

THE ROLE OF MANAGEMENT BY VALUES IN THE PROCESS OF COMPANY DEVELOPMENT BASED ON HP CASE STUDY

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Abstract

The development of a modern company reflects the significance that the creation of company's social and cultural identity holds in the process of its development. The company does not therefore exist, it rather happens, becomes, and transforms. For a contemporarily existing company, it is the consciousness and stability of its social and cultural identity that conditions the way it happens and becomes. Entrepreneurs, founders, and managers ran or run the company's identity in a conscious (as well as unconscious) manner, in a more or less institutionalized way, in a form of functions, all for the purpose of efficient and effective process of the company development. In the practice of management, it has led to the creation of a new management function – the function of Management by Values – as a leading one in the process of company development. In the this paper the author presents the results of those researches and shows the Management by Values process in the practice based on HP case study.

Survival means development! This common practical recommendation transferred onto modern enterprise grounds implies a statement that for contemporary companies to last and develop they need to organize their subsequent organizational behaviors in such a way as to allow the growth of resources which guarantee the increase in the company's value estimated both by praxeological, and ethical criteria.

The lasting and development of a contemporary enterprise perceived in such a way have been determined by three observations.

The first one is a common acknowledgement of the fact that numerous organizations and companies last for many decades and pursuit continuous growth, overcoming frequent crises and constantly adapting to the changing environment. Should therefore the fact that such organizations last and develop be treated as an exceptional phenomenon or have they discovered (worked out) specific development strategies conditioning their success? It seems that companies in their development processes organize this process through

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consecutive phases of learning – self-organizing themselves as a knowledge process. Development strategies of such organizations originate from a common understanding of an enterprise in the eyes of their managers not only as a structure – system, but also a process.

The second observation refers to the statement that many contemporary enterprises persuade us through declarations submitted by their managers that the fact that they last and develop can be owed, not so much to efficiently and effectively used resources, not so much to correct locating of their products and services in the market environment, but to abilities to develop the knowledge of their employees, through building the relationship of trust inside the company, the relationship of loyalty with their customers and other stakeholders. There is a growing acceptance in the management practice for the conviction that there is a dominant role in the creation of economic and market value of a company – and at the same time conditioning its development – of such a kind of resource which has been referred to as social capital (Bratnicki 2001), (Edvinsson and Malone 2001), (Grudzewski 2003), (Hejduk 2004).

The author has adopted the following category to define this part of intellectual capital resources – social-structural capital, which should emphasize the causative, organizational role of social capital in the development of contemporary enterprises.

The ingredients of the social-organizational capital, such as values of enterprise participants, which in the existing conditions are commonly shared and preferred, shape the entrepreneurial attitudes and behaviors of people in the company. They therefore create foundations for the development of social ties among organization's participants, build the relationship of loyalty, trust and cooperation – the necessary conditions for the development of a learning company, decide about the development of a contemporary enterprise and are subject of an analysis and research included in this paper.

When we consider an enterprise as a specific social system, which is created by people, every one of whom has their own personality, the system of values, social norms (which manifests itself in specific attitudes of people, and finally their behaviours), I will understand the enterprise behaviours as individual behaviours that are created according to the specific logics (typical for a given organisation). A particular logic of transferring organisational values into organisation's developmental behaviours is the company's individual paradigm, typical for a given organisation – its social- cultural identity.

The instrumentarium of the social-cultural identity management of an enterprise is what we call Management by Values (MbV). Entrepreneurs, founders, managers used to manage and do manage, consciously (and unconsciously), in an operationalised way, more or less, institutionalised, in the form of specific methods (special and intentional sets of managerial actions), the enterprise identity to ensure its efficient and effective process of development. In

a contemporary company the social-cultural identity management takes place in a conscious and organised way through Management by Values. In modern enterprises it also becomes more and more common practice not so much as a method, but more adequately a management function (Management by Values); and in many companies it is even perceived as especially important for the company development.

