The Importance of Values in Building a High Performance Culture

By Richard Barrett

Abstract

Values stand at the very core of human decision-making. When we work in an organisation whose culture aligns with our personal values, we feel liberated. We are able to bring our full selves to work. We not only bring our energy, our creativity, and our enthusiasm, we also bring our commitment to the well-being of our associates and the success of the organisation. Unleashing this energy is tantamount to liberating the corporate soul.

The central role of values

There are four critical issues preoccupying the boardrooms of both large and small companies around the world:

- How do we increase profits and shareholder value?

- How do we attract and keep talented people?

- How do we build brand loyalty?

- How do we ensure that ethics permeate the corporate culture? How do we build a resilient, sustainable company?

The critical issues facing the leaders of our public services are:

- How do we deliver high-quality, cost-effective services?

- How do we attract and keep talented people?

- How do we ensure that ethics permeate the institutional culture?

- How do we build a resilient, sustainable society?

The key to these core issues, in both private and public sector organisations, is found in building a high-performance culture.

In the private sector, the culture of an organisation is the principal source of its competitive advantage and brand differentiation. In the public sector, the culture of an agency is the principal source of its cost-effectiveness and the quality of services.

Our experience in mapping the values of more than 2,000 private and public sector institutions over the past ten years in more than 60 countries allows us to state categorically that *values-driven organisations are the most successful organisations on the planet.* The reasons for this are simple to decipher.

In the private sector:

- Values and behaviors drive culture
- Culture drives employee fulfillment
- Employee fulfillment drives customer satisfaction
- Customer satisfaction drives shareholder value

In the public sector:

- Values and behaviors drive culture
- Culture drives employee fulfillment
- Employee fulfillment drives mission assurance
- Mission assurance drives customer satisfaction

In both private and public sectors, the key to success—whether it is in terms of employee or customer satisfaction—begins with the values of the organisation. When we speak about "values," we are talking about the deeply held principles, ideals, or beliefs that people hold or adhere to when making decisions. Individuals express their values though their personal behaviors; organisations express their values through their cultural behaviors.

Values can be positive, or they can be potentially limiting. For example, the positive value of "trust" is fundamental for creating a cohesive group culture. On the other hand, the potentially limiting value of "being liked" can cause people to compromise their integrity in order to satisfy their need for connection. Similarly, the potentially limiting value of "bureaucracy" can cause rigidity and limit the agility of an organisation.

Our research[1], and that of others, shows that there is a strong link between financial performance and the alignment of an organisation's cultural values with employees'

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[1] Richard Barrett, Building a Values-Driven Organization: A Whole-System Approach to Cultural Transformation, Boston: Butterworth-Heinemann, 2006.

personal values. In other words, who you are and what you stand for is becoming just as important as the quality of products and services you provide.

In *Corporate Culture and Performance*, John P. Kotter and James L. Heskett show that companies with strong adaptive cultures based on shared values outperform other companies by a significant margin.[2] They found that, over an eleven-year period, the companies that cared for all stakeholders grew four times faster than companies that did not. They also discovered that these companies had job creation rates seven times higher, stock prices that grew twelve times faster, and a profit performance ratio that was 750 times higher than companies that did not have shared values and adaptive cultures.

In *Built to Last: Successful Habits of Visionary Companies*, Jim Collins and Jerry Porras show that companies that consistently focused on building strong values-driven cultures over a period of several decades outperformed companies that did not by a factor of six, and outperformed the general stock market by a factor of fifteen.[3]

In *Firms of Endearment*, Sisodia, Wolfe and Seth shows that companies that care for all stakeholders equally—employees, customers, investors, partners and society—are committed to exemplary citizenship, and embrace servant leadership outperformed the S&P 500 and the "great" companies identified by Jim Collins in Good to Great by significant margins over the long-term (See Figure 1).[4] According to the authors, these companies had a humanistic soul.

