"Espoused values are always presented in noble terms, but actual values can be hidden and even nasty. Some organizations, for example, have actual values for such things as manipulation, exploitation, and greed, but these are rarely acknowledged openly."

Clash of the Titans

Values versus Performance

By Ken Hultman

IN GREEK MYTHOLOGY, Titans were giants of colossal strength who sought to rule the universe. In the new economy, people often talk about values and performance as though they were Titans locked in a battle that only one could win. I know many OD practitioners who are deeply concerned with value issues in organizations, especially with the seemingly endless revelations about fraud and deception, but they say they'd never get work if they carried the values banner into initial contacts with potential clients. They report busy managers are focused on solving immediate performance problems, not on discussing long-range strategic values. This assumes that values are superfluous to performance, but research over the past 15 years has consistently demonstrated that high-performing organizations have different values than other organizations. What's more, performance problems are often symptomatic of underlying value issues that remain undetected. Accurately assessing and dealing with these issues are essential to effective performance especially over the long haul. This article will summarize the research connecting values and performance, and offer some guidelines for creating a values-based organization that attains excellent results.

WHAT ARE VALUES?

Values are beliefs about what's important in life, and represent preferred ways of meeting our needs. Once embraced, values become our criteria for making decisions and setting priorities. Rokeach (1973) maintained that the ultimate purpose of our value system, as well as all our other attitudes and beliefs, is to preserve and enhance our self-conceptions, or what we call self-esteem. He distinguished between *terminal values* and *instru-*

mental values. Terminal values define the overall goal we want to achieve and have two components: our purpose or personal mission defines *why* we exist, and our dreams for the future or personal vision defines *what* we want to become. We have a current self-image (who we are now) and an idealized self-image (who we want to become). Terminal values motivate us to move toward the latter.

Instrumental values are preferred modes of conduct, defining *how* we plan to fulfill our purpose and dreams. Instrumental values focus on *competence* which has to do with abilities, and integrity which has to do with *character.* We're not only industrious problem-solvers but also moral beings concerned deeply with questions of good and bad, right and wrong. In order to preserve and enhance our self-image, therefore, we must perceive ourselves as both capable and ethical. Competence and integrity have both a personal and social dimension, allowing us to distinguish four sub-categories:

- **Personal competence**—People need to view themselves and be viewed by others as being skilled, knowledgeable, and capable.
- **Social competence**—People need to view themselves and be viewed by others as making a difference.
- **Personal integrity**—People need to view themselves and be viewed by others as being ethical and moral.
- **Social integrity**—People need to be accepted by others.

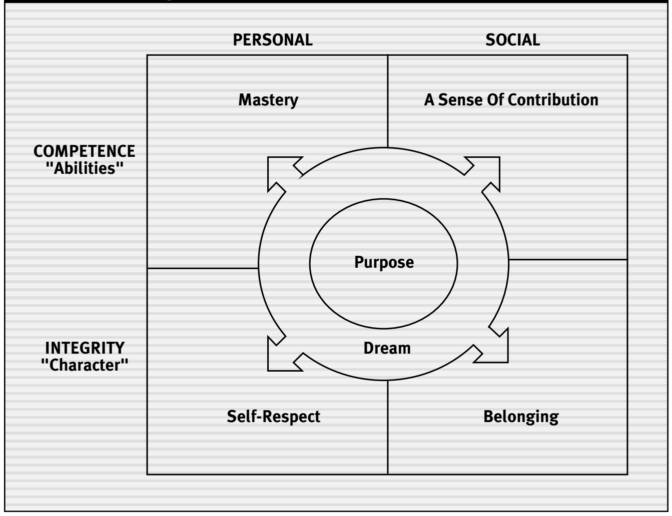
The specific values people choose in these areas reflect their current level of self-esteem. Those with low self-esteem gravitate toward defensive and self-protective values; those with high self-esteem gravitate toward growth and self-actualizing values. This accounts for the vast differences in human behavior which is why one person becomes a rocket scientist and another a monk. The main elements in a personal value system are depicted in *Figure 1.*

For an individual, values are key components of *personality*; for an organization, values are key components of *culture.* Values are psychological constructs, internal to a person. Organizations as such don't have values, but because they are composed of people, their cultures are shaped by values which are shared in varying degrees. Terminal values reflect corporate mission and vision, while instrumental values are general guidelines or principles for attaining these ends.

To be well balanced and effective, an organization must have instrumental values pertaining to personal and social competence, and personal and social integrity. Organizations run into problems if they lack values in one or more areas, or if some values are emphasized at the expense of others. In some organizations, for example, pressures to produce (personal competence) get in the way of collaboration (social integrity). Integrity values temper competence values; social values temper personal values. To be effective, values chosen in the four areas must be compatible with each other—they must work together like a team. Contradictory values cause internal conflict, undermining system effectiveness.

