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How to Make Values Count in Everyday Decisions

A comprehensive analytic framework can provide a common language for discussing decisions and values with colleagues, helping to build a culture that better integrates the organization's values into staff decision making.

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"Values-based decision making," a popular term these days in both industry and academia, is commonly exemplified by Johnson & Johnson's 1982 decision to pull Tylenol off retailers' shelves, at a cost of $100 million to the company, after tainted capsules had been found. The company's courageous action illustrated how decision making is a trade-off between values — in this case, choosing customer safety over short-term financial performance.[1]

Values-based decision making has in fact come to take on the exclusive meaning of socially responsible decision making. But while a greater emphasis on ethics is certainly praiseworthy, an important reality is being missed. *All* decisions — whether judged highly ethical, grossly unethical or anywhere in between — are values-based. That is, a decision necessarily involves an implicit or explicit trade-off of values.

Because the values that underlie our decision making are often buried in the shortcuts we take, we need a means for revealing those values and expressly thinking through the trade-offs between them. The framework we present in this article helps a decision maker to understand that everyday decisions all have some basis in values, to sort out the specific values involved in a given decision-making event, and to make the decision with full awareness of its ethical implications.

Uncovering the Values Within

Values are enduring beliefs, both hard-wired (i.e., acquired genetically) and shaped by cultural context, about preferred "end states."[2] Whether we think about it or not, values guide our everyday behavior, even the most mundane choices. Consider the decision of whether to get up from one's desk at work to get a cup of coffee. The decision maker may seek the coffee for physical

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stimulation in the interest of achievement, or perhaps to fulfill a need for affiliation in kibitzing at the coffee maker. When the person gets up to make a coffee run, one or both of those values have won out over the value of staying at the desk to keep one's nose to the grindstone.

Values, whether neutral, virtuous or not so virtuous, drive our decision making. Even unethical, illegal or dishonest decisions are "values-based" — they're just not reflective of higher-order "positive" values.[3] For example, a decision to engage in insider trading is ultimately a choice favoring the values that hail financial gain as more important than keeping one's integrity. An athlete's decision to use steroids might also be understood as a trade-off: short-term achievement and fame versus a healthy body and impeccable reputation. A boy's decision to throw a rock through a window while playing with friends involves a values-based choice that emphasizes excitement and affiliation over respect and safety. These decisions are values-based even though their ends do not appear to reflect the pursuit of "good" values.

The Nobel Prize–winning research of Daniel Kahneman and Amos Tversky is the basis for several popular works on decision biases, or "traps," that humans experience in decision making.[4] Chief among these traps, especially regarding decisions that people later come to regret, is their failure to evaluate decisions in a comprehensive way that focuses on values trade-offs. Further, while companies today seek to build cultures that encourage values-based evaluation of decisions, they are often large and hierarchical; routine decisions made by managers and others in the trenches may be quite distant from what is outlined in the senior leaders' playbook. This means that everyday lower-level decisions may actually lead (or undermine) the company's values, strategy and equity.[5]

The typical approach of many companies is to drill employees on values statements and codes of conduct, but by themselves such sets of principles do not easily permeate everyday decisions. Recent research suggests that they usually have a more symbolic than instrumental effect.[6]

The solution is to consider values training in the context of decision making, with the understanding that a little work will be necessary to unearth the values at play. Our framework is designed to help people break down a decision in a simple way, allowing them to identify values trade-offs.[7]

John's Decision

Consider the following true case, in which all names have been changed:

> John Taylor was a division manager at Atlantic Soda, a large bottling conglomerate that owned more than 30 companies, including a number of national-brand franchises.[8] John was asked to meet in Tampa with George Goodwin (his boss) and Bob Miller (the regional division manager for their competitor, Mid-Major Pop). John had joined the company six months earlier, with a track record of hard work and strong results in sales and operations. He enjoyed the culture at Atlantic, which rewarded performance and talent. John had already been promoted twice in his short tenure.
>
> At the meeting, Goodwin talked about the intense price-competition problem that Atlantic Soda and Mid-Major Pop had been experiencing with each other, and he proposed that they solve it by establishing a mutual set of prices. The two principals agreed to the arrangement, which would be John's responsibility to implement in his region.
>
> What were John's options? What should he have done?

