

What is “Value”?

Introduction

How can we conduct our lives effectively and with integrity, especially in business, unless we understand “Value”. It is only when we know we are producing something of value that we get a sense of purpose, satisfaction and fulfilment. So what is “Value”? How does an enterprise provide value to its customers, suppliers, staff, owners and others? Without understanding “Value”, we run the risk of floundering around in mediocrity, being less than we possibly could be both personally and professionally! And without having a way to define and preferably measure value, we cannot be sure that we are creating value (the primary purpose of business), thereby making “Progress”!

In the so-called “developed nations” we have made great “progress” in the last century or so, yet life seems to have ever greater challenges. Is this because we have failed to define real value, and thus mistaken activity, productivity and change for Progress? It’s not hard to see the many ways in which, taken in isolation, life has improved. I for one enjoy having a warm dry building to live in, and a comfortable relatively safe vehicle to travel around in. But what is the cost? Personally? Nationally? Globally?



Like so many of the “baby boomer” generation, I think I can remember times long ago that were somehow simpler and easier than now. Or is that just a trick of the memory – filtering out the hard and unpleasant stuff?

My purpose in writing this article has been to clarify my own thinking on the subject, but also to challenge others to give it some thought. I am convinced that the dysfunction I think I can see in business and in the world in general could be changed for the better with a subtle shift in “Values”. I am hopeful that if enough people can grasp better, more consistent ways of defining and measuring both “Value” and “Progress”, then this will bring about change for the better. I am attempting to do my small part.

Background

As a self-funded systems developer for most of my career, the only way to maintain an income to support my various businesses has been to keep clients coming back for more, and to refer me to other prospective clients. So I think I have intuitively understood Value at this sort of practical level.

I have been privileged enough to receive some really good training. However I have not generally tackled the professional challenges I have faced from any sort of “academic” angle. So although I am approaching this subject from a fairly academic point of view, I am by no means an academic, as will probably be apparent. First and foremost I am sharing what I understand about Value from what is a very practical perspective.



[Image: <http://ciic.s23m.com>, with permission]

In June 2015 I attended the inaugural “Conference on Interdisciplinary Innovation and Collaboration” (CIIC). The CIIC web site “About” page opened with;

The business case for interdisciplinary collaboration and innovation can be framed in terms of a transition from traditional economic value chains to zero-waste value cycles.

*Science without innovation neglects opportunities and innovation without science remains shallow and superficial... Diverse knowledge is necessary **to solve various problems in the world and to create value in the future**, and overcome challenges that go beyond the framework of research in industry, government and academia.* [from the mission statement of the Honda Research Institute]
(Bold emphasis mine.)

The concepts of “value chains” and “value cycles” caught my attention. I had recently been to a lecture by Dave Snowden on “Cynefin and Sensemaking” hosted by the “Agile Auckland” LinkedIn / Meetup group. More on this later, but this had stimulated my imagination to follow more of an academic line of thought than I had previously. So after doing some research on-line, I enrolled for the CIIC unConference.

Dave Snowden Founder and chief scientific officer of Cognitive Edge. His work is international in nature and covers government and industry looking at complex issues relating to strategy, organisational decision making and decision making. He has pioneered a science based approach to organisations drawing on anthropology, neuroscience and complex adaptive systems theory.
Source: <https://cognitive-edge.com/about-us/>

I was deeply challenged during the “OpenSpace” conference as the discussion centred more and more around the question, “What is ‘Value’?”, and the closely related question, “What is ‘Progress’?” Since the day of the unConference I have been challenged to write some sort of article on the subject, even if it didn’t immediately lead to a practical outcome.

Shortly after that I attended a lecture by Siraj Sirajuddin titled “Enterprise Agility And Leadership Transformation”, again hosted by the “Agile Auckland” LinkedIn / Meetup group. This further stimulated my thinking about the meaning of “Value”.

Siraj Sirajuddin (SPCT and Founder of Temenos) has worked with hundreds of executives leading enterprise agile transformation initiatives.
Source: <http://stiatemenos.com/people/siraj-sirajuddin-mba-spct/>

I think it has been quite remarkable how these three somewhat unrelated events have provided me with not just the stimulation, but also some of the resources needed to make some sense of this subject.

