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FOSTERING VALUES IN ORGANIZATIONS

Antonio Argandoña *

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* Professor of Economics, IESE

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Abstract

Today, values hold a prominent place both in business ethics and in organization theory. However, there persists considerable confusion about what these values are and what role they play in these theories and, therefore, how they can be developed both within the individual and within the organization. Therefore, this paper seeks to define a conception of values based on a theory of human action that can provide a basis for an organization theory, and to propose a series of ideas about how personal and organizational values can be fostered.

FOSTERING VALUES IN ORGANIZATIONS

Introduction (1)

"Values" has become one of today's buzzwords. The attacks of September 11, 2001, were, for many people, an attack on Western values –the same values which, according to others, have been in crisis since God knows when (if there was ever a time when they were not in crisis). Others talk about a resurgence of values – or, at least, of some of them: democracy, freedom, solidarity, equal rights,... For some people, values "sell": perhaps that is why companies talk about them so much. For others, this is nothing more than a cynical attitude that proves that the only important value today is money. Some prefer not to talk about values at all, because –so they say– that is "low-profile" ethics, an ill-known subject which simply licenses us to say that we agree on something when, in actual fact, we do not agree on anything (2). Others, on the contrary, think that it is good to talk about values, even at the risk of tiring the word out through overuse, because values can be a starting point for a dialog from which it is likely that something good will come.

The purpose of this paper is to formulate a proposal for fostering values both within the individual and within organizations. After a brief explanation of what values are and their features, a theory of human action is succinctly proposed that is able to give meaning to the conception of values put forward in this article. This is followed by a discussion of the problems raised by the variety and stability of values and the meaning of values within an organization, which leads to the paper's two central sections, in which a number of ideas are proposed for developing values, first in the individual and then in the organization. After discussing some of the difficulties inherent in this process, the article closes with some conclusions.

This paper is based on the following central theses, which I will present successively in the pages that follow, although I will not make any attempt to develop them systematically: 1) Values are not the icing on the the cake but the basic structure that supports the building. 2) Any manager who does not take values into account –both his own and other people's– will be a bad manager. 3) Values are part of companies' distinctive competences and, therefore, shape their long-term success (although not necessarily their short-term profitability). 4) The values

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(2) Two representatives of this view are Bloom (1987) and Himmelfarb (1995).

that a company chooses as the anchor for its distinctive competences will be fundamental in shaping its strategy; indeed, one can safely say that two companies with different values will follow different paths. 5) We all have values, but they need to be defined, discussed and used; and a vital part of this process is to ask ourselves how we can foster values, both within the individual and within the organization.

What are values?

All of us value continually. Such simple decisions as picking up an umbrella when we leave home because it looks like rain reflect on our values – health, comfort, prestige, appreciation of material goods, etc. In fact, we can say that *our decisions are guided by values* –although they also depend on other variables, especially our needs or desires. Thus, although the decision to buy a subway ticket may respond to very different motivations, not all of which are necessarily guided by values (at least, not by lasting values), the decision to consistently honor all contractual and legal obligations is without doubt a reflection of the value of honesty (3).

Values are reflected in decisions; the repetition of values in decisions shows the existence of a *virtue* (and strengthens it); and the body of virtues shapes a *character*, which gives consistency to subsequent decisions until a *conduct* is defined. In turn, each of these stages makes a mark on other people's values, in the same way that their decisions, virtues, character and conduct influence our values. Thus, the *individual and social dimensions* of values are interrelated; they influence each other mutually –which is not to say that our values are imposed on us by other people's values.

In a very broad sense, we can define values as *central desires or beliefs regarding final states or desirable conducts that transcend specific situations, guide the choice and evaluation of our decisions and, therefore, of our conducts, becoming an integral part of our way of being and acting, to the point of shaping our character* (4).

Values are normative: they tell us how we should behave –although often they are presented in positive terms (5). Their meaning is *objective* (we want things that are good and valuable, but those things are not good and valuable just because we want them), whereas our *valuations are subjective* (things are valuable to us; we feel the value of things) (6). *We cannot be indifferent about them*, they demand a response from us – this is what sets them apart from mere tastes or preferences (7).

