The Leadership Trust and Values Dilemma

Undermining Business Results with the Best Intentions

In the workplace, trust is essential. Without trust, organizational life is full of cynicism, fear, backstabbing, withholding, and paranoid suspicion. If you have a good boss, you have a good job; if you work for a boss who doesn't trust your work, life will be miserable. When trust isn't present, employees spend more time watching their backs than doing any useful work. When leaders can't be trusted, situations like Enron occur—making even Machiavelli blush.

The Cost of Distrust

Just recently, this issue of trust has risen to a level of high concern in many organizations. When distrust permeates the organizational culture, the following often-overlooked negatives abound:

Productivity—goes down as time is wasted on many issues not relevant to performance and results.

Time—everything slows down as people focus on agendas, motives, and fairness instead of getting things done.

Cost—with wasted productivity and more time eroded, the cost of work goes up, resulting in lower profitability and growth.

Unethical choices—without trust, people will make choices to protect and cover themselves—often violating ethical behavior standards.

Concealing—fearing unfair blame, people conceal their roles and actions, making problem-solving difficult and time-consuming—and success less achievable.

Spinning—avoiding candor and openness, opinions are hedged and decisions are avoided, eroding confidence and predictability and increasing cycle times for action.

Escapism—involves missed meetings, elevated absenteeism and even includes voluntary transfer or termination.

Avoidance—limiting contact with others, limiting shared knowledge, and increasing distrust as people learn little about each other.

Beyond the obvious—honesty—trust is a byproduct of the confidence we have in others.

- Will they do their part?
- Will they have my back?
- Will they do what is right?
- Will they behave as expected?

Trust Factors

Beyond the obvious—honesty—trust is a byproduct of the *confidence* we have in others. Will they do their part? Will they have my back? Will they do what is right? Will they behave as expected? Distrust, on the other hand, evolves from *suspicion.* When we are suspicious of another's agenda, motives, competence, or track record—we don't trust.

Of the many factors that build or erode trust in organizations, perhaps none are more influential than the alignment of people's actions with the espoused values of the organization.

Of the many factors that build or erode trust in organizations, perhaps none is more influential than the alignment of people's actions with the *espoused* values of the organization. When behavior—especially leader behavior—is not representative of the espoused values, then the values in action become the true values of the organization, and trust is put at significant risk. The alignment of leader behavior with the espoused values of the organization defines whether or not employees see leader behavior as predictable and can anticipate or at least understand a leader's decisions and behavior.

Leading by Values

For years, business leaders and academics have observed the positive attributes of values-driven organizations. Many of the stories about values-driven organizations are legendary. From Tom Watson's set of three values, which governed the action of IBM's employees for many years, to the handling of the Tylenol incident by Johnson and Johnson, to Nucor Steel's employment response to the latest economic downturn, the use of values as a guiding force for a company has been clearly identified as a significant positive factor for leading organizations. When values are promoted but not acted on, we can easily predict:

- Distrust between organizational members
- Employee cynicism
- Suspicion of motive and intent
- Lack of organizational integrity—in the eyes of employees
- Inconsistent customer relationship practices

It's evident that a clearly articulated and practiced values statement is critical. However, the creation of a set of values and their application to life in a company can be complex. Management teams must understand and evaluate how values are being defined, understood, and implemented by members of the organization. To fully appreciate how values can effectively shape behavior in an organization, it is important to clarify the following:

- What are company values?
- The difference between aspirations and values.
- How do company values build or erode trust?

Values or Aspirations?

Values do not pertain to a mission statement. Many people have looked at statements such as General Electric's past business goal to be number one or two in every market as examples of company values. Certainly GE does "value" this market position, but that proclamation is not a values statement. It is a business goal or mission statement—and a good one, as it serves as a standard for GE's business leaders. However, when people use GE's statement under the context of a values statement, as many have, it confuses the issue.

The role of company values is to serve as a code of conduct that provides a blueprint for individual and group decisions and behavior.

The dictionary contains in excess of a half-dozen different definitions of the word *value*. While most of the definitions are similar in nature, there is a huge distinction in one of the definitions. Most of the definitions describe value as having to do with the worth of something. This is apparent when we use the word in the following manner: *"I value my friends." "I value money." "I value my freedom."* Used in this form, the word *value* describes what someone values acquiring—an aspiration worthy of commitment.

The other definition of *value* that is distinct from this use is *"beliefs or standards"*. This distinction is critical as it pertains to how someone behaves—a code of conduct per se. To provide additional clarity to this distinction, we need to further define *beliefs* and *standards*. Again, there are multiple definitions to these words, so we must use the specific definition that fits with the root word in this case—*value*.

