Thesis for PhD Degree

The What, Why and How of Organizational Values

A study of the interpretation and implementation of organizational values within fast-growing Australian companies

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Abstract

This thesis reports an exploratory study of the formation of organizational values within early-stage, fast-growing Australian companies, based on exploration of the approach to and interpretation of organizational values adopted by the founders. Much of the literature on organizational values relates to established companies where founders or their descendents are no longer involved. However, the influence of founders in creating organizational culture, and in defining the values that underlie that culture has been widely acknowledged (Schein, 1983; Collins & Porras, 1994). Many companies do not identify organizational values, and many of those who do so fail to embed them convincingly (Lencioni, 2002), so it is pertinent to ask what motivates those who choose to adopt values-based leadership. So far as I am aware, no other study has been made of why founders or owners of companies might choose to develop organizational values, how they interpret what is meant by the term 'values' and how they choose to apply them within their companies.

Review of the stages of growth literature (e.g. Churchill & Lewis, 1983; Quinn & Cameron, 1983) suggested that it was at the point where a company reached the size or structure where direct supervision was no longer practical that the benefits of defining 'soft' control systems such as organizational values might become apparent. Growing companies were therefore selected as the sample frame for the study.

The research approach involved in-depth interviews with founders (in one case non-founder CEO) of 15 early-stage, fast-growing or growth-oriented Australian companies. Company documents reflecting values were collected where available (including web site material). A survey collected descriptive information relating to growth dimensions (turnover, employee numbers, geographic locations), and a measure of business maturity developed by Davidsson and Klofsten (2003). Finally, an employee satisfaction survey assessing the gap between the company and a perceived 'ideal' company was offered (and accepted by eight of the companies). The main unit of analysis was the founder, with the actual values identified for each company as embedded sub-units (Yin, 1989).

Analysis of interview transcripts and company documents identified both espoused and implicit values within companies. Thematic coding (Strauss & Corbin, 1990; Miles & Huberman, 1994) revealed two distinct triggers for defining organizational values: intrinsic awareness and external prompting. Expectations of benefits from adopting values fell broadly into three non-exclusive categories: strategic (guiding strategy and decision-making); enabling (aligning the workforce); and tactical (guiding day-to-day activities). There was no apparent relationship between the trigger for defining values and the expectation of benefits.

The process for selecting organizational values was ad hoc and the individual values selected for the companies studied varied in nature both within and between companies. Different values placed different obligations on members of the organization, but these differences did not appear to be recognised by the founders, or within the literature on organizational values, thus leaving a gap that limited both practitioners and researchers. A descriptive framework was developed to captures these qualitative differences in a systematic fashion: ethical (what is desirable); psychological (what provides personal fulfilment); and pragmatic (what makes the company successful). It was found that the same value in the same company could be expressed in all three ways, thus a scale was developed to represent the *degree* to which each value was ethically, psychologically or pragmatically oriented. Basic statistical analysis of the results derived suggested that there may be relationships between the orientation of values and the degree to which they represent shared organizational values or just the founder's personal value system, and also the degree to which they influence ethical reasoning and decision-making.

The development of this classification system (subject to successful replication), allows for a more systematic investigation of organizational values, in both emerging and established organizations.

Finally, interviews with founders suggested a relationship between their personal value systems, the degree to which they viewed the company as an extension of their own identity and their business growth aspirations. A tentative model of relationships was developed, drawing on the literatures of entrepreneurial intentions and entrepreneurial cognition.

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Declaration by Candidate

I, Susan Mary Rushworth of [redacted], hereby declare that this thesis contains no material which has been accepted for the award of any other degree or diploma, except where due reference is made in the text of this thesis. To the best of my knowledge, this thesis contains no material previously published or written by another person except where due reference is made in the text of the thesis. Previously published papers in which I was a joint author, have been clearly indicated in the citation and only the material for which I was personally and directly responsible has been included in this thesis.

Signed: ___________________________ Date: _________________

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Chapter 1: Introduction

Genesis of the research

In describing the process by which this thesis came about, I find myself reminded of a model of the opportunity recognition process presented by Lumpkin and Lichtenstein (2005). Their five-stage model consists of three 'discovery' stages and two 'formation' stages. Discovery is not an 'Aha!' moment where in a flash of insight, an innovative new venture opportunity is revealed—that is only the final stage of discovery phase, the 'insight' stage. It is preceded by a stage of 'preparation', which may be deliberate or unintended, and a stage of 'incubation' where the idea churns around, often below the threshold of consciousness. It is these two early stages that enable the moment of insight, the 'Aha!' to take place. I can identify these three stages in my recognition of the concept of 'core values' as a domain for doctoral research.

My 'preparation' stage consisted of three years of study in the Master of Entrepreneurship and Innovation at Swinburne University of Technology, and was, to use Lumpkin and Lichtenstein's (2005) terminology, unintended preparation. If I thought I was preparing myself for anything it was for a new career path, having reached a point of stagnation in my corporate career. I thought it unlikely I would become an entrepreneur, and certainly did not consider the possibility of going on to doctoral research. In fact, when I commenced my studies, I enrolled only for the Graduate Certificate level, expecting to exit after a year of study with a useful new insight on the business world.

In fact, I became fascinated by the entrepreneurial process and the entrepreneur, and completed the full Masters program. One of the things that intrigued me most was the ability of entrepreneurs and the organizations they founded to get things done quickly, with imperfect information, hostile competitors amid the chaotic environment that characterises rapid growth. The ability to retain focus, to distinguish between profitable opportunities and harmful distractions, and to build an organization that collectively had these abilities seemed, to me, quite remarkable. Introduced to the concept of organizational values in the final year of the Masters, I had a minor insight that this might be a key factor in providing focus—a clarity about what the organization does and does not do—that would assist rapid decision making and inform the ability to recognise opportunities and screen out distractions. This was formalised in a short assignment where I proposed that values, together with vision and opportunity recognition were the main contributions of the entrepreneur to setting company strategy, and suggested that, of the three, values might be the most important.

The 'incubation' stage followed this moment of insight and continued for a couple of years during which I worked at Swinburne on the Australian arm of an international entrepreneurship research project. At regular intervals, I would be asked, "when are you going to do your PhD?" This question always brought my mind back to the concept of values, which had caught my attention and continued to intrigue me. My research work was on factors that affected entrepreneurial activity at a national level, which led me to largely unrelated literatures, but the idea continued to percolate at the back of my mind.

The moment of insight came some two years after completing my Masters, and was the discovery of Built to Last: Successful Habits of Visionary Companies (Collins & Porras, 1994), which I felt confirmed the intuition I had had about the role of values in organizations. I knew this was the area I wanted to study if circumstances allowed me to pursue doctoral research. The opportunity discovery was complete. I was ready to move on to the formation stage.

A summary of the ideas presented in Built to Last will be presented later, but I will briefly explain here the concept that caught my interest. The research team studied 36 companies, all of which had been in existence for at least 40 years. 18 of them were outstandingly successful—

the 'visionary' companies of the title—and each of these was matched with a comparison company from the same industry and of similar age, also successful but to a lesser degree. A distinguishing feature of the visionary companies was the existence of a 'core ideology' consisting of a 'core purpose'—a reason for being in business that went beyond profit and any transient business opportunity—and a small number (three to six) of 'core values'—guiding principles according to which business was conducted. The values were not necessarily moral values, but, in practice, they often reflected moral stances.

As with all good research, this provided some satisfying conclusions, but also raised some interesting questions. Why did the visionary companies develop and retain their core ideologies, when their industry peers did not? What were the processes that led to the identification of the core ideology and allowed it to take hold in a company? The benefits observed by Collins and Porras with the benefit of hindsight, were not readily identifiable in advance. So what was it that attracted the visionary companies to this approach in the first place?

Collins and Porras showed that the core ideology was based on the personal values and motivations of the founders, (consistent with Schein, 1983), and was formed early in the life of the companies, certainly before they became large. They suggested (2002: 78) that founders should start thinking about their core ideology as early as possible.

This made me wonder whether the young companies of today—the potential 'visionary' companies of tomorrow—actually considered the concept of core ideology as an important plank in the foundation of their future success. I could not recall the concept of core ideology, or even values, playing a significant part in case studies I had read during my studies, or in the thinking of the entrepreneurs I had studied with. Furthermore, the very term 'values' had become somewhat debased by its token and sometimes cynical usage by established companies that simply did not live up to the values they espoused. Enron, who boasted 'integrity' as one of their core values, was a high profile example of this.

The challenge of navigating through the chaos of starting and growing a company remained as strong as ever. And since a succession of high profile corporate collapses, such as Enron, Worldcom and, closer to home, HIH and One.Tel, the dangers of losing touch with ethics and losing focus on the fundamentals of business success were clearer than ever.

Initial questions and research approach

Identifying a core ideology (to use Collins and Porras' terminology) as a foundation for organizational culture appeared to remain a sound principle. But were young Australian companies adopting such an approach? And if so, why and how? How did they interpret and apply 'values'. Were certain entrepreneurs or certain industries more likely to choose this strategy? The research began as an intent to explore the phenomenon of emergence of organizational values, expressed in terms of three main questions:

- Why did founders start to think in terms of values?
- What benefits did they expect from articulating values?
- How did they go about identifying, articulating and embedding values for their company?

My literature review, described in chapters 3, commenced with an exploration of the nature of values, which quickly led me to the work of Milton Rokeach, especially *The Nature of Human Values* (1973). His work is widely referenced and his definition of values underpins this study.

The literature review did not, however, reveal any clear path toward researching the phenomenon of emergence of organizational values. Instruments designed to describe a value system were designed for individuals rather than organizations (e.g. England, 1967; Rokeach, 1973; Kahle, 1986; Schwartz, 1987), involved a pre-defined list of values, were not consistent with each other and omitted values ('quality', for example) that often appeared in organizational value statements.

Values were associated with organizational culture, but the literature tended to focus on culture as an outcome, rather than on its emergence. When it did focus on emergence (e.g. Schein, 1983; 1985) values were acknowledged as only one of many components, and the process of emergence was seen as accidental based on shared assumptions, rather than a process of deliberate identification, articulation and nurturing of values.

Organizational life cycle literature suggested that organizational values were likely to emerge during the early growth stage, when the organization became too large for direct supervision by the founder. The issue of managing cultural fit between employees and the company had been identified as of very high importance to founders of fast-growing firms, yet was not sufficiently researched (Heneman et al., 2000).

Much attention was given to the importance of congruence between espoused values and the values implied by actions taken (e.g. Argyris & Schön, 1978), leading me to conclude that the study should examine implicit as well as espoused values. This introduced an additional dimension to the exploration:

- If values were not articulated, how did founders think about the subject of values? Could they identify their own values or the values of their organization? What values were implied by their words and actions?

The lack of a clear theoretical framework for investigating the phenomenon of emergence of organizational values suggested an exploratory approach, founded on collecting data that prior research had indicated was likely to be relevant, from companies at the early growth stage of their life cycle. The intention was to allow patterns to emerge from the data collected, as in grounded theory (Glaser & Strauss, 1967), with the objective that, emerging from this analysis would be either a model of the formation of organizational values or a clearer understanding of the theory questions that would have to be answered in order to develop such a model.

While the principle of exploration and emergence was a foundation of the research, it did not follow a pure grounded theory approach as outlined by Glaser and Strauss (1967). The philosophical stance, on which the research approach was based, was critical realism (Blundel, 2007), based on the following ontological stances:

1. That the perspective of the founder, based on their recollection, current perceptions and their account of their actions was significant and real;

2. That the way the founders expressed their beliefs and perceptions about values had an external reality that was significant to the perception of values in the organization they created.

The approach chosen involved critical analysis of the representations of organizational values as reported by the founders and as evidenced by company documents and other artefacts created by the company, consistent with a critical realist stance.

Data collected was based on the approach used by Collins and Porras to assess organizational values and culture for the study that was published in *Built to Last* (1994). The scope was identified as young, growth-oriented companies, and a case study approach (Yin, 1989) was chosen. Research methods included a semi-structured interview with the founder (or CEO, if not the founder), collection of relevant company documents, including web site materials, a questionnaire covering descriptive data aimed at capturing the dimensions of growth, and an (optional) survey of employees to gauge organizational harmony as a proxy for the construct described by Collins and Porras (1994) as 'tightness of fit'. A pilot study was conducted to test the methodological approach for practicality and utility. Case selection was based on companies being in the right stage of the organizational life cycle and willing to participate.

Chapter 4 explains in detail the methodological issues considered, the approach chosen to explore the phenomenon of emergence of organizational values and the pilot study.

Chapter 5 describes the analysis of data collected. Analysis focused mainly on textual data obtained from interviews with company founders and from company documents. Thematic coding was conducted using Nvivo qualitative analysis software, following an emergent approach, based first on the interview guide (Patton, 1990) and then organized around the specific questions identified earlier:

- Why did founders start to think in terms of values?
- What benefits did they expect from articulating values?
- How did they go about identifying, articulating and embedding values for their company?
- If values were not articulated, how did founders think about the subject of values? Could they identify their own values or the values of their organization? What values were implied by their words and actions.

A clear distinction emerged between what I have chosen to call the 'trigger'—that is, the circumstance that caused founders to think in terms of organizational values. One group of founders started the company with values in mind, while the other did not think in terms of values until prompted by external events (e.g. advisers, staff, education). These groups were distinct. For the former group, the values that founders identified prior to starting the company always concerned two themes: honesty and the appropriate way to treat people.

Benefits expected and perceived to be realised from organizational values were consistent with Schein's (1985) framework of 'internal integration' and 'external adaptation'. Methods of embedding values were consistent with organizational culture literature (e.g. Chatman & Cha, 2003). Implicit values were identifiable through expressions of what was considered desirable. An approach to assessing the degree to which individual values were embedded was developed, based on the frequency and manner in which they were expressed. This showed that within companies, some values were much more strongly embedded than others and implicit values could be as strong as explicitly espoused values. Although the number of cases was too small for statistical analysis, evidence supported a positive correlation between degree to which values were embedded and organizational harmony as measured by the employee satisfaction survey.

Evolution of the research questions

The first phase of the research therefore produced one potentially testable hypothesis concerning the triggers behind articulating organizational values and a potentially useful instrument for assessing their strength, but did not identify a model of emergence. However, it did lead to identification of a key issue in researching organizational values, which the literature did not seem to touch on, and that was the heterogenous nature of the values themselves. Rokeach (1973) identified different types of values, but this has not been much developed in the literature on organizational culture and values.

It was not the original intention of this research to explore the content of values chosen. Collins and Porras (1994) made it very clear that it was the strength of commitment to the values that was significant, not the actual values themselves. Nevertheless, it was noticeable that the values chosen by founders differed in their nature, and in the obligations they imposed on employees. For example failure to commit to 'honesty' might involve dismissal, whereas failure to commit to 'fun' was more likely to involve a request to 'lighten up a bit' or, at worst, voluntary departure of the employee. Furthermore, some concepts expressed by founders as 'values' were found to contain no enduring belief about what was desirable, and therefore did not meet the definition of values used in this study at all. But they were clearly part of the phenomenon being explored and therefore could not be simply ignored.

In order to explore the phenomenon of emergence of organizational values more systematically, a framework or system for describing the nature of individual values within an organization was needed. This led to new theory questions:

- What are the characteristics or dimensions of organizational values?
- What are the implications of these differing characteristics or dimensions?

No additional data collection was needed to investigate this, as a 'database' of values had already been compiled. Two frameworks describing two dimensions of values were developed:

- '*orientation*': ethical, psychological (based on Dees & Starr, 1992, and consistent with Rokeach, 1973) or pragmatic (not truly a value)
- '*internalisation*': expressed in a personal or organizational context.

The terminology—'orientation' and 'internalisation'—is my own. These frameworks were applied to each of the values observed at each of the companies studied, at the level of individual passages of text expressing values.

The frameworks proved usable, in that it was not difficult to establish which characteristic of a value was demonstrated by each individual passage of text. However, different passages of text expressing the same values in the same company exhibited different characteristics, showing that characteristics within a dimension were a matter of degree rather than simply present or absent. Thus a particular value could be expressed as ethical, psychological and pragmatic within the same company at different times.

Applying the two frameworks to individual passages enabled the construction of a numerical representation of the degree to which each characteristic was present in any given value, which enabled an easy visual representation of the characteristics of values within and across companies. This data was further scaled to reflect the intensity of each value relative to others within the same company (based on frequency of expression). Basic statistical analysis of these numerical 'scores' suggested certain patterns and implications that merit further exploration.

Chapter 6 describes this additional stage of analysis.

Chapter 7 summarises the findings, acknowledges limitations and explores the implications. Two main contributions to the research domain are proposed. First, a framework for describing organizational values that may help practitioners to develop effective organizational values and researchers to investigate further this complex but significant component of entrepreneurial organization development. Second, it is proposed that founder and organizational values should be factored into the emerging research field centred on entrepreneurial cognition, entrepreneurial intentions and organizational identity.

Appendices provide: copies of the data collection instruments used; brief analysis of data not actually used in the results; a summary of the 96 organizational values identified and analysed in Chapter 6; and a one-page summary of each of the 15 case study companies.

Chapter 2: Background to the study

Since my interest in the formation of organizational values was, as I have explained in the introduction, focused by reading *Built to last: successful habits of visionary companies* (Collins & Porras, 1994), it is useful to present a summary of this book as it forms the foundation for both the research question and for the data collection approach.

This is followed by a justification of the research question in three respects: 1) that it addresses a gap in the existing literature; 2) that this gap is of significant interest; and 3) that the research legitimately belongs in the domain of entrepreneurship.

Background: "Built to Last" and "Good to Great"

SUMMARY OF "BUILT TO LAST"

Built to Last: Successful Habits of Visionary Companies by James Collins and Jerry Porras was published in 1994. It was the result of a five-year, in-depth study of 18 'visionary' companies that had been highly successful over at least a 50-year period, and of 18 successful, but less outstandingly so, 'comparison' companies of similar age and industry background.

The 'visionary' companies were identified by nomination of their peers. Seven hundred CEOs—500 from Fortune 500 Industrial or Service companies, 200 from Inc. 500 private or Inc. 100 public companies, selected as a representative sample across industries—were invited to participate in the survey. They were asked to nominate up to five companies they regarded as 'visionary'. A total of 165 CEOs responded (23 per cent), each nominating on average 3.2 companies. The companies that received the most nominations, and also satisfied the criterion of having been founded before 1950, became the Visionary companies in the study. In order to avoid the trap of discovering characteristics that were also shared by less successful companies, for each 'visionary' company, a comparison company from the same industry, founded around the same time was identified. The comparison companies selected were not poorly performing companies—they were mostly selected from companies that were among the nominees as 'visionary', but not with sufficient frequency to make the 'A' list.

Through a structured comparison of the visionary and comparison companies on a broad range of characteristics, Collins and Porras found that a distinctive feature of visionary companies was the existence of a 'core ideology' consisting of a 'core purpose'—a reason for being in business that went beyond profit and any transient business opportunity—and a small number (three to six) of 'core values'—guiding principles according to which business was conducted. They offered the following definitions to business practitioners (Collins & Porras 2002:73):

> *"Core values: The organization's essential and enduring tenets–a small set of general guiding principles; not to be confused with specific cultural or operating practices; not to be compromised for financial gain or short-term expediency.*
>
> *"Core purpose: The organization's fundamental reasons for existence beyond just making money–a perpetual guiding star on the horizon; not to be confused with specific goals or business strategies."*

In identifying values as important to business excellence, Collins & Porras were echoing the findings of Peters and Waterman (1982) among others. However, what made their conclusions distinctive was that they placed less emphasis on the *content* of the values, and more emphasis on the degree to which they were embraced and enacted by the entire workforce.

The benefit that Collins and Porras perceived in articulating and actively embedding a core ideology was that it provided a point of continuity that maintained the company's coherence and clarity of identity while allowing enormous flexibility in the activities it pursued. The core ideology was unchanging, but anything that did not challenge the core was open to change and should, they argued, be actively encouraged to change.

Core ideology alone would not stimulate a company to innovate and remain competitive over a long period of time. It needed to be matched by deliberate strategies for stimulating progress. Two key strategies they identified were the use of long-term (10 to 30 year horizon), seriously stretching company goals, which they termed "Big, Hairy, Audacious Goals" or BHAGs, together with an ability to paint a vivid picture of what the future would look like when those goals were achieved. The envisioned future, consisting of a BHAG and a vivid description, provided the energy to build on the foundation supplied by the core ideology. Collins and Porras presented this using the widely recognised symbolism of yin and yang, with core ideology representing the inner groundedness and continuity of yin, and envisioned future representing the transformational energy of yang.

SUMMARY OF "GOOD TO GREAT"

In 1996, a CEO of a large company commented to James Collins that *Built to Last* was a fine achievement but 'useless' because the 'visionary' companies had always set out to be 'great' companies. Most companies, he said, were content to be just good. This led Collins, together with a new research team, to embark on another 5-year research project to determine whether it was possible for a simply 'good' company to make the transition to being 'great'. The result was *Good to Great: Why Some Companies Make the Leap and Others Don't* (Collins, 2001).

Eleven companies were identified that had followed 15 years of being merely 'good' (even mediocre) with at least 15 years of sustained, well above market performance. Companies that clearly benefited from a boom in their industry were excluded. For each 'good to great' company, a comparison company in the same industry and at a similar stage of development when the 'good to great' companies began their transition to greatness—Collins labelled this the inflection point. In addition, Collins and his team included as comparisons six companies that had achieved an impressive improvement in performance for a short time, but failed to sustain it for the required 15-year period.

The conclusions of the research were that there were five key factors involved in achieving a transition from good or mediocre performance to great performance. Most of these factors had to be put in place *before* the transition occurred—in other words greatness was not a sudden event resulting from a few brilliant strategic decisions by the company leaders, but a tipping point made possible by the laying down of the foundations for greatness over a period of years.

Briefly, the five foundation factors were:

1. Level 5 Leadership—characterised by humility combined with an iron will to succeed (in contrast to personal ego which was a prevalent characteristic of comparison company leaders).
2. First Who, Then What—get 'the right people on the bus', the wrong people off the bus and people in the right seats on the bus. *Then* decide where the bus is going.
3. Confront the Brutal Facts—combines the ability to face up to hard realities, while at the same time maintaining unwavering faith in the ability to achieve goals.
4. Hedgehog Concept (the hedgehog 'knows one important thing')—identify what your company is passionate about, what you can be best in the world at, and what drives your financial engine. Then stick to this 'one important thing'.
5. Culture of Discipline—a dedicated workforce that never settles for second best.

Technology was found not to be a factor in its own right, but an accelerator of the momentum created by the five foundation factors. If the foundations were well built and continually reinforced, then a 'flywheel' effect was observed—the company built up a positive momentum. Appropriate use of technology could accelerate the growth fuelled by that momentum. Conversely, if the foundations were not well built or were not maintained, then the flywheel effect could be negative—they called this the 'doom loop' and the initially promising results were transformed into an equally rapid down turn.

QUESTIONS ARISING

For the reader who started with *Built to Last*, was atracted by the concept of core ideology, and read *Good to Great* because it was written by the same author, it is striking that core ideology, or purpose/vision and values do not get much of a mention in *Good to Great*. Did Collins and his team find that they were not relevant? Well, as I will explain, both Yes and No.

The research for *Good to Great* was conducted by a different project team, apart from Collins himself, and a deliberate decision was made to conduct it without any reference to the findings published in *Built to Last*. Though not stated in such terms, the intention was to follow a grounded theory approach (Glaser & Strauss, 1967; Strauss & Corbin, 1990), letting the data collected by this second research project speak for itself, without being in any way interpreted in the light of the findings of the *Built to Last* research project.

Only *after* the research team had discussed and agreed the conclusions of the *Good to Great* research did they consider how it related to the findings of the *Built to Last* research project. The conclusion Collins puts forward is that *Good to Great* should be regarded as a *prequel* rather than a *sequel* to *Built to Last*. The logic of this conclusion is that *Good to Great* is about *becoming* 'great' and *Built to Last* is about *staying* that way.[1]

The conclusion is, however, somewhat problematic since it appears to suggest that companies can defer identifying and articulating their core ideology until they have achieved 'greatness'. And yet, without a core ideology, it would appear to be difficult to lay down some of the foundation factors required for becoming a 'great' company. In particular, how do you decide who are the 'right' people to allow on the bus (and the 'wrong' ones to put off at the next stop)? Strangely, Collins does not address this issue, which is certain to be encountered by anyone attempting to follow his prescription for transition to 'greatness'.

There is a clear, but unacknowledged overlap between the 'core ideology' concepts and the 'hedgehog concept'. The question 'what are you passionate about?' informs both. It is one of the three components of the 'hedgehog concept', and it is a pathway to identifying a company's core purpose (why do we exist?) and core values (what matters to us more than making money?). An examination of core organizational values would therefore appear to be an implicit component of Collins' recipe for becoming a 'great' company. This in turn suggests that it is important for founders of companies that aspire to be 'great' should develop a clear understanding of what organizational values are and what the values of *their* company are.

