The shareholder value chain: values, vision and shareholder value creation

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Business now almost universally accepts that the primary management task is value creation. The impact of leaders', directors' and executives' personal values in the value creation process has been largely ignored in the literature. This paper seeks to redress the current situation by proposing that the needs and values of leaders and executives drive the vision, goals and strategies to create shareholder value. Yet, while most directors and senior managers will be at ease with pushing the organisation farther and faster in the creation of new methods to create more shareholder value, this is creating dis-ease amongst other directors, executives and the organisations' operator who have different values. This disease potentially stymies leaders' and boards' ability to create more value for shareholders. By understanding the values dynamic and asking different questions, boards and leaders can motivate the culture to create more value. The objective of this paper is to build on previous executive values research by examining the impact of how the values of one executive value group translate into methods of creating shareholder value and proposing the linkage between leaders values and shareholder value. First, a theoretical background is provided. Next, the results of empirical research into executive values are briefly reviewed and combined with data and insights from proprietary market research to discuss how the needs and values of one executive value group impact on strategic leadership factors driving shareholder value creation methods. This is followed by proposing a conceptual framework illustrating the linkages between leaders' values and shareholder value creation with propositions. Conclusion and implications are drawn and finally limitations and areas for further research are provided.

Theoretical background

Executive values, strategic choice and performance

The strategic leadership area, concerned with how leaders think, in\'t\'eunce and act, has gone the furthest in informing understanding of the executive values, strategic choice and behaviour relationship. Although executives' personal values have been identified as a key determinant affecting strategic decision-making in organisations (see Figure 1), it has been a neglected area of research as acknowledged by Finkelstein and Hambrick (1996, p. 48) \& Even though
values are undoubtedly important factors in executive choice, they have not been the focus of much systemic study."

Hambrick and Mason's (1984) upper echelon theory and Finkelstein and Hambrick's (1996, p. 54) extension to it provided the theoretical link between executives’ values and strategic choices by illustrating how personal values as well as managerial characteristics act as a filter. In a strategic co-alignment study of 163 owner, senior and middle managers, Lichtenstein (2005) found that executive values had a direct and significant impact on organisational performance, whereas the managerial characteristics of age, tenure, functional experience and level of education did not. This finding indicates that executive values is a more important attribute than managerial characteristics in understanding how managerial perception influences organisations as seen in Figure 2. Although it has been established that executive values impact strategic choice and why it impacts choice, how it impacts choice is still not adequately understood. This paper seeks to explore one executive value system and how it impacts strategic choice and routes to achieving shareholder value.

Executive values

Executive values are personal values held by executives. Executive values can be considered to be deep-seated beliefs that gratify underlying needs. Two characteristics of values are worth highlighting:

1. Value system: A value system exists for each person and is more important to understand than a single value (Hambrick and Brandon, 1988; Rokeach, 1979; Schwartz, 1996). A value system is created by our (changing) underlying needs.
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Figure 2: Executive values' impact on performance

- Needs-based: Value systems correspond to his or her dominant needs. A major contribution to the conceptualisation of values was made by Maslow (1970) as part of his theory on motivation and his definition of values as "a gratification of a need". He postulated that values are driven by underlying needs, which is now echoed by a variety of theorists (e.g. Rokeach, 1979). A Maslovian theory-based approach to conceptualise, measure and categorise executive values will be discussed in the following section.

- Relative importance: Values are ordered by relative importance to one another such that an individual will have a dominant set of values (Schwartz, 1992).

A useful distinction is drawn between 'adopted' versus 'enacted' values (England, 1967). Executives' operative values are those dominant values that influence choice behaviour rather as opposed to adopted values, those that are espoused by the organisation which managers recognise is important to 'get on' but are difficult to internalise, does not subscribe to and therefore does not directly influence behaviour to any great degree. This research is focused on getting at executives' operative values.

A Maslovian theory-driven approach to analysing executive needs and values

Abraham Maslow (1970) was the first and most enduring values theorist to propose a theory exploring how values are structured. The pre-eminent values instruments are based on Maslow's Hierarchy of Needs, Rokeach's Value Survey, Kahle's List of Values and the proprietary instruments of Stanford Research International's Values and Lifestyles (VALS) (Baker, 1996), making Maslow's theory the de facto 'industry standard' definition of the structure of values used in this paper. Maslow's Hierarchy of Needs is a model of human psychological development that facilitates understanding of the basis of human values and the way they can change over time from birth to death. Maslow's experience led him to the insight that, as human beings, we are all
born with a set of needs that drive our perception of reality and behaviours. These needs are complex and form what we call our 'value system'. His theory illustrated the nature of the changes in values systems through the life of every person. The changes are hierarchical in nature, i.e. some needs to meet before other needs become important as a determinant of attitudes and behaviours.

