

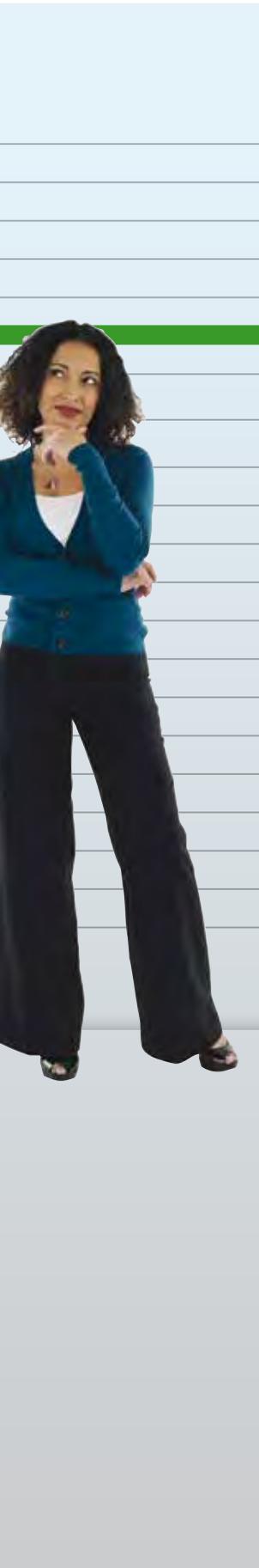
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EXPECTED CORPORATE VALUES STANDARD



Embedding values

Mark Moody-Stuart examines the difficulties of ensuring that the right values are agreed, understood and truly embedded in a large multicultural business organisation



Once attended a large dinner and discussion at the World Economic Forum in Davos, Switzerland, on standards for not-for-profit organisations. The debate was mainly between the leaders of such organisations asking themselves how they could ensure a common commitment to standards so that a failure in one sphere by one organisation did not tarnish the reputation of the sector as a whole.

One leader of a large not-for-profit said that he was concerned how he could ensure that every one of his 60,000 employees in many different countries were all living up to the values of the organisation.

It is a very valid concern and with some satisfaction I was able to welcome him to the ranks of multinational business and its many challenges.

The test of embedding values in large global organisations comes in several parts: first, establishing and agreeing common values; then making sure that everyone has really taken them on board; and lastly continuously checking that they are alive and well throughout the organisation.

A crisis is often a stimulus for creating or reviewing values. Shell had a well-established and well-embedded "Statement of General Business Principles" developed in the 1970s in response to a corruption scandal in Italy.

In my experience, in the 1990s, if you asked anyone in Shell what the group's business principles were they would say: "We don't bribe people and we do not get involved in politics".

They could say "we" with some confidence because there had been regular discussions on the challenges of working in corrupt environments and people knew of examples of business lost due to a refusal to pay bribes. The policy of not making political payments was also well known.

However, in 1995 two events involving respectively the environment and human rights caused public outrage and shook confidence and self-esteem throughout the organisation. These events were the reaction triggered by Greenpeace against plans to dispose of a very large oil storage buoy in the deep waters of the Atlantic and the execution in Nigeria of Ken Saro Wiwa, an outspoken critic of Shell's activities.

In both cases we thought that we had taken all steps in line with our principles but many people were very critical of our actions – or inactions. While we had told "war stories" about corruption, we had previously never spoken explicitly about human rights.

In response to this public concern Shell undertook a global consultation process. Workshops brought people at all levels in the company together with representatives of civil society organisations, the media, academics and political thinkers.



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Out of this came three amendments to the existing principles:

- clarifying our statement on political activity
- making commitments on responsibility and support for fundamental human rights
- committing to working to embed the principles of sustainable development in our operations

If people in an organisation feel that they have been involved in developing principles this helps the process of embedding them. The fact that the self-esteem of many people throughout the organisation had been shaken also meant that there was a receptive climate for discussion. However, a sustained effort is continuously needed to ensure that everyone in the organisation really does understand the implications and consequences of those values.

I believe that it is possible to have values that are shared across many different countries and cultures. Although a value should remain the same, its expression may vary with culture.

For example, respect for people may be a shared value but how it is expressed in Germany, Japan, Saudi Arabia or the US may be very different. At its simplest, the same individual might be happy to be called Hiroshi-san in Japan, "Bobby" Hiroshi in the US and Herr Dr Hiroshi in Germany.

In another example, the concept of an individual's right to a fair trial is generally accepted around the world. In the UK I regard a jury as being a very important part of this process. Yet in the Netherlands the idea of involving 12 "amateurs" off the street as an essential component of justice can be regarded as slightly bizarre. Yet within either national context I would be confident of a fair trial.

Both positive and negative examples are powerful.

