

**MANAGING BY VALUES IN THE NEXT
MILENIUM :CULTURAL REDESIGN FOR
STRATEGIC ORGANIZATIONAL CHANGE**

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AVRIL 1999

DOCUMENT 99-05

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ABSTRACT

The system of beliefs and values, that shaped the model for management and organizations during the 20th century, is just not good enough today. In order to keep a business functioning well and competing successfully in markets that are increasingly more global, complex, professionally demanding, constantly changing and oriented towards quality and customer satisfaction a new model is needed. In this paper, we will propose that both Management by Instructions (MBI) and Management by Objectives (MBO) today give notoriously inadequate results. By contrast, description of a new approach labeled: Management by Values (MBV), seem to be emerging as a strategic leadership tool. The paper outlines this approach and discusses the implementation of MBV as a tool to redesign culture in organizations and prepare them for the next millenium.

RÉSUMÉ

Le système de valeurs et les croyances qui ont défini le modèle de gestion et les structures organisationnelles au début du 20e siècle ne permettent plus aux entreprises d'aujourd'hui de fonctionner adéquatement et de rivaliser avec succès sur des marchés qui sont de plus en plus étendus, complexes, exigeants, orientés vers la qualité totale et la satisfaction de la clientèle.. Bien que l'ancien modèle, basé sur le contrôle hiérarchique des employés offrait une stabilité interne et externe, il doit indéniablement évoluer vers une "nouvelle culture", afin de tenir compte d'une autre façon de voir et de faire les choses au travail. Nous proposons dans ce article l'idée - maintenant répandue- selon laquelle la gestion par directives (GPD) et la gestion par objectifs (GPO) donnent l'une et l'autre des résultats inadéquats. La gestion par valeurs (GPV) par contre, se démarque comme un outil de leadership stratégique présentant un immense potentiel de développement dont les applications pertinentes touchent tous les niveaux de l'organisation:

MANAGING BY VALUES IN THE NEXT MILENIUM: Cultural Redesign for Strategic Organizational Change¹

By

Shimon L. Dolan² and Salvador Garcia³

The system of beliefs and values, that shaped the model for management and organizations during the 20th century, is just not good enough today. In order to keep a business functioning well and competing successfully in markets that are increasingly more global, complex, professionally demanding, constantly changing and oriented towards quality and customer satisfaction a new model is needed.

The old model, based on the hierarchical control of employees, must unquestionably evolve to take account of a new way of thinking and doing things at work - towards a "new culture". This culture must, of course, maintain effective mechanisms of "top down" monitoring of results, but the leaders would be expected to make a strategic choice, not of controlling but that of developing the personal and professional potential of each and every member of the organization.

The mushrooming of new articles and books in management shows that just about everyone is theoretically in agreement with the above mentioned proposition. Titles such as "Total Quality", "Learning Organizations", "Continuous Improvement", "Just-In-Time Scheduling", "Lean Management", "Business Process Re-engineering", and many other novelties are condemned to become just one more fad in the management jargon. Because, what is not always clear, is how to render these concepts operational in the sense of selling them to all stakeholders (shareholders, managers, unions, employees, etc.). More specifically, stakeholders wish to get a clear understanding of: which values and beliefs need to be changed? how and when to initiate the process of change? how far to take it, and, most importantly of all, how to lead and steer this "cultural re-engineering" without suffering break-downs, generating a threatening climate, or running excessive risks? how can the leaders and drivers of change ensure that it is understood and welcomed by all stakeholders as a spectacular opportunity for revitalization and improvement?

In this paper, we will propose that both Management by Instructions (MBI) and Management by Objectives (MBO) today give notoriously inadequate results. Management by Values (MBV), on the other hand, is emerging as a strategic leadership tool of tremendous potential for practical development, as a result of its great relevance at various levels:

- MBV, absorbs, to a greater extent than MBI or MBO, the complexity in day-to-day work derived from the growing needs for quality and customer orientation, for more agile organization structures, for the evolution of bosses into the facilitators of their collaborators' success, and the need for responsible autonomy and commitment on the part of all the individuals who comprise the company.

¹ This paper is based on two recent books written by the authors in Spanish and French respectively: Garcia S. Dolan S.L. (1997) : *La dirección por valores*. Madrid, McGraw Hill; Dolan S.L., Garcia S. (1999) : *Gestion par valeurs*, Montreal, Éditions Nouvelles.

