



Through balanced organizational values towards purpose-driven organizations

Ivan MALBAŠIĆ

University of Zagreb, Zagreb, Croatia

Abstract. *Purpose.* The purpose of this article is to highlight the growing phenomenon of purpose-driven organizations and to explore the role of organizational values in the creation of such organizations. Given that there are different approaches to managing organizational values, particular attention is given to their need for balance, in the sense that the organization simultaneously promotes and develops values from different value categories. *Approach.* This paper presents the results of some recent research showing that today (1) the largest and most influential companies worldwide are managing their values in balanced way and that (2) managing values in a balanced way improves organizational effectiveness. *Findings.* Balanced values are helping organizations to focus on their key stakeholders and bring attention to the purpose of their businesses. *Originality.* This paper contributes to the understanding that the traditional old management logic is evolving into the new logic of purpose — modern business must produce a win-win result(s) for everyone rather than just for selected privileged stakeholders. The key to achieving this is focusing on organizational purpose.

Keywords: balanced values, mission-based model of organizational values, organizational purpose, organizational values, purpose-driven organizations.

Introduction

The ultimate goal of any organization is to achieve success, and the way to achieve success is to realize the organization's plans. Although it sounds logical and self-evident, there is one crucial problem with a goal defined in such simple way—how do we define success? Each individual will define success in their own personal way, and the same goes for organizations. However, if we use the term “purpose” instead of term “ultimate goal”, the perspective changes and forces us to think a little more deeply about what we are doing. Creating a purpose-driven organization is currently a high-priority issue for contemporary management, and this paper seeks to contribute precisely to this issue.

Managerial challenges in today's business environment are increasing both in number and in complexity, and therefore the practice of management is changing rapidly. Some of the most important challenges for today's managers, both in the private and

public sectors and in small and large organizations, concern the questions of globalization, demographic problems, digitization, intergenerational differences, and constant changes in customer needs. All of those issues in addition to some usual challenges concerned with doing business in general, are making the managerial job more complex than in the past. Senyucel explained it very simply (2009, p.15): “In 3000 BC the most important managerial task was to finish the project at all costs; in 21st Century, however, we are trying to create a healthy balance where organizational targets are achieved and individual needs are met as much as possible.” Indeed, just realizing set objectives, however well defined, is no longer a guarantee of success, especially not in the long run. We need a new way of thinking about business that thinks considers what we do differently, and that starts from purpose.

In his book *Start with Why*, Sinek (2009) introduced the concept of “The Golden Circle”, which consists of 3 concentric circles. As shown in Figure 1, each of the three circles has a name: the largest outer circle is WHAT, the middle circle is HOW, and the smallest inner circle is WHY.

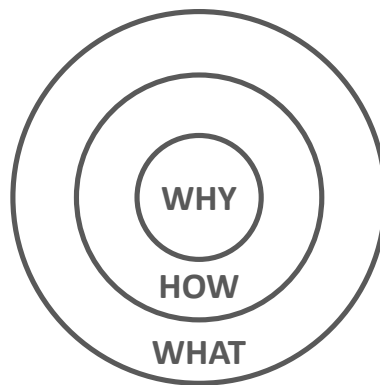


Figure 1. The golden circle (source: Sinek, 2009)

S. Sinek explained the three levels / words of The Golden Circle in a very mature way (Sinek 2009, p. 39):

WHAT: Every single company and organization on the planet knows WHAT they do. This is true no matter how big or small, no matter what industry. Everyone is easily able to describe the products or services a company sells or the job function they have within that system.

HOW: Some companies know HOW they do WHAT they do. HOWs are often given to explain how something is different or better.

WHY: Very few companies can clearly articulate WHY they do WHAT they do. And WHY is not about making money — that’s a result. WHY is a purpose, cause or belief? WHY is the reason why the company exist?”

“People don’t buy WHAT you do, they buy WHY you do it. If a company does not have a clear sense of WHY then it is impossible for the outside world to perceive anything more than WHAT the company does. And when that happens, manipulations that rely on pushing price, features, service or quality become the primary currency of differentiation” (Sinek, 2009, p. 64). To avoid such manipulations, companies need to focus their attention on something that can guide them towards achieving their purpose in the long run, and that “something” is called organizational values.

