

## THE IMPORTANCE OF ORGANIZATIONAL VALUES FOR ORGANIZATION

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### **Abstract:**

In this article authors aim to examine if there is any influence between how organizational values are noted within organization and some performance factors of this same organization. Authors assume that there is a statistically significant correlation between the way how organizational values are noted and performance factors especially in factors that are related to absentizem, loyalty of employees and employees' perception of company image. Authors' interest in this topic is based on a wider research they have helped conduct in this field. The research itself is based on a survey made between 303 companies in Slovenia, and with the help of analysis of variance they will try to confirm their presumptions. Results are expected to show that there are statistically significant differences regarding performance factors between those companies that have explicitly noted organizational values and those who have implicitly noted organizational values as well as the ones that do not have organizational values noted at all.

*Keywords: indicate organizational values, organization, explicit or implicit notes of values, performance.*

## INTRODUCTION

In the world of fast changing economy flexibility of organizations is growing ever more important. Within this context organizations have started to realize even on a greater scale how important is to have the right people on the right places. Not even the best equipment is a guarantee for success if organizations do not have the right people to do the job. Every human has its own values that combined with other peoples values create organizational values and the propose of this article is to investigate how organizational values influence the performance of organizations. Through this article we will focus on the question if the way organizational values are noted within organization influences the performance of these same organizations. Musek Lešnik (2006) says in this context that organizations can be successful when organizational goals are aligned with organizational values and those are aligned with personal values of people who are this same organization.

### 1. ORGANIZATIONAL VALUES

Although that organizational values seem too many people somewhat of a “soft” concept within the field of human resources management Musek Lešnik (2008, p.72) says that it is much more tangible concept than it seems. Kenny (1994) proposed that just like every human community has its own value system, every organization has its own value system. In this context Mesner Andolšek (1995) has established a relationship between individuals’ values and organizational values, where she said that values of organization have grown from values of individuals that have shaped the organizational culture, and since organizational values are one of fundamentals of organizational culture this makes organizational values grow from individual values. Somewhat similar is also the view of Pfeiffer and others (1985) where they see the creation of organizational values as a process of following the philosophy of the company that is embedded in organizational culture. Simmerly (1987, p.15) also agrees that organizational values evolve from organizational culture, in his view organizational values evolve from modes of conduct, communication styles and decision making styles within organization. Svetlik (2004, p. 323) says that organizational values are values that are being pushed forward by the management and have proven itself as a good foundation for development of organization. Same author also says that organizational values are intended to inspire employees with creative energy that will push organization forward towards desired goals. Cingula (1992, pp. 499–500) has also discussed organizational values, he sees organizational values as: “what people within organization think is good for organization, what needs to happen within organization and what might be needed within organization in the future”. Same author also says that due to mentioned above organizational values reflect the mission and strategic goals of the organization.

#### 1.1. Discussing organizational values within organization

When defining organizational values within organization Simmerly (1987, p.15) argued that organizational values need to be agreed in a broader circle within organization. Musek Lešnik (2006a) also discussed the advantages of broader consensus on organizational values; he said that organization needs to consider values of individuals that are the members of organization first in order to later find an agreement on common values of organization which consist of these individuals. Seeveres (2000) stresses the importance of good communication when defining organizational values by saying that organizational values directly influence the way how people perform their tasks; thus making poor efforts at discussing organizational values can result in decreasing performance of employees and company. Musek Lešnik (2006b) also

argued that the process of discussing organizational values within organization can lead up to conflict, especially between employees and owners; this conflict is almost certainly the result of improper procedures when defining organizational values. According to the same author most common errors in these procedures are: poor timing of discussion, inadequate vision, poor cooperation between management and lower levels of employees, one way communication, lack of transparent demonstration how organizational values should work in practice and lack of recognition of success or punishment of failure.

