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The Values of a Balanced Culture

Abstract Organizational values, as the criteria that guide decision-making, play a central role in the implementation of management by missions (MBM). Most social organizations today develop a set of values. These sets of values are normally treated as fixed and even as untouchable. However, over time, some values change and evolve both in the organizational environment and within the organizations themselves. Some values may fall into the background, while others should come to the forefront. As a result, leaders need to adapt to these changes and create corporate cultures that best align with their corporate purpose over time. In this chapter, we propose a framework to help organizations create balanced sets of values in four categories: business, relational, development and contribution values.

Keywords Values • Motivation • Balanced values • Personal values • Organizational values • Culture • Management by missions

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Purpose and values are complementary, but not identical. Two companies committed to similar purposes may develop very different cultures, depending on the values they actually live by. For instance, if a company's purpose is to satisfy customers' needs and it defines its values as profitability and integrity, it will develop a different culture than another company with the same purpose, but values focused on innovation and diversity. For starters, the two companies will likely define very different missions, and this will lead each company to focus on one field or another.

Purpose, missions and values actively interact to produce the company culture. If purpose and missions are the ends that guide action, values are the criteria that guide the decision as to the most appropriate course in any given situation. Values tell us how we must fulfill our purpose. A purpose can be fulfilled in many different ways. The only requirement is that the values effectively serve the purpose.

The Origin of Values

Based on Edgar Schein's classic model of culture,¹ we can say that values are formed through interpreting reality. As shown in Fig. 6.1, any such interpretation is based on two things: beliefs and behaviors.

First, values are based on beliefs, that is, the models we have about the importance of certain behaviors. What I think is important is a value for me. For instance, the belief that "working together in a coordinated way

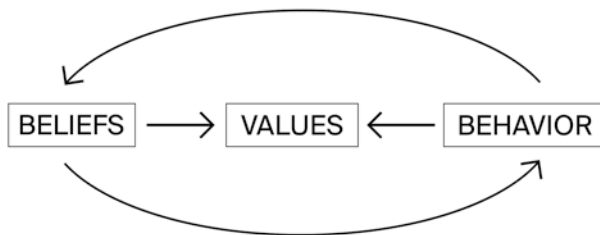


Fig. 6.1 The origin of values

¹ E.H. Schein, "Organizational Culture," *American Psychologist*, vol. 45, no. 2, 1990, p. 109.

and sharing information is good for employees and good for the company as a whole” may make “teamwork” a value. As beliefs evolve and change, so do values.

Secondly, perceptions exert a powerful influence on values. For example, if we work for a company in which innovation is a habitual behavior, we are very likely to accept innovation as a value. Similarly, what we see is a value for people around us may become a value for us too. That is apparent in trends such as total quality or the growing concern for the environment. For example, if we perceive that quality is valued by most members of an organization, we will not be surprised to find quality present as a value in our own activities, too. Of course, the same reasoning also applies in reverse.

Ultimately, we can say that beliefs influence perceptions, and vice versa. For example, if a manager believes that one of their subordinates is incompetent, that will naturally affect the manager’s perceptions. They will tend to focus more on what the subordinate does wrong than on what he or she does right. In fact, focusing exclusively on the subordinate’s mistakes will reinforce the manager’s belief that the subordinate is indeed incompetent.

Thanks to this effect, whereby perceptions and beliefs reinforce one another, people’s values tend to be stable. This explanation of the origin of values may help us understand other aspects of the cultural dynamic in organizations, such as why there is a natural resistance to change.

Corporate Values and Real Values of an Organization

In most organizations, especially in highly successful ones, there are certain values that have internalized themselves within people over the years. To some extent, those values make up the organization’s culture. By values, we mean specific criteria or ways of interpreting reality which, over time, become a “way of being and doing things.” By rule, no one value defines a culture, nor does it require ten: three or four are enough. Take Ericsson for example, they describe their core values as follows: “Professionalism, respect and perseverance are the foundations of the

Ericsson culture, guiding us in our daily work, both in how we relate to people and how we conduct our business.”²

However, we must ask ourselves how realistic and how appropriate such statements are to the company’s objectives. Many companies’ actual values are quite unlike the ones cited in their public announcements. Thus, when we talk about a company’s values, we must distinguish between the corporate values (those promoted on the company website) and the actual values by which they live and operate. The actual values are those that are deeply rooted in members’ beliefs. They must also be reinforced by the way the company does business day to day. The members of the organization experience them intuitively, almost unconsciously, as part of their culture.