The basic model of the Hierarchy of Needs provides three levels of Needs. See Figure 3.

The first level is called Sustenance Driven needs. At this level the individual is driven by basic physiological needs for air, food, water, sleep and sex (in post-puberty individuals). Once this need is met the need for safety motivates the person, and eventually the need for belonging kicks in as a motivator of attitude and behaviour. Once this nest of needs is met, and significant proportions of national populations never satisfy these needs, the next level of need to be met is based on Esteem, initially the esteem from others. Once that is met, the need for self esteem drives attitudes and behaviour. These are called Outer Directed needs. Once the need for self-esteem is largely met, the values system of the individual changes again. In this third stage of development the needs for a deeper understanding of life, in the understanding of the interdependence among all life and eventually the transcendence of all needs drives the life of individuals. These are called Inner Directed needs.

Executive value orientation

Lichtenstein (2005) operationalised the Maslovian model for the first time in a management context. To assess convergent validity, two instruments were used for the categorisation of respondents into the Maslovian (1970) value groups of Inner Directed (Innovation, Risk and Creativity values), Outer Directed (Power, Prestige, Ambition) and Sustenance Driven (Loyalty, Trust,
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Table 1: Values modes*

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustenance Driven</td>
<td>2</td>
<td>1.2</td>
</tr>
<tr>
<td>Outer Directed</td>
<td>63</td>
<td>38.7</td>
</tr>
<tr>
<td>Inner Directed</td>
<td>98</td>
<td>60.1</td>
</tr>
<tr>
<td>Total</td>
<td>163</td>
<td>100.0</td>
</tr>
</tbody>
</table>

* Maslow’s (1970) categories of Sustenance Driven, Outer Directed and Inner Directed were used to name the groups. These value groups were categorised by Cultural Dynamics Ltd. using their proprietary algorithm.

Compassion). Firstly, respondents were categorised into the value groups of Inner Directed, Outer Directed or Sustenance Driven groups based on Maslow’s (1970) theory using the Values Modes (VMs) instrument developed by Cultural Dynamics (2001). The results (Table 1) show a small percentage of managers were categorised as Sustenance Driven, which supports published reports (e.g. Wilkinson and Howard, 1997) on the decline of the working age population in western society who espouse traditional values. Analysis of the data indicated a low number of Sustenance Driven values.

Secondly, Kotey and Meredith's (1997) List of Values (LoV) 28 item personal values scale (Cronbach a = 0.87) was also used to categorise variables into value groups by subjecting it to principal components analysis. Relying on Maslow’s (1970) theory of Inner Directed, Outer Directed and Sustenance Driven value groups, the a priori criterion (Sharma, 1996) was used to derive a three factor extraction. The rotated solution revealed all three factors showing strong loadings. Table 2 includes the key values for the Maslovian motivational groups of Inner and Outer Directed and Sustenance Driven.

Examining for reliability and content validity, the results support theory:

↓ The core Sustenance Driven traditional values of loyalty, trust, compassion and affection of Factor 1 has a Cronbach a = 0.79
↓ The core esteem-seeking Outer Directed values of power, prestige, ambition and aggression of Factor 3 has a Cronbach a = 0.64
↓ The core of the Inner Directed entrepreneurial values of innovation, risk and creativity of Factor 2 has a Cronbach a = 0.72

The paper will focus on the Inner Directed executive value orientation of innovation, risk-taking, creativity and autonomy. In particular, we will explore how executives with this dominant need and value system differ from other executive value groups in their vision and goal development, which impacts shareholder value. We choose to focus on the Inner Directed in this paper because of their disproportionate influence on organisations, corporate governance and the creation of shareholder value. Firstly, Inner Directed executives tend to float to the top of organisations because of their ability to be innovative, exible and ride the waves of change. As an illustration of the overrepresentation of Inner Directed executives at the top of the organisation, we measured the needs and values of who attended our Track presentation at this conference in 2005 and every respondent (N = 16) was Inner Directed.
Moreover, 60% of Lichtenstein's (2005) sample of 163 owner managers, senior managers and middle managers were categorised as Inner Directed, the largest proportion of the executive value groups (see Table 1). Finally, we believe that because you are reading this, chances are you are Inner Directed and therefore the themes in this paper will resonate with you.

