



Evaluating espoused values: Does articulating values pay off?



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ABSTRACT

Many corporations these days publish and talk about their values, believing these values, and their culture more generally, to be critical to their success. This study illuminates the phenomenon of values articulation and examines the link between these espoused values and financial performance. By examining the values posted by Fortune 100 companies on their websites, we analyse the performance implications associated with the espousal of (certain) values, the number of values and their stability or change over time. Drawing on this analysis and previous studies on values, espoused values, and underpinning theoretical frameworks, we test hypothesis related to the number of espoused values, differentiation and stability over time. We provide interpretations about why it matters not just what companies do but also what they say.

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1. Introduction

Many cultures contain maxims to the effect that actions speak louder than words, such as “talk doesn’t cook rice” (Chinese proverb) and “deeds are fruits, words are only leaves” (Greek proverb). This perhaps fuels the cynicism and suspicion about the values that companies espouse with their written value statements. Terms like “window dressing”, “greenwashing”, and “PC” (political correctness) easily spring to mind because the link between articulated values and corporate behaviour may be tenuous. Enron’s explicit values were: respect, integrity, and excellence. Wal-Mart proclaims on its website that it is known for its “unique” corporate culture. Sam Walton states: “we built our business on values and morals”. Yet the values articulated by Walton back in 1962 – “Respect for the individual”, “Service to our customers”, and “Striving for excellence” are, word for word, identical to the IBM values articulated by Tom Watson Jr in 1962. The interesting point may not be that the official value statements of business organizations are sometimes generic and derivative. Institutional theory can explain that (Powell & DiMaggio, 1991). Companies articulate their values for legitimacy reasons. From 1982 when *In Search of Excellence* (Peters &

Waterman, 1982) was published – raising the profile of corporate culture and values to the level of global management fad – it became a hygiene factor that companies articulate and thus advertise their values.

Despite the cynicism, articulating values has become commonplace in corporations and scholars have embraced their potential (e.g., Gehman, Trevino, & Garud, 2013; Kanter, 2008; Shapiro & Naughton, 2015). For example, take the claim made by management at Hilti Corporation – which won the Carl Bertelsmann Prize for excellence in corporate culture – that it lives its stated values. Hilti’s management sees values as the only differentiating factor for a global enterprise in a marketplace where many things are equal between competitors (Ward & Lief, 2005). In fact, nearly every company in the Fortune 100 articulate their values. In their work on organizational authenticity, Cording et al. (2014) provide ample interpretations about why it matters not just what companies do but also what they say. In this investigation, we focus on the ‘saying’, namely the articulation of organizational values as an increasingly important dimension of corporate reality and stakeholder management. Espousing values may be linked with advantages such as reputation, legitimacy and identification. In more popular terms, one could argue that espoused values are the calling card to recruit talent and to show good citizenship. Therefore, this has become more relevant over time as the constructs of values mark the business literature, and stakeholders see this as important to organizations and their profitability (Joyner & Payne, 2002). Hence, we aim to discover if

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espousing corporate values bring financial performance advantages.

A prominent reason for culture studies may lie in the presumed relationship between organizational culture and performance (Dolan, Garcia, & Richley, 2006; Kotter & Heskett, 1992; Naor, Goldstein, Linderman, & Schroeder, 2008; O'Reilly & Chatman, 1996), due to (aspired) differentiation in conduct leading to increased quality and effectiveness. Hence, academicians (and practitioners) spend serious time thinking about values in organizations (Aadland, 2010; Agle & Caldwell, 1999). Hechter (1993) summarized the impediments of values studies as: values being unobservable; inadequate theories for understanding how values shape behaviours; difficulties in measuring values. The latter point is echoed by Giacalone, Jurkiewicz, and Knouse (2012), because of values shifting over time.

1.1. A primer on values

Values can help us cope with persisting areas of relevant uncertainty (Emery & Trist, 1963). They generally influence attitudes and behaviour and can be defined as *beliefs* upon which one acts by preference (Allport, 1961). This corresponds to thinking of values as *guiding principles* for how we prioritize and live our lives, or an enduring preference for a mode of conduct (Rokeach, 1973) and what people *ought* to strive for (Dewey, 1939). In more recent literature, values have been described as an internal moral compass (Hitlin & Piliavin, 2004). However, values have not only been a focus of attention at the individual level, they have also been linked to the study of groups and are embedded in the very definition of *culture* (Geertz, 1973; Kluckhohn & Strodtbeck, 1961), which in turn can be viewed as a *social control* mechanism in organizations (O'Reilly & Chatman, 1996). Influential scholars (e.g. Hofstede, 2001) have used values almost synonymously with culture, and much cross-cultural research has relied on values as a central paradigm to explain differences (e.g., Gelfand, Nishii, & Raver, 2006). Since the 1970s and 1980s there has been considerable focus on organizational values, which can be defined as "...socially shared cognitive representations of institutional goals and demands" (Rokeach, 1979, p. 50). Values provide decision rules and guidance for interpreting a complex environment (Rokeach, 1973). Communication is an important part of managing this (cf. O'Reilly & Chatman, 1996).

