” He further clarifies:

In studying Maslow’s pyramid, I started to realize the five layers of his pyramid represented three states of being. At the base of the pyramid, where we find psychological and safety needs, we do our best to *survive*. In a company, this means the organization is just focusing on the basics of running the business. It is treading water, but potentially in a pond full of fear-ripples growing into tsunamis.

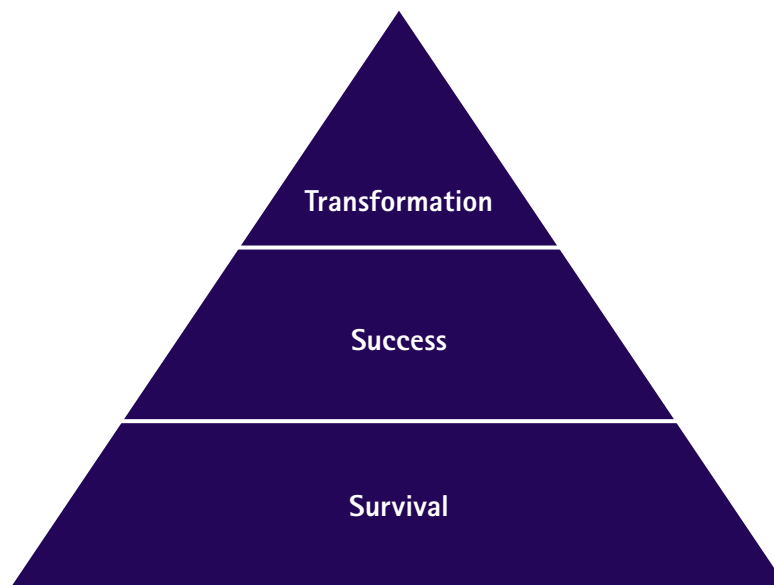
³ An Economy of Well-Being: Common-Sense Tools for Building Genuine Wealth and Happiness, Mark Anielski, New Society Publishers, 2018

⁴ M.E.P. Seligman, Flourish, Simon & Schuster, 2011

⁵ PEAK: How Great Companies Get Their Mojo from Maslow, by Chip Conley, Jossey Bass Publishing, 2007

As we move up Maslow's pyramid, we reach for *success* in our social relationships and our esteem – what many people and businesses strive for. It satisfies us as a business person but is not necessarily transformative.

At the top of Maslow's pyramid, a less tangible but very powerful state exists that enables us to create *transformation* in ourselves and in our relationships with others. This idea of self-actualization as applied to a workplace means a company can live up to its full potential.



Once I drew up the Transformational Pyramid with these three levels of survival, success, and transformation, I was able to communicate the natural progression from what's tangible at the bottom of the pyramid to what's intangible at the top. It became easier for me to then translate how Maslow's Hierarchy of Needs could be applied to the three most crucial relationships in the workplace with employees, customers, and investors.

It is clear there are essential base needs in each of these relationships, and if you don't satisfy those survival needs, you can't move up the pyramid. Yet, just focusing on those base needs will never allow the relationships, or the company, to succeed and transform into its greatest potential.

The Virtuous Cycle of Tangible and Intangible Value

There is more than anecdotal evidence to what Chip Conley discovered. Gallup's research on companies that attract top talent and why they succeed in doing so, offers further evidence that well-being and profitability ought to be viewed as mutually reinforcing.⁶ They assert that your culture doesn't matter if it is not adding tangible value to your organization. We agree, but the

⁶ Culture Wins by Attracting the Top 20% of Candidates by Nate Dvorek and Ryan Pendell, Gallup Business Journal June 28, 2018

two reasons great organizational cultures attract and retain the best talent seem to provide an irrefutable link between tangible and intangible value:

1. Strong cultures attract people who are more highly engaged brand ambassadors (71% of US workers say they use referrals from existing employees to learn about job opportunities).
2. Talented people want to work for organizations with strong cultures; they are looking for companies that have a brand, mission and values that resonate with them personally.

According to Gallup's analysis, the financial benefits of attracting the top 20% of candidates to a great culture built on intangible value is clear. These companies realize:

- 41% less absenteeism
- 70% fewer safety incidents
- 59% less turnover
- 10% higher customer metrics
- 17% higher productivity
- 21% higher profitability

Your Opportunity Now

Mark Anielski's *Economy of Well-Being* calls for a complete change in the way we measure progress and performance, borrow money, account for our assets, and look at our fiduciary responsibilities.

