

# Intra-organizational challenges of values-based leadership

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## Abstract

Recent discourse on modernizing leadership has often placed strong emphasis on values and ethics. This article elaborates challenges in leadership of large organizations, most notably in regards to appraisals of values-based leadership (VBL). It is proposed that if challenges are not identified, it would lead to unintended consequences, such as insignificant value-statements, inappropriate use of values and illegitimate leadership practices. The discussion deals with intra-organizational leadership challenges, namely changes in organizational structures and authority, participation, communication, image and perceptions, and integration of values.

## 1. Introduction

Values and ethics are at the heart of organizational behavior and leadership. It is becoming increasingly apparent that the full integration of ethical standards into business practice is not only preferable, but also necessary for long-term organizational survival (Parry and Proctor-Thomson, 2002). Especially, in terms of leadership and management, Values-Based Leadership (VBL) discussion has evoked the role and importance of ethics and values in leadership (Graber and Osborne Kilpatrick, 2008; Buchko, 2007; Mussig, 2003; Pruzan, 1998). Scandals throughout corporate America and Europe have encouraged many organizations to seek leaders who can sustain profitability and embody ethics and positive values within the organization (Reilly and Ehlinger, 2007). At the bottom level, the scandals in which CEOs and other top leaders demonstrated a severe lack of ethical conduct in businesses have also demonstrated enormous impact on leaders of their organizations, through their direct actions as well as creating a climate that sanctioned ethically questionable practices (Grojean et al., 2004, p. 224).

As such, introducing values into business and leadership is not a new thought. The concept of values as central to organizations and organized societies has a long history in the sociology of organizations, as well as, to understanding guiding principles of institutions, organizations, and individuals (Schwartz, 1992; Cummings and Worley, 2001). Yet, the overall consensus seems to be that values are an important factor in the successful management of large organizations (e.g. Mintzberg et al., 2005; Hofstede, 2005) and in creating a competitive edge (Blanchard and O'Connor, 1997).

This article addresses the question, why values-based leadership tends to be difficult to put in practice, especially in large organizations? Indeed, the challenge to operationalize values and ethics is not the problem only for large organizations, but also for professional, as well as, production and service-oriented organizations. There are several studies representing the introduction of the values-based leadership as well as suggestions to improve

leadership (Buchko, 2007; Grojean et al., 2004; Treviño et al., 2003). However, a systematic analysis of thresholds which we face in executing the VBL is missing. This article attempts to elaborate intra-organizational factors that help clarify potential challenges of the values-based leadership. By identifying the challenges of the VBL, we could contribute to more precise content domain for the VBL itself and to develop its ways to overcome difficulties that leaders face in practice.

Of course, moves towards values-based leadership are cultivated by instrumental thinking and the desire to obtain more efficient performance (Pruzan, 1998, p. 1380). It is said that it is important for businesses to display ethical behavior in order to attract and retain staff, increase profits, attract investors and government funding and to enhance their reputation within the corporate world. Additionally, as McDonald (1999, pp. 143–144) notes, organizations are looking for material of a more pragmatic nature that will assist them in making values operational and mechanisms by which values can be integrated into their organizations. However, values-based environment would offer an alternative, especially in terms of better stakeholder value and legitimacy of the organization activities as well as managerial actions (Brytting & Trollestad, 2000).

## 2. Introducing the Values-Based Leadership

Before entering to elaborate and analyze the potential challenges, it is necessary to explicate the content and thought of the VBL. Peter Pruzan (1998, pp. 1379–1381) argues that leaders actively introduce the notion of organizational and stakeholders' values into the managerial culture and develop a values-based perspective on management. Accordingly, Van Wart (1998, pp. 319) notes that the art of values management for practitioners has already become the leading skill necessary for private and public managers.

Within the field of organization management, early writers such as Chester Barnard (1938) suggested that shared values were useful in addressing the problem

of managing and coordinating complex organizations. Selznick (1957) wrote that organizations become mature and 'institutionalized' only when leaders infuse them with values. Others have noted the importance of shared values in creating a strong organization culture (Minzberg et al., 2005; Schein, 1985), motivating behavior by providing direction and emotional intensity to action (Schwartz, 1992), representing standards to judge and justify actions (Mills and Spencer, 2005), and socialization activities and individuals to organization and leadership (Gorjean et al., 2004).

