INFLUENCE OF CORPORATE VALUES IN FORMULATING STRATEGIES FOR BUSINESS ADVANTAGE

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ABSTRACT

Values are concepts which take firm roots in culture. Personal values are derivates of advices, our way of nurture, our nature and the beliefs we pick up during our journey. So are the corporate values. The values cover the essence of running a corporate and define its very existence. If making money were the sole purpose of all what business is meant to be, then we end up in a society which lacks ethos. Our corporate and business houses are run with a set of values, which govern their thought process, define their core purpose and which creates a sense of accomplishment. Value comes from self respect and gets fuelled and etched upon by the respect the person deserves and receives from others around her. When the business entity increases its value in the minds of society in large and shareholders in particular, what we see is the proper guard ship of its corporate values; its subliminal existence in guiding through strategy formulation and finalization.

This paper examines the influence of corporate values the organizations follow and its influence in moderating the strategy formulation for business advantage, influence of values in helping the organization to stick on to an ethical business behavior and ensuring organization’s sustainability.

Keywords: Influence, Corporate values, vision, mission, Strategies, Business advantage.

CORPORATE VALUES

Values are the belief systems, the culture and a way of conduct. Corporate values are the principles preached and practiced in any business organization, across levels, hierarchy and stature so as to generate a uniform feeling and create a culture. The corporate values define the corporate culture, generate emotional energy, and provide a compelling force and a sense of direction and self check. When the organization is considered as a business entity
(legally and spiritually), the ideals it hold represent the culture of that organization. The entities associated with such an organization are also bound to have such values and should be able to imbibe and exhibit those values in practice. In an ideal scenario, the individual values and the organizational values get aligned and follow the ‘Adwaita’ (non dualism) principle. The dream that energizes a company is often something more sophisticated and more positive than a simple been-there-done-that attitude. When perceived and lived in its deeper sense as the ideals, which nurture our higher and nobler nature, values become the foundation of our sustainable growth and wellness (Srinivasan, 2010)

CORPORATE VALUES IN SHAPING THE VISION, MISSION AND STRATEGY

Just as social values shape the behavior through customs, mores, socialization in the family, in organizations, institutionalized values shape mission, goals, vision, policies, style of management, practices and so forth. (Khandewal and Mohendra, 2010). As Steve Arneson (2011) elucidates, vision is the ‘why’, mission is the ‘what’ and strategy is the ‘how’. Vision statement generally explains the core purpose of the existence of the organization; it addresses the reason behind establishing, running and sustaining such an organization. Mission is about what the organization tries to achieve, what does the organization focus on. Strategy is how to carry out a course of action so as to achieve its mission objective and hence come closer in realizing the vision. A typical organization starts by establishing its vision, crafts the mission statement(s) and finally develops strategy to get there. On creating all of the above statements or plans, the guiding principle is the value - the value system followed by the founder, the values which are evolved over time and the values which bring in a sense of ownership. Values play a silent but strong influential role in shaping the vision, crafting the mission and helps in validating the strategies evolved.

STRATEGY AND INFLUENCING FACTORS

The term strategy is probably the mostly used (often clichéd) term in business discussions. It is a tacit knowledge which all of us know but unable to express what exactly it means, and worse, fails to imbibe it in its entirety when it comes to strategic planning and management. Strategy is that term which deals about how the business needs to achieve its vision and mission. Strategy with respect to a business organization has three main stages (David, 1986) – Strategy Formulation, Strategy Implementation and Strategy Management. The strategy development process is a ‘black box’ that produces a strategy to be implemented using strategy maps and balanced score cards. The strategy of any organization would draw its roots from the culture and value system of that organization and hence the importance of having strong corporate values. There are organizations which formulate and implement strategy - often flexible and customizable ones – which are altered to suit the demands of the situations. Such tactics are mistaken as strategies and are myopic; such plans do not sustain and it is unhealthy for a business organization to have a constantly changing strategy. Organizations planning strategy without a strong value backed system would often be shortsighted and end up in a deadlock, only to travel back most of the path already trodden. While a lack of vision and mission does not help in charting out clear strategy, the lack of corporate values does not help in making out a strategy with a clear organizational conscience.
Strategy Architects (Prahalad and Hamel, 2002) create strategies for an organization by formulating a strategy architecture suiting the business. Strategic Architecture is basically a high level blue print for the development of new functionalities, the acquisition of new competencies or the migration of existing competencies and the reconfiguring of the interface with customers. What the organization strives to achieve by way of such strategic architecture depends on the vision and the core values of the organization. Strategic intent conveys a sense of direction for the business, double checking its alignment with its core values. If Strategic Architecture is the brain of the organization, the Strategic Intent is the heart.

VALUES AND STRATEGY

As Mintzberg (2006) explains, Strategy is a plan, a ploy, a pattern, a position and a perspective.

Strategy is most commonly explained as a plan of action. While there is no denying of the fact that it is so, the truth is plan is only one of the dimensions of strategy. Corporate values provide a track and template for the organization to develop this plan. Values define which of the different plans is closer to the organization conscience; which plan sticks on to the culture; which plan represents the general individuality of the organization. Strategy as a ploy is generally used to maneuver and outwit the competitor. If the ploy works out individually, they might eventually run into trouble, as most ploys would go to any extend to underplay the opponent. But with values as a guiding force inscribed in the strategic architect, it provides a picture of what is an intelligent step to follow and would be beneficial in the long run.

Strategy is enabling to identify and establish a pattern. A pattern forms by consistency in behavior, and the value system which is in place reminds one constantly about the importance of staying in picture so that consistency is not discarded. Clearly defined values streamline this consistency in the organization’s behavior over a long time. Such organization show much better credibility and thus increases its significance.