A theory of action

The conception of values that I propose in this article will be easier to understand if first the anthropology on which it is based is explained. So, first of all, I will briefly address

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(3) Cf. Argandoña (2002).
(4) This definition is taken from the features found by Schwartz and Bilsky (1987) in most of the common definitions. The definitions of a group's or society's values are more ambiguous; cf. Williams (1960).
(5) Values are "personalized beliefs about how one should behave" (Ravlin, 1995).
(6) See Méndez (2002).
(7) For more about the features of values, cf. Argandoña (2001). Cfr. also Barraca (2000).

this in the form of a *theory of human action*, pointing out only the features that are of interest for the purposes of this article (8).

The starting point of any human action is *a problem*: an unwanted effect –a satisfaction that the agent seeks or a dissatisfaction he wishes to eliminate. Consequently, the action's purpose is to solve the problem. Given this situation, and following a process that we will not go into here, the agent discovers possible *solutions* to this problem (means to achieve the end); she tries to anticipate the satisfaction she will feel with the different solutions (*anticipated satisfaction*), and she makes a *decision* about which of these solutions is best, according to certain criteria which it is assumed have been defined beforehand.

The action theory usually put forward by economists normally ends here, because it merely seeks to explain how the decision is made. However, there is more to it than this. Because, once the decision has been made, the agent will perform the action and, if the decision she made was correct, she will experience the satisfaction (*perceived satisfaction*) –which is the action's extrinsic outcome.

The simple process of taking decisions and performing the action also has effects on the agent (*intrinsic outcomes*), either through the acquisition of knowledge (for example, because she has identified difficulties that she was previously not aware of or because she has discovered new ways of solving the same problem, or because the perceived satisfaction does not match the expected satisfaction), or through the acquisition of *abilities and skills* (for example, because she has learnt to perform the action so that, in the future, she will be able to perform it again more effectively, more easily, and in less time).

If the agent has to perform the same or other similar actions in the future, this intrinsic learning will change her decision rule –this is obvious if the action creates some type of addiction. However, this means that, *when valuing the decision, one must take into consideration not only its extrinsic outcomes* or effects but also the intrinsic outcomes – and, again, the example of addiction is particularly clear: when valuing the decision to smoke, the agent should stop to consider not only his decision's extrinsic effects (the pleasure, for example), but also the likelihood of becoming an addict to tobacco and, therefore, the possible intrinsic effects of this addiction.

However, the explanation of our theory of action goes further than this; most of the actions we perform involve other people, which means that, when valuing an action, we must take into consideration not only the extrinsic and intrinsic outcomes on the agent himself, but *also her action's effects on the other agents (transcendent outcomes)*. This is because these effects will also change the others' decision rules and, therefore, their future behavior –and the outcomes of the agent's action for herself. If, for example, the action that the agent is considering performing involves lying to a third party in order to obtain an extrinsic outcome, any valuation of the action would be incomplete if it does not include that third party's possible reactions should she find out that she has been deceived. And if the action involves asking or forcing a third party to lie, the valuation of the action must also include that person's moral learning, the changes that will take place in her conduct and the expected effects on the agent herself.

Implicit in this brief explanation of our theory of action is the presence at any given time of *three types of motive*: attaining the anticipated or expected satisfaction (*extrinsic*

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(8) This theory is based on Pérez-López (1993). See also Pérez-López (1998).

motive), developing learning within the agent (*intrinsic motive*), and generating certain effects in others (*transcendent motives*). These three types of motive correlate with three types of value related with the action: *extrinsic values* (when the agent takes into consideration and values her action's extrinsic effects), *intrinsic values* (when the valuation refers to the decision's intrinsic effects on the agent herself), and *transcendent values* (when the agent takes into consideration her action's effects on other people).

Thus, *any valuation process of an action will be incomplete unless all three of the value categories we have mentioned are taken into account*, and, therefore, any decision made on the basis of one or two of these values, but not on all three, will probably be wrong. That is why we said earlier that a manager –or any other agent– who makes decisions without valuing all of her action's outcomes *will be making wrong decisions, because she will be omitting certain aspects of reality that are important for that decision.*

Due to the existence of different types of learning within the action, we must also distinguish between two facets that are part of any value: *rationality* and *virtuality*. From the rationality viewpoint, values are *ideals or paradigms* of the conduct, indicating what the agent should do: following a rational process, each individual must seek what values he should adopt and why (9). And this process also has two facets: *information* –what the value consists of, including the personal capacity to discover what is good and valuable–, and *education* –why it is necessary to adopt that value or what outcomes the actions have, depending on whether or not the agent lives by that value. And from the virtuality viewpoint –*values as virtues*–, the agent needs a learning process in order to be able to live by the values she professes.