Despite their disproportionate influence on corporate life, they are also the most misunderstood of the executive value groups, because although they tend to have average to above average educational achievements and incomes, they do not feel superior or even 'better'. Because their esteem needs have been met and they have accepted themselves with all their foibles they have not received the attention of other groups. Whilst efforts have been made to characterise leaders with these dominant values, e.g. Collin's (2001) 'Level 5 Leadership' and Delong and Vijayaraghavan's (2003) 'Let's Hear it for the B Players', we believe that using value-based analysis can enhance our understanding of this important group of executives and implications of shareholder creation.

### Inner directed motives, values and organisational influence

It appears that the only authors attempting to illustrate how the personal values of executives influence organisations is Hambrick and Brandon (1988).
They hypothesised the links between executive values and actions summarised in Appendix 1. In developing their values scheme, they hypothesised how these six value dimensions might be associated with specific organisational actions and attributes. Hambrick and Branson’s value of Novelty is the closest to the Inner Directed executive value group.

**Inner directed motives**

The Inner Directed executives are driven by the need to know and understand the symmetry in their lives, why and how ‘one thing always leads to another’ and trying to understand how they can become empowered through this process. The Inner Directed “need” to have autonomy, it is not a choice. They ‘need’ to understand the reasons of the setting of policy or the reason behind the procedure, it is not an option. Work ‘fits’ into their lives, they don’t ‘fit’ into the ‘work life’. Many management practitioners are themselves Inner Directed. Motivated by trying new ways of doing things and trying new ways quicker, they are ‘pioneers’ who have changed the nature of the corporate agenda as they have moved into positions of responsibility within existing corporate structures. Policies have been developed by this group that are accepted as ‘business as usual’ today, but would have been seen as radical or unnecessary 50 years ago.

Motivated by their attempt to gain greater harmony with their own value set, they are the most like to stay true to themselves and believe ‘stay true to your values and you will hit the goal’ as opposed to other value groups that would be more likely to espouse ‘hit the goal and if you stay true to your values, bonus’. Patagonia founder and Chairman Yvon Chouinard commented on the conflict between being a quarterly-earnings-obsessed executive and concern to produce the highest quality products and environmental sustainability by saying: “Every time we do the right thing, our profits go up.” (Hamm, 2006; p. 93).

**Values and value statements**

Our purpose is to propose how executives with Inner Directed needs with the corresponding value system of innovation, risk and creativity craft the strategic leadership factors of vision, goals and strategies to deliver shareholder value. To underpin our proposition, Cultural Dynamics Ltd identified the questionnaire/statements from its Survey of Values (SoV) that corresponds to the List of Executive Values (LOEV) of innovation, risk, creativity and autonomy. Based on Cultural Dynamics’ categorisation of 5642 respondents from the general UK population into the Maslovian Groups of Inner, Outer and Sustenance Driven, the Inner Directed group answered the corresponding

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1 The LOEV value of Competition is not included in the analysis as it is difficult to measure in the SOV survey. Competition in an Inner Directed context is interpreted as competition with oneself, i.e. pushing ones own edges and boundaries. This differs from beating the competition or ‘winning’, which is associated with the Outer Directed value system.
Table 3: List of executive values and corresponding survey of values questions/statements

