

## Part 1 - Core Values

Lawrence: Luke, welcome back to The Membership.

Luke: Thanks for having me, Lawrence.

Lawrence: This is going to be part one of the Traction series. And this is a membership podcast series that obviously, you and I are doing Luke, for the members, where we take the book Traction, from Gino Wickman, and we talk about how you implement Traction and EOS, which stands for entrepreneur operating system, specifically in a high-intensity training business. So I do really encourage the listeners and members to actually buy Traction and follow along in the book, whilst you listen to this series, because it will be very helpful because you won't obviously be talking about every single thing that's mentioned in the book. And so to get greater context, it's important to have the book as well. This is part one. And in part one we're going to be talking about core values.

Lawrence: Luke, do you want to just kick this one off by talking about, what exactly are core values in a business?

Luke: Core values answer one singular question. So the question is, what do we believe? What are the core beliefs that we're going to make our decisions around in the company? Now remember, Traction as a book, and an EOS as an operating system is just that, it's an operating system. Gino Wickman didn't invent any of these individual components. He read a number of different authors and was inspired by them. And what he did, I think his major contribution, is that he seamlessly brought all of their work together and put it into one operating system. So core values are not

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Gino's creation. Gino was very much influenced by two people, Jim Collins, who really probably popularized or brought back core values and he wrote a piece in the late '90s a Harvard Business Review about core values. And then he goes on to write, Built to Last and Good to Great, where he goes into much deeper detail and nuance on core values and makes the business case or the evidence-based business case for core values.

Luke: The other big influence for Gino Wickman was Patrick Lencioni. Patrick Lencioni had an article published in Harvard Business Review in the early 2000s, called Putting Your Company's Core Values to Work. Lencioni goes through and talks about how a lot of companies have done core values wrong and what they should actually look like. So those two authors influenced Gino and Gino includes core values as the first component of the vision component. Obviously, we're going to do a podcast and all the six different components of Traction. But one of those components is vision and vision is all about kind of what you believe in and where you're going and core values is that first component. So what do you believe? These are the bedrock beliefs that we're going to make our decisions around.

Luke: One of the keys is that it doesn't matter what you pick for core values, there's no data to suggest that if you pick the right core values, you'll scale faster or you'll be more profitable. But there is plenty of data to suggest that to the extent that you can get all the people within the organization believing and behaving around a small set of core values,

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that you'll outperform the rest of your competitive set. So we don't have to nail the right core values. We just have to make sure that we're hiring people that are aligned with our core values. There's no core values that are by themselves, virtuous and there's no core values that while if we pick those, we're going to be less successful.

Luke: When you pick your core values, what you want to do is you want to think about avoiding permission to play core values. This is a major mistake that companies make. So permission to play core values would be core values that, well, we could state this, but frankly like we would expect that from any company or any human beings. So an example of a permission to play a core value would be integrity. And so many companies list integrity as a core value. Well, my assumption is that you're going to have integrity. Those are table stakes. Honesty is a permission to play core value, unless you can tell a story about how you're somehow more honest than the rest of your competition, or how honesty or integrity has a different role, a different meaning in your organization, you probably shouldn't include it. So avoiding permission to play core values is the first thing we need to be aware of.

Luke: The second one is that less is more. So we really probably don't want 10 core values. We want three to five core values. The reason for that is if you have 10 core values, remember you have to hire people that share the same core values. Imagine interviewing someone and saying, "Hey, here's the 10 core beliefs that we base everything around and we're looking for people that have these 10 things." Ut just too many values. It's too many

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virtues. It's as if we're describing the perfect human being with all these different virtues, rather than describing, "Hey, here are the three or four things that are really core to us." I mean, that's the key term. We're not just talking about values, we're talking about core values. So less is more. And I think a lot of companies have made a little bit of a mistake by having just too many things that sound great or look great in an employee manual, or on the wall of an office or a boardroom, and on a website, and really, we should have less.