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- MBV helps to channel the daily professional efforts towards the achievement of the strategic vision of where the company aims to go, thus giving more meaning and commitment to people's intermediate action processes and objectives.
- MBV proposes the "redesign of culture" consonant with the ideas expressed by the humanistic advocates of Organization Development (OD) which has been floating around since the mid-20th century (i.e. Argyris 1971; Beckhard and Pritchard 1992; Bennis and Mische 1995; Schein 1992). In fact, some of the most competitive and success-oriented companies in their respective sectors, size groups and geographical spreads have been working hard on this OD dynamic for some time now, although in many cases still only at the early stages of the concept. MBV therefore can be considered a "neo-humanism".
- MBV also facilitates the inclusion of ethical and ecological principles into the strategic leadership and activities of companies. Without these, the survival of our world and of the companies themselves is difficult to imagine. Speaking frankly of business ethics must cease being seen as threatening and a restriction on freedom of action, to become an opportunity for competitive differentiation and success.

The definition and premises of MBV

MBV can be divided into two elements:

1. *MBV is a "new" strategic leadership tool.* More than a new way of managing a company, MBV is a new way of understanding and applying knowledge per ideas advanced by behavioral sciences ever since the middle of this century; there are many managers all over the world who are already practicing MBV in one form or another, although in many cases only in an intuitive and still very imperfect way, in the interests of corporate survival and differentiation, in the race towards the future.

The usefulness of MBV as a leadership tool can be considered at various levels, but basically, it has a triple purpose: to *simplify*; to *guide*; and to *secure commitment*. *Simplifying* involves absorbing the organizational complexity created by the ever-increasing need to adapt to change at all levels in the company; *Guiding* means channeling strategic vision towards the future destination of the company; *Securing commitment* is part of strategic management whereby it must be integrated with the policy towards people, with the aim of developing every employee's commitment to deliver a high quality performance in the day-to-day work.

2. *MBV is based on values.* True leadership is, at its most fundamental, a dialogue about values. The future of the company takes shape by articulating values, metaphors, symbols and concepts that guide the daily activity of creating value, by employees at all levels and functions. In other words, a "humanized" interpretation must be given to the basic strategic vision of the company: this is, of course, instrumental for survival and growth, and for obtaining good economic returns.

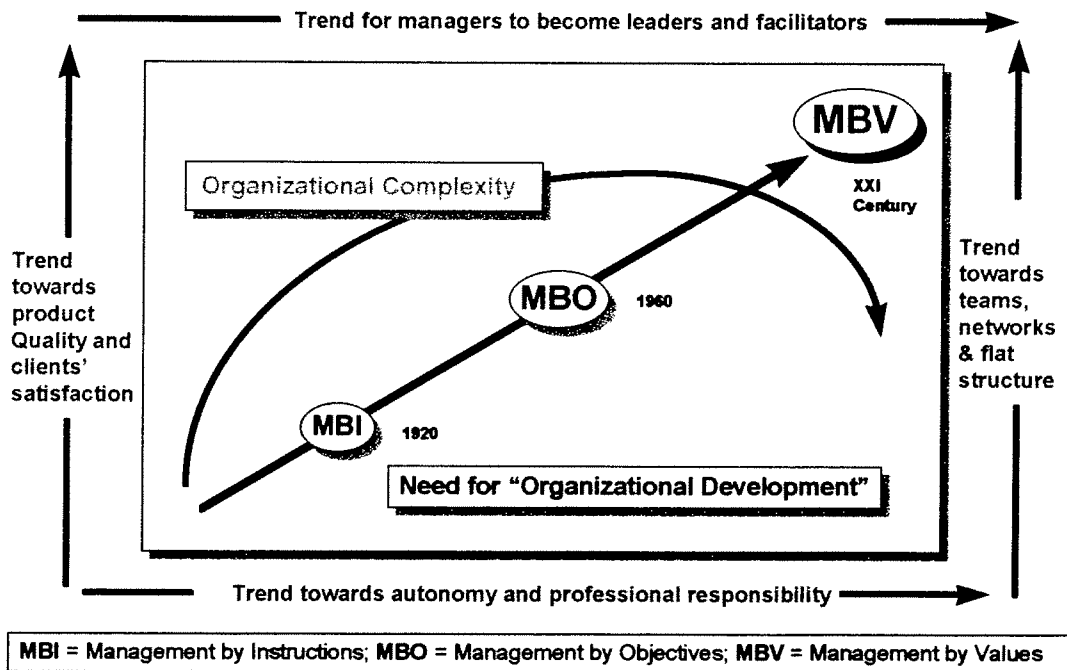
In fact, MBV is tending to become an overall framework for the continual redesign of the corporate culture, by which collective commitment is generated for inspiring new projects. If a high quality performance is expected from a more professional workforce, then the qualitative factors or values, such as trust, creativity or honesty are of equal or greater importance than the traditional economic concepts, like efficiency or return on investment

The evolution of MBV: from Management by Instruction (MBI), through Management by Objectives (MBO), to MBV

Commensurate with the increasing need to absorb an ever-greater degree of complexity and uncertainty in business organizations, the traditional approach of Management by Instructions (MBI) of the beginning of the 20th Century, gave way to Management by Objectives (MBO) from the 1960's up to the present time; now, a new approach is beginning to take shape that may be termed Management by Values (MBV).

