VDM – a New Business Approach to Get Organizational Success and Long-term Survival

Violeta URBAN
George Bacovia University in Bacău, ROMANIA
violeta.urban@ugb.ro

Abstract: Value Driven Management (VDM) is a new approach and becoming more and more present, both among specialists in economics and managers; it is a theory which argues that management decision makers in an organization should take into consider a range of values (local or national values, values of the organization, of the owner and the employees, of the customers, of the partners and of the competition) that may increase the competitive advantage in the market, sustainability and respect from the part of the society, as a whole. VDM involves dedication, commitment and effort from the part of the organization, over a long period of time. If VDM is integrated into decision-making, there is an increase of the organizational performance, but the results are not seen immediately. Therefore, the application of VDM is a long process, and if companies are persistent, the results are reliable.

Keywords: Value Driven Management, organizational values, organizational success, long-term survival

Introduction
Until recently, schools that prepare specialists in business, especially management emphasized that the main purpose of a company is making a profit in order to maximize the investor’s wealth. Recent research showed that the two main reasons why sustainable companies (which are on the market for over 100 years) have been established are: a desire to do something to remain to followers and of whom the whole community to be proud of and the desire to have their own business and not be someone else’s employee. [1, 50]

To make known these issues, in 1994, the authors Jerry Porras and Jim Collins published a book that soon became one of the most sold books in the economic field: “Built to Last. Successful Habits of Visionary Companies”. The authors analyze the evolution of companies in direct comparison with other companies, i.e. visionary companies (which over-passed their initial financial success and have a significant impact on the world, won the respect and esteem of all, have been operating for over 100 years) on one hand, and companies that have had the same start with the visionary ones, but failed to reach the same level with them, some went bankrupt after a few years of existence, the main reason being that they focused only on maximizing profits and increasing the investors wealth.

One of the myths dispelled by the authors is: "Successful companies exist, above all, in order to maximize their profit.” [1, 50]

1. The Definition of VDM Concept
There are many definitions formulated by different academic and other authors. For example, Jaeger says that value congruence can be increased through "cultural control", which is based on having common organizational values and a correct selection, training, socialization, and monitoring of organizational members. [2, 91-114]

In a similar way, McDonald and Gandz are defining “managing shared values” as (1) actions designed to recruit and select value-congruent candidates, (2) actions designed to socialize employees toward the organization’s required value set, and (3) actions designed to radically alter the organization’s value set in response to perceived changes in its competitive environment. This third step of their definition is about choosing a strategic set of values. [3, 67]

Lawler and others [4, 11] defines the process as “realizing a corporate philosophy” in four stages: (1) creating a philosophy statement, (2) communicating and implementing, (3) creating linkages between the philosophy and the governance system, and (4) devising systems for affirmation and renewal.
Value driven management is a comprehensive and complex philosophy focused on the value theory that values drives and motivated action. Organizations must “create an environment that embraces this philosophy over the long term”. A vital ingredient of the VDM philosophy is based on effective thinking; start thinking, think well and think things through [5, 3-15].

VDM has been also defined as “plans, decisions, actions and rewards are all governed by a value focus” [6, 23].

“Values management is the process by which an organization actively measures, monitors and responds to its casual indicators of performance in such a way that it adjusts its culture and way of being to sustain high performance (output) and meets its objectives (outcomes)” [7, 169].

Value Driven Management seems to be the best managerial philosophy in the dynamic conditions of the actual economical environment and also it recommends tools of measuring the performance at different level of the organization and assures a good internal and external communication of the company.

So VDM means considering the values (local or national values, values of the organization, of the owner and the employees, of the customers, of the partners and of the competition) when adopting decisions to ensure mutually collaboration between the organization and society as a whole, and for supporting sustainable development.

2. The VDM Facets

According to R.A. Pohlman and G.S. Gardiner there are 8 values (facets) with a major impact on the organization [8, 36]:

External cultural values. Considering a common set of values, a world culture must be developed based upon them just like there is a world economy developing. There are hundreds of different cultures in countries around the world but there are also some common values that connect us and bring us together to form a world community.

This example proves that employees that deal with the international market must be aware of the specific country values as well as the common ones that are developing from the international community.

Organizational cultural values. Every organization creates its own culture that is unique in its own way. That can be confirmed by anyone who has worked in more than one organization. Everyone has to comprehend the organizational context within decisions must be made and actions must be taken.

Individual employee values. When hiring, all decision-makers have to take into consideration the fact that each person has its own set of values and brings them to the organization. Giving the employee the right setting to be successful and happy at his place of work as well as in their own lives benefits the organization too. Taking this into account, it's important that the employee's values to be aligned with the ones of the organization.

