



ACE

Allied Consultants Europe

In the End Values will Beat Strategy!

European Value Driven Organisation
Survey 2007

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1. THE RISE OF THE VALUES-DRIVEN ORGANISATION

In Europe and in the US, organisational values is an issue that has recently risen up the corporate agenda. Values have always mattered, and if anything they will become more important. Why?

People, customers and employees, and society at large only want to be engaged with companies who share similar values. So these days to be successful, organisation values need to meet not only shareholder and employees' expectations, but the society at large too. Organisational values need to meet society's expectations with regard to environmental stewardship and social responsibility. Failure to support society's values may have a very significant impact on financial performance. Organisational values need to meet the needs of the new breed of shareholders that mainly invest in companies that meet socially responsible investment criteria; and compete to be the best companies to work for. To retain the best people, the organisational values also need to meet the needs of existing employees and support them in finding personal work fulfilment. To attract the best people, the organisational values need to meet the needs of potential new employees.

Peter Blom, general director of Triodos Bank, founded in 1980, based in the Netherlands, believes that the number of people that are attracted by companies with values similar to their own is growing. *"What's different today is that people seek services and products that have the same values in the same way as they have. People notice that Triodos Bank is not just a business, but that we have a goal, which is to help society, but at the same time, we still manage to run it as a business. We are transparent about the choices we make; we show what we do with their money and demonstrate social responsibility. And we've noticed that the group of people attracted by these values is definitely growing,"* says Blom.

"Organisational values appear more important today than at any other time in history because the personal and societal contexts within which a business operates are changing. Who you are as an organisation and what you stand for is becoming just as important as what you sell. US studies indicate that 21st century corporations will build their adaptability and competitive advantage by nurturing and exploiting their creativity and innovation capacity," says ACE Director Nille Skalts. So last year, ACE carried out a survey to find out exactly how values contribute to the success of European organisations. *"The aim of the 2006 ACE study was to further the search for the characteristics of successful European organisations and to evaluate if and how values contribute to the success of organisations,"* says Nille Skalts. And the results reveal that two-thirds of European organisations believe that not only are values important to organisations, but being values-driven is responsible for their success. In fact, the successful companies that took part in ACE's 2006 survey on the Values-Driven Organisation in Europe attribute their success to living and breathing their values.

What do we mean by Values-Driven organisation? A values-driven organisation is defined as an organisation that uses its values to drive decision-making so that it is consciously creating the future it wants to experience and provides a consistent ethical basis for decision-making. The value-driven organisation is about strategy, employee fulfilment and leadership development. The key to values-driven organisation is linking the individual drives to the corporate soul. In other words, making your employees ambassadors of your values.

Companies have had values for years. This survey demonstrates that what's different now is that these values must be lived by its leaders and employees, and communicated effectively to the outside world. Values are integral to success, and companies now more than ever are going out of their way to ensure that their employees and leaders not only live by them, but are recognised externally. Ericsson is a case in point. *“Ericsson has regularly worked to clarify its vision, mission and values ever since I joined the company 22 years ago,”* says Birgitta Hiller, HR Head Operations, Ericsson, Stockholm Sweden. Recently, CEO, Carl Henrik Svanberg initiated a programme to further define the culture needed to succeed in the telecom business. This programme came to be called, ‘Our Ways of Working’ policy which was launched in 2004. Birgitta Hiller attributes the firm’s success to being values-driven values. *“Our employees are asked to make an active choice to join our company with the approach we define in ‘Our Ways of Working’. This should not be mistaken for the soft issues of management. For Ericsson, this is the hardware – it does not get more clearly definable than this.”*

