

Values are Valuable – The Mantra of Good Governance

Company values provide the framework which an organization engages with employees, customers, stakeholders and ultimately influences and shapes the company culture. Companies that have integrated their core values into their business plans have found that they can improve relations and effectively address the concerns of external stakeholders such as investors, financial and local communities, and the general public.



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Values really are one of the most important things of your company, it's who you are, it's why customers choose you. Build a great company which you would want to do business with yourself. If you get this right, your culture and values are right." - Richard Branson

When it comes to leading a company, which is more important - values or valuables? Too often company executives focus on hitting the numbers for the next quarter and winning at any cost. The focus on near-term 'valuables' at the extent of long-term 'values' can prevent companies from achieving long term sustainable growth to which they are striving. It's obvious that values are not necessarily associated with long-term thinking, nor are valuables necessarily connected to the short-term. However, in life and in business, when you focus on values and apply their associated principles to every aspect, you tend to concentrate on more long-term consequences. You have to be patient, especially in difficult economic times. But the patience pays off in the long run.

Business has become the most powerful institution on the planet. The dominant institution in any society needs to take responsibility towards its stakeholders. But business has not had such a tradition. This is a new role, not well understood or accepted. Built on the concept of capitalism and free enterprise from the beginning was the assumption that the actions of the companies, responding to market forces and guided by the "invisible hand" of Adam Smith, would somehow deliver desirable outcomes. But in the last decade of the twentieth century, it has become clear that the "invisible hand" is faltering. So business now has to adopt a tradition it has never had throughout the entire history of capitalism: to share responsibility for creating and enhancing value for stakeholders. Every decision that is made, every action that is taken, must be viewed in light of that responsibility.

Organization is just like a human; it makes decisions, does what


it thinks is right, has legal limitations on what it can do, has moral limitations, creates and implements its own rules and beliefs, it advances on the basis of its decisions, creates myths, legends and habits and so on. We can say that organizational values are integrated into personality of a company thus playing a similar role as values do in lives of individuals; directing behavioral patterns, influencing relationships within the organization and influencing how company perceives its customers, suppliers and competition. The importance of organizational values for organizations is shown even strongly now in the time of economic uncertainty than even before.

THE CENTRAL ROLE OF VALUES

Vision and mission statements provide direction, focus, and energy to accomplish goals. Values express the integrity that individuals and organizations believe in. They serve as a decision-making tool in daily interactions that guide behavior. Values are deeply held principles that people adhere to when making decisions. Individuals express their values through their actions and behavior Organizations through their working culture.

There are four critical issues preoccupying the boardrooms of large and small companies around the world. How do we increase profits and shareholder value, how do we attract and retain talented people, how do we build brand loyalty, how do we ensure that ethics permeates the corporate culture, and how do we build a resilient and sustainable organization. Value driven organizations are most successful organizations on the planet. The reasons for this are simple to decipher - Values and behavior drive culture, Culture drives employee fulfillment, Employee fulfillment drives customer satisfaction. Customer satisfaction drives shareholder value.

In Corporate Culture and Performance John.P. Kotter show that companies with strong adaptative cultures based on shared values outperform other companies by a significant margin. They found that over an eleven year period companies that cared for all stakeholders grew four times faster than companies that did not. They also discovered that these companies had job creation rates seven times higher, stock prices grew twelve times faster, and a profit performance that was significantly higher than companies that did not have shared values and adaptative culture. In Built to Last: Successful Habits of Visionary Companies, Jim Collins and Jerry Porras show that companies that consistently focused on building strong values driven culture over a period of several decades outperformed companies that did not by a factor of six.