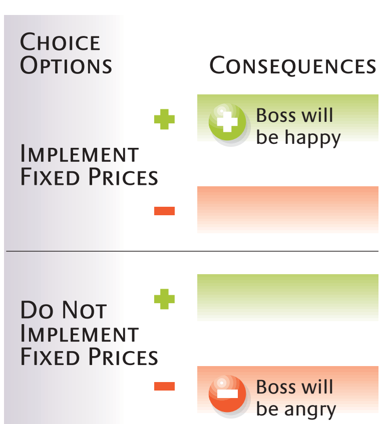
Warning bells and sirens are likely going off at this point for most readers, as this pricing arrangement, more commonly referred to as price fixing, is a violation of the Sherman Antitrust Act. Yet John, a good man with an excellent record and good values in the past, chose to put the price-fixing agreement into practice; he basically "confirmed" what was put before him and what he deemed was expected of him. He ultimately would go to jail for that decision.

Decision Mapping

John would have been well served to go about his decision making in a more systemic way by using a decision map — a tool for exploring the values and motivations inherent to a situation like

Simple Confirmatory View

When John was asked by his boss to run a price-fixing scheme, he perceived that he had little choice. His "decision" — to confirm the seemingly most obvious action — was based on a limited analysis uninformed by the full range of possibilities. But had he extended his analysis, considering both the pro and con of each option together with their ethical implications, he might have chosen differently.

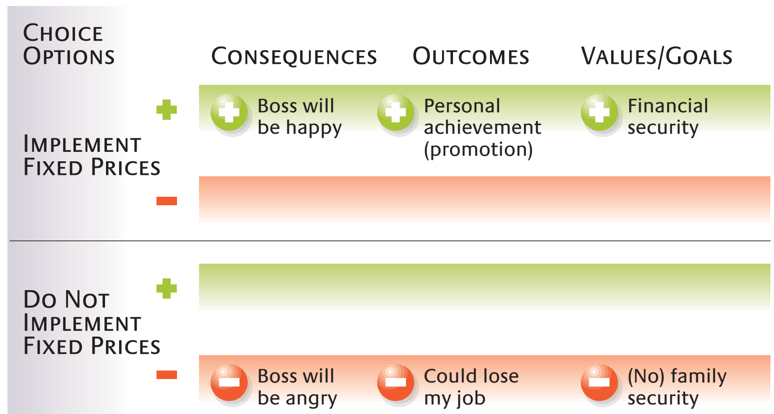


his. Decision mapping literally creates a picture of a decision that is built around *choice options*, *consequences*, *outcomes* and *values/goals*.

Choice Options John may not have perceived that he had a choice. As his tenure in the company was fairly short and his boss had been described by others as authoritarian, John may have assumed that he had to implement the price-fixing agreement. Typical approaches to decision making often lead to such a conclusion — a limited analysis produces the "decision" to support what appears to be the most obvious action without truly considering other choice options. Herein lies a major decision error, to which we will return. But for the moment, let's assume that John did consider two choice options: implement the price-fixing agreement or do not implement it. (See "Simple Confirmatory View.")

Extended Confirmatory View

An extended decision map includes not only the consequence (short-term result) of each pole, but also the longer-term outcome, as well as the personal goals and values, associated with that consequence. The analysis must be complete; focusing on the positive consequences of the initially preferred choice option and the negative consequences of the other reflects a "confirmation bias" to implement the scheme.