It is thus consistent management of social-cultural identity that causes the lasting and development of an enterprise and not just the awareness of its existence. Such observations have made the author search for the answer to the question of the genesis and explanation of the phenomenon of company's development, mainly through methods and processes of social capital transformations.

The extensive reading on the subject, reports from practitioners, as well as earlier research experiences of the author clearly indicate that many contemporary enterprises apply Management by Values (Anderson 1997), (Collins and Porras 1994), (Dearlove and Coomber 2002), (Geus 2002), (Kabanoff et al. 1995). They often do it unconsciously, in a chaotic and unordered way. It is therefore necessary to search for some specific rational pattern of Management by Values and it becomes the practical objective of this paper.

The research process designed for the achievement of the previously formulated objectives of this paper comprised the following stages:

- 1) secondary research of the literature on the subject (desk research), which aimed at preparing a monograph of research conducted in and outside Poland and related to the influence of core organisational values on the management of the company and the status of research in the corporate identity.
- 2) qualitative research– case study type – in intentionally selected enterprises, such as American Express, Compaq Computer, Hewlett-Packard, Microsoft, Saturn Corporation and Teta, which aimed at:
 - a. discovery and description of the Management by Values process,
 - b. gathering information and knowledge on the stages of this process,
 - c. gathering information and knowledge on practical methods and techniques of this process management in an enterprise,
 - d. drawing up a tool to diagnose the degree (scale) of Management by Values in a company,
 - e. determining the degree of awareness concerning core values in the researched companies as well as their institutionalising, defining the development stage of the researched companies,

- 3) questionnaire research conducted on a group of 127 enterprises from such countries as: USA, Great Britain, Germany, Canada, Japan, whose objective was to collect information and knowledge on the relationship between Management by Values and the development of contemporary companies.

The notion 'core values' refers to a specific group of publicly expressed values and concepts that are believed in by participants of a given organisation and which are perceived as the most central and significant for the lasting and development of the company.

Management by Values was defined as a function of conscious core values (their organisational visibility and sharing) as well as the institutionalisation of core values.

Whereas as the awareness of core values I understand their organisational visibility (internal and external public exposure) and their acceptability (sharing) by organisation participants taking into account both the level of the acceptance of core values in the organisation (i.e. the degree in which they are accepted by the management and employees), and its range within each of the stages. The institutionalisation of core values, however, is understood as creating organisational opportunities so that the practices for core values observation can be established (behaviour types consistent with core values) (Stachowicz-Stanusch 2004, 2007).

The carried out qualitative and questionnaire surveys, as well as the review of global research into organisation's identity, the relationship between the core values awareness and the company management form the basis for the elaboration of the concept of the modern enterprise development through Management by Values.

The assumptions of the concept of the modern enterprise development through Management by Values can be summarised in the following statements:

- 1) The development of a modern company is more and more dependent on the degree of Management by Values (MbV).
- 2) The degree of contemporary company's development significantly affects the degree of management by values in the company.
- 3) In companies which can be characterised by continuous and uninterrupted development, in a longer term, their developmental behaviours are moulded through an established set of values called 'core values'.
- 4) Dynamically developing companies create their developmental capital through conscious management of their core values – in the form of specialised management functions.
- 5) In strategic development processes of companies shaped by external development strategies (mergers, acts of overtaking), formulating specific consensus of shared values in an enterprise is a significantly

important issue – i.e. the consensus of their core values. This consensus should be built with special attention devoted to qualities characterising the traditions of these companies' development.

- 6) The process of management by values is cyclical and includes the following stages: the discovery of core values, the development of core values, the institutionalisation of core values (including implementation, protection, and control) as well as their redefinition.
- 7) The degree in which the Management by Values is realized in a company is a function: the degree of core values awareness (their organisational visibility, and sharing by organisation participants) as well as the degree of core values institutionalisation.
- 8) The durability of core values in the company development process originates from the process of assigning meaning to them, i.e. their defining and redefining.
- 9) The level of company's development is measured by the growth in its value assessed both by praxeological (effectiveness) criteria, and the criteria of morale and ethics.
- 10) Abandoning organisational core values may be sought as a cause for crises in the development of contemporary companies.
- 11) Further development of modern companies is and will be dependent on the high level of advancement of Management by Values (Stachowicz-Stanusch 2004).