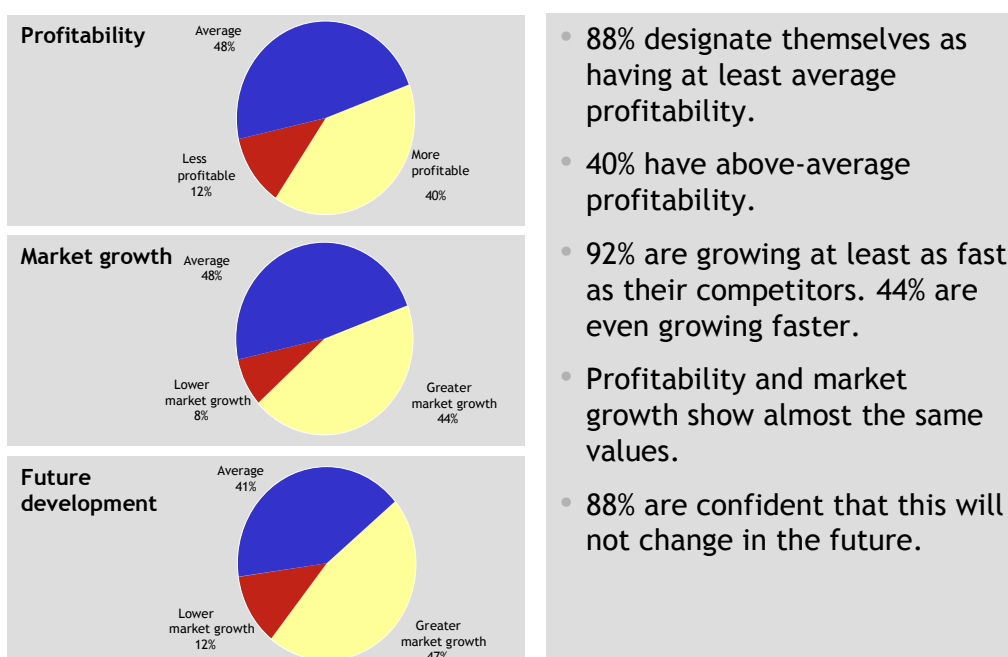
For companies like Ericsson, being values-driven makes them more customer oriented – and ultimately more successful. And yes, by that we mean more profitable! Most European organisations, which took part in the study currently enjoy above-average performance in their markets. More than 88% designate themselves as having at least average profitability. Approximately 40% have above-average profitability; 92% are growing at least as fast as their competitors. And 44% are even growing faster. The one common factor that these companies attribute their success to is “being values-driven”.

Want to know more about the survey back grounds and the secrets of the successful? Then read on...

2. SURVEY BACKGROUND

The survey attracted tremendous response. In total, 550 European organisations, across all industry sectors and from both the public and private sectors in nine European countries representing the ACE European Network took part in the survey. Almost 75% of these organisations of all sizes have been in business for more than 30 years.

The goal of the survey was to determine the factors for success of successful companies and assess the contribution of values to this success of the companies. The participating organisations defined their own success according to several parameters – profitability, market growth, future development.



The hypotheses of the survey that was covered in the 2006 ACE Study

1. Successful organisations have strong value-driven cultures and their core values drive their ability to be able to achieve high performance.
2. The core values have a logic and natural appearance in all management areas.
3. Successful organisations have an implicit strength in being able to take advantage of environmental and market changes.
4. Clients have a participative role in defining strategy, products, innovation and results in successful organisations.
5. The essence of a value-driven organisation is to link the individual drives to the corporate soul.

Questions asked:

- Do values create an additional value in the company?
- What is success? Does the concept encompass only economic success or also aspects, such as innovation, quality, customer, and employee satisfaction?
- How does performance arise in successful companies? What are the possible levers for this? What do you see as value drivers in companies today?
- What are the fundamental values of successful companies?
- How do values manifest themselves in companies today?
- How will values develop in the coming years?

Definition of Core values:

'Core values are defined as deeply held believes, which indicate the ideal or expectations of how everyone in the organisation behaves.'

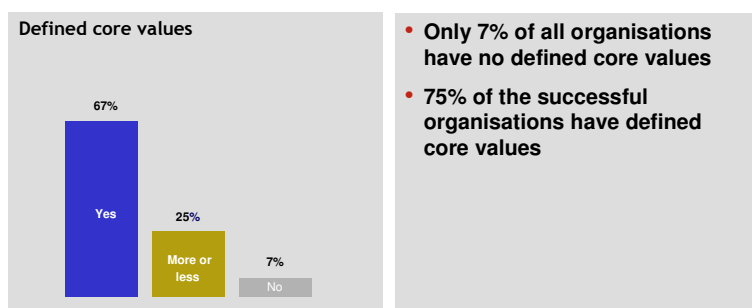
(ACE 2006)

3. WHY VALUES MATTER

Values do matter because they contribute to the success of an organisation and, ultimately, the bottom-line. This was a key message echoed by nearly all of the survey participants.

