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A Primer on Corporate Values

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Abstract

{Excerpt} Advertising strong, positive corporate values is à la mode. Why? In a globalizing world, meaningful values can, for example, instill a sense of identity and purpose in organizations; add spirit to the workplace; align and unify people; promote employee ownership; attract newcomers; create consistency; simplify decision making; energize endeavors; raise efficiency; hearten client trust, loyalty, and forgiveness for mistakes; build resilience to shocks; and contribute to society at large.

To note, corporate values do not equate with organizational culture: that describes the attitudes, experiences, beliefs, and values of the organization, acquired through social learning, that control the way individuals and groups in the organization interact with one another and with parties outside it. Corporate values are firstorder operating philosophies or principles, to be acted upon, that guide an organization's internal conduct andits relationship with the external world. (To be clear, corporate values do not drive the business; however, if they are imbedded in business processes—and made credible to skeptics—they inspire the people who deliver the business, with a healthy balance between work and life and between the short term and the long term.) The ultimate glue that bonds the best organizations, they are usually formalized in explicit—often espoused,not just embedded—mission statements, tag lines, and branding material. Important elements are content and context.

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A Primer on Corporate Values

By Olivier Serrat

Corporate values articulate what guides an organization's behavior and decision making. They can boost innovation, productivity, and credibility, and help deliver thereby sustainable competitive advantage. However, a look at typical statements of corporate values suggests much work remains to be done before organizations draw real benefits from them.

Some Facts on Corporate Guidance Systems

Advertising strong, positive corporate values is à la mode.[1] Why? In a globalizing world, meaningful values can, for example, instill a sense of identity and purpose in organizations; add spirit to the workplace; align and unify people; promote employee ownership; attract newcomers; create consistency; simplify decision making; energize endeavors; raise efficiency; hearten client trust, loyalty, and forgiveness for mistakes; build resilience to shocks; and contribute to society at large.[2]

However, corporate values can backfire with glare when management or personnel fail to live up to the messages, a sure recipe for disenchantment or cynicism among clients, audiences, and partners, not to forget personnel itself.[3] In most such cases, the cause of tension is that organizational goals, principally couched in financial terms, often do not reflect (when they do not conflict with) the corporate values propounded and the underlying organizational culture from which such values are supposed to spring. Lest they become debased, corporate values should not be platitudes, orders of preference expressed in operational jargon, or even simple aspirations.[4] They should not be politically correct. To serve as real guidance systems, living values that spring from integrity, morality, and

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1   The impetus came from *In Search of Excellence*, a book that made out eight common attributes—hands-on, value-driven company philosophies among them, credited with the success (at the time) of the 43 organizations covered. See Thomas Peters and Robert Waterman. 1982. *In Search of Excellence: Lessons from America's Best-Run Companies*. Harper & Row.

2   As the term should make clear, an organization is both a complex social system and a living community.

3   Enron Corporation's code of ethics, issued on 1 July 2000, publicized that company's values as respect, integrity, communication, and excellence. In late 2001, it was revealed that Enron's reported financial condition had been sustained by institutionalized, systematic, and creatively planned fraudulent accounting practices. Enron has since become a byword for willful corporate corruption.

4   A representative smattering of value statements includes words such as teamwork, customers, community, passion, and innovation. All the same, personnel understand what is real about these values not so much from what is written but from what is put into practice.

ethics must be internalized by personnel[5] and reviewed at intervals to maintain relevance in changing contexts;[6] that rarely happens.

In *The Neuroscience of Leadership*,[7] David Rock and Jeffrey Schwartz share a few home truths on organizational transformation. They bear relevance to the subject of these *Knowledge Solutions* since change is what the introduction of corporate values usually purports, at least from the outset. According then to David Rock and Jeffrey Schwartz:

- **Change is pain.** Organizational change is unexpectedly difficult because it provokes sensations of physiological discomfort.
- **Behaviorism does not work.** Change efforts based on incentive and threat (the carrot and the stick) rarely succeed in the long run.
- **Humanism is overrated.** In practice, the conventional empathic approach of connection and persuasion does not sufficiently engage people.
- **Focus is power.** The act of paying attention creates chemical and physical changes in the brain.
- **Expectation shapes reality.** The preconceptions of people significant impact what they perceive.
- **Attention density shapes identity.** Repeated, purposeful, and focused attention can lead to long-lasting personal evolution.