Exhibit 1 presents a schematic view of the evolution from MBI to MBV, via MBO. It is proposed that this evolution is the consequence of the appearance during recent decades of four organizational trends that forces organizations to adapt in order to remain competitive in markets that are increasingly more demanding and unpredictable.

Exhibit 1 Evolution of three ways of managing companies: by instructions, by objectives and by values.



These four trends, in turn, directly condition a considerable increase in the complexity and uncertainty in companies⁴. All four are also inter-connected:

1. The need for quality and customer orientation
2. The need for greater professionalism, autonomy and responsibility.
3. The need for "bosses" to evolve into leaders/facilitators.
4. The need for "flatter" and more agile organization structures.

The need for quality and customer orientation - If you want to survive and compete in an increasingly demanding market, the industrial models of the beginning of the century, orientated towards producing huge quantities of standardized products, are now antiquated and useless. Competitive conditions require value to be added continuously to productive processes, to ensure that the customer is always completely satisfied with the relationship between the price and the quality/performance of what he/she has purchased. In this situation, the productive focus must increasingly be *ad hoc*, or specific to the particular customer and the situation; as a result, market segmentation or orientation of the business towards identified customer groups with similar characteristics/requirements, is reaching the limits of its usefulness. Thus, it is much more complex to orient a company to the changing tastes and requirements of demanding customers, than to mass-produce standard items for purchasers or users with little market power.

The need for professionalism, autonomy and responsibility - With the appearance of new technologies (i.e. robotics, process automation and data telecommunication), the demand for orientation towards quality and the individual client is also increasing, and there is bound to be an increase in the level of professional knowledge and skills that are an integral part of the supply of products and services. This need to increase the general level of professionalism and creativity of employees, bring with it an increase in the expectations and capabilities of employees to be treated as mature individuals with their own performance criteria; employees who are capable of articulating their own values and translating them into initiatives, into creative behavior at work - autonomous, flexible and committed employees. A professional without autonomy is not a real professional, only an operative or dependent worker.

The need for "bosses" to evolve into transformational leaders (facilitators) - The preceding point explains why it is increasingly necessary to develop a style of "facilitating" leadership that ensures that the right things happen; such a style completely does away with the reactive tendency more typical of administrators always "on the defensive", which was more orientated to the hierarchical control structures of the early and mid 20th century. As postulated in the philosophy of Hewlett Packard, now considered a contemporary classic, "a boss should be the facilitator of the success of his colleagues". We can conclude that instructions are the management tools used by "bosses", objectives are those used by administrators, whereas values are the tools used by leaders. Although many people interpret the concept of leadership in an excessively grandiloquent way, one should not lose sight of its essential characteristic, the capacity to inspire, to channel the efforts and to hold together teams of professionals (Bass, 1996).

The need for "flatter" and more agile organization structures. - The inefficiency of rigid bureaucratic structures, with lots of hierarchical levels and watertight compartments, can no longer be tolerated in companies which have to compete in open environments. It has been clearly demonstrated that the reduction in the number of levels in a hierarchy is associated with a greater organizational efficiency, and today hardly anyone disputes the need to "flatten" the organization structure, and to develop efficient teams. Nonetheless, one should keep in mind that flexible and horizontal/"flattened" organizations generate much more ambiguity and uncertainty than the typical "raked" or pyramid structure.

Exhibit 1.1, proposes another important factor: the increasing organizational complexity generated by these four variables and represented by a rising curved arrow, is not linear: it starts to fall again, in the top right-hand part of the

⁴ This conceptualization is based on ideas put forward by Richard Norman in a seminar on Organizational Learning, held in Stockholm in 1992.

graph, indicating that MBV serves precisely to absorb and hence reduce the effects of this complexity. In other words, an organization that has genuinely accepted and shared values, will turn out to be much more efficient in tolerating creatively, exploiting complexity and uncertainty, than another which merely receives certain objectives or, even more so, which simply obeys instructions or follows a manual of procedures.

Objectives and instructions reduce complexity, and may even succeed in eliminating it (or nullifying its effects for employees), but this is not what is expected by people acting truly professionally and creatively; such employees have to get used to living with complexity, not only tolerating and absorbing it but, most importantly, taking advantage of it. Moreover, the biggest limitation of MBO is that of understanding the objectives as goals that make inherent sense in themselves; in fact, the organization's objectives only make sense to the extent that they are the consequences of specific, fully accepted beliefs and values. If values are considered as serving to endow action with sense, then objectives serve to translate action into results and specific rewards.

