

# **The Importance of Organisational Values**

## **Part 1: Is your organisation value congruent?**

**by**

**Peter Hyde and Bill Williamson**

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*This is the first in a series of articles exploring the power of organisational values and their potential influence - positive and negative - on an organisation's ability to sustain its performance over time. Each article will examine organisational values from a different but interrelated perspective building up a picture of part they play in an organisation's overall business strategy. That picture is underpinned by empirical evidence gathered through an important, year long piece of work to produce a business strategy for the Solicitor's Office of HM Customs & Excise.*

### **The emphasis on values**

In recent years, organisational values has become a prominent issue. Most large organisations have a statement of corporate values: a study by John Humble, David Jackson and Alan Thompson found that 80 % of the organisations surveyed had a written statement of organisational values.<sup>1</sup> Many of these organisations have programmes to promote these values among their employees, and some (mainly but not exclusively) financial organisations have taken the step of launching media advertising campaigns promoting not their products but their values. There is an emerging concept of the values driven business – for example, the Body Shop or Ben and Jerry's ice cream.<sup>2</sup> Another strand is that many organisations are thinking deeply about their standards of corporate behaviour and about the values that underpin the way they operate. In the minds of some therefore “values” equates with business ethics.

In this series of articles however we understand values in the more general sense of underlying dispositions which drive behaviour. The second article in this series will explore more fully what the concept means and how individual and corporate values are both similar and different. Where there is little disagreement is that organisational values matter. It is also

widely believed by academics; management gurus and many organisations that it is important and desirable for employees to share and commit to the organisation's values. Strangely however there is little empirical evidence to demonstrate that alignment of individual and organisational values is actually important to employees. In this article we present evidence that it is and that there is a direct correlation between value congruence and employee satisfaction.

**Solicitor's Office Values Survey**

<p style="text-align: center;"><b>HM Customs &amp; Excise Solicitor's Office</b></p> <ul style="list-style-type: none"><li>• <b>Executive Unit of HM Customs &amp; Excise</b></li><li>• <b>Located in offices in London and Manchester</b></li><li>• <b>Headed by the Solicitor who is a member of the Board of Customs &amp; Excise.</b></li><li>• <b>The main responsibilities are:</b><ul style="list-style-type: none"><li>- <b>the provision of legal advice to the Department;</b></li><li>- <b>directing the drafting of primary legislation;</b></li><li>- <b>the drafting of subordinate legislation;</b></li><li>- <b>the conduct of litigation on behalf of the Department in the civil and criminal courts and VAT and Duties Tribunals.</b></li></ul></li><li>• <b>on 31/03/00 employed 238 permanent staff (approx. half of whom are solicitors and barristers).</b></li></ul>
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The data which is reported here was collected as part of a survey of the values held by staff in the HM Customs & Excise Solicitor's Office. The survey was itself part of a larger project which culminated in the development of a vision, set of corporate values and a business strategy for the office. The values survey and the process as a whole are described in more detail in other articles in this series. One novel feature of the approach was the decision to inform the choice of corporate values with data from the survey into the values actually held by

members of staff. We thought this would be more likely to promote buy-in than the more common top down approach where senior management have an Awayday and then announce the new corporate values which are then cascaded through the organisation.

## **Evidence that shared values are important**

At a macro organisational level Kotter and Hesketh<sup>3</sup> have argued persuasively that high performing organisations are characterised by what they call an adaptive culture. This is one which embodies the following values:

*Most managers care deeply about customers, stockholders and employees. they also strongly value people and processes that can create useful change (e.g. leadership up and down the management hierarchy)*

A slightly different slant is provided by Collins and Porras<sup>4</sup> who argue that the secret of long term success is not any particular set of values but a core ideology, what they call a “cult like” culture. The core ideology is made up of its unchanging core purpose and its core values. The latter are:

*The organisation’s essential and enduring tenets – a small set of general guiding principles; not to be confused with specific cultural or operating practice; not to be compromised for financial gain or short term expediency.*

The link with value congruence is that fit with the culture is required: people who don’t fit leave or are ejected.