From a management perspective, values are seen as the underlying attitudes and beliefs that help determine individual behavior, both personnel and leaders (Barnard, 1938, p. 279; Treviño and Brown, 2004, p. 75). This view largely explains the fascination many leaders have with the concept of shared values. In such way, values are a means of influencing behaviors without the need to resort to formal structures, systems, strategies, or control mechanisms. Values would also provide leaders with a means of directing the organization in a desired way without having to resort to authoritarianism (Buchko, 2007, p. 38) and using tight or confusing rules (Mills and Spencer 2005, p. 26). Moreover, to explicate challenges in the introducing VBL, we would need quite a broad definition on values. Thus, values are relatively enduring beliefs and conceptions about what kinds of behaviors (instrumental values) or end-states (terminal values) are preferable to others (Rokeach, 1973), and furthermore, the values are a common set of shared beliefs on goals, means, and ends which all together create the organization and leadership (Buchko, 2007; Meglino and Ravlin, 1998) and values can provide coherence and a sense of purpose to an individual's behavior (Lord and Brown, 2001).

VBL refers broadly to leadership based on foundational moral principles or values such as integrity, empowerment, and social responsibility (Reilly and Ehlinger, 2007, p. 246). VBL operates in several directions in intra-organizational relations. Mussig (2003, pp. 73) argues that "values-driven leadership sets the function of the relationship as putting values into practice" and "the function of the leader may be to bring values to the relationship." O'Toole (2008, pp. 84) suggests that value-based leaders "task, role, and responsibility is to help followers realize the most important ends that they hold dear but cannot obtain by themselves".

The VBL in a certain way applies thoughts of ethical leadership. Ethical leadership as such lies at the intersection of two literatures – business ethics and leadership (Treviño et al., 2003, p. 6). Pruzan (1998, pp. 1381) remarks are more instrumental and present more cynical thinking in addition which has to be considered in regards to the VBL: some tools are simply being updated to provide legitimacy and a license to operate to leaders who in reality continue to promote their own personal ambitions as to wealth, prestige and power by maximizing shareholder value.

Despite diversity in the definitions, organization values hold the key position in the VBL. Also the questions, how values are introduced, used and evaluated in leadership form most of the discussions. According to Sims (1991, pp. 495), the institutionalization of values takes place in: 1) managing the psychological contract between its employees and the organization (reciprocal expectations), 2) reinforcing employees' organizational commitment, and 3) encouraging and nurturing and value-oriented organizational culture. Additionally, to mention some examples, values can be used to establish and communicate a unifying vision; making strategic decisions; establish structures, processes and control systems; develop and educate new leaders; create

and manage the organization's culture and climate; and establish the organization's ethical code and value system (Gorjean et al., 2004, p. 233).

Arguments towards increased value-consciousness can be described by using Kenneth Goodpaster's (1994) reference to a 'common managerial disease with three symptoms'. First, leadership contains an intensive goal-fixation. Leaders are engaged with short-term goals which are dealt with recklessly. In turn, values and ethics often stand for longer perspectives and responsibility. Secondly, leadership emphasizes rationalization i.e. tendency to fit emerging problems into socially approved statements, for instance, competitive necessity. In turn, values represent more profound and morally detached development. Thirdly, detachment which is a tendency to separate head from heart with the support of expressions like 'it is a jungle out there' or 'in the real world'. Values, instead, try to capture the essence of corporate life, strategy and vision, as well as, culture nurtured issues and organizational and personal self-awareness and identity.

Moreover, Goodpaster (1994) critically conveys that spirituality and ethics are everywhere. The buzzwords and phrases on servant leadership, stewardship, empowerment, values-based management, and sensitivity are widely used. He uses a quotation from the Training Magazine to describe situation: "in an environment racked with stress, insecurity, tough decisions and 60-hour weeks, you might expect a resurgence of a management model based on Machiavelli's Prince... or Theory-X icon. Instead, there's a stirring in the opposite direction: A flood of management books, articles and musings tries to make sense of the current chaos by proposing a management model filled with heart – and soul."

The anecdotal perspective tends to tell stories about or provide case studies of various leadership practices on introducing values, then infer that values are essential components of the organizations' success. Such discussions conveniently ignore the fact that some very unsuccessful companies – such as Enron and Arthur Andersen – had a well-defined and well-articulated set of core values. (Buchko, 2007, p. 37; Graber and Osborne Kilpatrick, 2008, p. 179.)