Organizational values as a framework for doing business in the long term

The concept of “values” is complex and multifaceted. In a wider sense, it defines “something (as a principle or quality) intrinsically valuable or desirable” in the material, moral or spiritual sense (according to ‘Merriam-Webster Online Dictionary’ 2014); in the narrow sense, it refers to the fundamental beliefs and attitudes underlying society or the activity of an organization (according to ‘Hrvatski jezični portal [Croatian Language Portal — in Croatian]’ 2014).

It is necessary to distinguish the personal values of the members of an organization from the values according to which the organization operates and takes as its guiding principles (Argandoña 2003, p. 19; Edwards, Cable 2009, p. 655) because the motivational goals of individuals and organizations are different. By carefully studying a multitude of definitions of values at the individual, group and organizational system levels, S. Stavru proposed one of the best definitions of organizational values; he describes them as “long-lasting constructs, which have emerged from the collective beliefs, experience and vision of a group or all members of the organization about what the organization should hold of intrinsic worth, and which have (explicitly or implicitly) certain weight in the process of decision making and the evaluation of individuals and organizations in terms of their modes, actions and end states” (Stavru, 2013, p. 31). In this paper, the topic is not the personal values of an individual; instead, the focus is on organizational values and their impact on business.

From ancient times, wise people have been aware of the vital role that values have in the lives of individuals, but they also realized that the destiny of entire nations can depend upon these values. For example, approximately 2500 years ago, the famous Greek statesman Pericles assured his compatriots that in the wars they waged against their enemies they should rely on values such as those inherent to real democracy: informal communication, the dignity of each individual and promotion based on success (Clemens, 1986). Pericles, who was not only a military leader but also a very good manager, understood that these values could mean the difference between victory and defeat (Wehrich, Koontz, 1998, p. 333). Yet, organizational values were not systematically researched until the 1970s, and therefore their role in business was unclear. G. W. England was among the first to study personal managerial values and their influence on managers’ behavior (England, 1967). However, it was only after M. Rokeach (1973) published the book *The Nature of Human Values* that the systematic scientific study of organizational values began in order to provide answers to the question of whether and how values can affect business. In the following years, many scholars were concerned with organizational values from different perspectives (e.g., Schwartz 1992; Collins, Porras, 1996; Cowan, Todorovic, 2000; Hultman, Gellermann, 2002; Robbins, 2003; Davidson, 2004; Barrett, 2006; Dolan et al., 2006; Lee, Elliott-Lee, 2006; Devero, 2007; Cardona, Rey, 2008).

Organizational values are an important design element of each organization. Moreover, they are an internal organizational design element, meaning that the management of each organization can influence them significantly, and they are (or at least should be) under management’s control (Sikavica, 2011, p. 216). Taking this into consideration, we can understand why the scientific and professional community shows an increasing interest in the study of organizational values and organizational values management. Organizational values are a part of the core ideology of any organization, and those organizations that are aware of this are usually more successful. J. C. Collins and J. I. Porras outlined a full range of “visionary” organizations that are successful because they have kept their core values for decades (Collins, Porras, 1994). Based on comprehensive research, they came up with a conclusion: if you want long-term business success, it is necessary to define a core ideology, which primarily consists of the core purpose and core values of an organization (Collins, Porras, 1994; 1996), as shown in Figure 2.

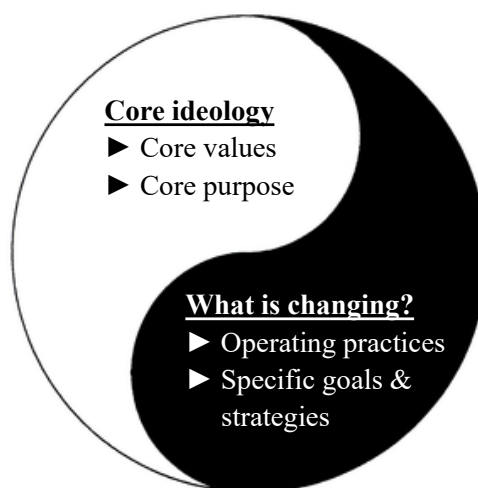


Figure 2. Organizational values as a part of the core ideology of an organization (source: Collins and Porras 1994; 1996)

Balanced organizational values

Why balanced organizational values

By their very nature, organizational values are positive and desirable principles. However, the way how they should be managed is still an important and insufficiently explored issue in the context of organizational values, i.e., does it matter what set of concrete values an organization develops and promotes? Considering that doing business today means satisfying many, often opposing interests, companies should try to have a balanced values, in accordance with the stakeholder approach proposed by R. E. Freeman (Freeman, 1984). The basic idea of a stakeholder approach is that organizational values must seek to integrate a number of stakeholder concerns, which can be understood as the aspiration to balance the goals of the organization (Malbašić, Rey, 2015).