As shown in Exhibit 2, objectives transform values into operative conduct in order to be able to exert influence over reality. In this example, the principle or value "quality" will only be realized in the concrete form of an official quality certification if an objective of specific action can be articulated, within a firm and realistic time frame.

It must also be remembered that the more important a purpose or goal, the more difficult it is to quantify. For example, we all know that friendship is an important goal in life, but it would strike us as rather ridiculous to propose an objective like "Make three good friends during the next 10 years". In such cases, the trick may lie in finding suitable proxies for "non-quantifiable" but highly desirable ends.

Exhibit 2 Relationship between values, objectives and reality

| | Essence of concept | Position in a "decision-taking - action" sequence | Example |
|------------------------|--|---|--|
| VALUES ↓ | "This is how it should be" | Initial strategic choice. Founding or constitutional character | Quality first and foremost |
| OBJECTIVES ↓ | "This is what we are going to achieve" | Intermediate instrumental purpose | Comply with ISO 9001 Quality Standard, within one year |
| REALITY | "This is what we have achieved" | Observable consequence after the action has been taken | Issue of official quality certification |

When the attempt is made to apply MBO in a cultural context oriented towards hierarchical control, its potential value as a tool to motivate efforts towards work well done is negated; it is merely converted into a more or less refined form of MBI. Being given an objective, like "Increase production by 9% in the next 6 months" is not very different from being given an instruction to the same effect, particularly to the extent that the employees concerned have had no direct participation in the formulation of such an "objective".

To speak of values in no way means that objectives should be forgotten. Both are mutually necessary. Hence, MBV does not replace MBO but rather complements it and facilitates putting it into practice, by making it more meaningful. In fact, all intelligent MBO applications do show signs of incorporating values in some way; what the

proposition of MBV really signifies is making this systematic. The essential shared values become critical success elements which revolves around the structuring of objectives as instrumental intermediates. Exhibit 3 summarizes the basic differences between the three management philosophies discussed here: MBI, MBO and MBV.

Exhibit 3 **Differences between MBI, MBO and MBV**

| | MBI | MBO | MBV |
|--|---|---|---|
| PREFERABLE SITUATION FOR APPLICATION | Routine or emergencies | Moderate complexity. | Need for creativity in the solution of complex problems |
| AVERAGE LEVEL OF PROFESSIONALISM OF MEMBERS OF THE ORGANIZATION | Basic level of education (management of operatives) | Moderate to average professionalism (management of employees) | High level of average professionalism (management of professionals) |
| TYPE OF LEADERSHIP | Traditional | Allocator of resources | Transformational |
| IMAGE OF CUSTOMER | User-buyer | User customer | Customer with judgement and freedom of choice |
| TYPE OF PRODUCT MARKET | Monopolist. Standardized. | Segmented | Highly diversified and dynamic |
| TYPE OF ORGANIZATIONAL STRUCTURE | Pyramidal with many levels | Pyramidal with few levels | Networks, functional alliances, project team structures |
| NEED FOR TOLERANCE OF AMBIGUITY | Low | Medium | High |
| NEED FOR AUTONOMY AND RESPONSIBILITY | Low | Medium | High |
| STABILITY OF ENVIRONMENT | Stable environment | Moderately changeable environment | Very dynamic, changeable environment |
| SOCIAL ORGANIZATION | Capitalist-industrial | Capitalist post-industrial | Post-capitalist |
| PHILOSOPHY OF CONTROL | "Top down" control and supervision | Control and stimulus of professional performance | Encouragement of self-supervision by each individual |
| PURPOSE OF THE ORGANIZATION | Maintenance of production | Optimization of results | Continuous improvement of processes |
| REACH OF STRATEGIC VISION | Short term | Medium term | Long term |

| | | | |
|--------------------------|---|--|---|
| BASIC CULTURAL VALUES | Quantitative production. Loyalty, conformity and discipline | Rationalization. Motivation. Efficiency. Measurement of results. | Developing Participation; Continuous learning. Creativity. Mutual trust. Commitment |
|--------------------------|---|--|---|

Values as the "attractors" of chaos

Although at first sight MBV may appear "chaotic", a conceptual focus for understanding the meaning and usefulness of values for business is actually that known as the "theory of chaos" in physics and mathematics. Formally, chaos theory is defined as the study of complex nonlinear dynamic systems. Complex implies just that, nonlinear implies recursion and higher mathematical algorithms, and dynamic implies non-constant and non-periodic. Thus chaos theory is, very generally, the study of forever changing complex systems based on mathematical concepts of recursion, whether in the form of a recursive process or a set of differential equations modeling a physical system⁵.