A further source is a recent study by consultants Blessing/White<sup>5</sup> who say “Our own research suggests that the stronger the bridge between organisational and individual values, the more direct with business performance .....Many of those we spoke to – including a number of CEOs – pointed to clear business benefits, even though they were unable to quantify the effects.”

This paper argues that the existence of shared values:

- Facilitates self selection among potential employees.
- Can offer competitive advantage in a tight recruitment market.
- Mobilises employee commitment.

- Offers a basis for the alignment of empowered staff members.
- Guides the organisation's response to crises.

At the individual level, the best known evidence is the article by Posner, Kouzes and Schmidt "Shared values make a difference"<sup>6</sup> which appeared in 1985. Using a correlational approach with a large sample of American managers they found that shared values or value congruence was associated with:

- Feelings of personal success.
- Organisational commitment.
- Self confidence and awareness in understanding personal and organisational values.
- Ethical behaviour (at least as reported).
- Feelings of stress (among those with low value congruence).
- The degree to which organisational goals were seen as important.
- The importance given to organisational stakeholders.

In another paper based on the same research, Posner and Schmidt<sup>7</sup> demonstrate a link between clarity of personal and organisational values and organisational commitment: the higher the level of clarity, the higher the level of commitment. People who were clearest about both sets of values had the highest level of commitment to the organisation.

## **Our findings**

The survey was carried out in early 1999. Questionnaires were sent to all staff in the Office with a covering letter from the Solicitor. 130 completed questionnaires were returned, an overall response rate of 51%. This is not as high as had been hoped. But it was at least a majority and is sufficient to have confidence in the findings. Comparisons with the whole Office show that the sample was quite representative although there was a slight over-representation of lawyers relative to support staff. In this article we report only on the section of the questionnaire which dealt with the importance of values and with value congruence. All percentages relate to those who answered the question.

## **Importance of organisational values**

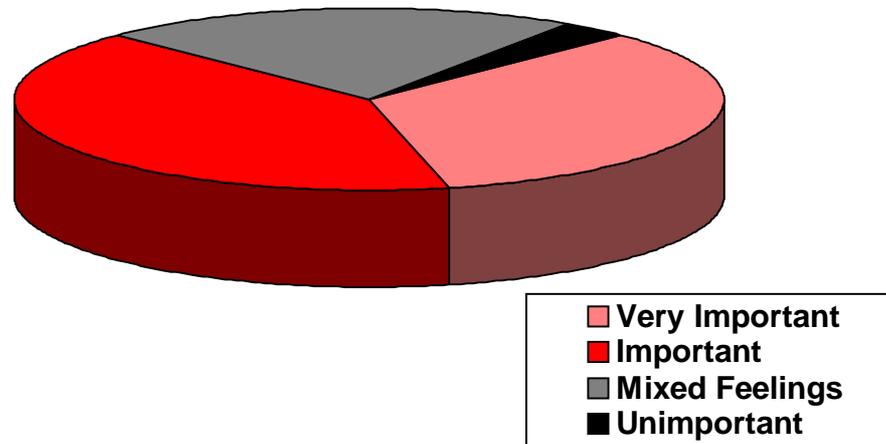
This section of the questionnaire started by asking if people thought it was important for the Office to have explicit values to guide its work. We were assuming that it was. But we thought it would be important to discover whether our enthusiasm was in fact shared by people in the Office.

**65% of those who answered thought that it was important or very important for the Office to have explicit values to guide its work**

**Only 15% thought it was unimportant.**

This provided encouraging support for the decision to develop a set of values for the Office.

The next question asked about how important it was to work for an organisation which operates in a way that it is in tune with people's personal values. This time, as the chart at Fig.1. shows, 75% thought it was important or very important and only 3% regarded it as unimportant. It seemed clear that this alignment of values – value congruence – was important to the great majority, although fewer are convinced it is necessary to explicitly spell out what the organisation's values should be.