Definition and Contexts

Let's start with generally accepted definitions. Both "value" and "progress" are words in common use in the English language, but may mean many different things to different people. I have clipped portions of the definitions of each word from Dictionary.com;

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|---|---|
| <p>value</p> <p>noun</p> <ol style="list-style-type: none"> 1. relative worth, merit, or importance: <i>the value of a college education; the value of a queen in chess.</i> 2. monetary or material worth, as in commerce or trade: <i>This piece of land has greatly increased in value.</i> 3. the worth of something in terms of the amount of other things for which it can be exchanged or in terms of some medium of exchange. 4. equivalent worth or return in money, material, services, etc.: <i>to give value for value received.</i> 5. estimated or assigned worth; valuation: <i>a painting with a current value of \$500,000.</i> <p>...</p> <p>verb</p> <ol style="list-style-type: none"> 17. to consider with respect to worth, excellence, usefulness, or importance. 18. to regard or esteem highly: <i>He values her friendship.</i> | <p>progress</p> <p>noun</p> <ol style="list-style-type: none"> 1. a movement toward a goal or to a further or higher stage: <i>the progress of a student toward a degree.</i> 2. developmental activity in science, technology, etc., especially with reference to the commercial opportunities created thereby or to the promotion of the material well-being of the public through the goods, techniques, or facilities created. 3. advancement in general. 4. growth or development; continuous improvement: <i>He shows progress in his muscular coordination.</i> 5. the development of an individual or society in a direction considered more beneficial than and superior to the previous level. <p>...</p> <p>verb (used without object)</p> <ol style="list-style-type: none"> 11. to grow or develop, as in complexity, scope, or severity; advance: <i>Are you progressing in your piano studies? The disease progressed slowly.</i> |
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My first realisation when at the unConference was that "Value" is quite subjective, and requires a context to have any meaning at all. In each of philosophy, psychology, religion, politics, economics and engineering, there can be somewhat different ways of defining and measuring both "Value" and "Progress", and these can be useful in each of these corresponding situations. An individual's background experience in working with each of these disciplines can then give a sort of woven tapestry of possibilities within which they will define both value and progress for themselves.

In addition to the individualistic Personal view, some other more general contexts I would like to consider are Enterprise, National and Global. I know that in many ways I am stating the obvious here, but I just want to establish a context for the discussion.

1. Personal

An individual's personal "values" are formed from many things, and will include such concepts as vision, purpose, meaning, aspirations, motivation, and culture. These are then further modified by the group values of their family, peer group, religious orientation and society generally.

We grow and develop through the early part of our lives, being deeply influenced by our parents and siblings. They and we are also part of society and generally adhere to standards of accepted behaviour. As young adults, we will start to align with our peers in many respects, as we further develop our own growing system of personal values.

In addition to all this, there may be more or less adherence to the doctrines and dogma of religious beliefs, which may sometimes be in tension with our own common sense and continually developing outlook on life. Whether we comply with the expectations of others will then determine whether we are seen as conventional and compliant, or rebellious and free-thinking.

Within all of this, we each need to find our own sense of meaning in life – our purpose – that which motivates and satisfies us. Otherwise we will be less than “successful” – at least from our own point of view. It all comes down to a very individual and personal passion for something – the one thing that is most important to us.

2. Enterprise

Many enterprises will have what they consider to be the purpose of the organisation described in a publicly stated “Mission Statement”.

The Wikipedia definition of a “Mission Statement” begins;

A **mission statement** is a statement of the purpose of a company, organization or person; its reason for existing; a written declaration of an organization's core purpose and focus that normally remains unchanged over time.

Properly crafted mission statements;

1. Serve as filters to separate what is important from what is not,
2. Clearly state which markets will be served and how, and
3. Communicate a sense of intended direction to the entire organization.

A mission is different from a vision in that the former is the cause and the latter is the effect; a mission is something to be accomplished whereas a vision is something to be pursued for that accomplishment.

I see a mission statement as giving an indication of an enterprise’s core Values. Of the mission statements I have seen, they will rarely include any economic statement as to Value, yet all too often enterprise Value is approached *purely* from the stand-point of economics. It seems to me that this is because it is easier to establish profit and loss than to measure other equally important forms of Value.

The danger in only using economic measures to define Value and Success is that the very purpose (the core Values) of the enterprise will often be compromised in attaining what is measured as a “successful” outcome. Staff and contractors alike may be measured against some definition of “Key Performance Indicators” (KPI’s) to determine their value to the enterprise. This puts pressure on them to perform purely to achieve what has been asked of them to match up with these measures. As the ideally stated Values of the enterprise may be more altruistic and less easily defined, they will often be overlooked or even infringed.

