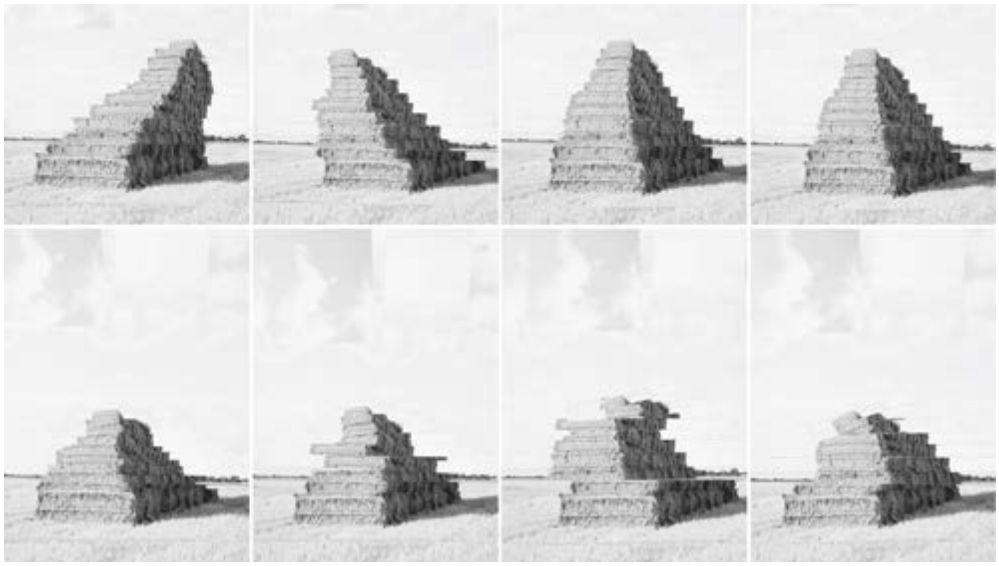
Harvard Business Review

Spotlight Article

Defining Your Organization's Values



What Does Your Company Really Stand For?

by Paul Ingram, and Yoonjin Choi

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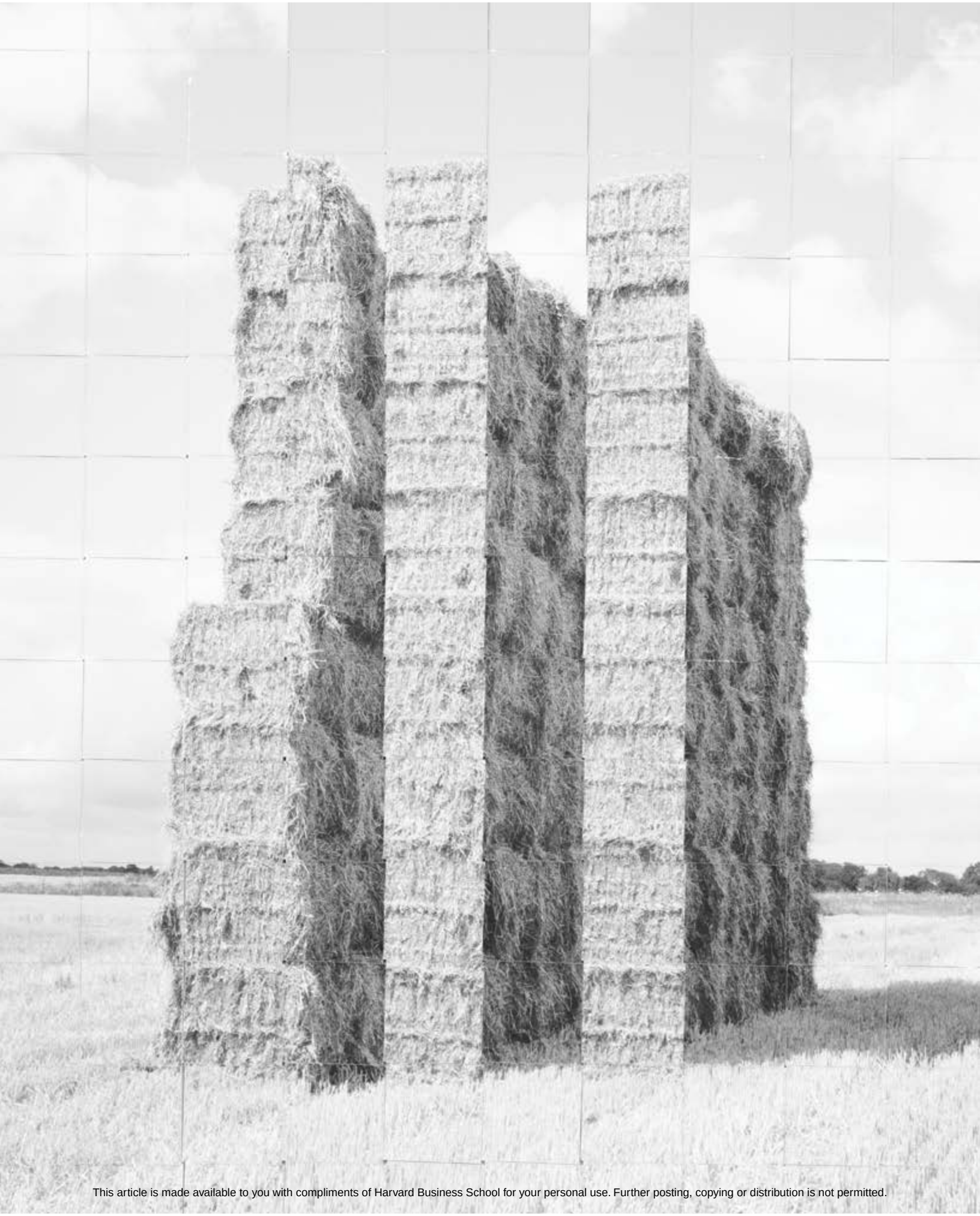