<table>
<thead>
<tr>
<th>Underlying need</th>
<th>List of executive values</th>
<th>Survey of values question/statement the Inner Directed answered significantly differently than the average population (strongly agree unless otherwise stated)</th>
</tr>
</thead>
</table>
| Inner Directed  | Innovation              | 1. The tried and tested ways of doing something are seldom the best.  
|                 |                         | 2. I prefer things to change quickly.  
|                 |                         | 3. I like to think about things that cannot be proved.  
|                 |                         | 4. As far as cars are concerned I always look for an innovative model.  
|                 |                         | 5. I find things interesting that other people find irrelevant.  
|                 |                         | 6. I am fascinated by things most people find irrelevant.  
|                 |                         | 7. I read a wide variety of magazines and newspapers.  |
| Risk            |                         | 1. I am better at dealing with unexpected situations than I am following a carefully worked out plan.  
|                 |                         | 2. I am sure I would be able to start my own company.  
|                 |                         | 3. What is the point in trying, it won’t make any difference (strongly disagree).  
|                 |                         | 4. Taking risks is selfish (strongly disagree).  
|                 |                         | 5. I know it is risky to play the stock market, but I really enjoy the risk.  |
| Creativity      |                         | 1. I feel ‘strongly’ that I need to fulfill my need as an individual by being creative.  
|                 |                         | 2. It is important to see the possibilities in a situation rather than adjust to the facts as they are.  
|                 |                         | 3. It is better to work out your own values and beliefs than it is to stay with the values and beliefs you grew up with.  
|                 |                         | 4. It is very true that I would like to learn a new art or craft.  
|                 |                         | 5. I may not be artistic but I am creative.  
|                 |                         | 6. I like cars with unusual styling.  
|                 |                         | 7. I am a mine of useless information (strongly disagree).  
|                 |                         | 8. When I give gifts I prefer to give them something I have made myself rather than buy something for them.  |
| Autonomy        |                         | 1. It is very important to be an individual and not just part of a crowd.  
|                 |                         | 2. (When finished something I had to do) I prefer the sense of satisfaction that you have done well rather than the approval of others that you have done well.  
|                 |                         | 3. I am similar to people who worry about what others think of them (strongly disagree).  
|                 |                         | 4. It is more important that society is free and open so individuals can express themselves rather than it being well ordered and regulated to protect the individual.  
|                 |                         | 5. There are too many rules and restrictions in society.  |

questions/statements on a 5 point Likert scale ‘strongly agree’ (or ‘strongly disagree’ if the question is negatively stated) in Table 3 significantly different at the p = 0.05 level to the population average.

Combing the insight gained from Cultural Dynamics measuring and interpreting consumer values with strategic leadership research provides a deeper understanding of how executive values translate into action.
Preliminary findings and implications

Taking the responses of Inner Directed people who strongly agreed with the question to relating to innovation, "The tried and tested ways of doing something is seldom the best" it is evident that this motivational group is more likely to be at ease with strategies that involve challenges to the status quo and the applications of 'new methods' of creating shareholder value. They not only want to try new ways of being, but they are more comfortable with trying new ways quicker than others. Pushing farther and faster than others, their colleagues will seem them as one colleague of Norman Adami, CEO of SABMiller observed, "Everything is going to be a little too slow for Norman" (Carter, A., 2006, p. 2). The significant differences of the Inner Directed versus other value groups in context of this value group being over-represented at the top of organisations poses some corporate governance challenges.

Inner Directed leaders will have a natural style that encourages others to try new ways of being, because the leader believes this will make them as satisfied as they are with this orientation to strategy. However, managers and employees who have different value sets will not be as happy, i.e. not as congruent with their own values set, as the Inner Directed leader will be with this strategic orientation. The development of strategies and a style of leadership that works in the boardroom ± with other Inner Directeds ± may be an utter failure when presented to the workforce and/or outside stakeholders and analysts.

The radical and fast forms of corporate and market development that seem so relatively comfortable to the Inner Directeds in the boardroom can seem like 'too much to soon' to the achievement oriented who just want to hit the target and maybe this target may be seen to be too optimistic. Or possibly seen as 'madness' to those who prize safety and continuity of traditional methods/best practice. If this values disconnect is not appreciated and managed properly it could lead to the destruction of shareholder value as the visions, goals and strategic orientations between board members and the dynamic between the values of the leader and that of managers and employees ± culture ± are not aligned. Conversely, more shareholder value can be created by understanding the values dynamic and motivating the culture. Having very briefly introduced some of the characteristics of executives whose dominant need is Inner Directed with a value system, the next section will propose a model and propositions of how leaders' and executives' needs and values link with strategic leadership factors and shareholder value.

Model and proposition development linking executive values to shareholder value

Strategic leadership theorists including Hambrick and Mason (1984), Porter (1980), Finkelstein and Hambrick (1996) and Mintzberg et al. (2003) have established executive values' key role in strategic choice and behaviour. This confirms Maslow's (1970) assertions that values ± as a gratification of underlying needs ± shape reality and drive behaviour. Lichtenstein's (2005) empirical confirmation of executive value systems corresponding to Maslo-
vian groups consolidates strategic and psychological thinking on executive values and strategic choice. Cultural Dynamics’ comparison of value statements with individual values provides insight into the cultural dynamics behind the shareholder value creation process. The conceptual framework in Figure 4 illustrates how executive values are antecedents of vision and goals. Whilst Gao (2004) has considered the link between managers’ values and shareholder value, the critical factors of vision and goals have been missing in the literature and research. Concerning the model, we refer to a chief executive’s needs and values as Reality 1.1 because it is the lynchpin of the vision (Reality 2.0) and the existing culture (Reality 1.0).