Consequences John's choice options produce short-term consequences — that is, immediate results. Consequences may include the reactions of people, including coworkers, customers or suppliers — and, in this case, his boss. Every choice option is likely to have both positive and negative consequences. For example, if John chooses to implement the price-fixing scheme, one consequence is that he will get immediate positive feedback from his boss. If John chooses not to implement the scheme, an immediate negative consequence would be that his boss would be angry with him. (For the moment, we address just the positive consequences of the first choice option and the negative consequences of the second.) In decision-analysis parlance, these positive and negative elements are called the "poles" for each choice option.

Outcomes This word is used to represent the longer-term impacts of a decision. Outcomes are related to or contingent upon whatever consequences were presumed to emerge from the choice. So, for example, if John chooses to implement the fixed prices and gets positive reinforcement from his boss, he might project that his actions would ease competition, improve margins and profits, and make him a hero in the organization. The choice option of not implementing the fixed prices, which would result in John's boss getting angry, might lead to job loss or demotion. The purpose of distinguishing between consequences and outcomes is that decision makers often have a difficult time thinking through contingencies and the dynamics of a series of events. It is difficult, after all, to accurately step into another person's shoes or to anticipate second- or third-order effects, which often involve multiple time periods. The decision-mapping approach makes explicit the longer-term outcomes associated with any decision. Simply asking decision makers to consider the outcomes that follow from shorter-term consequences is a means of evoking thinking that might not have occurred otherwise. (See "Extended Confirmatory View.")

Values/Goals At the deepest level of abstraction, but at the core of this analysis, are the decision maker's personal goals and values. Every decision, after all, is a means to an end, and values/goals simply refer to the desired end states. In short, we seek here to determine what goals of the decision maker might be achieved if the choice option under consideration is selected. A unique feature of the decision-mapping analysis is that consideration of values occurs *at the end*, after grounding the analysis in evaluation of the immediate consequences and longer-term outcomes associated with the choice options (which are more concrete and easier to specify).

The extended confirmatory view, which at present limits the decision analysis to the top pole of one choice option and the bottom pole of the other, illustrates a confirmation bias: the tendency to focus on the positive consequences of the initially preferred choice option and the negative consequences of the other. By focusing only on these consequences, choosing the implementation option is easy. John not only connects with the satisfaction of probable achievement and success within the organization but also avoids the potential loss of his job and the inability to take care of his family.

Principles in Choosing Well

John's understanding of the following principles might or might not have changed his choice, but it might have opened him up to other possibilities.

Principle 1: Every action represents a choice. The earlier examples of a worker going for a cup of coffee, a boy throwing a rock at a window, and an executive engaging in insider trading all represent choices of one behavior over another, although they may not be conceived of as choices by the decision maker at the time. There are many examples of companies that examine habitual practices — such as the setting of prices via mark-up rules — and come to realize that there are other choice options. When CEO Donald Washkewicz challenged Parker Hannifin Corp. managers in 2001 to break out of its habitual cost-based pricing practices, for example, the result was an increase in return on invested capital from 7% to 21%.[9]

Principle 2: Every choice option has both positive and negative poles. If we could get our protagonist, John, to go back and lay out the decision analysis more completely, he would additionally identify the negative pole of the first option and the positive pole of the second. (See "Complete Analysis of the Decision.") The two poles suggest the possibility of enormous trouble, including legal trouble, if the agreement is discovered. Extending these poles to the final column (values/goals), the conclusion might be that outcomes of the scheme are inconsistent with integrity and legality and perhaps actually undermine long-term company success.

Principle 3: Every decision is a trade-off of values. In the extended confirmatory analysis, no trade-off is made. There is simply a confirmation and justification of a decision that a person was predisposed to make, given the pressures he was facing. The considerations are thus additive — their sum makes a powerful case for selecting the "implement" choice option. The complete analysis provides a more balanced view, reflected in positive and negative poles for both choice options.