Justifying the research topic

The research began not as a hypothesis or even a specific question, but as an exploration of the phenomenon of formation of organizational values, expressed as (but not limited to) the questions:

[1] This conclusion is somewhat validated by my observation that founders of early stage companies with high growth ambitions were more likely to read *Good to Great* than *Built to Last*. However, that could also be a result of *Good to Great* being the more recently published book.

- Why did founders start to think in terms of values?
- What benefits did they expect from articulating values?
- How did they go about identifying, articulating and embedding values for their company?

In this section, I argue that this phenomenon is not sufficiently understood and represents a research area that is of significant importance to the understanding of entrepreneurship. Furthermore, the literature suggests that organizational values are likely to emerge at the early growth stage of the organizational life cycle, making companies at this stage of development a logical choice of scope for such research.

This argument rests, in part, on the assumption that values are an important component of organizational culture. This assumption will be justified in the literature review that follows in the next chapter.

THE GAP: ENTREPRENEURSHIP, CULTURE AND PERFORMANCE

The importance of the human factor in entrepreneurship has been widely recognised. In the preface to his book *The Entrepreneurial Organization*, John J. Kao, reflecting on his years of research on hundreds of entrepreneurs and their ventures, wrote:

> *"Familiarity with human and organizational dilemmas of the entrepreneurial process was seen as critical to the success of a wide range of ventures. In many instances it was the 'make or break' ingredient in a venture's progress to a desired level of organizational maturity and business success. In addition, entrepreneurs frequently reported that it was 'people issues and organizational problems' which, to their surprise, tended to occupy the greater portion of their time."* (Kao, 1991:vi)

Within this observation are embedded two key issues:

1. The human element of an entrepreneurial venture is often what makes the difference between success and failure;
2. Entrepreneurs are unprepared for the amount of time they need to spend on dealing with 'people' issues.

This suggests that research into the nature of "human and organizational dilemmas of the entrepreneurial process" would be a valuable contribution to the field of entrepreneurship research in general, and to entrepreneurship practitioners in particular.

As a venture develops beyond the start-up team to an organization with more clearly defined roles and a number of distinct teams, the study of that organization moves from characteristics of the individual and small team dynamics toward the field of organizational culture. The concept of culture is both elusive and powerful. As observed by Edgar Schein:

> *"... we have not yet sufficiently understood the impact of culture. Even though I have worked with culture as a variable for over 10 years, I keep being surprised by how little I understand its profound influence in situation after situation."* (Schein, 1996: 229)

Within the domain of entrepreneurship research, managing human capital has received relatively little attention. Katz et al. (2000) found there was a lack of research on the human resource management (HRM) practices of small and medium-sized enterprises (SMEs). Furthermore, research on HRM practices of large, established firms cannot safely be generalised to smaller firms (Barber and Wesson, 1999). In a systematic comparison of the knowledge needs of CEOs of fast-growing businesses, with published research on HRM and SMEs, Heneman et al. (2000) identified a major gap in the area of recruitment and retention. This was by far the most significant issue for CEOs, mentioned by 31.1 per cent of those surveyed, compared with 13.6 per cent for the next most significant issue (special pay programs). Yet only 12.3 per cent of publications on HRM and SMEs mentioned this issue. Furthermore, focus group discussions revealed that CEOs of fast growing businesses were not concerned with traditional HRM practices. Their most urgent concern was matching characteristics of the person to the values and culture of the organization (Henemen et al., 2000: 18).

Even within the sub-domain of entrepreneurship research dealing with the human factors, organizational culture has received relatively little attention, compared with that given to the entrepreneur as an individual, or to the founding team. The entrepreneur, in particular, has been particularly intensively researched (Venkataraman, 1997). Indeed, Shane and Venkataraman (2000) have argued that the field of entrepreneurship had been too narrowly defined around the characteristics and behaviours of the entrepreneur, at the expense of the situational factors that mediated the entrepreneur's actions and decisions.

In more recent times, the focus has broadened from the individual entrepreneur to the concept of the entrepreneurial team, acknowledging that many new ventures are founded by a team rather than an individual. As long ago as 1977, research suggested that firms founded by entrepreneurial teams were more likely to be successful than firms founded by individual entrepreneurs (Cooper and Bruno, 1977). Reich (1987) called for a move away from the celebration of the individual entrepreneur as hero and for greater recognition of the role of the entrepreneurial team. Even while acknowledging the importance of a 'lead entrepreneur' in a new venture, it has been recognised that it is the team that he or she gathers around them that turns the venture vision into reality (e.g. Timmons, 1994; Ensley et al., 2000).

The definition of the entrepreneurial team has been extended to cover the group of people involved in the creation and *management* of a new venture (Forbes et al., 2006), thus extending the field to top management teams (TMTs). Entrepreneurial teams have been examined from various perspectives including their impact on the venture capital investment decision (e.g. Zacharakis and Meyer, 1998); changes in TMT structure according to environmental context (Keck, 1997); social cognition of teams as opposed to individuals (Shepherd & Krueger, 2002) and the factors influencing the performance of teams at different stages of a venture's development (Vyakarnam and Handelberg, 2005).

Nevertheless, even though this research extends the focus beyond the founder(s), the focus remains predominantly on the team at the top. How this translates to energising the 'troops', the general workers who influence company performance through their day-to-day activities has been given little attention by entrepreneurship researchers. It seems organizational culture is seen as a branch of management rather than entrepreneurship theory.

A particularly articulate and compelling article on the power of organizational culture appeared in a management journal, the California Management Review (Chatman & Cha, 2003). The authors note a 1999 *Fortune* magazine article by Ram Charan and Geoffrey Colvin entitled "Why CEOs Fail". The answer, apparently, was not that they failed to develop appropriate strategy, but that they failed to *execute* it. This is where culture is important, argued Chatman and Cha. Culture is what enables organizations to execute their strategies. They identified two ways in which culture enhanced performance: it energized employees, through appealing to their higher ideals and rallying them around a set of meaningful shared goals; and it shaped and coordinated employees' behaviour, so that formal controls were less necessary, and consequently individual creativity and initative was not stifled (Chatman & Cha, 2003:21).

The authors also noted that the critical impact of organizational culture on financial performance was well recognised in large established companies, but had not been widely recognised as significant in younger organizations. Two pieces of research were cited that suggested development of culture was best accomplished when the organization was still young (2003:24). Baron et al. (2001), in a study of 173 high technology companies, found that the founders' model of employee relations—a key component of organizational culture—dramatically influenced their firms' later success. Hannon et al. (1996) found that firms that were built around a commitment model, emphasising a strong culture and hiring based on cultural fit, performed much better than firms founded on more bureaucratic classic HRM models.

Therefore, the process by which a culture that emphasises cohesion and fosters performance is a legitimate question for researchers of emerging organizations, which is in turn a key focus of the entrepreneurship research domain.

THE SCOPE: EARLY-STAGE, FAST-GROWING BUSINESSES

A useful framework for examining organizational culture and the human factors of entrepreneurship in general, is the organizational life cycle literature. An early and influential life cycle model was that proposed by Greiner (1972). Greiner observed that growth did not occur evenly or continuously but, for most companies was characterised by periods of smooth operation and steady growth, punctuated by crises or 'revolutions', as they reached the limits of their management structure. At these crisis points, companies had to restructure if they wanted to continue to grow. Each phase was asserted to be "both an effect of the previous phase and a cause of the next phase" (Greiner, 1972:41) thus every company, if it continued to grow, would go through each of the five phases in sequence, though the speed of transition might vary dramatically.

Greiner did not make explicit reference to organizational culture in his discussion of management problems or management styles. However, a key point of his model was that an organization's future development was influenced as much, if not more, by its history than by external forces (Greiner, 1972:38). History, especially in the form of anecdotes about the founder(s) and 'war stories' of battles, failures and victories, has been seen as a powerful determinant of organizational culture (Schein, 1985).

A review of the organizational life cycle literature was conducted by Quinn and Cameron (1983) covering nine models (including Greiner's) across which the number of life cycle stages varied from three to eight. By systematic analysis of the characteristics of each stage within each model, they concluded that all nine were consistent with a four-stage model: entrepreneurial, collectivity, formalisation & control, and elaboration of structure. (Organizational decline and death were covered in only one of the nine models reviewed and so were excluded from the consolidated model.) Quinn and Cameron concluded that Greiner omitted their 'entrepreneurial' stage altogether, and that his last three stages all belonged in their 'elaboration of structure' stage. In short, it was more applicable to established organizations than emerging organizations.

From the perspective of formation of organizational culture, the most interesting stage of the Quinn and Cameron (1983) model is the 'collectivity' stage. This stage is characterised by high cohesion and commitment (p40) and descriptive features of this stage include a 'sense of mission' (Table 1, p35). Quinn and Cameron went on to analyse organizational effectiveness at each stage of development using a model developed by Quinn and Rohrbaugh (1983), based on three polar dimensions (internal-external focus, flexibility-control concern, means-ends concern), transformed into four quadrants defined by the first two polar dimensions, with each quadrant containing one means-oriented and one ends-oriented factor. The four quadrants were Human Relations (internal, flexibility), Open Systems (external, flexibility), Rational Goal (external, control), and Internal Process (internal, control). The Human Relations quadrant was found to be dominant in the 'collectivity' stage, declined in importance in the 'formalisation and control' stage and increased once more in the 'elaboration of structure' stage. The 'ends' in this quadrant were labelled 'value of human resources', and the 'means' described as cohesion and morale. The 'means' are consistent with the 'tightness of fit' concept described by Collins and Porras (1994) as an indicator of deeply embedded core ideology. The 'ends' are consistent with the 'first who, then what' concept of attracting, retaining and putting in the right roles the people in the organization before defining what to do, described by Collins (2001).

Contemporaneously with Quinn and Cameron, Churchill and Lewis (1983) reviewed existing models of organizational life cycle and concluded that they were only of moderate use to small businesses. They challenged these models (which included Greiner's) on three counts: first, the assumption that all companies must go through all stages in the model or die in the attempt; second, the lack of attention to the early stages of development; and third, the tendency to measure size only by annual sales. They proposed a five-stage model, where a company could remain at stage three indefinitely. Rapid growth in their model did not occur until Stage IV, Take-off. Size was measured by an index based on complexity of five factors: managerial style, organizational structure, extent of formal systems, major strategic goals, and the owner's involvement in the business.

Eight key management factors were identified, four associated with the company and four with the owner (founder). The relative importance of each of these factors at each stage of growth was assessed and charted with stage of growth on the horizontal axis and degree of importance of the vertical axis, giving a very concise representation of the key success factors at any stage. Human capital (quality and diversity) was seen as 'moderately unimportant or a natural by-product' until the Take-off stage, as was the owner's ability to delegate. This suggested that organizational culture increased in importance as the business grew beyond the stage when the founder was able to personally supervise or at least monitor all its activities, and when the company was at a stage which required it to be able to move quickly, both in terms of streamlining existing operations and adapting to changing demands.

Finally, a most interesting study by Konz and Katz (1996) illuminates a discussion of organizational life cycle and culture by examination of what might be termed 'outliers' in the sample frame of all organizations—those that have existed for more than 250 years. Such long-lived commercial organizations are very rare (the researchers identified only five), but relatively frequent among religious orders. The authors used two frameworks to examine this phenomenon which they labelled 'hyperlongevity': the organizational life cycle model of Quinn and Cameron (1983), and the concept of 'deep structure' borrowed from the field of sociology, and defined (attributed to Gersick, 1991) as "a set of exceptionally stable fundamental choices about how the parts of the organization are organized into basic activity patterns". The study sought to identify four specific elements of deep structure: vision, socialisation, structure and adaptation, in the development of these extraordinarily long-lived organizations.

Konz and Katz concluded that the shared sense of 'mission' emerged during the collectivity stage, but the deep structure did not develop until the formalisation and control stage, when the need was perceived to embed the values which brought the members together in the first place beyond the life of the original founder of the order, or those who were personally taught by him. Deep structure emerged initially through structured activity patterns and the choice of a name. Successfully embedded, it provided a means for the members of the order to live out the aspirations that originally drew them together. When this stage was successful, a period of rapid growth of over a century or more followed.

Over time, however, changes in the external environment or internal tensions produced by the multiplication in numbers of members, created a need to adapt, directly confronting the deep structure that had been laid down over preceding decades, or often centuries. Renewal was possible, even involving change to the deep structures, if the order returned to their original sources of inspiration.

Konz and Katz did find evidence of the four elements of deep structure and, furthermore, that culture and structure needed to interact in a synergistic manner. Vision, the first element, they found energised the organization by providing a sense of purpose and mission. Socialisation through conscious effort transmitted the vision to the followers and embedded it in the culture. Vision required socialisation to survive beyond the founder's direct disciples, and socialisation required vision to obtain commitment. Otherwise it became rules without purpose—a bureaucracy. Adaptation required the ability to recognise the underlying *spirit* of the organization's vision and socialisation activities, rather than the *'letter'* of the rule book of liturgies and rituals. Finally, structures provided the means to transform vision from a personal attribute to an organizational attribute, through ceremonies, rites and symbols and creeds or constitutions, and also by succession planning.

There are striking parallels between this study and the findings of Collins and Porras in *Built to Last* (1994) regarding the importance of a 'core ideology' to organizational longevity. Core purpose, as identified by Collins and Porras, is analogous to vision as embodied in the religious orders, especially in its long-term horizon—Collins and Porras argued that a true core purpose must be capable of lasting 100 years or more. Core values underpin the socialised behaviours that become the norms of the organization, and provide the means to adapt to changes in the environment without losing the spirit of what the organization stands for. Structures such as a constitution or creed were found in some of the *Built to Last* companies, most notably Johnson & Johnson's 'Credo', originally written in 1943 (and based on principles dating back to 1908) and still espoused as the guiding principle of the company today (Johnson&Johnson web site, viewed June, 2006).

In conclusion, examination of the organizational life cycle literature suggests that organizational culture is developed and embedded during the rapid growth stage and begins to have a significant impact on the organization's ability to perform effectively at that stage. Rapid growth is when the company is most likely to increase beyond the size where the founder can know and supervise, or at least be directly visible to, all staff. Growth is likely to provide crisis points where actions taken and decisions made form the basis of assumptions about what is important to the company and how it can survive and succeed in its environment (Schein, 1985). Finally, rapid growth is when culture may become fragmented through division into functional, specialist or geographically based groups.

There is, therefore, compelling evidence to suggest that any study of the development of organizational culture should focus on organizations at the rapid growth stage of their development.

ENTREPRENEURSHIP AND ORGANIZATIONAL VALUES

Values are an attribute of individual humans. In a collective context, they may be regarded as shared attributes of the individual members of a group of humans. I have provided evidence to support my assertion that entrepreneurship research has tended to neglect issues related to the management of what might broadly be termed 'human capital'. I have identified that the problem of fitting person to culture is both an acknowledged gap in the entrepreneurship literature and of direct interest to practitioners (Heneman et al., 2000). I have argued that the foundations of culture are laid during the early life of a business, that they are most deeply embedded at times of challenge to the business's survival, and that rapid growth is likely to present such challenges. Entrepreneurship as a research discipline is concerned with the assembly of resources to form an organization to exploit an opportunity (Shane & Venkataraman, 2000).

In the review that follows I will justify the assertion that values are an important component of organizational culture, and that a company's culture has a significant influence on its performance. It follows, therefore that the investigation of how founders interpret the concept of values and embed them within the companies they found is a question that is of direct interest to the examination of successful opportunity management, which is at the heart of the discipline of entrepreneurship. While other research domains, such as psychology and organizational behaviour, may inform this investigation, the question itself is primarily of interest to entrepreneurs and entrepreneurship scholars.

Chapter 3: Literature Review

The literature reviewed is drawn from various scholarly domains, including entrepreneurship, management, organizational behaviour, psychology, philosophy and ethics, but there are two main themes. One is the nature of values, how they are formed and how they influence behaviour, both in the individual context and the organizational context. The other is the field of organizational culture, how it forms, how it influences the way an organization operates and, in particular, how it may contribute to (or detract from) organizational performance. The link between these themes is the assertion (which will be justified by reference to relevant literature) that values are an important component of organizational culture.

Values

The term 'values' occurs in everyday use. While certain scholarly domains may define values in a particular way, it is a term that ordinary people with an average level of education would feel they understood without the need to consult a dictionary. Thus authors, especially those writing for practitioners (e.g. Peters & Waterman, 1982), do not always define clearly what they mean by the term 'values' in the context of organizations. This problem arises with other terms that are not technical, but in common usage, such as 'innovation' (Hindle, 2002). In a scholarly review, however, it is necessary for key terms to be defined, thus this section begins with a discussion of the nature of values drawn from the psychology literature. The discussion continues with an examination of how values operate to influence attitudes, behaviour and motivation, and, in a following section, the distinction between values, morals and ethics.

THE NATURE OF VALUES

What are values? What do they represent? Can they be classified? Where do they come from? The work of psychologist Milton Rokeach has been recognised as seminal in the study of human values (Agle & Caldwell, 1999). He studied in considerable depth the nature of beliefs, attitudes and values (which he regarded as a special type of belief) and the relationships between them. He proposed that beliefs form a hierarchy from most deeply to least deeply held (Rokeach, 1968):

Type A: <u>Primitive beliefs</u> with *universal* consensus. Everyone of the individual's acquaintance shares these beliefs. "The sky is blue", "my name is Susan" "this is a table".

Type B: <u>Primitive beliefs</u> with *zero* consensus. These are usually formed through adverse experience. The fact that nobody else shares these beliefs reinforces rather than weakens them.

Type C: <u>Authority beliefs</u> concern what persons or groups can be trusted, who to look to for authority in everyday life.

Type D: <u>Derived beliefs</u> arise from authority beliefs. If an individual has chosen to trust a particular authority, they are likely to share beliefs propounded by that authority.

Type E: <u>Inconsequential beliefs</u> represent more or less arbitrary matters of taste. They are incontrovertible because they represent only the individual's opinion. The consequences of disagreement are minor.

The five belief types represent a hierarchy with Type A and B beliefs being the most resistant to change. A change in a belief at the top of the hierarchy would have a greater impact on an individual's belief system. Thus if an individual were to change their religion (a type C belief), this would result in more widespread changes to their attitudes and behaviours than, for example, acquiring a taste for a food they had previously disliked (a type E belief).

Rokeach identified three categories of beliefs:

- Descriptive or existential: capable of being true or false
- Evaluative: object of belief is judged to be good or bad
- Prescriptive/proscriptive: means or end of action is judged to be desirable or undesirable

He regarded values as beliefs of the third kind: prescriptive or proscriptive. Rokeach offered the following definition of values and values systems:

> *"A value is an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence. A value system is an enduring organization of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of relative importance."*
> (Rokeach, 1973:5)

As a type of belief, it followed that a value possessed the three properties common to all beliefs: cognitive, affective and behavioural (Rokeach, 1968). A value involved *cognition* about the desirable. A value was *affective* in the sense that a person could feel emotional about it, implying personal commitment (or rejection) rather than unemotional compliance (or disregard). A value had a *behavioural* component in the sense that it might influence action.

As indicated in the quote above, Rokeach proposed that values could refer to a desirable mode of conduct (means-based or *instrumental*) or a desirable end-state (ends-based or *terminal*) and could be considered preferable in either a personal or social context. This led to two sub-types for terminal and instrumental values, based on whether the value had a personal or inter-personal focus. Terminal values with a personal focus applied only to the individual who held them (peace of mind, personal prosperity), whereas terminal values with an inter-personal focus (also referred to as social values) applied to a broader context, which could be society as a whole (world peace, justice for all) or a sub-group such as the organization they work for (equality of opportunity).

Instrumental values with an inter-personal focus were activated by external expectations, and their violation of aroused a sense of guilt about wrongdoing. Rokeach called these 'moral values'. Instrumental values with a personal focus were activated by internal expectations and their violation led to feelings of shame about personal inadequacy. Rokeach called these 'competence values' (also referred to as self-actualisation values). The value types are summarised in Table 1.

Rokeach's definition of values is supported by other researchers in the field. Many also make the distinction between terminal and instrumental values (Kluckholn, 1951; Guth & Tagiuri, 1965; Enz, 1988; Schwartz & Bilsky, 1987). Others have preferred to define values only in terms of desirable end-states (Hofstede, 1980; Connor & Becker, 1975; Hambrick & Brandon, 1988), while Ravlin & Meglino (1987) preferred the instrumental or mode of conduct expression of values.

Rokeach distinguished between values and other components of organizational culture: attitudes and social norms (Rokeach, 1973: 17-22). He viewed attitudes as context specific, focused on a specific object or situation, whereas values were independent of context. Values were seen as a determinant of attitudes and played a directive role, providing a source of motivation, while attitudes were reactive, a product of inputs.

Table 1: Summary of Rokeach value types

	Personal Based on <u>internal</u> expectations	**Social** Based on <u>external</u> expectations
End-state ("Terminal")	Personal values Examples: "Peace of mind", "Personal prosperity"	Social values Examples: "World peace", "Justice for all" cf Collins (1994) "core purpose"
Mode of conduct ("Instrumental")	"Competence" or "Self-actualisation" values Breach involves <u>shame</u> about personal inadequacy Examples: "Excellence"	"Moral values" Breach involves <u>guilt</u> about wrongdoing. Examples: "Truthfulness" cf Collins (1994) "core values"

Social norms differed from values in three main ways: they referred only to modes of conduct, rather than end states; like attitudes, they were context specific; and they were consensual and external, rather than personal and internal (affective). A person may conform to a social norm of behaviour, for example dressing smartly at work, without holding any view about whether that behaviour is desirable or not. Table 2 summarises the distinctions.

Table 2: Values, Attitudes and Social Norms

Value	**Attitude**
A single belief.	An organization of several beliefs.
Independent of objects or situations.	Focussed on a specific object or situation.
A standard, guiding action.	An outcome of standards, not a standard in its own right.
Numbers only in the dozens, based on learned beliefs concerning desirable modes of conduct and desirable end-states.	Numbers in the thousands, based on the multiplicity of situations an individual encounters in their life.
Central to a person's personality and cognitive make-up, and therefore is a determinant of attitudes (and of behaviour).	Less central – determined by values rather than being a determinant of values.
Values are directive, providing a source of motivation.	Attitudes are not directive, they are reactions rather than inputs.
Value	**Social norm**
May refer either to mode of conduct or end-state of existence.	May only refer to mode of conduct
Transcends specific situations	Defines an appropriate mode of conduct in a specific situation.
Personal and internal	Consensual and external

Rokeach's definition of values overlays neatly on 'core purpose' and 'core values' as described by Collins and Porras (1994) (shown in Table 1 above). Core purpose—a reason for being in business beyond profit and any transient business opportunity—fits Rokeach's definition of a terminal value, while core value—a guiding principle according to which business is conducted—fits his definition of an instrumental value. Both core purpose and core values are of the inter-personal or 'social' type, since the end-states and modes of conduct are valued for a wider group than just the individual who holds the values. Furthermore, the use of the word 'core' implies that the values are deeply held, and therefore resistant to change. From this, it follows that the adoption of a 'core ideology' in an organization must necessarily be the choice of the individuals in that organization. Deeply held beliefs cannot be imposed on people.

This view was supported by Hofstede (1991) who argued that values are often not directly observable and are highly resistant to change. He asserted that most values were acquired early in our lives, usually based on family influences. Because of this, values often remained unconscious to those who held them, were therefore difficult to discuss and only observable, indirectly and imperfectly, by inference from the behaviour of the individuals.

It follows that any organization espousing a 'core ideology' is effectively stating that individuals who do not share the values defined by that ideology do not belong in that organization. This is completely consistent with Collins and Porras' (1994) description of core ideology as observed in the companies they studied. It is also a confronting statement to make, which may explain why so many companies choose to espouse 'motherhood' values that do not have any meaningful influence on the operation of the company, but nor do they present any conflict with the personal values of their employees.

Values and beliefs

If values are special a type of belief as Rokeach (1973) asserts, then what about beliefs that are not values? Like values, they are cognitive, affective and behavioural (Rokeach, 1968) and may therefore also help to understand the behavioural norms of organizations. Behavioural norms are not necessarily founded on values. For example, a commonly observed practice in founder-managed companies is to refer all decisions to the founder. This is often based on the founder's belief that nobody else knows the right way to run the company. He or she may not believe this is *desirable*. In fact, they may be over-worked, highly stressed and fervently wish that somebody else could be trusted to make the decisions. By Rokeach's definition, this is not a value, because it is not a belief about what is *desirable* only about what is *true*. It might, nevertheless, be very deeply held and hard to shift, and have a strong influence on the behavioural norms, and hence the culture of the company.

