



**Ivan Malbašić**  
Research and Teaching Assistant at Faculty  
of Organization and Informatics,  
University of Zagreb (Croatia)



**Carlos Rey**  
Socio director de DpM Consulting  
Director de la cátedra Dirección por Misiones y  
Gobierno Corporativo de la UIC

# Balanced Organisational Values

Organisation and management theories, and particularly business practice, have proven that organisational values are a significant factor in running organisations successfully. The question still to be answered concerns balanced organisational values, in order to help reach the diverse and indeed seemingly incompatible goals of today's organisations. To explore balanced organisational values in contemporary business practice, we have analysed espoused organisational values of Fortune 100 companies. The results of research demonstrate that most successful companies in the world present certain patterns of balanced organisational values, which can be classified into four categories: business, relational, development and contribution values.

Contemporary organisations attempt to achieve different goals within a range of areas, such as economic, social, ethical, cultural, and environmental goals. In order to do so, organisations use different organisational values under real business conditions. Several studies have already confirmed that an appropriate combination of organisational values significantly influences the organisational results obtained. Organisations need values from fundamentally different categories if they want to achieve more than one goal of their business, which may in some cases even be contradictory. Our research is primarily oriented towards gaining an understanding of how the concept of organisational values fits real practice in the business field.

Balanced organisational values are values that characterize organisations which develop values from more than one category of values in a balanced manner. Categories of values should be understood as groups of values that have a common focus. The key question raised in our research is whether modern organisations should develop balanced organisational values. This question arises from the use of the stakeholder approach as a concept to explain the functioning of contemporary organisations. The basis of this approach is the idea that organisational values must seek to incorporate a number of stakeholder concerns, which can be understood as the aspiration to balance the goals of the organisation.

The question of balance seems very logical in almost all spheres of our lives, and especially in our personal lives. Very few people will consider a person achieves outstanding business results, but who does not have family, true friends, vacation time or hobbies

to be a successful person. As the importance of balance in an individual's life is recognised, the importance of balance in achieving organisational success should also be understood.

Some of the first authors to emphasize the role and importance of balance in business were Collins and Porras. Their study shows that maximizing shareholder wealth and profit is not sufficient to achieve organisational success. Indeed, earning money is just one (albeit very important) goal that a company should seek, but virtually all long-lasting successful companies in Collins and Porras's research tried to develop different types of objectives evenly, with all of these proving essential to their continued survival and success.

Finally, the importance of balance in business became even more evident when Kaplan and Norton developed a holistic balancing system for improving organisational effectiveness, called the Balanced Scorecard.

This system was established to cover four key business perspectives – financial, customers, internal business processes and learning and growth.

The Balanced Scorecard combines several effectiveness indicators from each perspective into a single framework, balancing traditional financial measures with operational measures relating to the factors critical to a company's success. Underlying this concept of the Balanced Scorecard is the need to develop balanced organisational values.

## Balanced Values in Fortune 100 Companies

In our research we investigate how the world's largest companies, which due to their size are some of the most important and influential companies in the world, manage their organisational values. To answer this question, we attempted to identify the values to which the world's largest business organisations pay most attention in their business activities. We did so by analysing their espoused values, i.e., the ones organisations say they have, and

orientation, and with respect to attitude towards change it makes a distinction between satiability and progress (see Figure 1). These four orientations reflect the categories of values identified in Management by Missions, which are as follows:

- a) Business values** – refer to the organisation's business and profit-making activity (e.g. perseverance, efficiency, professionalism, results orientation),
- b) Relational values** – promote quality in interpersonal relations



which are usually publicly available on the official websites of companies. These declared and publicly available values are very important for a company because they serve as a guide for all business activities.

To test the values we used a mission-based model of organisational values which distinguishes four orientations: with respect to the environment it differentiates self-orientation and social

