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LIMITS OF VALUE-BASED MANAGEMENT APPLICATION – THE ROLE OF ORGANIZATIONAL CULTURE

Purpose: The purpose of this article is to demonstrate that the development and effective implementation of the Value-Based Management (VBM) concept is primarily feasible in organizations whose culture fosters an orientation toward financial performance. The specific aim is to identify the implementation constraints of VBM arising from cultural mismatch and to highlight the conditions under which this concept can be effectively utilised in organisations with different cultural profiles. The authors argue that transferring this concept to institutions guided by different value systems—particularly those of a social or mission-oriented nature—may lead to distortions in decision-making processes and to misallocation of resources.

Methodology/Approach: The paper is theoretical and analytical in nature and is based on a critical review of literature in the fields of strategic management, corporate finance, and organizational culture theory. The comparative analysis juxtaposes the assumptions of the VBM concept with Cameron and Quinn's typology of organizational cultures, enabling the identification of conditions for the effective implementation of value management tools in various types of organizations.

Findings: The analysis revealed that the effectiveness of VBM depends on the alignment between the assumptions of this concept and the prevailing cultural values within an organization. A market-oriented culture ensures the highest level of compatibility, whereas clan and hierarchical cultures tend to create implementation barriers arising from diffused responsibility or excessive bureaucratization. Consequently, the introduction of VBM and its tools should be preceded by a thorough analysis of the organization's cultural profile.

Practical implications: The implementation of VBM should be preceded by a diagnosis of the organizational culture and an adjustment of the value measurement system to its specific characteristics—particularly in public sector and non-profit organizations. In such cases, it is essential first to define the notion of "value" being managed and to determine an appropriate method of its measurement.

Originality/Value: This article contributes to the discourse on the cultural determinants of value management by integrating two areas of research that are usually examined separately—organizational culture theory and the VBM concept. The findings provide a foundation for further studies on the adaptation of value management tools in organizations characterized by diverse systems of values.

Keywords: Value Based Management, Organizational culture.



GRANICE ZASTOSOWANIA KONCEPCJI ZARZĄDZANIA WARTOŚCIĄ – ROLA KULTURY ORGANIZACYJNEJ

Cel: Celem artykułu jest wykazanie, że rozwój i efektywne stosowanie koncepcji zarządzania wartością (Value-Based Management, VBM) jest możliwe przede wszystkim w organizacjach, w których kultura sprzyja orientacji na finansowy wymiar efektywności. Celem szczegółowym jest identyfikacja ograniczeń implementacyjnych VBM wynikających z niedopasowania kulturowego oraz wskazanie warunków, w których możliwe jest efektywne wykorzystanie tej koncepcji w organizacjach o odmiennych profilach kulturowych. Autorzy dowodzą, że przenoszenie tej koncepcji do instytucji o odmiennych wartościach, zwłaszcza społecznych lub misyjnych, może prowadzić do zniekształceń w procesach decyzyjnych oraz błędnej alokacji zasobów.

Metodologia/podejście: Opracowanie ma charakter teoretyczno-analityczny i opiera się na krytycznym przeglądzie literatury z zakresu zarządzania strategicznego, finansów korporacyjnych oraz teorii kultury organizacyjnej. Analiza porównawcza opiera się na zestawieniu założeń koncepcji VBM z modelami kultur organizacyjnych w ujęciu Camerona i Quinna, co pozwoliło zidentyfikować warunki skutecznego wdrożenia narzędzi zarządzania wartością w różnych typach organizacji.

Wyniki/Wnioski: Analiza wykazała, że skuteczność VBM zależy od zgodności między założeniami tej koncepcji a dominującymi wartościami kulturowymi. Kultura rynkowa zapewnia najwyższy poziom dopasowania, podczas gdy w kulturach klanowych i hierarchicznych pojawiają się bariery wdrożeniowe związane z rozmyciem odpowiedzialności lub biurokratyzacją. Zatem wdrażanie koncepcji i wykorzystanie narzędzi z zakresu VBM powinno być poprzedzone analizą kultury organizacji.

Implikacje praktyczne: Wdrożenie VBM powinno być poprzedzone diagnozą kultury organizacyjnej oraz dostosowaniem systemu pomiaru wartości do jej specyfiki, zwłaszcza w organizacjach publicznych i non-profit. W przypadku takich organizacji należy na wstępie zdefiniować pojęcie wartości, którą się zarządza oraz określić sposób jej pomiaru.

Oryginalność/wartość: Artykuł wnosi wkład w dyskusję nad kulturowymi uwarunkowaniami zarządzania wartością, łącząc dwa zazwyczaj rozdzielane obszary badań – teorię kultur organizacyjnych i koncepcję VBM. Wyniki analizy stanowią podstawę dla dalszych badań nad adaptacją narzędzi zarządzania wartością w organizacjach o zróżnicowanych systemach wartości.

Słowa kluczowe: Zarządzanie wartością, Value Based Management, Kultura organizacyjna.

Introduction

The concept of Value-Based Management (VBM) is one of the most influential approaches in contemporary management theory and practice. Since its formulation by Alfred Rappaport in the 1980s, it has constituted a foundational paradigm for managing enterprises in mature market economies, particularly in countries with highly developed capital markets. The core premise of this concept was the subordination of organizational decision-making processes to the overarching objective of increasing shareholder value. Over time, however, as new social, environmental, and ethical conditions emerged, an approach based solely on maximizing shareholder value became subject to reinterpretation and gradually evolved toward models that acknowledge the interests of a broader group of stakeholders.

The development of VBM has not been a uniform process: its successive stages reflected changing market realities, technological progress, and the evolution of organizational cultures. In its early phase, the concept was closely aligned with organizational cultures characterized by a strong financial and market orientation, in which success was measured primarily by profitability, capital efficiency, and market value creation. Within such cultures, VBM could be implemented effectively, as organizational norms and values were largely consistent with the economic logic underlying the concept. Yet as VBM began to be adopted in other contexts – such as public-sector institutions, non-profit organizations, or mission-driven entities – concerns emerged regarding its adequacy and the potential distortions arising from the transfer of financial tools to organizations guided by fundamentally different value systems.

