

The Cost of Fear – How much do negative values cost an organization?

By Phil Clothier June 2001

Positive and Negative Values

In any organization, people operate within a set of values. Many of these will be positive values such as employee fulfilment, open communication, integrity and customer satisfaction. If these values are fully accepted and practiced daily, over time they will become normal behaviour and a great asset to the organization.

It is also possible for organizations to operate from negative or potentially limiting values. Examples of these values include bureaucracy, competition, manipulation, bullying, and information hoarding. Most organizations, depending on the health of the culture, will operate from a mix of positive and potentially limiting values.

Another way to describe potentially limiting values is to use the term fear-based values. Fear-based values are so called because the behaviours associated with these values are either based in fear or create fear, usually both. For example, controlling behaviour implies a lack of trust in systems or people. The controlling manager is fearful that if he lets go, things will go wrong. This in turn creates fear in the staff and could block innovation, creativity, accountability and entrepreneurship. This is where the term '**fear-based organizations**' comes from.

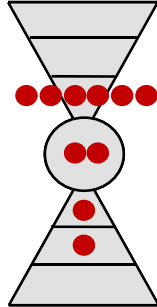
So we have a poor culture and unhappy people but that doesn't cost us money, does it?

Recent research has shown that fear-based values can dramatically reduce the profitability of an organization and in the worst cases, force the business into bankruptcy. In fact, the effect is much more significant than we imagined when we started this research.

Example Co (137)

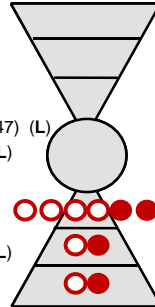
Personal Values

1. honesty (61)
2. commitment (60)
3. humour/fun (53)
4. reliability (51)
5. enthusiasm (44)
6. **adaptability** (43)
7. family (37)
8. integrity (34)
9. trust (34)
10. balance (home/work) (32)



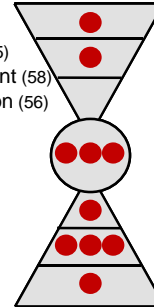
Current Culture Values

1. cost reduction (76)
2. bureaucracy (66) (L)
3. confusion (61) (L)
4. profit (54)
5. information hoarding (47) (L)
6. short-term focus (47) (L)
7. hierarchical (45) (L)
8. results orientation (39)
9. **client focus** (38)
10. empire building (36) (L)



Desired Culture Values

1. client satisfaction (66)
2. employee fulfillment (65)
3. continuous improvement (58)
4. effective communication (56)
5. teamwork (50)
6. financial stability (44)
7. **adaptability** (42)
8. **client focus** (38)
9. professionalism (35)
10. vision (35)



The assessment above shows the personal, current and desired culture of 137 staff at a real company (name withheld). The assessment of the management team produced a very similar set of values, but they also saw long hours as a feature of the current culture.

This organization had an annual income of \$48m and a staff salary bill of \$9m. They made a loss of \$0.7m in the year in question. They calculated that the cost of their 7 potentially limiting or fear-based values was in the region of \$18m.

Potentially Limiting Value	Annual Cost
Bureaucracy	\$2,519,465
Confusion	\$4,450,090
Empire Building	\$2,470,554
Information Hoarding	\$2,287,663
Hierarchical	\$874,058
Long Hours	\$263,072
Short Term Focus	\$4,873,145
Other elements (above normal sickness & leavers)	\$1,246,140
Total	\$18,984,190

These figures were calculated using collective staff perceptions of lost productivity and lost opportunity as a percentage of total productivity and opportunity. When giving the percentages people were asked to give specific examples that backed up the numbers.

In addition, the low morale and motivation in this organization was causing above average sickness and a high rate of people leaving. Both of which, placed a financial burden on the organization.

This data gave this organization a hard financial imperative to engage in a culture change program.

Scaling-up

The current culture results for this organization concur with the strongly held staff feelings that they are unhappy and there is a real need for change. This is clearly demonstrated by the financial results. However, there are many organizations, not just commercial but also government and non-profit, that also operate with fear-based values.

What would be the financial burden on large multi-national organizations, governments or even nations, when you scale-up the dramatic effect on this small (200 person) organization?

Is it worth eliminating our fear-based values and only living positive values? The above results suggest a strong YES!

If you want help doing this type of calculation for an organization you are consulting with or working for please contact Melanie at Melanie Moeller Associates at 703 573-0058.