Luke: I think another trap that a lot of companies fall into is that your core values really should have very little to do with the technical work that you do. A core value should not be slow transitions and minimizing momentum. Maybe a core value could be something around safety, but the litmus test on core values is, if you scrapped the high-intensity training business that you're in and you went into a completely different field, your core values should remain pretty much consistent. And so I think about our core values; learning is one of our core values. Regardless of what industry I'm in, learning is going to be one of our core values. Servant leadership is one of our core values. Again, it has nothing to do with high-intensity training. That's going to be there no matter what. Creating our own future, again, not germane to exercise whatsoever.

Luke: When you think about these core values, think about what are your own beliefs. And I think core values should come from the founder. So for your listenership, so many people are our founders they're the owners. It should come from them. Now, if you don't like that approach, what you

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can do, and let's say you've been operating for a number of years and you haven't established core values, no doubt you have them, you just haven't unearthed them, so that that's what the process looks like. If you have, let's say it's you and three trainers in your business, and you put everybody in a different room and say, "Hey, what are our core values?" Core values are really defined by, what do we believe? Man, these are the bedrock beliefs that we make our decisions around here. What do you think they are?" Well, what you find out is those three trainers and you, if you write down five things, you're going to have actual tremendous overlap or similarities on a number of those answers. So what is that proof of? That's proof that, "Wow, we actually had core values. We just never talked about them, address them, codified them, publish them, et cetera." They're there to a certain extent.

Luke: I would warn owners to not try to manufacture them, but try to unearth them. When we pick core values, we're not trying to select aspirational core values. We're not trying to say, "Well, we are not very innovative. We definitely need to be more innovative. So let's pick innovation as one of our core values and then we'll become more innovative." You want to avoid that. You want to pick things that already are in your DNA. They truly represent who you are. You just have to unearth them. So as an owner, think about your company. Think about you. What do you believe in? What have you always believed in? And select those.

Luke: Now, I'll propose the system that Traction uses for coming up with core values, if you don't like that approach. If you have a number of trainers,

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number of employees, what you do is pick your one or two or three people that if you could replicate them, you would do it. I mean, your star employees. And if you look at the qualities or characteristics that they possess, write those down. Those are probably going to start to reveal what the actual core values in the organization are.

Luke: Normally the way a Traction implementer will do this is take four employees that you want to replicate, your top four performers and come over the list of adjectives that describe them. And then those will be kind of the rough draft for what the core values could be. Now, because your listenership has so many owners involved, I would say forget that. Scrap that completely. And just use the approach where you're thinking about, what do I believe and what are the beliefs that I want us to make decisions around in the organization?

Luke: That's kind of the opening statements around core values. Lawrence, I'll let you ask questions from there, I guess.

Lawrence: Yeah, sure. Just to add to that, I mean, that was good that you gave the process of discovery and core values in the context of a small business, where they might only be a single business owner and a single trainer, at least to begin with. I recently did this process for a high-intensity business. I'm going to be doing this process with the startup, Hit Studio. I'm opening in Galway and for anyone I end up partnering with in the future, because I really want to practice this and get good at doing it in all my businesses really, that I'm involved in. Obviously, in regard to HIB, I have a very small team, I have no employees, and it's just myself and lots

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of partners that I work with, at least currently, that will change. And so the process I followed is I just created an unedited list of qualities that I have, that I was trying to sort of rediscover, that are important to me. And then what I did is I refined that list and then eventually reduced it to three to seven, with a view to then let it simmer, as he says in Traction, and for 30 days. And then review it and see if I still feel like those are the best core values.

Lawrence: Just after listening to you Luke, I already know four out of five are permission-based and they need to be reviewed because they just sound too cliché. Like you say, it's values which one would expect a business to have anyway. So I definitely need to go back to the drawing board for that. So, that's also a way to start.

Lawrence: You've kind of hinted at why this is so important. I do think there are probably still people listening to this who think, "Come on, core values are so old-school. It's so cliché. Why is this so important? Why do I need this in my business to succeed?" Do you want to just talk about that a little bit more?

