



## Selected Proceedings from the 2000 annual conference of the International Leadership Association, November 3-5, Toronto, Ontario Canada

### Value, Meaning, and Leadership in the Firm<sup>1</sup> By Roderick Macdonald

Do leaders create meaning for others, or do they help others to discover it? A popular management book of the early 1980's, *In Search of Excellence*, argued that leaders create meaning by fabricating values whole cloth by their all-powerful will. Although this is a silly notion, it permits a very romantic vision of the CEO, a demigod who creates meaning for employees. Further, it is a logical consequence of the assertion that values are subjective. Are then values subjective evaluations, or are they autonomous realities anterior to human judgment? If they are mere subjective evaluations, then it is a mere step to imposing these values on others not by force but by suggestion. This is precisely what Peters and Waterman were telling us and what many companies seem to try to do with slogans, catch words and campaigns aimed at "quality", "excellence" and "our aim: zero errors".

#### **1. Alienation and meaning in work**

Alienation has the same meaning in Greek as does the Latin root of ecstasy. Why is it then, that these two words have such different connotations?<sup>2</sup> The reason is historical. Originally the two words had the same meaning. This meaning goes back to the early Christian centuries, long before the birth of English. This meaning remained more or less stable until the eighteenth and nineteenth centuries. The meaning was that of abandon of self in order to unite oneself with another. More specifically, these words referred to the death of the old man in order to unite oneself with God in mystical union. Ecstasy, alienation, was a good thing, albeit supernatural.

At first glance, the goodness of ecstasy lies in the object: union with God. Most of us attain union with God in a less direct manner: through our spouses and our children, in our understanding of the universe, by helping others. This natural union also requires self-abandonment in the sense that children get sick in the middle of the night and getting up to

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take care of them may not be the first desire of the self. Here is a second part of the goodness of ecstasy. Human beings are built in a particular way that makes us very different from, say, planets and screwdrivers. Planets have a life cycle that they necessarily follow and the fullness of "life" for a planet doesn't seem to go much beyond decaying into a circular orbit. A screwdriver is "fulfilled" when use to tighten or loosen screws and "abused" when used to stir paint or hammer shut the can. A human being differs from planets in screw drivers not only in mass, not only because of freedom, but also because the fulfillment -and the "use"- of a human being is in self-giving, in ecstasy. Freedom allows a human person to give herself or not. Fulfillment and happiness only follow upon the gift of self.

Philosophers complicated things over the eighteenth and nineteenth century, but their reasoning did shed some light on a practical point. I cannot truly be fulfilled and happy if I make a gift of myself to a jerk. This problem arises on the supernatural order if God does not exist. It arises on the natural order if someone who does not reciprocate accepts the service I offer. In both these cases, the word alienation has a negative meaning. Today we use the word alienation in this pejorative sense, and ecstasy has a positive meaning.

Work is the primary exercise of power by a human being.<sup>3</sup> Work has a profoundly religious sense. This is common to all major religions, in spite of the social stigma attributed to work in some cultures. The major monotheistic religions (Judaism, Islam and Christianity) recognize the sacred meaning of work as explained in Genesis where (Man was place in the garden in order to work it), and later the sacrifice of Abel (good work) was accepted and Cain's (shoddy work) was refused. Work is the primordial religious act, before all institutional religion, and even prior to any external expression of religion.

Work cannot be separated from meaning. An ox drawing a cart does not work, because this work has no meaning for it. The person guiding the ox, who exerts so much less effort, nevertheless less does do work because he or she sees and desires the end to which that work is ordained.

Work in the firm should be ecstatic, not alienating. It should provide people with a meaningful way to give of themselves. Much of the effort must come from the employee, but top management can take a few measures to diminish alienation and increase the "ecstatic" quality of work. It does so by providing three incentives: a sense of ownership, a fair deal,<sup>4</sup> and interesting tasks. The sense of ownership requires an understanding of the role one's specific task plays in the overall mission of the firm and the sense of that mission in society, an input into how things are done.

## **2. Economic value and the meaning of enterprise: modes of doing good**

Not all businesses produce or pursue value in the same way. When two businesses pursue value in the same way they compete, and when they pursue wealth in different ways, they compete partially or not all. We determine the way that a business pursues wealth according to the product or service sold, and according to the set of clients to whom the product or service is sold. This sets the context for the specific value proposition of the firm. They coincide with a concept developed by the industrial organization school of economics that had a great influence upon formal strategy thinking: the concept of "mission."