If an individual who delivers outstanding business results but in the process reduces men and women to tears or to severe psychological distress is not checked, any expressed value of treating people with respect becomes worthless, probably along with all other values as well.

If such individuals cannot be persuaded to alter their behaviour, they must either be put in positions where they cannot interact with subordinates or others in a destructive way or else they must leave the organisation. If people see no action being taken, they will rightly assume that the true value is delivering financial results regardless of the method.

It is not enough simply to send out a message from the top and hope that people throughout the organisation will absorb it. In Shell in the 1990s our safety performance in exploration and production had plateaued after a period of improvement.

Analysis showed that fatal accidents were more likely to occur if operations were started up before all was completely ready. It was also apparent that in the case of many accidents someone had had some degree of prior concern or uneasiness about the situation but had not felt empowered to take action.

We sent out a strong message to all upstream operations over my signature saying that anyone had a right to stop an operation if they felt that it was unsafe and that it was more important to ensure that all was ready – training and testing complete – than to meet a promised deadline.

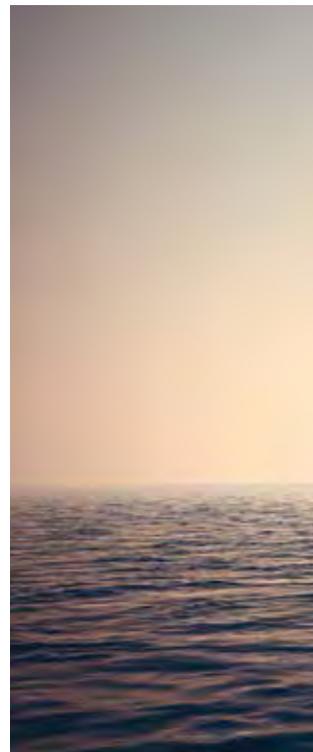
For two or more years after that when I attended "town hall" type meetings with people in operations around the world, there would often at some point be a question along the lines of "Mark, are we not sending out mixed messages on the importance of production versus safety?"

Initially I was a bit irritated, pointing to the letter I had signed and which I thought was absolutely clear. Could people not read?

Soberingly, I soon realised that it was not that people had not read my letter but that they still had some doubts as to what it really meant. Not to put too fine a point on it, some wondered whether the words were just for public consumption.

The answer was not to make the message more strident but to find operations that had been shut down for safety reasons or where start-up had been delayed and draw attention to them, publicly commending those concerned. If people see an action that clearly costs the company money yet attracts commendation, they believe the message.

Many corporations lay great emphasis on training to instil values. I recall listening to the chief executive of a major financial institution that had suffered from scandals relating to trading in Europe and to other events in Japan.





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He had put in place a very impressive, structured training programme delivered around the world through thousands of hours with care to ensure maximum coverage (and documentation of the coverage).

I was impressed by the effort and the systematic approach. Then, in my eyes, he blew it all by remarking somewhat wistfully of his errant traders that if they had done it to one of the world's leading banks it would have been all right. He plainly did not get it.

Distorting the market, which is what the traders had done, is an abuse whether the victims are financial behemoths or a lot of little old ladies. The value is not dependent on the victim, although the severity of the crime may be.

Given the attitude of the chief executive, I suspect that the entire structured and rather legalistic training was wasted. To embed values you need to discuss real examples of their practical application. It can improve the credibility of a value if an action in line with that value bears a financial cost.

Once well established and embedded, how can one check that values live within an organisation? Board visits to operations allow non-executive directors to see and comment on operations. Can people give examples of the values in action, whether from their own experience or from having heard "war stories"?

One other method that I believe can give an effective indication of views and values within an organisation is to conduct regular global surveys. Some people query the reliability of such surveys but if professionally designed and independently conducted they give a real sense of the views of people on whether they feel that the company reflects its expressed values.

The response rate indicates the engagement of the people in the organisation and also whether they believe that their opinions are valued and acted on. Such surveys are, however, just one more tool in the vital task of ensuring that values are not just slogans on the wall but actually regarded as an essential part of day-to-day corporate life.

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ABOUT THE AUTHOR

Sir Mark Moody-Stuart is author of *Responsible Leadership: Lessons from the Front Line of Sustainability and Ethics*, Greenleaf Publishing, 2014, Chairman of Hermes Equity Ownership Services (since 2009) and served as non-executive chairman of Anglo American plc from 2001 to 2009.

He is a former director of HSBC Holdings and is Chairman, Foundation for the Global Compact, and was a member of the Board of Directors of the Global Reporting Initiative until December 2007. He is a member of the Board of Directors of Saudi Aramco and of Accenture.

Sir Mark became a Managing Director of the Royal Dutch/Shell Group in 1991 and was Chairman from 1998-2001.