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MEANING OF VALUES

Organizational values are beliefs held by organizational members regarding the means and ends that organizations 'ought to' identify in the running of the enterprise. values are something we hold dear, something that reflects an ideal or an ethic. Values are a broad tendency to prefer certain states of affairs over others. Values can be defined as broad preferences concerning appropriate courses of actions. Values are the standards that guide our conduct in an organization in a variety of settings. An organization's values might be thought of as a moral compass for its business practices. While circumstances may change, ideally values do not. Values have a dynamic nature in the sense that they can have various levels of worth at a specific point in an individual organizations life: they can be subdued and only surface in certain scenarios or may feature very strongly if the situation warrants it. There are primarily three sets of values that guide individual and organizational behavior: "values for personal wellness, values for collective wellness and values for relational wellness". The literature also refers to various types of values. These include values such as: personal values (values that define who we are and how we act, that which makes us unique); relationship values (values that empower and care about others); organizational values (values that guide the perspective and actions of the organization); societal values (values of a specific community that dictate social conduct); human rights values (establishing shared values in diverse environment that is grounded on integral moral nature); and cultural values (group of people who have the same values about certain cultural aspects.

TYPES OF VALUES

Some of the commonly accepted Values are - Commitment, Accountability, Caring, Respect, Mutual Respect, Trustworthiness, Tolerance, Curiosity, Courage, Making a Difference, Innovation, Cooperation, Team work Result Orientation, Societal Contribution. Values may be divided into Core, Aspirational and Accidental values. Core values are the deeply ingrained principles that guide all of a company's actions; they serve as its cultural cornerstones. Collins and Porras succinctly define core values as being inherent and sacrosanct; they can never be compromised, either for convenience or short-term economic gain. Core values often reflect the values of the company's founders— Hewlett-Packard's celebrated "HP Way" is an example. They are the source of a company's distinctiveness and must be maintained at all costs. Aspirational values are those that a company needs to succeed in the future but currently lacks. Aspirational values need to be carefully managed to ensure that they do not dilute the core. Accidental values arise spontaneously without being cultivated by leadership and take hold over time. They usually reflect the common interests or personalities of the organization's employees. Accidental values can be good for a company, such as when they create an atmosphere of inclusivity. While many companies find their values revolve around a few simple topics (employees, clients, professionalism, etc.), the originality of

those values is less important than their authenticity.

LEVERAGING VALUE OF "VALUES" FOR GOOD GOVERNANCE

The process of defining, measuring, and living values can be an excellent vehicle for improving organizational culture as - The process defines a shared set of beliefs and commitments to the way we want to behave and treat each other, The process guides decisions and emphasizes what's important to us as we change and improve the organization, values provide a common language to address unacceptable behaviors in a less threatening way, The process of defining, measuring and discussing values engage Board and employees in talking about what we want and how we can improve. Companies that have integrated their core values into their business plans have found that they can improve relations and effectively address the concerns of external stakeholders such as investors, financial and local communities, and the general public. Improved performance in these areas generates intangible assets, such as employee commitment and customer brand loyalty that leads to improved financial performance. The Board needs to proactively define the purpose of the company • Identify the values that should guide the company • Communicate company values and purpose to all stakeholders. Following are the key mantras for leveraging value of "Values" for good governance.

VALUES MUST FURTHER THE MISSION OF THE ENTERPRISE

With such energy and enthusiasm devoted to corporate values it's astounding that they so often become nothing more than empty platitudes. After all, what's the point of spouting meaningless bromides that end up looking ridiculous. The problem as I see it is that values are often confused with beliefs. When you're sitting around a conference table, it's easy to build a consensus about broad virtues such as excellence, integrity and customer service. True values, on the other hand, are idiosyncratic. They represent choices that are directly related to a particular mission. So the best way to define values that will stick is to focus on choices rather than beliefs. Will you follow what your heart tells you or wait for the data to come in. And that's why an organization's values—or lack thereof—define it in a way that nothing else does. They determine how an enterprise will pursue its purpose.