The definition for the word *beliefs* as it pertains to the word *value* is… *"a creed or doctrine"*. The definition that follows from the word *value* for the word *standard* is… *"a basis of comparison or an example"*. In this context, company values are a creed of behavior or some context of comparison or example for people to follow. The relevant definition for the word creed is *"a statement of principles"*. Next, we progress to the relevant definition for the word *principle*: *"a rule of conduct"*. From this progression, we offer an operating definition for leading by values.

A company's values are a set of guiding principles—establishing a code of conduct—that provide an example of behavior to members against which they can routinely assess and compare their own behavior.

In short, company values, in order to be used as an effective leadership process, are a code of conduct—that is, how people should behave while attempting to deliver valued business results. Our premise is that the things the organization value and desire to achieve are company "aspirations" while the behavior desired to achieve those aspirations are the company values.

Unintended Consequences of Values Simplification

When a company oversimplifies its values, such as "We value employees," members have no context for the meaning of the value as a way of doing business. Employees are left with their own interpretation, often to the detriment of the organization, such as: "Since the company values me, I should come first. I'm more important than anything else." When things don't go their way, they point to the values and question leaders on their integrity. What they say is "This company is supposed to value me." Can we see here that when used this way, there is no application as a code of conduct? When used in this manner, it is merely a statement of outcome and not behavior or process.

A good contrast for clearly understanding how to use values as living leadership behavior is to look at a component of the Johnson and Johnson Credo. Their second component is their code of conduct with regard to employees. It reads:

Our second responsibility is to those who work with us—the men and women in our plants and offices. They must have a sense of security in their jobs. Wages must be fair and adequate, management just, hours reasonable, and working conditions clean and orderly. Employees should have an organized system for suggestions and complaints. Supervisors and department heads must be qualified and fair-minded. There must be opportunity for advancement—for those qualified. And each person must be considered an individual standing on his own dignity and merit.

Leading by values does not guarantee people an outcome—it does guarantee a method of behavior and a process for how people are treated.

This statement provides no guarantee of any outcome. It provides a way of dealing with employees to ensure *respect* and *dignity*. A sense of security does not guarantee full employment. To ensure a sense of security, an organization must not only provide stable working conditions but must remain state-of-the-art, must continually improve the value proposition for its customers, and must remain profitable. To honor its employees, J&J must also honor the other components of the business.

Looking closer, we can see other operational attributes of this company value. *"There must be opportunity for advancement"* not "There must be advancement." The promise is opportunity—not outcome. An organization provides those opportunities through a variety of practices including growing, offering training to keep people's skills relevant to the changing marketplace, and being cost-effective in the way it does business. And note the qualification: "for those qualified". This illustrates the reciprocal factor of values. In effect, the credo says, "The company owes you the opportunity of advancement, and at the same time you owe the customers and owners your best performance and the development of your skills in relation to the marketplace." Used as a code of conduct in this manner, employees are provided context and meaning to "We value employees." It does not deliver a blank check to employees that they are valued above anything else and that their needs come first, above all else.

This statement also speaks to fairness, equity and reasonableness. It doesn't say the company won't change if the employees don't want to; it does, however, provide for a process of communication so people can be heard. Again, it is a code of conduct, not a promised outcome. Promised outcomes often destroy trust, as many uncontrollable variables affect outcomes other than our good intentions.

The Dilemma of Treating Aspirations as Values

Failure to meet a desired performance target is a performance issue, not a "values" breach.

We often see aspirations listed as company values. Shareholder return, customer satisfaction, profitability, growth, and productivity are common labels listed in a company's values statement. These elements are mixed with behavioral codes of conduct: integrity, honesty, respect, cooperation, ethics, etc. The difficulty in mixing aspirations with values arises from how they are managed. Aspirations define a desired goal and are measured by how well those goals are achieved. Values define the required behavior to achieve those goals or aspirations.

If one makes an excellent effort and behaves in alignment with company values yet fails to meet a desired standard for an aspiration—for instance, a productivity goal—that does not mean they have violated the values by not reaching the desired target. This is not a values violation; it is a performance issue. However, if one does meet a target but does so using behaviors that are outside the company values—this is a values violation, not a performance issue, and is egregious in nature. It isn't fair or accurate to label failure to meet aspired targets as behavior outside the company's values.

To ensure the consistency of accountability and fairness in performance management, it is necessary to provide a clear distinction to all employees between what constitutes goal-related performance and what constitutes values-driven behavior.