Acknowledging each employee’s values and desires (some value money, some like to be supervised closely while others like to be self-directed and be creative, some appreciate the latest technologies, etc.) decision-makers can understand how each can be the most successful and can be sure that they're giving their best.

To find the right organization, that suit their values, desires, interests, abilities also falls under each employee’s responsibility and search the place that gives them the freedom and the satisfaction they want.

Thus the individual needs and aspirations should harmonize to the needs and opportunities of the organization. The organizations should take into consideration the fact that each member has his/her own needs, desires ant that the individuals represent the human capital of the organization and they
come from different environments with different backgrounds, experiences, skills knowledge beliefs being capable to change and discover new ways of acting if the opportunities stand very clear or if they are encouraged, supported, guided, motivated. The individual is much more satisfied of his/her career if the organization can offer him/her the professional environment in which he/she can put unto light his learning experience, skills and capacities.

Much more a company can offer a fit working background for an individual but at the same time, this background can be hostile for another individual. This fact is supported by Jim Collins and Jerry Porras, through the following examples: “if you are ready to adopt with enthusiasm the business pattern Hewlett-Packard, then your place is not at Hewlett-Packard. If you can not easily adopt the fanatic devotion towards clients of those of Wal-Mart, then your place is not at Wal-Mart. If you do not desire to be “procterised”, then your place is not at “Procter and Gamble”. If you do not want to join the crusade for quality (even if you work at the canteen of the company), then you do not have a place at Motorola and it is for sure that you will not become a “motorolan”. If you put under question mark the right of the individual to take his/her own decisions concerning the choice of what he/she can buy (as, for example, cigarettes), then your place is not at Philip Morris. If you can not accept the Mormon influence, the cleanliness and the devotion in serving the others of those working at Marriott, then you would better stay apart. If you can not embrace the idea of integrity, of “magic” and of “cosmic dust” and if you can not transform yourself into a hardworking, well-dressed individual, then you do not like to work at Disneyland. [1, 280-289]

**Customers’ values.** Even though the organization's mission is to completely satisfy the customers, in most cases that value and the message that goes with it is lost along the way.

Little is done to satisfy the customers’ needs because supervisors often do not understand how to work with employees, supervise and develop them. The number of those who are working in service jobs and who just don't care is growing day by day. That carelessness is due to them coming from families who don't value such things and for most of them is simply drudgery. So, to serve the customers as they should we must have employees that have common values with the customers. Companies have to focus on customers’ values, social values, employees’ values and organizational values at the same time.

**Supplier values.** Companies should be more aware and pay much more attention to the values of the organization's suppliers rather than being concerned about their products/services quality, their stability in supplying the goods and how willing are they to accept their demands as buyers. Doing that, will help organizations to maximize its Value Over Time (VOT). Also, a greater VOT can be driven by understanding and action upon our suppliers’ values and creating trusted and long term relationships with them.

**Third-party values.** Unions, government regulatory agencies, etc. fall under the third parties category and what they value can have a significant importance in decision-making process or taking actions within an organization. Companies have to be aware how important is to understand and to take into account third parties values and their impact upon a decision and how will it affect the over time value of the organization. It is highly important to acknowledge and understand what the third parties, such as unions and regulatory agencies, value.

For example, the fundamental value of a union refers to employees' rights. Unions want people to be treated fairly, with dignity and respect, to be given training opportunities, etc. They want to be a part of the decision-making process of the organization so they can make sure that the employees’ interests are being watched for. Between all employees in the organization and the union has to be a shared trust and that way VOT will be maximized and the success of the business will be assured.

**Owner values.** In order for any organization to be successful, the owners have a set of values to be fulfilled. It must be clear that all employees of an organization are nothing more than shepherds of the owners’ assets.
The most important thing that all employees have to understand is that the organization's assets are not theirs to give away unless that would determine a VOT increase. Otherwise, they should give away their own assets in order to their needs to be satisfied. When working in an organization maximizing the value for the owners is the only job.

**Competitor values.** A common mistake that some organizations make is to overlook what their competitors' value. Taking the time to analyze and understand what our competitors' value and how this impact their decisions, strategies, actions it's really important to us.

Of a real help in formulating the competitive strategy is to understand how your competitors see suppliers' values, customers' values, third party's values, employees' values etc. and of course their own cultural values.

Good leaders are always keeping an eye on their competitors set of values and take them into consideration. We should definitely be much more aware of that.

### 3. The Programme for Implementing VDM

Value driven management involves the maximization of the long-term good of a company by understanding the value theory. The value theory states that what people value drives their actions. In other words, people are motivated by things that are significant to them.

This form of management takes into consideration the effect of business decisions on the organization and its stakeholders. With this in mind, it encourages the creation of value over time in order to help sustain the company. Creating such value over time requires an organization to pay attention to eight key value drivers.