*Fig. 1 Importance of working for an organisation in tune with your values*

## **Value congruence**

So, for employees in the Solicitor's Office having explicit organisational values mattered. Moreover, working for an organisation whose values were in tune with their own personal beliefs was considered to important by the vast majority of staff. The Solicitor's Management Group (SMG) were determined to use the survey to develop the Office's vision and wanted to gain 'warts and all' feedback from staff. Therefore the next part of the survey was designed to test perceptions about the extent to which the Office did in fact operate in a way which was congruent with the values of its staff. And, perhaps even more boldly, questioned the frequency at which people felt they had to compromise their personal values to do what the Office expected of them.

21% felt that the Office was wholly or substantially in tune with their values. At the other end of the spectrum 29% said partly or not at all. This left 50% of respondents whose view was moderately. A slightly higher degree of congruence was found in responses to the question of frequency of compromise in that 21% felt they never had to compromise their personal values, 62% felt they had to occasionally or sometimes, and only 17% felt they had to frequently or very frequently.

These percentages are interesting in themselves. But they became of more interest to SMG when cross-referred to the kinds of values which the study showed of prime importance to staff: Professionalism, Diligence, Integrity, Honesty, Balance, Impartiality, Achievement. The implication was that people felt the Office did operate in a way that was in tune with these values - but only moderately and at times they had to compromise these to get the job done. SMG recognised that the ways in which these values were being compromised needed to be identified and addressed as part of creating the vision and strategy for the future.

**Consequences of value congruence**

The survey used two indicators of overall satisfaction. These were interesting in their own right, but they also allowed an assessment of whether value congruence was associated with overall satisfaction. The survey asked for simple ratings of overall job satisfaction (“satisfaction with the work you do”) and of the level of satisfaction with Solicitor’s Office as a place to work on a scale from Very high to Very low.

The results are shown below at Fig. 2. The chart shows first of all that 45% had high or very satisfaction with their work, 41% had moderate satisfaction and 14% low or very satisfaction. Satisfaction with the Office as a place to work was generally lower: 31% high or very high, 47% moderate and 23% low or very low. This is a common pattern in attitude surveys of this type.

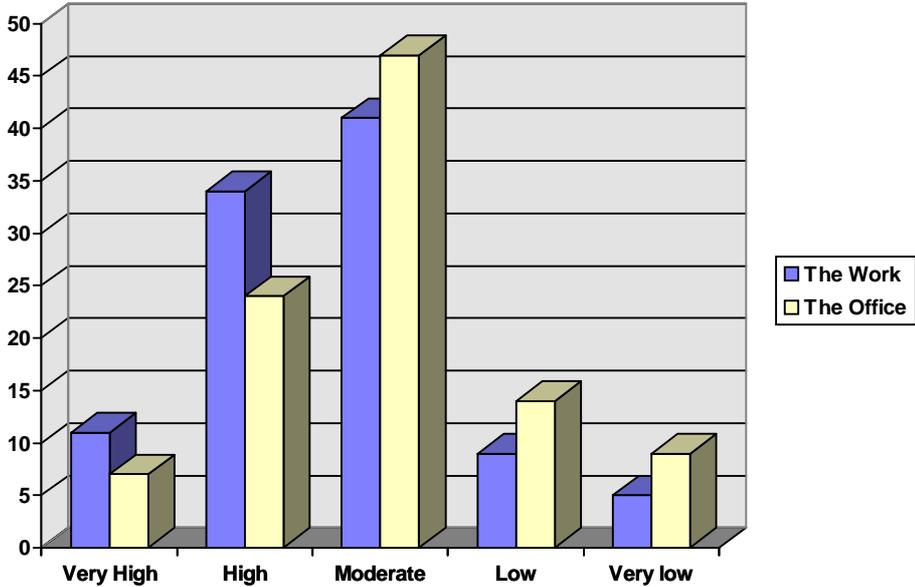


Fig. 2 Overall Job Satisfaction

The next step was to see if there was any connection between value congruence and satisfaction. It seemed to us that there was more likely to be an association with the Office as place to work, since value incongruence would seem to be most likely to manifest itself in the way in which people were treated. It seemed less likely that value conflicts would manifest themselves in terms of the work itself.