I recently received a newsletter e-mail, that started with the statement, “*As a manager yourself, you would know that **no matter how effective your management style or how innovative your ideas, your performance will always be measured in dollars and cents. ...***”. (Bold emphasis mine.) They then went on to offer training in how to understand and live up to the financial requirements of business today.



Economics are a relatively quick and easy way to measure a form of value. As such they are expedient. The problem is that they tend to lead to short-term gains. That may be acceptable, as long as the true Value of the enterprise is respected *and* there is also long-term benefit. For example, if a dairy farmer sells his entire herd, then there is a short-term benefit in having some spending money. However in the long-term, he will suffer loss because he no longer has the means to support himself. That may seem an extreme and relatively unlikely scenario, but in the corporate world, that is exactly the sort of thing that is happening every day!

Steven Pearlstein is an American columnist who in 2008 received the Pulitzer Prize for Commentary for "his insightful columns that explore the nation's complex economic ills with masterful clarity,". In 2011, he became the Robinson Professor of Political and International Affairs at George Mason University.
(https://en.wikipedia.org/wiki/Steven_Pearlstein)

In September 2013 I heard Steven Pearlstein being interviewed on Radio New Zealand National. He really made sense to me as he described how US corporates were suffering from focusing on maximizing shareholder value to the expense of the enterprise. In an article, he writes;

... business schools that indoctrinate students with the shareholder-first ideology and equip them with tools to **manipulate quarterly earnings and short-term share prices.**

It includes corporate lawyers who reflexively advise against any action that might lower the share price and invite shareholder lawsuits, however frivolous.

It includes a Wall Street establishment that is **thoroughly fixated on quarterly earnings, quarterly investment returns and short-term trading.**

And most of all, it is reinforced by **gluttonous pay packages for top executives that are tied to the short-term performance of the company stock.**

The result is a self-reinforcing cycle in which corporate time horizons have become shorter and shorter. The average holding periods for corporate stocks, which for decades was six years, is now down to less than six months. The average tenure of a public company chief executive is down to less than four years. And the **willingness of executives to sacrifice short-term profits to make long-term investments is rapidly disappearing.**

http://www.washingtonpost.com/business/economy/businesses-focus-on-maximizing-shareholder-value-has-numerous-costs/2013/09/05/bcdc664e-045f-11e3-a07f-49ddc7417125_story.html (Bold emphasis mine.)

Because the executives described by Steven are willing to sacrifice long-term advantage in order to achieve short-term gains to receive the personal bonuses on offer, in effect they sacrifice the long-term well-being of the enterprise for short-term gains. They may not see that they are acting contrary to the best interests of the enterprise, but have actually been and incentivised trained not to!

The point I picked up was that executives have lost sight of true Value, and how to create it. If Steven's view is to be accepted (and I do) they are actually trained not to care! That is because to the corporate business world, Value equates almost exclusively to dollars. This is a complete distortion!

As noted above, a newsletter email stated, "... no matter how effective your management style or how innovative your ideas, your performance will always be measured in dollars and cents. ...". That's exactly the attitude I am referring to. Where is the true Value in that?

Of course, we see many examples of people who are recognised as “successful”, who got to where they are through deferring reward and investing themselves and their resources for long-term advantage. That is better than ripping the system for short-term gain, but when done in the pursuit of money, this too can have seriously detrimental consequences. What has it cost them in terms of their other core Values? How many marriage break-ups did they (and their family) endure? It has been rightly said that we do not own possessions; possessions own us! It all depends on how attached we may be to money and possessions.

The Bible declares, “For the **love** of money is a root of all kinds of evil. ...” (1 Timothy 6:10 NIV)

Also, the book of Ecclesiastes is credited to King Solomon who ruled the ancient nation of Israel around 950 BC. He was reputed to be the wisest and wealthiest man of the time (some would say “ever”). He needed for nothing materially, yet declared it all to be meaningless;

Whoever loves money never has enough;
whoever loves wealth is never satisfied with their income.
This too is meaningless.

As goods increase,
so do those who consume them.
And what benefit are they to the owners
except to feast their eyes on them?

(Ecclesiastes 5:10,11 NIV)

Buddhist teachings advise detachment from wealth (avoiding the love of money) and condemn seeking an indulgent lifestyle. It is recorded that the Buddha said;

Grass is to be sought for by those in need of grass. Firewood is to be sought for by those in need of firewood. A cart to be sought for by those in need of a cart. A servant by him who is in need of a servant. But, Headman, in no manner whatsoever do I declare that gold and silver be accepted or sought for. (S.IV 326) Source: Buddhist Cultural Centre, Sri Lanka.