For many directors and business people it will be a relief to know something rather curious: business organizations are excellent representations of what in physics and mathematics are designated "chaotic systems" or "complex systems". Yet, it is on the "boundary of chaos" that the greatest creativity occurs. Creativity is a psychological process that precedes innovation, and it has an adverse effect by excessive order and stability.

When a chaotic system is observed at a single point in time, all that is seen is chaos; in other words, disorder, the apparent absence of order and total unpredictability. However, if the development of a chaotic system is viewed from an adequate time perspective, it can be seen that a certain degree of order emerges from the chaos. Something similar occurs in the case, for example, of a tropical jungle.

A company is a chaotic system in the sense that it shows some of the basic properties of such systems: they are open, dynamic, dissipative, non-linear, capable of self-organization, unpredictable and highly sensitive to their initial conditions. Let us look in a bit more detail at the meaning of these perhaps rather abstract concepts:

- ❑ The company is a chaotic system because accurate predictions cannot be made about its behavior in the future, which is random in character and *unpredictable* given only minimal modifications in its initial conditions. How it starts out is known but not how it is going to end up.
- ❑ It is an *open system* in the sense that it exchanges information, energy and matter with its environment.
- ❑ It is a *dynamic*, not static system, because its properties are continually changing over time.
- ❑ It is a *dissipative system*, because its evolution and transformation over time are irreversible; it only comes to rest when it disappears.
- ❑ And it is *non-linear*, because its result is unpredictably greater than the sum of its parts (i.e. it is capable of synergy, but in some cases the result is less than the sum of its parts, as in most corporate mergers and acquisitions!).

In consequence, companies are chaotic social systems which cannot be regulated by instructions nor by rigid objectives. Their capacity for *self-organization* is derived essentially from how their components freely accept a shared set

⁵ Source: <http://www.students.uiuc.edu/~ag-ho/chaos/chaos.html> (1998)

of values and principles for action. According to Nobel prizewinner, Prigogine, there exist two types of chaotic system: those with low energy and those with high energy (Prigogine and Stengers, 1984). An example of a low-energy chaotic system is a randomly shuffled deck of poker cards. Without the addition of more energy, in the form of the poker players, the system is incapable of organizing itself into a game of poker on its own. But turbulent or high-energy chaos is something different, its disorder contains the seed of order. But in the kingdom of chaos, where anything and everything may happen, a "strange attractor" comes into play and a new type of order emerges from the chaos (Flower, 1993).

The state of chaos that "organizes itself", thanks to the appearance of the so-called "strange attractor" is the ideal substratum/basis for creativity and innovation in the company. In this self-organized state of chaos, people are not confined in narrow roles, and gradually develop their capacity for differentiation and relationships, growing continuously towards their maximum potential contribution to the efficiency of the organization.

In this way, values would act as organizers or "attractors" of disorder, which in the theory of chaos are equations represented by unusually regular geometric configurations which predict the long-term behavior of complex systems. It could be more than a play on words to say that in business organizations - as in all kinds of social system - the starting principles end up as the ends or final principles, in the long term

MBV as a tool to redesign culture and channel changes towards the strategic vision of the firm

In addition to its generic function of absorbing organizational complexity, MBV is directly oriented towards the redesign of corporate cultures and thus helping leaders to guide strategic change in the company in order to adapt itself to changes in its environment and to overcome internal tensions. In order to develop this idea, we need to understand four conceptual elements: (1) The two different levels of the "culture" of the company; (2) The formulation of the vision, the mission, and the operational culture (3) The "management of change" and the associated techniques needed in order to span the gap between vision of the future and the current reality (4) Values as the means of channeling processes towards the strategic vision.

Two constituent levels of "culture" in companies

The anthropological and psychosocial concept of corporate "culture" was first popularized in the best-selling book by Tom Peters and Robert Waterman, "In search of excellence" (1982); they put forward the proposition that certain companies which were obtaining spectacular results were differentiated from their less successful competitors specifically by having a certain "culture". Although some of these "excellent companies" may have had considerable problems in even surviving in recent years, the concept of organizational culture has been part of normal management language since the early 1980's; nonetheless, there are not too many operational tools for redesigning the culture to reach excellence. Recent books published by Garcia & Dolan (1997) and Dolan and Garcia (1999) fill this gap by providing means and step by step tools for redesigning the culture by implementing MBV philosophy.