The variety and stability of values

From what has been said so far, it is obvious that there is a great *variety* of values (10). The literature on the subject usually distinguishes between *positive* and *negative* values. Obviously, there are no totally negative values, as nobody would accept them; values become negative when the intrinsic and transcendent effects of the actions generated by them are taken into account. In other words, negative values entail a type of learning that harms the agent herself or others, because they change her decision rule and, in the process, the coherence of her future actions –as the example of the addiction to drugs or tobacco shows.

A distinction is also made between *ultimate* and *instrumental* values. The former are desired simply for what they are. They are classed as goals or objectives and are usually more abstract and universal, less changing, while the latter are viewed as means to achieve the former, and are usually more concrete and relative. This classification is necessarily imprecise: there are very few values that are truly ultimate; most values are ultimate with respect to other lower values, but are instrumental for other higher values. Honesty, for example, may be an instrumental value for trust, which, in turn, is an instrumental value for peace. In the same manner, power is usually an instrumental value for attaining something but, when it is threatened, it becomes an end in itself (power for power's sake), destroying its original function in the process (11).

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(9) The distinction between values as paradigms and as virtues is taken from Cuéllar (1998).
(10) The literature on the classification of values is very extensive. Some basic references are: Frondizi (1972), Marín-Ibáñez (1976), Rokeach (1973), Scheler (1941). For a description of the recent literature, see Scott (2002).
(11) On the transformation of power, from instrumental value to ultimate value, cf. Polo (1996).

One also talks of a broad variety of values because of the different types of content: *intellectual, emotional, esthetic, religious, moral or ethical, social, political, economic, sensitive, useful, vital, etc.*

Whatever the viewpoint taken, it is obvious that we can talk of a *scale or hierarchy of values*, which, in turn, can be *objective* (ultimate values occupy a higher position than instrumental values) or *subjective* (the agent gives more importance to certain values over others, at least in certain circumstances). The values holding lower positions on the scale are usually more intense (one feels more intensely the pleasure of a good meal than that of truthfulness), which suggests that there are more important qualities than "feeling" a value. Likewise, the values we can call "higher" are usually more lasting (love vs pleasure), less divisible (one can divide money, but not love), basic (they provide the foundation for the "lower" values), give deeper satisfaction, are less urgent (but no less necessary), and their violation is usually punished less than violation of a lower value (friendship is probably a higher value than ownership, but theft is punished more severely than inconsiderate behavior) (12).

The existence of a scale of values is important because it provides a means for resolving *value conflicts* within the individual. But this does not mean that the scale is absolute, timeless, and abstract.

Are values *stable*? This question is of particular interest to us, because the focus of our inquiry is the possibility of changing values –creating them, nurturing them, and destroying them. Sociologists have found empirically that values are fairly stable, particularly the higher (ultimate) values, but they can change –and, in fact, they do (13). And it is perfectly reasonable that they should, since any given valuation is dependent, at least to some extent, on the agent's circumstances. We can say, for example, that health is an important value for an elderly person but not so much for a young person, although it is probably more correct to say that health is an important value for anyone, but its exact status is not the same for a 20-year-old as it is for a 60-year-old. In the same manner, for a hungry person, food has a very high value, even above other values, while for a well-fed person, the value of food is inseparable from its cultural, esthetic, social relationship or friendship components.

Why do values *change*? Probably, for two types of reason: those that bring about a change *from without* (a change of values in other people or in society, social learning, change of circumstances, etc.), and those that bring about change *from within* the agent (as a result of the learning mentioned above).

Values in organizations

So far, we have been talking about people's values, which is logical, because values are always held by someone. However, we can also talk of *suprapersonal values*: those of the family, the company, the political party, the club, the profession, the town, the country, even global or universal values.

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(12) Scheler (1941) proposed the now classic criteria for defining a scale of values.
(13) There are many empirical studies on values; Agle and Caldwell (1999) and Meglino (1998) offer interesting summaries. The stability of values over time forms part of the conclusions of classic studies on the subject, such as Hambrick and Brandon (1988), Rokeach (1973, 1974), Rokeach and Ball-Rokeach (1989), Posner and Schmidt (1992b), etc.

When discussing the values held within an organization or group, we can distinguish between the personal values of the group's members (which are not, strictly speaking, the group's values), the personal values shared by the group's members, the values adopted by people as members of the group, and the values held by the group as such. We can also distinguish between the values of the group's (or company's) founders, those of its renovators or refounders, of its managers, members, etc. (14). And, lastly, we can distinguish between the group's *formal* or declared values and its *informal* or actually practiced values.