Values are essential to the functioning of both individuals and organizations (Rokeach, 1979; Suddaby, Elsbach, Greenwood, Meyer, & Zilber, 2010) and a necessary condition for organizational survival (Christensen & Gordon, 1999). Organizational values range from shared to imposed, and from those exhibited by top management (Bansal, 2003) to those that are truly collective and aligned across subcultures (Bezrukova, Thatcher, Jehn, & Spell, 2011; see also review and typologies developed by Bourne & Jenkins, 2009). Bourne and Jenkins (2013) make the case that there are four different forms of organizational values, labelled: espoused; attributed; shared and inspirational. These forms are proposed to reveal a dynamic nature of organizational values, and posited in a matrix of collective versus individual levels of values, and embedded versus intended orientations of values. The organizational values are, according to these authors, in constant adjustment as organizations are adapted by, and adapt to, their changing environments, reflecting their changing membership, cultural settings and institutional fields. This happens, in particular, when the gaps and misalignments between the levels and orientations are exposed and too wide. However, in times of stability and good performance the different forms of values overlap.

It is often claimed that organizational values hold the key to success and high performance in today's multinationals (e.g.,

Denison, 1990; Kotter & Heskett, 1992). Naor et al. (2008) concluded that organizational culture has a significant direct effect on performance, based on data from 189 manufacturing plants across different industries in six countries around the globe. Recently, Ruiz Jimenez, Vallejo Martos, & Martinez Jimenes (2015) examined the specific value of organizational harmony. Their results indicated that family firms have higher levels of harmony than non-family firms, which has a positive and significant influence on the performance of family firms. These findings are perhaps no surprise since the companies that have survived for hundreds of years all seem to have a strong sense of values (Coutu, 2002; De Geuss, 1997).

In the 1980s, in particular, numerous studies and books gained popularity (e.g., Deal & Kennedy, 1982; Ouchi, 1981; Peters & Waterman, 1982) claiming that companies in which people live a set of shared and relevant values perform better. The list of value labels included: "try lots of stuff and keep what works"; "stick to the knitting"; "confront the brutal facts"; "a belief in being the best"; "respect for the individual"; "a bias for action"; and "work hard, play hard". The focus on values has been continued in practitioner-oriented literature since then (e.g., Blanchard, O'Connor, & Ballard, 1997; Collins & Porras, 1994; Collins, 2001; George, 2004; George, Sims, & Gergen, 2007).

After the corporate 'values-rush' in the 1980s, many scholars conditioned the sustainable values–performance link with the values being both strong *and* adaptable (Denison, 1990; Gordon & Ditomasi, 1992; Kotter & Heskett, 1992). Some of the more cautious and conditionally oriented research did not propose single values that would be applicable to everyone (unlike much practitioner-oriented literature), but tried instead to infer value patterns or characteristics (such as adaptability), which would then lead to better performance at various levels. This happened either by measuring the influence of organizational values directly on firm performance, or on intermediary or moderating variables (e.g., Dobni, Ritchie, & Zerbe, 2000; Lee & Mowday, 1987; Meehan, Barwise, Vandenbosch, & Smit, 2007; Turban & Greening, 1997).

1.2. Articulating corporate values

The term "espoused" is frequently used to describe the values a person or an organization expresses or publishes in some manner. Argyris and Schön (1978), for example, use "espoused theories" to describe what people say that they will do in certain situations, which may or may not be congruent with what they do. Schein (1985) later used the term "espoused values" for one of the three levels in his culture model. The first level concerns artefacts; the second level concerns publicly espoused values; and the third level contains underlying assumptions that are rarely articulated. Thus, espoused values can, in theory, convey the "real" (or lived) values of an organization as well as those that are merely desired (Lencioni, 2002; Wilson, 1998). If the articulated values are in line with the underlying assumptions in the third level of the cultural model, they can help bring a group or an organization together, and values can "work" in the interest of the organization (see also Cording et al., 2014). Importantly, Argyris (1985) argues that values that are not openly articulated, or acknowledged, lead to defensive routines that inhibit learning and produce non-rational responses. Thus, displaying values using official company documents such as the corporate website is a solid cue for current and future staff and managers of the organization regarding "what is important around here", and electronic storefronts such as websites are considered a solid vehicle of transmitting impressions and influencing visitors and stakeholder (Winter, Saunders, & Heart, 2003).

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