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Spotlight

What Does Your Company Really Stand For?

Align what matters to you as an organization with what matters to your employees.

FOR YEARS, AS scholars of organizational behavior and as corporate consultants, we've researched what you might think of as the value of values. We've conducted dozens of studies designed to determine how a clear understanding of individual and organizational values can affect decision-making, motivation, relationships, well-being, leadership, and performance.

What we've discovered in this work is striking: When you align your organization's values with both your strategy and the values of your employees—creating what we call *values alignment*—you reap all sorts of benefits: higher job satisfaction, lower turnover, better teamwork, more-effective communication, bigger contributions to the organization, more-productive negotiations, and, perhaps surprisingly, more diversity, equity, and inclusion. Our favorite finding involved the impact of values alignment on the turnover of chief operating officers. When we studied the divisions of one multiunit organization, we found that COOs whose values alignment was low needed a salary increase of 40% to become as likely to stay in their jobs as those whose values alignment was high. Imagine that: An increase in values alignment had as great an effect as a 40% raise.

The stakes for organizations to get it right on values have never been higher. For years cultural and economic changes—many of them brought about by new technologies—have forced companies to reassess what they value in their relationships with their employees, their customers, and even their societies. The global pandemic and a renewed sense of urgency relating to issues of social justice have recently galvanized those efforts. Across industries and sectors, companies have been forced to ask themselves, "What do we stand for?" and "What binds us to one another and to the community?"

In our work we've seen companies flounder when they can't answer those questions in ways that align their institutional values with both their strategy and the values of their employees. Coinbase, Netflix, Twitter, and Disney, for example, have all discovered, each in its own way, how hard it is to develop and pursue an organizational strategy when employees have come to believe that their values trump the organization's.

But companies also recognize that if they align themselves with their employees' values, they will substantially improve employee retention—which is vital at a time when unemployment is at a record low and they must fight for talent. The need for alignment will only grow as employees increasingly look for meaning at work and choose careers and jobs on that basis. Erika Irish Brown, the chief diversity, equity, and inclusion officer and the global head of talent at Citigroup, recently summed up the situation this way: "There are a lot of companies out there, and if you don't have values

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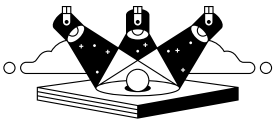

Spotlight

alignment at one, you can find it at another."

The bottom line is simple: Values alignment is worth a lot. In this article we'll lay out a process to help you achieve it in your organization.

Values Versus Beliefs

To think clearly about the alignment of values, it's necessary to understand what values actually are—and are not. They are simply principles of evaluation: They determine whether a perceiver views something as good or bad or important. Values are not beliefs, and they are not strongly related to demographics such as race and gender.

Think of values as the ends you pursue, and of beliefs as the paths you perceive as leading to those ends. Consider two people who both value creativity. The first believes that it is achieved through quiet contemplation, and the second believes that it is achieved through interaction with others. They have the same goal but will pursue it very differently.