Organizational culture constitutes a crucial context for the development and implementation of VBM in any organization, as it operates as a mechanism mediating the relationship between managerial tools and organizational outcomes¹. It is the system of values, norms, and shared beliefs that determines whether managerial tools and techniques support long-term organizational development or lead to adverse phenomena such as short-termism, excessive pressure for financial performance, or the marginalization of social goals². Contemporary approaches to VBM, integrating elements of sustainable development (ESG) and corporate social responsibility (CSR), represent an attempt to address these challenges by combining financial efficiency with broader responsibility toward stakeholders and the external environment.

The aim of this article is to analyse the factors influencing the effectiveness of Value-Based Management (VBM) in the context of different types of organizational culture, with particular emphasis on the degree of alignment between the

¹ Vargas-Halabi T., & Yagüe-Perales R.M., *Organizational culture and innovation: exploring the „black box“*, „European Journal of Management and Business Economics“ 2024, 33(2), pp. 174–194.

² Schein E.H., & Schein P.A., *Organizational culture and leadership* (5th ed.), Wiley 2017.

principles of this concept and the prevailing value system within the organisation. The specific aim is to identify the implementation constraints of VBM arising from cultural mismatch and to highlight the conditions under which this concept can be effectively utilised in organisations with different cultural profiles. The paper examines how the concept developed over time, how this evolution reflects shifting cultural conditions within organizations, and what consequences may arise when VBM tools are applied in institutions whose value systems are not oriented toward financial objectives. The analysis also indicates that the effective application of VBM methods requires their alignment with the prevailing organizational culture as well as an appreciation of the social and ethical dimensions of organizational functioning.

The article is structured into three main parts. The first outlines the theoretical foundations of organizational culture and its significance for shaping managerial attitudes and decision-making. The second discusses the historical development of VBM – from shareholder-oriented approaches to contemporary interpretations that incorporate sustainable development and stakeholder perspectives. The third part analyzes the relationship between organizational culture and the assumptions of VBM, identifying areas of compatibility as well as potential points of divergence. The conclusion formulates recommendations regarding the conditions necessary for the effective implementation of VBM tools across different types of organizations, with particular attention to the limitations stemming from divergent value systems and institutional missions.

This article adopts a theoretical and analytical approach, drawing on a critical review of the literature on organizational culture and value-based management. The analysis is based on scholarly work in strategic management, corporate finance, and organizational culture theory. The primary objective of the methodological approach was to identify key relationships between VBM and the cultural contexts in which it may be implemented. A comparative method was employed, juxtaposing the theoretical principles of VBM with models of organizational culture described in the literature, particularly the Competing Values Framework developed by Cameron and Quinn. The literature review encompassed both classical works that established the foundations of VBM (Rappaport; Copeland, Koller, and Murrin) and contemporary studies addressing the integration of cultural aspects into management practice. The research hypothesis is as follows: the effectiveness of implementing Value-Based Management solutions depends on compliance with its specific type of organizational culture, with the level of efficiency being achieved in organizations with the applied culture, while in clan and hierarchical cultures significant barriers appear that limit its application.

The analysis applied a deductive approach—from theoretical constructs to practical implications – supplemented with elements of critical analysis that enabled the identification of gaps and limitations in existing perspectives on value-based management. The sources were selected purposively, based on their influence on scholarly debates in the fields of value creation and organizational culture.

This methodological design allowed for the integration of insights from diverse management disciplines and for demonstrating that the effectiveness of VBM depends on the alignment between its underlying assumptions and the cultural values of the organization. The article does not include empirical research; its purpose is to develop a theoretical framework that may serve as a foundation for future quantitative and qualitative studies. Ultimately, the adopted research approach made it possible to identify barriers and enabling conditions for the implementation of VBM in organizations with differing value systems, as well as to formulate recommendations for adapting the concept within managerial practice.

Organizational culture constitutes one of the key elements shaping the functioning of contemporary enterprises. It is understood as a set of shared values, norms, symbols, beliefs, and behavioural patterns that determine how members of an organization think and act. As Edgar H. Schein notes, organizational culture is “a pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration – assumptions that have worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems”³. According to the underlying assumption of this perspective on organizational culture, an organization’s effectiveness and success are not solely the result of implementing an appropriate market strategy, possessing a suitably performance-oriented system of motivation, or having competent leaders. These outcomes cannot be fully explained by the ability of individuals or groups to cooperate either. Although such factors are undoubtedly important, they are not the only sources of organizational success. What is crucial is that every organization possesses an invisible quality – its style, character, or mode of functioning – which can exert a profound influence, often stronger than that of individual members, on what happens within the organization and in its external environment. Therefore, to understand the “soul” of an organization, one must venture beyond the „hard” elements – strategies, structures, and procedures – and in a sense pass to „the other side of the mirror,” entering the world of organizational culture⁴. This is, of course, closely connected to the patterns of thinking and acting within an organization, as reflected in one of the earliest definitions of organizational culture proposed by E. Jacques: „organizational culture is the customary and traditional way of thinking and doing things, which new members must learn and at least partially accept in order to be accepted as functioning members of the organization”⁵. Geert Hofstede, in turn, views culture as „the collective programming of the mind which distinguishes the members of one group from those

³ Schein E.H., & Schein, P.A., op. cit.

⁴ Koźmiński A.K., Piotrkowski W., *Zarządzanie: teoria i praktyka*, PWN, Warszawa 2020, pp. 371–372.

⁵ Sikorski Cz., *Kultura organizacyjna, Efektywne wykorzystanie możliwości swoich pracowników*, C.H. Beck, Warszawa 2006, s. 2.

of another”⁶. All of these perspectives emphasize that organizational culture performs integrative and regulatory functions, shaping decisions, communication, social relationships, and managerial processes – including financial processes, which constitute the central focus of this article. Therefore, to present the influence of organizational culture in a clear and systematic manner, it is useful to draw on the typology developed by Kim S. Cameron and Robert E. Quinn, known as the Competing Values Framework. The authors distinguish four fundamental types of organizational culture within this model: clan, adhocracy, hierarchy, and market culture⁷. Clan culture is characterized by a strong sense of community, employee loyalty, and high levels of engagement. An organization with this cultural profile resembles a large family, and its leadership tends to take the form of mentorship or stewardship. Emphasis is placed on cooperation, development, and the satisfaction of organizational members⁸. This type of culture fosters investment in human capital development and the long-term building of relationships. From a financial perspective, it implies a greater willingness to incur development-oriented expenditures which may not yield an immediate return but strengthen the organization’s long-term value.