An important characteristic of values-based organizations is that they have to “manage the complex task of balancing values and demands from different stakeholders” (Ashton, Hansson, 2011, p. 39). The values of such organizations — i.e., the way they are lived, acted, and promoted — determine everything else. Once the values are integrated into organizational policies and practices, an organization needs to “live them day by day, week by week, month by month, decision by decision, and policy by policy” (Brinckerhoff, 2009, p. 61). Although this demanding task may seem unnecessary, the business environment has drastically changed in the last several decades. We currently live in a time when organizations can no longer base their strategy only on a predictable market or a stable preferential product range. Instead, as stated by M. J. Hatch, M. Schultz, “differentiation requires positioning, not products, but the whole corporation. Accordingly, the values and emotions symbolized by the organization become key elements of differentiation strategies, and the corporation itself moves center stage” (Hatch, Schultz, 2003, p. 1041). This is the best argument that emphasizes organizational values as an important organizational factor whose role in business becomes more apparent each day.

Mission-based model as a basis for considering balanced organizational values

The idea of balanced organizational values was first explored by R. E. Quinn and J. Rohrbaugh but from the ordering, through multivariate techniques, of criteria that organizational theorists and researchers use to evaluate the performance of organizations (Quinn, Rohrbaugh, 1983). In a two-stage study, organizational theorists and researchers were impaneled to make judgments about the similarity

of commonly used effectiveness criteria. The model derived from the second group closely replicated the first, and in convergence suggested that three value dimensions (control-flexibility, internal-external, and means-ends using an approach called the *Competing Values Framework* (CVF). Another very well-known approach dealing with the concept of balanced values is *S. H. Schwartz's values model* (Schwartz, 1992). Although both these models, along with some less famous ones, were often used in research and approaches, modern business practice shows that they are no longer applicable. Namely, contemporary organizations strive to achieve many different goals (economic, social, ethical, environmental, cultural), and in order to achieve them, organizations use different values in actual business conditions (Malbašić et al., 2015). A potential problem with the two aforementioned values models is their age; many years have passed since their creation. Additionally, S. H. Schwartz's theory is primarily suitable for general use in society and is therefore less suitable in the organizational context. On the other hand, the *Competing Values Framework* is primarily intended for research organizational culture, and organizational values are just one of its parts, albeit the most important one.

Another view on the concept of balanced organizational values, one based on the approach of *Management by Missions* developed by P. Cardona and C. Rey, has become more and more popular in last several years (Cardona, Rey, 2008). That model, called the *Mission-based model of organizational values* (see Figure 3), was developed by Malbašić et al. (2015) and is comprised of basic value categories as follows:

- **business values** — those values relating to the company's business and profit-making activity (i.e., perseverance, efficiency, professionalism, results orientation),
- **relational values** — those values that foster quality in interpersonal relations (i.e., communication, team work, respect for people),
- **development values** — those values aimed at differentiating and continuously improving the company (i.e., innovation, creativity, learning, continuous improvement),
- **contribution values** — those values aimed at doing more for stakeholders than strictly required by the business relationship (i.e., customer satisfaction, interest in people, social responsibility).