Because you can be wrong in your beliefs, you can improve them. One of the best ways to do that is by interacting with others who have different beliefs. If the two people in that example got together to talk about creativity, one might persuade the other to change his or her belief about how best to achieve it, and that change would be experienced as learning.

That's not the case with values, however. If you're a mature person, your values are always right—for you. It makes no sense to think of "improving" them, because your values define what you mean by "improve."

Before we give advice on how to identify and clarify your organization's values, we want to warn you about some traps. We've increasingly seen leaders make one of two mistakes when they try to use values to build culture and drive performance.

The first is this: All too often leaders assume that if they continually recite their organization's values, the words will take on an incantatory power, and employees will fall under their spell, almost like zombies. We've come to think of this as the *values as magic* position. It was epitomized for us by what a leader at one global investment bank said when explaining how he communicates the bank's official values to new employees: "I point to the list of the values, and I tell them that when you are within these four walls, you are no longer an individual. *These are your values.*"

That executive had a perfectly reasonable goal: He was trying to create a shared set of values that would foster a more ethical culture at his bank. But the bank has not come to be known for ethics, and the values he was pushing have not gained traction. That's not surprising, because the values-as-magic approach tends to have an alienating effect. No matter where people work, they don't want values imposed on them unilaterally, especially if those values don't align with their own. When that happens, they feel robbed of agency, and they become cynical—which (ironically for the bank) makes them start behaving less ethically.

The second mistake involves a different assumption: that working to develop shared values is antithetical to the goals of diversity, equity, and inclusion. But that's a faulty assumption. If you're pursuing a diversity of values in your organization, you're actually pursuing a diversity of *ends,* which means you're encouraging people to work at

IDEA IN BRIEF

THE SITUATION
Recent cultural and economic changes have compelled companies to reassess the values that drive their institutional strategies. Across industries and sectors they are urgently asking themselves what they stand for.

THE CHALLENGE
Companies are also realizing that they need to better understand and support the values of their employees. Many have discovered that when they can't align their institutional values with those of their employees, they flounder.

THE SOLUTION
In this article the authors provide a method for achieving values alignment *by following a five-step process.*

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> Think of values as the ends you pursue, and of beliefs as the paths you perceive as leading to those ends.

cross-purposes. It's much better to have employees all aim in the same direction, in pursuit of the same values.

Kris Beevers, the CEO of NS1, a cloud-computing company we've done values work with, likens this idea to a vector field—a concept from calculus that describes the combined influence of many independent forces. If the vectors in a field aim in different directions, they cancel one another out. The same holds true for values in an organization: If you want to achieve the benefits of diversity, you need to work toward alignment.

Leaders who don't recognize this often seek to banish all talk of "cultural fit"—which is a natural function of shared values—from hiring. We call this the *values as smoke screen* position, because it's tied to the idea that recruiters use talk of values to obscure the biased ways in which they actually make hiring decisions. We agree with Lauren Rivera of Northwestern's Kellogg School and others that organizations may sometimes hide bias in recruiting processes under the label of cultural fit—by, for example, privileging people with elite hobbies such as sailing and squash. But proponents of the values-as-smoke-screen idea take that observation too far and use it to justify completely disregarding the concept of cultural fit.

Organizational culture is at its heart made up of values and beliefs and the behavioral norms derived from them, and those are critical for organizational success. When "cultural fit" is taken as shorthand for similarity on organizationally irrelevant attributes such as leisure pursuits and interpersonal style, then the organizationally *relevant* components of culture are compromised by association.

We first encountered the values-as-smoke-screen idea among thought leaders in the human resources space. One of them, the diversity consultant and researcher Bayo Adelaja, has described cultural fit as a "cop-out." When managers speak of hiring with cultural fit in mind, she argues, they're just being lazy and unwilling to do the work of inclusion.

Given the importance of culture to organizational performance, we never expected such an idea to gain much traction in the real world. But a few years ago, at a meeting of global HR directors, we learned just how wrong we were. The moment came when one of us, Paul, was on a panel discussing the future of work, during which a fellow panelist, the head of HR at a global industrial company, told the audience that his organization considered cultural fit to be a problematic goal for hiring. Why? Because, its leaders thought, it produces organizations that are clubby and exclusive rather than open and inclusive.