In contrast, adhocracy culture is oriented toward innovation and change. Organizations of this type are characterized by flexibility, a forward-looking outlook, entrepreneurial behaviour, and a propensity for risk-taking. Leaders act as visionaries, and effectiveness is measured by the organization’s ability to generate new solutions and adapt to changing conditions⁹. Financial decisions in such organizations are therefore often flexible and dynamic, oriented toward innovation. Priority is placed on securing capital for high-risk projects, and traditional financial performance measures are frequently supplemented – or even replaced – by assessments of market or innovation potential. This approach may foster long-term value creation, although it is associated with greater uncertainty.

Such conclusions, however, cannot be drawn as readily when examining the culture referred to as hierarchical. This type of culture is based on formalization, established procedures, stability, and control. The organizational structure is rigid, and decision-making processes follow predetermined rules. The most important values include order, predictability, and process efficiency¹⁰. In this type of culture, emphasis is placed on control, budgetary discipline, and adherence to procedures. Financial decisions are often highly formalized, and planning and reporting processes are well developed. While this fosters stability, it may also limit the organization’s flexibility in responding to changes in the external environment. The final type is the market culture, which is focused on performance

⁶ Hofstede G., Hofstede G.J., *Kultury i organizacje. Zaprogramowanie umysłu*, PWE, Warszawa 2007, s. 16.

⁷ Cameron K.S., Quinn R.E., *Kultura organizacyjna – diagnoza i zmiana, model wartości konkurencyjnych*, Kraków 2003, pp. 41–49.

⁸ Ibidem, s. 44.

⁹ Ibidem, s. 46.

¹⁰ Ibidem, s. 47.

and competition. Organizations of this kind are strongly oriented toward the external environment, economic efficiency, and the achievement of financial goals. Success is measured by market share, profit, and the growth of the firm's value¹¹. In this culture, values aligned with financial logic dominate: competition, efficiency, productivity, and performance orientation. Financial management in such a context focuses on profitability, liquidity, return on investment, and the maximization of value for owners. This type of culture supports the use of controlling systems, budgeting practices, and financial performance metrics¹². Each of the organizational culture types presented above shapes the way an organization operates, makes decisions, and manages its resources. Organizational culture influences not only relationships among employees but also the structure of goals, leadership style, and the manner in which strategy is implemented. It determines whether the organization focuses on stability and control, innovation, collaboration, or market competition. As a result, it constitutes a significant factor determining organizational effectiveness, adaptive capacity, and the long-term orientation of a firm's activities¹³.

1. The origins and development of the Value-Based Management (VBM) concept

The concept of Value-Based Management (VBM) is one of the key approaches in contemporary strategic and financial management. Its fundamental premise is the subordination of organizational decision-making processes to the overarching objective of increasing the value of the enterprise. VBM integrates elements of financial management, strategy, and organizational culture, highlighting that an organization's effectiveness depends on the alignment of its actions with the logic of value creation.

It should be noted that the notion of value can be defined in various ways depending on the context in which it is examined. The concept of value is employed across multiple academic disciplines, and over time, new interpretations of this term have been developed. In philosophy, value is a central concept in ethics and axiology, where it refers to what is considered good, just, or morally right. In this context, philosophers investigate what confers moral worth on things, actions, or decisions. According to Kant, moral value resides in the intentions underlying actions, whereas from a utilitarian perspective, value is measured by the benefits such actions generate for the greatest number of people¹⁴. In psychology, value often refers to personal beliefs and motivations that shape individual behaviour. In Shalom Schwartz's theory of values, values are universal concepts that guide our choices and preferences in everyday life, such as security, achievement, or

¹¹ Koźmiński A.K., Piotrkowski W., op. cit., s. 371–372.

¹² Cameron K.S., Quinn R.E., op. cit. s. 49.

¹³ Kraśnicka T., Głód W., & Wronka-Pośpiech M., *Management innovation, pro-innovation organisational culture and enterprise performance: Testing the mediation effect*, „Review of Managerial Science” 2018, 12, pp. 737–769.

¹⁴ Singer P., *Practical ethics*, Cambridge University Press, Cambridge 2011.

freedom¹⁵. In cultural anthropology, value may be interpreted as a set of norms and symbols that hold significance for a given culture or society. Anthropologists examine how different cultures create and define values – for example, the value of hospitality in some cultural contexts, or the value placed on work and productivity in industrial societies¹⁶. Another discipline that employs the concept of value is ecology – here, value refers to the worth of nature and ecosystems, both in a material sense (e.g., ecosystem services) and in an immaterial one (such as aesthetic, spiritual, or recreational values). In the legal domain, value often pertains to issues related to ownership, entitlement to benefits, and legal responsibility. For example, in civil law, the market value of property or assets constitutes an important criterion in court proceedings concerning compensation or the division of assets¹⁷. In this context, value may also be understood in relation to intellectual property rights, where the valuation of patents, trademarks, and other intangible assets plays a significant role¹⁸. In sociology, value refers to the system of norms, beliefs, and principles that shape the behaviours and attitudes of individuals and social groups. Social values – such as honesty, loyalty, or solidarity – are fundamental to the functioning of societies and determine what is regarded as desirable or worthy. In this perspective, value has an intangible dimension, yet it is deeply embedded in culture and influences the functioning of social institutions.

In economic theory, a number of approaches to the concept of value have been developed, such as the theory of subjective value, the theory of exchange value, and the theory of added value. Value is typically analysed through the lens of the exchange of goods and services in the marketplace. Market value is one of the core concepts and refers to the price that buyers are willing to pay for a given good or service¹⁹. There is also use value, which refers to the subjective assessment of the benefits an individual obtains from using a given good²⁰. Moreover, book value in accounting reflects the value of a company's assets as recorded in its accounting books²¹, which may differ from market value depending on economic conditions and other external factors. These varied definitions of value indicate that it is a multidimensional concept that depends on the perspective and context in which it is considered. Value can be examined on many levels, ranging from intangible notions to concrete, measurable aspects.

¹⁵ Schwartz S.H., *An overview of the Schwartz theory of basic values*, „Online readings in Psychology and Culture” 2012, 2(1), p. 11.

¹⁶ Geertz C., *The Interpretation of Cultures: Selected Essays*, Basic Books, New York 1973.