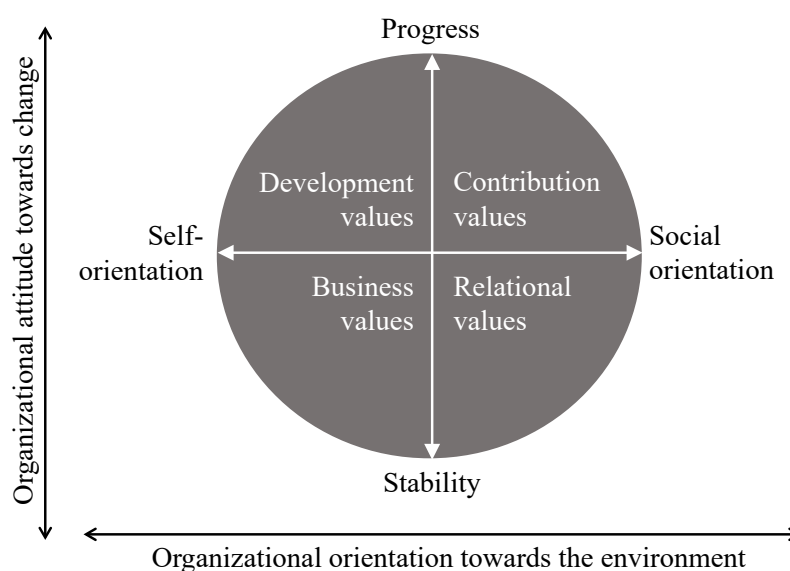


Figure 3. Mission-based model of organizational values (source: (Malbašić et al., 2015; 2018))

The Mission-based model of organizational values is represented on a coordinate system with two different criteria of values categorization (axes): an organizational orientation towards the environment and an organizational attitude towards change. Research of the espoused (i.e. declarative and publicly available) organizational values of 100 of the world's largest companies by total revenue according to the Fortune Magazine in 2017 showed that the representation of these four groups of values in real business circumstances is more or less proportional, i.e., well-balanced (Malbašić et al., 2018), as shown in Figure 4. Espoused values of these 100 companies were investigated through the content analysis of their corporate websites. After all the individual organizational values were identified, they were then classified into one of the value categories according to the Mission-based model of organizational values.

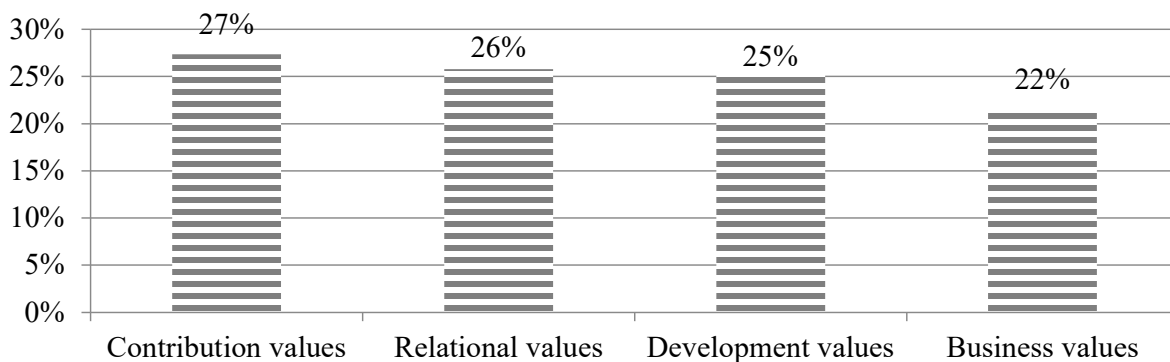


Figure 4. Mission-based model of organizational values (course: (Malbašić et al., 2018))

Another piece of research showed that companies that balance values from different value categories achieve a higher overall level of organizational effectiveness. Additionally, the impact of balanced organizational values was also researched from different perspectives of organizational effectiveness according to the Balanced Scorecard approach, and the findings showed that organizations with balanced organizational values achieve better results from almost all business perspectives (Malbašić, 2020). Managing organizational values in a balanced way is therefore becoming a “must have” approach today for those wishing to be recognized as a partner institution/organization to different stakeholders and to achieve a win-win result(s) for everyone.

Concluding considerations on creating a purpose-driven organization

Taking care to satisfy the interests of many different stakeholders and managing organizational values in a balanced way means a shift away from traditional management approaches and towards new management logic. C. Rey with colleagues have gone one step further, stating that “the old logic of management evolves into the new logic of purpose, characterized by three main traits that will gradually become dominant in organizations. The first — personal purpose — introduces the idea of individual purpose in the organizational arena, the second — self-management — is the context where personal purpose flourishes within the organization, and the third — unity — is the natural connection between the personal and organizational purpose” (Rey et al., 2019, p. 6).