Luke: Yeah, well it's a starting place. I mean, this was one of the major findings, I think the most significant findings, from all of Jim Collins' research in both Good to Great and Built to Last, that this was the number one predictor of longterm profitable growth, or being more profitable. Outperforming the rest of your competitors was, do you have the highest percentage of people aligned with core values? So a lot of times people think the core values are soft. Jim Collins, his direct quote was, "I never understood that

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idea," and that's his exact quote. I mean his research would say, "Well, this is the most important predictor of whether or not you're going to be successful," but yet most entrepreneurs, not just in our space, definitely in our space, but in all spaces say, "Well let's get onto something that's more important. Can we talk about marketing? Can we talk about strategy? Can we talk about some other element that's actually going to drive growth?" And Collins would say, "Well this is what drives growth, so we have to start with this."

Luke: The other thing that's really noteworthy is that this is the only aspect of your vision component that doesn't change over time. Your core values should not evolve as the market evolves. Your strategic niche, which we'll get into later, and even the rest of your core focus, which involves your core purpose, can change over time. This is not going to change over time. Your BHAG, where you're going long term is going to change over time. But really the core values stay consistent. When you pick these, you have to think about, "Well, what if the market conditions change dramatically? What I cling to these still? What if these actually prevented me from making money? If there's a market opportunity that I could take advantage of, but my core values are at odds with that market opportunity, would I still stick with that particular core value?" The answer has to be yes or it should not be a core value. This decision is important because these should stay intact for the long haul.

Luke: Now, when I say they never change, I think they can change, if you maybe selected one of them incorrectly, but they shouldn't change as the

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business changes. How we strength train should change, the look of our studios should change. Like I said, our BHAG, our longest term goal, should change. All these other elements should change except for our core values. That's why I think it's worth our time and effort to really nail these down correctly.

Luke: I know for Discover Strength, what we did is I selected our core values a full year before the company ever even opened. I just sat day after day, after day and just wrestled with what my own values were, and what my own beliefs were, and what I wanted the values to guide the organization going forward, what I wanted those to be. And so I had these completely codified a full year before we ever opened for business. Really, they haven't changed or evolved in 14 going on 15 years. Getting them right from the beginning I think is important. You may have to make a couple of edits early on, but then they have to stay in place.

Luke: And we think about this, you said, why is it important to have these? I mean, this is what someone's actually willing to fight for. Collins has said this in live presentations. I mean, no one's going to fight for your strategy. No one's going to fight for your tactics. They're going to fight for values. So this is your reason to endure. I mean, when things are tough, and all of your entrepreneurs listening know that there is struggle, there's things that are tough. We may be going through something that's tough right now, but there's going to be struggle on the horizon. And values are your reason to endure. It's your reason to fight. It's not the strategy that's your reason to fight or endure and so they better be worth fighting for because

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it's going to provide I think, that motivation, that reason for being, when we're struggling and when we think, "Is this really worth it? Is it something I want to continue to do?"

Lawrence: Remind me, what are the... I know you mentioned the core values for Discover Strength. Is it just those three that you mentioned earlier?

Luke: Yeah, the fourth one is science-based. We didn't use the terminology evidence-based, 14, 15 years ago. Sometimes I like science-based better because it definitely is not industry-specific. Science-based just means, let's try to look at the data and utilize the data. When I explained science-based to our new trainers, I always say, "Science-based does not mean that we use multiple syllables, scientific sounding words, or we've memorized all of human anatomy," that is not science-based. Science-based means we utilize the scientific process. So scientific process is someone who has an idea, they create a hypothesis, then they test their hypothesis and they find out whether the hypothesis is valid or not. And if it's not valid, they scrap it and they move onto something else. That's what the scientific process actually is.

Luke: When we say science-based, we want to use that actual scientific process and we believe in the scientific process as a great way to come up with breakthroughs. Breakthroughs shouldn't come from fads, they shouldn't come from gurus, they should come from a commitment to a scientific process. I would say that probably in any industry that I would ever work in, I would want to have a science-based approach. You could say a data-driven approach. I like the terminology science-based better. But to be

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clear, when I came up with that core value, I was clearly thinking about exercise, that it was going to be a science-based approach.