Given that values are based on people’s beliefs and perceptions, there is no such thing as values in the abstract. Strictly speaking, values are always values for somebody. In that sense, values are different from other aspects of the company, such as strategy. The members of a company may more or less agree with the strategy, and the strategy may be relatively popular; but once the strategy has been decided and agreed, it is valid for the whole company.

The same cannot be said of values. Values cannot be defined “from outside” the world of people in an organization. An organization’s values will only be effective if they are accepted as values by the organization’s members. Thus, if we want to define the values of an organization, we must first understand the underlying values: the perceptions and beliefs of the organization’s members. And, from there, the company can consider new values to achieve, which must be reflected in people’s actions and habits.

This reflection on real values is quite clear in the Cadbury company’s statement of values: “Cadbury Schweppes’ concern for the values will not be judged by this statement, but by our actions. [...] Pride in what we do is important to every one of us in the business and encourages us to give of our best; it is the hallmark of a successful company. Let us earn that pride by the way we put the beliefs set out here into action.”³

² P. Murphy, *Eighty Exemplary Ethics Statements*, op. cit.

³ P. Murphy, *Eighty Exemplary Ethics Statements*, op. cit.

Characteristics of Corporate Values

Corporate values ought to be deliberately designed and used as a strategic tool. They are the values that the organization has deemed strategic and seeks to develop through training, priorities in decision-making and talent evaluation processes. While it may not always be possible to fully develop corporate values, they serve as a guideline for creating positive motivation and rigor within the company. To achieve this, values should have the following characteristics:

1. *They must serve the company's purpose.* Corporate values should be consistent with the purpose, that is, they must serve the purpose. Consequently, if the purpose changes for any reason, the values will also have to be reconsidered.
2. *They must be values shared by all members of the company.* It is pointless to define a set of values that apply for only a small minority. For example, if one corporate value is innovation, it would not be congruent if only a select few managers were allowed to be creative and create innovation in the company.
3. *They must be integrated into the company's culture and management systems.* For instance, management must set an example of how to embody the corporate values. It would be inconsistent for a manager to achieve excellent results using values that go against corporate values.

Any and all social organizations (which all companies are) ultimately develop a set of values. A company cannot exist without values. When an oblivious manager says their company doesn't have or need values, they are admitting that they don't know the real values of their company. In other words, that manager may have a defined strategy and control many processes, but is disregarding a key aspect: "how we do things around here" has a profound impact on actions and, therefore, on the results.

Running an organization without sticking to a set of values is like trying to sail without factoring in the ocean current: the boat will gradually go off course and we'll be wondering why. A strong ocean current can either be a big help or be a big hindrance. A good captain knows that, but

is powerless to change where the current is headed. Unlike the sailing metaphor, a good leader is in fact capable of steering the values in service of the purpose.

Values and Motivation

The word *motivation* is derived from the term *motor*, as in *driving force*. It is the energy source that propels us to perform different actions. When that driving force stops, people become unmotivated and impartial to action. The relationship between values and motivation is substantial: both lead to action. The difference is that, while values are a criterion for action (to determine the right action), motivation is the energy required to carry out that action. On certain occasions (and constantly in daily life), people end up doing things they believe are not right (or doing what they believe is right, but without motivation): in these cases, our values pull in one direction, but our motivation pulls us in another.

When values and motivation are aligned, this is known as a flow state. The concept of flow was developed by Mihály Csíkszentmihályi⁴ in the 1990s, and has become popular in the twenty-first century. Flow is a state of immersion in an activity that creates a sense of achievement and inner balance, along with a partial loss of awareness of the passage of time. The flow is not a state of relaxation; it is one of action with a challenge attached to it. Nonetheless, an activity can even be less tiring when performed in a state of flow than when it is done out of obligation. The state of flow has been associated with positive psychology (which focuses on positive virtues or habits) and also with happiness.

There has been considerable research and literature on motivation, specifically motivation in the company. Back in the 1950s, Peter Drucker⁵ talked about the different types of motivation that are tied to the meaning a person gives to their work. As an example, he shared the allegory of the three stonecutters. When asked what they were doing, the first replied:

⁴ See, for example, Csíkszentmihályi's books: *Finding Flow: The Psychology of Engagement in Everyday Life*, Basic Books, New York, 1998; *The Psychology of Optimal Experience*, Harper & Row, New York, 1990; and *Flow and the Foundations of Positive Psychology*, Springer, New York, 2014.

⁵ P. Drucker, *The Practice of Management*, op. cit.

“I’m earning a living.” The second one continued working, and said: “I am doing the best job of stonecutting in the entire county.” The third stopped for a moment and, after looking up, said: “I’m building a cathedral.” If we were to look only at the task that these three people performed, we might think they would have the same motivation. However, motivation is not based on the task itself, but rather the reasons why the task is being performed. In fact, there is a big difference (at least on a motivational level) between “stonecutting” and “building a cathedral.”