According to Schein (1992), the culture of every company can be considered as operating essentially at two levels:

1. The level of "*what is thought and the way of thinking*" in the company; this is implicit and consists of the beliefs or basic assumptions and, above all, the essential values. The essential, nuclear or shared values are the primary values underlying the predominant culture. These shared understandings provide meaning and cohesion to the daily work activity and are fundamental for the generation of commitment, beyond the immediate self-interest of employees.
2. The explicit or observable level, termed the level of "cultural artifacts", which in turn consist of 2 rather different levels: (a) the level of *what the company does*: procedures, behavior, organization charts, "rituals", technology,

etc. (b) the most "superficial" level of *what the company appears to be*, at the level of its physical aspects and external image in general: its logo, its buildings and location, its advertising and sponsorships (ie. Public relations), etc.

It is important to differentiate between these different levels in the corporate culture. The practice known as "value auditing" within MBV is a very powerful tool for the diagnosis and development of corporate culture. Its purpose is to detect inconsistencies (or in-congruencies) between claimed values and real behavior in all areas of the organization, from the top managers to the production workers and those at the interface with customers.

The culture of a company develops and becomes established by means of a variety of mechanisms:

- ◆ *Rituals*: collective events such as celebrations and meetings, public recognition of achievements.
- ◆ *Symbols*: logos, buildings, uniforms.
- ◆ *Company language and "code"*: technical concepts, slogans, even "nicknames, and other buzz words in common use, often originating from collective training; professional slang and abbreviations.
- ◆ *Oral transmission of company "legends and myths"*: dramatic events and "big" personalities from the company's history, particularly stories about the founder.
- ◆ *Rewards*: the systems of financial and non-financial reward for effort made towards fulfilling the company's essential values and goals.
- ◆ *Communication*: the maintenance of meaningful two-way dialogue between the top managers and the rest of the employees.

Formulating the company's Vision, Mission, and working Culture

General Alonso Baquer, strategist of the Spanish Chiefs of Staff, expresses with great clarity the classic concept of military strategy: "In the first place, you start with the ethical and political position, next comes the strategy, then the tactics and logistics and, finally, the battle itself."

By analogy, many directors are too wrapped up in the daily "battles" that all they can think about are the logistical and tactical objectives: they often never manage to formulate a coherent strategy, still less consider the political and ethical decisions that underlie their day-to-day actions.

Literature on corporate strategy and real case studies of strategic planning show that there is considerable terminological confusion among vision, objectives, tactical ends, strategic purpose, mission, goals, ambitions, principles, conduct guides, etc. MBV proposes a practical clarification, by differentiating simply between three terms: vision, mission and other operating values. Every culturally structured company should have explicitly defined two important groups of values or shared principles, which serve to guide its day-to-day working objectives:

1. The basic values associated with its vision (Where are we going?) and its mission (What for? or Why does the company exist?).
2. The instrumental or operating values associated with the organization's way of thinking and way of doing things, so as to meet the challenges of its environment (its industry or market) and integrate its internal tensions to achieve its vision and its mission.

Thus, for example, it is one thing that the mission of the company may be to make certain profits (a basic value), and other thing that relevantly defined quality may be a key means of achieving such profits (an operational or instrumental value). What gives coherence to any organization is precisely the clarity with which its goals and principles are defined and the consensus with which they are adopted by employees; put another way, a shared purpose and

operating values that are virtually self-evident to everyone in the organization. And logically the necessary intermediate objectives then fall into place.

This differentiation between basic or final values and operating values is extremely important for the definition of strategy. The basic values are essential for giving meaning and cohesion to the collective effort to move the company towards where it wants to go in the long-term. They concern the kind of business it wants to become, the dimensions it wants to reach, the differentiation it seeks from its competitors, etc. In fact, the values that are integrated in or underlying its future vision define the essential strategic choices of the company.

Another set of basic values is that integrated in the mission or reason for existence of the company. Every company has a double mission: one economic, the other social; the second depends clearly on the first. Whereas the economic mission expresses the critical need to be profitable, the social mission concerns both those non-specific aspects common to many companies (to develop their human resources, to provide employment, etc.). There are also aspects specific to a given industry. For example: to teach, to transport, to satisfy needs for status, to clean, to insure, etc.

On the other hand, the tactical values make up what may be termed the "operating culture". These are equivalent to the explicit principles of action that should regulate the daily conduct of individual employees in their work to achieve the vision and mission of the company: mutual trust, customer satisfaction, honesty, teamwork, etc.

Logically, then, when we deal with the practical implementation of MBV, we need to consider in more depth how all these ideas fit together. Having the strategic values of the company explicitly formulated, is not only useful for increasing internal coherence but an additional benefit is that the values projected externally by a company through its publicity and other media of communication, serve to create customers confidence and bring them closer to identify with the company.