It is quite clear from this and other texts that wealth is not to be pursued for the sake of having possessions, but rather as a means to attain various objectives and to fulfil duties such as sharing resources with others in need.

3. *National*

If you thought enterprise Values got muddy, then national Values are even more so! Firstly national Values are defined somewhat by default by the “average” culture and standards of individuals, plus whatever laws may be applied (and the way in which they are applied).

But what are these Values really? Sometimes major sections of society can have major differences with aspects of what could be seen as national Values. Political parties can sometimes represent these differences, but it often seems that they represent relative minorities, and by far the majority of the population simply get on with making the most of their given circumstances, thus becoming “the Silent Majority”.

Once in a while, a vocal minority can strike a chord that soon has growing support. A good example of this was that “In 1984, Prime Minister David Lange barred nuclear-powered or nuclear-armed ships from using New Zealand ports or entering New Zealand waters. Under the New Zealand Nuclear Free Zone, Disarmament, and Arms Control Act 1987, territorial sea, land and airspace of New Zealand became nuclear-free zones. This has since remained a part of New Zealand’s foreign policy.” (Wikipedia - New Zealand nuclear-free zone.)

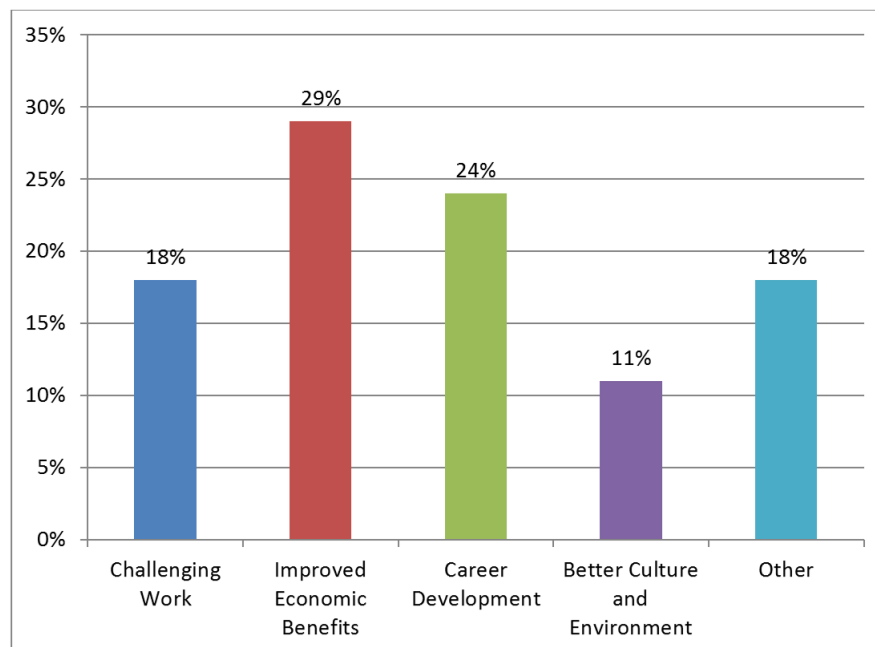
Currently there is some debate about changing the flag of New Zealand. In a way this has raised the question of what New Zealand stands for. What is New Zealand known for? What are the Values of the nation? A very interesting question indeed! A very complex one! One that this debate has shown to be rather murky!

4. Global

Many people like to subscribe to the existence of “Universal Values”. The concept appears to keep things simple. In the Judeo-Christian traditions, “The Ten Commandments”, is one such notion. As a graduate of a Bible College, I know that the whole point of the Ten Commandments was to prove that they could not be kept. So even something as apparently simple and “Universal” as that is not what it may seem at first.

All the same, there are some universal Values that hold true. People everywhere want to (need to?) be happy, safe, and *valued*! Whatever that might mean – to them!

Once basic needs are met, economics can become somewhat meaningless. So in the workplace, there needs to be more than just an economic benefit. A recent survey of New Zealand professionals provided the following result, when asked what would motivate them to work for an employer;



Somewhat significantly under a third would be looking for increased income. Of course that could well change, depending on whether income was already “sufficient” on average for the sample group.

A separate question regarding working conditions resulted in nearly half responding that they would view flexible working hours as a significant advantage.

By all means, the real needs of people have to be met, but it also needs to be a truly “human” environment. Studies have determined that non-economic factors such as flexible working hours, challenging work, culture and environment all make a significant impact positively or negatively on productivity, and the economic outcome overall.