2 John P. Kotter and James L. Heskett, Corporate Culture and Performance, New York: The Free Press, 1992.

3 James C. Collins and Jerry I. Porras, Built to Last: Successful Habits of Visionary Companies, New York: Harper Collins, 1994.
4 Rajendra S. Sisodia, David B. Wolfe, Jagdish N. Seth. Firms of Endearment: The Pursuit of Purpose and Profit. Upper Saddle River, New Jersey: Wharton School of Publishing, 2007.
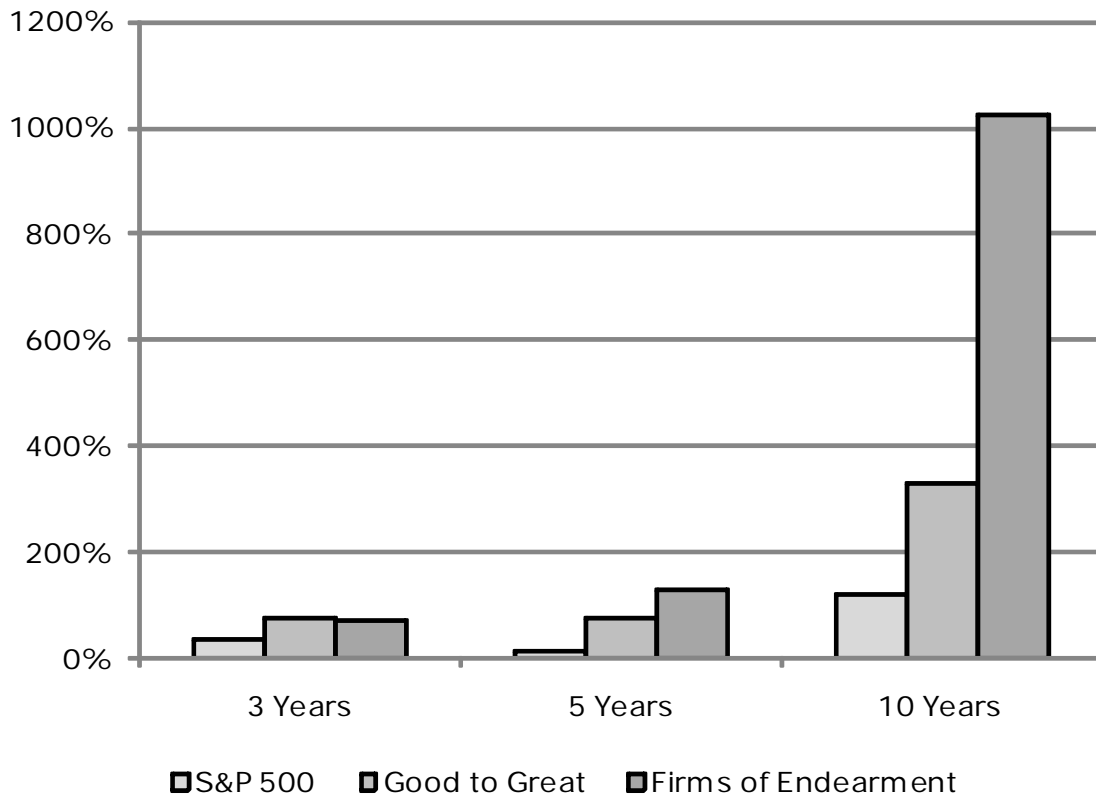
Investor Returns	S&P 500	Good to Great	Firms of Endearment
3 years	38%	75%	73%
5 years	13%	77%	128%
10 years	122%	331%	1,026%

Figure 1 Three, five, and ten-year investor returns

Culture and Leadership

The values that make up the culture of an organisation are either a reflection of the underlying beliefs of the current leaders—particularly the chief executive—or they are the reflection of the heritage of past leaders.

 Most organisations operate with "default" cultures. Because no one is measuring or paying attention to the culture, the underlying values and beliefs of the leaders become "the way things are done around here."

When there is a lack of alignment between the values of the culture of the organisation and the personal values of employees, the result is low performance,

which can further result in low levels of staff engagement and poor quality of products and services. All of these factors can have a significant impact on the financial performance of the organisation or its ability to deliver services of sustainable high quality.