### 3. Potential Causes of Challenges

On the basis of positive yields as well as critical notions, it is important to analyze challenges that we often face in regards to the VBL. In this article, the suggestions for better values-based leadership are critically discussed in terms of elaborating the potential challenges Values-Based Leadership in large organizations face. The key arguments that the article discusses can be listed as follows:

- Traditional power is becoming powerless in flat and professional organizations
- Participation of stakeholders is suggested to be intensive and extensive
- New forms of control and feedback are needed
- Communication of values should be clear and straightforward
- Leadership stands for fostering good image and perceptions
- Integration of values and actions are vital for organizations and development

Additionally, it should be recognized that the approach in this article is leader-centered. This approach is encouraged by the hypothesis and research findings that the ethical orientation of the leader is a critical issue to consider in understanding ethical and values-based practices in organizations (Hood, 2003). Thereby, organizational structures and managerial functions are

seen as issues that could be affected by leadership, and thereby, the challenges revealed in the article can be solved by leadership activities. The alternative approach would be for example to represent that leadership is a complex interaction between the leader and the organizational environment, when leadership is partially determined by the changes in both, the environment and leadership itself.

### 3.1. Alternating Hierarchical Structures and Authority

The first set of challenges is expected to be related to authority, structures, and changes in leaders' positions. Often reforms are labeled with terms such as greater flexibility, performance, accountability, and simplification (Rouillard and Giroux, 2005, p. 334). To answer these demands, more flat and flexible organizational structures are introduced. But, what kinds of challenges these changes put for the VBL particularly?

The formal definitions of who has the power and right over whom and how to distinguish leaders from those who are led, has become increasingly more complex, to say the least. It is argued that primary symbol of organizational power (i.e. hierarchy) is somehow replaced. Moreover, a formal position does not entirely allow authority to make decisions, set and enforce control mechanisms, or influence people to achieve managerial goals. Thus, leaders face demands on supplementing hierarchical power with legitimate power, which is not coercion and fear, but more shared values, visions, and goals, as well as, trust and mutual confidence (Pruzan, 1998, p. 1381.)

One of the challenges is that within new organizational structures and new leadership positions, values and ethics are often introduced as an alternative way to maintain classical power and hierarchies. Since the point of rules is to control behaviors and actions, allowing rules to be suspended implies that the organization trusts as well as empowers its stakeholders (Mills and Spencer, 2005, p. 27). Additionally, when values start to dominate, organizational leadership also begins to be understood as a shared responsibility among all individuals in organization, as well as all hierarchical levels. Another is to let employees, at least the key persons, be informed and trained in the right value-policy. (Brytting and Trollestad, 2000, p. 65; Treviño et al., 2003, p. 20.)

The importance of goals tends to increase when we are moving from hierarchical structures towards flexible and non-coercive authority. Then, the values and goals of most organizations may be so closely intertwined that their separation is, in practice, impossible. However, decisions in organizations are not always straightforward; achieving one goal or value may mean sacrificing or impinging on the other. (Mills and Spencer, 2005, p. 19-20.)

Moves toward specialized and autonomous organizational functions can, however, turn problematic. In fact, in highly specialized or loosely-structured organizations, leaders have limited authority over professional and licensed personnel, as well as, capacity to influence professional values and gain value-concurrency with organization's values. Sometimes professionals may have strong professional identities and values, which are difficult to overcome if professional values clash or represent too much heterogeneity with organization's values.

### 3.2. Importance of Extensive Participation

In most organizations, a code of values or an ethical code is developed by top management with the help of outside consultants. There are a lot of critics in the leadership literature against this straightforward top-down procedure (Graber and Osborne Kilpatrick, 2008; Mussig, 2003; Brytting and Trollestad, 2000;

Pruzan, 1998). Most of the critics argue that stakeholders (i.e. personnel, customers) should participate in formulation of values and institutionalizing the organization's values. Otherwise they would consider values as simply a new set of rules. Also, if they have not been involved in interpreting the value code, their capacity for motivating, advising, and coordinating will be severely limited. Furthermore, trust, respect, and reactivity of and in the organization can be displaced and misused. (Blanchard and O'Connor, 1997; Pruzan, 1998, p. 1382; Mills and Spencer, 2005, p. 26.) Thereby, an evident challenge is how to engage people with values and the VBL itself? Furthermore, how organizations can develop shared values by using a participative process (Covey, 1991)?

In establishing a participative process, a challenge in leadership is to establish credibility and trust between the leader and the constituents who choose to follow (Kouzes and Posner, 1993). This is part of the shift away from the concept of the leader as the primary or sole creator of an organization's values. This means that personnel should have the possibility to reflect and formulate values on their own. Some propose value-process to be that the employees discuss the management's vision and break it down in subparts adjusted for each area of operation. Others prefer a communicative strategy where employees processing the values themselves, and through an open dialogue with the management. (Blanchard and O'Connor, 1997; Pruzan, 1998.)