When asked about the meaning of the word "mission", many practitioners and many students will respond "purpose" or "raison d'être " or "why we are in business." These responses beg the answer because we can then ask "why are we in business?" or "what is that purpose or raison d'être?" The product-market scope<sup>6</sup> provides a clear and concise definition of business mission that is empirically verifiable and ultimately traceable to the will of top management as a series of historical choices of the reality that the firm is to confront.<sup>7</sup> (See Figure 1)

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This business mission in turn generates key corporate values (Figure 2). The good company not only avoids transgression of any values or goods, but also does good, by providing a product or a service<sup>8</sup> -as measured by the valuation of its offerings-by an efficient use of resources-as can be measured by the control of costs. In this light, profit has a positive moral connotation. The specific product or service offered is wealth created that is valued by prospective clients and it is this that determines the enterprise values. The mission of the firm defines the particular way in which the firm creates value, and thus delimits characteristic core values of the firm. This particular kind of wealth creation is the particular good which determines the nature of the business unit, and may be valued in different ways by shareholders, clients, banks, employees and other stakeholders. This is the notion of terminal or enterprise value.

Enterprise values are intimately linked with the actual content of strategy, since strategy is intimately connected to the mission of the firm. The business mission was chosen as a reasonable way to make money. As a consequence, enterprise values are rational and all members of the organization can understand these values logically as being relevant to the mission of the firm. The mission of the firm is where the organization comes into contact with reality. Whereas all other aspects of the organization are abstractions (aside from people!) the mission of the firm deals with the reality and provide a litmus test of the effectiveness of the organization. Any employee can perceive this contact with reality and judge the pertinence of organizational core values. There's nothing arbitrary in the values, or least as should not be. If the values are a caprice of a consultant or of top management and do not pass the litmus test of contact with the reality of the firm's mission, then most employees will readily conclude that these values are not relevant. This rationality is more or less evident according to the abilities of each employee. In some cases, the leader must bring employees to understand this rationality, but by and large all members of the organization will have an intuition of the common sense of the mission. That is why all employees will have an opinion about any values proclaimed by management as being relevant or irrelevant. The management that proclaims irrelevant values on the advice of the trendy consultant will find employees cynical about expressions such as "excellence", "team work".

Nonetheless, the relation between enterprise values and those values that are declared to be the core organizational values of the firm is often flimsy. For example, the Royal Bank of Canada declares its core values to be Quality -specifically, the quality of human resources, service, leadership, assets and profits. The mission of the bank tells us what the real enterprise value should be -to maximize the value of its clients. Again, in 1999 Proctor & Gamble publicly espoused the values of Leadership, Integrity, Trust, Passion for winning, Ownership. But the mission dictated another value: High value consumption.

Mission inevitably dictates what is important to a business. Alcan Aluminum must be a good corporate citizen to attain continued access to cheap electricity and avoid confrontation over the inevitable pollution of the Saguenay River. The product is a commodity, and so strategic control of costs has a direct bearing on the performance of stock. Loto Quebec sells lottery tickets and will go out of business the day that consumers lose confidence in the honesty with which each lottery is run.

Why this difference between real values and declared values? Is it a case of academic subtleties? Or a case of cynical businesses trying to appear as 'do-gooders'? There are two answers: one pleasant and the other sobering. The pleasant answer is that many firms have been caught up in the wake of that 1980's best seller *In Search of Excellence* and naively believe that values really are the choice of the leader of the firm. The sobering answer is that the discourse about values may hide an attempt to manipulate employee by imposing

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meaning upon their lives - a throw back to the "contented cow" days of organizational behavior.

### **3 The case of economic value.**

Classic economic theory was more concerned with discussing the nature of (economic) value than twentieth century efforts, and one eighteenth and nineteenth century debate illustrates the relation between empirical values and the standards by which they are measured.

Two definitions of economic value circulated in the early nineteenth century. The quantity or amount of work ascribed to an object provides the qualification in both definitions. David Ricardo taught the value of an object was the quantity of work contained in the economic good-and that is to say the amount work necessary for its production. Adams Smith, on the other hand, had already taught that the value of an economic good was rather the quantity of work one was willing to exchange in order to obtain that good.

David Ricardo seemed a champion of reality, founding value on the fact, whereas Adam Smith seemed to be a champion of subjectivity, founding value on an opinion. Subsequent intellectual developments and their unfortunate historic application have proved otherwise. Ricardo championed a deterministic economy, whereas Smith championed an economy where there is room for moral choice. Karl Marx used Ricardo's "work contained" to construct the fairy tale edifice of surplus value, where any good intention to offer fair salaries is ephemeral and transitory, because the economic system would always stabilize around subsistence wage for work. Although Marx and his followers provided many psychological, social and even economic reasons for this imaginary state of affairs, the cause is found in the definition. The value of labor, like the value of anything else, is the quantity of work contained. That is to say its value is the subsistence of the laborer. By definition, this economic system is unjust: because of the very definition of a value, the employer captures the difference between work contained and the value created by work done.<sup>9</sup> The rule of nature is that of the value created by work exchanged for the subsistence far outstrips the cost of subsistence, for even in the most primitive economies, work provides sufficiently with abundant leisure time. Indigent societies are the result of politics and war.