A well-known example of a core belief is the Theory X, Theory Y model developed by McGregor (1960). Theory X holds that people are inherently lazy and will avoid work unless closely supervised, therefore the manager's role is to structure, monitor and correct their work. Theory Y, by contrast, holds that most people are motivated by the satisfaction of doing a good job and will do their best given the right conditions, therefore the manager's role is to define the task and remove any barriers that impede productive work. These opposing core beliefs lead to very different organizational cultures, but they are not core values. It is perfectly possible to believe in Theory X, while thinking that Theory Y is infinitely more desirable. Schein (1985) uses this very example to point out the significant influence of deep-seated beliefs, which he referred to as 'assumptions'.

Rokeach (1973), despite defining values as a special type of belief asserted that beliefs differed from values in that they were less internalised, more influenced by external data and therefore more susceptible to change as a result of new information. This seems reasonable. Descriptive or existential beliefs about what is true or false, although they may be deeply held, do not carry the emotional burden of desirability or undesirability. It is deeply confronting for a person to contemplate the possibility that what they have long believed to be desirable may actually be undesirable (or vice versa). It should be less confronting (though still far from easy) to contemplate the possibility that a belief they have long held is not supported by evidence. This would suggest that when attempting to identify the core values of an organization, it is important to distinguish between beliefs (which should be susceptible to change through evidence and reason) and values (which may be strongly internalised and highly resistant to change).

However, others, such as Schein (1983) argued that beliefs are also deep-seated and highly resistant to change. He identified five basic assumptions that define a cultural paradigm for an organization, which acts as a lens through which the organization itself and the environment in which it exists are viewed. These were (Schein, 1983: 16): the organization's relationship to its environment (dominance, submission, harmonisation, niche); the nature of reality and truth (how do we determine what is a 'fact'?); the nature of human nature (e.g. Theory X or Theory Y); the nature of human activity (what is the "right" thing for humans to do?); the nature of human relationships (how should people treat each other?). Schein did not suggest that business founders consciously considered these fundamental questions, but that they formed the answers unconsciously, based on their experience of life in general and their business in particular. Of Schein's five 'assumptions', the last two involve a conception of what is desirable and thus would meet Rokeach's definition of values. Thus the boundary between beliefs and values is somewhat blurred.

A descriptive belief is defined as being capable of being true or false (Rokeach, 1973). Thus it should be able to be supported or contradicted by evidence that an observer can judge as valid or invalid. In practice this is not straightforward. Evidence is often complex and based on assumptions that may justify different interpretations. Furthermore, the process of presenting evidence that contradicts a long held belief, may be personally confronting—nobody likes to admit they are wrong. Nevertheless, if evidence is presented in a non-confrontational manner, with the assumptions on which it is based made clear, a person may change a deeply held belief without any great emotional turmoil. This is less likely to be the case with a deeply held value.

When beliefs differ between members of an organization on a matter that is amenable to external verification there will be a tendency for those in dispute to attempt to convert the other to their point of view with evidence. Because reason is highly valued in the world of business and emotion is not, it is hard for a person to defend a belief other than with objective evidence. Conversely, because values are internalised and based on personal judgements, there is less of an imperative for individuals to share values. Thus there may be an expectation that beliefs—at least those of the descriptive type—should be shared, whereas values may be considered a personal matter and permitted to differ.

However, Schein's (1983) vignettes of the development of culture in founder-managed businesses suggests that underlying assumptions over time assume the qualities of values, in that long-standing members of the organization regard these assumptions as not simply 'what is', but 'what should be'.

> *"... founders are especially likely to introduce humanistic, social service, and other non-economic assumptions into their paradigm of how an organization should look, and the general manager who is introduced from the outside often finds these assumptions to be the very thing that he or she wants to change in the attempt to 'rationalize' the organization and make it more efficient."*

This resistance to the 'new broom' may not be unique to founder-managed companies, but I suggest that an additional factor is at play in this context, and that is the issue of identity. The founder's identity, and possibly that of long-standing members of the organization, is bound up in the assumptions about how that organization should look. Any challenge to those assumptions thus becomes a challenge to the founder's very conception of self. That identity is extremely important to founders was noted by Vyakarnam et al. (1997) in a study of how small business owners resolved ethical dilemmas. 'Self' emerged as an important stakeholder in determining the 'right' thing to do.

Recently, the idea that you can choose your beliefs has become popular. Harvard Business School alumnus, Stever Robbins, supports Schein's view (above) of how beliefs influence the way you run your business, but he asserts that beliefs are a choice. You can choose to accept or reject conventional wisdom. The key is to choose beliefs that serve you well and take you where you want to go, rather than accepting the conventional wisdom beliefs that surround you (Robbins, 2006). In short, you create the sort of business (or world, or life) that you want to have simply by believing it is possible.

This way of thinking, formerly belonging to the domain of so-called New Age thinking, has recently become mainstream thanks to the massive popularity of the DVD and book *The Secret*, based on the 'law of attraction' (Byrne, 2006). The ideas presented are not new: Buddha is quoted as teaching "what you have become is the result of what you have thought", but it has not previously been popularised to such a great extent. While the 'law' has been widely criticised by scientists (for its lack of robust scientific evidence) and ethicists (for its focus on the accumulation of personal wealth), its very appeal is in itself interesting. As a lecturer teaching entrepreneurship students, I found that half of my last class had seen the DVD or read the book and were intrigued by the ideas presented. The appeal for them, I observed, was not getting rich quick (as second year Masters students in entrepreneurship, they knew how hard and risky the road to entrepreneurial success was), but the idea that visualising their concept or business as real could help to make it happen—something they intuitively felt anyway.

Although *The Secret* and other, similar, publications are not founded on evidence that would be accepted by most scientists, there is some sound research that supports the proposition that passionate intention toward a goal can help to achieve it. Building on his quantum-holographic theory of intuition, Ray Bradley, of the HeartMath Institute in Boulder Creek, California asserts that the same processes of energetic resonance that have been observed to allow experimental subjects to perceive a stimulus before it is physically administered (McCraty, 2004a; 2004b), "… are also the means by which passionate intentional bio-emotional energy radiating from an individual can affect the object of interest's actualisation from potential into reality as an entity in the space-time world." (Bradley, 2007a). In layman's terms: passionate intention physically and positively affects the process of creation.

Why is this relevant? Because it suggests that business founders have the power to choose the reality they wish to create. The values that founders consciously or unconsciously embrace, the beliefs that they have consciously or unconsciously accumulated, influence the type of organization they visualise building, which in turn directly affects the reality of that emergent organization.

Content of values

Rokeach's *The nature of human values* (1973) has been cited above as a source of definition of values and beliefs. The definitions provided above are taken from the opening chapters of the book. The balance of the book concerns the development, testing and application of an instrument for capturing and classifying the content of human values, the Rokeach Values Survey. Many researchers have attempted to develop instruments for categorising the range of human values and their level of importance to any particular individual. Apart from Rokeach's survey, the most successful in terms of acceptance and use have been Allport, Vernon & Lindzey (1960) with the AVL values measure; England (1967) with the Personal Values Questionnaire; and Kahle et al. (1986) with the List of Values (LOV), which was aimed at assessing consumer values. Schwartz and Bilsky (1987) developed a categorisation of human values based on sources of motivation and further refined by Schwartz (1992, 1996) with the aim of achieving a clearer understanding of how value systems are affected by general social experience, unique personal experiences, and how value systems influence behaviour and decision-making. In addition, there is the Comparative Emphasis Scale (CES) developed by Ravlin and Meglino (1987) which assesses the relative importance of work-related values.

These instruments are mentioned to acknowledge their existence and credibility. However, the focus of this study was not the content of an individual's value systems, but how they interpreted and applied the concept of values in an organizational context.

THE SOURCE OF VALUES

Personal social values (beliefs about what is desirable in a social context) are generally acknowledged to be formed early in life and influenced by the values of those people with whom we have a strong personal relationship, usually family, or authority figures, such as religious or political organizations (Rokeach, 1973; Hofstede, 1991). The origin of personal psychological values (beliefs about what is preferable for the individual alone) is the domain of motivational theory and may be influenced by situation (e.g. Maslow, 1943) or personality (e.g. McClelland, 1961). However, it has been recognised that values vary at a societal level and that these influence the personal values of individuals within those societies.

Cultural values

Values at the level of nations or societies have been far less studied than at the individual level (Agle & Caldwell, 1999) and are only peripherally relevant to this thesis, however they are pertinent to any discussion of values. An acknowledged leader in this field is Geert Hofstede, who demonstrated that national culture was a significant determinant of personal values (Hofstede, 1980). He used data collected by a multi-national company (later revealed to be IBM), originally collected as part of an assessment of employee morale, and covering 40 countries in two waves, roughly four years apart. The survey was substantial, covered employees at all levels, and around 60 of the questions related to personal values. IBM had, and still has, a very strong corporate culture, and also had, at the time of the surveys, a policy of employing local staff, up to senior management level, to run their overseas branches. Thus any differences in values between the employees from the different nations represented in the survey could reasonably be attributed to the influence of national culture.

Hofstede found significant differences in values between countries and, to some extent, between occupations. He identified four dimensions within which cultural values varied: *power distance* (tolerance of hierarchy), *uncertainty avoidance* (tolerance of ambiguity), *individualism* (as opposed to concern for the collective) and *masculinity* (the role that gender plays in prescribing societal roles). A subsequent replication of the study, which included oriental countries, added a fifth dimension: *long-term orientation*. For each of these four (or five) dimensions, a national 'norm' value could be calculated, thus providing a profile of each nation. For example, the USA was characterised by moderate to low power distance (acceptance of hierarchies), moderate uncertainty avoidance (or moderate tolerance for ambiguity), very high individualism, high masculinity and relatively short-term orientation (Hofstede, 2001).

One immediate corollary of Hofstede's findings regarding differences in national cultures was that organizations seeking to operate in multiple countries might find that the organizational culture of the home country was not readily transplantable into foreign branches. In particular, Hofstede noted that the popular models of motivation existing at the time his research was carried out (e.g. Maslow, 1943; McClelland, 1961) were almost all based on American culture, and were unlikely to be valid in countries whose cultural profiles differed significantly from that of the US.

The 'IBM research', as it has come to be known, has been replicated and generally supported in six separate studies covering a total of 14 countries between 1990 and 2002, using an improved version of the survey (Values Survey Modules). The dimensions of cultural values have been found to be consistent with other research in this domain, such as Schwartz (1992) and Ingelhart (1997) (Hofstede & Hofstede, 2005).

Thus, while there are competing models for describing culture at a societal level, these models are not inconsistent with each other and there is strong consensus that personal values are, to a degree, determined by national culture. The implication for this study is that founders are likely to be influenced by national culture in their choice of values for their organization. If they choose to make those values explicit and openly to promote them, then they would be well advised to do so in culturally appropriate terms. This could be of particular relevance to companies operating internationally.

Organizational values

It is debatable what we mean when we talk of organizational values, or even whether it is reasonable to use such a term at all. Values are an attribute of individual humans, so it is not strictly correct to talk of an organization having values. In practice, what we usually mean by organizational values is either: a set of values espoused by the organization; or a set of values shared to a greater or lesser degree by the members of an organization. As Argyris and Schön (1978) observed, these are not necessarily (or even often) the same thing. Espoused values are not difficult to identify or define—they are clearly articulated. It is values in use and the degree of consensus over those values within an organization that have been the object of research activity.

The measures of values described above focus on the *content* of values for an *individual*. Their reliability and applicability in the study of *shared* values in an *organization* is limited. It cannot be safely assumed that an individual will respond the same way if completing such a survey instrument in the work environment, as in their own home (or, indeed, that he or she will not). While organizational values may be investigated by aggregating the values of individuals within the organization, using some of the instruments described earlier, it becomes questionable whether the results obtained represent personal values, organizational values, or somewhere on a continuum between the two. Some values only make sense in the context of an organization—customer service, for example—and would not be captured by a survey instrument focused on personal values.

Agle and Caldwell (1999: 363-364) identified three conceptualisations of organizational values:

1. The aggregate personal values of members of the organization
2. The desired (or espoused) values of the organization
3. The aggregate perception of espoused values by members of the organization

[Should anyone doubt that the second and third of these are different, I suggest they try asking any member of a large organization what it stands for without allowing them to refer to a written copy of the organization's mission or vision statement.]

Agle and Caldwell (1999: 365) illustrated the difference with an example:

> *"Consider a small town where all the people belong to the church, the civic club, and work at the same company. If one were to view the values of the organization as equivalent to the average personal values of the members, and were to measure them that way, in this small town, one would come to the conclusion that the values of the church, the civic organization, and the business are all the same. However, were one to measure the group values of these organizations using the second and third*

methods, one is likely to find that the values of these organizations are very different."

I would suggest that the situation is even more complex. If one were to measure the personal values of the residents (method 1) in their own homes and again in the church or the civic club, I suggest that the results may be different, because the personal values reported are mediated by the context within which the survey is completed. This is somewhat supported by Hofstede who defined organizational culture as *"the collective programming of the mind that distinguishes the members of one organization from another"* (Hofstede, 1991:282), suggesting that personal values are influenced or 'programmed' by the organization *while the person is operating in the context of that organization*.

Hofstede's observation arises from extending his research on national cultures to culture within organizations (Hofstede, 1991; Hofstede & Hofstede, 2005). He first proposed a model for the manifestation of culture, comparing it to the layers of an onion (see Figure 1). At the centre, or innermost layer, of the 'onion' were values. Moving away from the centre were, in sequence, rituals, heroes and symbols, which Hofstede grouped together under the heading of 'practices'. The closer to the surface the manifestation of culture, the more visible it was and the more amenable to change (Hofstede, 1991:8-9).

Values, the innermost layer, are least directly observable and most resistant to change. They are acquired early in our lives, usually based on family influences. Because of this, values remain unconscious to those who held them, and therefore difficult to observe or discuss.

Organizational cultures, argued Hofstede, differed from national cultures in that the members of the organization joined as adults, therefore their value systems were mostly defined *before* they joined the organization. In organizations, therefore, *practices* are a more significant manifestation of culture, than are values. This means that whereas national cultures are, for all practical purposes, not changeable (they may evolve slowly, but no orchestrated change program will have any effect), organizational culture change is feasible, though still difficult.

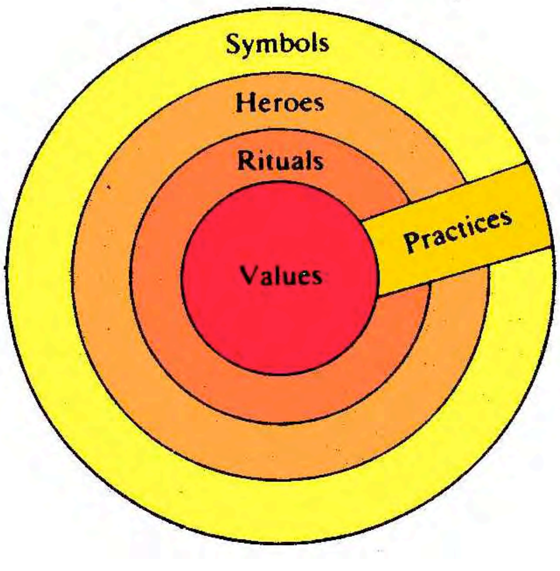

Figure 1: Hofstede's "onion" model of manifestations of culture
[Source: Google images]

In order to study the dimensions of *organizational* culture, Hofstede led a study led under the auspices of the Institute for Research on Intercultural Cooperation (IRIC) and conducted between 1985 and 1987. It covered a number of organizations in two countries, Denmark and the Netherlands.

The IRIC survey took the form of 61 questions relating to perceptions of work practices, commencing 'where I work…' with responses on a 5-point Likert scale with the polarities labelled. These were administered across 20 organizations, to employees drawn equally from managers, professionals and non-professionals. Factor analysis of the matrix of 61 questions across these 20 organizations revealed six factors reflecting distinct dimensions of perceived organizational practices. These six dimensions were not, in general, correlated with Hofstede's (1980) four dimensons of national culture, leading the researchers to conclude that, for the most part, the six organizational culture dimensions represented practices to which employees had been socialised without their personal values being involved.

Whereas the popular literature of the time, following Peters and Waterman (1982) held that shared values represented the core of corporate culture, the IRIC study showed the reverse was true: that *shared perception of daily practices* formed the core of corporate culture, rather than shared values—the reverse of the role of values in national culture. Hofstede ascribed this difference to a difference in focus. Whereas the management texts focused on the values of the corporate 'heroes' (founders and significant leaders), the IRIC study focused on the ordinary employees and assessed the degree to which the values of the leaders were transmitted to and taken on board by the employees. It found that, although culture might be shaped by leaders, the way it was transmitted to the general staff of an organization was through shared practices (Hofstede, 1991:286). This suggests that routine practices and the values underlying them should be part of any examination of organizational culture and values.

Congruence of personal and organizational values

Hofstede & Hofstede's description of organizational values were obtained by aggregating individual perceptions of *actual* values of the companies as represented by the practices of the organization. This is distinct from Agle and Caldwell's (1999) second and third conceptualisations (described above) of organizational values as the aggregate of individual workers' perceptions of espoused values, or the perceptions of the leaders of the organization, both of which attempt to represent the 'self-image' of the organization. This element of organizational culture is important when it comes to assessing the potential fit of a worker with the organization's culture. It has been shown that the greater the similarity between a person's self-image and his or her image of an organization, the more they will be attracted to that organization (Tom, 1971), thus the image of an organization may be important in attracting employees. From the perspective of the prospective employer, however, it is desirable to move beyond the employee's perception of fit to a more objective measure.

A major challenge in assessing the fit between a person and a situation, has been to measure both person and situation in similar terms. O'Reilly et al. (1991) observed that most studies of person-situation fit had used normative measures of personality to assess individual characteristics, but broad classifications of tasks, occupations or jobs to characterise situations, thus the descriptions derived were essentially in different 'languages' and not really comparable.

To address this problem, they developed an instrument, the Organizational Culture Profile (OCP) that attempted to describe organizational culture in normative, values-based terms—the terms routinely used to characterise individuals. By asking a number of individuals familiar with an organization to use the OCP to describe it, the cultural profile for the organization could be derived. [This provides both a description of the organization's culture and a measure of its coherence via the inter-correlation among raters.] Using the same instrument, prospective employees could build a profile of the organizational culture that would appeal to them. The results could then be compared to assess the fit between the person and the organization.

A longitudinal (2-year) study using the OCP showed that person-organization fit was positively correlated with job satisfaction and normative commitment and negatively correlated with intent to leave. Furthermore, person-organization fit was a significant and positive predictor of whether the person was still with the firm two years later. Person-organization fit was correlated with normative commitment, which is based on values, but not with instrumental commitment, which is based on extrinsic rewards. Normative commitment is often associated with companies with strong cultures (Caldwell et al., 1990).

Other researchers have examined the effect of congruence between personal and organizational values. It has been shown to have a positive influence on organizational effectiveness in a number of ways. Congruence between the values of workers and their supervisors has been shown to enhance job satisfaction and organizational commitment (Meglino et al., 1989). Congruence between personal and organizational values has been associated with positive work attitudes (Posner et al., 1985), and improved operating unit performance (Enz & Schwenk, 1989). Interestingly, in a study of the impact of values congruence on work attitudes and perceptions of ethical practices, Posner and Schmidt (1993) found that clarity about personal values had almost as great a positive effect as congruence of personal and perceived organizational values. In other words, respondents who were clear about their own personal values felt positive about their work and about the ethical attitudes of their colleagues, even if they were unclear about their organization's values or felt they were not congruent with their personal values. The reverse was not true. Clarity about organizational values did not lead to positive attitudes in the absence of clarity about personal values. This somewhat surprising finding may be explained in part by the fact that the sample was of *managers* rather than subordinates. Managers may have a greater degree of autonomy to act according to their own personal values than do subordinates.

Thus empirical research has confirmed the benefit to an organization of having a good fit between the values of employees and those of the organization. Achieving person-organization fit depends on both the employee and the employing organization understanding their value systems. The evidence of Posner and Schmidt (1993), above, suggests that the employee's understanding of their values is actually the more important factor. Employers may feel they have little control over this factor. However, by articulating the values of their organization to prospective employees, they encourage them to reflect on their personal values. Thus this practice may thus increase the probability of a successful fit. Provided the espoused values of the organization are genuine, there appears to be little disadvantage in promoting them as part of the recruitment process.

VALUES AND BEHAVIOUR

Rokeach identified three main functions of values and value systems:

> *"One way to approach the question: 'what functions do values serve?' is to think of values as standards that guide ongoing activities, and of value systems as general plans employed to resolve conflicts and to make decisions. Another way is to think of values as giving expression to human needs."* (Rokeach, 1973: 12)

Each of these three functions have behavioural implications: as standards that define what sort of behaviour is desirable or undesirable; as criteria for resolving dilemmas and making decisions in general; and as motivations to act to satisfy our needs. But to what extent do values create a compulsion to act in a particular way?

Rokeach touched on the relationship between values and a sense of the 'ought', in the sense that values might create a motivation to act. He felt that 'oughtness' related to modes of conduct rather than desired end-states and to social expectations rather than personal expectations. Thus Rokeach found that 'ought' was an attribute predominantly of the moral value sub-type of instrumental values. From this conclusion, it followed that the values most likely to create a motivation to act were those relating to desirable/undesirable modes of conduct that were held as desirable or undesirable in a social context broader than just the individual holding the value (Rokeach, 1973). These are also the types of values that most closely match Collins' and Porras' (1994) definition of 'core values'.

The relationship between values and 'ought' was explored in depth by Fritz Heider (1958), drawing together the work of many other authors (for references, see Heider, 1958: chapter 8). The concept of 'requiredness' was used by Wertheimer (1935) and Kohler (1938) to describe a situation in which a person feels that something 'ought to happen', based on the perception of a gap or incompleteness in the situation (Asch, 1952). But incompleteness is not, by itself, sufficient to create a sense of 'ought'. There must also be a sense that the incompleteness is not 'right'. This in turn implies a cognition about the desirable, which Rokeach (1973) would have described as a 'value'.

So is 'oughtness' defined by a sense of a gap that it would be desirable to fill? No, because the individual may be powerless to change the situation—this might induce distress or even shame at being unable to 'right' a 'wrong', but not a an 'ought' in the sense of a motivation to act. This would equate to Rokeach's 'competence' value, which is personally rather than socially oriented and the breach of which induces a feeling of shame about personal inadequacy. Rokeach would not have regarded this as a sense of 'ought'.

Orders, argued Heider (1958), do not necessarily generate a sense of 'ought'. The fact that somebody, even someone in authority, wants me to do something does not necessarily mean that I think I 'ought' to do it. Thus compliance with an order or a rule does not require a sense of 'ought'. The 'ought' is generated by the perception that there is an external, universal sense that the action is desirable, whether or not someone else mandates the action or not. This judgement should, ideally, be universal—that is, that an act should be good or bad regardless of who does it. Westermarck (1932) referred to this as 'disinterestedness'.

Circumstances, however, do affect the perception of 'ought'. Special circumstances may justify certain actions that in normal circumstances 'ought' not to be taken. Heider gives the example of theft. While it may be universally acknowledged that, in general, stealing is wrong, some people may regard it as acceptable to steal when the alternative is starvation. Thus 'ought' is context specific. Rokeach would regard this as the consequence of the indidividual's value system, which is the interaction of the individual's values. The instrumental value that stealing is undesirable, is overruled by the terminal value that hunger is undesirable, and therefore sanctions theft in this circumstance.

By extension, 'ought' is also dependent on cognition, since the ability to vary the 'ought' depending on context, is dependent on the cognitive ability to recognise and interpret contextual differences. Heider illustrates this with the example of a young child who, being unable to distinguish between intention and accident (Piaget, 1932), might consider someone who breaks an object by accident just as guilty as someone who breaks it intentionally.

Heider described 'ought' as a vector impelling the individual (p) toward a particular action (x). The invariance of 'oughts' means that a person *p* should perceive an action as equally desirable whether it is *p* himself, or some other person *o* who should carry out the action. The force of the vector varies in strength and may or may not result in action. When *p* accepts the vector and acts on it, he is likely to feel virtuous, a 'good' person. If he accepts the vector, but does *not* act on it, he is likely to feel guilty or ashamed and may expect to be punished.

In Heider's view, values do not have the same degree of force as do 'oughts'. The fact that *p* values a mode of conduct *x* does not, according to Heider, mean that *p* will feel that he 'ought to do *x*'. The relationship is less direct. He quotes Lewin who uses the term 'force field' to refer to a sense of 'ought':

> *"Values influence behavior but have not the character of a goal (that is, of a force field): For example, the individual does not try to 'reach' the values of fairness but fairness is 'guiding' his behavior. It is probably correct to say that values determine which types of activity have a positive and which have a negative valence for an individual in a given situation. In other words, values are not force fields, but they 'induce' force fields."* (Lewin, 1944:14, quoted in Heider, 1958: 225)

The gist of this argument appears to be that valuing *x* is a necessary, but not sufficient, condition for *p* to feel he ought to do *x*.