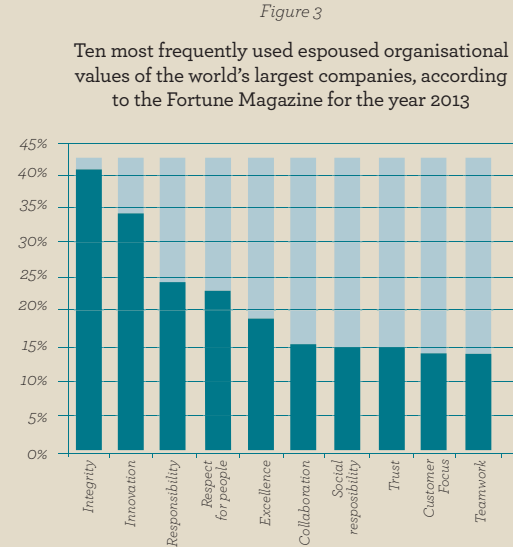
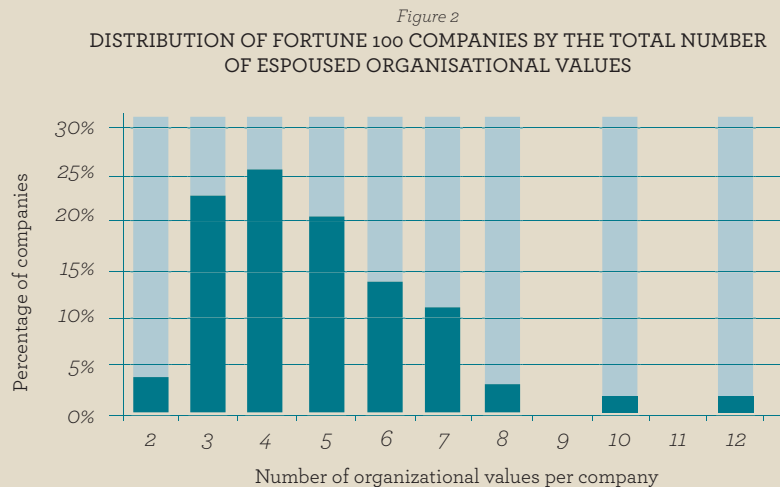
(e.g. communication, team work, respect for people),

**c) Development values** – aimed at differentiating and continuously improving the company (e.g. innovation, creativity, learning, continuous improvement),

**d) Contribution values** – intention of doing more for stakeholders than strictly required by the business relationship (e.g. customer satisfaction, interest in people, social responsibility).

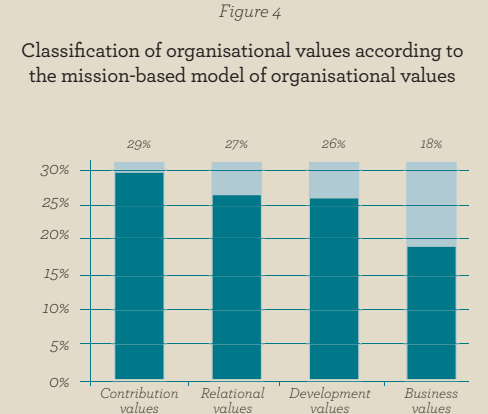


The espoused organisational values of the largest companies in the world were analysed on the basis of Fortune Magazine's annual ranking of the world's largest companies for the year 2013. Among the 100 largest companies on that list, 94% of them had publicly released their organisational values on the official company website. These companies indicated 446 concrete and specific organisational values: the average number of espoused organisational values per company was 4.74, with a standard deviation of 1.72. Most companies from the sample (68% in total) specified 3, 4 or 5 values as their core values, as shown in Figure 2. On the other hand, only four companies indicated more than seven organisational values.



As can be seen from Figure 3, about 40% of the world's largest companies emphasize Integrity as one of their core values, while the second most characteristic value for the world's largest companies is Innovation. Considering the structure of the sample, it was expected that these two values would be most present in the world's largest companies. Namely, because of their size, importance and influence, the public is generally most interested in the business of large business systems, which is more than enough reason to promote moral integrity as desirable and the most important value at all times. Likewise, most of the world's largest (and in many ways most successful) companies owe their position to their innovation.

After identifying the specific espoused values of the companies researched, these values were classified into four categories, according to the proposed mission-based model of organisational values. As can be seen from Figure 4, the organisational values of the Fortune 100 companies were evenly distributed over four main categories of values: business values, relational values, development values and contribution values.



This leads us to the conclusion that Fortune 100 companies promote and develop values from more than one category of values, which is a prerequisite for having balanced values. More importantly, the results presented in Figure 4 indicate that business values, which are mostly oriented towards the organisation, are in fact the least represented in the business philosophy of the world's largest companies. On the other hand, it is indicative that contribution values, i.e. those primarily concerned with the welfare of others (mostly external stakeholders) have less influence in comparison with the other categories of values. Given that Fortune 100 companies are continuously in the focus of interest of the wider scientific and professional community, and are therefore monitored and analysed from different perspectives, these companies often serve as benchmarks for important business decisions. It is therefore to be expected that many other business organizations which are not in the Fortune list, and particularly the bigger ones, will study the values system of Fortune 100 companies, with the intention of imitation of their way of thinking about organizational values.

With this research, discussed in more detail in the article recently published in *Journal of Business Ethics*, together with Professor Vojko Potočan, we have already started to explore the idea of balanced values, but many questions still remain unexplained: how consistent is the balance of espoused values, those published by companies, with the balance of the actual (or real) values, those put into practice in real life? What kind of balance is most desirable to drive success in companies? How do balanced values affect business performance? We hope that future research will help to disclose the answers.

For more details on this topic see:

Malbašić, I., Rey, C., and Potočan, V. (2014). *Balanced Organizational Values: From Theory to Practice*. *Journal of Business Ethics*, DOI: 10.1007/s10551-014-2238-0.