Above average performance and shareholder value is achieved through aligning Reality 1.0, i.e. the organisation’s mission, goals, objectives, strategies and tactics to Reality 2.0, the vision. Superior performance and shareholder value is achieved by CEOs and division heads achieving their desired ends through people, i.e. the existing culture. Propositions concerning these linkages are provided in the following section.

Linking executive values with vision

The vision is referred to in the model as Reality 2.0 ± the future state of the organisation/business unit envisioned by the leader. Although references to values as the foundation of vision exist (e.g. Quigley, 1993), they refer to organisational values rather than personal values. We propose that an executive’s dominant need and value system is a preceding condition of vision and has a profound influence on what vision is assented to. This leads to the proposition:

![Figure 4: Shareholder value model of contingency relationships](image)
Proposition 1: Executive needs and values will influence vision development

Due to the need to do things differently, therefore strongly espousing values of innovation, risk-taking and creativity, we would expect Inner Directed needs to be pushing farther and faster, not ‘cost cutting’, ‘best practice’, ‘operational efficiency’ or short-term shareholder value. Steve Job's iPod vision that redefined an industry is but one well known example. This leads to a sub-proposition:

Proposition 1a: Executives with Inner Directed needs will develop innovation-based visions

Linking executive values with goals

It has long been recognised that the values of top managers are reflected in the aims of an enterprise, and whether written or not, have the profoundest impact on the direction in which a firm moves and the way it operates (Steiner, 1969). A key reason for analysing the personal values of the CEO and top team is to determine the true goals of the organisation. Goals, as general statements of aim, purpose or intent to meet stakeholders’ expectations have a clear reflection in the motivations of CEOs/division leaders. For owner/managers of small businesses, their values and goals are indistinguishable from the goals of their business (Bamberger, 1983; O'Farrell and Hitchins, 1988). Therefore, we propose:

Proposition 2: Executive needs and values will influence organisational goals

For similar reasons behind our proposition of innovation-based visions generated by Inner Directed executives, similarly, we would expect Inner Directed executives to set key entrepreneurial organisational goals such as ‘technology leader’, ‘innovation’, ‘growth’ and perhaps even ‘environmental sustainability’ as opposed to ‘stock price’, ‘market share’, ‘financial stability’ or ‘efficiency in operation’. By ‘growth’ we don’t mean ‘big’ or ‘revenue generation’ associated with vanity or getting esteem needs met, but pushing the organisation farther, faster. This leads to the proposition:

Proposition 2a: Executives with Inner Directed needs and values will set entrepreneurial-based organisational goals of innovation and growth

Linking executive values with strategic orientation

Executive values are reflected in the strategic choices they make (Finkelstein and Hambrick, 1996). In a study of 224 owner/managers of small
employees or less) furniture manufacturers in New South Wales, Australia, Kotey and Meredith (1997) found that owner-managers with ‘entrepreneurial’ personal values pursued ‘proactive’ strategies and those with conservative personal values pursued ‘reactive’ strategies. Strategy is conceptualised in this paper as a pattern of strategic choices that executives make, which over time results in the strategic position and behaviour or ‘orientation’ of the business. It is a multidimensional concept that captures the different ‘logics’ executives and managers use to adapt the organisation to its environment. Attempts to find alignment between managerial attributes and organisational strategy have suffered from qualitative evaluations which have proven to be difficult to assess, since attempts to classify manager-strategy types are seen to be discussed in ‘vague generalities’ (Thomas and Ramaswamy, 1996). The exception to this is the Miles and Snow (1994, 2003) typology of strategic orientation. This typology has been scrutinised empirically and theoretically and has become widely recognised (e.g. Finkelstein and Hambrick, 1996; Ghoshal, 2003; Desarbo et al., 2005), with consistent support for the validity of the typology (Hambrick, 2003) in a wide array of settings (e.g. hospitals, colleges, banking, industrial products, IT and life insurance). Miles and Snow (2003) defined four types of strategic orientations:

- **Prospectors** are first-to-market innovators continually seeking product/market development.
- **Analysers** are ‘fast followers’ protecting a stable set of products and customers whilst cautiously entering new product/market domains pursuing a ‘2nd but better’ approach.
- **Defenders** have a narrow product/market segments that they protect.
- **Reactors** lack a consistent and coherent strategy.