## **2. IMPORTANCE OF ORGANIZATIONAL VALUES FOR ORGANIZATION**

The importance of organizational values for organizations is shown even strongly now in the time of economic uncertainty then even before. Organizations use organizational values to inspire their employees as well as their costumers. Organizational values are often discussed to be a powerful marketing tool, since clear organizational values are positively noted and they encourage potential buyers to buy or use company's product. It has been established by several authors that organizational values influence organizational structure (Walsh et al. 1981, Kabanoff et al. 1995), organizational culture (Pettigrew, 1979), organizational identity (Ashforth & Mael, 1989), organizational strategy (Bansal, 2003) thus shaping organizational goals and means to achieve those goals.

The importance of organizational values is even more stressed by Musek Lešnik (2006) when he says that organization is just like a human; it makes decisions, does what it thinks its right, has legal limitations on what it can do, has moral limitations, cerates and implements its own rules and beliefs, it advances on the basis of its decisions, creates myths, legends and habits and so on. We can say that organizational values are integrated into personality of a company thus playing a similar role as values do in lives of individuals; directing behavioral patterns, influencing relationships within the organization and influencing how company perceives its costumers, suppliers and competition.

When discussing the importance of organizational values for organization it is also important to present how these organizational values influence employee performance. Several authors have discussed this phenomenon; Berkhout and Rowlands (2007) have made a research on personal and organizational values among employees of organizations that specialize in alternative energy sources (solar electricity, wind electricity, smaller hydro-electrical plants, ect.), they have determined, that those organizations that focus their selection procedure on matching personal values with organizational values tend to be significantly more successful in their work because of the fact that employees have a higher level of job satisfaction. Some later studies in the similar conducted by Kaye and Jordan-Evans (2009) have even determined that some individuals even perceive the importance of a good match between organizational and personal values to be more important then the income they get. This clearly shows that people have started to value more how they feel in the organization then how much they get paid for the work they do.

## **3. MEASURING ORGANIZATIONAL PERFORMANCE**

Measuring organizational performance has taken a new turn in the last couple of decades. Many still believe that only the numbers count, but Bakovnik (2002) argues that the serious problem of this traditional view is in the fact that it only measures past events. In practice organizational performance is still very often thought as profits shown in accounting figures,

neglecting the fact that these profits do not show current status, maybe not even the profit from core business which is essential for a long term success and development of the organization. Accounting figures can also mislead sometimes, since they can be adapted into focusing in short term profitability on the basis of saving in areas that are not suppose to be saved upon on a long term. We need to stress that in order to understand the financial situation of the organization we need to understand management's long term plans for organization, adding to what we said above (Firer, 1999) says that in order to understand performance of the organization we need to understand how all the mechanisms that can add on value within organization.

Škerlavay et. al. (2007) stressed that alongside with profit margins and other financial data when considering organizational performance we also must consider also employees, partners and costumers. This is based on findings of Cyert and March (2000) which have presented their organization behavioral theory where they have stated that organization is truly a complex mixture of individuals and groups such as management, employees, owners, ect. but looking only at profits will be like only looking after the interests of one particular participle – owners and that is according to Škerlavay et. al. (2007) just not acceptable.

#### **4. METHODOLOGY**

Based on theoretical findings that we have made through studying various books and articles on the topic of organizational values and organizational performance we have started to think about the research question, and we have decided that we would like to see if there is any correlation between how organizational values are stated within organization influences how organization performs in several categories.

Data used in this article is a part of a much wider survey that included 303 companies within Slovenia. Companies were randomly selected, and we have sent them a link where they could access the questioner online. There are two parts that we were interested in; the first part is the one asking how organizational values are stated within organization; giving options on answer explicit, implicit and not recorded, and the second part, which asked several questions regarding how the organization would evaluate their organizational performance. Regarding the organizational performance we have taken in consideration the following parameters for which we think together can give us a solid overall view on the organizational performance: return on assets, added value, relationships with suppliers, absence form work, fluctuation of employees, number of costumers, organizational reputation, employee affiliation, employee productivity, costs per employee and effectiveness in client proceedings; organizations were asked to evaluate where their company stands regarding to their own sector average, with a 5 stage scale. We have transformed these parameters of organizational performance into a new variable and named it organizational performance – combined.

