The value of values —
how to attract and retain productive employees with strategic values-focused management

The battle for talent is only going to get tougher over the next few years. One of the best ways to attract the right talent is to show your true colours — the values that anchor your business. The use of a values-focused scorecard can be a helpful guide

By David Crawford, CMA, and Todd Scaletta, CMA

Every organization (profit or not-for-profit) needs employees who want to work for it; customers who require its products or services; suppliers who want to supply to it and investors/sponsors who want to invest in it. While this sounds like the most basic of goals, actually creating that bond takes effort and planning.

David Morgan, CEO of Westpac, an Australian financial services provider, understands how critical this connection is to his business. "By creating a place where people want to work, we have improved employee retention and we are better able to attract quality staff — a critical issue for a service business facing profound demographic changes and a shrinking workforce in the coming decades," he notes. "Motivated employees strongly and positively influence customer satisfaction. Customers feel good about doing business with a responsible and ethical institution. And the community lends its support to companies playing a positive local role."

The war to attract and retain the *right* talent is intense — newspapers regularly report on the shortage of workers. The intensity will only increase when the economy faces the "tipping point" of 2010 when more individuals will be leaving the workforce than entering it. Progressive organizations recognize this critical juncture and are preparing now to ensure they understand the values and expectations of the new workforce.

It is important to note that the terms value and values have different meanings. Value, outside of its monetary definition, also defines a principle, standard, or quality that is considered worthwhile. In contrast values are commonly described as a person's beliefs, or the beliefs of a group in which individuals have an emotional investment. In the context of this article value can be described as the most important attributes of how people conduct their work, whereas values can be described as decision-making criteria used by individuals to decide whether or not to work for an employer. Interestingly both values and valuable workplace attributes remain largely unmanaged, despite their obvious importance

This article will focus on how to engage employees through the use of a values-focused scorecard. This scorecard isn't meant to replace existing scorecards or be a definitive, stand-alone scorecard; it is simply an example of how some measures can be used to strategically align both values and valuable attributes in the workplace to atttract and retain productive employees.

Table 1: Best companies to work for

	Canadian companies	U.S. companies
1.	Dofasco Inc.	Genentech
2.	Ernest & Young LLP	Wegmans
3.	General Dynamics Canada, Ltd.	Valero Energy
4.	The Great Little Box Company Ltd.	Griffin Hospital
5.	L'Oreal Canada Inc.	W.L. Gore
6.	North Altantic Refining Ltd.	Container Store
7.	PCL Constructors Inc.	Vision Service Plan
8.	Pfizer Global Pharmaceutical (Canada)	J.M. Smucker
9.	Suncor Energy Inc.	REI
10.	Vancouver City Savings Credit Union	S.C. Johnson & Son

Best companies to work for

Table 1 lists the Top 10 companies to work for in Canada, as compiled by Mediacorp Canada Inc., and in the U.S., as determined by *Fortune* magazine.

Besides being the best companies to work for, these organizations share another enviable attribute — consistent, superior financial performance compared to competitors.

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Mediacorp grades organizations in eight areas, including the physical workplace, work and social atmosphere, and health, financial and family benefits. *Fortune* rates U.S. companies based on benefits, pay, turnover, status of women and minorities in the organization, as well as job growth.

Studies have shown that the cost to hire, train, develop and integrate a new manager can be $50,000. Reducing turnover and being an employer of choice reduces the costs to hire and retain the right employees.

In the shadow of a shrinking labour pool, employers still have time to credibly address the liability of a values deficit, or leverage their values surplus in the next decade.

The Company Value Iceberg

To use a nautical comparison, organizational leaders are in a similar position as ship captains because they each have two navigational choices to avoid known and unknown hazards. Captains can use tools such as sonar and radar to look below and above the surface. Leaders can use scorecards and other financial and non-financial tools that combine leading and lagging indicators. Alternatively, captains and leaders can ignore these tools, choose destinations and hope they don't hit anything that will cause them to sink.

Most organizations manage approximately 30% of the factors that employees and other stakeholders find valuable through traditional methods. The other 70% of the unman-

Table 2 — What workplace values are important

Workplace values	Employer ranking	Employee ranking
Highest quality product or service	1	2
Ethics and honesty	2	5
Discrimination free workplace	3	3
Long-term organizational survival	4	4
Fairness	5	6
Good public image	6	1
Rewarding a job well done	7	8
Diversity	8	7

aged factors are mostly intangible and non-financial factors, such as values. Bob Willard author of the *The Next Sustainability Wave* describes this 30/70 split as the *Company Value Iceberg*, because the largest portions of icebergs remain below the surface, thus one can only see 30% of their actual mass.