The Meaning of Corporate Values

To note, corporate values do not equate with organizational culture: that describes the attitudes, experiences, beliefs, and values of the organization, acquired through social learning, that control the way individuals and groups in the organization interact with one another and with parties outside it.[8] Corporate values are first-order operating philosophies or principles, to be acted upon, that guide an organization's internal conduct and its relationship with the external world.[9] (To be clear, corporate values do not drive the business; however, if they are imbedded in business processes—and made credible to skeptics—they inspire the people who deliver the business, with a healthy balance between work and life and between the short term and the long term.) The ultimate glue that bonds the best organizations, they are usually formalized in explicit—often espoused, not just embedded—mission statements, tag lines, and branding material. Important elements are content and context.[10]

> *People don't resist change. They resist being changed!*
> —Peter Senge

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[5] Corporate values that are drawn by management are not rooted in basic social convictions and cannot be the bedrock of an organizational constitution. They serve only to rally the troops and are therefore manipulative in nature. What is more, advertising corporate values does not necessarily mean they will be practiced: over time, personnel weave their own interpretations and ideologies into organizational behavior; therefore, it is essential that personnel and management share an understanding of what corporate values are (or might be). Obviously, there must be reciprocity of obligation, enshrined in through two-way communications.

[6] Some argue that corporate values exist to see an organization through both good and bad times and that they cannot be altered. This may be an excessively uncompromising position: every now and then, even the best business model hits a wall. According to Peter Drucker, business models rest on three legs: assumptions about the environment of the organization, the specific mission of the organization, and the core competencies needed to accomplish that. See Peter Drucker. 1994. Theory of the Business. *Harvard Business Review*. September; pp. 95–104. Without straying from the topic of these *Knowledge Solutions*, in keeping with their focus on improving corporate practices, it is pertinent to note that the assumptions, specific mission, and core competencies of organizations only address the why and what of business. However, relatively new notions of management models are beginning to answer the equally important question of its how. According to Julian Birkinshaw, a management model embodies the choices that the executives of an organization make to define objectives, motivate effort, coordinate activities, and allocate resources—in other words, the choices they make to define how the work of management gets done. See Julian Birkinshaw. 2010. *Reinventing Management: Smarter Choices for Getting Work Done*. Jossey-Bass.

[7] David Rock and Jeffrey Schwartz. 2006. The Neuroscience of Leadership. *strategy+business*. Vol. 43.

[8] A standard typology of this complex subject refers to communal, networked, mercenary, and fragmented cultures.

[9] For reference, at the individual level, values are a small set of key concepts and ideals that guide a person's life and help him or her make important decisions. Evidently, in organizations, matching individual values to corporate values is no easy matter. Still, people are more likely to put effort into living their organization's corporate values if they understand the fit between these and their own.

[10] Content refers to the meaningfulness of corporate values, characterized for instance by authenticity, specificity, tangibility, and ease of application. Context refers to the degree to which the corporate values can be woven into everyday thinking and behavior: they must pervade the organization, for example, through the ways people are selected, managed, assessed, recognized, promoted, rewarded, etc.

> **Box 1: The Corporate Values of the United States National Park Service**
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> - Shared Stewardship—We share a commitment to resource stewardship with the global preservation community.
> - Excellence—We strive continually to learn and improve so that we may achieve the highest ideals of public service.
> - Integrity—We deal honestly and fairly with the public and one another.
> - Tradition—We are proud of it, we learn from it, we are not bound by it.
> - Respect—We embrace each other's differences so that we may enrich the well-being of everyone.