Management by values in HP – Case Study¹

During the HP-CPQ merger, we claimed that values hold one more beneficial power. Why? An organization is a child of a society. During the HP and CPQ merger we found that our organizations were not only children of democratic societies, but also, that even in the period of sudden changes, they were champions of democracy. Senge stated that “the more stress we put into an organization, the stronger a tendency to return to its most primitive behaviour shall be”, and values, or in other words, this that specifies an identity of an organization, may be the first thing to be thrown out of the window. In case of the HP and CPQ merger, it was the values that enabled the realization of all the process, making it possible to recover from a crisis and build a new organization. Thus forming a new organizational society meant discovering common values, which then acted as a platform for our new organization. This process may be called a process of value democratisation, because discovering and defining values engaged all our organizational society. In our case, we did not deal with

¹ Based on internal HP materials

ever so prevailing dictatorship of organization values, where “core values” of an organization are simply imposed on employees by top management. The process of discovering, defining, and adjusting organization activities to its main values has made each New HP employee identify with the values and goals of the organization. Our employees are aware of the fact that they are entities possessing their own values and needs, but it is sharing common “core values” that harmonises them with goals of the whole organization. Both all the society, as well as its individual parts, understand that in their best interest is to stick together and they believe the New HP will enable them to achieve their individual objectives. The employees shall then grow with the help of the organization and the organization with the help of its employees. Values are not about what is said about them to employees, but how they work. In that case, we shall present a short description of the process that made it possible not only to maintain, but also develop democracy during the CPQ and HP merger.

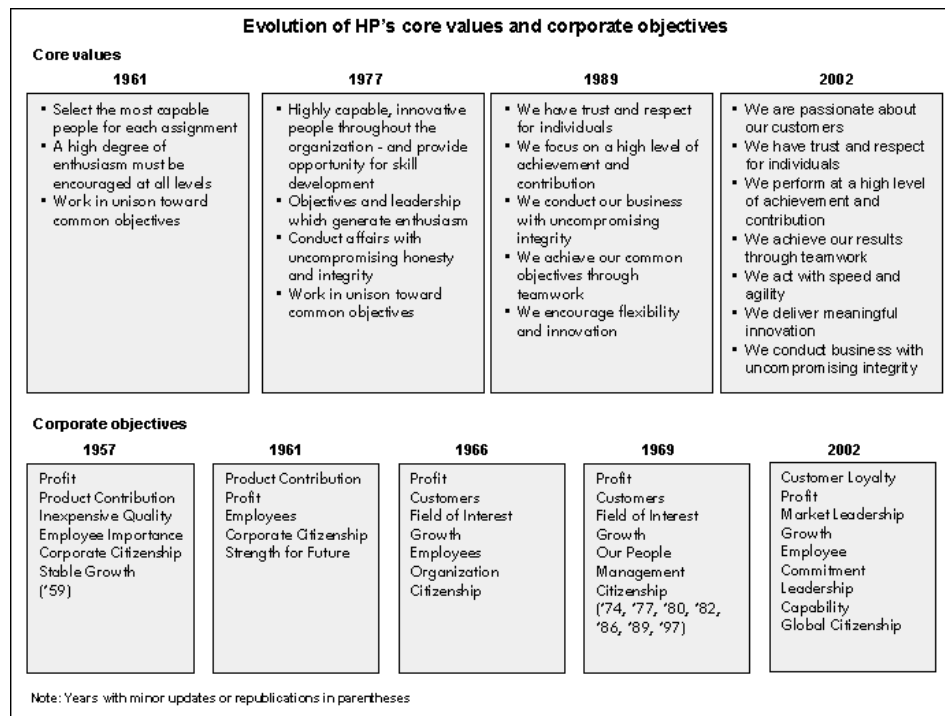
HP has been guided by a strong value system since the inception of the company. Company values were first documented in 1961 and were referred to as the “framework” for the corporate objectives. In 1989, John Young, the CEO of HP, rewrote the introduction to the “The HP Way” document and identified five “values” of the HP Way. These values remained unchanged until the Compaq–HP merger in 2002.