VALUES AND DESIRES

Rokeach, quoting Brewster Smith (1969) wrote that it was important "to distinguish dependably between values and preferences, between the desirable and the merely desired" (1973:8). The fact that someone desires something—a cream cake, for example—does not mean that it would generally be considered desirable, even by the person concerned, for them to have what they desire. But suppose the person *does* believe that it is desirable that they should have the thing they desire—does their desire then constitute a personal value? Rokeach argued that a value was defined by some degree of consensus conception of the desirable. The distinction appears to be that the person should believe that most, or at least some, others would agree that it was desirable for them to have whatever it was that they desired. To be a 'value', there had to be some degree of external validation of the desirability of the preference for having one's desires fulfilled. Without that, the desire for a thing or a state of being is merely a desire, not a value.

Heider (1958) also distinguished between values and desires, or 'wants'. His view was that 'wanting' was a stronger force than 'valuing', and more likely to generate an impetus to act to fill the gap generated by the want. However, wanting something was not the same, as noted earlier, as feeling that one 'ought' to have it. For a 'want' to become an 'ought' there needed to be a sense that the meeting of the want was in some way deserved, and that sense would be derived from external sources, the sense that some other person would agree that it was desirable for the person to get what they want. In terms of the strength of the 'vector' generated between a person *p* and an object of desire *x*, an 'ought' would generate the strongest force, followed by a 'want', with a 'value' being the weakest.

Hofstede (1991) defined the desirable as how people think the world ought to be, and the desired as what people want for themselves. He noted, consistent with Heider's argument about the degree of force of *value* and *want*, that neither statements about the desirable nor about the desired were very good predictors of *actual* behaviour. While a person may say, for example, that they value their free time more than money, when faced with the choice between shorter working hours and more pay, they may well opt for more pay. Thus values survey instruments, while yielding useful information in general about the values of groups of people, the results provide only a weak prediction of how those people would actually behave.

Statements about the desired are only a slightly better predictor of behaviour. In practice what people *say* they want and what they *show* that they want through the choices they make are frequently not the same thing. Hofstede differentiated the desirable from the desired in terms of the norms involved as follows:

> *"In the case of the desirable, the norm is absolute, pertaining to what is ethically right. In the case of the desired, the norm is statistical: it indicates the choices made by the majority. The desirable relates more to ideology, the desired to practical matters."* (Hofstede, 1991:21)

Once again, there is the recognition that a value, defined as a conception of the desirable, is informed by some degree of external consensus, of objective 'rightness', rather than simple personal preference. This would seem to be a pre-requisite for defining a belief about a preferable state of affairs or mode of conduct as a genuine value.

VALUES AND "CORE PURPOSE"

The concept of 'core purpose' is harder to locate either in academic or management literature than are 'core values'. At the deepest level, core purpose goes to the fundamental questions that have exercised the minds of philosophers over the centuries. Why are we here? What purpose do we serve? (e.g. Aristotle in *Nicomachean Ethics*).

Talcott Parsons (1956) placed purpose at the centre of the concept of an organization with the following definition:

> *"As a formal analytical point of reference,* **primacy of orientation to the attainment of a specific goal** *is used as the defining characteristic of an organization which distinguishes it from other types of social systems."* (Parsons, 1956:64, emphasis original)

Chester Barnard (1938) actually used the term 'organization purpose' to describe the primary raison d'être of an organization. It is clear that neither writer envisaged maximisation of profit as a valid goal or purpose.

Drawing on the concept of servant leadership outlined by Greenleaf (1977), Alistair Mant (1997) described leadership in terms of binary and ternary relationships. In a binary structure, each individual seeks to 'win' by making another 'lose'. The assumption is that win-win is not possible. Put another way, one is 'master' and the other 'servant'. Equal status is seen as a loss. In a ternary structure, each individual is the 'servant' of a greater 'master', which is a common purpose valued by both. For example, for a hospital, it might be the health of the patients. For a car manufacturer it might be the excellence of the engineering. Thus all personal relationships are negotiated with this common good, respected by all parties, in mind. The ternary relationship appears somewhat analogous to the 'core purpose' described by Collins and Porras in "Built to Last" (1994).

Fritz Heider (1946, 1958) developed the concept of 'balance theory', represented by triadic configurations around three identities: a focal person (p), another actor (o) and a third object (x), which may or may not be another person. Triadic configurations are considered balanced or imbalanced depending on the perception by *p* of *o* and *x*, and the perception by *o* of *x*. If *p*'s perception of *x* is consistent with his perception of *o* and *o*'s perception of *x*, then the triadic relationship is considered balanced. But if there is inconsistency—for example, *p* likes *o* and dislikes x, but knows that *o* likes *x*—that creates an imbalance which *p* can only resolve by changing his opinion either of *o* or of *x*.

This concept of balance, with the impetus it provides to avoid unbalanced configurations and restore them to a balanced mode, may help explain how a 'core purpose' can be useful in aligning a diverse workforce. Let *x* represent the core purpose and *p* and *o* two employees in the organization. If *p* feels positive toward *x*, but negative toward *o*, while recognising that *o* also feels positive about *x*, the imbalance created may cause him to review his opinion of *o* and come to an understanding whereby they can work productively together in support of *x*. On the other hand, if *p* feels negatively about *x*, and *x* is highly visible as the core purpose of the organization, *p* is unlikely to join in the first place. If he does not perceive the significance of *x* until after joining, but observes after a time that the majority of his colleagues feel positively toward *x*, then he may feel isolated, creating a motivation to leave, or, if he likes his co-workers, may be motivated to revise his perception of *x* more positively. Either way, the role of *x* in the organization is to encourage balanced triads or, in more prosaic terms, an aligned workforce.

More recently, management writer, Charles Handy (2002) drew attention back to the importance of a core purpose for an organization. Responding to recent high profile corporate collapses, and to polling indicating that the general public did not believe that corporate executives acted even in the interests of their shareholders, let alone their employees or customers, he wrote:

> *"The purpose of a business ... is not to make a profit, full stop. It is to make a profit so that the business can do something more or better. That 'something' becomes the real justification for the business."* (Handy, 2002:5)

Profit, in other words, is a necessary rather than a sufficient condition. It is necessary for the organization to prosper, but it is not, and should never be, an end in itself. Handy argued that a business does not deserve to exist unless it focuses on doing something (its purpose) better than anyone else could do that something. The importance of stakeholders should be measured by their contribution to this purpose. Thus conceived, employees (who contribute their skills and time to deliver the 'something') and customers (who validate the importance and relevance of the purpose by paying for it) are more important than shareholders who simply trade in the paper value of the business. By valuing stakeholders appropriately—that is in terms of their contribution to the company's purpose—the business retains focus on its true reason for existence and does not become distracted by the short-term demands of investors and analysts.

CONCLUSION

The review above reveals several key points about the nature and function of values and their connection to organizational culture, which I have summarised and linked to implications. First, the nature and scope of values:

- Values represent a belief about the desirability or undesirability of a mode of conduct or end state (Rokeach, 1973), therefore they represent a conception of the way things *should be*.

- The scope of a value is highly variable: it may be confined to the individual holding the value, or extend to their social group, their country or all of human nature.

Although not explicitly acknowledged in Rokeach (1973), certain types of values are likely to be less enduring than others. Social or inter-personally oriented values, representing a conception of the way a group or society should be or behave, involve a conception of what is 'right' and 'wrong' and are likely to be durable. Personally-oriented values, by contrast, merely represent a conception about what is desirable for me at this point in time and may be susceptible to change with age and life situation. For example, many people who are intensely attached to their personal freedom and independence in their youth happily trade these for the different but no less intense rewards of parenthood. The type of values founders choose as the basis for organizational values potentially suggest different types of organizations: on the one hand, a lifelong work based on socially-oriented values; on the other a transient organization based on personally-oriented values.

- Values are formed early in life, derived from those close to us and are influenced by the society in which we live.

- Values are affective in nature, invoking emotional commitment (or rejection) rather than dispassionate compliance (or disregard).

- Values, in common with other types of beliefs, vary in intensity. The more strongly held a value or belief is, the more resistant it is to change, and the wider are the consequences of such change.

- People often do not consciously recognise their values and may have difficulty explaining what they are. However, the development of several reliable values survey instruments show that they are usually able to form a response to any particular value, and to rank it, with a fair degree of consistency, with respect to other values.

Because values are formed early in life people have their own value system before they join an organization. They cannot and will not discard or add to this value system just because their employer demands it. Thus when a founder articulates a set of organizational values, they are inviting their employees either to embrace these values, or to leave the organization. A 'value system' enforced through compliance, is not really a value system at all, merely a set of rules or code of conduct. However, when presented with an organizational value system, the widespread acceptance of various values survey instruments (e.g. England, 1967; Rokeach, 1973; Schwartz, 1996) suggests that most employees would not find it difficult to respond (either positively or negatively). Thus an explicit value system that genuinely reflects the existing culture of the organization may be expected to be a fairly effective filter in attracting employees who will be a good 'fit'.

- Values influence behaviour, but less strongly than do desires or feelings of obligation ('ought').

- Although values are closely associated with organizational culture, organizational culture is not necessarily founded on values, but may be driven by shared assumptions and daily practices founded on experience of 'what works' and without any overt conception of what is 'desirable'.

Values are only a weak and partial determinant of behaviour. To encourage norms that reinforce the values, the founder must establish practices that reflect the values and stamp out those that breach them. To avoid values being undermined or overridden by unexamined assumptions, organizational values need to be explicit, and openly and actively reinforced.

Thus it is no small undertaking for a founder to choose to commit openly and explicitly to a set of core values. They cannot do so in a half-hearted manner, for to do so will either fail to capture the benefits of an aligned workforce, or, worse, induce cynicism among employees and other stakeholders.

Values, Morals and Ethics

ARE VALUES DIFFERENT FROM ETHICS?

When I first embarked on my research, I regarded values in the organizational context as clearly distinct from ethics or moral judgements. Collins and Porras (1994) were at pains to point out that adopting a core ideology did not imply taking a moral stance:

> *"There is no 'right' set of core values for being a visionary company... Core values in a visionary company don't even have to be 'enlightened' or 'humanistic', although they often are. The crucial variable is not the content of a company's ideology, but how deeply it* **believes** *its ideology and how consistently it lives, breathes and expresses it in all that it does."* (Collins & Porras, 2002: 8)

However, it became apparent to me that I would need to clarify and justify this distinction. I was adopting Rokeach's (1973) definition of values as the foundation for this study, and that definition encompassed beliefs concerning the desirability (or otherwise) of a mode of conduct, which clearly intersects the domain of ethics. Furthermore, I found that academic colleagues often instinctively located my research in the domain of ethics. This led me to examine more closely my own and others' understandings of the meaning of values, morality and ethics.

People tend to use the term morality to refer to private behaviour and ethics to refer to professional obligations and rules of conduct. Both are, however, rooted in the determination of right and wrong. Likewise, the concept of values as a belief concerning the desirability of an end state or a mode of conduct, cannot be entirely separated from right or wrong when the value is inter-personal in orientation—that is, held to be desirable in a wider context than just the individual who holds the value. Implicitly, a person whose behaviour supports such a value will be regarded as 'good' or 'right', and a person whose behaviour conflicts with it will be regarded as 'bad' or 'wrong'.

Dictionary definitions of 'ethics' and 'morality' are very similar, centring around the common theme of a set of principles of right and wrong conduct. I have therefore chosen to treat the two as equivalent in the discussion that follows.

In practice, values and ethics and are difficult to separate at the personal level, though many people may see them as distinct in the business or professional context. In examining my own understanding of the distinctions, two areas came to mind:

1. The concept of 'is' versus 'should be'.
2. The individual versus the collective perspective.

Instinctively I understand values, whether at the individual or organizational level more as a dimension of what the person or organization *is* and *feels*, rather than a judgement based on any external belief about what they *should be*. Values are held 'in the gut' (Collins, 1992). An individual may feel pressured to change their values because of external moral judgements or societal norms, but I believe this is more likely to result in feelings of conflict and possibly guilt, rather than an actual change in values. Ethics, by contrast, always appears to be concerned with what 'should be', according to the view of some external authority. Furthermore, while a breach of values may be seen merely as a lapse, a breach of ethics may carry heavy penalties. In the case of professions such as medicine and psychology, a breach of the ethical code may lead to removal of the individual's licence to practise.

At an individual level, it is hard to illustrate the difference a person's values and their ethics. For example, I believe that people should be respected as individual and equally important human beings. Is that a personal value or an ethical statement? However, when these three terms are applied to an organization, then their meanings begin subtly to diverge. An organization's values are internal to that organization and not necessarily subject to external standards. They are often implicit, and if they are made explicit, they are described in terms of guiding principles or even one or two word 'end states', rather than detailed descriptions of how to behave. Ethics in the organizational context, by contrast, conjures up an image of a detailed code, often highly specific about context, written in prescriptive or proscriptive language (Gaumnitz & Lere, 2004; Kaptein, 2004). Organizational ethics are often defined for external consumption and may, as in the case of professional ethics, be imposed by an external body. Indeed, the existence of an ethical code of conduct has been proposed as one criterion for a work activity to be regarded as a profession (Khurana & Nohria, 2005). As for morality, in the business context, the very term appears somewhat quaint and out of place. It is true that morality in business has been examined (e.g. Carroll, 1987, 2000; Trevino, 2000), but usually in the context of the individual manager, rather than the organization as a whole.

This second of my observed dimensions of differences between ethics and values—individual versus collective—led me to consider Wilber's four quadrant model as a framework for examining the similarities and differences between values, morals and ethics. Wilber, a contemporary philosopher, attempted to develop a consistent world view that encompassed the work not just of other philosophers, but also scientists, psychologists, anthropologists—in short, all fields of knowledge. He found that a four quadrant framework provided the necessary organising principles (Wilber, 2000). The horizontal dimensions are 'interior' and 'exterior', and the vertical dimensions are 'individual' and 'collective'. Within the four quadrants thus defined (interior-individual, interior-collective, exterior-individual, exterior-collective), Wilber was able to locate observations and insights from diverse disciplines within four hierarchies of increasing wholeness (or holarchies as Wilber prefers to call them), representing the evolution of the natural world and our understanding of it. This is illustrated in Figure 2. The holarchies shown add a level of complexity unnecessary for my discussion and are provided simply to illustrate Wilber's concept.

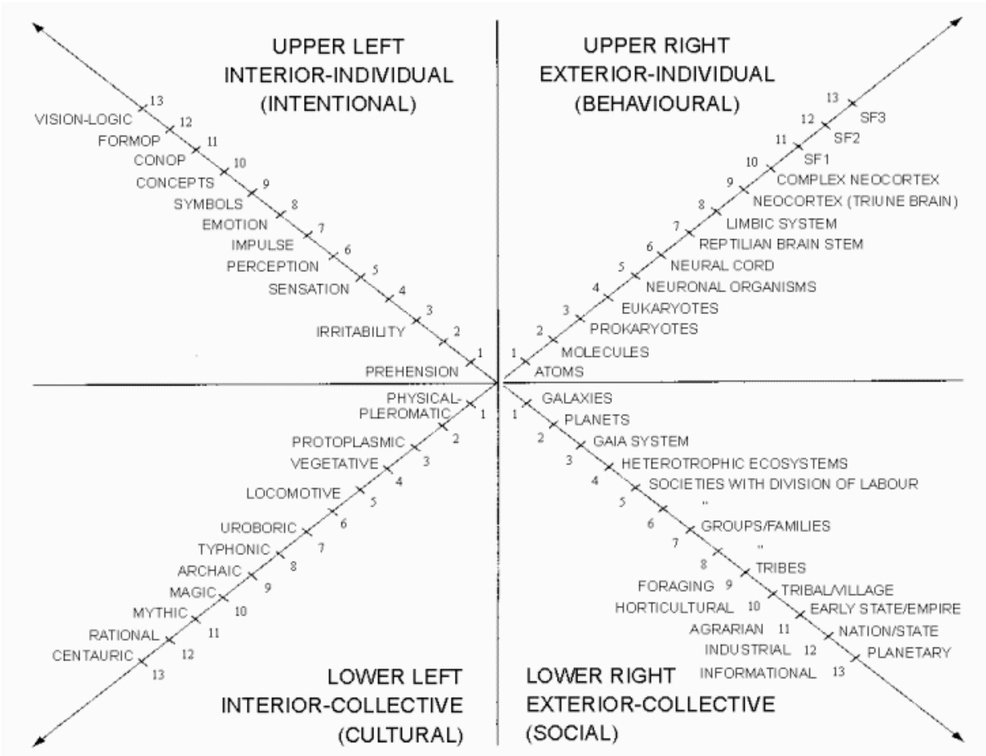

Figure 2: The Four Quadrant Model (Wilber, 2000)

The Individual-Collective dimension has obvious application to the above discussion of the distinction between values and ethics. However, Wilber's four quadrant model also facilitates examination of the 'is' versus 'should be' dimension, which can be seen as an expression of the Interior-Exterior dimension, since the 'should be' involves reference to an external authority of some kind.

An individual's values cannot be deduced by direct observation of the person and may not even be consciously known to the person themself (Hofstede, 1991). They therefore clearly belong in the domain of the Interior-Individual, the Upper Left quadrant. Organizational values are held collectively, but not necessarily with reference to society outside the organization. They may be implicit and not entirely clear to the members of the organization, and therefore, like individual values are somewhat difficult to deduce from observation of the organization. This suggests that organizational values fit in the Interior-Collective, the Lower Left quadrant (a conclusion reinforced by the fact that Wilber labels this quadrant 'Cultural').

Ethics in the context of an organization involves some degree of reference to the society in which the organization operates, and a concern for how any statement of ethical principles by that organization will be viewed by that society. Ethics are a public statement about behavioural intentions and can be assessed against actual behaviour. They therefore cross over into the Exterior side of the framework, fitting into the Exterior-Collective, or Lower Right quadrant.

Personal ethics are difficult to pin down. While I find it hard to describe the difference between ethics and values at the personal level, if I imagine myself asked the questions "what are your personal values?" and "what are your personal ethics?" I find that I would answer those questions differently. I find it easier to identify my core personal values (possibly because, as a consequence of this research, I have thought about them) than my personal ethics. I also feel less *constrained* by a statement of my values. For me, to state my values says something about the person I would like to be and the type of person I feel comfortable with (one who shares my values). When I do not act according to my values, I am ashamed of myself, but it does not alter my attachment to those values. A statement of my personal ethics, by contrast, is a statement of the person I believe I have succeeded in being and will consistently live up to. To claim something as an ethic and then not live up to it is a contradiction in terms.

This was my personal observation of my own reaction to these questions, but a sample of one is no basis for generalisation! Thus I tried the same two questions on my partner, with rather different results. He found it hard to identify his personal values, but after some hesitation, nominated 'courage' as one. Personal ethics was much easier for him. Directness and honesty were two he identified immediately. I asked why he didn't see these as values. The answer was that they depended on courage to be able to live up to them, so he saw courage as being more 'valuable'.

What this very small research sample suggested to me was that—not surprisingly—different people interpret the same term in different ways, but also, and more importantly, that they can be quite deeply attached to their personal interpretation. It genuinely means something to them; it is not just a matter of semantics.

It became apparent to me that to disentangle the concepts of values and ethics, I needed to have a clearer understanding of ethics, which required a review of the major contributors to this field over several thousand years.

Ethics (and morality) belong in the domain of philosophy, which is a new field to me. I therefore consulted a non-academic introduction to the field (Morris, 1999), and a narrower, but less superficial overview of classic philosophical texts (Warburton, 2001). These provided me with an overview of the perspectives that have been taken over the years on what constitutes 'goodness' and 'proper' or 'correct' (ethical) behaviour.

A common observation over the thousands of years during which mankind has debated the nature of goodness is that even though we instinctively feel that there are universal 'goods', it does not seem to be possible to get consensus about what they are. If there truly were universal 'goods', then surely it should be easy for us to agree on what they are? This leads to the debate about whether morality can ever be objective, or whether it must always be considered subjective. Can we talk about what is morally good for the outer world or only report our own inner attitudes? On the face of it, it might seem simpler to agree that morality is subjective—that what one person embraces as right and good, another will reject as wrong and bad, and since neither viewpoint is amenable to independent verification, then each should be allowed to continue with their own, distinct, personal moralities.

The trouble with this approach is that it does not satisfy us. We find it painfully confronting when others find acceptable something that we believe is wrong, and vice versa. We *want* to believe that there are some things that all humans can agree are good or bad. Furthermore, and perhaps of more practical significance, we believe that societies function better when there is consensus that certain behaviour is 'bad'—this is the foundation for our laws. It has also been noted that in companies that have institutionalised unethical behaviour, new employees have to be actively 'socialised' into it (Anand et al., 2003), suggesting that left to their own inclinations, most people have a desire to feel that what they do is 'right'.

Part of the problem is defining what we mean by 'good'. If we are talking about an object, when we say it is good, we mean that it is fit for the purpose it is intended to fill. It achieves its aim. This is known as the teleological approach to goodness, and was developed by Aristotle (384-322 BC). If we can define what is the purpose of a person, then we may be able to determine what it is that makes a person 'good'. Aristotle's answer to this was that the human purpose was *eudaimonia*, a Greek word that does not translate literally into English, but is usually interpreted as 'happiness' or 'flourishing'. Eudaimonia is pursued as an end in itself, not as a means to an end—in Rokeach's (1973) terms, a terminal value. For Aristotle, its value was self-evident and any question of why humans should pursue eudaimonia was meaningless. Eudaimonia was not as simple as a state of bliss or pleasure. Aristotle saw this as demeaning to human beings, putting them on a par with grazing cattle. Eudaimonia was an *active* pursuit, constantly adapting to the circumstances of a person's lives.

Aristotle was pragmatic in his recognition that one's life situation impacted on one's ability to achieve eudaimonia. He saw ethics as an essentially practical subject that helped people to understand how to live a good life, rather than a theoretical description of what a good life consisted of. Central to this was the identification of virtues. Aristotle identified a set of characteristics he regarded as virtues, although not necessarily in the sense of having moral worth (for example, wittiness is on his list). He further saw the virtues as being positioned between two non-virtuous extremes. Courage, for example, is positioned between cowardice (lack of courage) and recklessness (excess of courage). This virtuous mid-point, known as the Golden Mean, is flexible according to circumstance—to rescue someone from danger, might justify a degree of disregard for personal safety that would, in other circumstances, be regarded as recklessness.

In contrast to the societal orientation of later philosophers (see below), Aristotle was concerned with how individuals could learn to become good. He was concerned about intentions and behaviour that arose from an intentional action. If an action was not intentional (for example, accidental or forced by circumstances), then the question of 'rightness' of that behaviour did not arise. However, Aristotle did not accept that desire for pleasure was a compulsion that made consequent behaviour non-intentional, and therefore excused it from any judgement of 'rightness'. Behaving in a virtuous manner did not depend on motivation. An intentional action was regarded by Aristotle as equally virtuous whether arising from natural inclinations or from a sense of duty. Thus a sense of 'oughtness' as described by Heider (1958) was not a pre-requisite for virtuous behaviour.

In short, Aristotle's view of ethical behaviour was driven by individual motivation, rather than societal expectations and consisted of acting in accordance with the virtues to achieve the end goal of eudaimonia, a happy or flourishing life (Aristotle, 'Nicomachean Ethics', summarised in Warburton, 2001). Comparing this to Collins and Porras' (1994) conception of 'core ideology', eudaimonia would be the 'core purpose' of life, and the Aristotelian virtues the 'core values'.

Another approach to defining what is 'good' or 'right' is to refer the problem to a higher being—God or Allah, for example. This is a limiting solution. To regard a higher being as the sole arbiter of right and wrong is to view those who do not subscribe to the same religious code as bad, or at least mistaken, and thus inferior. This approach satisfies only the fundamentalist, who refuses to have contact with others who do not share his belief system. For if he does associate with outsiders, sooner or later he will meet a person whom he likes and respects, but who does not share his beliefs and will find himself in what Heider (1958) would call an unstable triad. He, p, values his belief system, x, but he also likes o, who does not value x—unacceptable tension. He must question his belief system or his liking for the other. The first solution involves accepting the limits of divine command as a guide to right and wrong; the second retreats into fundamentalist isolation.

It is also an inescapable fact that different groups of people, claiming to take their moral guidance from the same higher being, come to significantly different conclusions about what is right and wrong. The reality is that the prescriptions of these higher beings have been recorded and interpreted by mere humans, who arrive at different conclusions. For the moderately thoughtful religious person, it is not comfortable to believe that followers of all other religions are completely bad or wrong. Therefore, religious doctrine as a guide to right and wrong must be regarded as an incomplete solution.