The theoretical merits and practical consequences of work-contained versus work-exchanged have been clarified in the nineteenth and twentieth centuries, respectively. The difference between the title and the contents of Adam Smith's best-known book is worth while examining. The title announces wealth, but the pivotal theory of the book is that of value. That value is subjective; it is the opinion of a prospective buyer. Opining shoppers people Smith's marketplace, rather than goods that have value in themselves. "Creating value" is close to synonymous with responding to a desire in a solvent buyer.

Are values emotions? Are they cognition or affection? The expression "value" is applied not only to the evaluation of things but also to some standard by which I evaluate. This latter is the popular understanding of the term "values". Now we can understand that value can be subjective and while being anterior to and autonomous of the will of the subject who values. There are clever shoppers who know how to purchase goods that can later be sold for a higher price. In a similar way there are clever moral actors who know how to discover objects and objectives which eventually become more highly valued as information becomes available to other economic agents.

In this light we can understand Rokeach's definition: a value is a stable belief that one state is preferable to another.<sup>10</sup> "Opinion" is in fact a more accurate term from the viewpoint of classical philosophy. Values are personal (or socially accepted) opinions about human goods.

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Goods motivate human behavior, but they act through human cognition which more or less successfully values alternatives, and makes the judgements that we call rules.

#### **4. Conclusion: leadership and meaning**

Work is an expression of self that involves self-giving. It can be meaningful or it can be alienating to the extent that the worker is able to overcome the obstacles to seeing the service that this work provides. The role of management is to reduce the obstacles. Management does so by revealing meaning, the relationship between daily tasks and the mission of the firm.

What, then, is the role of the ethical leader? Like any other ethical person, he or she respects morality. But this does not make the person a leader. What is peculiar to ethical leaders is their capacity to capture and to convey the rationality of organizational mission and core values.<sup>11</sup> This leads the members of the organization to freely embrace the action of the firm. This action of the firm is an expression of the primordial ethical rule "Do good."

The Palace of Desire by Naguob Mahfouz<sup>12</sup> suggests that humans must create meaning rather than discovering something "out there." Victor Frankl points out three different roads to meaning: build in the active life, discover it by the contemplation of beauty, truth, etc in the arts, and suffering.<sup>13</sup> Vaclav Havel, in prison, found meaning in the active life: by our commitment in the world we become persons and capable of re-creating the cosmos.<sup>14</sup>

Clearly work in the business organization qualifies as a source of meaning, but only does so to the extent that leaders are capable establishing the place of the daily tasks of individual members of the organization within the mission of the firm. Kuhn has said that commitment links personal meaning with the organizational mission.<sup>15</sup> We are arguing that organizational mission correctly understood is a particular manner to pursue the universal human value we call wealth. This is why organizational members can understand this pursuit as a meaningful quest, even as a noble quest. Leaders are not creators of value, but communicators only. And this communication is bi-directional, since all employees become leaders when they reveal the mission of the firm by their input into how things get done.

Understanding of the role one's specific task plays. When top management designs the organization, it foresees the tasks done by all, and it foresees the contribution of each task to the overall mission of the firm. This contribution may not be so obvious to the twelfth employee to carry it out. The employee must suspect some use as he or she is being paid for some reason. In the same way, a man may love his wife, but take this for granted and not show any outwards signs of this love. The wife may begin to feel very uncertain and very insecure until a friend advises the man to take home some flowers one day without any anniversary obliging. Top management should ensure that employees appreciate the role they play in the mission of the firm, and the place of this mission in society. They must understand that they serve society with their daily work in a very specific way and that society would suffer (a little) by their absence.

Having an input into how things are done. The greatest obstacle here is the insecure manager. The insecure manager is unable to ask advice from subordinates, nor innovate as a result of their advice. This cuts off a major information source: line employees. This is particularly true for assembly manufacturing workers who are the primary motors of the learning curve, as also for sales personnel who are the most direct access to clients. Even clerks and middle managers can be sources of efficiency gains and as well provide insights for increasing the effectiveness of the organizational effort. When managers do not have sufficient character to solicit and act upon employee input, these employees themselves realize that their intelligence is not of use to the firm, and gradually withdraw it from their work.