Based on the premise that executive values drive vision, goals and influence strategy, the following is proposed:

**Proposition 3:** Executives with different needs and values will pursue different strategic orientations

Moreover, because Inner Directed executives are motivated by continually seeking new and different strategies, we propose:

**Proposition 3a:** Inner Directed executives will pursue prospector strategies

**Linking strategic orientation with performance**

The research results of strategy-performance studies are mixed. Due to the multidimensional factors impacting performance, e.g. market volatility (McKee et al., 1989), competences (Conant et al., 1990) and the leadership-strategy match (Thomas and Ramaswamy, 1996), making any test of strategy’s unique effect on performance is difficult. Moreover, there is no consensus on
Miles and Snow's (2003) assertion that the three stable types of prospectors, analysers and defenders will perform equally well in any industry. Whilst some studies have found no significant difference between the performance of the three stable types (e.g. Conant et al., 1990) the research evidence suggests prospectors tend to outperform other types. Lichtenstein (2005) found prospectors and analysers signi®cantly outperformed defenders and reactors in operational and ®nancial performance indicating that companies that innovate (prospectors and analysers) signi®cantly outperform those that don't (defenders and reactors).

Namiki's (1989) study of 106 semiconductor manufacturers found prospectors outperformed defenders and analysers in terms of sales growth and organisational performance. This was supported by Truch's (2001) ®nding that prospectors signi®cantly outperformed defenders in his sample of 161 IT-related companies that he attributed to ®rst mover advantages over defenders in the knowledge economy. Domicone (1997) found prospectors signi®cantly outperformed all other types in return on investment (ROI), followed by analysers, defenders and reactors. Parnell and Wright (1993) found revenue growth was signi®cantly higher for prospectors, but the mean ROA for analysers was signi®cantly higher than other business strategies. The 'tried and tested' and the 'sticking to the knitting' approach of the defenders are less likely to be successful in the long term in comparison to competitors that innovate, which leads to the proposition:

Proposition 4: Companies that innovate (prospectors and analysers) will outperform those that don't (defenders and reactors).

However, the ultimate success of the achievement of goals and strategy to deliver superior performance depends on how it is implemented.

Conclusions, implications and further research
To understand how boards' and leaders' values impact shareholder value, we have identi®ed ®ve areas, which comprise boards' and leaders' values, vision, goals, strategic orientation, performance and the impact on shareholder value. A conceptual framework was offered and the relationships among these areas were examined. In this paper we argued that superior performance and delivering shareholder value is achieved through aligning the vision to the goals and strategy. To do this, directors and the leader need to understand the dynamics of their underlying needs and values, Reality 1.1, and that of the culture ± Reality 1.0. Speci®cally, we proposed that the top of the organisation will be heavily over-represented by executives whose dominant need for novelty and values of innovation, risk and creativity could be perceived as a threat by those with a different value-set. The innovation-based ‘farther, faster’ orientation of the Inner Directed may be lauded at board level but perceived by the Outer Directed who are the organisation's operators to be too
`radical' and frustrating their ability to hit their targets and as plain ol’
`madness' by the Sustenance Driven who prize safety and continuity of
traditional methods/best practice.

If this values disconnect is not appreciated and managed properly it could
lead to the destruction of shareholder value as the visions, goals and strategic
orientations between board members and the dynamic between the values of
the leader and that of managers and employees ± culture ± are not aligned.
Conversely, more shareholder value can be created by understanding the
values dynamic and motivating the culture.

Implications for strategic leaders: linking leaders,
boards and employees to shareholder value

Strategic leaders need to develop their own skills and facilitate the best strategy
and leadership style in order to create more value for shareholders, capital
growth or dividend, quarter after quarter, year in, year out. Board members
and leaders need to be aware of the deep seated discomfort with an Inner
Directed ‘ideal solution’ in many of the people they are charged with leading.
The nature of this opposition to them is often not open to `rational
discussion’; many of those who oppose them will not even know why they
are opposing the offered solution ± it just ´feels wrong’. This is an indication
that the opposition is based in the ´value set’ rather than straight forward
examination of ´the facts’, i.e. even more rational analysis will not convince
them that the decision is ´right’.