On the other hand, when the values of the organisation are in alignment with the aspirational values of employees, the result is high performance. There is a high level of staff engagement and a pursuit of excellence regarding the quality of products and services.

There are two other major benefits to values alignment. First, when values are aligned, the culture of an organisation is able to attract and retain talented individuals. This gives organisations a significant commercial advantage, especially when talent is in short supply. Second, values alignment builds a strong brand. Brand values and company values are two sides of the same coin. *The strongest external brands are always those with the strongest internal cultures.*

Ultimately, therefore, whether we are talking about high performance, brand differentiation, or retaining talented individuals, the success of an organisation is directly related to the degree of alignment that exists between the underlying values of the leaders and the aspirational values of employees. Long-term, sustainable success is highly dependent on the culture that the leaders create.

Significantly, the culture that leaders create is highly dependent on the behaviors of the leaders and their relationships to other leaders in the organisation, and on their relationships with their employees. Leaders whose energies are wrapped up in status-seeking, empire-building, and internal competition create toxic environments with little or no organisational cohesion. Leaders who share the same vision and values, who work for the common good, and focus on internal community building create internal cohesion and values alignment.

To put it another way, organisational transformation begins with the personal transformation of the leaders. Organisations don't transform; people do! The key factor to transforming a low-performance culture into a high-performance culture is leadership. This is why organisations with strong, high-performing cultures tend to replace their leaders by promoting from within, whereas low-performing cultures tend to replace their leaders with external candidates. By promoting from within, thriving cultures are able to retain their successful leadership styles with the least perturbation. Struggling cultures, on the other hand, absolutely need to change their leadership styles. That is why they typically hire from outside the company, with the hope that the new leader will bring a new way of being that translates into a more dynamic culture.

Bringing in an external leader is not the only way to transform an organisational culture. More and more companies are engaging in cultural transformation programs

that involve a whole-system approach, which I describe in *Building a Values-Driven Organization: A Whole-System Approach to Cultural Transformation.*[5] In order to grasp the process and benefits of a whole-system approach to cultural transformation, it is important to understand the differences between change, transformation and evolution,[6] and how to measure the current and desired cultures of an organisation, thereby identifying the current and desired leadership styles. From a cultural alignment perspective, it is necessary to have a clear understanding of where an organisation is and where it wants to go before embarking on a program of transformation.

Change, Transformation and Evolution

Toward the end of the last century, many organisations bought into a "change" concept known as "reengineering." In a survey of almost one hundred reengineering projects, two-thirds were judged as producing mediocre or marginal results. The principal reason for failure was the lack of attention given to the human dimension—particularly, people's fear and anxiety of downsizing. Morale slumped in 72 percent of the companies downsized. It was later recognised that what was missing from the reengineering approach was the people or cultural dimension of change. Thomas H. Davenport, in an article for *Fast Company* magazine entitled "Why Engineering Failed," notes that "Companies that embraced reengineering as a silver bullet are now looking at ways to rebuild the organisation's torn social fabric."[7]

This is a clue to the important distinction between change and transformation. Change is a new way of *doing*. Transformation is a new way of *being*. Evolution occurs only when individuals or organisations embrace a continual state of transformation and change.

> **Change**: A different way of doing. Doing what we do now, but doing it in a more efficient, productive, or quality-enhancing way.
>
> **Transformation**: A different way of being. Transformation involves changes at the deepest levels of beliefs, values, and assumptions. Transformation results in fundamental shifts in personal and corporate behavior and organisational systems and structures. Transformation occurs when we are able to learn from our mistakes, are open to a new future, and can let go of the past.
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> **Evolution**: A state of continual transformation and change. Evolution involves constant adjustments in values, behaviors, and beliefs based on learning gained from internal and external feedback. Evolution most easily occurs in individuals and organisations that are adaptable, trusting, open, and

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[5] Richard Barrett, Building a Values-Driven Organization: A Whole-System Approach to Cultural Transformation, Boston: Butterworth-Heinemann, 2006.