Do organizations have values, or should we only speak of their members' values? It is true, as we have said, that values always originate from people, but I think we should also recognize the existence of organizational values that go beyond individual values. For instance, if A is tolerant, B as well and C too, the partnership formed by the three will probably be tolerant,... but not necessarily. And this need not be interpreted as a lack of consistency in the members' values (15).

Thus, *an organization is a group of people whose actions are coordinated in order to achieve certain results in which they all have an interest, although not necessarily for the same reasons.* This justifies the existence of a management –structure, rules, culture,...–, which explains why *the values implemented within the organization may not concur with those of its members.* For example, an "I'm the boss" culture which gives priority to control may quash the creativity of the organization's members, their desire to be involved and their sense of responsibility, even though these values are present in the people who work in the organization. Likewise, a group of honest people may end up losing this value if the culture and operating rules of the company in which they work encourages dishonest conducts (16).

Consequently, we can distinguish between the *values of the organization's members* as such, and the *values that the organization holds or needs* in order to achieve its purpose (17). For the purposes of our discussion, all of these values are held by individuals, but their significance is very different. In any case, both must be fostered.

On the basis of what we have said so far, it is logical that organizations –and the people who belong to them– should hold a great *variety of values*. Obviously, these values will vary from one type of organization to another: the family is an organization based on the nurturing and protection of certain common values; the same process is to be found to a much more limited degree among the people who belong to the same local community, trade union or company. It is logical that unity should be high when considering the organization's fundamental and distinctive values, but diversity will be greater when considering the instrumental values. And this need not be undesirable if this variety enables greater efficiency to be achieved in promoting the values that are important (18).

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(14) Hofstede (1997) stresses the importance of the values of the organization's founders or leaders. However, as time goes by, it is likely that the influence of other members will come increasingly to the fore. Cf. Selznick (1992).

(15) Another argument in favor of the existence of group values is the following: in a small village, the members of the local community, the church and the club will be the same people, but this does not necessarily mean that all three institutions will have the same values.

(16) Gioia (1992) offers an impressive testimonial of how an organization's rules can hamper exercise of its members' values. Cf. also Jackall (1988).

(17) Schein (1992) refers to the first type of value, and Bellah et al. (1992) to the second.

(18) Scott (2002) points out some reasons why the values of the organization's members do not necessarily match those of the organization: different goals; the complementary nature of the two types of values; the fact that the organization's values often originate from the decisions of only a few members, such as the founders or the managers; the existence of other stakeholders within the organization, etc.

Pluralism –the existence of different values within an organization and among its members– is logical, inevitable and even desirable (19). And it need not degenerate into a *conflict of values*, because, as we have already pointed out, the people who make up an organization pursue its ends (which define the organization's ultimate values) for different reasons and balance them with other personal ends that are unique to each individual. It is therefore logical that the organization should demand *unity* in its fundamental values, but not in the degree or the reasons why its members abide by them, allowing and even encouraging *diversity* in the other personal and organizational values. In any case, how these spaces of freedom held by the organization's members should be handled is one of the challenges facing any organization's management.

The development of personal values

We are now ready to enter the core of this article, which is a body of proposals on the development of organizational values. We will start with the development of personal values, as a task behooving to any agent, but which also has implications for those who, within the organization, are responsible for fostering their organization's values (which, as we have seen, are also people's values) (20).

As we have already said, there are two facets to values: *rationality*, by which the agents determine why they should adopt certain values, and *virtuality*, by which they develop their ability to live by these values.

The values understood as ideals (from the *rationality* viewpoint) imply the *development of the ability to correctly evaluate reality,* in its different facets, that is, considering the extrinsic, intrinsic and transcendent outcomes of actions; which implies, as we have already pointed out, the need to take into account not only anticipated satisfactions (what the agent likes), but also each agent's personal learning (learning of knowledge, abilities and skills), and to consider the action's effect on others (and their learning).

This is a rational exercise, based on *information* (the study or acquisition of abstract knowledge) and *education* (the development of the ability to analyze one's actions). When this exercise is not performed, it gives rise to *inadequate or incomplete scales of values*, in other words, certain important values are missing or are not sufficiently weighed, particularly those referring to one's own learning and the effects of one's actions on others. Or, to put it another way, the scale of values is not sufficiently developed or the agent does not perform the exercise of analyzing all of the facets of an action that should be included in its valuation. Consequently, as we said in the introduction, a person (a manager, in our case) who omits any of these effects is essentially blind to a particular aspect of the reality that should be considered for this action, particularly in the long term, and she will probably be a bad manager.

