

Corporate Values (3/5/17)

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# Business Culture — Why Core Values Matter

NOVEMBER 3, 2016 by [JANICE DERINGER](#)

*“What we’ve learned is that the soft stuff and the hard stuff are becoming increasingly intertwined. A company’s values — what it stands for, what its people believe in — are crucial to its competitive success. Indeed, values drive the business.”*

— Robert Haas, Chairman and CEO, Levi Strauss & Company

Robert Haas was quoted about core values in a 1990 issue of *Harvard Business Review*.<sup>1</sup> Indeed, his sentiment that “values drive a business” is played out across successful firms. Core values are designed to capture “how you show up, serve and promote who you are as a business.”<sup>2</sup> If you’re able to infuse your core values into the many layers of your business and its operations, the business’s capacity to fulfill its fundamental, higher purpose is much greater. Leaders and staff alike find that doing business based on business-aligned core values can provide the conviction needed to show their brand’s value and uniqueness to their customers. This practice can also drive hiring decisions, building individuals and teams aligned to the core values of the company.

The selection of specific core values and how closely those values are adhered to can influence the future of that company. They may also influence how customers, employees and owners perceive the company and the company’s worth. It’s not enough to just select the core values; they must be adopted throughout the firm at all levels, as they can:

- 1. Move your business forward in the right direction**
- 2. Make all decision-making easier and aligned**
- 3. Build your brand**
- 4. Attract customers with similar values**

## 5. Energize you and those that work with you

### Focus of Core Values

As you create core values for your company, large or small, there tend to be four factors that have the highest priority. These factors include: *people, customers, product and business processes.*

You can see examples of these focus areas in some large and well-known companies with well-defined corporate values. Here are just a few examples:

#### People

When we think about core values relating to people for instance, Marriott says:

*“See the good in people, and try to develop those qualities.”*

#### Customers

When we think about customers and values based on them, L.L. Bean provides a great ideal in their stated value to:

*“Sell good merchandise at a reasonable price; treat your customers like you would your friends, and the business will take care of itself.”*

#### Product

We all know the story of the development of the Post-it<sup>®</sup> at 3M (where a very poor adhesive product became a home, school and office staple). This attitude is embraced in their product-based value:

*“The 11<sup>th</sup> commandment: Thou shall not kill a new product idea.”*

*“Many great product ideas come from stumbling, but you can only stumble if you’re moving.”*

#### Business Processes

And in discussing business process, McKinsey & Co. states that:

*“Every member of the Firm has a responsibility to question Firm decisions that he or she disagrees with.”*

You can definitely see how these values play out in these businesses and in their approaches.

These companies have such strong corporate values because they have a great deal of unity, belief and adherence to these values. The values are not shuffled off to the back of a binder, but are lived in the everyday functioning of the company. This consistency of belief in the message across the firm is what drives higher functioning companies. If a company behaves in ways that show a disregard for the core values, it will quickly be understood in the employee and customer population. So make sure that your core values are held throughout your company, or they will become synonymous with such corporate culture spoofs as “TPS reports,” made infamous in the movie *Office Space*.

You can see the strength of the core values reflected in Google, for instance. Innovation has been a continuous priority within Google; in fact, it is so prized and important that the programmers are allowed to use as much as 20 percent of their work time on projects that they feel the company would benefit from in the long run. This is a rare level of commitment to a value. Google doesn't just like innovation; they have made it a part of their employees' workday.

Another example of corporate strength is reflected through Volvo's commitment to safety. Volvo views safety as the dominant item of importance; other items are secondary to that value. As such, Volvo has ranked at the top of safety tests and ratings for decades. Internally, their engineers and designers continue to innovate to find other ways to protect their consumers and enhance the safety offerings in their vehicles.

## Translation to Performance

The examples of Google and Volvo quickly show you how a core value can be translated to performance. In fact, most people recognize the innovation that Google brings to the market and that Volvo is known for safety. These concepts go hand-in-hand with their corporate identities.

It is important to recognize that writing down the values does not actually do anything. The values must be put into action in all facets of the company management, from hiring decisions to day-to-day work focus to customer experiences. The companies that are famous for their values implement them in a consistent way.

It is not always easy to pass by hiring a great and smart job candidate that might not fit the corporate values. But when the corporate values are truly integrated, it is an obvious choice. Managers and business analysts like to see the bottom-line impact of the core values. This impact is sometimes difficult to delineate and measure. Sometimes, it is easier to see what happens to the bottom line of a business when companies stray from core values. The price of misconduct is high: in 1998, Royal Caribbean Cruises, Ltd. paid a \$9 million fine for deliberately dumping waste off the coast of Florida. In 1996, Archer-Daniels-Midland paid \$100 million in an anti-trust fine for price fixing. In 1998, the Laboratory Corporation of America had fines and penalties of \$187 million for health care billing fraud.

But there are great examples of companies operating their business well within their core values. Southwest Airlines is committed first and foremost to the customer experience. About 100,000 people apply to Southwest each year, but only 2-3 percent of the applicants are hired. Southwest strives to hire people that will embrace their company's culture, namely those that are energetic, outgoing and friendly — and of course, customer-focused. And it impacted their bottom line — Southwest was the only airline to remain profitable after 9/11. Most of the credit is due to Southwest's employees, who continued their customer focus and even presented ideas to management about ways to improve the business.

Similarly, Johnson & Johnson holds that their first responsibility is to the people that use their products. In 1982, after receiving reports of cyanide poisonings due to the use of Tylenol, Johnson & Johnson recalled the product, costing the company approximately \$100 million. ■ It might have been easier from a corporate risk management approach to deal with the poisonings on a case-by-case basis. But in keeping with their corporate value, they pulled their products and protected their valuable consumer reputation.

## Alignment with Personal Values

The European Centre for Total Quality Management (TQM) found that when people's personal values and their company values are in alignment, their personal lives are more satisfactory and they feel more positive about their professional roles. ■ It is generally best when you can work in an organization that is an expression of your unique qualities and beliefs.

And given this description of the strengths for businesses grounded in core values, I would like to take the opportunity to share Hewins Financial's core values with you ([read them here](#)).

These values were created during a team-building event that included staff members from every level of the firm. During the event, employees were asked one question: "What values are important to you?" Believe it or not, we were able to draft and agree upon these values within an hour. Turns out that these values were already in play, but officially adopting them helped us considerably as a firm. They serve as a great training tool, which we show to prospective employees during the interview process and a good day-to-day reminder for current staff of what we believe in as a firm and as individuals.

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**JANICE DERINGER**

FINANCIAL ADVISOR

Janice L. Deringer is a financial advisor and consultant who focuses on serving individual and corporate clients in Portland, OR. She brings 20 years of institutional investment management experience to her strong interest in educating women and individuals regarding financial decisions, realities and possibilities.