The overall goal of an organization's value system is to maintain and enhance its self-image. People have both a current and idealized image of the organization for which they work. The current image, which can vary from very positive to very negative, has a profound effect on its vision. Those viewed in a negative light tend to have "tunnel vision," focusing on short-term goals such as quarterly earning reports and fire fighting; those viewed in a positive light tend to focus on long-range goals and ensuring a rewarding future. An organization's vision has an overarching influence on the particular instrumental values it selects and, ultimately, on its performance. Values line up around vision, for better or worse. How stakeholders perceive the organization and the impact of this on vision is the starting point for meaningful discussions about values.

Figure 1: INDIVIDUAL VALUE SYSTEM



VALUES AND PERFORMANCE

All values are not created equal. Research has shown that high-performing organizations consistently have values that differ from others, whether performance is measured by financial criteria such as stock returns or revenue growth, or by corporate longevity or sustainability. Results from several major studies are summarized in *Table 1.*

A great deal of consistency exists among these results. In

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Table 1: THE IMPACT OF VALUES ON PERFORMANCE

Source	Values	
Collins & Porras (1994). *Build to Last: Successful Habits of Visionary Companies.* A study of the values of 18 visionary companies.	**Personal Competence** Product/service excellence Continuous improvement/learning Creativity/innovation	**Social Competence** Empowerment Contribution to society Customer service Profit
	Personal Integrity Honesty/integrity	**Social Integrity** Respect & concern for Employees
Jac Fitz-Enz (1997). *The 8 Practices of Exceptional Companies.* A study of the values of the top 5% of 1000 companies studied over a four-year period, using a rigorous set of quantitative and financial performance criteria.	**Personal Competence** Innovation and risk Continuous improvement	**Social Competence** Balance of human and financial values Commitment to a long-term core strategy Linking culture and systems
	Personal Integrity (Honesty is a given)	**Social Integrity** Extensive two-way communication Partnering with stakeholders Collaboration
Arie De Geus (1997). *The Living Company: Habits for Survival in a Turbulent Business Environment.* A study of 27 companies older and larger than Royal Dutch/Shell, founded in 1907.	**Personal Competence** Anticipating the need to adapt and change Developing individual and organizational potential Learning Productivity	**Social Competence** Conservative financing Corporate survival (long- term interests) Empowerment Tolerance (openness to ideas) On-going assessment of internal structures
	Personal Integrity Fairness Honesty	**Social Integrity** Cohesion (Belonging) Communication Creating and maintaining a community Networking Trust
Kouzes & Posner (1995). *The Leadership Challenge: How to Keep Getting Extraordinary Things Done in Organizations.* Most admired leader characteristic (values) in rank order, from surveys of 20,000 people on four continents.	**Personal Competence** 4. Competent 7. Broad-minded 8. Intelligent 10. Dependable 13. Imaginative 15. Determined 16. Mature 17. Ambitious 20. Independent	**Social Competence** 2. Forward-looking 3. Inspiring
	Personal Integrity 1. Honest 5. Fair-minded 9. Straightforward 11. Courageous 19. Self-controlled	**Social Integrity** 6. Supportive 12. Cooperative 14. Caring 18. Loyal

Table 2: ENRON'S ACTUAL VALUES		
	PERSONAL	**SOCIAL**
COMPETENCE "Abilities"	Control High-stakes risk-taking Internal competition Results or else	Maximum profits in the minimum amount of time Ever-rising stock prices Greed Winner-take-all
INTEGRITY "Character"	Situational ethics to fuel ever-rising stock prices (creating corporate "window- dressing" through such accounting maneuvers as inflating revenue, submerging debt, and shifting losses)	Do whatever it takes to be liked Expendability Groupthink Loyalty

the area of personal competence, the emphasis is on *excellence* and *learning,* i.e. using and further developing one's knowledge and skills. These values allow organizations to do quality work in the present, be creative, and adapt to changing conditions. In the area of social competence, the emphasis is on *empowerment* and *ownership.* It would be difficult to overstate the relevance of these values to performance. Kotter & Heskett (1992) found that revenues for firms with values emphasizing the legitimate interests of employees, customers, and stockholders (ownership), and encouraging leadership at all organizational levels (empowerment), increased by an average of 682% over an 11-year period as compared to 166% for firms that didn't have those. Employees are more productive and satisfied when opportunities exist to act like genuine stakeholders.