BUILDING A VALUES DRIVEN ORGANIZATION

Intangibles can represent as much as 65% to 85% of a company's valuation. One of the ways to improve company valuation is to focus on improving the culture. Whatever you focus on and measure gets done. Many of the organizations manage their values by measuring their performance annually against specific targets, such as reducing the number of potentially limiting values, reducing the level of cultural entropy, and increasing the number of matching current and desired culture values. These targets can be set for the company as a whole as well as for each business unit, office or factory location and each functional

team. In this way, individual leaders, managers and supervisors can be held accountable for the culture of their units.

VALUES ARE TOUGH TO LIVE

Make no mistake: Living by stated corporate values is difficult. After all, it's much harder to be clear and unapologetic for what you stand for than to cave in to politically correct pressures. And for organizations trying to repair the damage caused by bad values programs, the work is even harder. Values can set a company apart from the competition by clarifying its identity and serving as a rallying point for employees. But coming up with strong values - and sticking to them - requires real guts. Indeed, an organization considering a values initiative must first come to terms with the fact that, when properly practiced, values inflict pain. They limit an organization's strategic and operational freedom and constrain the behavior of its people. They leave executives open to heavy criticism for even minor violations. And they demand constant vigilance. If you're not willing to accept the pain real values incur, don't bother going to the trouble of formulating a values statement. You'll be better off without one. But if you have the fortitude to see the effort through, you can learn some important lessons from the few companies that have adopted meaningful corporate values.

MORE THAN JUST BEHAVIOR

Implementing values is not just about individual behavior. Making values stick also requires changes to the way the organization operates. For example, if an organization has a value around trust, then it is inappropriate to require lower level managers to require multiple signoffs before spending relatively small amounts of money. Trust has further implications in areas such as reporting expenses, as another example. Simply put, policies, procedures, processes, information flows, decision making, metrics, and incentives must reinforce the new corporate values and desired behaviors. For new corporate values and behaviors to become truly embedded in the fabric of the organization, employees have to believe there will be positive consequences for adopting them and negative consequences for not doing so.

COMMUNICATING VALUES

It is important to recognize that these values, these underlying beliefs, attitudes and behaviors aren't just words written in a company handbook, that gets dusted off when a new employee joins the organization. They need to be consistently communicated internally to ensure they are lived and breathed by everyone within the organization. Values are hard to teach, unlike skills and techniques, and if they are not shared by the people within your organization, there can be conflict and disconnect within your team. Communicating can be especially challenging in Multinational companies. It is important that everyone understands the expected behaviors of the organization and the principles against which decisions will be made. Values need to be articulated in a manner that transcends nationality - for example, the concepts of honesty and trustworthiness are universally acknowledged. Nevertheless, it is important to recognize that cultural differences will influence how messages are heard and interpreted, and adjustments may need to be made in training, employee onboarding, and performance reviews.

BE AGGRESSIVELY AUTHENTIC

Many companies view a values initiative in the same way they

view a marketing launch: a onetime event measured by the initial attention it receives, not the authenticity of its content. For a values statement to be authentic, it doesn't have to sound like it belongs on a Hallmark card. Indeed, some of the most values-driven companies adhere to tough, if not downright controversial, values. Siebel Systems, for instance, adheres to a set of authentic values that flagrantly counter the culture of Silicon Valley, where the company is headquartered. Professionalism, which tops Siebel's list of values, sets it apart from the frivolous cultures of many technology companies where pizza boxes, foosball tables, and sandals are de rigeur. Siebel's employees are barred from eating at their desks or decorating their walls with more than one or two photographs. As unacceptable as this may seem within Silicon Valley's playground-like corridors, it distinguishes Siebel from competitors. Intel, likewise, takes pride in the pricklier aspects of its culture. Employees are pushed to embrace the value of risk taking by challenging the *status quo* and engaging in constructive confrontation.

LEADERSHIP AND VALUES

The values that make up the culture of an organisation are either a reflection of the underlying beliefs of the current leaders - particularly the chief executive - or are the reflection of the past leaders. Most organizations operate with "default" cultures. There is a lack of alignment between the values of the culture of the organization and the personal values of employees, the result is low performance. Ultimately, the culture of an organization is a reflection of the personality of the leader or the personalities of



From the first interview to the last day of work, employees should be constantly reminded that core values form the basis for every decision the company makes. Given all the hard work that goes into developing and implementing a solid values system, most companies would probably prefer not to bother. And indeed they shouldn't, because poorly implemented values can poison a company's culture.