Based on years of executive and consulting experience, Driscoll Dawn-Marie and Hoffman W. Michael believe that integrating Value Driven Management into an organization's culture requires a minimum time frame of three years and in some settings and industries may require more. Implementing Value Driven Management does not involve the use of smoke and mirrors, nor sleight of hand, but it does require a degree of commitment and effort that some organizations may find daunting. [9]

10 steps for implementing VDM have been developed by Driscoll and Hoffman [9]:

- **Self-assessment.** The organisation must assess its marketplace, competitiveness, customers, legal regulations, as well as analysing the organisations processes and identify risks and vulnerabilities facing the company.

- **Commitment from the top.** The support and commitment from the organisations’ senior levels of management is essential for any value initiative. Probably the most critical single step in developing a Value Driven Culture is long-term commitment from top management to its implementation throughout the organization, accompanied by a commitment to communicate its importance to the organization and all its constituents. The authors have developed an acronym to describe this process of commitment and communication: VMPP. A shared Vision, Mission, organizational Philosophy, and set of business Principles must be created that will support the development of a Value Driven Culture. [8, 81-108]

- **Codes of ethics.** Organisations should provide their ethics and values in written form and available for all employees, and be used as guidance for such. A code of conduct is intended to be a central guide and reference for users in support of day-to-day decision making. It is meant to clarify an organization's mission, values and principles, linking them with standards of professional conduct. As a reference, it can be used to locate relevant documents, services and other resources related to ethics within the organization. A code is an open disclosure of the way an organization operates. It provides visible guidelines for behaviour. A code is also a tool to encourage discussions of ethics and to improve how employees/members deal with the ethical dilemmas, prejudices and grey areas that are encountered in everyday work. Codes of conduct offer an invaluable opportunity for responsible organizations to create a positive public identity for themselves which can lead to a more supportive political and regulatory environment and an increased level of public confidence and trust among important constituencies and stakeholders. The written ethics code should contain
at least a sufficient level of guidance for employees and others who may read it. It should be drafted as carefully as an important letter to shareholders.

- **Communication.** An organisation’s communication should be concise, happen often, encourage dialogue and be in many forms. Communication is a very important step in implementing VDM. In order to communicate concisely when incidents occur, one must often use ethics codes. You also have to remember that communication involves dialogue, and one must always find the ways to make it happen. A good communication needs authenticity in order to increases the value-driven manager’s ability to actively listen, validate, and interact spontaneously as a member of a group. Improvisation fosters creative ability for the receiver enabling them to explore different possibilities and develop thought flexibility, essential elements for communicating and/or solving matters.

- **Training.** Employees should be trained on ethics, issues and values that relate to their work in order to make educated decisions. Few employees instinctively know how to make complex ethical decisions. Training sessions, that allow employees to exchange views about the importance of ethics and about the issues and values that specifically relate to their daily work, are critical. Helped by the training they have received and the reinforcement that the organization will stand behind them if they pursue the right course, most employees will do so. Without such training, even if their initial instinct is to act ethically, employees may wonder what the company would rather have them do. Training in values helps employees make the right choice when they are confronted with conflicting values, and honestly they don't know for sure what their decision should be. Because effective training includes an opportunity for disagreement, dialogue and debate, employees can develop the decision-making skills that require them to consider choices and evaluate the best course of action.

- **Resources.** Stakeholders must have access to assistance in different forms. When a question or a problem arises, employees, suppliers, customers and others, find the necessary resources through phone lines, websites, specific communication vehicles, or any another resources that they can access.

- **Organizational ownership.** Values and their meaning must be supported by continuous communication, discussion, and debate throughout all areas of the organisation. Values are the result of the interaction process between different stakeholders. Values belong to the company and they cannot be mandated.

- **Consistent standards and enforcement.** All employees must be aware and understand the organisational standards as well as the consequences of not following such, as consistency must always be the objective.

- **Audits and evaluations.** Programmes should be monitored and measured on a regular basis to aid success.

- **Revision and reform.** Implementing values into an organization requires more than a static model; it must be a living instrument. Programs must adapt to every circumstances and situations that change.

### Conclusions

VDM is an integrative model, multidimensional acting upon all organizational matters.

The implementation of VDM is quite difficult and time consuming because the company is a complex organizational system, open, self-generating, and changing all the time due to internal factors and socio-economic factors and legislation.

VDM helps people to change their mentality and think responsibly according to their own values, the values of the company and of the society as a whole.

The organizations that are implementing VDM will be more successful because within them there is an open communication, honest and clear among the employees, these ones having a different perception of human existence, of the employee condition and labor relations.

These individuals and companies are aware that they must implement VDM, to expand their knowledge and skills to cope with change and that are willing to work hard and to make decisions taking into account personal values, the values of the company and of the community they belong to, all will help to create added value for the organization and implicitly for their personal life.
References