Others have made that argument more stridently. *Forbes* has published an article titled "The End of Culture Fit," and the *Huffington Post* has called cultural fit a "failed idea." Meta has gone so far as to ban the term from its hiring process. Google, for its part, shuns cultural fit in recruiting—but nonetheless invests heavily in finding job candidates with "Googliness," which, of course, is nothing more nor less than alignment around a set of core values.

The Values-Alignment Process

In our work with organizations we follow five steps to establish a foundation for values alignment. They should be taken sequentially.

1 Identify the individual values of all organization members. Our favorite method for doing this is to take as many employees as possible through a process that Paul devised. In it individuals identify their top values, work out the relationships among them, and produce what we call a *values structure*. It represents the eight values that are most significant for each individual and the interdependencies that person perceives among them. For example, someone might believe that pursuing excellence will help satisfy the value of achievement. This exercise, which we have used with thousands of leaders from around the world, can provide you with a rich and accurate understanding of what matters to your employees and will also help them understand themselves better.

One organization we have taken through the process of creating individual values structures is the Benton Museum of Art at Pomona College. In 2021 it opened a new building that more than tripled the space available to it—a boon, but one that compelled consideration of how best to deploy the much larger and custom-designed space. The Benton responded with a comprehensive yearlong review of its strategy and organizational values. As the museum's director, Victoria Sancho Lobis, put it, "I felt it was important to frame a strategy-development process with a

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When you're assessing values candidates, any member of the organization whose input is significant to its ultimate success should be invited to weigh in.

collective discussion of values, to help identify what calls us to museum work and what bonds us together as a group."

In the first step of this work, the Benton's board, staff, leadership, and student interns worked with key stakeholders—among them the president of Pomona College, G. Gabrielle Starr; and Janet Inskeep Benton, the museum's lead donor and a Pomona College trustee—to produce values structures. That allowed everybody to discover the values that were widely shared among the Benton's constituents, which included creativity, integrity, excellence, and joy. Those values were carried forward in the process of identifying the Benton's organizational values.

We have found that it takes 90 minutes or more to guide people through building a values structure. If you don't have that much time, you can still accomplish a lot by using an innovation of Yoonjin's: a simple and effective survey technique we applied in working with one e-commerce company. As part of that research, we asked employees a simple question: "Whom do you most value among your colleagues in the organization, and why?" The *why* is key, because it compels employees to articulate their personal view of the organization's values.

After hearing responses to that question, we were able to produce reliable estimates of who fit best in the organization's value system. We used those estimates to effectively predict employee performance.

2 Identify key priorities from strategy. This is the top-down part of the process. The crucial question to ask here is "What is the most important thing the organization can do to achieve its strategy?" The answer will help you align your official values with your organization's mission. But make sure that this is the *second* step in the process. Why? Because those who adhere to the values-as-magic position emphasize this step to the exclusion of Step 1, choosing values that would serve their view of the strategy without bothering to ask what employees themselves value.

A senior executive who had spent most of his career at Goldman Sachs once told us that a week after he'd moved to a different bank (not the one that we mentioned earlier), he was asked to generate a list of organizational values for his new employer. The logic behind the request was that Goldman was a top-performing bank, known for having venerated values, and his new employer hoped to emulate parts of its strategy. As a Goldman veteran, the theory went, he must know what values lead to strategic success.

But Goldman's values worked for Goldman not only because they supported its strategy but also because they were held by its employees. Transplanting them to another bank would have been akin to doing a heart transplant without establishing tissue compatibility. Fortunately, the senior executive knew that getting values right requires a consideration of both strategy and employee values, so he declined to comply.

3 Look for values "candidates" that both serve the strategy and resonate with individuals. This is an opportunity for you to engage in some creative ideation. The organizations we work with typically have a task force of employees who are working on this step, and ideally its members include representatives of various ranks along with senior leaders. At this stage we find it helpful to present the task force with a summary of key strategic priorities, as determined in Step 2, alongside the results of Step 1.

We then ask the task force to generate multiple candidates for value statements. These should resonate with employees and also be relevant to implementing the organization's strategy. Our research indicates that values alignment does not require exact matches; someone who identifies achievement as an individual value is likely to feel aligned with a similar organizational value—say, accomplishment. So you have some flexibility in creating your potential value statements.

We like to generate a lot of possible statements. When Paul recently conducted this process with the Guggenheim Museums, working with its values task force, they produced about 50. The task force selected 25 to share with the whole organization. The organization then hired a new chief culture officer, who added three values candidates of his own for Step 4.