¹⁷ Ehrhardt M.C., *Financial management: theory and practice*, USA 2011.

¹⁸ Stewart B., *Best-practice EVA: the definitive guide to measuring and maximizing shareholder value*, John Wiley & Sons 2013.

¹⁹ Koller T., Goedhart M. & Wessels D., *Valuation: Measuring and Managing the Value of Companies*, 6th edn, Wiley, Hoboken 2020.

²⁰ Damodaran A.M., *Investment valuation: Tools and techniques for determining the value of any asset*, John Wiley & Sons 2012.

²¹ Penman S.H., & Penman S.H., *Financial statement analysis and security valuation*, McGraw-Hill/Irwin, New York 2010.

Value is one of the key concepts in economics and has been the subject of extensive discussion and interpretation across different schools of economic thought. Depending on the adopted theory, value may be defined in various ways – as an individual's subjective assessment, the exchange value of a good on the market, or the value added through labor and capital.

The concept of value in management has evolved from a simple economic notion toward a broader understanding that includes ethical, social, and cultural dimensions – thus, in management, multiple interpretations of value are considered. While traditional approaches tended to associate value primarily with profit or profitability, more recent perspectives take into account the long-term development of the organization, relationships with stakeholders, and responsibility toward the broader environment. Consequently, the concept of value-based management has undergone an evolution – from a narrowly understood shareholder-oriented goal to an approach that integrates diverse perspectives on value creation.

The introduction of the VBM concept into management practice is associated with a paradigm shift in which managerial decisions ceased to rely solely on accounting indicators. Increasing emphasis began to be placed on generating cash flows, the efficient use of capital, and linking strategy with value creation for owners and stakeholders. In this way, value-based management became a tool for aligning an organization's financial and strategic goals, as well as a factor shaping its organizational culture.

These perspectives show that the concept of value is universal and multidimensional –spanning ethical, social, and economic dimensions. From the standpoint of management sciences, however, the organizational dimension becomes particularly important, as value becomes the foundation for making strategic decisions and assessing the effectiveness of a company's operations. Therefore, in the context of value-based management, it becomes crucial to define what „enterprise value“ is and how it may be understood by different groups of stakeholders.

The value of an enterprise is a multidimensional concept that can be defined from the perspective of various stakeholder groups²². Shareholders focus primarily on financial aspects such as net profit, profitability, and the growth of the organization's market value. For employees, the value of the enterprise is associated with working conditions, remuneration, opportunities for professional development, and employment stability²³. Customers define value through the quality and functionality of products or services, the price–quality ratio, as well

²² Freeman R.E., *Strategic management: A stakeholder approach*, Cambridge University Press, Cambridge 2010.

²³ Robbins S.P., & Judge, A.T.A., *Organizational Behavior*, 18th Editi, New York City 2019; Noe R.A., Hollenbeck J.R., Gerhart B. and Wright P.M., *Fundamentals of Human Resource Management*, 8th edn, McGraw-Hill Education, New York 2019.

as the organization's trustworthiness and ethical conduct²⁴. Local communities, in turn, perceive value through the lens of the company's involvement in the socio-economic development of the region and its environmental responsibility²⁵. Managing value from a multi-stakeholder perspective therefore requires balancing diverse stakeholder expectations and integrating their interests into the organization's strategy. Contemporary concepts such as Value-Based Management indicate that sustainable growth in organizational value requires considering not only financial performance but also human capital, reputation, and relationships with the broader environment²⁶. In this context, organizational culture plays a key role, as it shapes the system of values, norms, and behaviours that determine how decisions are made and goals are achieved. It is organizational culture that determines the extent to which the organization is oriented toward profit, innovation, human capital development, or social responsibility²⁷. Thus, organizational culture constitutes the foundation of effective value management, enabling the creation of sustainable value for both owners and other stakeholders.

Just as in the life cycle of a technology, product, or service, analogous stages can be observed in relation to management theories and concepts. Some persist for longer, while others become obsolete more quickly—usually as a result of changes in the economic environment and the growing complexity of market participants' behavior. Within this landscape, the concept of Value-Based Management (VBM) has, for four decades, served as an important reference point for management practice and the capital market, structuring decisions around creating value for owners.

However, a key question arises: is VBM reaching the end of its usefulness, or is it instead evolving and diffusing into new organizational contexts? The thesis of this article is as follows: the development and effective application of VBM were possible primarily in organizations whose culture was oriented toward the financial dimension of performance (market–results logic), whereas transferring VBM to institutions rooted in other values may generate distortions and lead to misguided decisions.

The concept of „enterprise value management“ has evolved over the past decades, taking various forms and approaches. The most pivotal moment in its

²⁴ Schmitt B., *Experiential marketing*, „Journal of marketing management“ 1999, 15(1–3), pp. 53–67.

²⁵ Porter M.E., & Kramer M.R., *The link between competitive advantage and corporate social responsibility*, „Harvard business review“ 2006, 84(12), pp. 78–92; Carroll A.B., *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*, „Business Horizons“, Indiana University Press, Indianapolis 1991.

²⁶ Eccles R.G., Ioannou I., & Serafeim G., *The impact of corporate sustainability on organizational processes and performance*, „Management science“ 2014, 60(11), pp. 2835–2857.

²⁷ Schaufeli W.B., *Applying the Job Demands-Resources model: A 'how to' guide to measuring and tackling work engagement and burnout*, „Organizational dynamics“ 2017, 46(2), pp. 120–132.

development was the introduction of the term “Value-Based Management” into the economic landscape by Alfred Rappaport in the 1980s, sometimes translated as „management through value” or „value-based management.” In his 1986 publication *Creating Shareholder Value: The New Standard for Business Performance*²⁸, Rappaport defined value-based management as an approach focused on maximizing shareholder value through the efficient use of resources and by making business decisions that increase the value of the enterprise. This publication became a key reference for both practitioners and scholars of management for many years. In his analysis, Rappaport placed particular emphasis on the significance and measurement of enterprise value. Moreover, he dethroned accounting profit in favor of cash flow, establishing the foundation for the valuation and analysis of companies using financial indicators such as the market value of equity and return on investment.

As VBM theory developed, new tools and indicators emerged that enabled more detailed analysis and monitoring of enterprise value. In this context, financial metrics such as the Cost of Equity (CoE), the Weighted Average Cost of Capital (WACC), Return on Equity (ROE), and Return on Investment (ROI) were used.