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Further, it follows that leadership has a rational basis.<sup>16</sup> Leadership based on emotions is vulnerable to any disruption of human sentiments. Ethical leadership does of course avoid transgressions of human values in general, but primarily it unites followers in the pursuit of some chosen value rationally understood. It can be defined as the good intentions and acts of an individual or a small group of individuals mobilizing the free collaboration of others. Ethical leadership "in organizations" adds the qualification of relatively free collaboration.

Anne Langley has argued that formal analysis (strategic analysis) and social interactive decision processes are inextricably linked, and that a greater need for social interaction may cause a greater need for formal analysis. Thus, there's no doubt that formal analysis can be of vital importance in strategic decision making,<sup>17</sup> and that formal analysis is very often used for informational purposes. But other purposes may be behind analysis: communication, direction and control and symbolic purposes. This means of that extensive formal use of analysis does not imply a rational model of decision-making alone. This formal analysis process can be a vehicle for social interaction and even political aspects of decision making. Thus, formal analysis plays a dual role determining "the substance of decisions in ... but also acting as a kind of glue helping to bind the decisions of individuals together to create organizational decisions."<sup>18</sup>

If core values are intimately linked with the mission and are rational, then this notion of formal analysis as a vehicle for social interaction can be extended to the entire strategic process and to the entire organization. Although not all members are involved in a formal analysis, usually all members of the organization can have some grasp of the rational foundations of strategy content. When strategy content is counter-intuitive, an effort on the part of top management is necessary to convey the rationality of core values and a strategy content. By and large, however, the core strategy and the core values should be easily accessible to the common sense of all employees.

## REFERENCES

1. To simplify things, I have supposed a firm operating in a single industry. The argument holds as well for multi-product and multi-industry firms. [\[return to text\]](#)
2. Those interested in a more elaborate treatment from the perspective of the history of philosophy should consult Nathan Rotenstreich, *Alienation. The Concept and Its Reception*, E.J. Brill, Leiden 1989 [\[return to text\]](#)
3. Power is pursued and obtained in an orderly way, as with any other value. Just as promiscuity destroys the family institution, and the concentration of wealth destroys private property, so also the obsession with power destroys this value. Karl Stern gives us the examples of Napoleon and particularly Hitler: "*Power addicts are miserable people. We say of a man like Hitler that at a certain phase he was at the "height" of his power. In reality, there is no zenith, just as there is no zenith of addiction. The vessel keeps leaking and demands more. Such insatiability is a demoniacal mirage of infinity... in reality the subject becomes increasingly fettered by necessity. In the end all freedom is gone, and the subject is encased in a system of forces as compelling as the laws that govern inert matter. The drug addict as well as the power addict makes an initial choice to obtain something, and before he realizes it, that thing has obtained him.*" Stern, Karl, *Flight from Woman*, Farrar, Straus and Giroux, New York 1965 p. 281. [\[return to text\]](#)
4. The importance of fair deal becomes obvious if we consider an extreme case. The concentration camp worker who does forced labor by building a bridge sees how his work will serve society at large, but rejects this mission as oppressive. Beyond this fair salary, however, it is usually a good idea to make workers participate in the successes of the firm, at least to

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the degree that they contribute to them. Employees already participate in failure by the threat of losing their jobs or remaining at low salaries. Bonuses at year end, stock-sharing plans and collective rewards (a lounge, a gym, better transport, etc.) are all ways in which the firm can let employees participate in the little victories of the company. [\[return to text\]](#)

5. For example in the language of competitive analysis developed by Michael Porter who was a student of Richard Caves, an eminent industrial organization economist. See Michael E. Porter, *The Contributions of Industrial Organization to Strategy Formulation: A Promise Beginning to be Realized*, Working Paper HBS 79-60, revised October 1979. [\[return to text\]](#)

6. We refer here to the business unit mission. Peter Drucker has put it: "What is our business? Who is our Customer? What is value to the customer?" *Management, Tasks, Responsibilities and Practices*, New York: Harper and Row, 1973. Kotler refers to product-market scope, but then generalizes the term to take into account vertical integration, See Philip J. Kotler and Ronald E. Turner, *Marketing Management*, Canadian seventh edition, Prentice Hall Canada Inc, Scarborough, 1993, page 50. The origin of all this can be found in Derek Abell *Defining Business: The Starting Point of Strategic Planning* Englewood Cliffs, Prentice Hall, 1980. Abell defines the business by customer needs, customer groups and the technology. [\[return to text\]](#)