[6] Richard Barrett, Liberating the Corporate Soul: Building a Visionary Organization, Boston: Butterworth-Heinemann, 1998; pp. 12-13.

[7] T. H. Davenport, The Fad That People Forgot, Fast Company (October 1995); pp. 69–74.
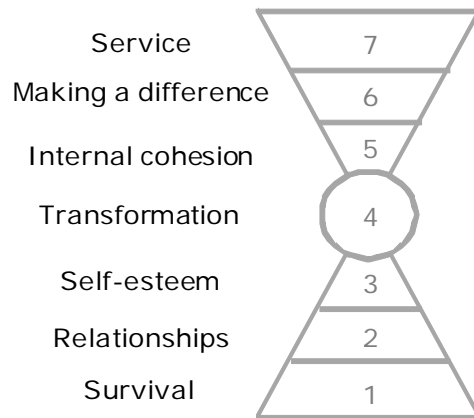
transparent, and have a profound commitment to learning and self-development.

The fundamental change that occurs during cultural transformation is a shift in attitude from "What's in it for us (me)?" to "What's best for the common good? There is a shift in focus from "I" to "We". This involves moving from an exclusive focus on the pursuit of profit to the broader pursuit of a group of objectives that are instrumental in meeting shareholder, employee, customer, supplier, community, and societal needs.

An Evolutionary Model for Measuring Change and Transformation

The model we use for measuring the values of organisations is known as the seven levels of consciousness model also known as the Barrett model. Unlike most other business models, the Barrett model is evolutionary in nature. Each level in the model corresponds to an evolutionary stage in the growth in development and consciousness of the organisation.

The seven stages in the development of organisational consciousness are summarised in the following diagram and table, and described in detail in the following paragraphs. The model applies to all types of organisations—corporations, government departments, municipal agencies, institutions, non-governmental organisations (NGO), and educational establishments. The focus of this table is on a for-profit organisation. The differences between this type of organisation and other types of organisation are mainly in the way they are financed or funded, and the way they distribute their products and/or services. The table describing the Seven Levels of Organisational Consciousness should be read starting from bottom and working up.

Service	7
Making a difference	6
Internal cohesion	5
Transformation	4
Self-esteem	3
Relationships	2
Survival	1

Figure 2: The seven levels of consciousness model

While the model as a whole focuses on the needs of the organisation, different levels of consciousness focus on the needs of specific stakeholders. At the first level of consciousness there is a specific focus on the needs of investors and employees; at the second level on the needs of employees and customers; at the third fourth and fifth levels on the needs of employees; at the sixth level on needs of employees, partners, and the local community, and at the seventh level on employees, partners and society.

Ultimately, no matter what type of organisation is under consideration, it is the employees' experience of the organisation, and the leaders' ability to inspire them to unlock their discretionary energy that is fundamental factor in determining the organisation's level of success.

The "lower" needs, levels 1 to 3, focus on the basic needs of business—the pursuit of profit or financial stability, building employee and customer loyalty, and high performance systems and processes. The emphasis at these lower levels is on the self-interest of the organisation and its shareholders. Abraham Maslow referred to the needs of these three levels of consciousness as "deficiency" needs. An organisation gains no sense of lasting satisfaction from being able to meet these needs, but the leaders feel a sense of anxiety if these basic needs are not met.

The focus of the fourth level is transformation—a shift from fear-based, rigid, authoritarian hierarchies to more open, inclusive, adaptive systems of governance that empower employees to operate with responsible freedom (accountability).

The "higher" needs, levels 5 to 7, focus on cultural cohesion and alignment, building mutually beneficial alliances and partnerships, long-term sustainability and social responsibility. Abraham Maslow referred to these as "growth" needs. When these needs are met they do not go away. They engender deeper levels of commitment and motivation.