Source: United States National Park Service. 2010. Available: www.nps.gov/index.htm

Drawing Real Value from Corporate Values

The W. Edwards Deming Center for Quality Management has shown that organizations waste up to 50% of productive time through lack of trust,[11] a fundamental intangible that corporate values can certainly promote. In view of that, beginning about 10 years ago, some organizations have engaged in values-driven management improvement efforts, including values training, appraising management and personnel on their adherence to corporate values, and employing organizational development specialists to help them understand how their corporate values affect performance. Have any trends emerged from their activities?

> *How can an enterprise build capabilities, forge empowered teams, develop a deep understanding of customers, and—most importantly—create a sense of community and common purpose unless it has a relationship with its employees based on trust and caring?*
>
> —Robert Waterman

Usefully, in 2005, the Aspen Institute and Booz Allen Hamilton executed a major global study of corporate values.[12] They surveyed senior management in 365 companies in 30 countries in five regions, almost one-third of whom were chief executive officers or board members.[13] The fundamental findings of the study were the following:

- **Ethical behavior is part of a company's license to operate.** Of the 89% of companies that had a written corporate values statement, 90% singled ethical behavior and integrity as an operating philosophy or principle. Further, 81% believed that formal statements of corporate values were important to reinforce these.

- **Most companies believe values influence two important strategic areas—relationships and reputations—but do not see the direct link to growth.** Commitment to clients was a value included in corporate statements in 88% of companies. Substantial majorities also categorized employee recruitment and retention and corporate reputation as both important to their business strategy and strongly affected by values. However, although companies said that such values as adaptability, productivity, and product quality and innovation are important to strategy, few thought that these values directly affect revenue and earnings growth.

- **Most companies are not measuring their return on values.** In a business environment increasingly dominated by attention to definable returns on specific investments, most senior executives were surprisingly lax in quantifying a return on values. Less than 40% volunteered they can directly link revenue and earnings growth.

- **But financial leaders are approaching values more comprehensively.** Companies that reported superior financial results emphasized values such as commitment to employees, drive to succeed, and adaptability far more than their peers. They were also more successful in linking values to the way they run their companies: a significantly greater number reported that their management practices were effective in fostering values that influence growth, and they were more likely to believe that social responsibility and corporate citizenship as well as environmental responsibility have a positive effect on financial performance.
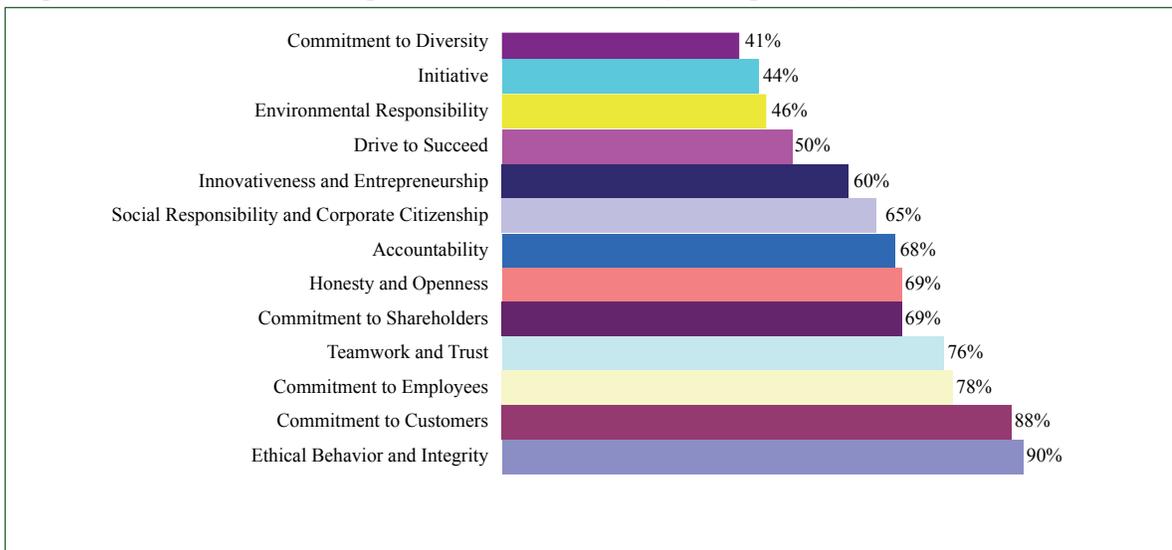
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[11] John Whitney. 1995. *The Economics of Trust: Liberating Profits and Restoring Corporate Vitality*. McGraw-Hill.