We have selected 7 key findings:

1. Almost all organisations have core values, but there is not much variation in the values that organisations select



55 basic values were identified, and divided into six groupings. The six groups comprised in order of significance:

1. Customer relations
2. Market position
3. Business process
4. Culture
5. Environment
6. Employees

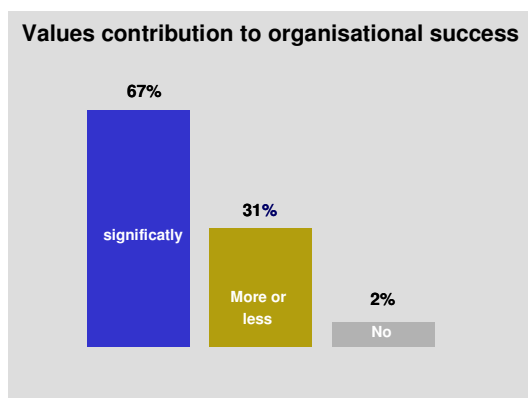
- Employee satisfaction and credibility play a considerably greater role in successful organizations
- Innovation play a considerable greater role in less successful organizations

Core values	Successful organisations	Less successful organisations
Customer orientation	35%	38%
Quality	32%	41%
Innovation	28%	43%
Employee satisfaction	20%	5%
Internal transparency	20%	29%
Collaboration	19%	10%
Social involvement	20%	10%
Credibility	15%	3%
Professionalism	14%	17%
Customer satisfaction	14%	19%

Nearly all the survey respondents had values, and most of these values generally fall in the same categories. So there's not much variation in the values, but successful organisations tend to focus on employee satisfaction and credibility-related values and less successful organisations on values related to innovation.

2. 70% say values contribute significantly to success!

- 67% organizations state values contribute significantly to a great extent
- Services (76%), Industry (61%) and government (48%) believe the values contribute to success
- Smaller organizations perceive the contribution of values more firmly
- Only 2% of all organizations state values do not contribute to success



3. Leadership is the most significant success factor in making values work for your organisation

In 59% of the successful companies, the core values can be seen to a large extent in the leadership style. Leading by example is essential if employees are to follow and become the values ambassadors for your organisation.

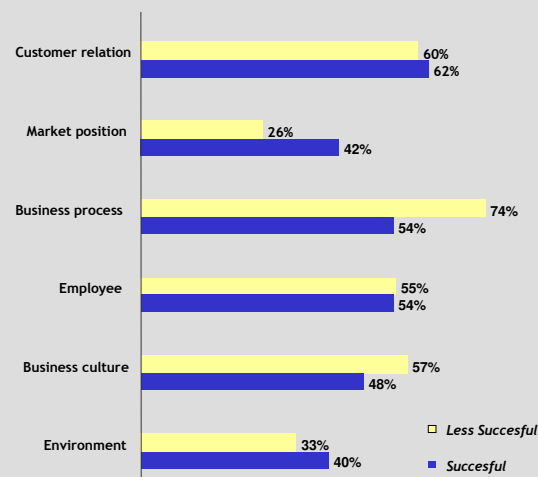


4. Successful organisations tend to have values that are both externally and internally oriented

- Successful organisations value market position and environment more.
- Focus on external values = more success.
- Less successful organisation value business process and culture more.
- Focus on just internal values = less success.

In other words, successful organisations focus both on internal and external values.

The 55 basic values distributed into 6 value groups are compared here by organisational succes.

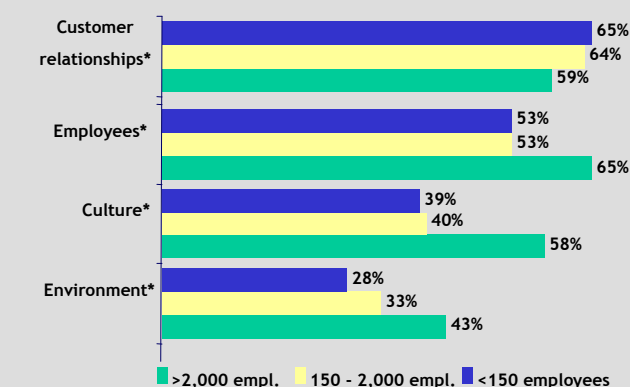


- All value the customer and employee
- Successful organisations value market position and environment more
- Less successful organisations value business process and business culture more

5. Buy from small companies, work for large. Why?

- 65% of companies with less than 2,000 employees focus their basic values on the relationship to their customers.
- Larger companies concentrate more strongly on employee satisfaction and culture.

The 55 core values distributed into 6 value groups show differences by company size.