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(19) Pluralism is not relativism: the former is only possible if there are common values that are accepted by everyone.

(20) In the following pages, I will mainly dwell on moral values, because these are the values that are truly important in an organization (cf. Scott 2002). However, my proposals are readily applicable to other types of values: esthetic, social, economic, vital, etc. The reader can also find other proposals for developing values, for example, Agejas (2002), Badaracco (1997, 1998), Díaz (2001).

How should one go about this exercise of developing the rational facet of values? Here are some suggestions; (21)

1. *Know the reasons for our actions*: what moves me to act, in this case, and in the other case,...? Why do I do it? (There can be many reasons, there is no point in making a long list but simply identify the main reasons, that is, those which, if they did not exist, would probably mean that the action would not be performed).

2. *Take into account my actions' consequences on myself*: what will happen, what will change in me, if I act in this manner? In some cases, the answer may be very clear: if I murder someone, I will be a murderer (thus, certain actions are morally reprehensible in all cases). In others, our judgment may be more lenient: if I tell a lie, I will not be a liar for all time and in all things. In such cases, the question should be asked in the terms proposed by Kant: what would happen to me if this was a moral rule for everybody at all times and in all things?

3. *Consider the consequences of my actions on others.* What will happen to them if I act in this manner and, therefore, if I induce them to act as I expect them to? This question should be asked in broad terms, including the greatest possible number of people. This exercise of broadening the scope of who are "the others" usually gives very good results when considering our actions' transcendent outcomes and as a means of expanding our moral criterion.

4. *Strive to discover other people's needs* (not their whims or tastes) and take them into account.

5. *Strive always to act guided by higher-order motives*, going beyond the dilemma between "good" and "bad" to choose between "good" and "best".

6. *Help others know the reasons why they act.*

7. *Help others know the effects of their actions on themselves and on others* (intrinsic and transcendent outcomes).

8. *Help others identify other people's needs* and act to satisfy them.

9. *Eliminate the actions that may incite others to act for selfish motives.*

10. *Trust others* –and make sure they realize this. Make them responsible for their own actions. And allow them to make mistakes, so that they can learn.

11. *Always act with exemplarity.* Values are not abstract but are manifested in people.

12. *Strive to understand other people's values*, assume that they have values, and try to understand them –because, in order to identify values in others, I must also have them myself.

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(21) I have taken some of these suggestions from Pérez-López (1993).

13. *Do not rely on ethical "instinct" or "intuition"*: problems must be studied and ethical rules must be applied to solve them.

14. *Be able to generate many alternatives.* Many ethical dilemmas arise due to a lack of imagination.

15. *Values are not feelings or emotions.* It is good to *have* feelings that enable us to understand other people's needs or the effects that our actions have on them. But to solve problems, one *must not allow oneself to be carried away* by feelings.

The other facet of values is *virtuality*. Living by one's values is a rational exercise, as I have already pointed out, but it is also an exercise of the will to acquire virtues that will smooth obstacles.

Virtues –working habits– are values given dynamic form, they are what habitually dispose us towards living in accordance with our values. Here are some rules for acquiring and nurturing virtues:

1. *Repeat* time and time again *the acts that exercise the value.*

2. *Strive to act increasingly from higher motivations*: first, perhaps, to avoid sanction; later, to be pleasing to others; and finally, to live consistently in accordance with a certain way of life. In short, *to go beyond spontaneous motives* ("what I like", what is pleasant) and act from higher motives: service, solidarity, etc.

3. If actions contrary to the values are performed, *rectify* as soon as possible and start again.

4. *Not seek excuses to justify errors*. Apologize and start again.

The development of values within the organization

In the light of all that we have said, it seems clear that *an organization must have a body of values that are rooted in its people* (and we have proposed a number of ways of achieving this), but, above all, *that are accepted and shared within the organization, so that the organization's structure and formal and informal rules (culture) do not prevent the values from being attained, nor even are passively compatible with them, but actively foster them* (22). In the following pages, we offer a series of guidelines to facilitate the process of identifying and developing values, from the viewpoint of the organization's management.

