

VALUES: THE ORGANIZATION'S CULTURAL BEDROCK

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Organizations appear to have two kinds of values—hard values about profitability and business success, and softer values about people and relationships. And when push comes to shove, the conventional wisdom is that the soft values are sacrificed to the harder ones. Many people are deeply cynical when they hear about a company's soft values, because they feel that these values about people are the first to go in times of crisis. However, some leaders feel that the softer values are just as important as the hard ones. If people do not feel that their organization can be trusted, that there are not some core values that their company stands for and is willing to struggle to uphold, then the fabric that ties people to the organization will weaken. When weakened, the willingness of people to put extra effort, to extend themselves, and to help the organization make a difference diminishes. Companies have begun to look to values as the core behind which their people can rally.

But such values statements are too often just a popular buzzword, taking up valuable wall space in many organizations. They are a particular focus of Dilbert cartoons, suggesting that values are a meaningless pursuit by empty-headed or hypocritical managers wasting the time of their troops. Many values statements are indeed empty platitudes, having no reality whatsoever. At the annual retreat of one management team, we asked them to look at how well they were practicing certain values. They asked where this list came from, protesting that the values were too generic and not really relevant to their company. Finally, we had to remind them that the list came from their management retreat the previous year!

In this article we present some of the ways that values can avoid this fate and instead become a real, vital, important focus to help an organization work more effectively and motivate people. Properly used, values can help organizations with three key building blocks of excellence:

1. *Motivating commitment.* Values can help employees find meaning and purpose, to care about what the company is doing, and to link their individual efforts to the whole organization.
2. *Aligning action.* With employees having to make so many complex decisions, values offer a set of guiding principles to guide them.

3. *Transcending individual conflicts.* Values provide a language and a way of understanding individual differences, and for nonjudgmental acceptance of different ways of doing things.

Clarifying values for a team and organization is an essential activity within an organization. When people work together to agree on what is most important to them, a shared commitment to those values can emerge. You cannot give a team or an organization a values statement, as some leaders try. This will never become real to people. Of course, leaders can suggest important values, but there is no substitute or short-cut for having individual teams talk about their most important values and coming up with a consensus that they support.

Values as a Foundation for Success

Organizations, business units, and teams are concerned with defining their vision of the future and their mission, a statement about their purpose. But vision and mission alone are incomplete, in that they define only the major external focus of task energy. In addition to its mission and vision, a group must also determine how its members will work together, how they will treat each other, and what bonds them together. People work for different reasons, and they want different things from each other and the organization.

Sometimes a group will agree on a vision and mission, but lapse into conflict because different people have different values about how to put it into action. Some members might want to work on their own, some want lots of interaction, while others see the workplace as an arena for personal competition and “winning” through good results. As employees face increasing responsibility, making more complex and far-reaching decisions, a corporate values credo is often an essential guide for behavior. How you achieve your goals and vision is as important as the goal itself. Values exploration makes these differences explicit, and leads to a shared team agreement about them and what they mean.

Values form the bedrock of any corporate culture. As the essence of a company’s philosophy for achieving its goals, values provide a sense of common direction for all employees and guidelines for their day-to-day behavior. In their influential book *Corporate Cultures*, Deal and Kennedy noted,

If employees know what their company stands for, if they know what standards they are to uphold, then they are much more likely to make decisions that will support those standards. They are also more likely to feel as if they are an important part of the organization. They are motivated because life in the company has meaning for them.¹

The special need today for clarity and discussion of values stems from several factors. First, employees are being faced with increasingly complex decisions, in increasingly ambiguous circumstances. Policies and rules cannot define or cover every situation. Second, the consequences of employee decisions are increasingly consequential, in that employees can make costly mistakes or earn the company customers and add value by timely action. But if rules and policies can’t tell employees what to do, what will guide them? Part of the answer is the overall strategy and corporate mission and goals. But part of the answer is the values that the organization holds.

Core values provide the foundation for implementing an organization’s strategy, mission, and structure. They are a set of understandings in an organization about how to work together, how to treat other people, and what is most important. In most organizations they

are understood, implicit, but seldom discussed. Sometimes our most important values remain somewhat hidden from the team. Unclear or unknown values can produce conflicts and contradictions that make people feel confused, blocked, and frustrated. Many organizational and team values are unconscious, in that they lie below the surface and are not openly explored or discussed. Bringing them into the light of day enhances agreement and connection. The creation of an organizational values statement can be a powerful influence to align everyone to the core principles behind the business. Values are not static; they must be renewed and redefined to fit different times and realities.