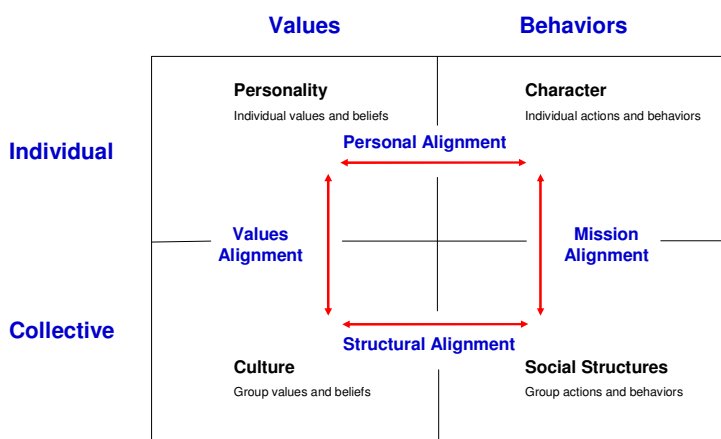
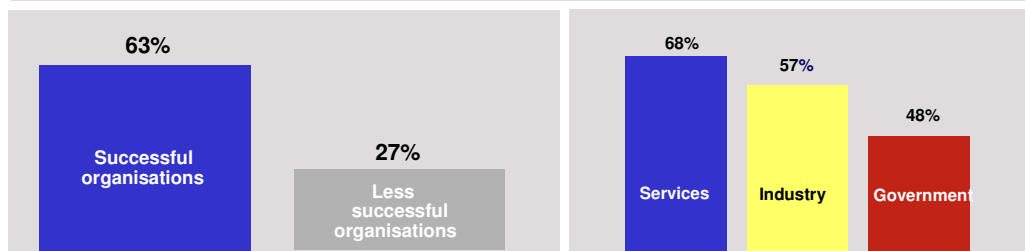


- 65% of companies with less than 2,000 employees focus their basic values on the relationship to their customers
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6. Successful organisations live their core values

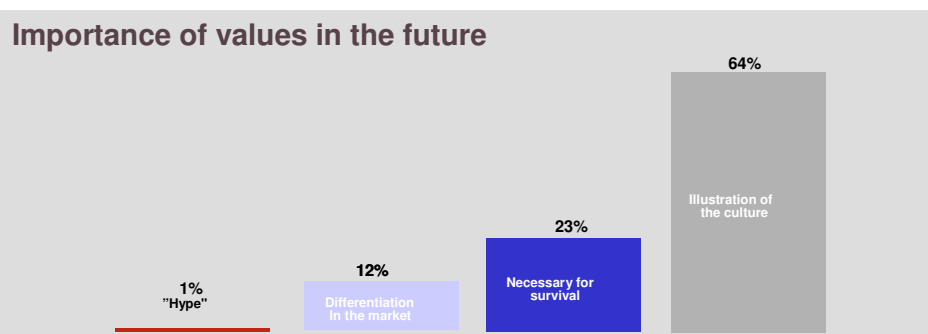
Most of the values that European companies select generally fall in the same categories. So there's not much variation in the values - what really matters is how they are lived in the organisation – meaning how the values are linked to the organisations vision and mission, inherent in all social structures and enacted through the employees' daily behaviour.

Employees who act according to the core values



7. Two-thirds of European organisations believe that values will increase in importance.

- Only 1% of all companies call values a hype
- 23% thinks values are necessary for survival
- 64% thinks values will illustrate culture



MAIN CONCLUSIONS

- Simply having values is not enough.
- What really matters is how values are lived in the organisation. In other words, how well leaders communicate the values, live them and lead by example, in

order to motivate other employees to live and breathe those values too, matter. So leadership makes a difference.

- When everyone is living and breathing the values that will be reflected externally through customer service.
- The employees ultimately drive the values-driven organisation.

4. SECRETS OF THE SUCCESSFUL

So exactly what are the secrets of the successful? How do they get their employees to live and breathe the company's values, and how much difference does it make to the company's balance sheets?

1. Values are only successful if they are driving the organisation

There is a difference between simply having and living values. That difference is reflected in an organisation's performance.

Take the one of Denmark's largest Trade Union and Interest Organisation. Both the CEO and the HR Advisor believe that there is a very strong link between the values orientation of the organisation and the performance of the organisation. *"... is the only union that has been growing consecutively over the past 5 years, currently presenting a +4-5 % growth rate. So performance in terms of pure financial indicators is excellent. Employee satisfaction is also high and employee turnover is very low. Being value driven is a part of our DNA – we cannot work if we are not value drive. It is our underlying guiding tool, our steering wheel,"* says the CEO.

2. Living values through leadership and management policies brings real success

In successful companies values are a way of life and fully integrated in all aspects of management. And leadership is the most significant success factor in making values work for your organisation.