4 Assess the values candidates. This is an opportunity to give everyone in the organization a voice. We recommend that you be as inclusive as possible—any member of the organization whose input is significant to its ultimate success should be invited to weigh in. The Guggenheim

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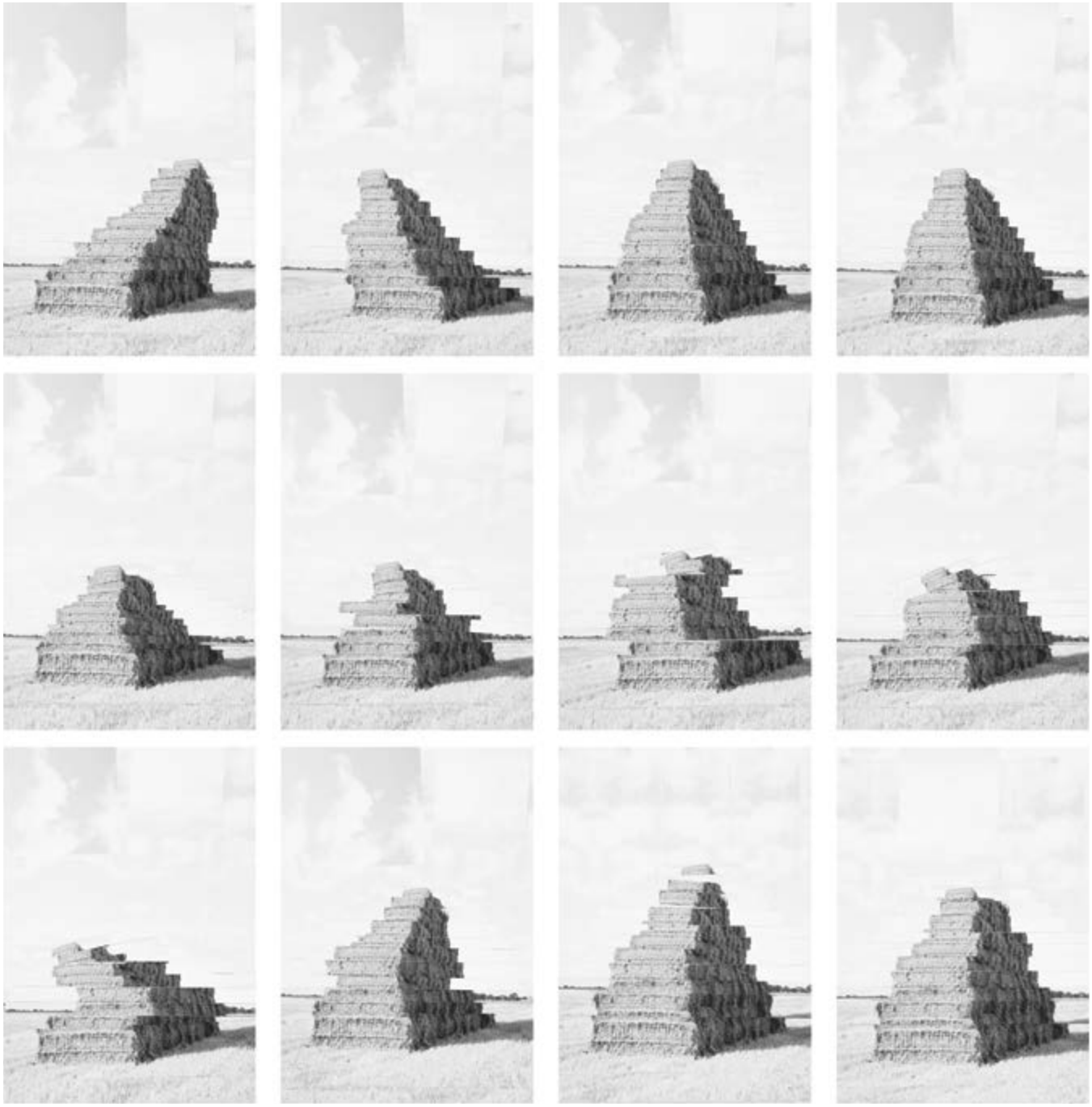
ABOUT THE ART

In cutting up and rearranging his photographs in various ways, Emile Gostelie plays with the configurations and multitude of forms he discovers in his series Laws of the Haystack.