To overcome this challenge, Mills and Spencer (2005, pp. 26) argue that values-based leadership would establish a basis or a platform on which stakeholders can communicate and collaborate. The most beneficial in stakeholder involvement is that when stakeholders accept the goals and values of the organization as legitimate, and if they for instance agree that both quality and cost control are primary goals, then responsible leadership can no longer occur as totally 'managerial' decisions.

In large organizations, the fact that staff and leaders may have to act through several layers of bureaucracy, rules, roles, and professional groups to implement actions, strategies, and values should be turned as an advantage. They all represent stakeholders who could be used in formulating values and groups who implement values.

Yet, even extensive participation does not offer a simple solution for the success of the VBL. As Graber and Osborne Kilpatrick (2008, pp. 186, 191) remind us, implementing value systems is almost always much more difficult than processing them.

### 3.3. New Forms of Control and Feedback Are Needed

Brytting and Trollestad (2000, pp. 62) argue that the market-oriented way of thinking in business and the introduction of more loosely knitted and flexible organizational structures with delegated decision-powers, demand new forms of control.

Traditionally control has been exerted via systems of rules and regulations, especially through a variety of accounting and reporting systems. The more complex the organizations and the more uncertain their environments, the greater the demands that have been placed upon developing and implementing control systems to monitor and steer the experienced complexity (Pruzan, 1998, p. 1379-1380). Over the past decades leadership discourse has emphasized the partial rejection of regulatory constraints in favor of increased autonomy for managers, in order to increase organizational performance and efficiency.

Most reforms are firmly rooted in the post-bureaucracy paradigm where rules and regulations need to be circumscribed and counterbalanced by values and ethics to foster greater flexibility,

additional empowerment, and further down the line, better performance in terms of efficiency, efficacy and economy. Values and ethics, according to this perspective, provide a better framework for decision-making and leadership, since 'imposed rules' are being replaced by leaders' and employees' judgment and accountability. (Rouillard and Giroux, 2005, p. 345.) Then, an evident challenge for the VBL is, how increased judgment and accountability demands are turned into criteria of preferred outcomes?

In Brytting and Trollestad's (2000, pp. 64) study, most leaders stressed that a modern flexible organization has to find new ways of keeping both co-workers and the business as such together, and that this calls for a new kind of 'glue'. Striving towards common values is one way of working in that direction, and as Collins and Porras (2000, pp. 73) note, "values form the glue that holds an organization together as it grows, decentralizes, diversifies and expands".

In loosely knitted organizations, much depends on the leader's capabilities to create interactive and cooperative platforms. This is not an easy task to do, and thus, control and feedback tend to be based on easily measured and expressed factors that values often do not represent. Furthermore, as Rouillard and Giroux (2005, pp. 331) put it "under the yoke of managerialism", values and ethics are presented as a means of circumscribing and supporting the decisions and actions rather than referring to the codified rules on which they are traditionally based. In other words, would this instrumentalization of ethics and values cause unintended tensions between the democratic processes (social responsibility) and the pursuit of organizational efficiency and operational results? Or, does instrumentalization lead to a significant perverse effect, namely, the construction of an organizational culture of illusion (*ibid.*, p. 333).

In flexible and flat organizations, coercive and uniform feedback mechanisms are not the most appropriate ones. They may cause difficulties, if there is lack of consistency between expressed values and actual values. Kerr's (1995) survey of executives describes conflicts between expressed values and the reward system. Innovative thinking and risk-taking are emphasized, but proven methods and not making mistakes are rewarded; leaders encourage employee involvement and empowerment, but reward tight control of activities and resources. Yet, there is an evident link between leader's capability to use reward systems and the organizational values that are supposed to be followed. Conflicts between values and feedback will contribute to uncertainty about what the organization really appreciates from employees and customers, and lead to a lack of personnel motivation. (Graber and Osborne Kilpatrick, 2008, p. 190.)

Relinquishing a degree of control and rules may be both frightening and uncomfortable to leadership, personnel, and other stakeholders. Then, leadership will have a 'teaching' role, and effective leaders remove fear by ensuring that their 'students' are aware of appropriate values and goals, by motivating, and by providing guidance to them (Mills and Spencer, 2005, p. 27). Another point of view is that to create common values can be a pedagogical tool which may increase loyalty with the top level of the organization. Also, leadership would be built on communication and collaboration rather than formal relationships (*ibid.*, p. 27).

It is argued that leadership is based on creating inspiration, motivating people, and renewing the reward systems. People need feedback on accomplishment and performance. Building shared values into processes for rewards, recognition, advancement, and excommunication will send a clear message to members regarding the importance of ethical conduct. Criteria regarding organizational values can be incorporated into performance evaluation

and management programs, sending also a clear message of the importance of shared values. (Grojean et al., 2004, p. 230.)