The phenomenon of purpose-driven organizations will gain more and more attention, as indicated by the cover of the July-August 2018 Harvard Business Review, one of the most important and most influential journals in the field of management; the main headline “When Work Has Meaning: How to Turn Purpose into Performance” bears this out. In that summer double issue

of the magazine, R. E. Quinn and A. V. Thankor discussed the ways of creating a purpose-driven organization, suggesting eight practical steps: (1) envision an inspired workforce, (2) discover a purpose, (3) recognize the need for authenticity, (4) turn the authentic message into a constant message, (5) stimulate individual learning, (6) turn midlevel managers into purpose-driven leaders, (7) connect the people to the purpose, and (8) unleash the positive energizers. These authors even presented some research results showing that purposeful business has practical implications on a company's financial health and competitiveness (Quinn, Thankor, 2018).

The role of organizational values, especially if they are managed in a balanced way, can significantly help in the search for (or sometimes even finding) the true purpose of the business. Considering that balancing organizational values by definition implies satisfying the interests of different stakeholders, it helps organizations to focus on its key stakeholders. As stated by C. Fontán et al., "purpose emerges as an essential resource in securing trust of various stakeholders (i.e., employees, clients, shareholders, suppliers and society in general)" (Fontán et al., 2019). Creating purpose-driven organizations, one that uses a purpose not just as a starting point but also as the main objective of the business, is becoming imperative in modern business where no stakeholder wants to be unimportant. Finally, we can say that purpose-driven organizations are those with a balanced organizational mission. Having a balanced organizational mission is not possible without balanced organizational values.

References

- Argandoña, A. (2003). Fostering Values in Organizations. *Journal of Business Ethics*, 45(1–2), 15–28.
- Ashton, H., Hansson, F. (2011). *Happy People Making Happy Soap — A Study of Organizational Values in a Value Driven Organization*. Bachelor's Thesis.
- Barrett, R. (2006). *Building a Values-Driven Organization: A Whole System Approach to Cultural Transformation*. Butterworth-Heinemann: Burlington, MA.
- Brinckerhoff, P.C. (2009). *Mission-Based Management: Leading Your Not-for-Profit in the 21st Century*, 3rd ed, John Wiley & Sons: Hoboken, NJ.
- Cardona, P., Rey, C. (2008). *Management by Missions*. Palgrave Macmillan: Basingstoke.
- Clemens, J. K. (1986). A Lesson from 431 B. C. The Idea that Corporate Culture can Help You Win Dates Back to Ancient Greece. And It's Still True. *Fortune Magazine*, 114(8), 13 Oct, 161–164.
- Collins, J. C., Porras, J. I. (1994). *Built to Last: Successful Habits of Visionary Companies*. HarperBusiness: New York, NY.
- Collins, J. C., Porras, J. I. (1996). Building Your Company's Vision. *Harvard Business Review*, 74(4), 65–77.
- Cowan, C. C., Todorovic, N. (2000). Spiral Dynamics: The Layers of Human Values in Strategy. *Strategy & Leadership*, 28(1), 4–12.
- Davidson, J. H. (2004). *The Committed Enterprise: Making Vision, Values and Branding Work*. 2nd ed, Elsevier. Butterworth-Heinemann: Oxford.
- Devero, A. J. (2007). *Powered by Principle: Using Core Values to Build World-Class Organizations*. Author House: Bloomington, IN.
- Dolan, S. L., Garcia, S., Richley, B. (2006). *Managing by Values: A Corporate Guide to Living, Being Alive, and Making a Living in the 21st Century*. Palgrave Macmillan: Basingstoke.
- Edwards, J. R., Cable, D. M. (2009). The Value of Value Congruence. *Journal of Applied Psychology*, 94(3), 654–677.
- England, G. W. (1967). Personal Value Systems of American Managers. *Academy of Management Journal*, 10(1), 53–68.