Today, Value-Based Management is no longer perceived solely as a tool for measuring value for shareholders but also as a strategic approach to enterprise management which – after years of evolution – began to incorporate the interests of other stakeholders, such as employees, customers, local communities, and the natural environment. As a result, over time VBM expanded to include other aspects of corporate activity, such as sustainable development and corporate social responsibility. Table 1 presents twenty selected key factors influencing the evolution of the concept of enterprise value management.

²⁸ Rappaport A., *Creating Shareholder Value: The New Standard for Business Performance*, Free Press, NY 1986.

Table 1. Factors that have influenced the evolution of the concept of enterprise value management

No	Factor Name	Description	Publications
1.	Financial crisis of the 1970s	The oil shock and the 1973–74 stock market crash highlighted the need for managing enterprises to increase value rather than focusing only on sales or profits.	- Rappaport A., <i>Creating Shareholder Value: The New Standard for Business Performance</i>, Free Press, NY 1986. - Rappaport A., <i>Creating shareholder value: a guide for managers and investors</i>, Simon and Schuster, 1999. - Rappaport A. <i>Linking competitive strategy and shareholder value analysis</i>, „Journal of Business Strategy” 1978, 7(4), pp. 58–67.
2.	Development of market efficiency theory	Advances in understanding market efficiency and asset valuation influenced how firms assess cost of capital and company value.	- Fama E.F., <i>Efficient capital markets</i>, „Journal of finance” 1970, 25(2), pp. 383–417. - Fama E.F., <i>Session Topic: Stock Market Price Behavior Session Chairman: Burton G. Malkiel Efficient Capital Markets</i>, „A Review Of Theory And Empirical Work. The journal of Finance” 1970, 25(2), pp. 383–417. - Fama E.F., & French K.R., <i>International tests of a five-factor asset pricing model</i>, „Journal of financial Economics” 2017, 123(3), pp. 441–463.
3.	Portfolio theory development	Portfolio theory provided insight into optimal capital allocation aligned with value-based management principles.	- Markowitz H.M., <i>Foundations of portfolio theory</i>, „The journal of finance” 1991, 46(2), pp. 469–477. - Markowitz H., <i>The utility of wealth</i>, „Journal of political Economy” 1952, 60(2), pp. 151–158. - Markowitz H.M., <i>Portfolio theory: as I still see it</i>, „Annu. Rev. Financ. Econ.” 2010, 2(1), pp. 1–23.
4.	Deregulation of economic sectors	Deregulation in IT, airlines, and trucking increased competition, pressuring firms to better manage and create shareholder value.	- Stewart G.B., <i>The quest for value: a guide for senior managers</i>, Harper Business 1991. - Winston C., <i>Economic deregulation: Days of reckoning for microeconomists</i>, „Journal of economic literature” 1993, 31(3), pp. 1263–1289.

			- Winston C., <i>US industry adjustment to economic deregulation</i>, „Journal of Economic Perspectives” 1998, 12(3), pp. 89–110.
5.	Growing interest of investors and stakeholders in firm value	Rising awareness of CSR influenced investor decisions and corporate strategies toward long-term value creation.	- Carroll A.B., <i>Corporate social responsibility: Evolution of a definitional construct</i>, „Business & society” 1999, 38(3), pp. 268–295. - Lindgreen A., & Swaen V., <i>Corporate social responsibility</i>, „International journal of management reviews” 2010, 12(1), pp. 1–7. - Matten D., & Moon J., <i>Corporate social responsibility</i>, „Journal of business Ethics” 2004, 54, pp. 323–337.
6.	Evolution of strategic management theory	Advances in strategic management integrated value-based principles into corporate strategy formulation and implementation.	- Porter M.E., & Strategy C., <i>Techniques for analyzing industries and competitors. Competitive Strategy</i>, Free, New York 1980. - Porter M.E., <i>Competitive strategy</i>, „Measuring business excellence” 1997, 1(2), 12–17. - Porter M.E., <i>Towards a dynamic theory of strategy</i>, „Strategic management journal” 1991, 12(S2), pp. 95–117. - Porter M.E., <i>Technology and competitive advantage</i>, „Journal of business strategy” 1985, 5(3), pp. 60–78.
7.	Development of the globalization era	Globalization increased competition and shareholder oversight, making value creation more critical.	- Koller T., Goedhart M. & Wessels D., <i>Valuation: Measuring and Managing the Value of Companies</i>, 6th edn, Wiley, Hoboken, NJ 2020. - Copeland T.E., & Galai D., <i>Information effects on the bid-ask spread</i>, „The Journal of Finance” 1983, 38(5), pp. 1457–1469. - Copeland T.E., Weston J.F., & Shastri K., <i>Financial theory and corporate policy</i> Boston, Pearson Addison Wesley, 2005.
8.	Expansion of financial markets	Growth of financial markets and investment banking influenced corporate strategies toward value maximization.	- Cooley T.F., & Quadrini V., <i>Financial markets and firm dynamics</i>, „American economic review” 2001, 91(5), pp. 1286–1310. - Pagano M., <i>Financial markets and growth: An overview</i>, „European

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9.	Increasing importance of capital markets	Growing role of capital markets and shareholder accountability led to stronger focus on value creation.	- Stewart G.B., <i>The quest for value: The EVA™ management guide</i>, Harper-Business 1991. - Hubbard R.G., <i>Capital-market imperfections and investment</i>, 1997. - Fama E.F., <i>Efficient capital markets</i>, „Journal of finance" 1970, 25(2), pp. 383–417. - Obstfeld M., <i>The global capital market: benefactor or menace?</i> „Journal of economic perspectives" 1998, 12(4), pp. 9–30.
10.	Changes in corporate governance structures	Changes in governance systems and board roles shaped the adoption of value-based management practices.	- Tricker R.I., <i>Corporate governance: Principles, policies, and practices</i>, Oxford University Press, USA 2015. - Mallin C.A., <i>Corporate governance</i>, Oxford university press 2016. - Shleifer A., & Vishny R.W., <i>A survey of corporate governance</i>, „The journal of finance" 1997, 52(2), pp. 737–783. - Monks R.A., & Minow N., <i>Corporate governance</i>, John Wiley & Sons 2011.
11.	Digitalization and new technology development	Technological progress enabled improved measurement and financial analysis, supporting VBM adoption.	- Kaplan R.S., & Norton D.P., <i>The balanced scorecard: measures that drive performance</i> 1992. - Kaplan R.S., & Norton D.P., <i>Alignment: Using the balanced scorecard to create corporate synergies</i>, Harvard Business Press, 2006. - Kaplan R.S., & Norton D.P., <i>Using the balanced scorecard as a strategic management system</i> 1996.
12.	Dot-com crisis of 2000	Sector crises such as the internet bubble burst prompted reassessment of strategies and renewed focus on value creation.	- Shiller R.J., <i>Speculative asset prices</i>, „American Economic Review" 2014, 104(6), pp. 1486–1517. - Shiller R.J., <i>Speculative prices and popular models</i>, „Journal of Economic perspectives" 1990, 4(2), pp. 55–65.