What does a values statement do for a company? How is it used? On the broadest level, it sets standards that should be considered in every action. When working with a customer, evaluating employee performance, making a tough decision, or bringing people together, the values set some standards along which an individual choice or action must be measured. They also propose ideals to which a person should hold himself or herself. If I am acting according to the company's set of values, I am enhancing my value to the company. The values would also come into play if I saw or were faced with a person whose behavior seemed to contradict the values. The person might not see his or her action as contradicting the value, and this might lead to an important discussion of the meaning and purpose of a value for the organization.

At work, as in other areas of their life, people assume certain basic values, acting on them but rarely defining them clearly or questioning them. Our values are motivators, since when we feel that something is right and important we will spend a great deal of effort to achieve it. To be effective, a company needs some agreement about what it values. It has to agree on certain values, and then turn these values into policies, practices, and standards for behavior. Nordstrom says that it asks employees to act according to one value: satisfying the customer. All employees learn to apply that value in individual ways, learning continually from their colleagues new ways to achieve this. The one value thus leads to ongoing innovation and employees themselves creating new ways to deliver value.

Values Differences

Different people value different things. While there will always be differences of emphasis and increasing diversity of values among employees, the creation of consensus about key values is an important task for any group. Employees at every level must face customers, must make costly decisions, and deal with difficult balancing acts between competing priorities. Previously, agreement was generated by maintaining strict procedures and standards of behavior, under the control of supervisors. Today, with more empowerment and a greater sphere of autonomy for individual employees, people need to be guided not by rules, or by observation by a supervisor, but by understanding the most important values held by the organization. If a decision fits the values, then it is right.

For organizations, values can replace long lists of rules and procedures. A values-based organization offers employees certain key principles rather than extensive lists of procedures and expected activities. For example, a recent trend in labor-management contracts is to shift away from long lists of work rules and procedures, to offer instead a short statement of values and responsibilities of labor and management. Such values statements govern the Saturn and Nummi auto plants, both of which have been exemplars of superior quality, cost effectiveness, and high employee morale.

Organizational values can be a vehicle for major changes when there is an organizational crisis or need for renewal after a traumatic change. For example, Nissan Motors was facing a decline in its market share and in sales. Its president, Yutaka Katayama,

decided that the pathway to the future involved going back to their core beliefs. He initiated a belief-stream process with senior managers, to clarify what they stood for. In facing the change, the managers looked at their core value of being close to the customer and how they had tended to neglect that in some of their recent actions. By placing customers first, the managers looked at how they would affect their priorities and actions.

Major corporate transformations are not possible without a reconsideration of core values, because values seem to underlie organizational structures, processes, and behavior. To change these, you need to shift values, or the organization will tend to snap back to the way it was before, despite attempts to change. As part of a deep and total change to turn around the money-losing retailing giant Sears, new CEO Arthur Martinez embarked on a deep shift in values, toward service and employee empowerment. As in other organizations shifting in this way, the first to go were volumes of corporate rules and procedures. In their place came a bare-bones statement of “Freedoms and Obligations” to guide employee behavior. From one of the most rule-bound and traditional cultures has emerged a new organization that asks every individual to do what he or she feels is right. By realigning employee behavior from rules to values, Sears has created a new spirit and a new profitability. The root of the changes was a shift to a soft (relationship) values-based organization.

Aligning With Personal Values

Simply creating an organizational values statement isn't enough. Not just any set of values will do; the values that are adopted must also link to personal values of each employee. One important key to greater organizational effectiveness is a close link between personal and organizational values. A recent study by the American Management Association of 1,460 managers and chief executives suggests that an understanding of this relationship will provide new leverage for corporate vitality. This relationship, when mismanaged, can be the breeding ground for conflict and cynicism. The survey provided solid evidence that shared values between the individual and the company are a major source of both personal and organizational effectiveness. When managers' values were congruent with the values of their companies, their personal lives were in better shape, their approach to their job more optimistic, and their stress lower. A person's sense of what is important strongly influences his or her commitment and motivation.

Puget Sound Power initiated a series of focus groups to explore personal and organizational values. After looking at the core values for the organization, they looked at how these values were linked to individual values. They found, for example, that employees felt pressured in finding personal balance while achieving high work performance. Identifying this stress point led to exploration of ways to maintain work and family balance. The values discussion surfaced issues that interfered with people's commitment to the organization.