During his lecture on “Rethinking Agile - Cynefin and Sensemaking”, Dave Snowden described and applied the concept he has named “Cynefin”. Wikipedia states;

Cynefin /'kɪnɪvɪn/ is a Welsh word, which as a noun means "haunt, usual abode" or "habitat" and as an adjective "customary, habitual, familiar, usual, ordinary". The term was chosen by the Welsh scholar Dave Snowden to describe a perspective on the evolutionary nature of complex systems, including their inherent uncertainty ("The Cynefin framework"). The name serves as a reminder that all human interactions are strongly influenced and frequently determined by our experiences, both through the direct influence of personal experience, as well as through collective experience, such as stories or music.

The framework provides a typology of *contexts* that guides what sort of explanations or solutions might apply. It draws on research into complex adaptive systems theory, cognitive science, anthropology, and narrative patterns, as well as evolutionary psychology, to describe problems, situations, and systems. It "explores the relationship between man, experience, and context" and proposes new approaches to communication, decision-making, policy-making, and knowledge management in complex social environments.

So to better understand how to approach any problem, we need first to understand the context. Only then do we have any sort of reference to Value.

Siraj Sirajuddin similarly referred to “Temenos” during his lecture on “Enterprise Agility And Leadership Transformation”. He explained that Temenos is a Greek word for “container” or “vessel” – the space in which we exist – the space that gives us different identities. For example, marriage is a container; a group at work is a container; and a set of people on a retreat is a container.

Siraj said that when he arrived in a new place to work with a client, he would first travel around the country for some time to absorb the culture. He would then do the same with the city in which the client was based. Having done that, he would spend time in the environment of the client business, meeting with as many people as possible to gain an appreciation of their individual vision, aspirations, challenges, etc. Only then could he define the containers ... the Temenos. Only then could he understand the business!

In comparison to that, I have generally been in a rush! Of course most clients just want you to “get on with the job”, as they see it. But we need to listen and observe more!

Once again, In effect Siraj was saying that Value only has value in a context. Without understanding that, we cannot understand what Value we can create and will risk being misguided and misdirecting our resources.

Business Value

I am encouraged to observe that business Values are slowly changing. General expectations of the level of service provided is at an all-time high and advancements in technology are changing the way everyone communicates and interacts, especially in business. This is a challenge that all businesses must meet effectively – or face the consequences of not doing so.

Customer experience can be significantly improved by automating work-flows to achieve intelligent, prioritised and collaborative management from one end of the enterprise to the other. To date, the way businesses interact with one another is still very much what I would describe as “manual”. Even the “automation” commonly in use only automates a manual method that has been around since the industrial revolution. This too is slowly changing.

1. Value Through Collaboration

Business is transacted on the basis of trust. The customer trusts that the product or service is fit for purpose, and the supplier trusts that terms of payment will be adhered to. Truly successful businesses create stable relationships with their customers. It can take time, but through consistently being aware of and working towards each other’s best interests, a spirit of collaboration can be created based on mutual trust and respect.

Where this level of trust and respect exists, and when correctly applied, automation and communications technologies now exist that can enhance the practical operation of such collaboration. Complexity can actually be made simple!



So Value may be created through the enacting of mutual Values that certainly include economics, but also take account of a wide range of other factors.

2. Value Through Culture

Corporate culture can be exceedingly hard to define, but is very real, and a major factor in enterprise success. I have observed that businesses that achieve exceptional growth have had a friendly, co-operative and generally inclusive feeling about them. In one company, expectations were made clear so staff knew exactly what to do and how to do it, but still had the opportunity to make recommendations for improvement. Staff satisfaction was high and turnover low. All worked together as a happy, collaborative team.

During his lecture, Dave Snowden asserted that “the relationships between people are more important than the people themselves” and “physical interaction is crucial, especially in building trust.” That’s why genuine teamwork and a sense of purpose and meaning at work can improve productivity.

Corporate Values can be best achieved when they align with the aspirations of the staff that are charged with its success. When the corporate culture provides a consistent vision for staff, their satisfaction and motivation will be maximised through having a clear common purpose. This then produces Value for the enterprise.

3. Value Through Innovation

Creating Value through innovation is critical to the success of most enterprises. Given the intense competitive nature of most industries, effective innovation can provide opportunities if it is done well, but can cause problems if it is not.