Lawrence: So there's four core values in total. You've got-

Luke: You have learning. Learning, creating our own future, science-based and servant leadership.

Lawrence: Cool. Excellent. Do you want to talk about... Because we've done podcasts in the past where you've mentioned, how the core values manifest themselves in Discover Strength. The hiring process sticks out for me, where you have everyone in a room in the beginning and you have the core value speech. I'd love to hear just how the core values that you've identified for Discover Strength manifest themselves. Where do they feature in your day-to-day, in your processes, hiring process, things like that?

Luke: Well, what a great question. The first thing that I would encourage all of your listeners to do, is after they have the core values is type the core values speech. This is actually a tool right out of Traction. So you type a one-page Word document that talks about, what does it look like when someone's living our core values? What does excellence look like around core values? What's a great story of how we've made a decision around our core values? Bring the core values to life with analogies and examples and stories, and maybe even examples of when they haven't been lived, or what's the anti value to this core value. You type that one-page speech and then you use that speech repeatedly. You use it and you reference

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this, you use it during your interview process. For us, we use it during the first interview.

Luke: Traction wouldn't say when you have to use it during the interview process, but it would say, "My goodness, you have to use it during the interview process." What we do is we use it in the very first interview. If you write the core value speech correctly, during that interview process, you should draw the right person into your organization and you should repel the wrong person. I mean, you should scare away the wrong person. But if you look at how so many companies have written their core values, think about a candidate sitting there, and what they hear is, "Okay, you have the same damn core values as every other company I've ever interviewed for; integrity and quality, and concern for the customer, and excellence. Okay, so how are you any different?" That person is not drawn into working for your organization, any more than they would be a different company.

Luke: I think you have to be, I don't want to say the focus is to be differentiated, but man, you really have to capture the essence of what your firm actually believes in. When you do that, by the way, don't overly wordsmith the core value. Don't try to strive for corporate sounding adjectives. Pick words and pick phrases that are how you describe whatever that value is within your organization.

Luke: Then I think the second thing we do to bring this alive in terms of mechanizing it within the organizations is, it's got to be included in the review process. Once a quarter, you do a quarterly conversation, which is

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where you sit down with a person and you're having a conversation about their performance. Well, the first thing you talk about is how are you performing? How are you behaving, relative to core values? You give everyone a plus, a minus, or maybe a plus-minus around each core value. Plus for learning means, "Hey, Lawrence is living the core value of learning. And then I talk about all the things that you've done in the last 90 days that serve as proof points, that you have lived that core value. And we do this every 90 days for each one of the core values, and so things can ebb and flow. You may have a quarter where in the last quarter, you really didn't do anything in terms of learning. You didn't read a book, you didn't go through your core growth plan, you didn't attend a conference, you haven't been listening to podcasts. And I might give you a minus, or I might give you a plus-minus, depending on what that last 90 days look like.

Luke: So man, when someone is graded around core values, when they're graded on anything, they remember what those things are. That's a second thing you can do to mechanize the core values. I think that might be the most powerful. The third thing is, you got to get everyone together once per quarter in organized some type of quarterly state of the company meeting. For us, we do this on Saturdays, it's two hours long. The first thing we do at that quarterly stat of the company meeting is we review all of our core values. I read the core values speech and I go through a number of slides that just talk about, what does excellence look like around this core value. I give actual bullets or examples of things our staff

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have done when they were living one of the core values, so bullet after bullet.

Luke: What you find out in so many companies, if you asked an employee, what does it look like to live the core value for you, not what's the definition of the core value, but how would you behave in a way that's aligned with this core value? People really struggle with figuring out an answer to that question. It's clear that we just haven't linked to behavior to our core values. By providing these examples of what excellent behavior looks like around the core value, it inspires that type of action across the entire company. This is at the quarterly state of the company meeting, which doesn't have to be fancy. It's just, get people together and kind of talk about where you've been over the last quarter, and where you're going. But man, start off by reading that core value speech.