#### **5. RESULTS ANALYSIS**

We have later on tested our variables for reliability analysis with Cronbach's Alpha test, that shown the value of , 814 on the set of variables that we have researched on. This value is showing, according to Ferligoj and others (1995) that the responses collected are reliable.

The next step was to analyze with the help of cross tabulation the strength of correlation between independent variable *how are organizational values stated in your organization* and

dependent variable *organizational performance – combined*. Results are shown in Table 1 and Table 2.

**Table 1:** Crosstabs analysis

Organizational performance - combined		How are organizational values stated in your organization			
		1,00 explicit	2,00 implicit	3,00 not recorded	Total
2,00 little below the average in our sector	N	0	1	1	2
	% within Organizational performance	,0%	50,0%	50,0%	100,0%
	% within How are organizational values stated in your organization	,0%	1,4%	1,8%	1,0%
3,00 within sector average	N	13	11	17	41
	% within Organizational performance	31,7%	26,8%	41,5%	100,0%
	% within How are organizational values stated in your organization	19,7%	15,3%	29,8%	21,0%
4,00 little above the average in our sector	N	43	55	35	133
	% within Organizational performance	32,3%	41,4%	26,3%	100,0%
	% within How are organizational values stated in your organization	65,2%	76,4%	61,4%	68,2%
5,00 significantly above the average in our sector	N	10	5	4	19
	% within Organizational performance	52,6%	26,3%	21,1%	100,0%
	% within How are organizational values stated in your organization	15,2%	6,9%	7,0%	9,7%
Total	N	66	72	57	195
	% within Organizational performance	33,8%	36,9%	29,2%	100,0%
	% within How are organizational values stated in your organization	100,0%	100,0%	100,0%	100,0%

**Table 2:** Symmetric Measures

		Value	Asymp. Std. Error(a)	Approx. T(b)	Approx. Sig.
Interval by Interval	Pearson's R	-,148	,073	-2,085	,038(c)
Ordinal by Ordinal	Spearman Correlation	-,142	,074	-1,993	,048(c)
N of Valid Cases		195			

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

c Based on normal approximation.

From data shown in Table 1 we can see that where we have 33,8 % of the organizations that have their organizational values explicitly noted, there is 36,9 % of those organizations where organizational values are implicitly shown within the organization and 29,2 % of those organizations where organizational values are not noted at all.

Regarding organizational performance we can see that there is 52,6 % of those organizations that have organizational values explicitly noted within the organization and are above the average of the sector regarding their performance, there is 41,4 % of those organizations that have organizational values implicitly shown within organizations and are regarding the performance slightly above the sector average, there is also 41,5 % of those organizations that

do not have organizational values noted within the organization and are regarding the performance within sector average. Among all organizations there are 65,2 % of those that have organizational values explicitly noted within the organization, 76,4 % of those that have organizational values implicitly shown within organization and 61,4 % of those organizations that do not have organizational values noted within organization and are slightly above average of the sector.

From Table 2 we can see that for the variables *How are organizational values stated within your organization* and *Organizational performance – combined* we have determined the coefficient of convergence of -0.148. From this data we can determine that this represents a rather weak statistical correlation. The level of statistical importance of correlation is 0,038, this tells us that coefficients are statistically important at level  $p=0,05$ , this means that variables are valid in 95 % confidence interval. Overall we can say that *How are organizational values stated within your organization* influences *Organizational performance – combined* with a 5 % risk interval.

## 6. CONCLUSIONS

Through the theoretical part of this article we have established what organizational values are, why they are important for organization and how do they work within organization. The main interest for our research was the correlation between how organizational values are stated within organization and to what extent do they influence organizational performance in several categories. Although we have only established a weak correlation there is no doubt that correlation exists. For the purpose of this research organizational performance was self evaluated by the companies that we have researched in, we believe that if we would use actual data regarding the performance the correlation would show as even more significant. For further research we would see the possibility of gaining even more representative results if we have used firm data regarding performance of the organization instead of self evaluation of those same organizations. None of the less, building on organizational values pays off; this has been confirmed through this research yet again.

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