In the area of personal integrity, all studies mention the importance of values pertaining to *honesty* and *fairness.* Kouzes & Posner (1995) consistently found that honesty was ranked first among characteristics of admired leaders, followed by forward-looking (setting a vision), and inspiring (motivating people to follow the vision).

Unless leaders are honest, nobody cares about their vision. In the area of social integrity, the emphasis is on establishing a *community.* De Geus (1997) found that longevity doesn't depend on the ability of a company to return investment to shareholders: profitability of a company was a *symptom* of corporate health, but not a *predictor* or *determinant* of it. In long-lived companies, ROI was a means to the end of creating and maintaining a community. In such companies optimizing capital was secondary to optimizing people. This is food for thought for organizations that slash their training budget to cut costs. Other studies show a relationship between community-related values and bottom-line performance (see, for example, Denison, 1984; Levering & Moskowitz, 2000).

Consistent with De Geus' findings, Collins & Porras (1994) reported that the key difference between visionary and comparison companies was that the former possessed a rock-solid core ideology (purpose and values) that didn't change over time. They concluded that superior market performance was not a function of having profit as a primary value. However, some managers are likely to view this counter-intuitive finding with skepticism. Logic tells them that organizations can't be "humanistic" and "practical" at the same time, but, according to the research, this is not only possible but also necessary. The challenge is to be practical in a humanistic manner.

ORGANIZATIONAL VALUE ISSUES

Corporate culture not only consists of values, but also of beliefs (basic assumptions) and norms. Norms are standards for behavior based on values and beliefs. Some theorists maintain that basic assumptions are more fundamental to culture than values. My view is that values play an executive role in personality and culture. Basic assumptions are important, but values decide. Like a trump card, a value can override facts and beliefs in people's decision-making. This happens, for example, when people say, "I've seen the numbers, but this is still what I want to do."

Also, from a diagnostic perspective, it's easier to deduce beliefs and norms from values than the other way around. You can get at values by asking, "What's important to you?" Then you can get at beliefs by following up with, "Why is that important?" Finally you can get at norms by asking, "How does that manifest itself in action?" In any assessment the key thing is to gather accurate and complete information about all aspects of culture, and to look for their interrelationships.

Another issue is that, by themselves, values are simply words. To become *real,* values must be operationally defined. I try to discover what a value means in an organization by asking a question like this: "You say that teamwork is important here. What behaviors can I expect to see reflecting that value?" The authenticity of an organization's values and alignment with the values are more important than the content of the values (Collins and Porras, 1994). Content does matter, as the research described above indicates, but only if the values are authentic.

People don't infer our values from what we say, but rather from what we do. They listen to our words but then wait to see if they're backed up by actions. When the two don't match, it triggers suspicion and cynicism which are disastrous for performance. The only exception to this is when an organization is moving from a set of current values to a set of desired values. In this situation, people will grant the organization a "grace period."

Espoused values are always presented in noble terms, but actual values can be hidden and even nasty. Some organizations, for example, have actual values for such things as manipulation, exploitation, and greed, but these are rarely acknowledged openly. This can make an organization appear to be something it isn't, at least in the short-term. By outward appearances Enron seemed to be an impressive high-performance organization, but this was because its actual values were kept hidden until the roof caved in. Upon examination, their actual values were diametrically opposed to those associated with long-term success. *Table 2* provides a summary of Enron's values, placed within the context of my four-fold instrumental values model and taken from an article by Stephens & Behr (2002).

You can detect an organization's real values by observing what it rewards and punishes—this reveals what it really cares about.

Even well conceived values won't have a positive impact on performance unless there is alignment of those values within the workforce, and the values are embedded in key management systems such as the selection system, day-to-day operations, and the performance evaluation process. In this regard, Collins & Porras (1994) found that visionary companies:

- more thoroughly orient employees to their values,
- more carefully select and nurture senior management based on a fit with the values,
- and attain more consistent alignment with the values, in such aspects as goals, strategy, tactics, and organization design.

The issue of alignment is controversial because many employees, burned in the past, view this as a ploy to get more out of them. While establishing organizational values is seldom a democratic process, congruence between personal and organizational values is essential to generating and sustaining movement toward vision. Numerous studies examining employee perception of value congruence with the organization found that this has a desirable effect on such outcomes as job satisfaction, commitment, involvement, intentions to leave, and turnover (see, for example, Cable & Judge, 1996; Harris & Mossholder, 1996).

Bringing about alignment is a process of continuous improvement, and it's one of the most strategic functions of leadership. To accomplish this, leaders must be willing to engage in on-going dialogue with employees about what's important to them, explain what's important to the organization, and work to bring about balance between the two. This isn't as daunting as it sounds. Employees may use a wide variety of terms to describe what's important to them, but most of their input will fall into the four-fold model: personal and social competence, and personal and social integrity. Employees want opportunities to use their skills, learn, and make a contribution within an atmosphere of mutual respect and belonging. Organizations need a capable and adaptable workforce, employees who act like owners, honesty and fairness, and a community with a shared identity. There's much common ground here. OD can make a significant impact by helping organizations find such common ground.