Following Drucker’s example, and borrowing terminology from Juan Antonio Pérez López,⁶ we can say that everyone has the potential to be moved by the three types of motives: extrinsic motivation (for what someone receives “in exchange” for their work), intrinsic motivation (the pleasure or learning they get from doing their job) and transcendent motivation (what others get out of their work). It is easy enough to find people who have not developed this potential in a balanced way. And yet, even these people secretly want to know what they are working for, and are pleased when they find that their work is of some good to someone.

In fact, that is the essence of the sense of mission. It is up to the leader to foster and continually draw attention to the transcendental meaning of the work each person does.⁷ It is what Grant calls prosocial motivation, which we refer to here as transcendent motivation. Whereas in the twentieth century companies discovered the importance and power of intrinsic motivation at work (creativity, autonomy, empowerment, etc.), in the twenty-first century more and more companies are discovering the power of transcendent motivation.

According to Professor Simons of Harvard Business School, “We all have a deep-seated need to contribute—to devote time and energy to worthwhile endeavors. But companies often make it difficult for employees to understand the larger purpose of their efforts or to see how they can add value in a way that can make a difference. Individuals want to understand

⁶J.A. Pérez López, *Fundamentos de la dirección de empresas*, Rialp, Madrid, 1991.

⁷See, for example, the articles by A.M. Grant: “Employees without a Cause: The Motivational Effects of Prosocial Impact in Public Service,” *International Public Management Journal*, vol. 11, no. 1, 2008, pp. 48.

“Giving Time, Time After Time: Work Design and Sustained Employee Participation in Corporate Volunteering,” *Academy of Management Review*, vol. 37, no. 4, 2012, pp. 589–615. “Leading with Meaning: Beneficiary Contact, Prosocial Impact, and the Performance Effects of Transformational Leadership,” *Academy of Management Journal*, vol. 55, no. 2, 2012, pp. 458–476.

the organization's purpose and how they can contribute, but senior managers must unleash this potential."⁸ And one of the means they have to unleash this motivation potential is through the use of corporate values.

Balanced Values

Every organization will develop a particular set of values, depending on factors such as its history, the industry in which it operates, the philosophy of its founders or managers and so on. But the impact of corporate values is only felt in terms of how they motivate people in the company. That's why it is important for corporate values to be aligned with the various motives described above. So, to find out whether there is any common pattern in the values of different companies, we analyzed 48 companies of different nationalities and obtained a total of 266 values. Based on our results, we classified the values as follows:

- Business values: values relating to the company's business and profit-making activity. Examples include perseverance, efficiency, professionalism, results orientation and so on. These values are aligned with extrinsic motives.
- Relational values: values that foster quality in interpersonal relations. They include communication, teamwork, respect for people and so on. These values focus on relationships in the company, which can lead to all three motivations.
- Development values: values aimed at differentiating and continuously improving the company. Examples include innovation, creativity, learning, continuous improvement and so on. These values are aligned with intrinsic motives.
- Contribution values: values aimed at doing more for stakeholders than strictly required by the business relationship. These values are aligned with transcendental (or prosocial) motives.

Figure 6.2 shows how the values held by the companies in our sample are distributed among these four categories.

⁸R. Simons, "Control in an Age of Empowerment," *Harvard Business Review*, vol. 73, no. 2, 1995, pp. 80–88.

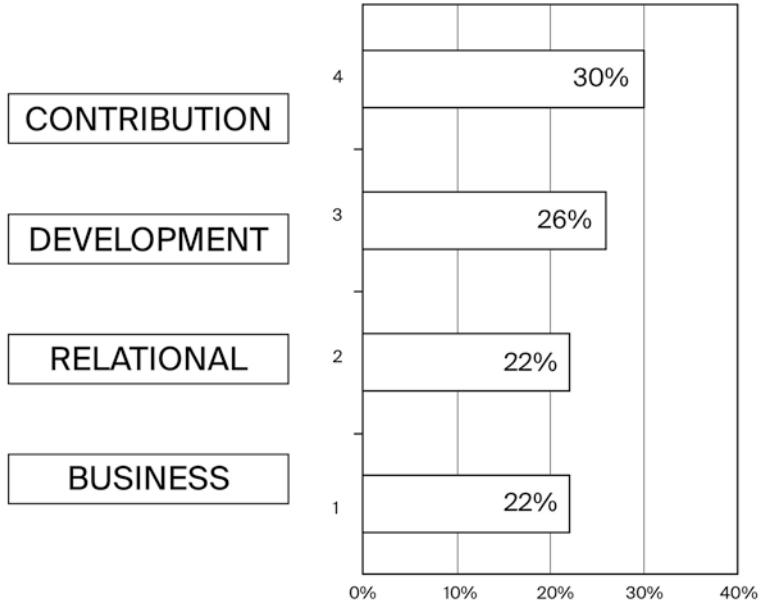


Fig. 6.2 Distribution of values by category (in %)