7. An alternative definition of mission in the literature is the choice of action by which the firm will increase market share, cash flow, profit and or revenues. Cf. Covin, J. G., D. P. Slevin and R.L. Schultz Implementing Strategic Missions: Effective Strategic, Structural and Tactical choices, in *Journal of Management Studies*, 31 (1994) 401-505. However, this line of thought refers to the "strategic mission" which ultimately is a category of basic strategy: build hold or harvest. C.f. T.T. Herbert and H Deresky, Generic strategies: An empirical investigation of typology validity and strategic content, *Strategic Management Journal* 8(1987) 135-147. Fred R. David, in How Companies Define their Strategic Mission, *Long Range Planning* 22 (1989) page 90 calls the mission the nature and purpose of the company, which is explicitly declared in the mission statement. Empirically, he finds that nine different elements are found in these statements: customers, product or service, location, technology, concern for survival, philosophy, self-concept, public image, and employees. This is one more example of the diffuse understanding we have of the most fundamental issues in businesses. [\[return to text\]](#)

8. We have shown elsewhere that there are five fundamental kinds of goods which humans value, and of that enterprise is characterized by the pursuit of one of these values, wealth. Roderick J. Macdonald and Patrick Pichette, Valeurs et le Design Organisationnel and Roderick J. Macdonald, L'ABC de la morale in Roderick J. Macdonald, *Valeurs de l'entreprise québécoise*, Guérin universitaire, Montreal 1995. [\[return to text\]](#)

9. Piettre, André, *Marx et marxisme*, Presses Universitaires de France, 4ième édition, 1966, pp. 52-56. [\[return to text\]](#)

10. Rokeack, *The Nature of Human Values*, The Free Press, New York, 19,xx p.29 [\[return to text\]](#)

11.

12. Mahfouz, Naguob, *The Palace of Desire*. [\[return to text\]](#)

Roderick Macdonald, "Value, Meaning, and Leadership in the Firm<sup>1</sup>," presented at the International Leadership Association conference November 3-5, 2000 in Toronto, Ontario Canada.  
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13. " An active life serves the purpose of giving man the opportunity to realize values in creative work, while a passive life of enjoyment affords him the opportunity to obtain fulfillment in experiencing beauty, art, or nature. But there is also purpose in that life which is almost barren of both creation and enjoyment and which admits of but one possibility of high moral behavior: namely, in man's attitude to his existence, an existence restricted by external forces. A creative life and a life of enjoyment are banned to him. But not only creativeness and enjoyment are meaningful. If there is a meaning in life at all, then there must be a meaning in suffering." Frankl, Victor, *Man's Search for Meaning*. An introduction to logotherapy, Translated by Ike Lasch Preface by Gordon W. Allport Introduction by Leslie D. Weatherhead. [\[return to text\]](#)

14. "The temptation of Nothingness is enormous and omnipresent, and it has more and more to rest its case on, more to appeal to. Against it, man stands alone, weak and poorly armed, his position worse than ever before in history. And yet I am convinced that there is nothing in this vale of tears that, of itself, can rob man of hope, faith and the meaning of life. He loses these things only when he himself falters, when he yields to the temptations of Nothingness. To sum up: I think that resignation, indifference, the hardening of the heart and laziness of the spirit are dimensions of a genuine "unbelief" and a genuine loss of meaning. The person who has fallen into that state not only ceases to ask himself what meaning life has, he no longer even spontaneously responds to the question existentially by living for something—simply because he must, because it won't let him alone, because he is the way he is. The person who has completely lost all sense of the meaning of life is merely vegetating and doesn't mind it; he lives like a parasite and doesn't mind it; he is entirely absorbed in the problem of his own metabolism and essentially nothing beyond that interests him: other people, society, the world, Being—for him they are all simply things to be either consumed or avoided, or turned into a comfortable place to make his bed." Vaclav Havel, *Letters to Olga*, October 3, 1981. [\[return to text\]](#)

15. Kuhn, Robert Lawrence, *The firm bond: linking meaning and mission in business and religion* Praeger, New York 1984. [\[return to text\]](#)

16. This does not mean that there is no emotional or sentimental content to the exercise of leadership. But emotional content in spite of or in the absence of a rational foundation is unstable and unconvincing. Everyone was pleased to work with a nice person but not everyone is willing to out-do themselves for a "nice" person. Heart needs rationality in order to be able to persevere day after day, through crisis and through failure as well as through success. [\[return to text\]](#)

17. Langley, A., *Formal Analysis and Strategic Decision Making*, Omega (19) page 82 [\[return to text\]](#)

18. *ibid.*, page 83, 1991. [\[return to text\]](#)

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