Table 3 — Workplace values perception gap

Workplace values	Employer belief	Employee perception	Gap
Highest quality product or service	81%	50%	31%
Ethics and honesty	75%	51%	24%
Discrimination free workplace	79%	55%	24%
Long-term organizational survival	73%	50%	23%
Fairness	65%	38%	23%
Good public image	65%	53%	12%
Rewarding a job well done	52%	31%	21%
Diversity	42%	30%	12%

Correspondingly, the 70% of the traditionally unmanaged factors, which contain many elements of an organization's future success, also remain invisible in most organizations.

Dr. Linda Duxbury, a professor at Carleton University's Sprott School of Business, echoes this iceberg comparison. "Companies like to talk about values but manage the bottom line. We're starting to learn that these values actually improve the bottom line, so companies that sit on the sidelines during this shift are not going to be around." The important question employers must answer is, to attract and retain productive employees, which values matter most to employees?

Important workplace values

In 2003, the MK Level Playing Field Institute in collaboration with the Center for Survey Research at the University of Connecticut surveyed U.S. employees and employers about their most important workplace values. The results (shown in Tables 2 and 3) are surprising because they reveal differences between how employers and employees ranked the most important values.

Two notable differences are (i) the importance of a good public image from an employer (ranked #6) versus employee (ranked #1) perspective and (ii) how ethics and honesty were rated by the employer (ranked #2) and employees (ranked #5). However, the second part of the survey was very revealing with regards to the "perception gap."

The second part of the survey asked employers on a scale from "10 — Extremely important to 0 — Not important at all" how important each of the workplace values were to the organization. The percentage shown in Table 3 shows the percentage of employers that rated the workplace value as "10 - Extremely important." Employees were also asked their perception on how well their employers were doing with regards to each workplace value. Table 3 displays the percentage of employees who felt their employers were doing a very good job in meeting these values.

The significant (i.e. greater than 20% for a value) perception gaps among six of the top eight workplace values should be of concern to employers as these gaps are leading indicators and mostly non-financial with regards to future success (or lack thereof).

Are values valuable?

People generally agree that values are both relevant and important. However, how important are values? Two studies, one of MBAs and one of consumers, reveal just how important values are to employees.

A 2004 study conducted by the Stanford Graduate School of Business of more than 800 MBAs at 11 leading North American and European business schools provides ample evidence that organizational values are critically important to both recruitment and retention of employees. Ninety-seven per cent of the MBAs surveyed as part of the Stanford study stated they prefer to work for an employer that shares similar values, or organizations that have a positive reputation, can demonstrate good ethical performance, and focus on corporate social responsibility (CSR).

Even more surprising was the discovery that these MBAs, on average, are prepared to forgo up to 14% of their expected compensation; this number increased to nearly 20% in the aftermath of the WorldCom and Enron ethical and financial disasters in late 2003. It may seem counterintuitive to think organizations that can illustrate and demonstrate their commitment to important values could actually pay their employees less than their competitors. However, the Stanford study clearly indicates this is the case.

In early 2006, Fleishman-Hillard and the U.S. National Consumers League partnered to survey American adult consumers about their corporate social responsibility attitudes and behaviours. Four areas of note from the Fleishman-Hillard survey are provided below:

1 79% of survey respondents believe it's either extremely or

very important to work for an employer with similar values.
- 65% believe it's either extremely or very important to purchase products or services from companies with similar values.

The Fleishman-Hillard study mentioned above also found that approximately 70% of American adult consumers believe it's either extremely or very necessary to use global standards to measure CSR.

- 66% believe it's either extremely or very important to invest in companies with similar values.
- The three most common ways to learn more about an organizations' CSR record and values are:
- Internet search engines
- Independent websites
- Word of mouth

As the two surveys above indicate, organizations can use values to attract employees — but how may an organization measure these values? This is a challenge since most of us are puzzled by values because many of them are ethereal, such as accountability, honesty, peace, loyalty or sensitivity. The real challenge is each one of these values can mean different things to different people. Discussions about values can be illogical for all participants unless common ground and definitions are established. Consequently, there are several questions that must be answered. Is there any logic behind values? Can values be identified, organized or measured? The answers are yes and yes. Certified Management Accountants (CMAs) are experts in identifying, organizing and measuring. It becomes a matter of finding and using the appropriate tools.

Global Reporting Initiative (GRI) — an existing methodology

The Fleishman-Hillard study mentioned above also found that approximately 70% of American adult consumers believe it's either extremely or very necessary to use global standards to measure CSR. CSR reporting measures an organization's economic, social (includes workplace values) and environmental performance and impacts. The measurement of CSR's three dimensions is commonly called the triple bottom line (TBL). Fortunately there is no need to invent such a standard because a credible and recognized one already exists. The