Before, we defined the organization as a group of people whose actions are coordinated to achieve certain results in which all parties have an interest, although perhaps for different reasons, and which must be compatible with each individual's personal goals. In such conditions, *management of an organization consists of designing and implementing a*

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(22) Some authors have even proposed "management by values" as a new paradigm. Cf. Chakraborty (1991), Dolan and García (1999), Fernández-Aguado (2001), García (1997).

strategy that develops these individuals' (managers, employees, shareholders, and even customers, suppliers, etc.) operating abilities, that is, what they know and what they can do, so that they can achieve the distinctive competences that the organization needs to accomplish its mission (23).

It is obvious that any organization has –and must have– values that are more or less positive, more or less internalized, and more or less explicit –although not all organizations need the same values. However, these values are not always what the organization needs to accomplish its mission and create a team of people capable of accomplishing it in the short and long term, achieving optimal results and preparing themselves to adapt the organization to whatever changes may take place within its environment and within the organization itself. And it is also obvious that the values need not be the same for all organizations, precisely because their mission, their distinctive capacities, and the challenges posed by their environment are not always the same. By mission we mean, first of all, the needs that the company has identified among its customers and seeks to satisfy (*external mission*) and, second, the motivation of the people comprising the organization to act in accordance with that mission, because of the appeal it has for them (*internal mission*) (24).

When designing a strategy, it is customary to start by defining the organization's strengths and weaknesses, together with the opportunities and threats existing in the environment. Having considered all this, the next task is to define what the organization will do, why, how and for what purpose, as part of a process in which the mission, the distinctive competences, the strategy with which the environment's challenges will be addressed, are defined (25).

First stage: Identifying the currently existing values

In the first stage of this process, the *values currently existing in the organization are identified.* Usually, one begins by enunciating the *declared or official values* –probably those that were written by the founders or managers– although it will not be too long before one has to consider the distilled or real values, those that are apparent from the organization's actions. The lists drawn up a few years ago may be useful, but one should not rely on them too much as it is normal for an organization's values to start to change as soon as they are enunciated (because of the learning mentioned previously).

This process must be carried out by *participation*, involving all or, at least, many of the organization's members. Participation is not something to be taken lightly but should be an open discussion of real problems and real actions. The aim is not simply to draw up a list of values, but to discuss why they are important, whether they are lived by or not and why –in particular, what are the factors arising within the organization that lead it to follow values that

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(23) The concept of "management competences" is closely related to that of manager values. Cf. Cardona and Chinchilla (1999).

(24) The terminology is, again, that of Pérez-López (1993).

(25) There already exists an abundant literature on the role of values in organizations. Rokeach (1973) pointed out the variety of influences; Guth and Tagiuri (1965) showed the weight of values in the strategy chosen by companies, and there are already many studies that show the connection between values and performance (Deal and Kennedy 1982, Peters and Waterman 1982), productivity (Niehoff et al. 1990), organizational behavior (Hofstede 1976, England 1967, England and Lee 1974, Posner and Schmidt 1984, 1992a), etc. An excellent practical proposal for the development of ethics in an organization is McDonald (2000). And a brief summary of the experience of a company is Palet (2000).

are not those that would be wished. Obviously, this is by no means a simple task, as there is a natural resistance, first of all, to declare one's values –particularly if one suspects that they do not align with others, especially the official values– and, second, to openly discuss them. However, it is a necessary task that is not complete until the values effectively followed in all the different parts of the organization, and the reasons for these values, are known.

Second stage: Identifying the values that are needed

The second stage, that is, *identifying the values that the organization needs to live by* in order to address its mission and the challenges that arise, requires a similar debate. Once it is known how people act in the organization, it is now necessary to ask how people should act, describing the *gaps* existing between the reality of the values practiced and the ideal of the values needed.

Again, this discussion must be based on *participation*, avoiding the temptation to think that certain people "have nothing to contribute", or that the management knows the company's needs best –which is true, but only in part, because it is at the lower levels of the structure where the contradictions between declared and real values manifest, and where the obstacles that the structure, rules and culture impose upon the exercise of these values become apparent (26).

The aim is not to draw up a simple (ordered) list of values, but to discuss *which values are important and why*. It is in this stage that the *discrepancies* between the different interested parties will appear. However, one should not shy away from the debate, which may arise from genuine differences in the conception of values or, more likely, from differences in interests or discrepancies about the facts (27). It may seem, for example, that salesmen are less honest than managers, but this may be because they really are dishonest (discrepancy about values), or because they fear the consequences that the honesty the organization asks from them may have on their income (discrepancy of interests), or they have a different view about what constitutes a doubtful payment that lessens a purchasing manager's freedom to decide (discrepancy about facts) (28).