The chart at Fig. 3. relates the answers to the question on satisfaction with the Office as a place to work with those to the question on the extent to which people feel it operated in a way which was in tune with their personal values.

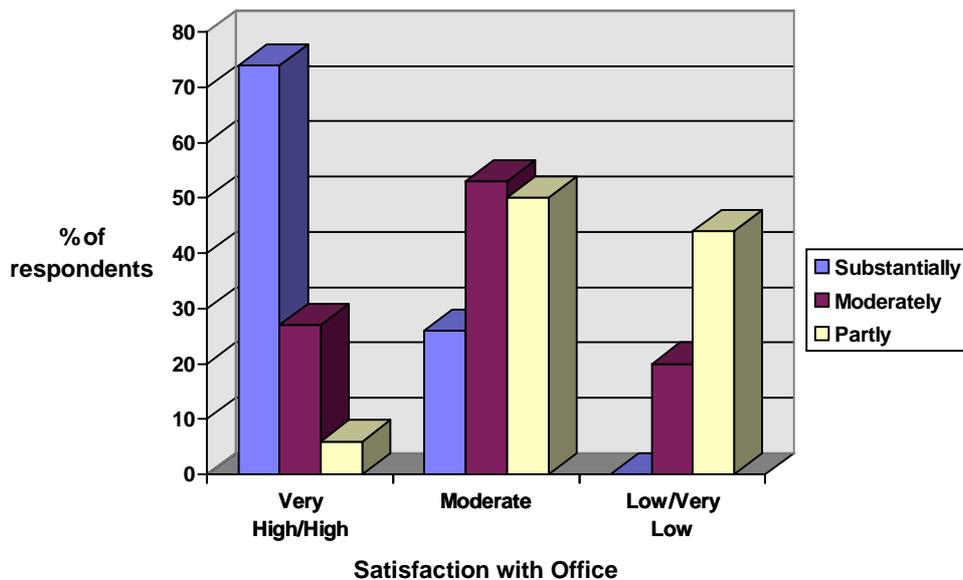


Fig. 3. Relationship between value congruence and satisfaction (i)

The chart presents a very clear picture: almost three quarters of those who felt the Office operates substantially in tune with their personal values have high satisfaction, compared to only 6% of those who feel it operates only partly in tune with their values. Similarly, 44% of the latter group have low satisfaction compared to **none** of those who feel the Office operates substantially in tune with their personal values. Finally, most of those who feel congruence is

moderate have moderate satisfaction. It seems therefore that value congruence is associated with high satisfaction and lack of value congruence with low satisfaction.

A similar picture is found if the question on frequency of compromising personal values is used instead, as the chart below (Fig. 4) shows. This reveals a stronger link between lack of congruence and dissatisfaction (62% of those who said they frequently have to compromise their values have low satisfaction), and a weaker one between congruence and satisfaction (40% of those who never or occasionally have to compromise their values have high satisfaction, but 49% have moderate satisfaction).