This transformation will reach a tipping point when enough business leaders adopt the character and habits of those who have been especially successful. Gustavo Grodnitzky, author of *Culture Trumps Everything*, provides data to support the role of CEOs in this societal transformation:

The researchers (Lennick and Kiel, 2007) were able to rate a CEO's character by having employees rate them on these four "moral principles":

- *Integrity*: acting consistently with the principles, values, and beliefs one professes. Telling the truth, standing up for what is right, and keeping promises
- *Responsibility*: taking responsibility for personal choices, admitting mistakes and failures, embracing responsibility for serving others, being a steward for the organization and its resources
- *Forgiveness*: demonstrating the ability to let go of one's own mistakes and the mistakes of others
- *Compassion*: empathy without judgment

Once the data was obtained from 100 CEOs they correlated it to their companies' Return on Assets (ROA) performance. The high character CEOs had an ROA of 8.39% while low character CEOs had an ROA of -0.57%. Their results for employee engagement were similar⁷.

Your opportunity now is to adopt a "both/and" mentality and create a culture of well-being that strengthens your financial performance.

⁷ Culture Trumps Everything: The Unexpected Truth About The Ways Environment Changes Biology, Psychology, and Behavior by Gustavo Grodnitzky Ph.D. 2014

We have thought long and hard about how to offer you a simple, yet meaningful stepping stone on this transformative journey. It involves intentionally measuring and managing your culture and the intangible assets that attract and retain top talent with the same focused attention you give to your P&L.

What is your culture? Wikipedia defines it this way: organizational culture encompasses “values and behaviors that contribute to the unique social and psychological environment of an organization.” Paul Werder’s definition of a healthy culture has come from being a leadership coach and culture change practitioner for decades. It is, “the intangible conditions of well-being that top performers need, to bring the best out of themselves to bring the best out of everyone.”

What would you measure and how would you measure it? It is important to understand what engaged and energized people want in a healthy organization and measure these behavioral norms. The core culture questions below highlight what is occurring in the best business cultures.

LionHeart's Core Organizational Culture Questions

Please use your own current experience and what you hear from others to rate each of our questions on a 1 (low) to 10 (high) scale:

1. **Purpose:** We are clear about the purpose of our company and actively pursuing our purpose with enthusiasm.
2. **Values:** We use our clearly defined values to make decisions while holding ourselves accountable to our purpose and values.
3. **Security:** We have an innovative business model that adds unique value to a sufficient market and customer base that is providing for our well-being.
4. **Talent:** We have the right people in the right positions to perform at our best easily and consistently.
5. **Excellence:** We habitually manage a healthy level of stress and have sufficient time to perform our responsibilities with the excellence required to achieve our goals.
6. **Trust:** We have a strong level of trust in all directions – employees in our leaders, leaders in our people, interdepartmentally, and anyone we work with regularly.
7. **Learning:** We have a strong learning environment that involves open, honest, respectful communication that highlights what is working while effectively addressing what needs improvement.
8. **Openness:** We are having all the conversations necessary to advance our company to the next level of positive impact on our community’s well-being.

How do you implement this culture transformation practice?