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13.	2008 Subprime financial crisis	The 2008 crisis highlighted the need for long-term value and exposed moral hazard in incentive systems.	- Saunders A., & Allen L., <i>Credit risk management in and out of the financial crisis: new approaches to value at risk and other paradigms</i>, John Wiley & Sons 2010. - Shiller R.J., <i>The subprime solution: how today's global financial crisis happened, and what to do about it</i>, In <i>The Subprime Solution</i>, Princeton University Press, 2012. - Mishkin F.S., <i>Over the cliff: From the subprime to the global financial crisis</i>, „Journal of Economic Perspectives” 2011, 25(1), pp. 49–70.
14.	Development of corporate risk management theory	Incorporating risk management into governance frameworks influenced enterprise value management practices.	- Knechel W.R., & Salterio S., <i>Auditing: Assurance and risk</i>, Routledge 2016. - Aebi V., Sabato G., & Schmid M., <i>Risk management, corporate governance, and bank performance in the financial crisis</i>, „Journal of Banking & Finance” 2012, 36(12), pp. 3213–3226.
15.	Changes in market regulations	Market regulation changes, such as the Sarbanes–Oxley Act, shaped governance and value management adoption.	- Coates IV, J.C., <i>The goals and promise of the Sarbanes–Oxley Act</i>, „Journal of economic perspectives” 2007, 21(1), pp. 91–116. - Tricker R.I., <i>Corporate governance: Principles, policies, and practices</i>, Oxford University Press, USA 2015.
16.	Changes in market regulations	Market regulation changes, such as the Sarbanes–Oxley Act, shaped governance and value management adoption.	- Damodaran A., <i>Corporate finance</i>, Wiley, Hoboken 1996. - Damodaran A.M., <i>Investment valuation: Tools and techniques for determining the value of any asset</i>, John Wiley & Sons 2012. - Damodaran A., <i>Equity risk premiums (ERP): Determinants, estimation and implications—The 2013 edition. Managing and measuring risk: Emerging global standards and regulations after the financial crisis</i> 2013, pp. 343–455.

17.	Development of capital market theory	Growing understanding of capital markets and investor behavior strengthened value-based management foundations.	- Brealey R.A., Myers S.C., & Allen, F., <i>Principles of corporate finance</i>, McGraw-hill 2014. - Graham J.R., & Harvey C.R., <i>The theory and practice of corporate finance: Evidence from the field</i>, „Journal of financial economics” 2001, 60(2-3), 187–243. - Graham J.R., & Harvey C.R., <i>The theory and practice of corporate finance: Evidence from the field</i>, „Journal of financial economics” 2001, 60(2–3), pp. 187–243. - Jensen M.C., <i>Capital markets: Theory and evidence</i>, „The Bell Journal of Economics and Management Science” 1972, pp. 357–398. - Fama E.F., <i>Efficient capital markets</i>, „Journal of finance” 1970, 25(2), pp. 383–417.
18.	Introduction of new accounting standards	IFRS and other standards reshaped how companies measure and report value.	- Horton J., & Serafeim G., <i>Market reaction to and valuation of IFRS reconciliation adjustments: first evidence from the UK</i>, „Review of accounting studies” 2010, 15, pp. 725–751. - Clarkson P., Hanna J.D., Richardson G.D., & Thompson R., <i>The impact of IFRS adoption on the value relevance of book value and earnings</i>, „Journal of Contemporary Accounting & Economics” 2011, 7(1), pp. 1–17.
19.	Growing social interest in corporate value	Rising social awareness of CSR and sustainability influenced long-term corporate value strategies.	- Carroll A.B., <i>Corporate social responsibility: Evolution of a definitional construct</i>, „Business & society” 1999, 38(3), pp. 268–295. - Lindgreen A., & Swaen V., <i>Corporate social responsibility</i>, „International journal of management reviews” 2010, 12(1), 1–7. - Du S., Bhattacharya C.B., & Sen S., <i>Maximizing business returns to corporate social responsibility (CSR): The role of CSR communication</i>, „International journal of management reviews” 2010, 12(1), pp. 8–19.
20.	Changes in tax and regulatory policy	Tax and regulatory developments shaped decision-making	- Slemrod J., <i>Optimal taxation and optimal tax systems</i>, „Journal of economic Perspectives” 1990, 4(1), pp. 157–178.

		processes and value-management practices.	- Slemrod J., <i>Cheating ourselves: The economics of tax evasion</i>, „Journal of Economic perspectives” 2007, 21(1), pp. 25-48. - Slemrod J., & Bakija J., <i>Taxing ourselves: a citizen's guide to the debate over taxes</i>, MIT Press 2017.
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Source: own elaboration based on the referenced sources.

In summary, the concept of value-based management has evolved over the years, taking into account, among other things: the exploration of VBM in various sectors²⁹, the role of technology³⁰, globalization³¹, long-term corporate development strategies³², short-term profit orientation³³, the “Beyond Budgeting”³⁴ movement, corporate restructuring³⁵, the role of economic psychology³⁶, the development of VBM in the public sector³⁷, the inclusion of psychological and social aspects³⁸, corporate social responsibility (CSR)³⁹, and, more recently,

²⁹ Damodaran A.M, op. cit.

³⁰ Kaplan R.S., *Conceptual foundations of the balanced scorecard*, “Handbooks of management accounting research” 2009, 3, pp. 1253–1269.