ASSESSING AND CHANGING VALUES

One of the most effective ways to improve performance over the long haul is to help individuals enhance their self-esteem. According to Rokeach's (1973) theory of cognitive and behavioral change, self-conceptions are at the innermost core of a person's total belief system, followed by values, attitudes, and other types of beliefs. Enhancing self-esteem, which can result from effective coaching, counseling, and mentoring, has ripple effects that can lead to positive changes in values, beliefs, and behavior. People with low self-esteem tend to feel helpless and hopeless, and respond in a defensive manner. Their focus is on damage control, not fulfilling their potential. In contrast, people with high self-esteem feel empowered, and are freer psychologically to focus on future possibilities. Helping a leader gain self-esteem can have a pervasive impact on an entire organization.

Like values, self-esteem is internal to a person. Organizations don't have self-esteem. Nevertheless, people's esteem for an organization varies from "I'm proud to work here," to "This place is a joke." Conceptions of an organization are contagious and often become part of its culture. They can even be embedded at the meta-level and be treated as facts. Enhancing organizational conceptions is one of the main functions of vision. When people can bind together around a bold and exciting idea about the future, they're less constrained by current problems and are more motivated to bring about positive change. People's conceptions of an organization and its impact can be addressed through a variety of assessment and change methodologies such as Appreciative Inquiry, and Motivational System Mapping (Hultman, 2001, 2002).

It's also important to help leaders examine the long-range implications of current decisions and actions. Once you determine that value change is needed to move toward vision and improve performance, the following step-by-step process, based on the research studies discussed earlier, can be utilized:

1. Gain top management support. You can prepare to do this by addressing the following questions:
   a. To whom would you like to make a proposal for value change?
   b. What would you like to propose and why?
   c. Using research evidence and other relevant data, how can

you build a persuasive case for value assessment and change?

2. Assess current values:
   a. Involve all stakeholder groups in the process, i.e. managers, employees, customers, and stockholders.
   b. Use a combination of instruments and interviews.
   c. Identify underlying beliefs (assumptions, conclusions, and predictions) that support current values, and current norms (standards for behavior) based on them.
   d. Decide which current values, beliefs, and norms you want to keep, and which ones you want to change.
3. Define desired values:
   a. Involve all stakeholder groups in the process.
   b. Clarify new assumptions that make value change necessary.
   c. Select values and practices that fit the organization's context, i.e. the needs of customers, the situation in labor markets, and the conditions in financial markets.
   d. Select values that emphasize all the key managerial constituencies (customers, employees, and stockholders) and leadership from managers at all levels.
   e. Include values that allow the organization to adapt to a changing environment.
   f. Include values that emphasize short-term performance and efficiency, but don't compromise broader, long-range values.
   g. Include values that pertain to the four key psychological and social needs of individuals and organizations: personal and social competence, and personal and social integrity.
   h. Emphasize values that foster forward movement (growth values), and de-emphasize or eliminate defensive values.
4. Develop a set of norms based on the desired values. The norms should specify both acceptable behaviors (what we will do) and unacceptable behaviors (what we won't do).
5. Develop a plan for closing the gap between current and desired values, beliefs, and norms, and decide how it will be implemented.
6. Work toward alignment (compatibility) between personal and organizational values, so that the latter can become truly shared by addressing these questions:
   a. What does the organization want (organizational interests)?
   b. What do employees want (employee interests)?
   c. In what ways are the wants compatible (aligned)? In other words, what's working?
   d. How can areas of compatibility (alignment) be enhanced?
   e. In what ways are the wants in conflict (misaligned)? In other words, what's not working?
   f. How can areas of conflict (misalignment) be reduced?
7. Embed desired values in management systems:
   a. Initiate incremental changes in strategies and practices to keep the organization's values in tune with environmental realities.
   b. Align the values with goals, strategies, tactics, and organizational design.
   c. Orient employees to the values.
   d. Use the values to select employees, guide day-to-day actions and decisions, and evaluate performance.
   e. Build the reward system around the values.
   f. Hold everyone from top-down accountable for acting in accordance with the values and norms.
8. Work toward continuous improvement in aligning values with norms and practices.
9. Reassess values regularly.

By capitalizing on the research and following the guidelines given above OD practitioners can prevent the clash of the Titans, binding values and performance together into a unified plan that enhances long-term organization success. ■

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