When you work in an environment in which your work activities are aligned with what you consider important, the energy, motivation, desire, and will to achieve even the most difficult tasks seem to emerge. But once employees have begun to explore values, it is important that the company not stop. We saw the cost of short-circuiting the process in a fast-growing retailer that set out to develop a corporate values statement. The team met at the COO's house, having pizza dinners as they asked themselves what was important in the company and what should guide their future. The people had a deep and powerful experience together as they looked at how the company could grow and develop. After several months, they unveiled their values statement at a corporate retreat, and the leadership had a positive

and lively discussion before accepting them.

They next set up task forces, each one chaired by an Executive Team member, and containing a cross-section of employees on each team. The six teams each selected a key value and agreed to spend a year exploring what that value meant and what actions the company could take to actualize that value. As they looked at the values, such as balancing work and family, respecting people, or career development pathways, they saw that there would have to be significant commitments to change the culture. For example, to support work/family balance, they might not be able to expect managers to be on call twenty-four hours a day. The values work uncovered some deep value conflicts between what the company said and what it did.

Sadly, the task forces just faded out of existence. It seemed that the groups did not have the mandate, or the will, to confront some of the pressures of the culture itself. The values were sacrificed to the way that the organization really worked. People privately expressed that what had been a source of satisfaction and motivation was now seen as an organizational failure. The cost to the company of not confronting the issues raised was that many people felt the organization, which had a reputation for using people up rather than supporting them, was not learning how to respect or value its people. High turnover continues to plague this company, even though it offers people challenging and well-paid work. Employees just don't feel committed to working there very long.

Resetting Values

Values are sometimes difficult to live up to because the organization is continually changing, and some changes put great pressure on values. Layoffs particularly strike at core company values. For example, over several years of work with IBM, we saw how the decline of the company had forced it to neglect one of its core values—respect for the individual, which was variously interpreted as not firing people, not forcing people to change their ways, or not holding people accountable for poor performance. Employees were angry and upset because they felt the company was abandoning its core value. For a time, rather than look at the need to shift their values or to set different standards of what constituted respect (e.g., could you respect people and still have layoffs, or make people responsible for results?), the feelings about change went underground and were not addressed. This tended to erode IBM's second great value, of being close to the customer. Values are not to be retreated from lightly, but the pace of change today makes it necessary for organizations to redefine their values or risk their becoming dysfunctional.

Sometimes values are espoused or acted upon that either contradict or are in conflict with other values. These are values conflicts. What if a company values honesty, but also a high sales volume? How or when does the value of honesty supersede the value of making a sale? Many companies have been deeply wounded by such value conflicts, most often because employees did not feel they had a forum to explore or discuss them. A values exchange and discussion is critical to clarifying the limits of behavior and personal responsibility.

For example, one company with a strong values orientation reported that it was given a huge order from a tobacco company, with the proviso that the company eliminate its corporate no-smoking policy. The company debated the order within every work group, balancing the need for the order with the challenge to its values. Finally, the different work groups achieved consensus that the value was more important than the sale, and the company turned down the order rather than change its policy.

A company cannot either anticipate or legislate itself out of such values conflicts. As we saw in the discontinued program of the retailer, while values explorations begin with relatively safe and abstract discussions, as they are taken seriously, they begin to come upon established organizational policies—what have been called the informal organizational culture. Sometimes the informal culture has values that people would not espouse openly, such as competing ruthlessly with your peers, making your boss look good at all costs, or making a sale no matter what you promise. These informal values can embarrass a company, or at their worst lead people to dysfunctional and unethical actions. If the values exploration process has teeth, it will lead people to talk about the ways that informal values may contradict or undermine their stated, more lofty, values. These discussions are very difficult because many organizations place a value on not facing up to conflict, or not telling each other the truth.

What Are Values?

Let us now look more closely at the nature of values, and the kind of values that people have about their work. Values are one of our most special capabilities as human beings. A person acts not just in service to personal needs, but also out of a broader sense of what is important and meaningful. In fact, values are the deepest and most powerful motivators of personal action. Values represent an organizing principle for our lives, as well as for an organization. What is most important to us to accomplish and to do at work, in our family, and in our personal life and career, can be described in relation to the values we want to achieve.

Values are defined by Webster's dictionary as "a principle, standard, or quality considered inherently worthwhile or desirable." The root for value is *valor*, which means strength. Values are sources of strength, because they give people the power to take action. Values are deep and emotional, and often difficult to change.

A person's values answer the question, "What's important to me?" They are deep-seated pervasive standards that influence almost every aspect of our lives: our moral judgments, our responses to others, our commitments to personal and organizational goals. We all have belief systems we live by. Our beliefs and value systems are deeply connected. We are motivated and make decisions based on these belief systems and values. Often these values are unconscious.