Levels of Consciousness		Motivation
7	Service	**Social responsibility**: Working with other organisations and the stakeholders of the organisation in pursuit of societal objectives that enhance the sustainability of humanity and the planet, while deepening the level of internal connectivity inside the organisation by fostering compassion, humility and forgiveness.
6	Making a difference	**Strategic alliances and partnerships**: Building mutually beneficial alliances with other organisations and the local community to protect the environment, while deepening the level of internal connectivity inside the organisation by fostering internal cooperation between business units and departments.
5	Internal cohesion	**Strong cohesive culture**: Enhancing the organisation's capacity for collective action by aligning employee motivations around a singular mission, an inspiring vision and a shared set of values that create commitment and integrity, and unleash enthusiasm, creativity and passion.
4	Transformation	**Adaptability and continuous learning**: Giving employees a voice in decision-making and making them accountable and responsible for their own futures in an environment that supports innovation, continuous improvement, knowledge sharing, and the personal growth and development of all employees.
3	Self-Esteem	**High performance systems and processes**: Creating a sense of employee pride by establishing policies, procedures, systems, processes and structures that create order and enhance the performance of the organisation through the use of best practices. Focus on the reduction of bureaucracy, hierarchy, silo-mentality, power and status seeking, confusion, complacency, and arrogance.
2	Relationship	**Relationships that support the organisation**: Building harmonious relationships that create a sense of belonging and loyalty among employees and caring and

		connection between the organisation and its customers. Focus on the reduction of Internal competition, manipulation, blame, internal politics, gender and ethnic discrimination.
1	Survival	**Pursuit of profit and shareholder value**: Creating an environment of financial stability, and focusing on the health, safety and welfare of all employees. Focus on the reduction of excessive control and caution, short-term focus, corruption, greed and exploitation.

Organisations that focus *exclusively* on the satisfaction of the lower needs are not usually market leaders. They can achieve some success financially, but in general they are too internally focused and self-absorbed, or too rigid and bureaucratic to be at the top of their game. They are unable to adapt to changing market conditions: they are not adaptable, and do not empower employees. Consequently, there is little enthusiasm among the work force, and there is little innovation and creativity. These organisations are often ruled by fear, and are not healthy places to work. Employees often feel frustrated, and complain about stress.

Organisations that focus *exclusively* on the satisfaction of the higher needs lack the basic business skills and capabilities necessary to operate effectively. They are ineffectual and impractical when it comes to financial matters. They are not customer oriented, and they lack the systems and processes necessary for high performance. They are simply not grounded in the reality of business. These characteristics are often found in non-governmental organisations and not-for-profit organisations.

The most successful organisations are those that have mastered both their "deficiency" needs and their "growth" needs. They operate from full spectrum consciousness. They create a climate of trust, have the ability to manage complexity, and can respond or rapidly adapt to all situations.

Full Spectrum Consciousness

Full spectrum organisations display all the positive attributes of the Seven Levels of Organisational Consciousness.

- They master survival consciousness by focusing on profit, financial stability, and the health and safety of employees.

- They master relationship consciousness by focusing on open communication, employee recognition, and customer satisfaction.

- They master self-esteem consciousness by focusing on performance, results, quality, excellence, and best practices.

- They master transformation consciousness by focusing on adaptability, innovation, employee empowerment, employee participation, and continuous learning.They master internal cohesion consciousness by developing a culture

based on shared values, and a shared vision that engenders an organisation-wide climate of trust.

- They master making a difference consciousness by creating strategic alliances and partnerships with other organisations and the local community, as well as developing mentoring, coaching and leadership development programmes for employees.

- They master service consciousness by focusing on social responsibility, ethics, and sustainability, and keeping a long-term perspective on their business and its impact on future generations, as well as embracing compassion, humility and forgiveness.

Each of the seven levels of organisational consciousness is described in more detail below.

Level 1: Survival consciousness

The first need for an organisation is financial survival. Without profits or access to a continuing stream of funds, organisations quickly perish. Every organisation needs to make financial stability a primary concern. A precondition for success at this level is a healthy focus on the bottom-line.