Corporate objectives - The common objectives were established in 1957 at the first annual manager’s meeting and have been modified from time to time to reflect the changing nature of our business and environment. There have been four modifications where the objectives, not just the supporting documentation, were changed.

Evolution chart - The chart below shows past changes in HP’s values and corporate objectives. Some years, only changes to the supporting documentation were made. The year these minor modifications were made are captured in parentheses at the bottom of each list.

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Fig.1. Evolution of HP core values and objectives



Much shorter history of the Compaq Company has hindered “evolution” of its values and therefore at the moment of the merger, the company’s main values included:

- Listening and solving customer problems
- Being passionate about everything we do
- Driving innovation and building cool stuff
- Partnering for our customer’s advantage
- Communicating openly and honestly
- Doing what we say
- Having fun

Discovering new after-merger values

At the announcement of the merger, there was an instant response from the merger opponents. One of the key issues raised by the adversaries was that the two corporations presented completely different cultures. Analysing the

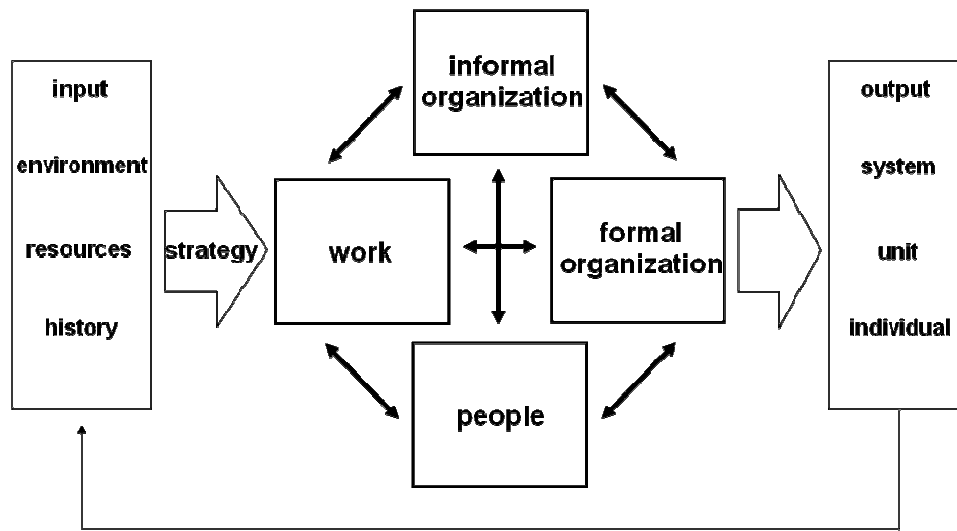
history of both companies we have a feeling that their roots, management styles, as well as employees' attitudes were so much diverse. Therefore, one of the major steps undertaken straight after the declaration of the merger was conducting a comparable analysis of their organizational cultures. It was believed that the analysis' results would provide significant information to help the integration of both companies, and most of all, the integration of their organizational cultures. The analysis' project was approved and agreed by managers of the two companies. The research sample covered 127 executive directors and 138 focus groups including altogether 1,600 managers and employees from 22 countries. The research was eventually conducted in autumn, 2001. The subject of the study was the companies' organizational culture, differences and similarities between the two corporations, as well as its individual features for each of the companies. It also dealt with each company's own as well as mutual perception of the environment, resources, history, people, formal and informal organization.

The findings were organized using the model of organizational functioning: every company has input (on the left hand side of this model) that forms a starting point for the company - its environment, available resources, and history. Companies seek to transform various inputs, like raw materials, into desired outputs (on the right hand side of the model). However, the quantity and quality of those outputs depend on a number of factors, internal to the company.

