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Create Value from Values

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This is a column about creating value. Like you, I spend a lot of my time thinking, writing and talking about value. But as I look at the crisis of confidence plaguing corporate America, I am forced to consider a deeper question? In our unending quest for value, do we have to compromise our values? What is the relationship between values and value? Indeed, what is the purpose of a business?

Of course, a business exists to create value for its customers and profits for its shareholders. But is profit the ultimate goal of a business? Does a business have a higher purpose? Can this higher purpose be reconciled with the profit motive? And can companies do well by doing good?

I teach at a business school, but I had never paused to ask those questions. Crises focus our attention on what really matters. The meltdown of the market and the waves of corporate accounting scandals have made us all think more deeply about what ails the world of business at large? Beyond the obvious hype and greed that brought down the dotcoms and telecoms.



Make Values Your Anchor

I have reached two inescapable conclusions. First, corporations must see themselves as living things that have a higher purpose than profit. And second, values are the foundation upon which the edifice of value creation must rest. To sail the stormy economic seas, corporations must make this higher purpose their compass, and values their anchor. If they do, then profits will inevitably follow through motivated employees, satisfied customers and committed partners.

I base my assertions on the emerging evolutionary view of business. This view sees business as a living entity that evolves toward higher levels of consciousness, and not as a machine engineered to maximize productivity and profits. Arie De Geus, the author of *The Living Company: Habits for Survival in a Turbulent Business Environment*, argues that companies die because they concentrate on the physical aspect of their being, and ignore their emotional, mental and spiritual needs. In his insightful book *Liberating the Corporate Soul: Building a Visionary Organization*, Richard Barrett draws a parallel between the evolution of individual consciousness as the unfolding of human potential, and the evolution of a business as the unfolding of its physical, mental, emotional and spiritual potential. Barrett says an

evolved business balances self-interest with the common good. It is deeply conscious of its connections to its stakeholders, its community and the environment.

The evolutionary view emphasizes that the purpose of a business is more than profit. According to my friend, author Deepak Chopra, "A business must fulfill the needs of the human spirit. These include survival, safety, play, celebration, love, belongingness, self-esteem and self-actualization. It must also nurture the ecosystem. If it does so, the creation of wealth and profit will be a natural byproduct." Enlightened leaders echo this thought. George Merck, the cofounder of Merck, believed that his company "tries never to forget that medicine is for the people. It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear." The same idea is found in Lord Krishna's advice to Arjuna in the Bhagavad Gita, "You have a right to perform your prescribed duty, but you are not entitled to the fruits of your actions."

Common Good, Corporate Gains

What does an evolved business look like?

- It defines its purpose in terms that embrace the common good. Founders of respected corporations have often seen the corporate mission in those terms. Consider the famous statement of Bill Hewlett and Dave Packard, the founders of Hewlett-Packard. According to them, "HP exists to invent the useful and significant." Useful, they believed, in that their contributions would free customers to focus on what matters most to them. Significant in that they intended not only to make a profit but to make a difference. Of course, these lofty purposes are difficult to sustain through difficult times and when founders retire. However, striving imperfectly toward a higher purpose is far better than not having a higher purpose at all.
- It measures its performance in dimensions beyond revenue and profit. It measures its relational performance (the quality of its employee, customer and partner relationships), its mental performance (its ability to learn and innovate), its cultural performance (the alignment of organizational values with individual values) and its community performance (its contribution to social and environmental causes).
- Its corporate values reflect the collective values of all employees and are aligned with individual values. Its relationships with employees, customers and partners reflect respect and human dignity. Even when layoffs are inevitable, people are treated with respect, and leaders share in making economic sacrifices. An entrepreneur who had to make several rounds of layoffs told me a simple rule he followed?everyone should leave with their heads held high and their dignity intact.
- Its leaders harness the emotions and spirit of every individual toward a common purpose everyone understands. They focus on "becoming," not "doing." Jim Collins, in his book *Good to Great: Why Some Companies Make the Leap...and Others Don't*, calls such leaders Level 5 leaders. They are humble and team-centered, not egotistical and self-centered.
- It is authentic in its values and its commitment to social responsibility. It does not see values as a slogan or a public relations exercise. Rather, its contributions to its community and society are founded on the belief that a business must nurture the ecosystem that sustains it, and what is good for society is good for the company. Many businesses espouse lofty values. But few are able to enact them. For that matter, I've noticed that espoused values are rarely enacted. And enacted values are rarely espoused as slogans.

The higher purpose of business is not a luxury. At the least, it is an insurance against disaster. And at its best, it is a strong motivating force that inspires employees to go beyond the call of duty. Business leaders will do well to realize that what you stand for is as important as what you sell. In the words of Tom Chappell, the cofounder of Tom's of Maine, "something in us wants to endure beyond retained earnings. That something is our soul." Businesses that discover and nurture their souls will find that there is not only life beyond profits, but that profits come naturally to businesses that seek a higher purpose.

I remember a motivational speaker who saw a Freudian slip on a sign at the reception desk of a major

corporation. The sign said, "Please leave your values at the desk. Management is not responsible for losses." Maybe if companies encouraged us to take our values to work, the workplace would be less profane. And if business leaders put people before profits and values before value, we would have fewer Enrons. I applaud laws that punish greed by throwing crooked executives in jail. But attacking greed addresses only the symptoms of the cancer that is eating away at corporate America. To attack the cause, we need to heal the corporate soul.

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