When companies become too entrenched in survival consciousness and have deep-seated insecurities about the future, they develop an unhealthy short-term focus on shareholder value. In such situations, making the quarterly numbers—satisfying the needs of the stock market—can preoccupy the minds of the leaders to the exclusion of all other factors. This leads to excessive control, micro-management, caution, and a tendency to be risk-averse.

Businesses that operate in this way are not interested in strategic alliances; takeovers are more their game. They will purchase a company and plunder its assets. They see people and the Earth as resources to be exploited for gain. When asked to conform to regulations, they do the minimum. They have an attitude of begrudging compliance. Organisations experience their deepest fears at this level of consciousness.

Level 2: Relationship consciousness

The second need for an organisation is harmonious interpersonal relationships and good internal communications. Without good relationships with employees, customers and suppliers, company survival is compromised.

The critical issue at this level of consciousness is to create a sense of loyalty and belonging among employees, and a sense of caring and connection between the organisation and its customers. Preconditions for creating a sense of belonging are open communication, mutual respect and employee recognition. Preconditions for caring are friendliness, responsiveness and listening. When these are in place, loyalty

and satisfaction among employees and customers will be high. Tradition and rituals help cement these bonds.

Fears about belonging and lack of respect lead to fragmentation, dissension and disloyalty. When leaders meet behind closed doors, or fail to communicate openly, employees suspect the worst. Cliques form and gossip becomes rife. When the leaders are more focused on their own success rather than the success of the organisation, they begin to compete with each other. When leaders display territorial behaviors, blame, internal competition and information hoarding become rife, increasing the level of cultural entropy. Family businesses often operate from level 2 consciousness because they are unable to trust outsiders in management positions.

Level 3: Self-Esteem consciousness

The focus of the third level of organisational consciousness is on performance and measurement. It is about keeping a balanced and watchful eye on all the key operational indicators.

At this level of consciousness, the organisation is focused on becoming the best it can be through the adoption of best practices and a focus on quality, productivity and efficiency. Systems and processes are strongly emphasised and strategies are developed to achieve desired results. Reengineering, Six Sigma and Total Quality Management are typical responses to issues of performance at this level of consciousness. The critical issue at this level of consciousness is to develop a culture of continuous improvement. A precondition for continuous improvement is the encouragement and reward of excellence.

Level 3 organisations tend to be structured hierarchically for the purposes of central control. Top-down is the primary mode of decision-making. The hierarchical structure also provides opportunities for rewarding individuals who are focused on their own personal success. Steep hierarchies often serve no other purpose than to cater to managers' needs for recognition, status, and self-esteem. To maintain central control, level 3 organisations develop rules to regulate and bring order to all aspects of their business.

Companies that are predominantly focused at this level of consciousness can easily degenerate into power-based silos, rigid authoritarian bureaucracies and/or a group of internally competitive over achievers. When this happens, failure or collapse will eventually occur unless the organisation can switch from being internally focused to externally focused, and become more adaptable.

Level 4: Transformation consciousness

The focus of the fourth level of organisational consciousness is on adaptability, employee empowerment, and continuous learning. The critical issue at this level of consciousness is how to stimulate innovation so that new products and services can be

developed to respond to market opportunities. This requires the organisation to be agile and flexible, and take risks.

To fully respond to the challenges of this level of consciousness the organisation must actively garner employees' ideas and opinions. Everyone must feel that his or her voice is being heard. This requires managers and leaders to admit they do not have all the answers and invite employee participation. For many leaders and managers this is a new role requiring new skills and capabilities. That is why it is important to develop the emotional intelligence of managers. They must be able to facilitate high performance in large groups of people who are looking for equality and responsible freedom. They want to be held accountable - not micro-managed and supervised every moment of every day.

One of the dangers at this level of consciousness is to become overly biased toward consensus. While some level of consensus is important, ultimately decisions must get made.