Table 4 - Sample values-focused scorecard

Balanced Scorecard Perspective	Objective (important workplace values identified by the MK Level Playing Field Institute)	Measures (GRI Indicators)	Potential Targets
Financial	Long-term Organizational Survival	Outlook on the organization's main challenges and targets for the next year and goals for the coming 3-5 years	Cash flow, ROI target or sales revenue per employee
Customer	Good Public Image	Procedures related to customer satisfaction, including results of surveys measuring customer satisfaction	Increase in customer satisfaction (survey)
	Highest Quality Product or Service	Procedures for improving health and safety across the life cycle of products and services	Number of health and safety improvements
	Fairness	Procedures for complaints and grievances filed by customers, employees, and communities concerning human rights	No violations of human rights
Internal Processes	Discrimination-Free Workplace	Incidents of discrimination	No incidents of discrimination
	Diversity	Disclosure and results of diversity and equal opportunity policies	Percentage increase in minority employees
Learning and Growth	Ethics and Honesty	Extent of training and risk analysis to prevent corruption	No charges or convictions for corruption, mandatory employee training
	Rewarding a Job Well Done	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Percentage of employees accessing performance and career development review

Global Reporting Initiative (GRI) is the internationally accepted standard for TBL reporting (See "Managing and reporting sustainability" in the February 2005 issue of *CMA Management* for more information). The GRI was created in 1997, and is currently being updated to bring increased consistency to the measurement and evaluation of CSR initiatives.

Representatives from business, accounting societies, organized labour, investors and other stakeholders all participated in the development of what is now known as the *GRI Sustainability Guidelines*. The guidelines are composed of both qualitative and quantitative indicators. The guidelines and indicators were not designed, nor intended, to replace GAAP or other mandatory financial reporting requirements. Rather, the *GRI Sustainability Guidelines* are intended to complement GAAP by providing the basis for credibility and precision in non-financial reporting.

The GRI immediately brought increased credibility to quantitative aspects of CSR, especially in the realm of environmental measurement and monitoring. In recent years the GRI's stakeholders have consciously improved the measurement of qualitative measurement of non-financial performance measurement, such as the measurement of values. Table 4 is a useful example of this. The GRI enables employers to compare their performance and impacts both within their own and among other industries. The ability of comparison is an important tool employers can use to build an organization that is more accountable, and thus responsive, to positive workplace attributes and values.

The values-focused scorecard

There is no doubt that integration of TBL in a Balanced Scorecard enhances CSR, and vice-versa. Specifically, this integration helps organizations both assume and assign responsibility for values and value creation in the workplace. This is an important point, especially given the evidence that tomorrow's workforce wants to both assign and accept accountability for the creation and establishment of values at work.

Values accountability makes it possible to measure and monitor several challenging factors, yet it's one major weakness of CSR and TBL reporting. Values accountability can make a difference in part because organizations and people can now be held accountable for their behaviours and the results of specific policies. In broad terms, these accountabilities are an important aspect of a company's sustainability framework.

Aureos Advisers, a U.K.-based emerging markets private equity fund manager, describes sustainability in the broadest terms as "*the primacy of value over profit, sustainability helps companies realise a range of beneficial outcomes, of which profit is but one*." Sustainability is ultimately the cumulative result of the interdependence among CSR's three pillars — the economy, society, and the environment. The reality is, for most organizations there is still much work to be done to become truly sustainable.

The values-focused scorecard was created by combining a Balanced Scorecard with the previously identified important workplace values, along with the GRI indicators and appropriate targets.

Table 4 illustrates a sample of some measures and targets an organization can consider in adopting some elements of a value-focused scorecard to improve accountability. As mentioned at the beginning of the article, the intention isn't to replace existing scorecards, but instead broaden the measurement view to consider some of the workplace values that are important today and will increase in prominence as the fight for talent continues.

Sustainability and accountability converge

Whether you approve or disapprove of Wal-Mart, its founder Sam Walton built his business on values. Walton once stated that "Each Wal-Mart store should reflect the values of its customers and support the vision they hold for their community". Business coach and speaker Michael Bergdahl accurately described the values that helped create the world's largest retailer: treat the customer right, take care of your people, be honest in your dealings, pass savings along to the customer, keep things simple, think small, control costs and continuously improve operations. These values are an example of how behaviours and policies were consciously used to create a successful organization.

Is there a need for a values-focused scorecard? To adapt a Japanese phrase, sustainability without accountability is a daydream, accountability without sustainability is a nightmare. Organizations can't enter a sustainable state unless they attract and retain productive employees from the shop floor to the boardroom who know exactly why and how workplace values and valuable attributes will be measured and evaluated.

As identified in this article, haphazard accountability standards will only enable organizations to become sustainable through a process of sheer luck a values lottery where chance is the main element of success. In a worst-case scenario, a lack of true accountability enables rogue employees to take a quasi— sustainable organization and literally destroy it through immoral and illegal activities. The values-focused scorecard is one tool that can be used to enable organizations to stop gambling with their future by eliminating the ambiguity surrounding many elements of very important workplace values and valuable attributes as they move towards sustainability. As has been demonstrated in this article, workplace values and valuable attributes are... well, invaluable. n

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