Building Trust and Ethical Choices

Building trust and ethical behavior are urgent issues facing every organization, from the smallest start-up to the largest corporations. A well thought-out set of company values—code of conduct—that is clearly defined for employees is a critical means of increasing trust and ethical choices. Company values, managed and reinforced, can provide a clear blueprint that guides employee actions. Such a blueprint is needed when temptations and influences combine to increase the odds of unethical behavior that, in the long run, undermine trust from employees, customers, and communities.

The values of a company describe the company's character. Organizational values tell everyone—employees, customers, and others—"how" a company will conduct itself. Values stand the test of time when they are rooted in morality, ethics, legality, and dignity. When the values are seen as predictable action, trust is built. When the values are seen as only espoused or a poster on a wall, trust is eroded. It's that simple. Accepting a job entails the unspoken obligation to conform behaviorally to the company's espoused values. If the new hire can't do this, then the organization is a wrong fit for the person—and this must be dealt with quickly to protect the integrity of the organization's values and the trust people have in the organization's leadership.

Values help employees to consistently answer three questions that are key to ethical behavior choices:

- **Is what I'm about to do the right thing?** Is it legal? The great basketball coach and Hall of Fame member Pete Newell put it best years ago, "There's no right way to do a wrong thing."
- **Is there balance?** Avoiding major imbalances between individuals and parties is necessary for cooperative and win-win relationships.
- **Would I want my behavior to become public knowledge?** If one wouldn't want a family member or friend reading about his or her actions or choices in the newspaper, it is a sign that such action or choice should be avoided.

The guidance company values can provide to employees in answering these three critical questions can create predictable and consistent decisions and behavior. This goes a long way to avoid unwanted and unnecessary employee or public scrutiny for questionable actions. When company values—through clarity and accountability—become the "true north" compass direction for guiding behavior choices, employees gain trust in leadership and in each other through:

"There is no right way to do a wrong thing."

—Pete Newell
Hall of Fame Basketball Coach

- Confidence that leaders and employees will "walk the talk".
- Confidence that others mean what they say.
- Confidence that interpersonal behavior can be predicted.

Driving Business Results

If personal values and company values are aligned, the result is very positive.

Personal values assist individuals in how they conduct their lives. Company values also provide a blueprint for personal conduct but add one additional element—a "way" to achieve company goals. Company values need to have an explicit link to the business goals. This link must be clear to every member. If personal values and company values are aligned, the result is very positive. But make no mistake; the company values are in place to assist with the accomplishment of company goals. Thus, there must always be a business context to each value. Without this context, values get used for personal comfort and as an excuse for non-action.

As an example, think of an organization that says the company "values dignity and respect for all employees." Employees must see that value as it pertains to making the employee *and* enterprise more successful. For instance, belief in the dignity of every individual means giving people the opportunity to grow and allowing them to maximize their potential within the company. It does not mean that poor performance shouldn't be met with candor, openness and, if necessary, discipline. The context for "respect" describes the manner in which people are treated in the process of managing results. It does not mean that difficult conversations should be avoided or letting "respect" be used as a trump card or a crutch to act as they please whenever convenient. A company value centered on employees must speak to the way employees will be treated (in any circumstance—promotions, raises, downsizing, firings, compensation, etc.) by other company members.

Summary

The goals of the business, the employees, the customers, the shareholders, and the community are part of a *system of enterprise* and the organizational values need to address this relationship. Merely having separate descriptors of what and who is valued do little to serve as blueprint for individual behavior within organizations. When there is no relational understanding to the values, the action blueprint will be ambiguous and non-descript.

Values are the constant—the requirement of consistency—in a performance management world that necessitates change and that each employee be managed differently according to the quality of his or her performance. Leading by values and managing values requires an added skill set to the performance management process. In every part of an organization, leaders who can carry the torch and talk about the values as they pertain to both the business and to the people are needed. Building trust and ethical behavior is a prominent leadership responsibility—and without consistent, proactive action, trust and ethical behavior remain at risk.

About Impact Achievement Group

Impact Achievement Group is a training and performance management consulting company that provides assessments, coaching, story-based interactive workshops, and simulations for managers at all levels of organizations worldwide. Impact Achievement Group helps companies dramatically improve management and leadership competency for bottom-line results. Company experts Rick Tate and Julie White Ph.D. are internationally recognized authorities in leadership development, human performance, customer-focused business strategies and workplace communications.

To find out how Impact Achievement Group can transform your managers into more effective leaders, visit www.impactachievement.com.