Personal values aren't static. They change over time, just as organizational values need to. As you grow, different values take on importance and others seem to fade. This happens because the environment you live and work in is changing and your values adapt to it. Our earliest values revolve around our parents and the people who take care of us. As people grow they develop other values, revolving around what we learn about in the larger community and school. These learned values are associated with our basic growth and development. Later we develop values that are related to work—becoming independent and providing for yourself. Later on people develop values related to the human community in general.

Sometimes we mistakenly think of values as a series of "shoulds" telling us what we can and cannot do. This is a very limited viewpoint. Rather, values are energizing, motivating, and inspiring. When we care passionately about something, we can spur ourselves on to great achievements. The highest achievements of people and organizations arise when they feel inspired to accomplish something that fits their highest values.

If we all had the same values with the same priorities, it would be easy to work in groups together. But in most teams, there is a diversity of values and beliefs. In order to help us work better as a team and make decisions that lead to commitment and action, it is

necessary to see the range of values that influence the decision-making process, and agree on which ones take priority.

Classifying Values

There are two major types of values: *core* values and *instrumental* values. Core or intrinsic values represent ideals that are experienced as good in themselves. Instrumental values pertain to how one should do things, the style of action and relationships to others and the way one should do things.

It should be noted that very few people would consider any of these values unimportant. However, since we only have a finite amount of time, life consists of making choices about how we spend our time and energy. You may find that there are some values that you consider important, but not do much about, while you focus most of your energy on others.

There are two types of *core* values: those that govern relationships with people, and those that determine lifestyle. The values in the first group are about how we feel people should be treated by us, and the underlying principles that guide personal relationships. The second group focuses on preferences for a certain style of activity. Many value disputes are about differences in the personal focus of how people want to live their lives.

Instrumental values are separated into four types of values pertaining to how we go about our work. Each broad set of values defines a major orientation to what people consider important about their work. While people have a variety of specific values in their work, we find that to an extent, people prefer values in one major (and often one secondary) orientation. Similarly, organizational cultures have been defined according to which of these four orientations the whole organization prefers in its style.

- *Mastery*. These values represent individualistic pursuits, where success is defined in terms of mastery, status, power, and position. This value cluster focuses on achievement in the external world. People motivated by these values want visible achievements and they want them to be recognized by others. They want to be in a position of authority and to be seen as “winners” in competitive situations.
- *Self-development*. These values represent the search for personal challenge, growth, creativity, and self-development. This cluster is associated with experiential learning, inner-development, self-actualizing, or seeking challenges. The person with these values wants to be involved in challenging and meaningful projects that expand his or her capacities. Such people value new experiences and personal development activities.
- *Relationship*. These values represent people whose primary motivation is seen in terms of developing personal relationships, helping and working with other people, feeling part of a group or team, and sharing experience. People who have a number of values in this cluster seek validation from other people and define their achievements in terms of what they have done for and with others. They seek contact, communication, and community at work. They value their standing with others.
- *Continuity*. These values focus on enduring qualities, maintaining the status quo. This cluster is associated with an appreciation of ongoing tradition, knowing where things fit and how people will treat each other, and control and predictability. A person with these values does not like surprises or for things to be out of order.

It should be noted that we talk about a *preference* for one set of values. In fact, most people select core values containing values representing all four work orientations. When we

work with groups creating values statements, we do not talk about the categories until the values have been selected. When we present the categories, teams sometimes see that some of their key conflicts or differences have their roots in different values about work. When they see that values are different and cannot be argued about, then they become more tolerant of different people's values and preferences. Then we emphasize that an effective, balanced workplace is one that reflects values from all of these orientations.

The Essence-Based Organization

Values are only one part of the process of renewal in an organization that is seeking renewed commitment of its employees, or a new direction to achieve success or turn itself around. Exploring individual, team, and organizational values is a critical foundation for such major organizational change. The values exploration must be combined with defining vision and mission that leads in turn to an organizational strategy and goals. The values discussion is critical, because it leads to clarity and alignment on how the organization will reach its goals and is a pathway for the organization to create a fit with the personal values of its employees. This in turn is the basis for their commitment to the work of the organization. The organization that is aware of and focused around its core values, vision, and mission is what we call "the essence-based organization."

As we continue to live in a world of unrelenting change, what can be constant and unchanging about an organization is its core values. Organizations that take the commitment to defining and leveraging people values through the organization are developing their inner strength and capability to meet the challenges of the future with the full commitment and capability of their employees.

1. Terrence Deal and Allen Kennedy, *Corporate Cultures*. Reading, MA: Addison-Wesley, 1982.

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