People pay close attention to behavior that is rewarded, and that what is punished. Employees understand that the reward system carries powerful meaning about what leaders truly care about (Treviño et al., 2003, p. 28). Especially, the disciplinary events are salient because they are relatively rare, they symbolize the value of conformity to organizational norms, and they make an example of rule violators. In the implementation of values, many practices underline the importance of recruiting staff, and staff that embraced and followed the 'right' values, as well as, dismiss the people if a code is not followed.

Organizations often tend to fail to reward members who uphold or enact the organizations' values. This can lead to lack of motivation and commitment to the organization and leadership. Grojean et al. (2004, pp. 231) argue that a key point for the VBL regarding rewards and feedback is that leaders will communicate important values, standards and assumptions. Leaders should also pay attention both, to formal (financial incentives, pay raises, and higher positions) and informal rewards (recognition, opportunities to work more autonomously and interact, or increased feelings of trust, respect, and peer-interest) that are consistent with the organization's value system.

### 3.4. Shortages in Communication

Leaders should communicate values and visions to the organization. The more complex an organization is, the more hierarchical it will tend to be. This affects the classical principle that the line of communication must be as direct and short as possible (Barnard 1938, p. 176); increasing the hierarchy tends to extend the line of communicating values, and might cause the separation of a decision from an operation. Under these challenges, much depends on 'communicative capacity' (Brytting and Trollestad 2000, p. 66).

To overcome problems in communication and communicative capacity, basically, two strategies exist. The first is a more authoritarian and hierarchical leadership ideal. Here, the leader is for instance, a 'teacher' who gives information, persuades people and has sanctions over those who do not follow the values. A tight commitment to position and hierarchy may prevent the use of communication as an error-correcting mechanism because the lower level does not have the possibility or willingness to criticize the decision of a higher level. Despite this criticism, centralized design, stability, and continuity can all be used to promote the creation of common meanings in communicating values.

The second stresses the leader's ability to release the creative powers and willingness to take on responsibility that exist in employees. Communication on the values grows from within and from below. It is marked also with notions of clarity, sensitivity, and credibility because patterns are not determined in advance. However, communication may become fragmented and occasional. There might be a lack of common meanings and symbols, as well as, lack of acceptance of diverse values and deliberate misrepresentations. Then, communicative functions are related to removing obstacles, to stimulating and to creating dialogue on values, and to allocating resources for value-processes.

Values-based leaders can fail in demonstrating that they care about people. Perhaps, the most common are complaints about leaders not listening to people or visibly demonstrating concern for the long-term best interest of the organization. To overcome this, executives should communicate with employees regularly about ethical issues and values, and use socially salient action, such as rewards and punishments, to signal support for the com-

mon and shared values. (Treviño et al., 2003, p. 30.) Meglino and Ravlin (1998) suggest that people who hold similar values view the world in similar ways, enabling them to communicate more clearly, predict each other's behavior and more efficiently coordinate activities resulting in reduced role conflict and ambiguity and increased satisfaction with the interpersonal relationship.

With new communication technologies (email, www, intranet) the issue is not so much failure in transmission; it lies in the interpretation and the use of communication and of processing, and in developing the communicative value of communication. Communication is never a transmission of purely neutral or value-free information. Scott (1967, pp. 304) uses the term 'filtering' in which information is interpreted at all levels of the organization. Subordinates constantly observe, hear and analyze the qualifications, personality and information needs of leaders. And, often the subordinates tend to tell their superiors what they are interested in, not what he/she does not want to hear, and to cover up problems and mistakes which may reflect adversely on the subordinate, all of which reflect the mentality of 'let the boss hear only the good news'.

### 3.5. How to Create a Good Image and Adequate Perceptions?

Multiple factors, both internal and external to the organization and leadership, are likely to influence members' perceptions of an organization's norms and expectations of ethical conduct. But, why is the creation of a good image and adequate perceptions difficult? In what ways can the VBL be enhanced in large organizations?

Lord and Brown (2001) suggest that perceptions play a significant role in understanding leadership. They differentiate perceptions of executive leaders and lower-level supervisory leaders. Most employees in large organizations rarely have face-to-face interactions with senior executives, but rather from more distant images of the leader (Treviño et al., 2003, p. 24). Therefore, their perceptions of executive VBL probably come indirectly from images, symbolic behavior, policies and communications. However, as Treviño et al. (ibid., pp. 20) remind us "ethical people can be bad leaders or unethical leaders".