³¹ Shapiro A.C., & Hanouna P., *Multinational financial management*, John Wiley & Sons, 2019.

³² Rugman A.M. (Ed.), *The Oxford handbook of international business*, OUP, Oxford 2009.

³³ Demyanyk Y., & Van Hemert O., *Understanding the subprime mortgage crisis*, “The review of financial studies” 2011, 24(6), pp.1848–1880.

³⁴ Hope J., & Fraser R., *Beyond budgeting: how managers can break free from the annual performance trap*, Harvard Business Press, Brighton 2003.

³⁵ Gilson S.C., *Creating value through corporate restructuring: Case studies in bankruptcies, buyouts, and breakups* (Vol. 95), John Wiley & Sons 2001.

³⁶ Thaler R.H., & Sunstein C.R., *Nudge: Improving decisions about health, wealth, and happiness*, Penguin, NY 2009; Kahneman D., & Egan P., *Thinking, fast and slow*, Farrar. Straus and Giroux, New York 2011.

³⁷ OECD, *Modernising government: The way forward*, 2005.

³⁸ Shleifer A., & Vishny R.W., *A survey of corporate governance*, “The journal of finance” 1997, 52(2), pp. 737–783; Hopper T., & Powell A., *Making sense of research into the organizational and social aspects of management accounting: a review of its underlying assumptions*, “Journal of management Studies” 1985, 22(5), pp. 429–465; Hillman A.J., & Keim G.D., *Shareholder value, stakeholder management, and social issues: what's the bottom line?*, “Strategic management journal” 2001, 22(2), pp. 125–139.

³⁹ Du S., Bhattacharya C.B., & Sen S., *Maximizing business returns to corporate social responsibility (CSR): The role of CSR communication*, “International journal of management reviews” 2010, 12(1), pp. 8–19; Jamali D., & Mirshak R., *Corporate social responsibility (CSR): Theory and practice in a developing country context*, “Journal of business ethic” 2007, 72, pp. 243–262; Yoon Y., Gürhan-Canli Z., & Schwarz N., *The effect of corporate social responsibility (CSR) activities on companies with bad reputations*, “Journal of consumer psychology” 2006, 16(4), pp. 377–390.

sustainable development factors (ESG – Environmental, Social, and Corporate Governance)⁴⁰.

However, the original idea of maximizing value for shareholders and stakeholders remains a fundamental objective for many companies and continues to underpin value-based approaches to enterprise management. Value-Based Management (VBM) assumes the primacy of financially measured value creation (DCF, WACC, ROI) and demonstrates its effectiveness most fully in organizations with a market- and performance-oriented culture, where the logic of competition, efficiency, and managerial accountability dominates. In practice, adopting VBM outside this cultural profile – for example, in clan cultures (focused on people development) or hierarchical cultures (where conformity and stability prevail) – often leads to blurred or conflicting goals, arbitrary “financialization” of decisions, and misallocation of resources.

It appears that the effectiveness of VBM depends on cultural alignment. Value-Based Management presumes the primacy of financial value creation (DCF, WACC, ROI) and proves most effective in organizations with a market-results culture, characterized by competition, efficiency, and managerial accountability⁴¹. In practice, implementing VBM in organizations that do not share this cultural orientation – such as clan-type organizations emphasizing human development or hierarchical ones prioritizing stability and compliance – often results in goal misalignment, arbitrary financialization of decisions, and ineffective resource allocation.

Market-oriented organizational cultures more easily integrate non-financial metrics into the decision-making process, treating them as elements that balance financial objectives. It may therefore be stated that the development and effective use of the value-based management concept have been possible primarily in organizations whose culture supports financial discipline and performance orientation. Transferring this concept to institutions based on other values – such as solidarity, stability, or public mission – may distort its assumptions and weaken the effectiveness of managerial decisions.

Understanding cultural conditions thus becomes a key requirement for the proper implementation of VBM tools and the correct interpretation of their outcomes.

The concept of value-based management (VBM) has undergone significant evolution – from a classical shareholder-focused approach to contemporary models that encompass stakeholders and sustainable development aspects. These changes stem both from pressures within the economic environment and from the growing importance of non-financial factors in assessing corporate

⁴⁰ Friede G., Busch T., & Bassen A., *ESG and financial performance: aggregated evidence from more than 2000 empirical studies*, “Journal of sustainable finance & investment” 2015, 5(4), pp. 210–233.

⁴¹ Rapaport A. op. cit.

performance. VBM remains a dynamically developing concept whose effectiveness depends on its alignment with the cultural context and the organization's underlying values.

2. Organizational culture and the concept of Value-Based Management

Organizational culture is a key factor in understanding and practically implementing the concept of value-based management (VBM). It determines how the very notion of "value" is understood, what priorities managers adopt, and how relationships between financial and social objectives are perceived. The way value is defined directly influences how VBM is implemented, as it determines which performance criteria will be considered crucial in decision-making processes.

Value may be conceptualized in financial, strategic, social, or ethical terms, which leads to different approaches to measuring and assessing organizational effectiveness. For this reason, VBM can be seen as a broad and flexible concept capable of adapting to diverse organizational contexts, yet it requires a clear definition of what "value" means in a given environment and a clear indication of how this value should be measured. A lack of precise definition creates the risk of diluted objectives and a loss of coherence between the organization's strategy and its management tools.

Culture functions as a kind of decision-making filter through which theoretical assumptions and analytical tools pass, shaping their meaning in accordance with the dominant norms and beliefs within the organization. In this sense, VBM is not a neutral tool – its effectiveness depends on the degree of alignment between the economic logic on which it is based and the values embedded in a given organizational culture. In organizations oriented toward performance, efficiency, and accountability, VBM tools find natural application; however, in structures built on community, stability, or public mission, they may be perceived as conflicting with organizational identity.

Culture also influences how financial results are interpreted, how effectiveness is understood, and which motivational mechanisms are deemed appropriate. Thus, it acts as a moderator that shapes not only the effectiveness of VBM implementation but also the way in which this concept is transformed into managerial practice.

The relationship between the type of organizational culture and the effectiveness of value-based management is best illustrated by referring to the Competing Values Framework by Cameron and Quinn. Each of the four culture types – market, adhocracy, hierarchy, and clan – defines value, power relations, and decision-making processes differently. The comparison below shows the extent to which particular cultural profiles facilitate or hinder the practical implementation of VBM assumptions.

