RESEARCH

# When Company Values Backfire

Employees can put their own spin on your vision, and that can be disastrous.

*by Amy C. Edmondson and Sandra E. Cha*

John Bryant had a different kind of company in mind when he launched Maverick Advertising in 1989. Repelled by the pretentious, cutthroat world of the big-name ad agencies, Bryant built Maverick on a set of core values that expressly rejected the Madison Avenue model – values that spurned pretense and extravagance and instead embraced belonging, employee growth, diversity, and work-life balance.

Bryant located Maverick's offices in an unassuming warehouse district and gave each member of his small staff a festive company shirt with a logo on the back and their name stitched over the front pocket, like shirts mechanics wear. He provided a companywide profit-sharing plan, above-market salaries, and perks like free lunch on Friday, and he encouraged people to head home by six o'clock. He recruited employees whose varied races, backgrounds, and lifestyles broadcast Maverick's commitment to diversity, and on the weekends he let a minority youth organization use the company's offices. He spoke passionately to everyone about Maverick's people-oriented values and promoted them in company posters, client materials, and the employee handbook.

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In short, Bryant did everything right. And by all accounts, Maverick in its early years was a great place to work – employees were motivated, loyal, hardworking, and enthusiastically committed to the company and the ideals Bryant promoted.

Then the denouncements and finger-pointing began.

## What Went Wrong?

Maverick is a real company and John Bryant its real CEO, though their names have been changed. We studied group dynamics at the young company as it grew from 12 to 30 employees between 1994 and 1999. In dozens of visits and interviews, we chronicled a remarkable shift in how the staff perceived the company – and its leader.

Not surprisingly, most employees said Maverick's values were among the best things about the company. But when they were asked to describe the worst things about the company, values came to the fore as well. Employees felt that the CEO had violated the very beliefs he articulated – an incongruity, they said, that undermined their commitment and creativity. As we explored this apparent contradiction, we teased out a curious dynamic that every executive would do well to consider: When employees sense that a leader's decisions are at odds with company values – even when they're not – they are quick to conclude that the leader lacks personal commitment to the values. He's seen as a hypocrite.

In the case of Maverick Advertising, employees' perception of their leader changed drastically after a pivotal event: Bryant's decision in 1995 to grow the company, doubling its staff and projects. For Bryant, the expansion was a way to provide growth opportunities for staff members and deliver greater rewards to those who participated in the company's profit-sharing plan. But employees took a very different view. They saw the plan as motivated by greed. And they feared it would erode company values by widening the compensation gap and disrupting the company's close-knit community. Other developments brought similar complaints. When Bryant decided to give four long-term employees shares in the company, an unprecedented reward for their extraordinary loyalty and hard work, some employees saw it as a violation of Maverick's commitment to equality. Others saw it as an affront to the company's commitment to diversity, because three of the four new shareholders were white men. Even Bryant's purchase of a new home in a well-to-do neighborhood dismayed the staff, who considered it a breach of the company value of unpretentiousness. These, along with other perceived infringements of values, fed the staff's growing disillusionment. The employees, however, never shared their negative perceptions with the CEO, leaving him largely unaware of their shared pain and frustration.

## Two Ways About It

As we probed employees' sense of betrayal, one thing became clear: Bryant's announcement of his plans to expand the company marked the beginning of the staff's disgruntlement. After that, staff members began to evaluate his every decision against their sense of the company's values, and when decisions and values didn't seem to align, they reflexively assumed that Bryant didn't care. Only a few staff members stopped to consider other explanations for Bryant's apparent transgressions.

How could Bryant and his staff have had such different takes on his commitment to the company's values? The disconnect, we found, was partly due to the surprisingly different understanding Bryant and his employees had of the values. Over time, the employees wove their own interpretations and ideologies into the values, extending them well beyond Bryant's original intentions. The staff, for example, came to believe that Maverick rejected hierarchies; Bryant, in fact, had said no such thing. Though he espoused employee growth and belonging and rejected pretense, he didn't equate these values with the elimination of rank. Similarly, employees' expansive notions about open communication and empowerment were not explicitly stated by Bryant but rather were based on the employees' own interpretations. Thus, the deeply held values that Bryant promoted ultimately sabotaged him.

Though this study looked at a single small professional-services firm, the problems at Maverick provide lessons for any values-driven organization. A leader will be measured on the basis of his perceived values, so he should ensure that employees and management share an understanding of what those values are. As Bryant's experience shows, allowing employees to interpret company values on their own can set leaders up to fail. Managers need to open the dialogue about values with staff and discuss them systematically and concretely. As part of that process, managers should regularly solicit feedback to expose any disconnect between what they're saying and what employees are hearing.

Staff members are unlikely to volunteer their thoughts and tell leaders when they think the company's values have been violated. As a result, leaders must work diligently to invite discussion. They need to regularly ask people what they're thinking and feeling and be open about their own feelings so that employees will feel comfortable expressing their concerns. As John Bryant can attest, if there's even the slightest chance that a leader will be seen as a hypocrite, he should explain his actions and then open the floor to genuine and safe dialogue. It may be difficult for a leader to hear the truth from his employees, but seeking honest feedback may be the only way to prevent disaster.

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*__Amy C. Edmondson__ is an associate professor at Harvard Business School in Boston. __Sandra E. Cha__ is a doctoral student at HBS. A more detailed report of this research can be found at www.hbs.edu/dor/papers2/0203/03-013.pdf.*

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