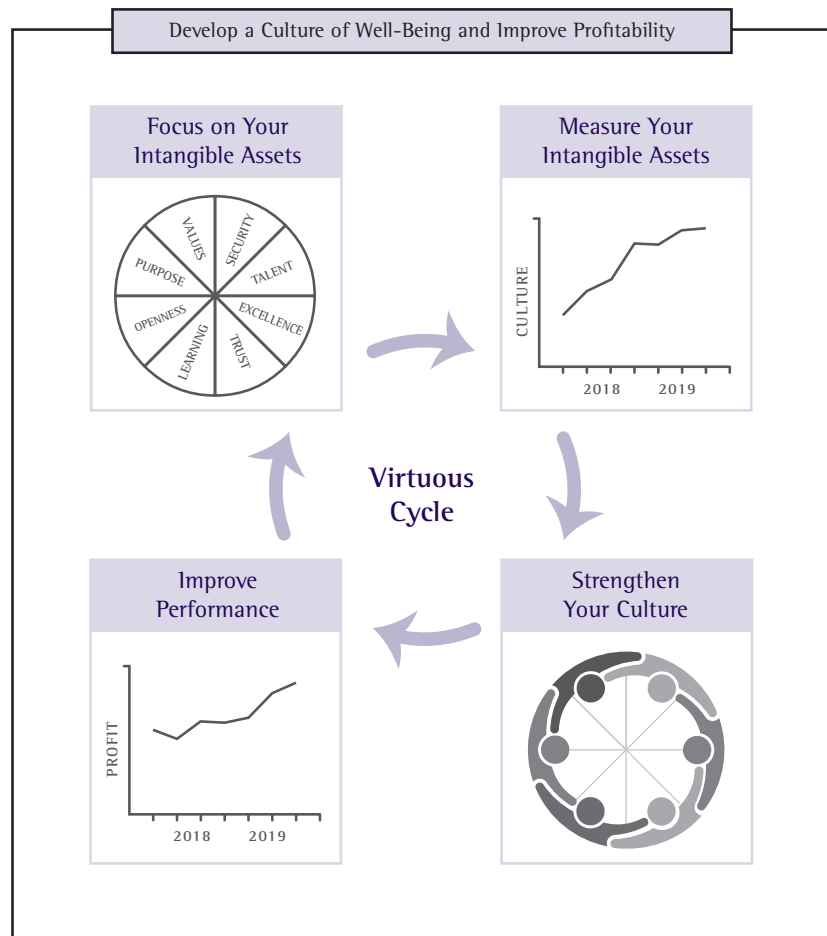
We recommend surveying your entire organization quarterly on these questions, and perhaps a couple of others that are specifically important to your model of a healthy culture. Graph your results over time and use the data to manage your company just as you do with your P&L.

What level of commitment is necessary for this culture transformation practice to improve your profitability?

It will be much more than a typical annual survey effort. You will need to demonstrate that you are truly listening to your people with consistent repetition and noticeable progress. This begins to occur quickly, however, when your leadership team invests in a 4-8 hour meeting each quarter to set in motion the virtuous cycle by:

- examining the results of the quarterly survey
- agreeing upon the priority initiatives necessary to strengthen your culture
- communicating these initiatives effectively to get input and buy-in
- following through on the initiatives until you make a positive impact on your culture
- celebrating the positive changes as they occur
- sharing how your culture progress is improving your financial performance

While this level of effort is substantial, it is also very meaningful work. It will eliminate a lot of wasted energy spent on politics and drama. Moving from business survival to business success to business transformation will be lifechanging for everyone involved. Once the positive experience of this journey begins to take hold, you will never regret what it required.



Conclusion

Our clients often talk to us about their culture in terms of their inability to sleep well, team members not respecting one another, and co-workers they simply avoid. These quality of life issues are too demoralizing and costly to ignore.

Systematically strengthening your 8 intangible assets that inform LionHeart's organizational culture questions will be one of the best investments you will ever make. To understand how these assets come to life in practical application, please read our companion white paper called *Appreciating Your Intangible Assets* at www.lionhrt.com.

Then, imagine interviewing potential employees, customers, or investors and showing them three years of data that demonstrates how you have solidified your success with a strong culture of well-being.

Finally, measure what matters most. Use what you learn to make improvements one step at a time, and prove to yourself that you are not limited to financial success. Build real value in your business and give yourself and everyone you care about a greater sense of well-being.

Authors

Paul Werder is founder and CEO of LionHeart Consulting Inc. (www.lionhrt.com). He has enjoyed teaching business people to lead from their hearts as opposed to their egos for over 35 years. He merges his traditional business acumen with mastery practices that assist small to medium sized businesses create healthy, empowering cultures. Paul is author of *Building Unity* (2007), co-author of *Flourishing Enterprise: The New Spirit of Business* (2014) and author of *Business with Heart: A Better Way To Go To Work* (2017). He is happily married with two grandchildren in Portland, Oregon.

Mark Anielski is an economic strategist, former adjunct professor of corporate sustainability and previously published an award-winning book *The Economics of Happiness: Building Genuine Wealth* (2007). His new book is titled *An Economy of Well-Being: Common Sense Tools for Building Genuine Wealth and Happiness* (2018) Mark has served as an economic advisor to China, Bhutan, Singapore, French Polynesia, the Cities of Edmonton, Calgary, and Santa Monica and many other governmental and non-profit organizations. He lives in Edmonton, Alberta, Canada with his family.