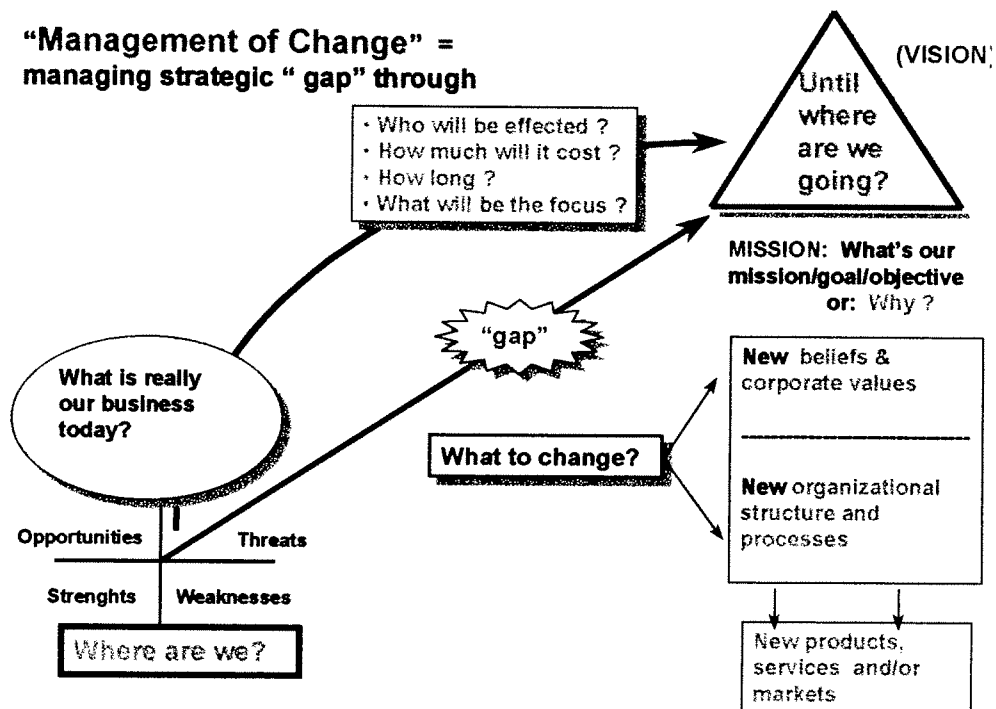
The management of change:

Closing the gap between the vision of the future and the current reality of the company

Ideally, planned organizational change should always be the consequence of a strategic reflection which involves a systematic re-positioning at all levels, including, of course, at the level of beliefs and values. In reality, however, in many situations, there exists a sense of urgency, coupled with lack of training and mental preparation on behalf of corporate management in formulating strategy and in managing change. The result is poorly managed planned change process which often leads to disappointment or even catastrophes.

Exhibit 4 identifies the parameters to be considered in implementing cultural change within the MBV philosophy. It is the exercise by the transformational leaders of the firm for legitimizing the deployment of resources (people, time and money) aimed at building on strengths and correcting weaknesses in the company *by means of the construction of new set of beliefs and values*, as the foundation for new structures, new internal processes and new human resources policies, *for the purpose of producing new and better products and services and/or entering new markets*, thus realizing the strategic vision of where the company is going, and how it will defend itself from the threats and exploit the opportunities presented by its changing environment.

Exhibit 4 Parameters for managing organizational change



Let us look at this process of "change management" in more detail:

1. *The necessary function of leadership is to legitimize action:* It is evident that the management of change is a question of leadership in its purest form. It is also, therefore, a question of political dynamics. Without the appropriate leadership to legitimize the action, there can be no effective "management of change". This area of management action, in fact, could well be considered an instrumental dimension of what might be termed the "government of change".
2. *Deployment of specific resources. (people, time and money):* A process of significant change in a business organization is always something critical for its survival and development. However, rarely are such processes allocated a resources budget sufficient for their successful implementation. Clearly a process of strategic change requires that certain employees be dedicated preferably exclusively to it. Another scarce resource, also costly, that is also necessary for a significant change process is Time. To assign people and time means assigning money but in addition, the implementation of change requires specific financial allocations for training activity, often use of consultants, and always communication directly related to the planned changes.
3. *To build on strengths and correct weaknesses:* Any properly run company should take the trouble to run a **SWOT** analysis; to understand its relative Strengths and Weaknesses, Opportunities and Threats. These exist at various levels: in the organization structure; in products; leadership style; culture; technologies; people; position in the market; image; financial situation; etc. The whole process of change to achieve improvement is rooted in the identification of these strengths and weaknesses, and in taking the appropriate action.