[12] Chris Kelly, Paul Kocourek, Nancy McGaw, and Judith Samuelson. 2005. *Deriving Value from Corporate Values*. The Aspen Institute and Booz Allen Hamilton. Available: www.aspeninstitute.org/publications/deriving-value-corporate-values

[13] The study invited about 9,500 senior executives from around the world to help understand how companies are dealing with the challenges of managing values: What are the dimensions of corporate values? What are the factors that enable and hinder executives in making decisions based on their corporate values? What is the value of corporate values? What are the best practices for applying corporate values?

- **Values practices vary significantly by region.** Asian and European companies were more likely than North American firms to emphasize values related to the corporation's broader role in society, such as social responsibility and corporate citizenship and environmental responsibility. The manner in which companies reinforced values and aligned them with their strategies also varied by region.
- **The tone of the chief executive officer matters.** As many as 85% of the respondents reported their companies relied on explicit chief executive support to reinforce corporate values. And 77% claimed it was the most effective practice for reinforcing the company's ability to act on its values. (Respondents considered it so irrespective of geography, industry, or company size.)

Figure: Values Included in Corporate Values Statements (All Respondents)

Value	Percentage
Commitment to Diversity	41%
Initiative	44%
Environmental Responsibility	46%
Drive to Succeed	50%
Innovativeness and Entrepreneurship	60%
Social Responsibility and Corporate Citizenship	65%
Accountability	68%
Honesty and Openness	69%
Commitment to Shareholders	69%
Teamwork and Trust	76%
Commitment to Employees	78%
Commitment to Customers	88%
Ethical Behavior and Integrity	90%

Source: Chris Kelly, Paul Kocourek, Nancy McGaw, and Judith Samuelson. 2005. *Deriving Value from Corporate Values*. The Aspen Institute and Booz Allen Hamilton. Available: www.aspeninstitute.org/publications/deriving-value-corporate-values

The Strategic Value of Values

Rosabeth Moss Kanter,[14] in a book concerned with the global crisis of business and American-style capitalism, echoes Julian Birkinshaw's view that new business models must arise: specifically, in the corporate sector, these are to be models that serve society in addition to rewarding shareholders and employees. She sees strong potential synergy between financial performance and attention to community and social needs, unique competitive advantage from embracing the values and expectations of a new generation of professionals, and growth opportunities from stressing corporate values and restraining executive egos when seeking strategic alliances and integrating acquisitions. Drawing from her book, the range of advantages that values-based organizations companies tap through their strategic use of operating philosophies or principles are:

- **Competitive differentiation.** An emphasis on corporate values builds specific lines of business and strengthens an organization's brand. Success means that competitors may start emulating particular initiatives but that merely raises the bar: a clear sense of societal purpose provides a wellspring that can produce the next wave of activity. Competitors who attempt to copy initiatives without underlying corporate values will always be behind the vanguard.
- **Public accountability via end-to-end responsibility.** Corporate values help meet the public's request that organizations should know, care, and communicate about all aspects of their products and services—from sources to applications to ultimate disposal. Greater contact with stakeholders across the value chain builds

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[14] Rosabeth Moss Kanter. 2009. *SuperCorp: How Vanguard Companies Create Innovation, Profits, Growth, and Social Good*. Crown Business.

an organization's brand and triggers opportunities for innovation.