The first is how well the strategy is articulated and how well it positions the company to deal with the realities of its inputs, like the competitive landscape or the cost of resources to the company. Also, there are four additional factors that must be in harmony, or congruence, in order to translate that strategy into desired output.

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Fig.2. Congruence model



Those factors include the nature of the work, the people and quality of leadership to accomplish the work, the formal structures and processes to organize to do the work, and the informal organization or the unwritten rules of the road for how work actually gets done.

When these factors are in harmony, or congruence, a company has the greatest likelihood of executing on its strategy and producing desired results. (source: HP internal materials).

Most results were presented in the form of comparing similarities and differences between both companies, as well as their individual characteristics. The chart below shows the enterprise wide biggest gaps and similarities from the focus groups for HP and Compaq for both companies as a whole.

Fig. 3. Comparison of hp with Compaq - Enterprise wide

	1	2	3	4	5	
Precedence. Looks to the organization's rich history as a source of knowledge.		●		●		Inquiry. Focuses on future possibilities and learn as they go.
Internal Focus. Focuses mostly on improvement of internal processes and structures; has moderate awareness of our competitors			●	●		External Focus. Focuses mostly on pursuit of new markets and customers; is very much aware of competitors and closely follows the moves they make
Systematic. Relies heavily on organized plans for our work. Work processes are clearly defined.			●	●		Spontaneous. Relies on ability to respond to just-in-time opportunities; continually "turns on a dime" to meet demands.
Precision. Getting the job done "right" is more important than getting it done quickly, even though it may take extra time.			●	●		Speed. Getting the job done fast makes "roughly right" outcomes acceptable even though we may sacrifice discipline or rigor.
Reflection. Values review of significant events; debrief events to share insights and best practices.			●	●		Iteration. Values a "trial and error" approach; forges ahead without looking back.
Winner Focused. Conflicts are resolved by debating until there is a winner.				●	●	Issue Focused. Conflicts are resolved by exploring the merits of differing points of view.
Competition. People tend to be focused on their own advancement and achievement.				●	●	Cooperation. People tend to offer help and support to ensure others are successful.
Dominance. Pursues growth through product proliferation/line extensions and acquisitions.				●	●	Value. Pursues growth through product innovation and anticipation of emerging customer needs.
Threat. Is anxious about their future. Past successes are not sufficient to ensure continued performance.			●	●		Opportunity. Is excited about their future. Track record has positioned them well for future success.
Reaction. Changes in response to significant events.			●	●		Initiation. Initiates change in anticipation of significant events.

New Values

One of the first steps in bringing HP and Compaq together as one team was conducting a detailed review of both companies to figure out what employees valued, what moved them and what motivated them. This effort included interviews with more than 120 employees and focus group sessions with another 1,500 employees across the globe.

The objectives of this review were to identify the key attributes of both HP and Compaq, recognize the strengths of each organization and find a shared point of reference for the new HP. Preserving the best, reinventing the rest

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The new HP Way adopted HP's concentric circle framework. The selection of the cultural cornerstones (the first two circles of the framework) was evolutionary in nature, not revolutionary, leveraging the rich historical traditions, strengths, values and objectives of both Compaq and HP. They are also consistent with the Rules of the Garage, a document drafted by HP's executive team in 1999 to reconnect HP's employees with the spirit and intent of the company's founders.

New values formed foundations for the specification of strategic goals, strategies, processes, structures, measures, policies, practices and behaviours.

Each of the main values was defined and presented by the means of best practices instances. Underneath, I shall present a definition of a value as well as examples of New HP best practices.

VALUE: "we are passionate about customers"

VALUE DEFINITION: We put the customer first in everything we do and in every decision we make. We create a culture and management process that motivates and empowers employees to act in the best interests of the customer.

Practices: Examples of how this shows up...