4. *By means of the construction of new beliefs and values as the foundation of new structures, new processes and new human resources policies:* Many "plans" for change come to grief because they are merely a diffusely expressed wish on the part of the top management. One of the greatest challenges of the whole process of change is that its justification or meaning must be built in the most participative way possible. Further, it is essential for managers to "think through" whether and what new beliefs and values must underpin the proposed new organization structures, new internal processes (including new technologies), new colleagues (after a merger/acquisition), new human resources policies (selection, compensation, training, etc.).

It has been widely observed that the great majority of changes that companies try to carry out, whatever their nature, lack any conscious intention. Often, it is not supported by any systematic plan of dealing with the most important aspect of the change, its cultural aspect; management seem to believe ingenuously that the appropriate cultural changes will come about "automatically", by force of circumstance. This is perhaps the root cause of most failures and interruptions that occur in corporate change projects. and this only serves to generate initial expectations that are doomed to almost certain disappointment and frustration.

5. *For the purpose of producing new and better products and services and/or entering new markets.* Logically, the whole process of strategic change must, in the last analysis, serve the purpose of producing more competitive new and improved products and services, of entering new markets, or of both at the same time. By definition, all corporate change must contribute to increased customer satisfaction and increased sales and profits.

6. *Thus realizing the strategic vision of where the company is going to:* Without the previously discussed elements, it will be impossible for the company to be able to reach a vision of the future significantly better than its present reality. In fact, this is the real meaning of the effort involved in making changes happen. Obviously, the greater the distance between the current situation of the company and where it wants to be (as expressed in its strategic vision), the greater will be the "leap" needed to bridge the gap. Also, the more dramatic or far-reaching will be the changes that must be implemented in the organization.

7. *To defend itself from the threats and exploit the opportunities presented by its changing environment.* After analyzing the implications for the company represented by the new situation, the changes affecting the economic, social, political, technological, organizational, market and other circumstances, must be considered. The key point is to consider the response the company must make, as an opportunity to rethink and strategically re-launch the company, and not so much as a threat to the *status quo* originating in the past. In this sense, change means increasing the chances for the company to compete successfully in the future, taking advantage of new opportunities offered, as well as protecting itself from new threats from the environment.

Using Values to channel work processes towards the strategic vision

An essential benefit of MBV from the strategic and organizational point of view is that values function as elements regulating the flow of daily work processes, taking the company from its current situation towards its vision of the desired future.

All true leadership or government of a company operates through values. Indeed, as we have seen, the idea of the "management of change" refers to the legitimization of the deployment of resources in the construction of a strategic architecture, bridging the gap between the vision of the future and the current reality. Values are like the skeleton or framework of this structure. It is also possible to employ the analogy of "glue" for values, used to hold an organization together when confronted with the need for change, and when things get rough.

The apparent turbulence of the international commercial environment, the amazing leaps made by technology, the phenomenon of political instability - factors such as these make it practically impossible to plan with any degree of precision what a company is really going to do in the long-term. The only thing that can be done with any certainty is to construct so-called "self-fulfilling prophecies" in the area of the organizational values necessary to channel activity and decision-making towards "success" in the future.

Rather than just analyzing the problems of the past, or even the company's current deficiencies, MBV helps the leadership in constructing a collective sense of what the company "should be", and some freely chosen and accepted "rules of the game", to channel future action. In this way, MBV has an incalculable value for effecting transformation and introducing coherence, across the length and breadth of the company.

Conclusion

Shared beliefs and values, without doubt, provide the most important key to understanding and facilitating human conduct at work: the perception that this work makes sense and is worth the effort of doing it professionally and to the best of one's ability, regardless of any minimum acceptable levels. The only way that obligation should enter the equation is in the sense of each individual's obligation to his own principles (which he shares, ideally, with his colleagues and his company as an entity).

In essence, values are words and therefore relatively simple structures of thought which nevertheless encompass complex ideas about the reality desired by people. Values have the capacity to transcend the perception of what now exists around us, enabling us to conceptualize a vision of the future that is better, or even ideal. This conceptualization of what is desirable can manage to encapsulate in a few words more knowledge than an entire strategic plan, especially when one considers that usually there is no one in the organization capable of reading and assimilating the plan.

One cannot deny that the creation of companies and of wealth depends crucially on the existence of values such as creativity, initiative, vitality, confidence, courage, readiness to face risk, flexibility, and autonomy, both psychological and financial. Precisely for this reason, MBV proposes the need to manage values, to guard them as the scarce resources they undoubtedly are. Managing values means managing the culture of the company, strengthening it day by day and always revitalizing it, to face the unknowns of the future.

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