

[1965]

Value Systems and their Relation to Managerial Controls and Organizational Viability

by

Clare W. Graves
Professor of Psychology
Union College
Schenectady, New York

Presented before

College of Management Philosophy
The Institute of Management Sciences

*Jack Tar Hotel, San Francisco, California
February 3, 1965*

With the development of a system point of view, authorities have been taking a new look at both value systems and the relationship of these to managerial problems. One authority, Pepper, directed attention to the possibility that the problem of ethics is not what system of ethics is the right system, but it is quite another problem. He said:

“. . . there are a number of normative ‘ethical’ systems that have been adequately described and verified; thus the central problem ‘of ethical behavior’ is how choices are made among them, ‘or’ do some natural ‘ethical’ norms have precedence over others or under some condition - - ?”¹

That a number of ethical systems have been adequately described and verified is, I think, beyond question, but since I don’t agree completely with Pepper as to why certain ethical norms take precedence over others, and since we are now interested in ethical

norms as they effect the viability of organization I will present some additional hypotheses as to the conditions under which certain ethical norms take precedence over other ethical norms and some hypotheses as to how these ethical norms effect the viability of organizations.

In order to do so, I shall work for a little while with the words of another authority who has written of values and their relation to organizational viability.

Mason Haire has said:

“A business cannot operate in a vacuum independent of the society in which it is imbedded ‘because’ business as a social institution is part of the society, and its policies and practices must reflect the values of the society ‘of which it is a part.’”²

And he said:

“Question like “How hard should a man work? How much of himself can we

expect a man to 'invest in his job?' What kind of punishment - can a company use to direct behavior?" are questions among many the answers to which cannot be found entirely within the firm. The reason for this, according to him, is the 'the answers' depend on the values of the society and how the people are willing to think of them selves. Thus the result is that "If a company's view on these are out of harmony with society's views, it may find itself at a competitive disadvantage, 'while' another company whose philosophy fits better with society's values and the employee's view of themselves taps reserves of energy that are simply not available otherwise."

From the above he concluded that:

"In competitive terms then, a sensitivity of company policy to societal values is essential, 'because' the very freedom to manage depends on harmony between managerial and societal values."

As I see it, these words of Haire concerning the relationship between values and the competitive success of a company contribute to and detract from the clarification of the problems of management. They contribute to because they focus partially on the relation of managerial values to employee values. But they detract from the clarification of the problems of management because they imply that the competitive health of a company will be enhanced when the values of those who manage are reasonably similar to the values of the society in which the management takes place. His position, in my mind, does not take into account;

- a) that there are, as Pepper says, several verifiable systems of ethics and,
- b) that in an organization and in a society at any one time several of these describable

and verifiable systems of ethics are present.

Therefore, today I would like to share with you some thoughts about values and their relation to the viability of organizations. These thoughts stem from an enlarged conception of man's nature and an existential conception of the source of his values. They will present for your consideration a hypothesized relationship between values, managerial controls, response of the managed to such controls and the effect on organizational health of these interrelationships. Let me illustrate my thinking by rephrasing Haire's words.

If I were to rephrase Haire's thoughts within the point of view to follow, I would say:

"A business cannot operate viably independent of the values of the people imbedded in it. Business to be viable must be managed such that its managerial practices are congruent with the values of the people who must implement through actions the goals of the organization. The answers to questions like, "How hard should a man work? How much can we expect a man to invest in his job? What kind of punishments can a company use to direct behavior?" can be found predominantly within the firm. They depend on what managerial control system is dictated by the values of management and on how congruent this chosen control system is with the values of those in the firm who are managed. If managerial decisions, which stem from the values of managers, are out of harmony with the values of the managed the company may find itself at a competitive disadvantage because other managers who use controls congruent with the values of those whom they manage will tap reserves of human energy which simply are not available otherwise. In competitive terms, then, a sensitivity of managerial policy makers to the

¹ Stephen C. Pepper, *Ethics*, Appleton-Century Crofts, Inc. New York 1960, p. 316.

² Mason Haire, *The Psychology of Management*, 2nd ed., McGraw-Hill. New York, 1964, p. 185.