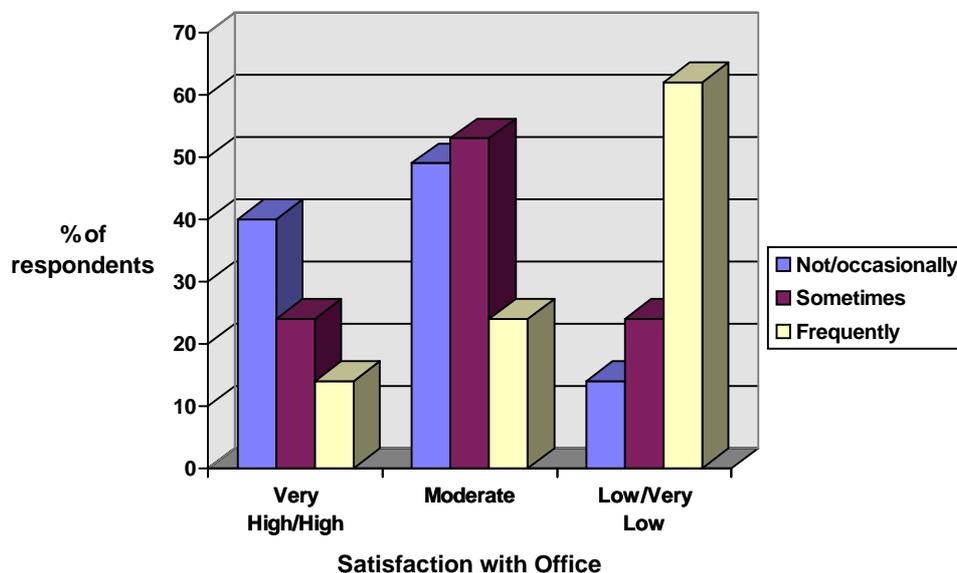


Fig. 4. Relationship between value congruence and satisfaction (ii)

Perhaps surprisingly, there is in fact also a corresponding link between value congruence and satisfaction with the work. Two thirds of those who say the office operates in tune with their personal values have high or very high satisfaction with the work and only 4% have low or very low satisfaction. However, of those who say the office operate only partly in accordance with their values, only 30% have high satisfaction and 32% have low satisfaction. The same pattern is found in relation to the frequency of having to compromise values.

## Conclusions

Our work in the Solicitor's has led us to two important conclusions. First, people want to feel that the organisation they work for is in tune with their values. Secondly, value congruence is associated with higher satisfaction with the organisation as a place to work and with the work itself. Lack of value congruence is associated with dissatisfaction. These linkages will be operating whether or not the organisation has an explicit values statement.

We believe this has profound implications for organisations. Schein<sup>8</sup> has defined the 'psychological contract' between employees and organisations in terms of mutual expectations - how much pay for how much reward; patterns of rights; privileges; obligations; incentives. What we appear to be seeing here is the psychological well-being of employees being influenced by the degree to which personal and organisational values are shared. Therefore, an assessment of value congruence, we believe, is a vital first step in ensuring the psychological bond between employer and employee is tightly drawn. But what if your assessment shows that your workforce is operating to a wholly different set of values; or is unwilling to embrace your organisation's values; or feels your organisation behaves differently from the values you espouse? Making clear to your employees what it is that runs to the core of your organisations DNA we would suggest is a vital early task. Explicit values may not be seen as all that important by employees. However, for organisations, they are a major way of ensuring that value congruence occurs by guiding and constraining behaviour, and recruitment and selection decisions. For now, the simple answer is that whether or not your organisation is value congruent - you need to know. How to find this out and what to do with the results are the subjects of the next two articles.

*Peter Hyde can be contacted on 0118 988 8736 or via email [peter@peterhyde.co.uk](mailto:peter@peterhyde.co.uk)*

*Bill Williamson can be contacted 020 7965 4804 or via email [william.williamson@virgin.net](mailto:william.williamson@virgin.net)*

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<sup>1</sup> John Humble, David Jackson and Alan Thompson, The strategic power of organisational values, *Long Range Planning*, 27 (6), 1994, pp 28-42.

<sup>2</sup> Ben Cohen and Jerry Greenfield, *Ben & Jerry's double dip: How to run a values-led business and make money too*, Simon & Schuster, 1997.

<sup>3</sup> John P Kotter & James L Hesketh, *Corporate culture and performance*, Free Press, 1992, p51.

<sup>4</sup> James C Collins & Jerry I Porras, *Built to last*, paperback edition, 1997.

<sup>5</sup> Des Dearlove and Stephen Coomber, *Heart and soul*, , Blessing/White, 1999, p8.

<sup>6</sup> Barry Z Posner, James M Kouzes and Warren H Schmidt, "Shared values make a difference", *Human Resource Management*, 24(3) 1985 pp293-309.

<sup>7</sup> Barry Z Posner and Warren H Schmidt, "Value congruence and differences between the interplay of personal and organisational value systems", *Journal of Business Ethics*, 12 1993, p174.

<sup>8</sup> Edgar H. Schein, *Organisational Psychology*, second edition, 1970.