No amount of new methods to create shareholder value are likely to be
reach their full potential if boards and leaders are creating dis-ease by being
perceived to be ´doing too much too soon’ or not being ´a safe pair of hands’.
To create more value both at the level of the corporate and business strategies,
leaders need to ask themselves a range of questions based on the insights
proved by this paper if they are to deliver superior performance. For example:
How do I find out what are the values, beliefs and motivations of my board,
executive team and direct reports? How can I improve my effectiveness by
making sure I am appealing to those values at the basic level, i.e. gaining
acceptance for policies at the level that ´it feels right’? How can I find out what
are the values, beliefs and motivations of my main stakeholder groups (sta,
suppliers, communities where we are located, customers, market analysts,
etc.?) How can I alter my style, but keep my policies, to ensure that I also get
buy-in from these other stakeholders, even when they have very different
values from the board? How can I use this information and knowledge to
develop even better policies and strategies to increase shareholder value in the
future?

It may well be that the answers to these questions will require strategic
leaders to accommodate their leadership style to lead a culture with directors,
executives and managers with needs and values other than their own to
maximise value for shareholders. By using the value-based segmentation of
Sustenance Driven, Outer Directed and Inner Directed as a diagnostic,
strategic leaders can translate the ´adopted’ values of the organisation, i.e.
its visions, missions, goals and strategies into the `operative' values of employees. Strategic leaders cannot change employees' values but they can change or reinforce their behaviour by working with the values and needs that underpin it to release the power of the organisation to achieve more shareholder value.

Limitations and further research

Although this research has provided insights into the determinants of shareholder value, limitations of this paper are recognised. Firstly, this paper is exploratory in nature. More depth of analysis is required of the Inner Directed segment. Moreover, by solely focusing on the Inner Directed value segment, this paper has only scratched the surface of the dynamic of different value groups. Further research into Inner and Outer Directed and Sustenance Driven value segments with corresponding List of Executive Values and Survey of Values questions is a logical next step. A new group of values questions to augment the List of Executive Values should be developed that have reliability and validity. Finally, empirical tests are recommended to explore this conceptual framework.

References


### Appendix 1

Table 4: Some hypothesised links between executive values and actions

<table>
<thead>
<tr>
<th>Executive Value</th>
<th>Organisational Attributes</th>
<th>Actions</th>
<th>Information/Decision Processes</th>
<th>Rewards</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collectivism</td>
<td>Significant corporate philanthropy; related diversification with many inter-unit &quot;ows</td>
<td>heavily many committees</td>
<td>Decision processes tied to overall @rm within policies; lifetime performance employment</td>
<td>Promote-from-Flat structure; Participative Rewards</td>
<td>Long tenures; few layo's</td>
</tr>
<tr>
<td>Duty</td>
<td>Long-term vertical relationships (suppliers and customers); little contract litigation against @rm</td>
<td>Open, two-way communication channels; Well-developed audit and control systems</td>
<td>Executive pre-requisites/bonuses tightly tied to market norms</td>
<td></td>
<td>Long tenures; few layo's</td>
</tr>
<tr>
<td>Rationality</td>
<td>Highly formalised primarily on &quot;calculable&quot; factors (e.g. prices, costs, capacities)</td>
<td>Frequent re-Prospecting organisations; (many product-market initiatives); structural ambiguity (matrix, etc.)</td>
<td>Spontaneity; decision-making outside formal channels and processes</td>
<td>Highly formalised pay systems (e.g. Hay); emphasis on quantitative performance measures</td>
<td>Routine personnel policies (e.g. selection, evaluation, advancement); large personnel sta's</td>
</tr>
<tr>
<td>Novelty</td>
<td></td>
<td>Frequent changes in reward system; large incentives for innovation</td>
<td></td>
<td>Heterogeneous management cadre; limited pressure for conformity</td>
<td></td>
</tr>
<tr>
<td>Materialism</td>
<td>Portfolio churning (frequent acquisitions and divestitures)</td>
<td>Small sta's; low administrative intensity</td>
<td>Extraordinary Opportunistic executive pay and hiring and @bring perks of key executives</td>
<td></td>
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</tr>
<tr>
<td>Power</td>
<td>Control of resources at top of (large) organisation; top-down decision-making</td>
<td>Subjective criteria: Pliant, supplicant</td>
<td>Highly centralised Tight subordinates information and for awarding incentives</td>
<td></td>
<td></td>
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</tbody>
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