A debate such as the one we have just suggested will probably lead to a *clarification of all the parties' motives*, and this clarification can be used to build a strategy based on values. Ultimately, of course, it is likely that the management will have to impose certain values –*consensus* is fairly unlikely in many cases–, but it should not do so without having acquired first a sufficient degree of detail about the discrepancies that have come to light. In any case, if these discrepancies do not surface, the debate about values runs the risk of remaining a mere declaration of intentions or an exercise in cynicism.

When drawing up the values that the organization intends to live by in the future, it is wise to consider a few rules: they should be *few, consistent, credible, ordered* (hierarchized: first, those whose absence may invalidate the whole exercise, and which offer consistency, meaning and confidence to others), possible (but challenging), *communicated explicitly, accepted by*

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(26) On the conditions for a debate about values, see Comissió per a un debat públic sobre els valors (2001). On dialogic ethics, cf. Cortina et al. (1994).

(27) I have discussed the difference between discrepancy about values and discrepancy about facts in Argandoña (2001).

(28) One useful rule is the "universalization" of values, as being valid for everyone in all circumstances. The values that do not come through this filter will remain on an instrumental level. Cf. Díaz (2001).

management and employees, integrated in the organization's functioning (hence the importance of ascertaining and discussing the difficulties in exercising them), and *compatible with the incentive and control systems in place.*

Third stage: Communication, institutionalization, and commitment

The values must be *communicated* to all the interested parties, perhaps –although not necessarily– through credos, codes, or declarations of values. Without this, the entire process will be futile. The values must be communicated in a manner which is easy to understand, truthful and open. And, of course, at some point or other, their *acceptance* must be required from all parties concerned, which should begin with a *formal and public commitment from the senior management*, followed by the commitment of all the other members.

Obviously, this does not mean that employees can be forced to abide by values that they do not share; but it is also obvious that the company is entitled to demand that its employees behave in accordance with certain reasonable values that are necessary in order to accomplish its mission, if this mission is legally and ethically correct. This value discussion process mentioned previously will smooth the path for general acceptance, if it has been satisfactorily explained why certain values are necessary, how they are compatible with the employees' legitimate values and interests, and what is the procedure to be used for making objections known.

While value-based strategic change, as addressed here, is a process affecting the entire organization, it demands full involvement from the senior management: the rollout must be from the top downwards and should be accompanied by review and audit procedures and a commitment to continual improvement.

And, while the *formal aspects* are not the most important part of the process, they should not be neglected: rituals (meeting, celebrations), symbols (logos, uniforms), language (slogans, acronyms, in-house terminology), legends and myths (about the founder, about the organization's history, about its major milestones), awards, communication, etc., may help disseminate and support the values, and keep them alive (29).

Fourth stage: Aligning values and practices

Choosing the values that the organization intends to live by automatically leads to the next stage: *a review of the structures, processes, rules, routines, etc., to see whether they are compatible with these values* and, if necessary, adapt them to the values. This should include a review of the different conducts within the company, giving managers and employees a certain amount of leeway to adapt to the new values, and giving them –each one according to their level– the necessary decision capacity, knowledge and skills so that they can make the right decisions in their day-to-day activities.

In this stage, it is also necessary to design effective *controls* to detect any shortcomings that may arise, and the processes that will be followed to correct them. The

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(29) Cf. Etzioni (1988), Martin (1992).

senior management must state its intention to correct any conduct that is not in line with the declared values, and act accordingly.

Fifth stage: Redesigning the human resources policy

A declaration of values such as the one we are advocating here must also be reflected in all the stages of the organization's *human resources policy*: recruitment (insofar as this is possible, the candidates' values must be identified), training (to acquire these values as soon as possible), assessment, promotion, etc. One important point: the values must be included in the assessment, but not in the compensation, as otherwise, they will generate perverse incentives. The compensation policy should not be isolated from the values; indeed, it should take them into account; but compensation should not be governed by these values.

Sixth stage: Reviewing the process

The process of analyzing, discussing and defining the values must be *repeated at regular intervals*, at least when major external or internal changes take place or, simply, when it seems that the values established as ideal have lost their original force because of routine, changes in society's values or renewal of the organization's human team. One must avoid both complacency and the temptation to embark upon a continually open constituent process. In any case, it is a good idea to institute frequent reminders of the values that have been institutionalized within the organization, during ethical education programs for managers and employees, in discussions of the difficulties in implementing the strategy, in resolving complaints having an ethical content, etc.

