MineSsence Group

“Unfolding meaning through values”

Values Based:
Lifestyle coaching
Executive mentoring
Team development
Organisational development
Organisational cultural programmes
Community development (including Correctional Centres)
Future creation conferences
Leadership development programmes

Values Audits

Support and Administration of the AVI
- A Values Inventory - the most widely used values inventory in Australia and New Zealand

Values Education

Values Research and Resource Development

PO Box 914 SPRING HILL QLD 4004
p 07 3511 7827 f 07 3511 6859

info@minessence.net
www.minessence.net

values@work

A Business Case for Working with Values
Culture has 8x more influence on performance variability than strategy

A business case for working with values.

A strong business case for any organisation to work with values can be summed up by research comparing the impact of strategy and culture on performance variability by Mike West of the Aston Business School in the UK.

His study of over 100 companies over an eight-year period showed that an organisational strategy accounted for 2% of performance variability while organisational culture accounted for 17% of performance variability.

In other words even the best business strategy in the world will under perform without a supporting and aligned organisational culture.

This relationship between strategy and culture highlights an often-missed aspect of leadership.

When leaders are capable of ensuring the strategy (the organisations plan(s) for moving in a chosen direction) and the culture (the organisations values, beliefs and behaviours) are in alignment with one another then they can make a positive impact on moving the organisation towards its vision.
So why do we need alignment between culture and strategy?

Fred Wiersema the researcher and co-author of The Discipline of Market Leaders points out that fundamentally there are only three business strategies on which all organisations place a varying degree of emphasis. These are, Product Leadership, (P.L.) Operational Excellence (O.E.) and Customer Intimacy (C.I.).

Wiersema suggests that for organisations to survive they need a basic proficiency in all three of these elements. However in order to grow or become a market leader, an organisation must choose to prioritise one of these three strategies ahead of the other two, and then develop and manage the quality execution of their chosen strategic mix.

Having chosen your strategy mix it then becomes a matter of gaining the most leverage you can in order for your strategies to take you where you want to be.

Which brings us back to Mike West’s studies on performance variance.

With your culture accounting for 17% influence on performance variation, the effectiveness of your strategic mix becomes very vulnerable in an unaligned culture.

The key ingredient of any culture is values. Often misunderstood, values are simply preferences and priorities, which reflect what’s most important. In all organisations, values are at work everyday. Right now your values are at work. The fact you’re reading this article means you would prefer to read this over doing anything else and it is a high enough priority to read it now.

If an organisation values profit, productivity and quality it will prefer to operate in a way that prioritises action and behaviour that reflects those values. Another organisation that values innovation, research and learning will prefer to operate in a way that prioritises action and behaviour that reflects those values. For either organisation, if the values that are influencing daily behaviour and actions are not aligned with the strategies then their performance and results will suffer.

So how can we see alignment between culture and strategy?

All values in an organisation culture fall into one of three distinct categories. Control, Ethical and Development. These three categories relate directly to the three strategies identified by Wiersema (see diagram 1)

Using the AVI (A Values Inventory developed by Paul Chippendale of the Minessence Group), organisations can now map and measure their mix of Control, Ethical and Development values and determine the degree of alignment between the values driving their culture and their strategic mix; as well as and the influence the values are having on leadership and the people within the business.

Diagram 1.
For the first time ever it has become possible and practical to align strategy and culture giving leaders the opportunity to capitalise on the 17% performance variance.

Let's assume we have determined our strategic mix to be in the order we see in diagram 2. We then identify our mix of Control, Ethical and Development values as being in the order shown. We can then see that we have a high degree of alignment between our strategy mix and our culture mix.

**Diagram 2.**

1. Operational Excellence  
   - Control values 76%
2. Customer Intimacy  
   - Ethical values 67%
3. Product Leadership  
   - Development values 35%

However in diagram 3, we can see, where the percentages of our values priority mix differs from our strategy mix, the degree of misalignment between the values driving our culture and our strategy mix becomes apparent.

**Diagram 3.**

1. Operational Excellence  
   - Control values 35%
2. Customer Intimacy  
   - Ethical values 67%
3. Product Leadership  
   - Development values 76%

So where do we start if we want to explore the benefits of working with values?

**New Zealand:** Contact Shar Henderson at values@work to arrange a time to explore the benefits to be gained by developing your strategically aligned culture.

- eMail: Info@valuesatwork.org  
  - phone 09 372 2045

**Australia:** The Minenessence Group  

- eMail: info@minenessence.net  
  - phone 07 3511 7827

More information on what it takes to create an aligned culture can be found in the book *Values at Work: The Invisible Threads Between People, Performance and Profit* by Michael Henderson and Dougal Thompson. Including interviews with leaders of New Zealand based organisations, Values at Work is a practical guide to understanding and working with values and values alignment within organisations of any size.
Vodafone (New Zealand)

Vodafone arrived in New Zealand to take over BellSouth, and decided that their strategic approach would be values-based to successfully and seamlessly make the acquisition [of BellSouth] easier. Therefore the new culture had to be values-based to successfully gain support from their people and to create a common foundation for all decision-making. Vodafone define a Values Based Organisation as one that exists for some reason above and beyond solely making money.

The Approach

values@work's True North values elicitation process, was incorporated as the means for supporting all staff to have the opportunity to evaluate and assimilate their personal values with those of the organisation. A workshop was developed including the True North process and a thorough understanding of the organisations’ foundation and inspirational values.

The Results

1. Their market share in a period of just over two years has grown from 17 percent to 55 percent. They have achieved this to a large extent with the same people in the same market as BellSouth operated. The biggest shift being accredited to this outstanding transformation is the staff’s attitude.

2. They have increased morale and a much higher staff retention rate - staff turnover reduced from over 50% to under 20%. The values process has been attributed to achieving as much as 50 percent of these results.

