



Bertelsmann Stiftung (ed.)

Value Management and Value Creation in Business

Case Studies on Internationally Successful Companies

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Preface

As the world's leading chemical company,
we want to create assets that benefit all:
our customers, our shareholders, our employees,
our company as well as the countries in which we operate.

BASF, *About us*

The way we do things at Hilti is based on living strong values.

We act with integrity in all we do, we demonstrate courage
to go beyond the circle of habits, we outperform through teamwork,
and we have commitment to personal and company growth.

Hilti, *The foundation*

The steady march of globalization only reinforces what has always been true: A company's competitiveness and, thus, its prospects critically depend on the motivation, creativity, commitment and adaptability of its leaders and its workforce. The determining factor for entrepreneurial success will always be how the people in a company identify with its values and goals.

But only values that are practiced in daily life within the company and that are aligned with its vision, mission statement, management principles and strategic direction will sustainably secure its continuity and competitiveness. These form the indispensable foundation for mutual trust within and outside a company, and these underpin the loyalty and engagement of its leaders and employees.

A well-balanced set of values that suit the company cannot and should not replace formal control mechanisms addressing its performance and culture. On the contrary, employee surveys offer a valuable indicator for corporate management. But agreement on shared corporate values and respect for cultural diversity create vital trust and collective commitment. They facilitate workflows and communication within the company, while improving its understanding of customers' needs at the global level.

The existence and effective implementation of a visibly lived system of values was one of the key criteria for the Carl Bertelsmann Prize awarded for "corporate culture and leadership as factors for success." In the International Network Corporate Culture, a Bertelsmann Stiftung initiative which brings together companies from across Europe, best-practice models increasingly highlighted the competitive advantage gained in the global marketplace when companies live out their values in practice. After all, competitors can copy products and procedures—but not a corporate culture!

But how do exemplary companies establish their corporate culture, and with what tools? How do they achieve congruence between written principles and corporate values practiced in their day-to-day business dealings, particularly given the challenges of globalization? What ultimately makes these values credible, and what role does leadership play in this regard?

This book discusses these questions on the basis of two corporate examples. Both BASF SE and the Hilti Corporation belong to the International Network Corporate Culture. These companies are dedicated to further developing and promoting both a corporate culture that focuses on people and an exemplary management style. They share the conviction that investments in analyzing, shaping and improving a company's corporate culture also represent investments in its future. With this in mind, case studies on values management were undertaken as a Network project.

Constructive cooperation in a spirit of trust, consensus-oriented work, and objective dialogue among various partners produced results in the case studies published here that were valuable in every sense of

the word. In this connection, we thank first of all the authors—Martin von Broock, Mathias Wendt and, especially, Professor Dr. Andreas Suchanek of the HHL-Leipzig Graduate School of Management and the Wittenberg Center for Global Ethics, who coordinated the project—for conducting the research and contributing their expertise in the field of values management. We also thank the employees of our own companies, without whom these case studies would not have been possible.

Liz Mohn

Vice-Chair of the Executive Board, Bertelsmann Stiftung

Jürgen Hambrecht

Chairman of the Board of Executive Directors, BASF SE

Bo Risberg

Chief Executive Officer, Hilti Corporation

Introduction

The topic of values management has become increasingly important in recent years. At the same time, critics have put forward various and sometimes contradictory arguments asserting that values management is self-evident and therefore unnecessary, irrelevant, a luxury or too risky. The contradictions among these arguments indicate that the conclusions drawn about this complex issue greatly depend on what people mean by values management.

In this study, we set forth the advantages of values actually practiced within a company. Values provide internal and external orientation and legitimation for decisions and actions. They also send a signal that the company is a reliable cooperation partner. With values as the foundation for cooperation, businesses can lower their costs and improve their economic value creation. Given all this, the question arises: If lived values have such advantages, why is explicit—and effective—values management not as widespread as one might expect?

The starting point for answering this question is the central problem of values management: The challenge lies in establishing consistency between words—that is, communicated values—and deeds.

The problem of consistency has two sides. On the one hand, inconsistencies can arise when actions do not correspond to values, as when a company boosts its profits by externalizing costs. We refer to this as a conflict between values and self-interest. On the other hand, the subjective expectations that individual stakeholders attach to values can take the form of inflated and impossible demands,