Luke: Then, at that meeting we always reward and recognize around the core values. We just pick each one of our core values, we have the whole team vote on who has lived the individual core value, and then that person gets an award. So we have about 50 employees, 50 people vote for what employee has lived the core value of learning, of science-based, of creating our own future, and then we have someone tally those up during the meeting. About a half-hour later in the meeting, we have the four winners for each one of the core values come upfront. They get a gift card and they get a massive round of applause. I mean, this is the most emotional kind of response that we get, when we give out an award. The top salesperson is recognized, we recognize a lot of other people, but this

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is I think, the most significant type of recognition or award that we can give out. And so that's another way to keep those core values alive is when you're rewarding, recognizing around the core values, people internalize them and remember them.

Luke: I probably should've started with this Lawrence, but man, the ultimate litmus test of whether or not you have core values is, does everybody in your organization remember them? Do they know what they are? If you can't state your core values, if your newest hire can't state what your core values are, then by definition you don't have core values. They're not to be buried away in company intranet, in an employee handbook, on a wall somewhere. Man, if we're not making decisions based on them, day in and day out there, they're really dead within the organization.

Luke: And what I find out, and I won't even talk about high-intensity training companies, I'll say most firms that I talk to about core values, there's a lot of head shaking, and the executive team says, "We absolutely have them." And then I say, "Okay, time out. If we go to your newest hire and ask them, what are the core values here, would they be able to answer that question?" And they always say, "Well, no they wouldn't." I say, "Okay, well then you don't have them, by definition. People actually have to have them."

Lawrence: Yeah. That's an excellent litmus test. In the book, Gino says that you have to almost repeat them seven times before people will actually remember them by heart, which I guess that can manifest itself in all the different interactions you described just now.

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Luke: Yeah. Oh, one of the other things Gino says is, "If you're not sick of saying it, then they haven't heard it for the first time." So remember, the CEO is really not the CEO, they're the CRO, they're the chief reminding officer. All the CEO really does is walk around and share the answers to these basic questions that we're going to cover on your podcast. And one of them is, what are our core values? The second you get sick of walking around and talking about your core values, then they haven't heard it for the first time. Remember, as soon as you stop talking about them, because you're sick of them, what you've communicated to your staff is, "Well, this is no longer important."

Luke: It's no different than your spouse. Your spouse, you have to continually say, "I love you." You can't say, "I love you," when you get married and then 10 years down the road, and say, "hey, well I told you I loved you when we got married. If anything changes, I'll let you know." It doesn't work that way. You have to constantly reinforce and remind. And the same is true with core values is, if you stop talking about them, that you will communicate loudly, very clearly to your team, that this is no longer important.

Lawrence: Yeah, and that's a really good point because I remember in the book he says, you'll start this process and if you've had bad habits in the past where you've changed these core values, initially your team aren't going to take it seriously. They're going to be like, "Oh, this is just flavor of the week. He'll change his mind next week, et cetera." But obviously, after a certain amount of time, sticking with it and being consistent, they will

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quickly realize that actually this is quite serious and this is how things are going to be going forward.

Lawrence: You described, there are a number of mechanisms through which you ensure people in your organization, know exactly what they are, so that if you spot-checked someone, they would be able to tell you the Discover Strength core values, off the top of their head. Do you have any other mechanisms in place that help people with how to help ingrain that in the business and in the team?

Luke: That's a great question. Let's be clear, I don't think you should ever ask your people to memorize them. I think they should internalize them. You should say, "Hey, you're going to these because we're going to talk about it all the time, and we're going to do a quarterly conversation around them, and you're going to hear them at the quarterly state of the company, and we're going to reward around them. And we're going to catch you in the act of living one of these core values and give you strategic recognition around the core values." If you're doing all of those things, they're going to be ingrained, they're going to be internalized. It's not like, "Hey, you better memorize this by Friday of next week, because we quiz you. And if you don't know him, you're in big trouble." There's a time and place to quiz, but I don't think it's around core values. I think the core values are something you internalize by talking about nonstop, and rewarding around, and doing quarterly conversations around, nonstop.