There is no magical formula, but the way to start is to compare, contrast and understand the trade-offs between the positive poles of the two options. This produces more balanced insights for several reasons. First, a long line of research suggests that when people make decisions, they tend to weigh perceived losses more heavily than perceived gains. Explicitly considering the positive poles lessens this bias. In addition, in most decision maps the positive poles will already contain some information from the negative poles. In the complete analysis, for example, integrity appears as a value in the negative pole of the first choice option and in the positive pole of the second choice option. Finally, a contrast of the positive poles of the two choice options provides direct insight into what the decision maker will get and what he will give up if he selects a particular choice option. The explicit question that this case highlights is: Are you willing to achieve personal and organizational financial gain at the possible expense of personal, organizational and legal responsibility and integrity?

The power of such an evaluation can best be understood in comparison with the confirmatory analysis discussed earlier. In the extended confirmatory analysis, John would consider only two dimensions of what he would get from implementing fixed prices: personal/company achievement and being able to take care of his family. By contrast, the more balanced complete analysis requires the decision maker to confront the values inherent in each choice as well as what he is giving up to realize those values. In other words, John would be staring at the hard reality of sacrificing integrity and personal responsibility.

Implications for Senior Managers

Why do good people at times say yes to bad — unethical or illegal — actions? We believe there are four reasons: (1) the organization's values are fuzzy to them, leading them to resort to undeveloped intuition and expedient criteria; (2) they may

Complete Analysis of the Decision

Had John performed his decision analysis more completely, he would have considered both poles of each option. With such a balanced analysis, the decision maker could confront the values inherent in each choice and what he'd be giving up to realize those values. In particular, identifying the two missing poles might have suggested the possibility of legal trouble down the road and prompted a different action.

Choice Options		Consequences	Outcomes	Values/Goals
Implement Fixed Prices	+	Boss will be happy	Personal achievement (promotion)	Financial security
	–	It's illegal	Risk of personal legal troubles	(No) integrity
Do Not Implement Fixed Prices	+	It's legal	Business integrity	Personal responsibility/ integrity
	–	Boss will be angry	Could lose job	(No) family security

not be clear on their own values; (3) their interpretation of probability conveniently favors their a priori preferred option; and (4) they see no other options (they believe their hands are tied). Each of these reasons reflects issues that senior managers need to account for directly in confronting ethical decision making in their organizations.

The Company's Values Ethics and values statements can play an important role in organizational decision making, but they are unlikely to have much impact in the abstract. They should instead be linked directly, through training, to particular decisions with which people in the organization are familiar and to which they can relate. The universality of this idea suggests the following additional principle:

Principle 4 Reflections about values are more likely to "stick" if they are grounded in the reality of everyday or recognizable decisions rather than presented in the form of abstract exhortations.

It is significant that the discussion of values occurs at the end of the decision-mapping analysis. Cognitively, it is easier and more effective to judge whether a given concrete action produces consequences and outcomes consistent with a particular value than to start with an abstract values statement and try to develop ideas about the actions that might emanate from those values. As in math instruction[10] and the case-study method in business school, it is easier and more effective to approach a problem inductively (seeking patterns in tangible facts) than to deduce an appropriate response from a higher-order principle.

The Decision Maker's Values Familiarity with the decision-making framework illustrated above provides people with a vehicle for serious reflection as well as a common language for discussion of decisions and values with colleagues. After analysis of many decisions, it becomes clear that there is a definable set of values. Discussions may then become personal and powerful, as they cause people to confront values, and their positions on values, that perhaps they had not considered deeply before.

Probability In hindsight, one would rationally select an option that avoids scandal and a jail sentence. Beliefs about the probability of getting caught are malleable, however; they may be affected by our apparent needs or motivations at the moment. Senior managers can have a significant impact on these beliefs by communicating their views in both spoken and written form, developing processes for monitoring and policing, and building training programs that encourage employees to confront the "reality of probability." This reality has two dimensions. First is the fact that we can fool ourselves about probability; it is a subjective concept open to misestimation. Second, in many cases probability should not matter. A deeper discussion of consequences, outcomes and values will increase people's understanding of what is the "right" thing to do.