- Fontán, C., Alloza, Á., Rey, C. (2019). (Re)Discovering Organizational Purpose. In C. Rey, M. Bastons, P. Sotok (Eds.) *Purpose-Driven Organizations: Management Ideas for a Better World*, Palgrave Macmillan: Cham (107–118). Available: http://link.springer.com/10.1007/978-3-030-17674-7_9
- Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Pitman series in business and public policy. Pitman: Boston, MA.
- Hatch, M. J., Schultz, M. (2003). Bringing the Corporation into Corporate Branding. *European Journal of Marketing*, 37(7/8), 1041–1064.
- Hrvatski Jezični Portal [Croatian Language Portal—in Croatian] [online] (2014) available: <http://hjp.srce.hr>.
- Hultman, K., Gellermann, B. (2002). *Balancing Individual and Organizational Values: Walking the Tightrope to Success*. Jossey-Bass/Pfeiffer: San Francisco, CA.
- Lee, G., Elliott-Lee, D. (2006). *Courage: The Backbone of Leadership*. Jossey-Bass: San Francisco, CA.
- Malbašić, I. (2020). Impact of Balanced Organizational Values on Organizational Effectiveness: Evidence from Business Practice. *Ekonomski vjesnik* (in press).
- Malbašić, I., Rey, C. (2015). Balanced Organisational Values. *B-UIC. Your business magazine*, 2(4), 26–29.
- Malbašić, I., Rey, C., Posarić, N. (2018). Congruence Between Personal and Organizational Mission: The Role of Balanced Organizational Values. *Ekonomska misao i praksa*, 27(2), 545–563.
- Malbašić, I., Rey, C., Potočan, V. (2015). Balanced Organizational Values: From Theory to Practice. *Journal of Business Ethics*, 130(2), 437–446.
- Merriam-Webster Online Dictionary [online] (2014) available: <http://www.merriam-webster.com> [accessed 20 Aug 2014].
- Quinn, R. E., Rohrbaugh, J. (1983). A Spatial Model of Effectiveness Criteria: Towards a Competing Values Approach to Organizational Analysis. *Management Science*, 29(3), 363–377.
- Quinn, R. E., Thankor, A. V. (2018). Creating a Purpose-Driven Organization. *Harvard Business Review*, 96(4), 78–85.
- Rey, C., Velasco, J. S. C., Almandoz, J. (2019). The New Logic of Purpose Within the Organization. In C. Rey, M. Bastons, P. Sotok, (Eds.). *Purpose-Driven Organizations: Management Ideas for a Better World* (3–15). Palgrave Macmillan: Cham.
- Robbins, S. P. (2003). *Essentials of Organizational Behavior*, 7th ed, Prentice Hall: Upper Saddle River, NJ.
- Rokeach, M. (1973). *The Nature of Human Values*, Free Press: New York, NY.
- Schwartz, S. H. (1992). Universals in the Content and Structure of Values: Theoretical Advances and Empirical Tests in 20 Countries. *Advances in Experimental Social Psychology*, 25, 1–65.
- Senyucel, Z. (2009). *Managing the Human Resource in the 21st Century* [online]. Ventus Publishing ApS, available: <http://www.bookboon.com> [accessed 6 Mar 2014].
- Sikavica, P. (2011). *Organizacija* [Organization—in Croatian], Školska knjiga: Zagreb.
- Sinek, S. (2009). *Start with Why: How Great Leaders Inspire Everyone to Take Action*. Penguin Group: New York, NY.
- Stavru, S. (2013). *What Do We Know about Organizational Values? — A Systematic Review: Technical Report*. Sofia University 'St. Kliment Ohridski', Sofia (Bulgaria).
- Wehrich, H., Koontz, H. (1998). *Menedžment* [Management: A Global Perspective — in Croatian], 10th ed, MATE: Zagreb.

Recived 10.10.2020

Через сбалансированные организационные ценности к организациям, движимым целью

МАЛЬБАШИЧ Иван

Загребский университет, Загреб, Хорватия

Аннотация. Цель данной статьи — выделить растущее явление целевых организаций и изучить роль организационных ценностей в создании таких организаций. Учитывая, что существуют разные подходы к управлению ценностями организации, особое внимание уделяется их потребности в балансе в том смысле, что организация одновременно продвигает и развивает ценности из разных категорий. *Подход.* В этой статье представлены результаты недавних исследований, показывающих, что сегодня (1) крупнейшие и наиболее влиятельные компании во всем мире управляют своими ценностями сбалансированным образом и (2) сбалансированное управление ценностями повышает эффективность организации. *Выводы.* Сбалансированные ценности помогают организациям сосредоточить внимание на своих основных заинтересованных сторонах и привлечь внимание к цели их бизнеса. *Оригинальность.* Статья способствует пониманию того, что традиционная старая логика управления превращается в новую логику цели — современный бизнес должен давать бесприоритетные результаты для всех, а не только для избранных привилегированных заинтересованных сторон. Ключ к достижению этого — сосредоточение внимания на цели организации.

Ключевые слова: сбалансированные ценности, миссионерская модель организационных ценностей, организационная цель, организационные ценности, целевые организации.