Strategy is positioning which speaks about locating an organization in an environment. As Porter (1996) noted that [strategy]… is the creation of a unique and valuable position, involving a different set of activities. Values helps in making an organization visible by its unique execution of strategy. When strategies are rooted in strong values, there will seldom be a shift in the position which an organization occupies.

Strategy is a perspective; and perspective is all about corporate values. Values tailor the viewpoint of an individual who is associated with the organization. Strategy is a perspective shared by members of an organization, through their intentions and actions. Perspective is created by collective minds; by thought and action, which are interlinked together by an invisible chord called corporate values.

Values can hugely influence the organization, which could be summed up in the following 4 ways:

Values for Sustainability:
Organizations are not built and developed to see through until the life time of the founder; organization is a separate entity and the life of organization continues after generations. This is sustainability and not mere existence. An organization can sustain in the future only if it has its feet firmly fixed on the ground, while reaching out for the stars; which essentially means, preserving its core values and purpose while adapting to changes and driving
innovation. Here values helps in drawing out a sustainable strategy for the organization which enables the organization to diversify, enter into new business or geographies, make advancements etc, while not diluting the values – in spirit. Most companies believe values influence two important strategic areas – relationship and reputation – but do not see the direct link to growth (Van Lee et. al., 2005)

**Values for Credibility:**
An organization’s worth is judged not by the net wealth or assets it possesses, but mainly by the character it exhibits. Values help in building this character. Just like a person is judged by her behavior, an organization is judged by its plan of action, which is the strategy it adopts in addressing a particular situation. The organization applies its brain and heart in making a decision, of which the values makes up the heart of the organization, or organizational conscience.

**Values for Differentiation:**
Differentiation is one of the ways to achieve competitive advantage (Porter, 1985). A firm’s position in industry (market share) determines its brand value, credibility and growth prospects of the organization. To ultimately have the organization sustained and to enhance its credibility, the market needs to differentiate the organization for its competitors in the industry. An organization’s value can be equated to an individual’s personality such that no two organizations have the same culture shaped by its values. When the strategy of two firms is equally good, what makes them great is the guiding principle.

**Values for Focus:**
As the classic example goes, when Alice reached the fork and wondered which way to go the Cheshire cat comments, if there is no aim taking any route makes no difference. Values reflect to show an organization if they are taking the right part to achieve its mission and vision, while charting out the strategy or not. Values enables the organization to stay on focus, and more importantly ensures that all employees are in the same page when it comes to the ‘why’, ‘what’ and ‘how’ of adapting and implementing a particular strategy. Values enable the organization to make a choice over various options which closely links with its core purpose.

**POSITIONING ‘VALUE’ IN STRATEGY FINALIZATION**

Values play a subliminal role in the minds of strategy architects. The corporate values which are shared and imbibed hover around any business discussion tables and conference rooms, which are too huge to be ignored, but too idealistic to be complied. The business strategies developed in the executive board meetings gets validated with respect to the corporate values, because the corporate values is etched in the organizational sub consciousness and cannot be reworked on. The strategies being formulated will be weighed upon based on its impact on values. There are no right set of core values for being a visionary company (Colins and Porras, 2004).
Strategy Finalization Process:

For any objective the strategy is formulated taking into consideration various factors. From a high level perspective these factors can be compartmentalized into external factors and internal factors. The external factors addresses how the external environment affects or influences in formulating a strategy; its weighs the opportunities and threats at the external environment by leveraging the opportunities at the maximum while minimizing or avoiding the threats. Strategy formulation is also influenced by the internal factors – the strengths and weaknesses present within the organization. A crude strategy is thus formulated, which is majorly a result of brainstorming and random thought process, which is refined by basic steps so as to suit the circumstance and the core competency. Fig 1.1 sums up the strategy finalization process, which takes the input from the thus formulated crude or moderately refined strategy. A strategy is audit is conducted, and this is where the corporate values influence the strategy formulation. The corporate values are spread out and the strategies which are thus formulated are carefully investigated to check if it violates any of the corporate values of the firm. As the business leaders breathe the corporate values, chances of the formulated and refined strategy to violate the corporate values vehemently are grim. However violating any of the corporate values for the implementation of strategy can have long lasting adverse effect and the organization might lose its credibility and effectively the brand value. The corporate values helps in streamlining the formulated strategy and cutting down those extra fats so as to fit the organization.

Another influencing factor is the culture – it could be the organization culture or the culture where the strategy is going to be implemented. …multinationals could deliver better strategy that applies globally to each of the global subsidiaries by embedding ethos of the regional markets in the strategy formulation (Raghupathy, 2009). When such strategies thus formulated get moderated by evaluating them against the corporate values and cultures, the resultant is the strategy finalization. As Lloyd (2010) conveys, we need to foster greater respect for others, particularly those who have views or reflect values that we do not agree with. This requires us to develop our capacity to have constructive conversations about the issues that divide us and that of itself, would go a long way to ensure that we improve the quality of our [strategic] decision making for the benefit of all in the long term.
CONCLUSION

The corporate values are the eternal guiding lights of any organization, which is too huge to be missed and too important to be ignored. Values are present in the organization for a purpose and trimming down the strategy of the organization to fit the value system is one of them. Organizations ignoring the values to create a strategy for business advantage, may find immediate gains, however loses its credibility and sustainability in the long run. Visionary organization have clearly communicated and meticulously followed values, which lasts and enjoys benefits in the long run.

REFERENCES