A common theme of religious doctrines is that of 'do unto others as you would have them do unto you'. It is one of the foundations of Christianity: "You shall love the Lord your God with all your heart, and with all your soul, and with all your strength, and with all your mind; *and your neighbour as yourself.*" (Luke 10:27, italics added). It is similarly central to Judaism: "That which is hateful to you, do not do to your neighbours. That is the whole Torah: the rest is commentary; go and study it." (Rabbi Hillel, active 30 BC to 10 AD). In Islam, the prophet Muhammad is quoted as saying "No man is a true believer unless he desireth for his brother that which he desireth for himself." This common theme has come to be known as the Golden Rule.

The Golden Rule is a principle that few of us would have difficulty in accepting as 'good'. But is it enough to guide our behaviour in everyday life? And which is more important: the intention of a person in acting or the outcome of their actions? If actions based on good intentions lead to a bad outcome, is the person who took those actions a 'good' person even though they caused harm? Conversely, if actions based on bad or indifferent intentions lead to a good outcome, is the person who took those actions a 'bad' person even though they created benefit?

In contrast to Aristotle's view of virtue for its own sake, the social contract approach, as proposed by Thomas Hobbes (1651) held that humans act out of self-interest, struggling for survival in a world of limited resources, within which, without any forces of order, life would be "solitary, poor, nasty, brutish and short". However, being rational, we are able to recognise that our best interests are served by cooperation rather than competition with our fellow humans. Thus we agree to abide by certain civil laws because we recognise that life is better when everybody does so. This is known as the 'social contract'. If everyone keeps this contract then the outcome for all is improved.

However, individually, we can gain by breaking the contract while others keep it. Conversely if we keep it and others break it, we are even worse off because we have sacrificed freedoms in return for a benefit that others are sharing without having made the same sacrifice. Therefore in order to agree to a social contract, we must be convinced that it will be enforced, that others will not be allowed to cheat. This requires the presence of what Hobbes called a 'sovereign power', which might be a monarch or an assembly, such as a parliament. This, of course, concedes enormous power to the sovereign, and with it enormous responsibility to set and enforce civil laws fairly and consistently. This could be seen as an invitation to totalitarian rule. However, one can also argue that the ongoing success of the social contract therefore depends on the sovereign power maintaining the trust of the people whose lives it rules, otherwise they might decide that "solitary, poor, nasty, brutish and short" would be better than effective slavery (Hobbes, 1651, summarised in Warburton, 2001).

Nowhere within this philosophy is there any real sense of what is intrinsically 'right' or 'good', only what is expedient in the service of mutual self-interest. Hobbes guiding rule for defining the civil laws that constituted the social contract was:

> *"***When others are prepared to do the same***, give up the rights you have in the state of nature and be content with as much freedom in relation to others as you would grant them in relation to you."* (Hobbes, 1651, quoted in Warburton, 2001, emphasis added)

This is similar in intent to the Golden Rule, but with the added proviso that others must be prepared to observe it also. The Golden Rule makes no such condition, but advocates behaving toward others as you wish to be treated yourself, regardless of how they behave toward you. It identifies an intrinsic morality, whereas Hobbes morality is conditional and pragmatic.

Immanuel Kant (1724-1804) took had a more idealistic view of morality, believing that good intentions were the only unconditional good in life. Everything else was good only when accompanied by good will, the intention to use one's good attributes for good purpose. Thus to be a good person it was only necessary to have genuinely good intentions. If circumstances prevented those intentions being translated into beneficial actions, the actor's goodness was undamaged. However, Kant believed that there was a moral imperative to act on good intentions, deriving from a sense of duty (hence the term 'deontology' used to describe his philosophy). To act according to one's sense of duty was to behave morally, whereas to act according to one's inclinations, even if they coincided with beneficial behaviour, had no moral worth whatsoever. Thus a person who gives money to a beggar because they conceive it as their duty to do so acts morally, whereas a person who does so because it gives them pleasure to be able to help someone in need does not.

But how do we know where our duty lies? Kant's answer to this was what he called the 'categorical imperative', which applies unconditionally. He proposed three formulations of this. The first, and probably best known, is "Only act on a maxim that you could will should become a universal law" ('law' here being used in the sense of moral rather than legal law). If a maxim passes this test, it means that it is universally correct for all people and in all circumstances. This is similar in intent to the Golden Rule, but less flexible in practice. The 'universal law' approach, which admits no exception, makes it hard to develop a simple maxim that does not give rise to the possibility of adverse consequences in certain circumstances. The Golden Rule, by contrast, is easy to apply in practice, simply by asking oneself, "if somebody behaved toward me as I am about to behave, would I feel I had been badly treated?"

The second formulation of the categorical imperative is "Act so as to treat others and yourself always as ends, never simply means to ends". At the heart of this imperative is the requirement to recognise others as individual, autonomous and equally valued human beings. To fail to do so is to deny the essential humanity of other people. The third formulation is "Act as if though your maxims you were a law-making member of a kingdom of ends." This extends the first and second formulations into a basis for creating a society governed by moral laws. From this, it is clear that Kant's concern was not just with individual morality, but with creating a moral society. (Kant, 1785, summarised in Warburton, 2001)

Three main difficulties arise from Kant's approach. The first, which I will return to later, is that it engages the intellect, but leaves out the emotions. The purity of his reasoning is attractive to the conceptual thinker, but the dryness and lack of emotion limits its appeal as a motivator for humans to behave morally, especially since, if they do so through natural inclination, in Kant's judgement, they are not actually behaving morally.

The second difficulty is that it does not take account of consequences of actions, only the intention of the actor. Since we cannot know for certain the consequences of our actions, it is certainly important to examine our intent, but surely outcomes deserve equal consideration. Thirdly, and related to this second issue, it does not allow for the possibility of conflicting imperatives and, in practice, life confronts us with these all the time.

One approach to resolving conflicting ethical imperatives and considering outcomes, is to link goodness to utility—that is, how useful is an action in producing pleasure or happiness. This approach is known as utilitarianism and was developed by philosophers such as Jeremy Bentham and his pupil John Stuart Mill. Bentham and Mill were concerned with greatest aggregate happiness, regardless of how it was distributed. Intense happiness for one person might outweigh mild pleasure for a hundred people. Bentham valued all pleasures equally, whereas Mill distinguished between higher and lower pleasures (broadly, those of the mind and spirit, and those of the body respectively) and accorded greater value to higher pleasures.

Mill's guiding principle is outlined in his earlier writing on liberty (Mill, 1859), where he stated that an individual should be free to do whatever he or she wished without interference from the state or other individuals, provided their actions did not harm others. In particular, they should not be prevented from harming themselves. Greatest happiness was derived from individuals being free to pursue their own pleasures (preferably higher ones) which, coupled with the harm principle, would lead to an aggregate increase in total human happiness.

Utilitarianism can take the form of evaluating individual actions, or developing general rules for behaviour that are deemed to lead to an overall increase in happiness, even if occasionally actions taken in accordance with those rules might lead to a decrease in happiness. This second version is closer to Kant's universal maxim approach. (Mill, 1859 & 1863, summarised in Warburton, 2001.)

One difficulty with utilitarianism is that, in practice, it is very hard to calculate the measure of happiness that will be created by each of the possible actions at one's disposal. The distinction between higher and lower pleasures complicates this calculation still further. In short, the utilitarian approach has theoretical utility, but far less practical utility. Nevertheless, as a guiding principle, it has the benefit of being relatively simple to understand and possible to apply in simple circumstances.

Utilitarianism is a philosophy designed to guide governments, those concerned with managing nations, states and cities, rather than individuals. It also makes goodness dependent on one's ability correctly to predict the outcomes of one's actions *and* correctly to calculate the amount of happiness those outcomes will produce. It reduces the identification of right and wrong behaviour to a mathematical calculation, inevitably based on assumptions, and thus highly susceptible to departure from any meaningful resemblance to life as experienced by ordinary people. Like Kant's categorical imperative approach, it discounts human goodwill and does not allow for any concept of intrinsic goodness.

The review above demonstrates that much of the philosophical debate about ethics and what constitutes a good life is focused at the societal level rather than the individual level—in the context of the Exterior-Collective or Lower Right quadrant of Wilber's model (Wilber, 2000). Where the individual is mentioned, he is presented as an abstract notion of a human being, subject to selfish impulses, with the ability to reason, but without feelings or emotions. As I have noted throughout this discussion, there is little acknowledgement of the intrinsic human desire to be a good person, to live a virtuous life and to strive continuously for self-improvement, as conceived by Aristotle. Surely ethics and morality are not just about following rules, but about personal growth, strength and fulfilment? They are a form of emotional capital that supports our emotional wellbeing in the same way as savings in the bank support our financial prosperity.

Contemporary Australian philosopher, Peter Singer, supports this:

> *"Is there still anything to live* for*? Is anything worth pursuing, apart from money, love, and caring for one's own family? Is so, what could it be?.... The answer is that we can live an ethical life. By doing so we make ourselves part of a great, cross-*

cultural tradition. Moreover, we will find that to live an ethical life is not self-sacrifice, but self-fulfilment." (Singer, 1995: preface)

Singer links the ethical life of an individual to the creation of an ethical society. He draws on the research of Robert Axelrod on the nature of co-operation. Axelrod made innovative use of a well-known exercise in cooperation, the Prisoner's Dilemma[2]. Instead of running it as a once-off experiment between two players, he extended it to a series of 200 iterations between the same players, with the overall objective of minimising the amount of time spent in jail. In this version, the prisoners have an ongoing relationship and therefore an interest in developing trust. Axelrod invited decision strategists to submit strategies for playing this extended version of the Prisoner's Dilemma. These were converted to computer programs and set to play against each other. The winner was the simplest strategy of all—cooperate on the first move and thereafter do whatever your opponent does. It was named, appropriately, 'Tit for Tat'. It also emerged supreme in a second tournament inviting challengers to counter the Tit for Tat strategy. In general 'nice' strategies, which started by cooperating, did well against each other, whereas 'mean' strategies, which started by confessing (not cooperating) performed badly against each other. In other words if everyone is 'nice' all benefit. If everyone is 'mean', nobody benefits. Tit for Tat emerged the winner because it *only* cooperated with other cooperators. Up against a 'mean' strategy, it withdrew cooperation, but responded immediately to any cooperative move from its opponent (Axelrod, 1984, reported in Singer, 1995: chapter 7).

The great significance of this finding, in Singer's view, was that an individual's decision to cooperate, while refusing to be a 'sucker' by allowing uncooperative individuals to take advantage, could lead to greater cooperation among members of the society in which that individual lived. Because cooperation was withdrawn when other members did not cooperate, then the non-cooperative ('mean') members did not gain benefits at the expense of their cooperative ('nice') co-citizens. Thus, so long as there was a sufficient core of 'nice' members of a society, who interact with each other, then 'niceness' could not only survive, but drive out 'meanness', because 'mean' members did not benefit when they interacted with each other. Effectively, this is the social contract without the need for a sovereign power.

Morris (1999), having briefly reviewed various schools of thought on the nature of a 'good' life, returns to Aristotle's virtue ethics as providing a concept of goodness that engages the emotions and the desire to be a good person simply for its own sake, rather than to conform with any model of how societies should operate. Morris states his own personal belief, based on his studies of the great philosophers that there are four fundamental dimensions of human experience: Truth, Beauty, Goodness and Unity, representing respectively our intellectual, aesthetic, moral and spiritual nature.

This viewpoint is consistent with that of Wilber (2000), who equates the 'I' (upper left), 'we' (lower left) and 'it' (upper and lower right) of his four quadrant model with the Good, the True and the Beautiful, and argues that reality must be viewed from the perspective of all four quadrants (Unity) or it is stripped of part of its value.

Overall, this review suggests that there are two distinct domains of ethics: the social and the individual. The social (Hobbes, Kant, Mills) domain deals with how people should behave in

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[2] The Prisoner's Dilemma is an experimental exercise in cooperation. The scenario is thus: you are one of two prisoners who have been arrested and accused of conspiracy. You are being interrogated separately. You are told that if you confess, you will go free while the other will receive a long sentence. Conversely, if the other confesses, he will go free and you will receive the long sentence. If you both confess, you will both receive shorter sentences. If neither confesses, your jailers will have to let you go after a period of interrogation, maybe a few months. The best joint outcome for both prisoners is if neither confesses. But this relies on each trusting that the other will not confess. If they do not have that trust, then their best option is to confess and avoid the worst case of the long sentence. Not confessing is interpreted as 'cooperation'.

order to ensure a harmonious and stable society, and is directed at the regulators of society (governments, monarchies). In the context of work life, this extends to codes of ethics that characterise certain professions or industries. The individual domain (Aristotle, Singer) deals with how a person should live a good life, and is directed at members of society, with the view to creating an ethical society through individual participation. These two domains belong in the Lower Right (social) and Upper Left (Intentional) quadrants of Wilber's four quadrant model (Wilber, 2000). Morality, being primarily an individual concern with how to live a 'good' life, belongs, with individual ethics, in the Upper Left quadrant.

Conclusion

Has the above moved me closer to a conclusion about the differences between values and ethics? The distinction I originally proposed between values and ethics in the organization context is, I believe, supported: ethics is concerned with the interaction between the organization and the expectations of the society in which it operates—the Lower Right or Social domain using Wilber's four quadrant framework (2000). Values in the organizational context are concerned with internally defined 'desirables', collectively embraced and capable of being independent of social expectations—the Lower Left or Cultural domain.

At a personal level, the distinction between ethics and values is more difficult, and Wilber's four quadrants do not help. Both belong in the Upper Left or Intentional domain. I investigated the distinction through examination of the implications of espousing a particular set of values. Let us say that an individual—we'll call him Tom—espouses the values of Beauty and Truth.

Tom finds he needs a shed in his garden to house his garden tools and bicycle. As they are, scattered around the garden, they are not aesthetically pleasing, so storing them neatly in a shed is likely to enhance the beauty of his garden. But he doesn't have much money to spend and the only shed he can afford is rather ugly. He buys it anyway, reasoning that it is less ugly than having garden tools lying around. In another example, Harry, a friend of Tom's has recently split up with his partner, Jane, also a friend. He asks Tom whether Jane is seeing anyone else. Tom knows that she is, but also know that Harry will find this painful, so he lies and say that he doesn't know.

Tom's garden tools are no longer lying around, which is good, but the ugly shed offends him and he intends to replace it with one more aesthetically pleasing when he can afford it. Similarly, he is uncomfortable about lying to his friend, even in a good cause. He regrets that he didn't have the courage to tell the truth, as his friend will find out sooner or later anyway. His appreciation of Beauty and Truth is enhanced by these small experiences of what life is like when they are absent. His values are strengthened, not diminished (though it is acknowledged that an accumulation of small breaches over time would eventually undermine his values).

Let us change the question and ask whether Tom's behaviour is ethical. He values Beauty, yet he builds an ugly shed. He values Truth, yet he tells a lie. If Tom claims Beauty and Truth as his ethical standards, then there is no question that he has breached them. Contained within the word 'ethical' is a sense of integrity—that your deeds match your words. One's ethics are not so readily breached as ones values and the breach is less easily repaired. We can fail to live up to our values without damaging those values. But if we fail to live up to our ethical standards, can we still claim them as our standards? In professional ethics, the answer is no, and I believe that the same applies to personal ethics. And so, finally, this is the distinction that I have chosen to make between values and ethics:

> Values are a standard to which we aspire; ethics are a standard by which we have committed to live.

The implication of this distinction for my research question is that organizational values impose a different demand on the individual employee than do organizational ethics. Organizational values demand personal commitment. Breaches are tolerated as an inevitable consequence of human imperfection, provided that the intent and commitment to the values remains sincere and within the ability of the individual to achieve. Failure to live up to values does not damage the organization's integrity provided that it is only occasional, is openly acknowledged and that acknowledgement is used as an opportunity to reinforce commitment. Organizational ethics, by contrast, demand compliance. Breaches are not tolerated. Failure to observe its own code of ethics damages the organization's integrity. Organizational values define an aspiration that motivates high achievement. Organizational ethics define a minimum benchmark that motivates prevention of breaches.

This distinction is analogous to regulatory focus theory (Higgins, 1998; 2002, cited in Bryant, 2007), which distinguishes between a promotion focus on hopes and accomplishments (gains) and a prevention focus on safety and responsibilities (non-losses). Individuals with a promotion focus approach new tasks with eagerness to achieve goals, whereas those with a prevention focus approach new tasks with vigilance to avoid mistakes. Organizational values appear to be more compatible with a promotion focus, and organizational ethics with a prevention focus, which suggests that organizational values may provide a source of motivation toward achievement that organizational ethics cannot offer.

COGNITIVE MORAL DEVELOPMENT

The ability to live according to ones values or to maintain an ethical standard depends on one's ability to recognise ethical imperatives and to apply reason to determining the most ethical course of action in a specific context. These abilities vary from person to person and at different stages of our lives. A child is less able to understand moral nuances than is an adult. Lawrence Kohlberg (1927-1987) was a pioneer in the study of the stages of moral development. His work built on that of Piaget (1896-1980), who identified two stages of moral judgement. Roughly speaking, Piaget found that younger children tended to judge an action as right or wrong by its consequences, whereas around the age of 10 or 11, they begin to take into account the motives behind the action.

Kohlberg investigated how moral judgement continued to develop after this transition. He interviewed a sample of adolescent boys (aged between 10 and 16) on their reactions to a story involving a moral judgement—did the protagonists act rightly or wrongly. From these interviews, he identified six stages of moral development, grouped into three main stages: pre-conventional, conventional and post-conventional (Kohlberg, 1967). He developed classification guidelines that would allow them to be rated independently with reliable results.

The stages were:

<u>Pre-conventional (self-interest):</u>

1. Obedience and punishment: "if I would be punished for this, then it must be wrong"
2. Individualism and exchange: "different people think different things are right and wrong, so I'm free to do what furthers my own interests, provided I can avoid punishment"

<u>Conventional (preserving social order):</u>

3. 'Right' is based on good intentions and preserving good relationships with other 'good' people (in terms of being a good role occupant by conforming to expectations of that role).
4. Maintaining social order, everyone subject to the same rules ("if everybody did whatever they thought was right, then we would have no social order, so we have to respect the rules").

Post-conventional (principled conscience):

5. Social contract and individual rights: Some rights (such as life) override rules, and where the social order is unfair, there needs to be a democratic means to change it.
6. Universal principles: an action that is 'right' must be fair to all who are affected by it; it cannot be right to count any individual's interests as less important my own or anyone else's.

Longitudinal studies showed that, in general, children progressed through these stages in sequence and did not usually regress, and that moral judgement continued to develop through adulthood. Development to the post-conventional stages was rare: most adults remained at stages three or four. Development from one stage to the next arose from thinking about moral problems and was most rapid when thinking was in the form of discussion with a person at a higher stage of development, and when the individual found the process of moral reasoning interesting. Kohlberg believed that the stages were 'hierarchically integrated', which meant that as people progress to higher stages, they retain the insights of the earlier stages but consider them inferior. This proposition was verified by Rest (1979), with the additional interesting discovery that people preferred the highest stage of reasoning they heard, even if they did not fully understand it, suggesting an intuitive understanding of the greater adequacy of higher stages of reasoning.

Kohlberg's work was criticised by his friend and colleague, Carol Gilligan, who was disturbed by the fact that women tended to score lower than men on Kohlberg's states of moral development. She argued that because Kohlberg's early work was based on interviews only with boys and young men, that his classification system favoured a male version of morality centred on justice and abstract reasoning, whereas female morality centred on compassion and care, and was therefore, based on Kohlberg's classification system, unlikely to advance beyond stage 3. Gilligan's version of the three main stages of moral development can be summarised in terms of care: Stage 1: care for oneself; Stage 2: care for others, often at the expense of oneself; Stage 3: balancing care for self with care for others. (Kohlberg, 1967 and Gilligan, 1982, summarised in Crain, 1985).

Gilligan's conception of the three main stages of cognitive moral development is consistent with Clare Graves' (1914-1986) levels of existence theory. From many studies involving psychological assessments of his students, he developed a model of psychological maturity which was open-ended—that is, there was no perceived ultimate nirvana-style end point—and involved cycling between what he called adaptive (self-denying) and expressive (self-affirming) states. Graves believed that no state was intrinsically better than another, just more suitable for a particular set of life conditions. The more complex those conditions, the more likely that a higher level state would be more suitable. However, he did argue that:

> *"for the overall welfare of total man's existence in this world, over the long run of time, higher levels are better than lower levels and that the prime good of any society's governing figures should be to promote human movement up the levels of human existence."* (www.ClareGraves.com, viewed 5th September, 2006).

Graves' work was further developed by Beck and Cowan (1996) into the model known as Spiral Dynamics. Spiral dynamics consists of a series of states or 'memes', each consisting of a core value system, which acts as an organising principle, and each represented by a colour. Expressive memes alternate with adaptive memes and transitional stages are recognised. Each meme is associated with a stage of development in human history.

Spiral Dynamics was developed as a management tool, aimed at organizational design and transformation, but has gained acceptance in the academic world. For example, the transcendent nature of the spiral dynamics levels of existence, where each level transcends and includes the previous one, describes a holarchy, which fits well within the integral theory approach of Ken Wilber (2000), described earlier. It adds insight to both the Intentional and Cultural quadrants, depending on whether it is viewed from the perspective of an individual or an organization or social group.

More recently, Zohar and Marshall (2001, 2004) have proposed a scale of development based on what they call 'spiritual intelligence'. Spiritual intelligence is the foundation of spiritual capital, which, they argue, is just as important to a healthy enterprise as are financial and social capital (Zohar & Marshall, 2004). Marshall, a psychiatrist and psychotherapist of Jungian background and inclination, has developed, based on 40 years of clinical observation of patient behaviour and response, a scale of human motivations. The 16-point scale builds on the five-level 'hierarchy of human needs' model originally developed by Maslow (1943). Whereas the first four layers of Maslow's hierarchy consisted of 'deficiency needs', needs that caused no positive emotion when met, but created anxiety when not met, Marshall's scale gives greater emphasis to the top layer of Maslow's pyramid, 'actualisation needs', which, when fulfilled, provide motivation for further personal growth. It consists of eight positive and eight negative emotions, which are numbered 1 to 8 and -1 to -8 respectively. Motivations higher up the scale lead to greater personal effectiveness and more positive outcomes. Positively numbered motivations may be thought of as actualisation needs in Maslow's terminology. Each negative motivation is the 'shadow' (a Jungian term) of it's positive counterpart, for example, 'anger', numbered -2, is the shadow of 'cooperation', numbered +2.

Each motivation represents a complete behavioural paradigm, embracing assumptions, values, emotions and other factors that influence behaviour. For example, to someone operating from a motivation of fear (-4), everything is perceived as a threat. Since motivations are the cause of behaviour, then the only reliable way to change behaviour is to shift the underlying motivation, which involves a paradigm shift—no small matter.

The numbers allocated to motivations are not arbitrary. They indicate not only rank, but the degree of influence on motivation levels of others operating at higher or lower levels on the scale. A person with a positive motivation can have their effectiveness cancelled out by a person with the equivalent level of negative motivation—thus anger (-2) cancels out cooperation (+2). A person operating at +4 (mastery) can contain and maybe improve the motivation of someone operating at -3 (craving), but -3 can drag down +2 (cooperation). Interaction with others can lead to temporary shifts, but motivation level will return to its natural level once that influence is removed, because there has been no long-term shift in the underlying paradigm. To change one's own paradigm, one must first become aware of it, and understand the values and assumptions that underlie it, see that a different paradigm is possible, and develop the desire to change. Developing emotional intelligence (Goleman, 1996), particularly self-awareness and emotional self-control, can play a part in allowing this shift to happen. Spiritual awareness, Zohar and Marshall argue, is crucial in providing the desire to change (Zohar & Marshall, 2004: chapter 3).

Zohar and Marshall provided illustrations of the practical implications of this motivation scale. Children typically operate at +1 (exploration), but much of the education system operates at -3 (craving—for control). Thus, for many children, their experience of education is reduced to -3 (craving for credentials) or -4 (fear of failure). The business world typically operates from negative paradigms somewhere between -1 (self-assertion) and -4 (fear). Similar motivations appear to drive many in the political field. Western society (possibly Eastern also) is therefore, apparently, operating predominantly out of negative motivational states (Zohar & Marshall, 2004: chapter 3).

The precise mathematical properties of the scale might be challenged, however, the principle that people operating from higher motivations can influence others to shift their paradigm from a negative to a positive (or at least less negative state) is intuitively reasonable. It is analogous to the argument put forward by Peter Singer (1995) that cooperative behaviour will breed cooperation in others, even the initially uncooperative (provided it does not reward uncooperative behaviour). It is also one of the foundations of Mahayana Buddhist practice—bodhisattvas, those who have achieved the highest possible level of enlightenment, dedicate their lives to helping others travel the same path.