Values-based leaders are supposed to be first and foremost people-focused. As Treviño et al. (2003, pp. 14) concretize "they care about people, respect people, develop their people, and treat people right: An ethical leader needs to downsize, they do it, but they do it with as much concern and interest for their people as possible.". The credibility depends upon leading by example and "walk the ethical talk". To lead people, often qualifications or traits such as integrity, honesty, respect, and trustworthiness are mentioned. Part of these values is consistency, credibility, and predictability. (Ibid., p. 18.)

The value-based and ethics based conduct is thought to be essential to charismatic, as well as, transformational and transactional leadership (Grojean et al., 2004, p. 227-228; Treviño et al., 2003, p. 7). The 'charisma/inspirational' dimension has been defined as providing 'followers with a clear sense of purpose that is energizing', being 'a role model for ethical conduct' and building 'identification with the leader and his/her articulated vision' (Treviño et al., 2003, p. 7). Charismatic leaders often invoke values as part of their compelling vision for an organization (Chen and Edmondson, 2006, p. 58).

In other words, the challenge is to use charisma to convince people that the leader is simply 'doing the right thing'. Charismatic value-based leaders are often characterized with terms influential, inspirational, courageous, and strong. However, Parry and Proctor-Thomson (2002, pp. 75) suggest that especially transformational leaders have sometimes been labeled 'narcis-

istic, manipulative, and self-centered'. Furthermore, trusting, admiring, and respecting a leader does not necessarily mean that followers will behave with integrity, or that followers are automatically elevated in their motivation or ethical behavior. In this way, charismatic (or transformational) leadership may in fact be undesirable or sometimes, representing the 'dark' side of charisma (ibid., p. 92).

A solid, strong and inspiring base for values need time to evolve. Studies on organizational culture argue that most organizational values are stable, and therefore, organizations face difficulties changing them (Agle and Caldwell, 1999; Campbell, 2004; Schein, 1985). All the difficulties are not intra-organizational. Customers and other stakeholders also find themselves in difficulties to change their attitudes and to adopt the new values. Often values evolve as results of interaction of people, and then, leadership can focus on creating value-platforms for the interaction, and creating spaces for deliberation and reflection.

### 3.6. To Integrate Values

Leaders must somehow cope with changing and increasingly heterogeneous values, both in their organizations and society at large. Why is the establishment of shared values difficult? Why is there a need to integrate values in organizations?

As Brytting and Trollestad's (2000, pp. 62-63) interviewees argued, most leaders had instrumental motives behind the widespread talk about values in working life. Their interviews indicated that efficiency and economic growth is often looked for when leaders say that they want to manage values, to create a common value-base, or to build a strong company culture. This was regarded as an important tool for the leaders in their efforts to unite and control the organization.

One way of understanding the increased occurrence of values in leadership is to start with the changes taking place in society. They seem to shift from having relatively homogenous cultural patterns to something less stable and heterogeneous or even fragmented. Many researchers have reported a clear shift in values. This is often described as a slow but steady shift from high estimation of material safety values to post-material freedom values (Inglehart, 1990; Hofstede, 2005). This implies that an increased value is granted to the individual's autonomy, well-being, and personal development. For instance, involvement, responsibility, meaningfulness, and self-fulfillment are put forward to characterize good working conditions. (Brytting and Trollestad, 2000, p. 56.)

The roles of various departments or subsystems and the stakeholders to whom they are accountable provide different frames of reference for values, which may cause different subclimates regarding values to evolve throughout an organization (Weber and Seger, 2001). Furthermore, they have to adjust to, or re-interpret, the organizational developments taking place. (Brytting and Trollestad, 2000, p. 57.)

In short, organizational culture may be understood as the ultimate source of ethical and unethical behavior and values, or values are an extension of an organization's culture. (Schein, 1985; Schwartz, 1992.) In both cases, culture holds some integrating values, goals, and intentions, but often some contradicting issues tend to arise. It is important to note, that organization values and organization culture are not one and the same thing. To simplify, while values are the beliefs, the culture is the outward representation of certain key underlying beliefs. Culture consists of the myths, legends, rituals, symbols, and language that define a social group (Meglino and Ravlin, 1998; Schein, 1985).

A complex organization has multiple goals and a plurality of values, which must be held in balance in order for the organiza-

tion to be successful. However, a leader may lose contact with the subcultures that exist in the organization, the goals, as well as with processes. Large organizations tend to rely on hierarchies and the bureaucracy, which sustain the feeling of security, routine, and habits. Values are part of the organizational culture and habits, and therefore, to change values might turn into a difficult task because change may break security and customs. (Brytting and Trollestad, 2000, p. 67.)