A precondition for success at this level of consciousness is encouraging all employees to think and act like entrepreneurs. More accountability is given to everyone and structures become less hierarchical. Teamwork is encouraged and more attention is given to personal development and relationship skills. Diversity is seen as a positive asset in exploring new ideas. This shift, which brings responsible freedom and equality to workers, cannot fully achieve the desired results unless all employees and teams share the same sense of direction or purpose. This requires a shift to the fifth level of consciousness.

Level 5: Internal cohesion consciousness

The focus at the fifth level of organisational consciousness is on building cultural cohesion and developing a capacity for collective action. For this to happen, leaders and managers must set aside their personal agendas and work for the common good.

The critical issue at this level of consciousness is developing a shared vision of the future and a shared set of values. The shared vision clarifies the intentions of the organisation and gives employees a unifying purpose and direction. The shared values provide guidance on decision-making. When the values are translated into behaviors, they provide a set of parameters that define the boundaries of responsible freedom. The values and behaviors must be reflected in all the processes and systems of the organisation with appropriate consequences for those who are not willing to walk-the-talk.

A precondition for success at this level is to build a climate of trust. Aligning employees' personal sense of mission with the organisation's sense of vision will create a climate of commitment and enthusiasm at all levels of the organisation. Personal productivity and creativity increase as individuals align with their passion.

In level 5 organisations, failures become lessons, and work becomes fun. The key to success at this level of consciousness is the establishment of a strong, positive, unique cultural identity that differentiates the organisation from its competitors. The culture of the organisation becomes part of the brand. This is particularly important in service organisations where employees have close contact with customers and the general public. At this and subsequent levels of consciousness, organisations preserve their unique culture by promoting from within.

Level 6: Making a difference consciousness

The focus at the sixth level of organisational consciousness is on deepening the level of internal connectedness in the organisation and expanding the sense of external connectedness.

Internally, the focus is on helping employees find personal fulfillment through their work. Externally, the focus is on building mutually beneficial partnerships and alliances with business partners, the local community, and in certain circumstances with non-governmental organisations—in other words with all stakeholders.

The critical issue at this level of consciousness is that employees and customers see the organisation is making a difference in the world, either through its products and services, its involvement in the local community or its willingness to fight for causes that improve the well being of humanity. Employees and customers must feel that the company cares about them and their future.

Companies operating at this level of consciousness go the extra mile to make sure they are being responsible citizens. They support and encourage employees' activities in the local community by providing time off for employees to do volunteer work and/or making a financial contribution to the charities in which employees are involved.

At this level of consciousness, organisations create an environment where employees can excel. The organisation supports employees in becoming all they can become both in terms of their professional *and* their personal growth. Everyone supports everyone else.

A precondition for success at this level is developing leaders with a strong sense of empathy. Leaders must recognise that they must not only provide direction for the organisation, but they must also become the servants of those who work for them. They must create an environment that supports every employee in aligning their sense of personal mission with the vision and mission of the company. At this level of consciousness, leaders must become mentors thereby creating pools of talent for succession planning. Leadership development is given significant emphasis at this level of consciousness.

Level 7: Service consciousness

The focus at the seventh level of organisational consciousness is a continuation of the previous level—a further deepening of the internal connectedness, and a further expansion of external connectedness.

Internally the focus of the organisation is on building a climate of ethics, humility and compassion. Externally, the focus is on local, national or global activism in building a sustainable future for humanity and the planet.

The critical issue at this level of consciousness is developing a deep sense of social responsibility throughout the organisation. At this level of consciousness, organisations care about social justice and human rights. They care about ecology and the global environment.

A precondition for success at this level of consciousness is self-less service, displayed through a profound commitment to the common good and to the well being of future generations. To be successful at level 7, organisations must embrace the highest ethical standards in all their interactions with employees, suppliers, customers, shareholders and the local community. They must always give consideration to the long-term impacts of their decisions and actions.

Conclusions

Full spectrum consciousness and values alignment are becoming the most significant factors in predicting organisational success. Companies that consciously focus on their values are more resilient, more sustainable and more successful than all other companies. The leaders of these companies recognise the importance of creating an organisational culture that continually evolves and grows and serves the needs of all stakeholder groups.

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February 2010