Table 2. Links between organizational culture types and elements of Value-Based Management (VBM)

Organizational Culture Type	Dominant Values and Behaviors	Corresponding VBM Elements	Potential Limitations
Market culture	Performance, competition, efficiency, managerial accountability	Financial metrics (DCF, WACC, ROI), controlling systems, market value analysis	May lead to short-termism and performance pressure
Adhocracy culture	Innovation, risk-taking, flexibility, vision	Dynamic capital allocation, evaluation of high-risk projects, innovation valuation (EVA, MVA)	Difficulty in precise valuation, risk of instability
Clan culture	Community, loyalty, people development, involvement	Long-term value creation through human capital development, labor cost analysis, employee satisfaction metrics	Diffuse responsibility, weaker financial focus
Hierarchy culture	Stability, procedures, control, compliance	Budgeting, cost control, internal audit, process efficiency monitoring	Excessive bureaucracy, limited flexibility and innovation

Source: own elaboration based on Cameron, K.S., *Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework*, 2011.

The presented comparison indicates that the effectiveness of implementing the value-based management (VBM) concept is largely dependent on the dominant type of organizational culture. A market culture – focused on competition, efficiency, and measurable results – constitutes the most natural environment for VBM practices, as its underlying logic aligns with the financial dimension of performance and managerial accountability. In an adhocracy culture, the concept finds partial application: flexibility and innovation orientation support value creation, yet difficulties in precisely measuring outcomes may lead to instability and the risk of incorrect valuation.

In clan cultures, built on social bonds and the development of human capital, VBM encounters limitations resulting from diffused responsibility and a weaker emphasis on financial goals. Conversely, hierarchical cultures, although supportive of budget discipline and cost control, may constrain the innovation necessary for long-term value growth.

Thus, it may be concluded that aligning organizational culture with VBM assumptions is a necessary condition for its effective implementation. In organizations where dominant values conflict with economic logic and performance

orientation, implementing value-based tools may lead to distorted decision-making, bureaucratization, or excessive financialization of processes. Understanding the role of organizational culture therefore enables not only more appropriate design of value measurement systems but also the identification of potential risk areas in the implementation of VBM.

Organizational culture is a critical factor shaping the effectiveness of value-based management in any institution. In organizations dominated by economic values, performance orientation, and accountability, VBM can operate according to its original logic, developed during the formulation of the concept, leading to enhanced financial performance and greater clarity in decision-making processes. However, in public, educational, medical, or non-profit institutions – where the notion of “value” is social or qualitative – uncritical transfer of VBM tools may result in distortions and flawed managerial decisions. This may manifest in the oversimplification of performance measures, marginalization of the organizational mission, and, ultimately, misallocation of scarce resources.

When attempting to apply VBM in such organizations, it becomes necessary to redefine the notion of “value” so that it includes ethical, educational, and social dimensions consistent with the institution’s mission. This implies expanding classical VBM toward a sustainable value management perspective that integrates both financial and non-financial indicators (e.g., ESG, employee well-being, quality of public services).

A key condition for successfully implementing VBM is conducting an organizational culture diagnosis before introducing value-based systems, ensuring that measurement tools and strategic goals align with the norms and beliefs of employees. This also requires adjusting motivational systems to the cultural context of the organization so that they promote not only the achievement of financial objectives but also social and developmental goals.

In managerial practice, this means developing comprehensive VBM models that balance economic aspects with social, educational, and ethical values. Only such an approach allows organizations to avoid the risks of excessive financialization while ensuring coherence between their mission and the adopted methods of measuring and evaluating performance.

Conclusion

The conducted analysis clearly confirms that the effectiveness of the Value-Based Management (VBM) concept is strongly conditioned by organizational culture and depends on the degree of alignment between the economic assumptions of this concept and the dominant value system within the organization that intends to implement it. The key cultural features supporting VBM include a strong orientation toward financial results, acceptance of precise performance measurement, trust in market mechanisms as the primary decision regulator, and readiness to make decisions in short cycles that enable rapid responses to changes in

the environment. All these elements are characteristic of a market-oriented culture, which makes it the most natural environment for implementing VBM.

In adhocracy cultures, VBM implementation is possible, but requires greater methodological flexibility due to high levels of innovation and difficulties in clearly measuring outcomes. In clan and hierarchical cultures, significant barriers emerge – respectively: diffused responsibility and excessive bureaucratization – which may hinder the effective introduction of the financial logic characteristic of VBM. Under such conditions, a strong emphasis on financial instruments may lead to distorted decision-making, marginalization of the organizational mission, and misallocation of resources.

Therefore, VBM is not a universal solution and should not be implemented in any organization without first diagnosing its culture and properly defining the basic concepts related to value. In public, educational, medical, or non-profit institutions, the notion of “value” has a social or qualitative character, which requires the development of entirely different indicators – combining financial and non-financial dimensions such as service quality, educational mission, social impact, and stakeholder well-being. It is thus necessary to first identify what type of value an organization actually manages, and only then determine appropriate methods for its measurement and control.

Consequently, it is essential to extend the VBM approach toward a perspective of sustainable value management that integrates traditional financial indicators with ESG elements and stakeholder management systems. Implementation of VBM should be preceded by an in-depth diagnosis of organizational culture, analysis of its coherence with economic logic, and – if necessary – a gradual adaptation of cultural processes to ensure consistency between the tools used and the mission of the institution intending to implement VBM. In practice, this means balancing financial objectives with social responsibility, operational stability, and long-term development.

In conclusion, organizational culture constitutes both a prerequisite and a limitation for the application of VBM. Only deliberate adaptation of the concept to the specific characteristics of a given organization allows culture to be treated not as a barrier, but as a resource supporting sustainable and responsible value creation – economic, social, and organizational. It is also important to note that the use of isolated VBM tools in organizations that do not implement the concept as a whole may be problematic, as it can lead to decision-making inconsistencies and misinterpretation of results.

Based on the conducted analysis, the research hypothesis can be confirmed. The results indicate that the effectiveness of the VBM concept is strongly dependent on the compatibility of its assumptions with the organizational culture. The highest level of compatibility occurs in organizations with a market-oriented culture, while significant implementation limitations are observed in clan-based and

hierarchical cultures, confirming that VBM is not universal and requires adaptation to the cultural context.

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