One of the most important questions to the VBL is how well managers have begun to realize that there is a need for managerial structures, processes and attitudes that reflect corporate values what the employees experience as being in harmony with their own personal values (Pruzan, 1998, p. 1387)?

Within the complex organizational settings, Graber and Osborne Kilpatrick (2008, pp. 190) propose that leaders should consider advocating a parsimonious set of values and also determine if these key values are within the scope of the typical organizational member to achieve or internalize. Such reflection will make it far more likely that the final set of organizational values are embraced and actualized. Secondly, they argue that we should apply Senge's (1990) thought on differentiating expressed values from the values we really act upon. Thus, leaders should explicate beliefs (e.g. empowerment) from practices (e.g. tight control) and how well they fit together. If leadership is capable of providing a shared value-basis for intra-organizational relationships, it may also alleviate the potential of 'shadow relationships' to hamper the achievement of organizational goals. Blurring the boundaries between groups and individuals would result in shared goals and better performance. (Mills and Spencer, 2005, p. 26.)

Ethical and values-based leadership involves an integration of personal values and the needs of the social system in the development of an ethical framework. Thus, it is important for leaders to have awareness of personal values, ethics and morals as they influence the choices they make and the behaviors in which they engage. If individuals' personal values totally conflict with the organization's values or values of their supervisor, organizational values are likely to be ignored or be slowly followed (Grojean et al., 2004, p. 226, 231.) If values are more or less congruent, this is related to increasing in job satisfaction, organizational commitment, and credibility of leadership (Meglino and Ravlin, 1998).

Much depends on how leaders themselves perceive values in both its rhetorical and factual aspects. On the other hand, to an individual employee within an organization, the organization's values represent a touchstone to personal values. It is argued that a positive relationship can bring about greater personal loyalty, identification, and commitment to the organization (Chatman, 1991). Therefore, as Pruzan (1998, pp. 1388) summarizes, the key question is how well in the VBL are we able to create productive organizational structures, systems of communication, and measurement- evaluation – and reward systems which can attract, hold and develop intelligent, responsible, creative, independent and loyal employees?

Do leaders of complex organizations shape the values of their followers, or are organizational values transcendent, surpassing even individual leadership behaviors (Buchko, 2007, p. 41)? Do leaders impact the values of their subordinates and organization's stakeholders, or does the impact occur the other ways around? For instance, some OD practitioners suggest that leaders are the key in developing and implementing organizational values and value-based behaviors (Driscoll and Hoffman, 2000; Coleman, 2000). Additionally, Fernandez and Hogan (2002) propose that the most effective leaders are those whose values are most like those of the organization.

Most definitions of leadership share the common assumption that leaders influence the subordinates' task and social behaviors (Yukl, G., 1992. Theory and research on leadership in organizations. In: Dunnette, M.D. and Hough, L.M., Editors, 1992. Handbook of industrial and organizational psychology vol. 3, Consulting Psychologists Press, Palo Alto, pp. 147–198. Yukl, 1992). Yet some have questioned the ethics of attempting to change the values of others. There are some arguments that it is inappropriate for leaders to attempt to instill their values in subordinates. Some of these arguments contain negative flavored tones of 'clever ones' who oversee and manipulate subordinates' fundamental values with impunity. Furthermore, not every person who attempts to influence another does so with the best of motives. On the contrary, Grojean et al. (2004, pp. 228) disagree with these arguments, arguing that in most cases, leaders do not instill totally new values and identities in the followers'; rather, they raise their salience and connect them with goals, and required behaviors.

If we agree that leaders are role models of appropriate behavior and their actions are supposed to have a strong influence over the ethical conduct of followers, then the Social Learning Theory provides some additional clues. One way that people learn is by observing the behavior of others and the consequences of it. Thus, a leader's action might be viewed as the standard of acceptable conduct and are modeled by individuals as appropriate and necessary for achieving goals, efficient performance, and even for career advancement. Basically learning influences via at least two routes: increasing trust in leaders, and facilitating value congruence. (Grojean et al., 2004, pp. 228.) Leaders tend to be trusted because they act consistently upon values and organization's mission; they lead with practical example. If leaders also manage to create a climate that organization's values, as well as, the stakeholders' values are congruent, personnel may feel that they should integrate their values with organizational values. In other words, inducing attraction and retention of members who have similar values, 'fit' the organization.