Decision mapping can stimulate our too-little-used "moral imagination," allowing us to explore the question, What are other options here?

Pushing the Moral Imagination and Discovering Options Another benefit of decision mapping is that it can stimulate our "moral imagination," allowing us to explore the question, What are other options here? This precious capacity is too little used, as it is often constrained by our natural tendencies to confirm and to avoid complexity. In John's case, the options were difficult to consider, as his boss, George Goodwin, had hemmed him into a tight corner. In fact, it did not seem possible for John to avoid confrontation with Goodwin in attempting to break the price-fixing arrangement that had been agreed upon. Creative thinking about options for John might have been best applied to how to prevent a crime from occurring and yet salvage a working relationship with Goodwin. Making the case directly to Goodwin about the potential consequences of the plan, as well as about legal alternatives for enhancing market share, would have been well worth John's consideration.

Leaders As Teachers

The brilliance behind Johnson & Johnson's decision making in the Tylenol case was that the company's leaders had long before articulated not only the company's values but also a prioritization of those values. Thus decisions made every day by staff did not in effect create a new value structure by default — an all-too-common organizational problem — but reflected the values emphasized and communicated by senior leadership. Obviously, the company's decision makers were able to apply these values to an extraordinary decision as well.

How can management use the framework described in this article to build a culture that better integrates the organization's values into staff decision making? A powerful metaphor today — whether regarding strategy, execution, rapid innovation or any other function of an enterprise — is that leaders are, above all, teachers.[11] Several kinds of actions can help bring this metaphor to life:

1. Speak from the context of everyday decisions. Understand routine but important decisions being made in the organization so that you can educate those on the ground who are making them daily. Assign a team (say, in each functional area within a division) to identify and review three key decisions made in a recent period — whether large-scale and influential decisions that arise infrequently or routine decisions that may benefit from a revisiting. Have the teams break down each decision (a) as it happened and (b) as if they were redoing it. In each case, ask them to consider the positive and negative consequences and outcomes of each choice option and then link them to end values — that is, ask the question: If we choose *this* option and it produces *these* consequences and outcomes, what values does that reflect? One useful result of such exercises is that a catalog or library of simple decision scenarios could be developed.

2. Use these decision contexts and analyses in training. Apply the cases developed and analyzed, especially when the decisions are familiar to people throughout the organization, in training all staff about expectations and values. Such training, which involves learning the decision framework (as illustrated by the complete analysis) and the substance of the decision cases and values, should be done serially: Senior leaders can teach other executives and general managers, who can then teach their staffs. Current employees can train new employees.

3. Widely communicate the logic of your decisions. Communications about your decisions should emphasize the consequences, outcomes and values in play and how and why you traded off those values. This is a powerful way to illustrate and reinforce the values inherent in your leadership of the organization.

The key here is linking familiar everyday decisions to values and creating a realistic and engaging context for conversation. Teaching and discussion with the aid of a simple decision-mapping framework can address the fact that we all need a little structure in order to look at decisions in an effective way. Moreover, with enough exposure, this approach tends to become second nature.

So What Happened?

The cruel irony of John Taylor's situation is that although he did not design the price-fixing program, he did get punished for it. A customer, who became angry when an Atlantic Soda salesperson held the line on discounting and revealed the price-fixing agreement, contacted the FBI. In the proceedings that followed, John declined offers of immunity, believing he was innocent. Ironically, George Goodwin accepted an immunity offer and ended up testifying against John at trial. In spite of recognizing John's good character and the awkward situation in which the price fixer received immunity, the judge felt compelled to sentence John and several other executives to three years in prison and $15,000 in fines.

Would decision mapping have changed John's choices and outcomes? We can't say for sure. We can only contend that it would have increased the likelihood of his thoughtful consideration of other options.

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