- Measure Total Customer Experience (TCE) performance across customer segments and product/service categories
- Living the HP Customer Experience Standard
- Employees take ownership of customer issues brought to them and know who to contact to resolve them
- Clear line-of-sight accountability and direct link to compensation and performance management
- We honor our commitments to customers

In addition to examples of practices, each corporate objective has a list of underlying beliefs that add meaning to the objective statement. Often the words mean different things to different people. The beliefs are meant to give insight into what we mean as a leadership team with the words we chose to describe our objectives.

FAST START

To liven up the Core Values of New HP, the company developed a dedicated program: FAST START. Fast Start is two-days business meeting for intact teams designed to speed execution excellence. They are a vital communication vehicle for transmitting, interpreting, and incorporating

information about the new HP strategy, organization model, brand, culture, and transition plan.

Fast Start provides the structure and content of every team's first staff meeting in the new HP. It was designed to:

- Provide clarity of direction and roles so that people can execute effectively in the new company.
- Engage managers and their teams in taking action to assure smooth, rapid, and successful integration.

Fast Start had four key objectives:

- Accelerate leadership readiness throughout HP, building on Leadership Readiness Summit.
- Deploy critical business information through line-driven meetings.
- Establish team agreements that drive execution excellence and build the new HP culture.
- Review, understand, and action plan for change and HP integration management.

Every manager was required to conduct a Fast Start meeting for his/her intact team. Therefore, all employees had an opportunity to participate in a Fast Start meeting. There were certain requirements for Fast Start. These requirements had to met in order for the session to be counted as a Fast Start. They included:

- The Fast Start session had to be completed within 30 days of when the team was announced.
- There had to be a majority of team members present.
- The team had to devote workshop time to information sharing, discussion, and dialogue on the following:
 - the new HP strategy, structure, brand, and culture and its implications for own unit;
 - the Cultural Cornerstones and culture-in-action exercises;
 - the establishment of the team agreement, team norms, and key goals;
 - the development of their organization architecture and roles and responsibilities (Decision Rights matrix);
 - producing an Integration Plan of Record (I-POR).

Fast Start meetings had specific deliverables, including a:

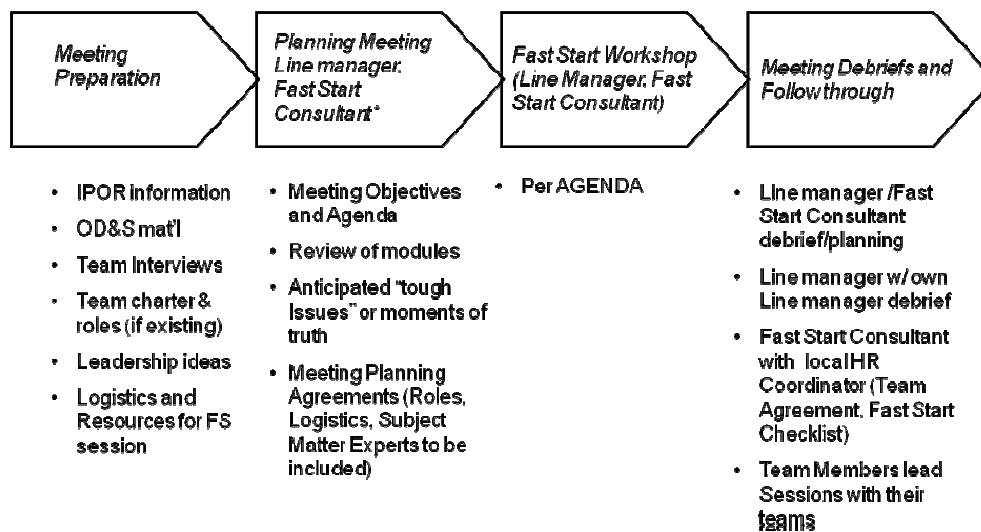
- understanding of new hp direction, organization and business context
- organization design and selection plan
- integration plan
- meet new team members

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- team agreement
- integration issues identified

The whole Fast Start Process was presented at the chart below.

Fig. 4. Fast Start Process Flow



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