These findings have subsequently been validated by other researchers who analyzed these four categories based on a sample of 94 companies from the Fortune 100 index,⁹ 35 companies in the Fortune Global 500 index from China and the United States¹⁰ and a longitudinal analysis from 2014 to 2018 of a sample of 62 companies among *Fortune's* 100 Best Companies to Work For index, covering a wide range of industries, such as distribution, construction, insurance, food, health, IT and professional services.¹¹

The results of these studies lead us to believe that in what we might call a healthy corporate culture, all four categories are necessary. Interviews

⁹I. Malbašić, C. Rey and V. Potočan, "Balanced Organizational Values: From Theory to Practice," *Journal of Business Ethics*, vol. 130, no. 2, 2015, pp. 437–446.

¹⁰P. Cardona, I. Malbašić and C. Rey, "Institutions, Paradoxes, and Compensation Logics: Evidence from Corporate Values of the Largest Chinese and US Companies," *Asia Pacific Business Review*, vol. 24, no. 5, 2018, pp. 602–619.

¹¹P.G. Dominick, D. Iordanoglou, G. Prastacos and R.R. Reilly, "Espoused Values of the Fortune 100 Best Companies to Work For: Essential Themes and Implementation Practices," *Journal of Business Ethics*, pp. 1–20.

with a large number of managers confirm this principle of balance: a culturally healthy company must cultivate and develop values in all four cultural categories. Seriously neglecting any one dimension may generate a dysfunctional culture.

In our research, we found companies with clearly dysfunctional cultures. Although they had defined and promoted a set of “key values,” those values never really caught on in the organization. In most of these companies, the real culture was centered almost exclusively on business values. Because of this imbalance, values such as teamwork, innovation and customer service came last and were seen as empty words rather than a fact of daily life in the company. For many companies today, when facing major disruptions and uncertainties, it is crucial to cultivate a healthy culture that can handle a shifting environment, and this requires embracing values that truly motivate employees.

Evolution and Change in Values

Over time, some values change and evolve. Some fall into the background, while others come to the fore. People may be affected by a new strategic focus, in the way a manager behaves, or changes in the company’s environment. It should be expected that current values may be called into question or new ones brought to prominence by a change of beliefs or perceptions.

At one stage, a company may set its sights on geographical expansion. At some later stage, it may prefer to reorganize or consolidate. In such cases, the same value may be reinterpreted, so as to acquire a new meaning. In the 1970s, quality was a value associated with products. Today, it is seen as something that concerns all of a company’s processes and activities.

However, changes in values must not prevent a company from maintaining certain “key values” over time. For many companies, values are one of their main advantages against competitors.¹² It can be relatively easy to copy a product, strategy, technological innovation or production method; but developing a desired set of values in a company can take years.

¹²N. Epley and A. Kumar, “How to Design an Ethical Organization,” *Harvard Business Review*, vol. 97, no. 3, 2019, pp. 144–150.

Values are one of the key success factors in business; yet they can also be a cause of failure. Not having certain values, or acquiring the wrong values—the kind that blocks a company’s strategic development, for example—can be an overwhelming competitive disadvantage in the short to medium term. It is not uncommon for companies to find themselves outclassed by their rivals precisely because they lack the human capital to implement certain strategies.

On one occasion, the European vice president of an electronics company described the scope of this problem. Although he knew the strategies for success in his industry, he had found it impossible to implement them in his company. In his opinion, the problem boiled down to the fact that people did not want to excel: “We owe the great achievements of our past to our desire to excel. But that value has not remained alive in our people. We have grown used to things running themselves, and whenever we need bold changes, we feel incapable of carrying them out.”

That’s why it is important to always be mindful of changes and use corporate values as a strategic tool to address those changes. Along with considering competitive changes in the business (changes in the structure of the market or competitors, economic conditions, customers’ needs, technology, etc.), it is vital to remain aware of social changes. As we have been saying since the beginning of this book, companies are more than just businesses: they are organizations *of* people and *for* people, embedded in one or more communities with a variety of changing interests.