Some difficulties

A value definition and implementation process such as the one we propose here inevitably faces difficulties (30). *Some will leave*, because they will not agree with it –or will have to be dismissed, if it is necessary. Others will take a *cynical attitude*, either because they have interests that are not integrated in those of the organization, or because they do not see any rationality and consistency in the process. While on this point, it should be remembered that the values are usually given to new recruits en bloc –"this is the way things are done here"–, focusing on very few values, and in very strict terms –black or white–, which may lead to a risk of insincerity or fundamentalism (31). As time goes by, the members will perceive the nuances, the need to combine different and often conflicting values, and the existence of more ambiguous decision rules, and, while necessary to give the organization the necessary degree of flexibility, it may increase the risk of a cynical reaction. The danger of insincerity always exists, particularly in bureaucratic organizations where obeying the boss is seen as a necessary requisite of success within the organization.

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(30) Punch (1996) discusses some of these difficulties.
(31) On the procedures for learning social values, cf. Bern (1970), Jones and Gerard (1967), Meglino (1998), Rokeach (1973).

If one attempts to implement *a change too quickly*, one runs the risk of creating chaos within the organization, or of fragmenting it into scattered units. It is important to keep open a line for dialog on values (although with less intensity and frequency than in the formation process), design prudent adaptation processes, create means for resolving conflicts, and give everyone time to adapt their conducts to the new rules. In this aspect, the incentive system (positive and negative) plays an important role.

It is normal that, perhaps shortly after making the change, *new conflicts of values* appear, particularly among those who have not understood the meaning of the change or consider that their interests have not been adequately taken into account, or who do not see opportunities for personal realization in the new strategy, etc. And there are also special circumstances, such as mergers and takeovers, changes of ownership or management, etc., that may give rise to significant conflicts of values.

It is also necessary to take the *external difficulties* into account: a period of recession, for example, in which jobs and careers are seen to be in danger, may generate conducts that are not in line with the values; these conducts may even be encouraged by the management, with the excuse that it is faced with an emergency situation and, as soon as things get back to normal, the values previously considered as valid will be reinstated. However, if the organization does not take into account the learning that may take place during this exceptional period, the return to normality may be beset with difficulties.

There are also other obstacles that hamper normal development of a value-based strategy: *inertia, resistance to change the status quo, the pressure of day-to-day events*, or even *financial success*, which may make values look less important and subordinate them to results. There may also be deeper problems, in which an organizational "rationale" not based on values eventually prevails or, simply, nips in the bud any attempts to change:

1. *The tyranny of the bottom line*: give priority to survival, earnings, profitability,... Or create the image of "you are worth what you can contribute".

2. *The bureaucratic culture*: loyalty to the boss or the team above all else, dedication to the job, conforming with the organization's culture,... "anybody out of line is out of the picture", "the most important thing is to not lose power",... the existence of a vocabulary that passes the buck, that stifles criticism: "it's the victim's fault", "I'm just doing my job", "that's the way the game is played", "I'm paid to do it",... (32)

3. *The group mentality*, which creates a sense of superiority, invulnerability, collective rationalization, rejection of outsiders, intolerance of anything that is different, desire for unanimity,...: the company as an "all-embracing institution".

4. *The "cognitive dissonance"*, which creates resistance to accepting the blatant existence of defects or ignoring alarm signals, probably because the boss does not want to know they exist; fractioning of reality –nobody has a broad picture, nobody can see what is going on, so the best thing is to leave things as they are and follow the boss, who is the only one who has the broad view.

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(32) Cf. Jackall (1988).

5. *"You've got to be mean to succeed"*: bosses must necessarily "play dirty"; "this isn't a game: it's a war", the others are my rivals,...

Conclusions

There are many theories about values. Here, I have developed one, based on a theory of human action which is particularly useful for developing a theory and a praxis of the organization.

According to this theory, personal values have two components: rationality and virtuality. The process of fostering values within people requires, from the rational viewpoint, an exercise in information (knowledge about the values) and an exercise in education (convincing of the need to use and strengthen certain values, applying the human action theory explained above).

The development of organizational values is dependent upon personal values, but also on the organization's structure, rules and culture. In my discussion of the strategy design process, I have proposed a six-stage procedure for defining, discussing, nurturing and consolidating values: 1) identify the currently existing values; 2) identify the values that are needed; 3) communication, institutionalization and commitment to the values, 4) aligning values and practices, 5) redesigning the human resources policy, and 6) reviewing the process.

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