3. People have expressed (in performance management sessions) feeling far more involved in their work as a result of understanding their own personal values.

4. The business has noticed an increase in the speed of decision-making. They notice they have switched from having to think everything through to knowing if something feels right or not. They can therefore achieve results without having to be constantly checking how and what they are doing.

5. Vodafone report they have successfully unlocked the potential of their people. Their people feel they know what is the right thing to do, so managers do not need tight hierarchical controls to make things happen.

Grahame Maher, CEO, Vodafone comments:

“I am often asked if this values process is so good why am I talking about it so much. People think I am giving away one of our biggest competitive advantages. But it’s your people who are your competitive advantage, and all people have values. It makes sense to work with values because that’s what people do naturally.”
TPF Restaurants. NZ Burger King Franchisee

Burger King was brought to New Zealand in 1994 and currently has 60 restaurants nationwide. The Brand is strong, as are the operational systems, however it was identified in 1999, that in order to create a sustainable culture that reflected the Brand Qualities of fun and vitality, a substantial people support and development emphasis would need to be introduced.

The Approach

A mix of values@work's True North values elicitation process and the AVI (A Values Inventory developed by the Minessence Group) were selected as the means for supporting people to have the opportunity to evaluate and assimilate their personal values with those of the organisation. To date this has been achieved with all senior, regional and restaurant managers.

The Results

1. An increase in their ability to function effectively as a team where other so called team-building exercises had failed to achieve results.

2. A recognition by people in the business that people’s values are important to be aware of if you wish to develop and maintain long term meaningful relationships.

3. The clarification and assimilation of personal values has lead to an increased understanding, accepting and adopting of the company’s values of Pride, Passion and Performance. Internal surveys note increased buy in to the company values increased amongst senior managers leading to the company’s best financial results ever. The national operations manager identified the values process directly related to an increase in staff moral, and therefore a reduction in recruitment and sick leave costs.

4. There have been repeated acknowledgments of increased tolerance and appreciation between departments resulting in improved communication channels, and problem solving.

5. Personal values clarification has also lead to people expressing a noticeable and perceived decrease in stress levels throughout the business. This has been indicated by reduced figures in sick leave requests, and in the percentage of people turnover since the values process was introduced to the organisation two years ago.
Notable Quotes & Food for Thought

“The more you grow up the more you understand that nobody really conforms and everyone has something slightly different to offer.

“When you think about it in a corporation context, it’s the only effective way to run a corporation of this scale. Everybody is here on merit and they’re all different. They have different inner value systems, they speak differently and present themselves differently. It reflects real life.” (Sir John Browne)

[Sir John Browne, Chief executive of BP Amoco, built the business from a market value of 20 billion UK pounds to 129 billion UK pounds in 5 years. He attributes BP’s success to acknowledging that all people have different value systems which need to be worked with, rather than against.]

“Teaching values, recently a political theme, can’t be done. So, while the candidate for office declares, ‘We need to teach our kids family values!’ the fact is that our children form their own values. Most often, they have very good values. What they need to learn is how to use their true values as a basis for making decisions. Let’s adjust our political candidate’s talking point to say, ‘We need to teach our kids how to organize their lives around their own values!’ While this doesn’t sound as good on the stump, and our candidate may lose the election by a landslide, at least our politician was honest.” (Robert Fritz)

Managers in…organisations in the West have to develop a mature self-concept. They have to know who they are regardless of where they are. This calls for a considerable degree of self-insight and self-acceptance. They have to understand and accept their own identity values and relate these to the core values of the organisation as a whole, for this is what provides continuity of relationship with the organisation. (Limerick & Cunnington)

“Generally speaking, value refers to the relative worth of a quality or object. Value is what makes something desirable or undesirable” (Shockley-Zalabak). Through applying our personal values as benchmarks, we continually make subjective judgments about a whole manner of things:

“…we are more likely to make choices that support our value systems than choices that will not. Let us say that financial security is a strong value for an individual. When faced with a choice of jobs, chances are the individual will carefully examine each organisation for potential financial and job security. The job applicant who values financial security may well take a lower salary offer with a well established company over a higher-paying offer from a new, high risk venture. Another job seeker with different values, possibly adventure and excitement, might choose the newer company simply for the potential risk and uncertain future.

“Values, therefore, become part of complex attitude sets that influence our behaviour and the behaviour of all those with whom we interact. What we value guides not only our personal choices but also our perceptions of the worth of others. We are more likely, for example, to evaluate highly someone who holds the same hard-work value we do than someone who finds work distasteful, with personal gratification a more important value. We may also call the person lazy and worthless, a negative value label.” (Shockley-Zalabak)
"Values are people’s motivators. For most people they are **unconscious motivators**. However, in highly successful organisations, each person in the organisation is aware of their personal values and how they relate to the organisation's value system - in the successful organisation values are **conscious motivators**. Today, effective managers tap into people’s values as a way of motivating them." (Paul Chippendale)

"In...values education there are two central concepts: **spirits** and life **ability**. **Spirits** implies an elementary experience of life's meaningfulness and **life ability** implies a content of leisure ability, family ability and political ability, with a desire, wish and ability to take responsibility for your own life. Logstrup coined the phrase 'life understanding' which is important in this connection. Life understanding gives priority to people's experiences of identity building and self-esteem. ...Therefore values education primarily is an ethical subject, if ethics is defined as follows: *A vision about the good life together with and for other people.*" (Ole Varming)

"It is common to distinguish between morals, ethics and values. Morals are standards/norms for identifying right and wrong. Ethics is the theory about what is right and wrong. Value indicates a firm conviction that a particular behaviour or kind of life is personally or socially preferred for other kinds of behaviour or kinds of life. (Ole Varming)"