Conclusion

Three models of human cognitive and moral development have been presented here. There are many others. These three were selected as illustrative because they have been related to the business context. Kohlberg's work is drawn on extensively in the literature on business ethics (see below), and the work of Beck and Cowan, and of Zohar and Marshall, is aimed at the corporate world.

While there are elements of all three in each model, Kohlberg's is based mainly on ability to reason, Beck and Cowan's on value systems, and Zohar and Marshall's on spirit and emotion. All three are founded on detailed observation of human behaviour (the Upper Right of Wilber's quadrants), but Beck and Cowan, Zohar and Marshall attempt to interpret the findings in terms of how they appear from an interior perspective—both the individual (Upper Left) and the organization (Lower Left).

Common to all three models is the theme of 'hierarchic integration', that is each level includes but extends the previous one, consistent with Wilber's (2000) concept of 'holarchy'. Upward progression is assumed to be the ideal (indeed by Kohlberg to be the norm) but regression is possible. Higher levels in each model are associated with positive outcomes, both for individuals in terms of personal growth and for the societies they form. Kohlberg's main focus is on the individual, Zohar and Marshall's on the individual as influenced by society, and Beck and Cowan's on collective culture. But all three reflect a human aspiration for personal growth and fulfilment and a higher degree of connectedness to their fellow humans and the world in which they live. Furthermore, they show that perception of what is desirable will be limited by the stage of cognitive development of the individual, thus values and cognitive moral development are inextricably related.

ETHICS AND ENTREPRENEURSHIP

Archie Carroll (1987) defined three moral types among managers: *moral*—seeking to do what is right by the society within which they operate; *immoral*—knowing the difference between right and wrong, but choosing to do wrong if it is good for business and if they believe they can get away with it; and *amoral*—regarding judgement about right and wrong as not the concern of business. Amoral managers could be either intentionally or unintentionally so. Intentionally amoral managers consciously accepted the proposition that morality was not the concern of business. Unintentionally amoral managers, by contrast were simply casual about moral concerns—not indifferent to right and wrong, but insensitive to the impact of their actions on others, therefore often failing to identify a harm resulting from their activities. Carroll asserted in 1987 that amoral managers were overwhelmingly in the majority and that they remained so 13 years later, mostly unintentionally so (Carroll, 2000).

The collapse of such iconic companies as Enron and WorldCom involving revelations of clearly unethical, and in some cases illegal, behaviour has prompted the question of whether these catastrophes are the results of a few rotten apples or whether the whole business 'barrel' is infected. One such examination (Anand et al., 2004) found that employees who had engaged in or supported unethical practices did not view themselves as unethical, but rationalised their behaviour in a variety of ways. Furthermore, new employees were gradually socialised into unethical behaviours through small steps taking them further 'over the line'. The context did not appear to be active intent to act 'immorally', but to 'educate' new employees into the practical realities of doing business in the particular company or industry. This is consistent with Carroll's (1987) definition of amoral management, but—sadly—suggests that intentional amorality may be more common than he proposed (Carroll, 2000).

The rationalisation process is illustrated by a recent Australian case, AWB. AWB began life as the Australian Wheat Board, a government department, with monopoly responsibility for securing overseas markets for Australian wheat growers. It was privatised in 1999 and floated on the Australian Stock Exchange in 2001. It lost one of its major markets when the United Nations (UN) imposed sanctions on Iraq, but was able to start trading again when the UN 'Oil for food' program commenced in 1995. This program ceased in 2003 with the invasion of Iraq by a coalition of countries, including Australia. The UN Volcker enquiry found that much of the 'Oil for food' income had been siphoned off by Saddam Hussein in the form of 'kickbacks', and that AWB was the single biggest contributor.

In response, the Australian government established a Royal Commission into the activities of AWB during this time. This process attracted intense media scrutiny and much public debate. Many of the rationalisations identified by Anand et al. (2004) emerged: "It was up to the UN to police the program, not AWB" (denial of responsibility); "That's the way business is always done in the middle East" (denial of injury—ignores the fact that the 'oil for food' program was intended to bypass 'business as usual'); "If AWB hadn't done it, the US or Canada would have" (social weighting—others are as bad or worse than us); "AWB was just doing the best thing for Australian wheat growers" (appeal to higher loyalties). I have drawn these not from AWB employees (who for legal reasons said as little as possible), but from media reports and general conversation. If such rationalisations carried conviction for the general public, then it is reasonable to suppose they would carry as much or greater conviction within AWB. The ability of many commentators to support the invasion of Iraq, while simultaneously defending AWB's conduct in trading with his regime, and furthermore, perceiving no significant conflict in holding such a position suggests moral reasoning (Kohlberg, 1967) at Stage 2 (self interest) or, at best, Stage 3 (looking after 'good' people—in this case, Australian farmers). This, in turn, suggests that Australian managers and employees might either fail to perceive ethical dilemmas or resolve them by sidelining them as 'someone else's problem' leaving them free to pursue self-interest.

How does this relate to organizational values? A leader, seeking to identify what principles he or she values so much for their organization that they would *never* compromise them *and* is prepared to stand by them publicly, inevitably takes a moral stance to some degree. He or she really cannot choose to be immoral, by Carroll's definition. To espouse values likely to be perceived as unethical by the society in which the company operates, would destroy its reputation and would not be an option. To espouse values with the intent to contravene them privately would be a contradiction of the definition of core values. He or she might, however, select values that are ethically neutral. 'Innovation', 'Fun', 'Communication' are examples of such values. A sincere, open commitment to core values does not, therefore, preclude amoral management, intentional or unintentional.

The example of AWB illustrates ethics in action at a long-established organization. Do the same patterns apply in emerging companies? Two synthesis papers, a decade apart, have attempted to map the territory of ethics and entrepreneurship. Dees and Starr (1992) drew on prior research in the entrepreneurship domain to examine entrepreneurship through an 'ethical lens'. They suggested that the nature of entrepreneurial activity might expose entrepreneurs to particular types of dilemmas that would be less common for established businesses and identified three such types. 'Promotor' dilemmas balance the ethical imperative to be honest and truthful with the pragmatic need to overcome the liability of newness and establish credibility. 'Relationship' dilemmas balance the ethical imperative to treat others with respect and honour the obligations of past and continuing relationships, with the pragmatic need to maintain a business-like 'arms-length' relationship in commercial dealings. 'Innovator' dilemmas reflect the fact that entrepreneurs are the people who break new ground and must judge whether social resistance to the innovations they attempt to introduce represents natural conservatism or a warning that an ethical boundary has been crossed.

Solymossy and Masters (2002), responded ten years later, drawing on ethics research to examine ethics through an 'entrepreneurial lens'. They proposed a model of ethical decision-making that, they contended, should be equally valid for all sizes, stages and levels of entrepreneurial orientation of businesses. At the centre is the process of moral decision making, consisting of three stages: recognition of a moral issue, making a moral judgement, taking moral action. In identifying influences on this process, they drew heavily on the work of Trevino.

Trevino (1986) observed that an individual's level of cognitive moral development (CMD) as described by Kohlberg (1967) would influence their ability to recognise, judge or act on an ethical dilemma. She further proposed that individual characteristics such as ego strength (strength of conviction), field independence (reliance on self for guidance in ambiguous situations), and an internal locus of control (belief in ability to control the outcomes in one's life) would increase the probability of making a successful transition from moral judgement to moral action. These are characteristics often identified with entrepreneurs (e.g. Brockhaus & Horwitz, 1986).

Based on Kohlberg's (1967) finding that moral development increased fastest through active engagement with moral dilemmas, she proposed that the nature of work itself and the culture of the organization in which an individual worked would influence their level of CMD. Thus, those whose work involved frequently dealing with ethical dilemmas were likely to attain higher levels of CMD. Entrepreneurs, whose work by its very nature routinely involves juggling the often conflicting demands of employees, customers, investors and other stakeholders, might be expected to be regularly confronted with situations constituting ethical dilemmas. However, there is no certainty that they would perceive them as such. Many founders exaggerate the size and maturity of their venture in order to overcome the liability of newness. In their own reports of such incidents, there is rarely a sense that they see anything unethical in such behaviour, and yet it is unquestionably a form of deception.

However, it is fair to conclude from the above that, provided entrepreneurs are inclined to think about ethical issues, then the individual characteristics typical of entrepreneurs and work characteristics typical of their role in their organization would seem to predispose entrepreneurs to ethical decision-making to a greater extent than business managers in general.

Despite a lingering tendency (at least in Australia) of the general public to view entrepreneurs with some suspicion, regarding them as inclined to put their own self-interest before the public good, theoretical arguments and empirical studies have suggested that entrepreneurs are likely to be at least as ethical, if not more so, than their general business counterparts. The theoretical approach, as outlined above, argues that the characteristics found to be associated with successful entrepreneurs, and the nature of their role within their organizations, combine to encourage a higher level of ethical decision-making (Trevino, 1986, 1992; Buchholz and Rosenthal, 2005; Chau and Siu, 2000).

The theoretical argument has found some support in empirical studies. Teal and Carroll (1999) found that entrepreneurs were likely to possess slightly higher moral reasoning skills than middle managers or the general population. Bucar (2001) found that entrepreneurs were more likely to hold ethical attitudes than business managers. However, Longenecker et al. (1988) found that ethical stances of entrepreneurs (defined as self-employed people) were different from business people in general, but not necessarily stronger. They surveyed a large population of business people (including self-employed) on their attitude to sixteen vignettes describing ethically questionable behaviour. The entrepreneurs were less tolerant than non-entrepreneurs on two of 16 issues, and more permissive on five, those five being the issues where self-interest was pursued at the expense of others. Business people in small firms also differed from their large firm counterparts, but on balance were no more or less ethical, being more tolerant on six issues and less tolerant on another six (Longenecker et al., 1989).

The ethical behaviour of entrepreneurs may be mediated by the context in which they operate. In both the Bucar and Longenecker studies described above, entrepreneurs reported feeling pressured by circumstances to behave unethically, but while Longenecker found entrepreneurs were more likely to feel such pressure than managers, Bucar found the reverse. Opposing factors appear to be at play here. Entrepreneurs are involved in all aspects of the company and deal frequently with a wide range of external stakeholders, thus exposing them to ethical dilemmas which many managers, having a more limited scope of activities, and being more inwardly focused would be insulated from. Entrepreneurs are likely to be involved in external relationships where they have a lower power status, which Brass et al. (1998) proposed would decrease their likelihood of unethical behaviour. But while the asymmetry of power might inhibit the entrepreneur from *initiating* unethical behaviour, there is clearly potential for them to be pressured to engage in unethical behaviour by a higher power status party on whom their business depends. On the other hand, entrepreneurs have much greater control over the climate and operating rules for their organizations than managers, who are confined by the existing procedures, norms and conventions of their employing organization. Furthermore, the observed tendency for entrepreneurs to have a higher internal locus of control than managers (e.g. Brockhaus & Horwitz, 1986) may result in a lower perception of pressure to conform.

Recent research (Bryant, forthcoming) has suggested that ethical behaviour in entrepreneurs is related to self-regulation, which describes how people set their goals and self-direct toward achieving those goals. Bryant found that entrepreneurs with strong self-regulatory skills routinely considered values and ethics in decision making, whereas those with weak self-regulatory skills rarely did so. This suggests that that interventions aimed at improving the self-regulatory skills of entrepreneurs could help to manage the anti-social behaviour that some exhibit, while at the same time imparting a higher sense of purpose and personal satisfaction to those engaged in entrepreneurial pursuits. In the context of this research, it also suggests that entrepreneurs who define a clear core purpose (a long-term goal) for their business may be more likely to act ethically.

Where attempts have been made to validate theory through empirical studies, these have tended to measure attitudes to hypothetical dilemmas (Longenecker et al., 1988, 1989; Bucar, 2001; Akaah & Lund, 1994), which do not necessarily reflect how the respondents actually *would* behave if confronted by such dilemmas (Rokeach, 1973; Hofstede, 1990; Heider, 1958). Others (e.g. Vyakarnam et al., 1997) have used focus groups or interviews to recall specific dilemmas, and are thus limited by accuracy of memory and potentially distorted by the desire to represent oneself in a favourable light. Furthermore, the nature of the distinction between entrepreneurs and non-entrepreneurs is not always clear. The situation of a self-employed tradesman or freelance contractor is quite different from that of the founders of Google or eBay, and yet the term ‘entrepreneur’ has been used to refer to both.

This is not to downplay the value of these studies, simply to highlight that our understanding of the ethical orientation of entrepreneurs and the factors that influence their ethical decision-making are very incompletely understood. In particular, empirical studies of the development of ethical climate in emerging companies, those that aspire to be the large companies of tomorrow—the USA’s Inc. 500, Australia’s BRW Fast 100 etc.—are lacking. Yet if we want to understand how a climate of high ethical standards can be embedded within our corporate sector—and Enron, Arthur Andersen, WorldCom and the like provide a powerful reminder of why we need to do so—it is surely important to examine how the values and assumptions underlying ethical climates are formed. This research does not claim to, or even aim to, address this issue directly, but may shed some light on one of the contributing factors—the development of organizational values.

<u>Values and ethical behaviour</u>

Values have been widely recognised as a determinant of ethical behaviour. Chakraborty (1998) argued that supporting values are essential to the successful implementation of codes of ethics. In other words, normative commitment to the spirit of the ethical code, rather than rather than instrumental compliance with the letter, is the key to ethical behaviour. Ethical values have been found to play a defining role in the moral life of a firm (Solomon, 1999); to provide guidance to employees on the resolution of ethical dilemmas (Webley, 1999); and to increase employee commitment (Hunt et al., 1989) (all cited in Morris et al. (2002)).

Liedtka (1989) argued that values *precede* the decision-making process by defining the 'givens' that frame the possibilities before conscious decision-making begins. Thus values are an important factor in determining whether or not we even perceive an ethical dilemma. Much of the focus on ethical attitudes and behaviour focuses on dilemmas, which misses a whole dimension of (un)ethical behaviour neatly summed up by Dees and Starr (1992:90) as the things "we wish they [entrepreneurs] *would* lose sleep over". Chakraborty (1998) acknowledged this by calling for a greater focus on what he terms 'direct' ethics.

Trevino (1986) agued that a strong, normative culture was likely to result in clearer agreement about right or wrong among employees within an organization, than in a weak, fragmented culture. It does not necessarily follow that strong, normative cultures are ethical—the governing norms may condone or even encourage unethical behaviour—but they are likely to be *consistent*. Core values that genuinely and actively underpin organizational culture, as was the case with the companies studied by Collins and Porras (1994), result in a strong, normative culture and should therefore lead to consistent ethical decision-making (good or bad) across the organization. If the core values were ethical values, then one would expect ethical decision-making within that organization to be enhanced.

Victor and Cullen (1988) analysed ethical work climate at sub-group level in four firms using a 2-axis model consisting of ethical criteria ('egoism', 'benevolence', 'principle', based loosely on Kohlberg's (1967) stages of cognitive moral development), and locus of analysis ('individual', 'local' (firm), 'cosmopolitan' (wider social context)). Although nine combinations were theoretically available, only five distinct climate types emerged (consistent with prior research by the same authors). They found that employees were most satisfied with the ethics of the company when ethical decision-making was based on 'benevolence' (concern for relationships with others—personal, work colleagues and society in general), and when personal self-interest was *not* a criterion. The dominance of benevolence suggested that most employees reasoned at Kohlberg's 'conventional' level and at Stage 3 (concern for relationships) rather than Stage 4 (concern for social order). That 'principle' emerged as a defining factor of climates perceived to be ethical by employees is somewhat surprising, given other propositions about the influence of core values (principles) on ethical climate. However, the questions relating to the 'principle' dimension, were phrased in terms of rules and laws, rather than guiding principles, so the findings may not be directly comparable.

Neubaum et al. (2004) investigated the impact of firm newness (age) and entrepreneurial orientation (proactiveness, risk-taking and innovation) on ethical work climate, using the Victor and Cullen (1988) model. They hypothesised that both entrepreneurial and new firms were more likely to have climates based on egoism and an individual-centred locus of analysis, indicating either the 'instrumental' (egoism at individual and local level) or 'independence' (principle and individual) climates. However, they found that entrepreneurial orientation was not associated with any particular climate type, and that newness was associated with 'independence', but not with 'instrumental' climates. Furthermore, smaller firms were more likely to have stronger 'caring' (benevolence across all loci of analysis) climates than were larger ones. Combined with Victor and Cullen's (1988) finding that employees were more satisfied with their firm's ethical climate when it was more 'caring' and less 'instrumental', this suggests that young, small firms are likely to provide a more satisfying ethical climate than are older, larger firms.

Morris et al. (2002) placed ethical core values at the centre of their proposed framework for development of ethical structures, arguing that without the presence of at least one ethical core value a firm was unlikely to provide a moral environment for its employees. Core values in their model could be explicit or implicit and were supported by explicit structures such as ethics officers, codes, ethics training, and sanctions for abuses of ethics; and implicit structures such as top manager concern for ethics, stories of ethical behaviour, and propensity to discuss ethics in conversations among employees and between employees and managers. Applying this framework to develop a questionnaire, they obtained responses from 227 small (<500 employees) firms founded less than 15 years ago. Cluster analysis revealed four distinct climate types with differing concerns for ethics. Almost half the sample fell into the 'deficients' category, with little ethics given little thought or attention. Only a fifth of the sample both explicitly paid attention to ethics *and* consistently reinforced it through congruent practices—'walking the talk'. The remainder either 'talked' or 'walked' but not both. While Morris et al. (2002) were careful to note that this did not mean the 'deficient' companies were not ethical, it showed that ethics was a low priority for them.

It is recognised that building an ethical climate where it is absent or not prominent is not easy. Paine (1994) classified ethics programs into three categories: 'compliance with law', 'code of conduct' and 'integrity strategy'. The integrity strategy, the only one underpinned by normative values, was found to be the most effective means of influencing behaviour, especially when supported by systems and procedures that make it easy for people to do the right thing. Yet formal initiatives to encourage ethical behaviour in businesses (such as the Sarbanes-Oxley legislation in the USA) tend to transform into 'compliance' or 'code of conduct' strategies, because they are founded on external standards rather than appealing to an internal sense of right and wrong. This provides an illusion of ethical progress, but no real change in behaviour or reduction in risk of crossing ethical boundaries (Michaelson, 2006).

Values are also at the centre of self-image or identity, and as such they influence our behaviour. Image theory (Beach & Mitchell, 1985, reported in Liedtka, 1989) asserts that we make decisions by assessing the congruity between a proposed course of action and our own self-image. Thus if we perceive ourselves in terms of strong, ethical values, we are likely to be deterred from action that conflicts with those values. Empirical support for this tendency was found in an investigation of strategies used by small business owners to resolve ethical dilemmas (Vyakarnam et al., 1997). Focus groups were held and the discussion was analysed in terms of several extant theories on dilemma resolution, one of which was quality of relationships with stakeholders. To the surprise of the researchers, 'self' emerged as an important stakeholder, with many of the respondents feeling that it was of prime importance to hold on to their sense of identity, represented by their values and beliefs, even under pressure.

In conclusion, there is considerable support for the positive influence of ethical values on the ethical behaviour of organizations and moderate support for the proposition that young, small firms have stronger ethical climates than do older, larger firms. Combining this with the evidence that it is difficult to introduce an ethical climate into an established organization that lacks one, provides a powerful case for articulating and embedding ethical values early in the life of a company.

Organizational culture and entrepreneurship

The literature review thus far identifies values as a significant component of organisational culture, and the early growth stage of the organisational life cycle as the period when culture starts to emerge and become embedded (e.g. Schein, 1983; Quinn & Cameron, 1983). Since a key focus of entrepreneurship is the emergence of new organizations (e.g. Gartner, 1985), it is appropriate to examine the literature on organizational culture itself and how it has been related to the domain of entrepreneurship.

A BRIEF OVERVIEW OF ORGANIZATIONAL CULTURE AND VALUES

For profit companies are only one type of organization, and the discipline of organizational culture is certainly not confined to this sub-type, but the for profit company is the focus of this thesis, so the discussion of organizational culture will be mainly confined to this domain.

In 1916 a landmark court case between the Ford motor company and the Dodge brothers, investors in Ford, established the legal obligation of a corporation to act "in the best interests of the corporation", which has generally been equated to maximising the wealth of its shareholders (Bakan, 2004). It was therefore incumbent upon corporations to manage their operations as efficiently as possible. Under such conditions, the scientific management of operations through rigorous analysis and streamlining of every task, as epitomised by the work of Frederick Taylor (1911) became the focus of management. In this climate, the human side of the organization, especially at the lowest levels of the hierarchy of management, received relatively little attention.

Perhaps the first thought leader to question the scientific approach was Mary Parker Follett (1868-1933). One of the first graduates of Radcliffe College, her initial interest was in democracy, and it was only in the last decade of her life that her work received much attention from the world of business. Parker Follett was an advocate for the human factors of management, such as seeking 'win-win' solutions, strength in human diversity and situational leadership. With the continuing rise of scientific management and reaction to the social obligations that her views placed upon organizations her calls for a more 'human' approach to administration received a limited audience. She has, however, been acknowledged as a thought-leader by Rosabeth Moss Kanter and Peter Drucker (Graham, 2003: preface and introduction).

It was Chester Barnard (1938) who succeeded in reinstating the human factor into management. He reminded managers that corporations are made up of human beings and that successful management was about transforming the human actors within a company from a (political) state of conflict to a (rational) state of cooperation. He recognised that this transformation was not easy, and that human actors were not 'rational' in economic terms, but motivated by non-financial factors. He proposed that the role of the executive was to "create and sustain a culture of beliefs and values that would support cooperation" (Levitt & March, 1990). Barnard has been described as the father of the concept of corporate culture. He recognized that "shared values and meanings, internalized by participants, could constitute a strong system of control—much more powerful than one based exclusively on material rewards or on force." (Scott, 1990)

From the earliest days, purpose and values were associated with corporate culture. Talcott Parsons defined an organization as:

> *"a social system oriented to the attainment of a relatively specific type of goal, which contributes to a major function of a more comprehensive system, usually the society. Such an organization is analyzed in terms of an institutionalised* **value system***, above all defining and legitimizing its goal..."* (Parsons, 1956:63, emphasis added)

The introduction of the term organizational culture is widely attributed to Pettigrew (1979) in an influential article regarding the studying of culture in organizations. Prior to that time, the term was not widespread (Hofstede, 1991; Agle & Caldwell, 1999). Since then it has become mainstream, both in academic journals (e.g. Schein, 1983, 1985, 1996; Weick, 1985; O'Reilly et al., 1983, 1991) and practitioner texts (e.g. Peters & Waterman, 1982; Deal & Kennedy, 1982; Kotter & Heskett, 1992; Collins & Porras, 1994).

Definitions of organizational culture vary, but most include the concept of shared values (Pettigrew, 1979; Peters & Waterman, 1982; Schein, 1985; Enz, 1988; O'Reilly et al., 1991; Collins & Porras, 1994; Chatman & Cha, 2003). Other components of that have appeared in definitions of organizational culture include beliefs or cognitions (Smircich, 1983; Peters & Waterman, 1982; Schein, 1985), assumptions (Schein, 1983; Enz, 1988; Peters & Waterman, 1982) and norms (O'Reilly et al., 1991; Chatman & Cha, 2003).

These components of culture are related but distinct. Values imply a conception of the desirable, whereas beliefs do not necessarily have such connotations (Rokeach, 1973). Beliefs or cognitions suggest rational conclusions based on evidence and experience, and therefore susceptible to change in the face of new evidence or experience. Assumptions, by contrast, suggest unexamined beliefs, originally based on experience, either individual (the founder) or collective (the organization), but which over time have transformed into 'facts' and are no longer questioned (Schein, 1985). They implicitly influence cognition and decision-making by filtering the way information is received and processed, and, being hidden, may be deeply resistant to change. Norms describe attitudes and behaviour, which are founded on socialisation within the organization ('the way we do things around here'), rather than on values formed early in life, which are deeply held and often sub-conscious.

It is widely agreed that cultures are difficult to change (Hofstede, 1991), but it seems reasonable to suppose that a culture based on beliefs (derived from experience) and behavioural norms (acquired through socialisation) would be more amenable to change than a culture based on core values or beliefs. Indeed Hofstede made this very point: national cultures, he asserted, because they are founded on values formed in childhood, are much slower to change than organizational cultures, founded on shared values and norms formed during adulthood through association with the organization. In fact, national cultures, he argued cannot be deliberately changed, whereas organizational cultures can, though with difficulty. Schein argued that assumptions are also highly resistant to change. Once formed, they quickly fall below the level of consciousness, are not easily inferred from observed behaviour, and are therefore difficult to identify, let alone challenge or change (Schein, 1985). The common factor between these two observations is that when the foundations of culture are hidden or implicit, it becomes difficult to identify the basis for the culture, and therefore difficult to change it. This suggests that an organization seeking to manage its culture needs to start making such values and assumptions explicit early in its life cycle.