Change is a constant factor in life and in business, and the ability to adapt to that change is a crucial ability for long-term success. This will force some sort of change regardless of intention. Enterprises can either be proactive and deliberately set out to innovate, adding Value and making change a positive and advantageous factor in the business, or they can be reactive and simply try to adapt to the change. In the absence of innovation, this will be by imitating others which will compromise the unique selling point of the business.

How do we go about being innovative? We need to encourage those involved in every level of the business to bring their ideas forward. To achieve this, people need to feel safe to make suggestions. They need to know that they will be taken seriously if they make suggestions for new opportunities. The sort of creativity that will produce true innovation will most often come from people with different sets of skills and experience – different contexts from which to view challenges. By combining competent people in a supportive environment, creativity and innovation will flourish.

Innovation doesn't have to mean creating some new product or service. There are often many opportunities to improve existing ones before investing a lot of resource into research and development around something new and unproven. But innovation doesn't stop there either.

The entire business strategy can be reviewed, from sources of supply, to supply chain, to management methods and culture, and target market. Within each of these is a world of possibilities that may yield opportunities for improvement that will further differentiate the business in the marketplace.

On many occasions I have seen opportunities for improvement in my clients' businesses and have made recommendations. Rather too often I have heard the reply that things are going well or they are "too busy" to give my recommendations serious consideration! This has sometimes been a missed opportunity! The best time to invest in innovation is actually when you least need it. That's being proactive, rather than reactive. It is most difficult to find a way to implement change during trying times, or worse still, a crisis! The sorts of changes that will provide long-term benefits really have to be carefully worked through and followed through to make sure that the maximum benefit is received.

Creating Value through innovation will require;

- **Autonomy** – Really creative ideas flow in a free and relaxed environment.
- **Acceptance** – Innovation will often come through differences between people in a climate that allows everyone to express their ideas.
- **Supportive Culture** – Any ideas offered need to receive encouragement, and those that can be implemented need to be followed through decisively.
- **Ownership by Management** – Innovation starts at the top, not at the bottom.
- **Reward** – There needs to be some sort of recognition given for the value of ideas.
- **Risk Taking** – Any change will create risk. Avoidance of risk will lead to stagnation.



Certainly, cutting costs will be one motivation for innovation, but not necessarily the only one. Reducing time to market and increasing market share either directly in existing markets, or by entering new markets may also be ways of creating benefits – Value – through innovation.

So why don't businesses innovate more? I believe it comes down to a lack of skills. Especially in New Zealand, we seem to be an independent lot! We typically go it alone. Certainly that can preserve our uniqueness in business, but collaboration or at least information sharing can be beneficial to those who engage in that sort of activity.

4. Value Through Adaptation

Although I am not advocating that any business does the same as a competitor just because they are doing it successfully, there can be opportunities to learn from the experience of other businesses. Analyse what they do and why they do it, then look at what can be learned from it and how it can be adapted. Innovative ideas are built on existing concepts. That is the scientific method!

It's fine to take inspiration from what others are doing, but in general it is best to avoid copying them. Make your version better! Think about;

- What can you adapt to work for you?
- What changes can you make in approach, materials, or design?
- What specific things can be further enhanced, minimised, or eliminated altogether?
- Are there any twists you can put on what you have learned?
- Where do these new ideas fit in with your existing operation?



Whatever opportunities exist to improve the Value creation capability of an enterprise, they will generally require an investment of resources and a commitment to see the changes through to completion. Nothing of Value is created without some challenge to overcome or “everyone” will already be doing it! I hear it all the time, that what every enterprise needs is a “Unique Selling Point”, but I sometimes wonder whether this catch-phrase is truly understood? It's easier to follow the crowd, but the world needs diversity in business, to match the diversity in society in general.

Conclusion

The meaning of “Value” will inevitably vary according to context, individual experience, and combinations of all sorts of factors, especially within an enterprise.

Systems need to cater for unstated requirements and unknown capabilities. In my opinion, for the first time in human history, technology to enable such systems to be built now exists. But it takes new ways of looking at systems and the Value they create to see how best to do it.

Although much more than monetary value should be considered when thinking about Value in business, most improvements we may make in a business' Value creation ability will ultimately show up in a monetary way. Even improvements to the way Value is created or preserved in society and the environment in general can have a positive impact on the “Bottom Line” as the staff and customers alike endorse this activity.

Creating Value through collaboration, culture, innovation and adaptation brings diversity and resilience ... making true Progress.

You know you're creating value when you can see **tangible positive changes** in the world as a result of your creative output. The opportunity is here, now, to really make a difference at all levels – individually, enterprise-wide, nationally and globally.

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