

Three ways to harness Values for Competitive Advantage

Dr Norman Chorn

Many corporate and organisational values are chosen because they look good on the annual report.

But they may not add much value to the achievement of competitive advantage! And they may even cause confusion within the organisation.



Why values?

There is much written and spoken about the usefulness of having clear organisational values as part of your strategy and the way you operate. But not all of it is necessarily positive. In his new book, *Great by Choice*, Jim Collins¹ outlines the obvious benefits for organisations who clearly articulate and operate by a set of values. A current argument supports this by suggesting that values clearly trump strategy in determining the success of an organisation².

However, there is equally compelling evidence to suggest the contrary. [Alan Hargreaves](#) points to the values statement used by Barclays Bank while they were illegally and unethically manipulating market interest rates to their own advantage. And we all remember the Enron case - another example of how a corporate value statement was clearly ignored.

So, two important questions arise from this:

1. *Are values important in driving strategy?*
2. *Can values be harnessed to drive competitive advantage?*

¹ *Great by Choice*, Collins and Hansen, Random House, 2011

² [Culture trumps strategy, Myatt, Forbes, 29/5/2012](#)

What are organisational values?

Values are **what we believe should be** - a statement of how we want to do things. In an organisation, values represent a statement of what is important and how people are expected to behave.

Importantly, values are intrinsically linked with behaviour and how we go about doing our business. We can go further and state that values and strategy are opposite sides of the same coin - ie *values will drive the strategy of an organisation or, the strategy of an organisation will imply the real values of the organisation.*

Indeed, we know that in effective and successful organisations, the values and culture are closely aligned with the strategy in the marketplace³.

However, in practice:

- Values are often chosen independently of the strategy because they “look good” in the annual report or official statement of intent
- Values often don’t reflect the strategy - they may even be inconsistent with the strategy and end up causing confusion and conflict with the organisation.

How can we harness values in an organisation?

We identify three ways that values can be effectively harnessed to produce competitive advantage.

1. Align the organisation’s values with your intended business strategy

Recognise the interdependence between values and behaviour. In general, it makes more sense to begin by defining first what behaviours and strategy are required to gain competitive advantage. Then, once this strategy is defined, we can identify the values that are implied and needed to support this strategy.

But how is this achieved? What is the link between values and strategy? Our research⁴ shows the clear linkages between the two in the table below:

Strategy	Fast response Speed to market	Low cost of supply Efficient processes	New product development Unique positioning	Customer intimacy Long term partnerships
Values	Empowered staff Decentralised decisions	Controls and measurement Explicit operating procedures	Entrepreneurial risk-taking Experimentation and creativity	Teamwork and cohesion Participative decision-making

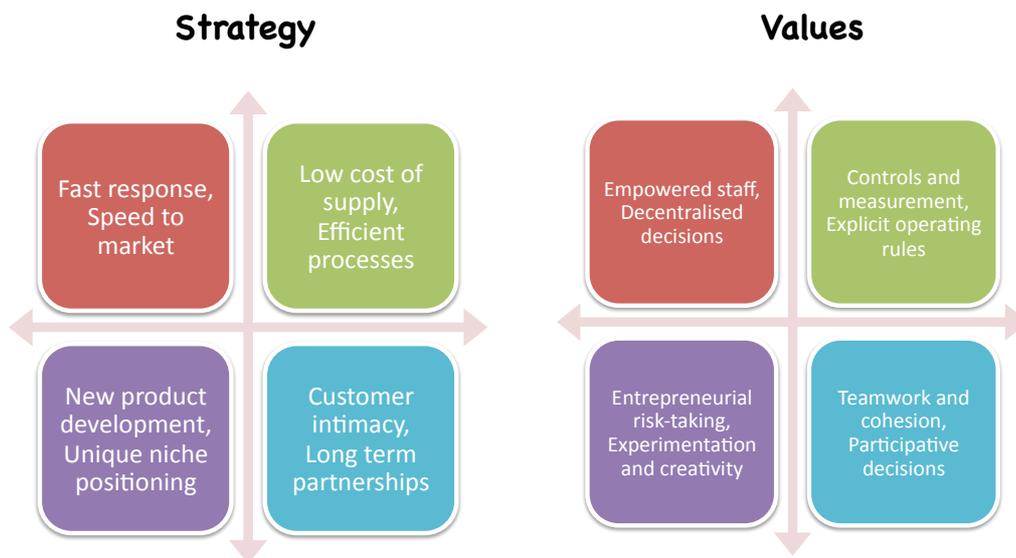
³ *Strategic Alignment*, Chorn, Woodslane, 2010

⁴ *Strategic Alignment*, Chorn, Woodslane, 2010

2. Choose values that support the pathway to your competitive advantage

Competitive advantage is the outcome of a strategy that is uniquely suited to the needs of customers and the competitive landscape. So, competitive advantage is the result of an appropriate strategy.

We know that there are many pathways to achieve this competitive advantage, but they fall into four broad categories, as the table above suggests. The strategies, and their supporting values, can be portrayed as follows:



These four pathways to competitive advantage are best supported by the values that are aligned to the specific behaviours. So, a fast response strategy should be supported by values of empowerment and decentralisation, and so on.

These pathways can be combined in horizontal and vertical combinations, but NOT diagonally - the conflicts and contradictions can be seen when examining the different value sets. If there is a need to pursue diagonal pathways to competitive advantage, they need to be accommodated in different parts of the organisation. This requires a particular approach to organisation design (see my previous article on [Focus vs Balance](#)).

Importantly, ensure that the values **support** the required behaviour, rather than contradict it. For example, *if you wish to drive a strategy of fast response and speed to market, the values of teamwork, cohesion and participative decision-making would drive contradictory behaviour and cause confusion within the organisation.*

3. Move past the “Ten Commandments” approach in choosing values

Some leaders choose values that look good on the annual report. They include examples such as “ethical and legal behaviour”, “treating each other with dignity” and “respect for suppliers”. Clearly, we would want all our organisations to display these behaviours. However, I believe that they fall into the category of universal principles that we would want to see in anyone’s behaviour! But do they have a role in organisational values?

Perhaps you believe that your organisation has a tendency to forget these common decencies. In that case, by all means include them in some set of statements. But they are not values that will drive competitive advantage! Instead, you may want them to be included as some set of universal principles to which all staff have to adhere. In other words, they may be seen as a foundation set of fundamentals upon which the organisation is then built.

This may sound somewhat cynical, but I wonder about organisations that have to spell out that behaviours such as bullying, violence and lying are unacceptable. I have yet to see a case where values such as disrespect and cheating are part of a values statement!

Harnessing values for competitive advantage

Our organisational values need to be deliberately chosen to support the business strategy and to conform to the fundamental human decencies we believe in. Once this is done, we can articulate those values that give effect to the required behaviours.

If the values that are revealed in this manner prove unacceptable, we need to reconsider the strategy until we achieve a fit between competitive advantage, strategy and values. Once we achieve alignment between these elements, we have a set of values that may be communicated and displayed throughout our organisation. And it is this alignment that ultimately produces competitive advantage.

Norman conducts workshops and mentoring in aligning values with strategy to achieve competitive advantage

Contact: norman.chorn@brainlinkgroup.com | www.brainlinkgroup.com