Ericsson is a case in point. *"Ericsson has communicated our core values for many years, both internally and externally,"* says Birgitta Hiller, HR Head Operations, Ericsson, Stockholm Sweden. *"These are: Professionalism, Respect and Perseverance. Ericsson has regularly worked to clarify its vision, mission and values ever since I joined the company 22 years ago. Recently, current CEO, Carl Henrik Svanberg initiated a programme to further define the culture needed to succeed in the telecom business. This programme came to be called, 'Our Ways of Working' policy which was launched in 2004."* She attributes work on values to the firm's success. *But not only that, the fact that CEO Carl Henrik Svanberg is the key driver of values, who motivates the employees to do the same, helps."*

3. Have external and internal values

Successful companies have both external values towards the customers and internal values towards the employees. In successful companies values are visible to the outside world. Focus on external values = more success.

A European pharmaceutical company participating in the study does a great job of this. *"Making the external environment recognise our values is the key driver for future success. What matters the most in our market are relations, and relations are characterised heavily by our culture, values and behaviour. Our partners judge how trustworthy, dedicated and collaboration-oriented we are. We cannot win without our values. This call for a further focus on communicating internally that values are not just*

an 'HR thing'. Of course we have to be 'god company', but we are not ashamed to say, that it is also about making money," says the CEO of the Nordic region. Both the CEO and the HR Director believe that there is a clear relation between the values-driven approach and the performance of the company – and this relation will increase even further in the future – *"Performance in terms of pure financial indicators is excellent – our growth is +16% per annum on a market with an average growth rate of 5,4% and this is 4-5% higher than the forecast. The profit side is excellent too. We're +10% over target."*

4. People are the ambassadors of values

There's a direct link between success and customer and employee satisfaction. In successful organisations customers perceive the values through the behaviour of employees. Customers perceive value through the behaviour of employees. Employees make the difference. Connecting individual drive and energy to the corporate soul = success.

The CEO of a European telecom firm employing some 12,000-plus employees believes there's a strong link between its values-driven culture and the performance of the company – especially in what is a declining market. *"The company saw a +16,4 % growth last year in revenue (reflecting acquisition of new operations). And profit was up 13,2%. The only differentiating factor in the market is 'employees' and the way they support the organisation. So we must constantly be 'walking the talk' - and we have systems to measure compliance with the values. If you don't live the core values – you'll be taken in for a first talk, and the second time you're fired!"* says the CEO.

5. THE WAY FORWARD

In the end values will beat strategy. Values is what will make your company more customer oriented – and ultimately, more successful. It's not a hype. Values do matter and will increasingly matter more and more in the future. **Why?** They are the untapped potential for improvement. They will not only help to tap into potential, attract and retain the best talent, but help tap into innovation, and ultimately, boost performance. In short, values are essential for future success, because they will provide that competitive edge to be successful in the future.

How? It all starts with managers assuming the role of leader. Start the process of redefining your own context specific core values. Look for a good balance in internal en external oriented values. Integrate those values in all your corporate policies. And finally show your people how to live the core values in the daily activities.

Common questions that the ACE network is currently helping companies grapple with include:

- How do organisations make core values come alive?
- How does the external environment recognise core values?
- What role do leaders play in this process?
- How can values make our organisation more employee and customer friendly?

What organisations are realising is that, who you are – the way that you're recognised by customers, employees, community all stakeholders - is just as important as what you sell. So successful company values should be a way of life and fully integrated in all aspects of management. Values in action bring customer satisfaction, because values are not just recognised internally, but externally, by the outside world too.

Are your values working for your organisation? There's a simple way to find out – just ask yourself the following questions:

- Does your organisation have values?
- Do you know them?
- Do your employees?
- Can your customers feel or recognise them too?

If you are unable to answer one or more of these questions, then it's time your organisation asked some soul-searching questions. Unless you re-evaluate your approach to values, your organisation may be heading for trouble, because it could mean the difference between being successful and profitable, or not.

ABOUT ACE

Allied Consultants Europe (ACE) is a European strategic partnership of change management consultancies who have been working together since 1992. With partners in The Czech Republic, Denmark, England, France, Italy, Germany, Sweden, the Netherlands and Switzerland, ACE has built a strong European profile. Through the local ACE partners, customers gain access to a common European platform with unique know-how about local and European conditions.

With a rare combination of local presence and international vision, ACE has a proven track record of change management through people. ACE focuses on the major dilemmas and challenges faced by clients - which invariably have to do with planning and implementing complex change processes, across borders. As specialists with a strong people focus, ACE consultants work closely with clients to involve the whole organisation in the change process. ACE consultants guide companies effectively throughout implementation and obtain sustainable results.

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