Organizational size is often related to a number of organizational subcultures. So despite the leaders' ambition to create a homogenous and strong values-based culture, often subcultures still survive and new ones develop. As such the subcultures are not the challenge, but, the diverse and sometimes competing sub-cultural values may clash among groups in the organization. (Graber and Osborne Kilpatrick, 2008, p. 189.) Yet, as Hartman (1996, chapter 8) and Solomon (2004, pp. 1032) argue, cultures and values can be shaped by the creation of new value platforms, as long as there is established a consensus around them among the members of the organization.

#### 4. Conclusions

This article has discussed Values-Based Leadership (VBL) in broad and simple terms, but concentration on challenges in putting VBL into practice facilitates better, a more focused understanding. Introducing VBL evidently has positive effects, despite the fact that this article has discussed the challenges i.e. in most cases the difficulties of putting VBL into practice.

Values-based leadership is not purely an alternative approach; it is complementary to other leadership efforts (Parry and Proctor-Thomson's (2002, pp. 92 conclusions). As Treviño et al. (2003, pp. 21) conclude, ethical leaders do many of the things 'leaders' do, but within the context of an ethics agenda.

The focus was limited to intra-organizational challenges, namely changes in organizational structures and authority, participation, communication, image and perceptions, and integra-

tion of values. In table 1, the key arguments of this article are repeated (left column), then particular challenges that each argument gave are expressed in the middle column. Furthermore, to depart the limitations and the challenges of the VBL, some alternative strategies to overcome the explicated VBL challenges are presented in the right column.

One should note that tackling challenges is not simply a matter of 'ethical policing'. Rather, it opens up the possibility to re-think organization, strategy, and operative goals, and motivating and rewarding people. Also, recognizing challenges would contribute to the personal and professional development of leader-

ship via promoting increased harmony and awareness between individual and organizational values.

To an organization, values are a set of shared beliefs and basis for mutual recognition. At best, the VBL can create a feeling of 'organizational fit' at the personal and group levels. For the leaders, values are to set criteria for rewarding, to enact beliefs, and are tools to create continuity and to set guidelines. Values benchmark a bottom-line for decision-making, and explain the ground for selections, as well as, a choice between strategies and policies.

Table 1. Identified potential challenges and proposed solutions

Arguments	Particular challenges	Alternative strategies to overcome
Traditional power is becoming powerless in flat and professional organizations	<ul style="list-style-type: none"> <li>– Leader's position do not meet the actual needs and requirements</li> <li>– The ineffective combinations of formal and informal value-processes</li> <li>– Independency and lack of cooperative actions and trust leads to several, parallel key values</li> </ul>	<ul style="list-style-type: none"> <li>– To create consensual decision-making and cohesive authority</li> <li>– To decentralize responsibility for value-congruence</li> <li>– To operationalize common goal precisely</li> </ul>
Participation of stakeholders is suggested to be intensive and extensive	<ul style="list-style-type: none"> <li>– Too restricted participation</li> <li>– Problems of finding key stakeholders within organization</li> </ul>	<ul style="list-style-type: none"> <li>– Empower and motivate stakeholders</li> <li>– To ensure that stakeholders are aware of the goals, and that goals and actions are precise</li> </ul>
New forms of control and feedback are needed	<ul style="list-style-type: none"> <li>– Formal values do not constitute a solid base to assess actions or performance accordance with values</li> <li>– Moving from controller to enabler is partial</li> </ul>	<ul style="list-style-type: none"> <li>– Receive and provide feedback actively</li> <li>– Specify leader's role</li> </ul>
Communication of values should be clear and straightforward	<ul style="list-style-type: none"> <li>– Low acceptance of formal values</li> <li>– The length of communication lines increases the possibility of breaks and misinterpretations</li> <li>– Information is 'filtered'</li> </ul>	<ul style="list-style-type: none"> <li>– Provide guidance when situations are ambiguous</li> <li>– To increase familiarity with participants</li> <li>– To ensure a common base of know-how</li> </ul>
Leadership stands for fostering image and perceptions	<ul style="list-style-type: none"> <li>– There is no example to be followed</li> <li>– Lack of time and continuity</li> </ul>	<ul style="list-style-type: none"> <li>– Determine what is expected and illustrate what leader's can implement and influence</li> <li>– To commit in the VBL</li> </ul>
Integration of values and actions is vital for organizations and development	<ul style="list-style-type: none"> <li>– Too plural value-basis</li> <li>– Bargaining hinders the achievement of mutual and shared values</li> <li>– Leadership does not contain role-modeling</li> </ul>	<ul style="list-style-type: none"> <li>– Put efforts to lead value-congruence</li> <li>– Create neutral platforms for negotiations and invoke the organization's strategy</li> <li>– Try to increase trust and lead with practical examples</li> </ul>

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