- **Rationale for long-term thinking.** Corporate values that include operating philosophies or principles of sustainability help organizations create continuity. They become values-based organizations that have meaning[15] beyond their current bundle of assets or lines of business. Such values help them avoid "short-termism" and make choices with an eye on the future.
- **Common vocabulary and guidance for consistent decisions.** Corporate values are an essential guide to organizations that need to make fast decisions and take quick action in far-flung or differentiated operations. Their clear articulation helps personnel select among alternatives in a consistent manner.
- **Talent magnets and motivation machines.** Talented people are mobile but, essentially, they are attracted (and faithful) to organizations whose corporate values match their key concepts and ideals. (An organization's brand and reputation affect its ability to attract the right people.) If organizations are networks of people working toward the same end, corporate values should help ensure that personnel are proud of what they are doing and are motivated by that.
- **"Human" control systems—peer review and a self-control system.** Belief in corporate values strengthens peer responsibility for keeping one another aligned; it also generates self-guidance and self-policing. Such human control systems do not work perfectly but they reduce the need for rules and help make people feel free and autonomous:[16] personnel become willful actors who make their own choices based on values they support.

Box 2: A Corporate Values Start-Up Kit

- Do you know what your organization's corporate values are? Is the potential tension between multiple aims explicitly acknowledged? Is the language original or reworded from elsewhere? Is it memorable? Are appropriate meanings clear, without restricting the scope of the values? Does a psychological contract suggest an unwritten set of mutual expectations between the organization and its personnel? Has psychological safety been created?
- How did your organization identify its corporate values? Which office or department developed them? Was a formal audit of existing values conducted?
- What difference would it make if your organization really practiced its corporate values? Would you be happier at work?
- How do your organization's corporate values show up in its operations? How are they communicated? How does your organization distinguish between its corporate values and its policies, strategies, structures, systems, and business processes? Has it drawn a learning charter citing commitment to corporate and individual actions?
- What is challenging about practicing, promoting, and living your organization's corporate values? What are the obstacles?
- Is the behavior of your organization's personnel measured against its corporate values through the performance management system? How are new alignments created? How are misalignments identified and corrected?
- What do your organization's corporate values mean to you? How do they fit with your individual values? How do you express these?
- How are you practicing, promoting, and living your organization's corporate values? How do they show up in your daily working life? In which parts are they weak or missing? What can you do differently to start living them, even when it is hard?
- What are you doing to bring your organization's corporate values to your team?
- What support would be helpful to you and your team so that you may better practice your organization's corporate values? To whom can you talk?

Source: Author.

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[15] Intuitively, a clear link appears between personnel experiencing meaning and an organization's ability to manage change effectively, attract and retain talent, and engage personnel for high performance.

[16] Over the last 10 years, high-performance organizations have dismantled many stultifying human resource policies and procedures that, borne of old-style command-and-control management systems and enforced through endless orientation sessions, had seemed aimed only at making life harder. (In a globalizing world that demands speed and agility, the near-constant fine-tuning of thick volumes of administrative orders and administrative circulars had become a burden they could no longer afford.) Human resource departments are now expected to contribute to the accomplishment of organizational goals, not just busy themselves with personnel administration. Therefore, it is often the case that they have inspired attempts to articulate corporate values: after all, organizations must still have a behavioral bedrock lest chaos, confusion, and parochialism rule. Some human resource specialists may well feel they have jumped from the frying pan into the fire: if, as the earlier arguments suggest, much work remains to be done before organizations draw real benefits from corporate values, human resource departments must for their part reexamine human resource policies and procedures against the corporate values they (or other units) have helped promote. A checklist against which they must do so includes relevance, strategy, adaptability, applicability, familiarity, clarity, boundaries, and commitment.

Knowledge Solutions

Further Reading

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For further information

Knowledge Solutions are handy, quick reference guides to tools, methods, and approaches that propel development forward and enhance its effects. They are offered as resources to ADB staff. They may also appeal to the development community and people having interest in knowledge and learning.