Do all organizations have a culture? It is often assumed that they do, and yet I suggest most of us have worked in, or at least encountered, organizations in which we would struggle to describe 'the way we do things around here', let alone identify core values or underlying assumptions. In many large organizations, shared values may be absent, and norms specific to work groups or departments, thus the culture of the organization as a whole is impossible to describe. The conventional way to resolve this is to refer to organizations where there is a high degree of consensus about values and norms as possessing a strong culture. This raises the question of whether an organization in which there is little or no consensus on shared values and norms possesses a weak culture or no culture at all in any meaningful sense of the word. Schein's view is that an organization may be said to have an overall culture only if the whole organization has a significant shared history, which cannot be assumed to be the case (Schein, 1985: ch.1). O'Reilly et al. (1991:492) define organizational culture as existing only when values and norms are widely shared throughout the organization.

This question becomes important when researching the relationships between organizational culture and functions of organizations, such as human resource management, performance, longevity etc. Most research on organizational culture depends on first *describing* the culture from the viewpoint of individual employees (or owners) and strength or coherence of culture is assessed by the degree of homogeneity of the descriptions thus derived. This approach places emphasis on the content of values rather than the degree to which they are shared and the intensity with which they are held, which is what Collins and Porras (1994) found to be the important distinction of the 'visionary' companies they studied. When I embarked on the literature review for this research, I hoped to find an instrument that would allow me to assess the degree of consensus on and commitment to an organization's shared values without first having to determine what those values were. My search was unsuccessful and an enquiry to James Collins (co-author of *Built to Last* (Collins & Porras, 1994)) returned the response that he knew of no such instrument.

The domain of application of values is highly flexible:

> *"One of the most interesting properties that values seem to have is that they can be employed with such extraordinary versatility in everyday life. They may be shared or not shared and thus employed as single or double (or even triple) standards. They may be intended to apply equally to oneself and to others, to oneself but not to others, to others but not to oneself, to oneself more than to others, or to others more than to oneself."* (Rokeach, 1973:10)

It is therefore appropriate to ask, in an organizational culture founded on shared values, to whom are those values intended to apply? Within the organization only? To the industry or profession? To the society in which it operates? To the customers?

On this point, though often without overt disagreement, definitions do appear to diverge. To understand this divergence, it is necessary to introduce yet another attribute of organizational culture: that of meaning. Organizational culture is often associated with giving meaning to an organization (e.g. Pettigrew, 1979; Chatman & Cha, 2003). Indeed Pettigrew puts meaning at the heart of culture:

> *"in order for people to function within any given setting, they must have a continuing sense of what that reality is all about in order to be acted upon. Culture is the system of such publicly and collectively accepted meanings operating for a given group at a given time."* (Pettigrew, 1979: 574)

Chatman & Cha (2003:21) also assert the importance of culture in providing meaning:

> *"Strong cultures ... improve performance by energizing employees—appealing to their higher ideals and values and rallying them around a set of meaningful, unified goals. Such ideals excite employee commitment and effort because they are inherently engaging and fill voids in identity and meaning."*

These descriptions imply shared values that are inspiring or uplifting and that the values are perceived to be universally desirable. This is not implicit in other definitions of organizational culture, where acceptability, correctness or desirability is described in terms of what contributes to the success of the organization. Schein (1985) argued that the values of the founder would only be accepted as organizational values if they demonstrably contributed to the success of the company in solving problems of external adaptation (how the company survives in its environment) and social integration (how the individuals in the company work productively together). In short they must help the organization to function more harmoniously in its internal operations and more effectively with respect to its external environment. The implication of this definition is that shared values may be deemed desirable only within the organization itself and only insofar as adherence to them continues to be associated with success.

Thus 'the way we do things around here' is not necessarily the way we think other organizations, or society as a whole should operate. It is entirely possible for an organization to adopt values that would be deemed *undesirable* by the majority of members of the society within which they operate, if that organization believes that those values promote its own success.

Thus, although values are widely acknowledged as an important component of organizational culture, the level of significance attached to them varies, and the precise meaning of 'value' in this context is not consistently defined. Some authors (Pettigrew, 1979; Collins & Porras; Chatman & Cha, 2003) attach great importance to values, associating 'values' with providing meaning, whereas Schein (1983; 1985), for example, gives 'values' less weight and uses the term in a more pragmatic sense.

Conclusion

For an organizational culture to be based on ethical (held to be universally desirable) values it would appear to be necessary that a) the founder's personal value system includes ethical values; b) these values are deeply held and thus resistant to change; and c) the founder openly articulates and consistently acts according to these values, even (especially) in times of crisis and d) adherence to those values is associated with the survival and success of the organization. All four factors are necessary, and even they will not ensure that the shared values survive beyond the founder's active involvement in the organization.

Conversely, in the absence of any one of these factors, a culture founded on pragmatic norms and behaviours, based around perceived benefit to the company, is likely to develop. Such "values" would be less likely to endure if changed circumstances challenged the assumed relationship between the values and the success of the business. The importance of articulating values and their importance has been demonstrated by Trevino et al. (2000), who found that employees could not easily distinguish between managers who behaved morally but did not articulate their values, and managers who did not consider morality important to business. The effect on employees in both cases was similar—they regarded it as up to them to decide what was right, rather than looking to their manager or the organization for ethical guidance.

CULTURE AND COMPETITIVE ADVANTAGE

The impact of organizational culture on business performance has been much discussed. There is much support for the proposition that a company's culture can provide a source of competitive advantage, but limited consensus about what constitutes a competitive culture, how it is acquired and sustained and how competitive advantage is obtained. Thus there is limited guidance for young companies on building or nurturing a culture that will enhance their success in the long term.

Peters and Waterman brought corporate culture into the mainstream in the early 1980s, with the best selling book "In search of excellence", which argued the path to sustainable superior performance was exceptional attention to customers and constant innovation (Peters & Waterman, 1982). Peters later noted that while these concepts were very simple to understand, they were surprisingly hard for most organizations to implement (Peters & Austin, 1985).

Deal and Kennedy (1982) proposed that the business cultures ('the way things get done around here') could be divided into four broad and potentially overlapping categories, defined by speed of feedback and acceptance of risk (or uncertainty). They were: the tough-guy macho culture (quick feedback, high risk); the work hard/play hard culture (quick feedback, low risk); the bet-your-company culture (high stakes, long term projects where feedback (i.e. success) is not known for considerable time); and the process culture (slow or no feedback, low risk). The intention was to describe cultures and understand how they contributed to or inhibited business' success. No type of culture was deemed to be 'better' than the others, performance enhancement depended on how appropriate was to companies' strategy and industry.

Deal and Kennedy found that executives were very interested in the idea of having a culture that would boost their performance, but unwilling to recognise that they already *had* a culture, which they needed to understand and deal with before they could attempt any sort of change

(Richman, 1999). Schein (1985) expressed similar concerns at the lack of appreciation by managers of the difficulty of attempting to change the culture of their companies.

In an updated edition of their original text, Deal and Kennedy (1999) noted negative trends in corporate cultures: a severing of the implicit contract between company and employees, based on mutual commitment; short-term thinking driven by a focus on shareholder and market analyst expectations; and greed of upper management leading to a culture of self-interest at the top and fear at the bottom. They argued that this presented an opportunity for small companies, with more cohesive and hence more powerful (for good or ill) cultures "an unprecedented opportunity to recruit the best employees from the large companies that have destroyed their own cultures" (Richman, 1999). Implicit in this assertion is the belief that a culture that genuinely values its employees is superior.

Barney (1986), adopting the resource-based view, agreed that organizational culture could provide a source of competitive advantage, but argued that this knowledge was not of great practical value to managers. In order to provide *sustained* competitive advantage, culture needed to be favourable (enhancing performance), rare (within the industry) and hard to imitate. If a culture could be easily imitated, then it could not, by definition, provide a source of sustainable competitive advantage. Companies that already had favourable, rare and hard to imitate cultures might, however, benefit from recognising and nurturing it as a key asset.

Hofstede (1991) concluded that there was no correlation between strength of culture (represented by homogeneity of perception of cultural practices) and organizational performance, in contrast to Peters and Waterman (1982). However, there was a strong relationship between homogeneous culture and a dimension he labelled 'results-orientation', which might be equated with high performance, at least in the short-term (Hofstede, 2005: 293-294). Hofstede found that culture was, to a degree, aligned to industry and tasks, and also, to a lesser degree, aligned to some dimensions of national culture (see Values and Organizations below). The alignment between cultural profile and industry or tasks tends to support the view that culture needs to be strategically appropriate, and there, if external influences demand a change in strategy, the cultural profile of the company (in terms of the six dimensions Hofstede identified) may also need to change.

Kotter and Heskett (1992) investigated culture and performance across a wide range of large companies to determine what type of culture might provide sustainable competitive advantage. They concluded, in agreement with Hofstede (1991), that a strong culture in itself was not enough, and was as likely to lead to performance destruction as enhancement. Nor was a culture that gave priority to customer service sufficient. While they did find a benefit in having a strategically appropriate culture, they also found that 'appropriateness' often seemed to be a matter of chance rather than choice. Companies whose culture had been strategically appropriate frequently did not recognise when it ceased to be so.

The cultures Kotter and Heskett identified as most likely to enhance performance in the long term were those that paid *equal* attention to customers, employees and shareholders, and had a respect for the importance of leadership.

However, they found that it was not easy for companies to sustain such a culture; on the contrary, it was very easy for a company to drift from a performance enhancing to a performance destroying culture. A key distinguishing feature of destructive cultures was that management gave priority to their own interests above those of customers, employees or shareholders. The recent collapse of Enron provided striking illustration of this phenomenon (McLean & Elkind, 2004). By contrast, the Virgin Group headed by Richard Branson, which was built on the belief that success is obtained by first looking after employees, who in turn create satisfied customers, which leads to profits for shareholders, maintains, at least for now, its superior performance record (Branson, 1998).

Collins and Porras (1994) found that a strong culture based on three to six 'core values' in pursuit of a long-term 'core purpose' was a distinguishing feature of companies that had achieved long-term competitive advantage. This suggested that clearly articulated and understood core values might be both an element of a performance-enhancing culture and an effective way of embedding that culture for the long term, beyond the span of the original founder's leadership. Their assertion is that such a culture does not *need* to change, regardless of external circumstances, because the core purpose is effectively eternal and the core values non-negotiable. The contrast with studies that advocate a 'strategically appropriate' culture may be reconciled, however, by recognising a difference in sample frame: companies in general (Hofstede, 1991; Kotter & Heskett, 1992) and highly successful companies (Collins & Porras, 1994).

Foster and Kaplan (2001) argued that strong culture led to reduced performance in the long-term, because companies over time suffered from 'cultural lock-in', which prevented them from adapting to changes in the market and business environment. This would appear to contradict the findings of Collins and Porras (1994), but in fact the few exceptions to this rule, acknowledged by Foster and Kaplan are among the companies identified by Collins and Porras as successfully "built to last".

Sorensen (2002) examined the impact of strength of corporate culture on performance reliability, measured by degree of variability in firm performance, where low variability indicated high reliability. He re-examined the data used by Kotter and Heskett (1992) and added to the analysis a measure of industry volatility, based on the variability in performance of companies within an industry over a six-year period. He found that strong cultures were associated with high performance reliability during periods of industry stability. However, this advantage disappeared during periods of industry volatility. The mean performance of companies with strong cultures declined less than those with weaker cultures. The hypothesis that strong cultures might be a disadvantage during periods of industry volatility was not supported. Sorensen speculated that a six-year period might not be long enough for the limiting effects of strong culture to show up, because of the substantial reserves their reliable performance allowed them to accumulate during periods of stability.

Chatman and Cha (2003) argued that the benefit of a strong culture, which they defined as widely shared values and norms, was that it enabled execution of strategy, but did not identify any concept of a 'strategically appropriate' culture. They simply noted that a strong culture would be equally effective in implementing inappropriate strategies, which might lead companies with strong cultures to fail faster than companies with weak cultures when they make poor strategic choices. Chatman and Cha also observed that strong culture demanded consistency and was rapidly and significantly damaged if leaders' behaviour conflicted with the shared values and norms. Thus any leader seeking to develop a strong culture in his or her company must be genuinely committed to the values and norms that define that culture or they were unlikely to succeed. Furthermore, they needed to take great care to ensure that employees shared a common understanding of values and the practices that derived from them, or else a CEO genuinely committed to values might, nevertheless, be perceived by employees as a hypocrite (Edmondson & Cha, 2006).

Conclusion

Overall, the consensus appears to be that a strong culture improves the ability of a company to execute its strategy. Thus so long as the company's strategy is appropriate for the environment in which they operate, then a strong culture will tend to give it a performance advantage over companies with weaker cultures. However a strong culture cannot be taken for granted, but needs to actively managed if it is not to decline into a culture that simply favours those in positions of power (Kotter & Heskett, 1992). It is not clear that a strong culture helps to navigate periods of industry instability or sudden environmental change. Individual cases suggest that a strong culture may make it hard for a company to adapt to radical changes (Carroll, 1993; Tushman & O'Reilly, 1997), however there is no real evidence that companies with less coherent cultures adapt any more effectively.

Overall, the contention of Collins and Porras (1994) that a strong culture represented by a core ideology based on purpose and values forms a basis for sustained superior performance is not contradicted by extant literature. It may also provide the basis for a company to reshape itself. The crisis of IBM in the early 1990s has been presented as an illustration of how a strong culture limits ability to adapt (Carroll, 1993). In fact the changes made by Lou Gerstner that turned around IBM's performance were consistent with a return to the original core values of the company (Collins & Porras, 2002:69). A focus on integrated solutions rather than selling proprietary hardware and software in particular supported the core value of 'making customers happy'. Abolition of practices that limited communication with and hence participation of lower level employees supported the core value of 'giving consideration to individual employees' (interview with Lou Gerstner, reported in Wharton Knowledge, 2002). This is consistent with Konz and Katz (1996) who found that male religious orders that had survived more than 250 years showed the ability to adapt to environmental changes by returning to the spirit of the vision that had originally inspired them.

Thus, a strong culture based on a core ideology is unlikely to be the only factor in predicting long-term successful performance, but there is little evidence to suggest that it provides any disadvantage, and may even, as the IBM case shows, provide a basis for a company to reinvent itself in the marketplace.

Conclusion: the role and contribution of organizational values

What benefit can shared values bring to an organization? A common theme of the discussion on organizational culture above is the need for work to have meaning, to be contributing toward a worthwhile purpose (Parsons, 1956; Pettigrew, 1979; Collins & Porras, 1994; Chatman & Cha, 2003). That worthwhile purpose is, itself, a value—a desirable end-state. Shared values also define desirable modes of conduct to be adopted in striving toward that purpose. Thus by adopting and abiding by shared values, an organization can provide its employees with a sense both of meaning—in terms of working toward a worthwhile purpose—and of virtue—in terms of behaving in a desirable, ethical or simply 'good' way.

This should not be underestimated. It is frequently said that the essence of outstanding performance is ordinary people doing extraordinary things (original source unclear). That only happens in the presence of powerful and sustained motivation. And history has shown us that one of the most powerful motivators of human beings is belief in a cause. This has been the foundation of religious orders, political movements, NGOs and—yes—many successful companies, as exemplified by the case studies reported in "Built to Last" (Collins & Porras, 1994). Meaningful purpose is not confined just to lofty principles, but can be as simple as meeting a need better than anyone else in the world or even in your local environment. As Charles Handy (2002) puts it, a business *should* exist in order to "do something better".

This remains true for today's newest 'mega-companies'. One of the objectives of eBay founder Pierre Omidyar was to create a marketplace where all buyers had equal access to information (Hill & Farkas, 2000) and the success of eBay has been attributed in no small part to the 'Community Values' that guide its operations (http://pages.ebay.com/community/people/values.html viewed 6th September, 2006). Google's success is founded on providing a solution to finding information on the internet, which was so much better than anything else available that it quickly became the standard. Knowing that you are part of an organization that is the best in the world at what it does is something to be proud of, and that is a powerful motivator.

Schein (1985) describes culture as developing in response to solving the problems of external adaptation and internal integration. Creating meaning for an organization through shared values contributes to internal integration by aligning workers around shared goals, and by coordinating employees' behaviour, so that formal controls are less necessary (Chatman & Cha, 2003). This alignment may lead to higher productivity, since it reduces the need for a compliance monitoring and control function.

But can shared values contribute to problems of external adaptation—to dealing with changes in the external environment such as market demand, government regulations, new technology, increased competition? Many have argued that this is where shared values can become a hindrance, by locking the company into modes of conduct that are no longer appropriate (Carroll, 1993; Foster & Kaplan, 2001; Sorensen, 2002). By contrast, Peters and Waterman (1982) argued that shared values, such as attention to customers, allowed companies to remain responsive to their external environment in a proactive, rather than reactive way. However, there is reason to believe that shared values can contribute to external adaptation in other ways. Arie de Geus (1997), based on decades of experience in a company famous for scenario planning, observed that strategy was often visible only in hindsight. What often saved the company in a rapidly changing environment, were the offshoots that had developed from core operations, some of which proved to be the key to negotiating the new external conditions. He therefore found that it was essential for a company to show a high degree of tolerance for local innovation. Such innovation, and the tolerance for it, is more likely to thrive in a working environment where the boundaries are defined through a consensus about what the organization exists for and how it conducts itself, rather than through rigid procedures and controls. Furthermore, a clear sense of what the organization exists for, provided it is not rigidly linked to a specific technology or market, increases the likelihood that the innovations are likely to be relevant to the company's mission and acceptable to its workforce. This point is also made by Collins & Porras (1994).

Where organizational purpose and values are genuinely and openly shared, they may have another important contribution to make—both to internal integration and to organizational learning. Schein (1985) talks about the importance of assumptions in organizational culture, that they are often unacknowledged and that they may differ between groups within the organization. An open commitment to shared purpose and values forces assumptions to the surface and highlights differences that have developed between work units.

Argyris and Schön (1978) made the distinction between 'espoused theory' and 'theory in use'. In common with Schein, they found that assumptions were enormously influential on the behaviour of organizations and the people within them, and that they were rarely discussed. They observed wide discrepancies between what the espoused beliefs of an organization—'espoused theory'—and the beliefs actually reflected in the actions taken by and within the organization—'theory in use', which they also referred to as 'governing values'. Although the governing values are what drive actions, because they differ from the espoused values, they become undiscussable, and the fact that they are undiscussable is *also* undiscussable—they become taboo areas that are, by unspoken consensus, out of bounds. Organizational learning is thus severely limited, because it is restricted to the confines of the governing values and there is no space within which these values can be challenged or even discussed.

A genuine and open commitment to shared values in an organization can prevent this situation from occurring. The open commitment to values means that there is permission to challenge actions that conflict with the espoused values. This reduces the likelihood that these conflicting actions—unchallenged—will become the actual governing values, or in Schein's terminology, underlying assumptions, of the organization.

By extension, an organization that openly commits to ethical values creates an environment within which ethics are a conscious consideration, and ethical dilemmas are more likely to be identified and resolved through a process of moral reasoning, through reference to the organization's core values. This in turn would tend to encourage higher levels of moral reasoning (Trevino, 1986).

In summary, there is substantial evidence that building organizational culture around shared values can have significant benefits. However, those benefits are not automatic and are not necessarily enduring. Obstacles abound, including:

- Selection of values—they cannot be arbitrarily chosen from a list of desirable qualities or behaviours, but must be genuinely owned by all members of the organization. They cannot be imposed, so genuine adoption of a value system may mean that some members of the organization must leave;

- Embedding values throughout the organization—identifying values is not enough, they must be openly espoused or workers may not perceive them as important (Trevino, 2000), and must be reinforced actively, continuously and consistently;

- Nurturing of the value system through open discussion and debate of the value system itself, its application to day-to-day practices within the organization, and to non-routine situations and decision points. Failure to do this may result in perception of hypocrisy (Edmondson & Cha, 2006), actual values diverging from espoused values (Argyris & Schön, 1978), or becoming fragmented into group-based value systems (Schein, 1985).

- Negotiating situations where external conditions exert extreme pressure to compromise values.

Thus, the founder(s) of an emerging business who decide(s) to make a genuine commitment to certain company values choose(s) a difficult path and should be aware that they are doing so. Whether the values they select are ethical values or pragmatic ones, in order to achieve the internal integration benefits of shared values, a personal and emotional commitment to them by each member of the company is necessary. From this, it follows that abandonment of any of the values will necessarily be painful, involving a challenge to the very identity of the organization.

From the discussion on cognitive moral development and its impact on management behaviour (Kohlberg, 1967; Trevino, 1986), it appears that the inclination to adopt core values as a basis for organizational identity and purpose, and the ability to reinforce them consistently through congruent behaviour, will depend on the level of cognitive moral development of the founder. This path may not be for everyone.

The literature on organizational values often waxes lyrical about the benefits of values to a company (Peters & Waterman, 1982; Collins & Porras, 1994), but downplays the risks. While the difficulties and challenges of embedding and sustaining value systems are discussed at length, the consequences of failure are not much dwelt on. It may be more damaging to the energy and morale of a young, growing company to adopt and fail to adhere to a value system than never to adopt one at all (Cha & Edmondsen, 2006).

However, if a business wishes to leverage the benefits of shared values, or even to manage its culture actively rather than let it evolve unguided and undiscussed, then the literature suggests that the time to do it is early, when all members of the organization are easily reachable, when assumptions about what works and does not work are still being formed (Schein, 1983, 1985).

Thus, it would seem that examination of the values of a business is something that the founding team *should* consider early in the life of the business. If they choose to do so, what guidance is available to them? While the benefits of shared values are widely discussed, the process of identifying them is less so. Some texts highlight certain specific values, such as customer service and attention to employees (e.g. Peters & Waterman, 1982), potentially giving the impression that there are certain values that *any* successful organization must adopt. Others (e.g. Collins & Porras, 1994) do highlight the need for values to be specific to the organization and genuinely owned, but the examples they give are so diverse as to offer little guidance to a company setting out on this journey. Some values cited are ethical (honesty, openness, treating others as you would wish to be treated), while others are more pragmatic (innovation, customer service, contribution to technology).

What is the founder entrepreneur to make of all this? The question is important, because some of these young enterprises will become the Fortune 500 of tomorrow, and the literature suggests that values embedded early in their life (or not embedded, as the case may be) may have a significant influence on their subsequent performance.

Rather than discussing what *should* happen, this study seeks to investigate what *is* happening. How are organizational values forming in the small, young firms of today that may become the large established companies of tomorrow?

In the preceding chapter, three specific questions exploring this phenomenon were posed:

- Why did founders start to think in terms of values?
- What benefits did they expect from articulating values?
- How did they go about identifying, articulating and embedding values for their company?

The literature review indicated that organizational values do not need to be consciously considered and articulated in order to be significant. Implicit values arising from adaptation to the challenges to survival faced by young companies were also very powerful (Schein, 1983). Furthermore, conflict between such implicit values and any values formally espoused would seriously undermine any attempt to embed a culture based on espoused values (Argyris & Schön, 1978). This led to the inclusion of an additional dimension to the exploration:

- If values were not articulated, how did founders think about the concept of values? Could they identify their own values or the values of their organization? What values were implied by their words and actions?

The aim of the first phase of the research was to explore these questions by collecting relevant data and analysing it in terms of the questions above, and then with reference to existing frameworks identified from the literature review. The outcome of this phase exploration was unknown. It might lead to a theory of emergence of organizational values, which could be tested in subsequent research, or it might lead to identification of a gap in the theoretical underpinning of the phenomenon of organizational value emergence.

Chapter 4: Methodology

Philosophical stance of the researcher

Miles and Huberman recommended that researchers should disclose their personal preferences, or preferred paradigms, so that readers should "know their conversational partner" (Miles & Huberman, 1994: 4). This view was endorsed by Guba and Lincoln (1994), who held that aspects of some paradigms were not reconcilable (for example positivism and constructivism fundamentally disagree about the nature of reality) and therefore it was incumbent upon the researcher to declare their own philosophical stance. Hindle (2004), writing specifically about the choice of methods for research in entrepreneurial cognition, suggested that researchers declare their stance with respect to what he called the 'philosophical issues quartet', consisting of ontology, epistemology, axiology, and a set of beliefs about what qualifies as a valid logic of inquiry, thus avoiding the need to declare allegiance to a particular paradigm. Within the philosophy thus expounded, methods could thus be chosen to match the research question under consideration.

While agreeing that the philosophical stance must be appropriate to the research question, I accept the injunction of Miles and Huberman (above) to disclose my preferred paradigms and have set out to do so below.

