Chapter 9
Value-Based Management and Responsibility in the Management of People:
A Competitive Advantage for Family Business

Carmen Ruiz-Viñals
Universidad Abad Oliba, Spain

Alberto Trallero-Fort
Universidad Abad Oliba, Spain

ABSTRACT

Today's markets require credibility, transparency, and sustainability. This demand obliges organisations to make ever greater advances in the field of management by values. Until recently, value-based management was considered just another management approach to be covered in day-to-day operations. Today, it is considered part of the strategic management of the firms. The paradigm shift began when pressure from the market and society as a whole began to insist that companies should behave like members of the ecosystem, taking full responsibility and employing their capacity to generate change. This implies that value-based management should be deployed throughout the entire organisation. This, in turn, requires companies to identify and commit to certain values that will become the cornerstone of their strategy and management style. The aim of this chapter is to claim that value-based management is a competitive advantage for family business in particular.

INTRODUCTION

Markets evolve at great speed. This means that company strategies must be continuously reviewed, management models continuously adapted to new situations and goals must be set in terms of increasingly shorter times (Harmon, P., 2019). The first consequence when talking about ways of managing is that over the years it has evolved from a traditional model of management by instructions (MBI) to one of management by objectives (MBO). The model that is implemented these days is, however, management by values (MBV, or Value-driven Management) because any company that wants to be competitive must be a company focused on the management of people, which is based on the strengthening of its values, since these will form the backbone of its company policies (Lepak, D. & Gowan, M., 2019). The fundamental difference between these three models lies in the role that people play in defining business strategies, since under the new paradigm people management comes to the foreground.

Let us specify the differences between the three models in relation to the role of people management in each of them.

Management by Instructions, which emerged after the Industrial Revolution of 1920, consists of a passive relationship between the employee and the company. The command gives some orders or instructions, which the employee is limited to execute. It is therefore a unidirectional relationship, based on authority and it is specially given in situations of low training and low qualification that involve repetitive and mechanical tasks. It can also be given in emergency situations in which very precise and quick instructions must be given in order to focus on the resolution of a problem (Fernandez Aguado, 2002).

Management by Objectives, it already implies a greater interaction of the person and therefore it already becomes a bidirectional relationship, in which those objectives that allow to maximize the profitability of the company, taking advantage of the resources to the maximum, prevail. This model was implemented in the 60s and is already an important step in the consideration of the person in the organizations.

Its limitation is given by the scarce participation of the employee in the setting of objectives. Employee's opinion, in general, is not taken into account, which often generates frustration and the feeling that the organization's objectives do not respond to a specific strategy. As the companies evolved, the system was bettered and the participation of people in the definition of the firm objectives was greater, but it was necessary to give sense to all this (Norlin, 2020).

The sense was given by Value-driven Management, that is implemented in late 90s. It is a complement to MBO. It does not cancel it out, but gives it meaning. What is sought is a systematization of the firm and employees' values, and place them as part of the strategy, so, everything that is decided in the company, has a common bond (Barret, 2017).

Values are the non-visible part of corporate culture, which in turn is the way to internalize corporate social responsibility (CSR) in an organization (Fink, L., 2018).

More than two decades ago, CSR became more of a market requirement in this changing environment rather than reflecting the full conviction of many businesses in terms of company development (Alexander, P., 2015). Thus, in many organizations, CSR became an aesthetic operation that, whilst not without intrinsic value, reflection or results, was more as a result of actions that undoubtedly impacted on the best corporate reputation rather than reflecting a strategic definition based on conviction and deep internal reflection. Corporate culture is the way to internalize CSR within an organization and values form part of that culture; they are the non-visible part (Schein, E., 1998) and are part of the reputation of an organization in a broader sense. That is why MBV goes beyond mere external CSR.

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