Luke: Let me mention this, you started off asking, "Well, why is this even important?" The question I get unequivocally, the question I hear the most

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often from high-intensity training studio operators, but not even high-intensity training, all different types of exercise, health clubs, personal training departments, is, "Well, how do you find good trainers, and how do you manage trainers, and how do you have a good team?" And it all comes back to core values and this goes outside of our industry. I'm thinking of a guy, who's a colleague of mine who owns a pretty big business, \$150 million software company. He had an employee that worked with him for 20 years and he was getting ready to fire this guy, and offer a large severance. I mean spending a ton of money on attorneys to prepare the severance. This is a guy that was making over a million dollars a year.

Luke: He bought a copy of Traction and he hired a Traction implementer and he applied Traction. In less than five months... I mean, I just had coffee with this guy and he was about to terminate the person. That person surprised him, two days ahead of time, and submitted his resignation. He resigned because over the previous four months, that company got serious about Traction, but specifically, it got serious about core values. When you really get serious about core values and say, "Hey, you're going to have to behave aligned with these core values," the wrong person will eliminate themselves.

Luke: We talk about, there's only two decisions you have to make as an owner, in terms of personnel. It's, is this the right person? And that means, are they aligned with the core values? The second question is, are they in the right seat? Which means, can they do the job? But when you get the right

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person in the company and that means they're aligned with core values, man, you can achieve so much. I think that we have so many high-intensity training businesses out there that just tolerate the wrong person, meaning the person is just not aligned with our core values. We don't have to eliminate them, they will eliminate themselves, if we get really clear on what the core values are. So sometimes you lose someone, sometimes someone self-removes, and what Jim Collins would call that is, "They're ejected like a virus." It means when you get crystal on core values and you talk about them all the time, the wrong person looks around and says, "I do not fit in here. I got to go."

Luke: And it doesn't mean that's a bad person. They could be great at their job. They just got to go find a company where they are aligned with the core values of that company, and they're going to be much more successful and happier. It's just going to be core value congruent, and it's going to be better performance for the company, and better performance for that individual.

Luke: I would say what's the great business benefit of this is, you start to attract the right people, you retain the right people, the wrong people remove themselves and you don't even have to get rid of them. Where in so many businesses, not just in our industry, but in so many businesses, we allow the wrong person just to persist because we haven't been crystal clear and haven't constantly communicated around what our core values are, and people have not self-removed based on those core values. And we have to have the courage to remove someone if they're not aligned with

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core values. And that's one of the reasons we should be terminating someone is, "Hey, you're just not a value fit."

Lawrence: Yeah, excellent way to begin to wrap this one up, Luke. Anything else on core values that you don't think we've touched on it? I just want to make sure this is complete on this particular section.

Luke: When you're coming up with your values, do not look at what other company's values are. Just spend some time with a notebook and what matters to you, what your core beliefs are. Don't look to other organizations, come up with them yourself, I think is the the starting point.

Lawrence: Excellent point. Yeah, I will be either having this transcribed or I will create a checklist for people if they need a sequence of events for implementing this in their business. I mean, it's interaction but I might create a checklist specifically for the high-intensity training business. That's likely to be a smaller size. Because I think Traction is originally designed for a \$2 million-plus business, at the lower end. So it's sort of adapting the principles to a smaller business.

Lawrence: Luke, thanks again. This has been really valuable. It's certainly got me thinking more about this and motivated me to want to revisit them for myself. What's the best way, if you were to find out more about you? And obviously, you've got the REC conference coming up in 2020, as well.

Luke: Yeah. People can look at [discoverstrength.com](http://discoverstrength.com). They can go to [resistanceexerciseconference.com](http://resistanceexerciseconference.com). We'd love to have them attend the conference, just a gathering of high-intensity training practitioners, and



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that's coming up in March. I've got a great lineup of speakers and if anyone has a question, they can always just shoot me an email it [luke@discoverstrength.com](mailto:luke@discoverstrength.com).

Lawrence: Excellent. And thanks for joining me today, Luke. Really appreciate it.

Luke: Yeah, my pleasure. Thank you, Lawrence.