Companies that have integrated their core values into their business plans have found that they can improve relations and effectively address the concerns of external stakeholders such as investors, financial and local communities, and the general public. Improved performance in these areas generates intangible assets, such as employee commitment and customer brand loyalty that leads to improved financial performance.

the leadership group. Therefore, organizational transformation always begins with the personal transformation of the leaders.

OWN THE PROCESS

What's the first thing many executives do after they decide to embark on a values initiative? They hand off the effort to the HR department, which uses the initiative as an excuse for an inclusive feel-good effort. To engage employees, HR rolls out employee surveys and holds lots of town meeting to gather input and build consensus. That's precisely the wrong approach. Values initiatives have nothing to do with building consensus - they're about imposing a set of fundamental, strategically sound beliefs on a broad group of people. Most executives understand the danger of consensus-driven decision-making when it comes to strategy, finance, and other business issues, yet they seem oblivious to the problem when it comes to developing values. Top managers also need to understand that a good values program is like a fine wine; it's never rushed. It is far more important for a values team to arrive at a statement that works than to reach a decision it may later regret. Executives should discuss values over a number of months; they should consider and reconsider how the standards will play out within their organization.

WEAVE CORE VALUES INTO EVERYTHING

So let's say you've nailed down the right values. What now? If they're going to really hold in your organization, your core values need to be integrated into every employee-related process - hiring methods, performance management systems, criteria for promotions and rewards, and even dismissal policies. From the first interview to the last day of work, employees should be constantly reminded that core values form the basis for every decision the company makes. Given all the hard work that goes into developing and implementing a solid values system, most companies would probably prefer not to bother. And indeed they shouldn't, because poorly implemented values can poison a company's culture.

BATTLING VALUES FATIGUE

While ongoing communication is essential, organizations should avoid delivering exactly the same message again and again. This is because messages can get stale, causing employees to ignore the underlying values and principles. Communicating values is much like a marketing campaign - it needs to capture people's attention and use different content, formats, and communication channels to remain fresh. One way to achieve this level of interest is through the power of stories. Stories cannot only make values concrete, they connect people

to those values in ways other forms of communication cannot.

REINFORCING CULTURE AND VALUES

Create listening posts: Conduct cultural assessments that get at the core of how people behave and what they think. Maintain a healthy mood in the middle: Much hinges on middle management's ability to translate tone at the top into the policies and practices that drive everyday behavior. Keep it interesting: Find new and innovative ways to communicate cultural values and reward values-based behavior. Encourage storytelling to bring values to life. Play fair: Reward the right behaviors and penalize the wrong ones. Don't play favorites. Shout it from the rooftops: Leaders tend to under communicate values and expectations. In this case, more is better.

VALUES COST SOMETHING

In an article in Harvard Business Review, management expert Patrick Lencioni writes that, "If you're not willing to accept the pain real values incur, don't bother going to the trouble of formulating a values statement." Make no mistake, values cost something".

CONCLUSION

Organizational culture is the new frontier of competitive advantage. Company values should provide the framework which an organization engages with employees, customers, stakeholders – all of its audiences - and ultimately influences and shapes the company culture. There are a number of themes running through various company core values that place importance on things like 'team', 'excellence', 'integrity', 'ethics' and so on, and more often than not there will be an aspect that addresses corporate social responsibility and recognizes issues facing the wider community. By understanding the things that you value as a business, you can determine what direction you should take in everyday situations, but also during times of uncertainty. For example, laying down best practice for things like recognizing and rewarding potential for your employees, to deciding whether to work with a client if their business practices seem slightly unethical but they have lots of budget to spend with you. 13

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