Each generation enters the job market with its own set of values. For a few years now, we’ve heard a lot of talk about millennials and, more recently, centennials. Before that, it was all about Generation X, Y, Z. And in a few years, there will be a new generation that is different from the previous ones, with its specific values. Companies are increasingly sensitive to these changes when it comes to attracting and retaining talent. Tools like employer branding will be more successful if they are tied to corporate values that fit the times.

Companies are also experiencing increasing pressure to be sustainable and socially responsible. As a result, future leaders will need to adapt to these changes in society and create corporate cultures that better align with the values of the time. Balanced corporate cultures mean, precisely, cultures that are in sync with the broader culture of society.

Transforming Agriculture

The company Semillas Fitó was founded in 1880, selling seedlings and seeds in the areas of San Martí de Provençals and Maresme near Barcelona. In the 1940s, it specialized in seeds, and within a few years was already selling throughout Spain.

From day one, Semillas Fitó's purpose was to provide farmers with the highest-quality seed to modernize and increase the profitability of their farms. For the company, this idea of being close to the farmer and improving the profitability of their crops was always in the company's DNA. In the words of Antonio and Jaume Fitó, directors of the fourth generation of the family: "Offering the best varieties enabled Spanish farms to increase their profitability." This purpose was gaining ambition when seeing that, through research, the company could also create new products, differentiate itself from its competitors and add more value.

After a few attempts with decent results, the company developed several successful launches, such as the "Category" Santa Claus melon, which allowed harvesting almost two months earlier than normal, and the "Cristal" eggplant, which enabled many farmers to export a product of unprecedented quality throughout Europe. The development of new varieties fueled international expansion and, in the 1990s, the company became a multinational with subsidiaries in several countries of the European Union, Turkey and Jordan.

In March 2011, a few years after the fifth generation took over the management, led by Xavier, Eduard and Laia Fitó, the company opted for management by missions to boost its growing international expansion. Their missions focused on four key stakeholders: customers, shareholders, people and the community. Eduard shares his experience:

"With the missions, along with the idea of proximity and customer profitability, we added other key aspects, such as developing people, cultivating an environment of freedom, teamwork and contributing knowledge to society. We were seeking to expand our purpose, look further afield and strengthen the foundations of our culture. We also defined a set of corporate values—professionalism, innovation, discretion, long-term vision—that captured the 'Fitó way' and guided the development of the missions."

The missions and values went hand in hand with the development of Semillas Fitó in several countries in Europe, Africa and the Americas, where the operating model was replicated by not only sellers but also researchers. By establishing strong values and a clear vision, the end result was an extraordinarily decentralized company. "Despite being a relatively small company, compared to the large corporations in our industry, we managed to attract fantastic talent and top-notch professionals. Talent was brought in from much larger competitors and talented leaders were retained despite job offers from other organizations."

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In 2012, Fitó did an analysis of the organization's values to assess the evolution of the company culture. The data revealed that while the culture had managed to permeate into the business and development aspects, there were still notable shortcomings in the relational and contribution aspects (see Fig. 6.3). According to Eduard: "The results really reflected the culture of what Fitó had always been, but we wanted to go further. In upper management, we knew Fitó could be a key player in terms of contributing to society, so we had to reinforce the human and social dimension of the company." With this objective in mind, the company launched several initiatives to strengthen its missions and purpose, targeting the aspects of human relations and social contribution.

"The focus on service gradually broadened our view," said Eduard, "and we started to delve deeper into the purpose of our existence. What do we bring to the world? What legacy do we want to leave?"

"So, through everyone's participation, we solidified a lot of aspects that are now reflected in the United Nations Sustainable Development Goals. Challenges like contributing to food security and sustainable agriculture, ending hunger, achieving decent work for all, reducing inequalities and ensuring responsible production and consumption are increasingly resonating with the people who work in this company. These ideas add weight to what we could say is the underlying purpose of our company: to transform agriculture.

"In 2019 we reevaluated the company culture and were pleased to see that our efforts had paid off (see Fig. 6.4). The values of business and development, the backbone of our company from day one, remained strong. At the same time, we made great strides with the values involving human relationships and our contribution to solving the world's problems. This is something that is not only recognized by our employees and customers, but has also been felt in the way we are perceived by the seed industry on a global scale. Case in point, we were recently asked to preside over the International Seed Federation (the preeminent association representing our industry globally), in 2018. Traditionally, this office was reserved for business leaders of prominent, exemplary companies (generally from countries with more economic and political weight than Spain), and for us this appointment brought great satisfaction.

"If we compare ourselves with the big multinationals, our contribution to transforming agriculture may seem small. But we don't see it that way. And the market acknowledges that. We believe purpose is everyone's business and that everyone should do their part. A drop in the bucket? Perhaps. But we're convinced that, without that drop, the ocean would not be the same."

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