Spotlight



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Museums included contract workers, artists, and board members along with its regular employees.

Broad inclusion at this stage has two powerful advantages. First, it reveals which value statements resonate with the people who make up the organization. Second, inclusion creates commitment. As with any organizational decision, employees and others are more likely to support something if their input has been honestly considered beforehand.

Some leaders find it scary to think of inviting the whole company to evaluate and determine something as important as values. But we tell them that they'll always be better off knowing rather than not knowing how people feel about the question of values.

We also emphasize that at this stage leaders should make clear that they're offering everybody "a voice, not a vote." They will carefully consider all feedback in determining the organization's values, but they cannot promise that any value, no matter how popular, will become official.

To solicit and integrate assessments of values candidates, we use a collective-intelligence engine called All Our Ideas, which presents pairs of values and asks respondents to indicate which of each pair is better—that is, "more true, more useful"—for the organization. After each choice has been made, a new pair appears. As the choices are made, the engine converts them into a ranking. Clearly, other methods can be used: For example, employees can be invited to rank all the values candidates according to their preference, or to identify the five they like best.

5 Edit the top-ranking candidates to generate a final set of organizational values. This is work for a small team, which should include leadership, because substantive judgments are sometimes required. Consider what happened in 2019 when Paul worked on this stage of the process with the education department at New York's Museum of Modern Art (MOMA). During Step 3 a politically charged value statement had emerged—"Radicality: Rooting art in collective acts of learning"—and a lot of people had endorsed it in Step 4. But was it wise for MOMA to establish *radicality* as an organizational value?

In the end the institution's leaders decided to retain the value but to tie it more naturally to MOMA's mission by wording it as "Radicality: Challenge norms. Embrace questioning. Think anew." That was an elegant resolution, because it honored the staff's endorsement of radicality but maintained alignment with the more-conservative values of other stakeholders, such as respecting visitors and working through existing relationships. "Embrace questioning" and "think anew" are hard to object to.

Real-World Results

How does values alignment create superior organizational performance? Consider New York–Presbyterian (NYP) Hospital, one of the top-ranked and most comprehensive integrated academic health-care systems in the United States.

In 2011, when Steven Corwin became the CEO of NYP, which has almost 50,000 employees and affiliated physicians, he wanted to understand the organization from the perspective of its employees. But he knew that if he simply asked what they thought and felt about it, they'd probably tell him only what they believed he wanted to hear.

So, taking a page from Shakespeare's *Henry V,* Corwin went on his mission in disguise. He dressed as a custodian and set about cleaning hospital rooms. In that role he felt unseen—by patients, doctors, nurses, and other employees—which undermined any feeling of inclusion in the organization and thus his commitment to it, sapping his motivation to do good work.

That experience helped Corwin recognize just how painful and marginalizing it is for employees at any level to feel invisible or excluded. What it all came down to, he realized, was *respect*—which, he would subsequently learn, was a leading individual value of NYP's employees. To achieve alignment on that front, he launched a campaign to promote respect as an organizational value. Today it's first on the list of NYP's four values, which also includes quality, integrity, and teamwork.

During the past five years Paul has worked with hundreds of NYP employees to produce their individual values structures. Organizational values aren't discussed; participants are simply asked, "What values are most important to *you*?" Year after year, their top answer has been "respect." This is an ideal example of alignment between organizational and individual values. When it's achieved, organizational values serve as a beacon to attract employees and can fuel collaboration and motivation. Those values remind employees of their best selves and improve their performance and well-being.

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That's what happened in the spring of 2020, when NYP found itself at the epicenter of the Covid-19 pandemic. No hospital in the city of New York escaped unharmed during that shocking spring, but NYP fared better than most. According to many at the hospital, that was because the whole staff got daily briefings, usually delivered by Laura Forese, the hospital's COO. Employees on the front lines have told us that her briefings made them feel seen and served as a reminder that senior leaders were right there working alongside them in the building. Everybody's values were in sync.

THE LESSON OF this story is simple and clear: When properly aligned, values are powerful. They serve your strategy and provide your employees with authentic connections, and in so doing they create a foundation for better group performance and higher personal satisfaction. But values are not magic. They don't become real or effective just because you announce them to your organization in a town hall meeting or etch them into marble at HQ. If you want to enjoy their benefits, you need to work with everybody in your organization to identify and align them. That requires the kind of careful attention and hard work that we've described in this article. We can assure you that it's worth it. **HBR Reprint** S22061

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