My undergraduate degree was in Mathematics, to which I was attracted by its conceptual purity and the fact that, unlike many other disciplines, answers to questions could usually be evaluated as right or wrong. In this context, I believed in an objective reality and an impartial, objective observer—a positivist paradigm. Mathematical techniques, applied correctly (i.e without errors of logic in the process followed), could be relied upon to produce accurate results, which could be verified by other mathematicians.

Quantitative research techniques depend on deriving numeric representations of real phenomena, and using mathematical techniques to analyse the numeric values thus derived. The accuracy of the results as a true representation of reality depends therefore on:

1. The degree to which the numeric values accurately represent the phenomena they seek to describe; and

2. The accuracy and appropriateness of the mathematical techniques used to manipulate the numeric values

The greater the extent to which either of these is in doubt, the more approximate are the results of the analysis. That is not to say that such results are not useful, only that they are approximations, not facts. We use approximations when we must, because the phenomena we are examining cannot be directly observed or measured. An approximate understanding of the world we inhabit is better than remaining in ignorance because we cannot measure perfectly. We simply need to retain an awareness that we are dealing with approximations.

Survey instruments represent approximations of the first type. Phenomena are measured by a series of survey questions, the responses to which are converted to numerical values. The quality of the approximation is improved by the use of such techniques as multiple questions measuring the same construct, testing for internal consistency, and for reliability. But ultimately the data we manipulate are not the actual phenomena but the answers to survey questions.

Economic models are an example of approximations of the second type. Often the data they manipulate can be reliably measured, or it does not have to be measured—such as applying a model to a hypothetical situation. The models themselves, however, are based on assumptions. Acceptance of the validity of the results produced by these models depends on one's acceptance of their inherent assumptions. Economic models that attempt to predict consumer behaviour based on financial self-interest, for example, have often been unsuccessful because they are based on assumptions about human motivation that are incomplete.

Ontologically, therefore, I find my viewpoint depends on the nature of the phenomenon under observation. Where constructs and their measurement instruments have consistently demonstrated internal validity (they measure what they claim to measure), external validity (they are generalisable to other contexts) and reliability (stability of responses), then I incline to post-positivism. I accept the results obtained as probably an accurate description of reality, but do not discount the possibility of falsification through further investigations.

However, I find that in any domain involving human behaviour and activity, very few data items and measurement techniques pass this hurdle. Even apparently 'hard' facts, such as revenues obtained from audited company accounts, or number of employees present problems. Accounts can be prepared in different ways to present a preferred representation of reality. Employee numbers for the same business depend on how you define an employee—is it only someone who receives a regular salary or should freelance contractors who invoice for their time but do not work anywhere else be included? Should temporary staff hired from an agency be included in the head count? It becomes difficult to be confident that you are comparing like with like, and thus the conclusions drawn about relationships between variables become subject to qualification to the extent that the results obtained can only be generalised to a very narrow segment of the 'real' world. This is not to discount such research. If you wish to advance the understanding of any domain, then you must be prepared to accept less than perfect understanding. This is exemplified by Wetzel's (1986) objective, when pioneering the field of business angel research of "putting some boundaries on our ignorance". Approximations of reality are useful, but they must be recognised as such.

When it comes to aspects of human experience such as values, attitudes and emotions, I incline to the constructivist view (Guba & Lincoln, 1994), which holds that reality cannot be captured by an observer's description alone, however detailed and rigorously divorced from the observer's own value judgements. To be meaningful, it must have relevance for the individuals being observed. This implies some dialogue between observer / investigator and the individuals being investigated.

For example, the Myers-Briggs Type Indicator uses a survey instrument to obtain a description of preferred modes of operation along four polar dimensions. It could be used simply to offer an individual a description of their 'type' and a written explanation of what this means in general terms. However, it is rarely used in this way. The real value of the instrument is derived when the individual is invited to discuss the type assigned to them by the instrument, how this reflects their own understanding of their preferences and whether it offers any insight into the type of tasks they prefer or dislike, and their interactions with others. Furthermore, when conducted with a group of people who share their results and their insights on those results, it can lead to a clearer understanding of each others' preferences and allow those to be taken into account when tasks are assigned or when members of the group interact.

However—and this is important—for a theory or model to have some measure of reality, it does not need to be meaningful to all participants in the field or activity it seeks to explain. As a post-graduate student and, more recently, as a lecturer, I find that while some students will seize on a model with enthusiasm, others will be left unmoved. For example, when Churchill and Lewis's (1983) stages of growth model is presented to a class of entrepreneurship students, some of them will experience flashes of insight. They can relate the model to their own experience and it offers them insight to the sorts of issues they are likely to face in the future, explanations of issues that have arisen in the past, and the reassurance that these things are 'normal' for that stage of development. Other students will be relatively unmoved—it's just another theory, nothing to get excited about. Their indifference in no way invalidates the value and genuine meaningfulness of the model.

When the research question extends beyond the reality an individual constructs, through negotiation and renegotiation with the external world, to the reality they help to create through their impact on a group they seek to influence, such as a founder on an organization, a constructivist approach is no longer sufficient. In this context, I accept that the statements and actions of the individual have an external reality for the people they interact with and can be analysed as 'objects' of data – consistent with a critical realist stance (Bhaskar 1975; 1979, reported in Brundel, 2007).

From the above, it will be apparent to the reader, that—at least where research questions involving human experience, attitudes and behaviour are concerned—my personal preference is for uncovering meaning within a small population rather than patterns, models or relationships generalisable across a large population. Hindle (2004) challenges Denzin and Lincoln's (2003) assertion that the research question leads to the paradigm and thence to the empirical methods utilised. He argues that the personal preferences, or axiology, of the researcher may lead them to adopt a paradigm, which then defines the types of research questions they are interested in attempting to answer. By original training, I am a mathematician and derive a great deal of pleasure from the statistical analysis of a large data set, discovering patterns, relationships and deducing implications. But I also find myself brought back down to earth by the fact that many of the data values I enjoy slicing and dicing in different ways are only approximations of the reality they seek to represent. I have found that actual *meaning* in the relationships detected is often frustratingly elusive. This is an ontological judgement of what can be known, and an axiological judgement of how, why and when knowledge has meaning, leading me to prefer certain paradigms. These define my research approach, which in turn limits the research questions I will seek to pursue.

Having struggled first to examine and then understand and then to explain my preferences, I discovered that others had already explored these very issues. Gartner and Birley (2002) had made similar observations, and expressed them in a concise and articulate manner, in a call for more use of qualitative methods in entrepreneurship research:

> *"It is our opinion that many substantive issues in entrepreneurship are rarely addressed, and that many of the important questions in entrepreneurship can only be asked through qualitative methods and approaches. This is not to suggest that the quantitative studies currently published in our scholarly journals are deficient in some manner, but rather, that quantitative studies are what they are: numbers-counts, accumulations, averages, deviations, etc. The rules and procedures for engaging in quantitative research are, for the most part, institutionalized and accepted as the standard for how academic scholars will agree that a finding is a fact, rather than an opinion.*
>
> *We believe that quantitative research has tended to drive out what for us would often seem to be common sense, i.e., some concern for the intuitions we have in our experiences of working with and studying entrepreneurs. Moreover, this averaging process is curious since the study of entrepreneurship involves the process of identifying and understanding the behavior of the "outliers" in the community – the entrepreneurs. To us, the "numbers" do not seem to add up to what would seem to be a coherent story of what we believe to be the nature of entrepreneurship, as experienced. We are not suggesting that the debate is between entrepreneurship research that is descriptive vs. research that is theoretical, or that we think that qualitative research is "good" scholarship, while quantitative research is "bad" scholarship. This is not a debate about whether qualitative research is more "truthful" than quantitative research. Our inkling about quantitative research is more*

> *of: "There is something missing here." Some questions simply do not get asked, or cannot be asked, when undertaking quantitative studies."* (Gartner & Birley, 2002: 387-388)

Philosophical stance affects not only the approach to data gathering, but the approach to analysis. During my previous experience as a researcher working on an international project using a standardised research design, I became aware that I am, by natural inclination, what I would call a 'synthesist'. Whether dealing with quantitative or qualitative data I liked to collect it all together and play with it to see what patterns, themes and relationships emerged. I was also instinctively averse to 'forcing' interview responses into pre-defined categories, and was thus instrumental in extending the coding scheme.

The fact that not everyone approached data analysis in the way I did was further reinforced by the radically different approaches my co-researcher and I had to writing the annual project report. As data collection completed, he would start planning the report outline and ask what I thought the headings should be. My response would be, how do I know when I haven't analysed the data yet? Neither of us was being unreasonable or invalid in our approach. My co-author sought to define a structure to contain the report findings, without constraining their content, while I found it difficult to visualise a structure without knowing the content.

I mention this because it has highlighted to me that my brain naturally works a certain way. I can force it to work other ways if I have to, and sometimes it is useful for me to do so. For example, I do not naturally organise concepts visually, but I have found it useful occasionally to use mind mapping to force my brain on to a different track, when I find myself getting stuck with a task or train of thought. I am suggesting that if your brain naturally inclines to certain techniques for interpreting data *and* those techniques are useful *and* other people do not find them as natural as you do, then it seems logical to me to build on that natural skill and inclination. I therefore acknowledge a preference for data analysis techniques that allow concepts or theory to emerge from the data (consistent with the grounded theory approach pioneered by Glaser and Strauss (1967)) rather than techniques that verify data against extant theoretical frameworks. This in turn leads to a preference for maintaining a broad scope in data collection.

These natural inclinations, abilities and preferences have led me toward a qualitative approach, exploring a limited number of cases in depth, and using quantitative techniques only where established instruments were available.

Defining the research question and the scope

The literature review showed that the role of shared values in emerging businesses was not widely explored and was of keen interest to practitioners, thus meriting investigation. The research question concerned gaining a better understanding a phenomenon of interest, rather than answering specific questions. The objective was to learn more about how organizational values emerged in young companies. Some specific questions pertaining to the phenomenon of interest were, however, identified and are restated here:

- Why did founders start to think in terms of values?
- What benefits did they expect from articulating values?
- How did they go about identifying, articulating and embedding values for their company?

- If values were not articulated, how did founders think about the concept of values? Could they identify their own values or the values of their organization? What values were implied by their words and actions?

The exploratory nature of the research was driven by the lack of any testable model of emergence of organizational values in the context of for-profit companies.

Literature supported the proposition that a clear understanding of organizational values might enhance business performance by providing a point of focus, a way of distinguishing between promising opportunities and harmful distractions, simple and rapid criteria for making decisions—and the leader of a fast growing business is faced with many of these, often simultaneously. However, only a little reflection was necessary to establish that it would be impossible to test this proposition. Among the many barriers identified were: difficulties in measuring business performance, difficulties in measuring the existence and strength of values, and controlling for the many other factors that might influence business performance.

Early stage companies are typically privately held and unlisted, thus measures such as increase in share price are not available. Should perfomance of such business, then, be measured by rate of growth? If so, how should growth be measured? Stages of growth models have debated this point (e.g. Churchill & Lewis, 1983) and generally agreed that a range of factors, including revenues, number of employees, product/service range, and geographic distribution should be included. Compilers of 'fastest growing companies' lists tend to focus on revenues, because these can be readily determined from audited accounts, and submission of such accounts can be made a precondition of consideration for inclusion in the list. But does rapid growth equate to superior performance? This was much debated during the many years that Amazon.com continued to burn investor funds without turning a profit. Amazon eventually became profitable, but many of its fast growing contemporaries did not. A study of Australian companies, using Australian Bureau of Statistics data, found that rapid growth in one year predicted neither profit nor continued growth in the next (Fitzsimmons & Steffens, 2005).

Profitability might be seen as a better measure of performance, but in early stage, privately-owned companies, this information is regarded as highly sensitive. Furthermore, profit alone as a measure of performance would include very small businesses occupying highly profitable niches, which are not the focus of interest. So profit *and* growth would appear to be necessary components of any measure of business performance, and both—as shown above—are problematic. On top of that, there is the issue of sustainability. After all, the book that stimulated this study was titled "Built to Last", and the authors indicated that superior performance was often *not* evident in the early years of operation (Collins & Porras, 1994). Conversely, business history is littered with examples of companies that have started out with spectacular growth and even profitability, but crashed and burned in less than a decade. One.Tel is an Australian example (Barry, 2003).

If measuring business performance presented problems, measuring values was even more challenging. As noted in the literature review, while values measurement instruments are plentiful and well-established, they focus primarily on the values of individuals and work by ranking or rating a pre-defined list of values. To use these tools to attempt to capture the values of an organization, requires some sort of aggregation process, which may not accurately reflect the collective, shared values (Agle & Caldwell, 1999). More importantly, any pre-defined list forces respondents to fit their values to the closest 'match' on the list. Where the list is aimed at capturing personal values, it may omit values that are only applicable in a work context—such as 'customer service'—but which may be, nevertheless, highly significant to the members of an organization. Even personal values may not naturally fit. This may be demonstrated by selecting a value from one instrument and attempting to match it to the list of values on another instrument. It is rarely a straightforward process.

Furthermore, following Collins and Porras (1994), the focus of interest was not in the *content* of organizational values, but in the intensity with which they were held and the degree to which they were shared among all members of the organization. A search for an instrument that captured coherence and intensity of organizational values was unsuccessful. An enquiry to Collins himself returned the response that he knew of no such instrument.

Thus, even without the complications of controlling for factors such as availability of capital, skill and experience of founders and management team, market growth and all the many other elements that contribute to business success, measuring any relationship between business performance and the existence of strong organizational values, was problematic to the extent of being effectively impossible.

This conclusion did not in any way diminish the interest or importance of the subject area. In fact, it emphasised a more interesting question. The positive association between strong organizational values and long-term performance in established companies already had substantial support (Peters & Waterman, 1982; Collins & Porras, 1994; Chatman & Cha, 2003). That association did not depend on the existence of a similar association between values and performance in the shorter term in emerging companies. Indeed, Collins' and Porras' research (1994) revealed that companies with a core ideology often took longer to achieve high performance than their comparison companies.

What *was* interesting, and apparently unexplored, was *why* some young companies should choose to pay attention to organizational values—and not just pay attention to them, but to actively articulate and embed them. True, the long-term benefits have been demonstrated by authors such as Collins and Porras (1994) and Peters and Waterman (1982), but their findings were not available to the founders and leaders of the companies they studied, so the motivation must have come from some other source. Furthermore, it is not clear from those studies that these entrepreneurs and leaders foresaw superior performance as an outcome of articulating a core ideology. The founders of today's emerging companies do, of course, have access to the literature on the benefits of shared organizational values. But they also have access to a plethora of other management texts and entrepreneurial case studies that make no mention of values whatsoever. Most practitioner texts recommend maintaining focus on a few key elements of the business, recognising that humans are simply not capable of attending to more than a handful of factors simultaneously. Why should organizational values make the shortlist?

It was apparent that a topic as complex as the interpretation and implementation of organizational values by leaders of entrepreneurial companies could not be investigated by means of a survey instrument. The current theory base was limited, research would have to be exploratory in nature and context would be important indicating use of qualitative methods (Creswell, 1994). To research the role of organizational values would involve studying the lived experience of entrepreneurs, asking them to discuss ideas and concepts that they might not have consciously considered and might even find a little confronting. Dialogue between investigator and respondents was indicated, and a degree of intimacy and trust. The data would have to come from the words of the entrepreneurs, together with any other relevant information that could be obtained, such as company documents. It appeared that the main form of data would be textual—interview transcripts and other documents.

Any research project will inevitably be constrained by resources available—people, money, time etc. However, it is useful to start by identifying what data one would ideally like to collect and the processes one would use to collect it were there no such constraints. One constraint, however, had been settled by this stage. The research would be confined to early stage, rapidly growing businesses. The reasons for this are outlined in the literature review, but restated briefly are:

1. Shared values are widely recognised as a major component of organizational culture (Pettigrew, 1979; Peters & Waterman, 1982; Schein, 1985; Enz, 1988; O'Reilly & Chatman, 1991; Collins & Porras, 1994; Chatman & Cha, 2003), and culture is embedded early in the life of an organization when the founder is still actively involved (Schein, 1983).

2. 'Shared values' implies a number of members of the organization to share those values, thus businesses needed to have grown beyond the size or structure where all activities could be directly supervised by the founder.

3. Organizational culture is shaped by decisions made and actions taken at times of crisis (Schein, 1983, 1985; Pettigrew, 1979), and rapid growth is recognised as a time when the multiple demands must be juggled and crises are likely to occur (Churchill & Lewis, 1983)

Within the boundaries of this agreed constraint the main desired criteria influencing research design were:

- To investigate the range of responses to the concept of organizational values by founders.

- To collect as much data as possible that might be relevant to the domain of values in organizations, therefore putting as few boundaries as possible on the content of interviews and document collection.

The first criterion suggested a multiple case study approach. Yin (1989) defined a case study as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident." (Yin, 1989: 13)

A case study approach, according to Yin, is indicated when the research question takes the form of 'how' or 'why' (or both), research does not require control over behaviour and it focuses on contemporary events (capable of direct report by those who participated in or observed them). The research question fitted these criteria. It concerned *why* founders chose to identify and articulate their organization's core values. It concerned *how* they went about it. There was no need to control their behaviour, and the founder (and others in the organization) would be able to offer a direct report of events and situations.

In multiple-case studies, the unit of analysis must be clear and consistent (Yin, 1989; Eisenhardt, 1989). In this study, should the focus be on the founders, or the companies they created? The intention was to gather data about both, but the data collection methodology developed, it became apparent (as will be made clear later) that the founders would have significant influence over availability of data, and therefore the founder rather than the company should be the unit of analysis. This focus is also consistent with the literature (e.g. Schein, 1983) suggesting that the founders' influence is highly significant in developing culture in the early years of a business's life.

Yin (1989) recommended that case study research design should ideally begin with some propositions, a logic for linking the data to the propositions and criteria for interpreting the findings. Not everyone agrees with this. A benefit of starting with propositions is that they guide the researcher toward the data you wish to collect (in the form of evidence to support the propositions). However, with this benefit comes the potential trade-off that you will miss relevant and important concepts through filtering the data through a pre-conceived perspective, a point that was made forcibly by Glaser (1992). Eisenhardt (1989) proposed that although theory building research should be as unconstrained as possible by extant literature, a priori specification of constructs could be useful in defining data to be collected and in improving the accuracy and robustness of the measurement process. The key was that any a priori construct used would have to *earn* its place in any resulting theory—its significance was not guaranteed simply by being measured.

The approach to designing a multiple-case study research program recommended by Yin (1989) is somewhat rigid in a number of respects. He argues that cases should be chosen either to predict similar results (literal replication) or to produce contrasting results but for predictable reasons (theoretical replication), which presupposes that one has a theory in mind *before* investigating the cases. He prescribes that a case study report should be written up for each case, which inevitably involves a filtering and framing of case data, and that cases are not compared until all case study reports are complete (Yin, 1989: chapter 2). He is also very clear that the research design should be consistently followed for all cases, so that the investigator cannot be accused of manipulating (consciously or otherwise) the findings by changing the criteria for selecting cases or the manner of gathering data. For this reason, he recommends the conduct of a pilot study to confirm that the research design is robust.

Conversely, those favouring a 'constructivist' approach (Guba & Lincoln, 1994) have preferred to alternate data collection and analysis, refining and honing the data collection approach as cases are added (Eisenhardt, 1989). Glaser (1992), for example, argued that as the themes (or 'categories', to use his terminology) emerge, then data collection could be narrowed down to focus only on 'saturation' of the main categories (the point at which each new incident adds no new information about a category). A distinction should be made between adding new cases, which Yin endorsed as a means of replicating or extending theory, and modifying the data collection design, which he counselled against (Yin, 1989). Eisenhardt (1989) took the approach that both addition of cases *and* modification of data collection instruments are acceptable, provided the researcher can argue why such changes would improve the overall quality of the research:

> *Flexibility is not a license to be unsystematic. Rather, this flexibility is controlled opportunism in which researchers take advantage of the uniqueness of a specific case and the emergence of new themes to improve resultant theory.* (Eisenhardt, 1989: 539)

Miles and Huberman (1994: 36) summarised the advantages and disadvantages of prior instrumentation—the development of instruments and protocols for collecting data. This research project had elements that favoured both arguments. The study was exploratory and descriptive in intent (though it was hoped that explanatory factors would emerge), context was likely to be significant, and the intention was to allow themes and theory (if any) to emerge from the data, all factors favouring a minimum of prior instrumentation. On the other hand, it involved multiple cases and the research topic emerged from a prior study (Collins & Porras, 1994), which pre-defined relevant concepts to a degree and could supply a starting point for data collection—factors favouring use of prior instrumentation. The decision was taken to use prior instrumentation as a means to focus the research around the concepts of values and purpose, but to leave it up to the participants to provide meaning for those concepts, and allow them to introduce any factors they felt were relevant.

In qualitative research, the researcher must *interpret* the data, as it is not susceptible to mathematical manipulation through established statistical techniques. This necessarily involves a degree of subjective judgement. Two main strategies are used to mitigate subjectivity: multiple sources of data; and multiple investigators (Eisenhardt; 1989). Multiple sources of data are recommended to mitigate researcher subjectivity through examining a phenomenon through multiple sources of evidence (Miles & Huberman, 1984; Yin, 1989; Patton, 1990; Stake, 1994). The first step was to consider what data might illuminate the phenomenon under investigation—that is, the role of organizational values in emerging businesses. Collins and Porras (1994) provided a useful guide, as they gave details of the criteria they used to assess and categorise the companies in their study. Drawing on data tables 4 through 7 (Collins & Porras, 1994: Appendix 3), which dealt with values and culture, the following topic areas were identified:

Directly related to values and purpose:

- Statements of company ideology
- Consistency between ideology and actions
- Evidence of 'cultism': indoctrination, tightness of fit, elitism

Leveraging ideology through envisioned future:

- Evidence of ambitious goals or visions ('BHAGs')
- Evidence of purposeful evolution (conscious use, operational autonomy, other means)

Additional topic areas identified through the literature were:

- Embedding of culture through selection of employees, active socialisation, and reward systems, (Chatman & Cha, 2003).
- Employee turnover data, since a strong and open core ideology both deterred unsuitable candidates and provided a powerful motivation for employees who embraced the ideology to stay (Collins & Porras,1994)
- Personal values of founders (Schein, 1983; Collins & Porras, 1994)

Finally, descriptive data about the company, such as year founded, annual revenue, number of employees, was desirable in order to be able to validate a degree of similarity and provide boundaries for generalisability of findings.

It was clear that different data collection methods would be more suitable for different types of data. Information that might be regarded as personal, requiring a degree of trust between researcher and respondent, or a degree of probing to bring it to the surface would be best captured in an interview. Conversely, information of a factual, descriptive nature, such as year of founding, annual gross revenue, number of employees was better suited to questionnaire format which would allow the respondent the freedom to complete it at his or her convenience. Availability of company documentation, other than public information such as company web sites, could not be guaranteed, but such documentation would act as a secondary source, serving to corroborate, extend or potentially contradict interview and questionnaire information. It was therefore decided to develop two primary data collection instruments: a semi-structured interview protocol to guide a face-to-face interview with the company founder or current CEO; and a questionnaire to collect descriptive information about the company.

Patton (1990) defines three approaches to qualitative interviewing: the informal, conversational interview; the general interview guide; and the standardised open-ended interview. Table 3 summarises the differences between these approaches.

For this study, the general interview guide approach was regarded as most suitable. The exploratory nature of the research precluded using a standardised interview guide. A high probability that participants would be available for interview once only, and for a limited time (entrepreneurs are busy people) precluded the conversational interview.

The interview guide was modelled on one originally developed for a study of focused intentionality in serial entrepreneurs (Gillin & Moignard, 2005). Using an existing guide as a model offered two main advantages: it drew on the skill of an experienced interviewer to define a relaxed, informal style designed to put the interviewee at ease; and it allowed a reasonable estimate of how long each interview would take, based on interviews previously conducted.

Table 3: Comparison of qualitative interview approaches

	Conversational	General guide	Standardised
Style	Informal and conversational, no time limit.	Topic areas defined, Question format & sequence flexible. Rough time limit.	Prescribed questions format and sequence. Clear time limit.
Time required	Maximum	Medium	Minimum
Repeat interviews required?	Highly probable	Possible	Not required
Forces content	No	To a degree	Yes
Experience required	High	Medium	Low
Trust/rapport	Important	Moderate	Not important
Guide for analysis	None	High level	Detailed level

[Source: Patton (1990: chapter 7)]

The guide developed was loosely structured around eight key topic areas (brief company history; company core purpose and core values; personal value system; values and recruitment; behaviours rewarded or not tolerated; values and decision making; values and competitive advantage; key business performance measures). These were based chiefly on the data tables provided by Collins and Porras (1994: Appendix 3). Although the eight topic areas were set out in what appeared to be a natural flow from one topic area to the next, the intention was not to enforce any order, but to allow the conversation to proceed naturally, with the interview guide serving as a reminder to the interviewer to return to any topic areas not yet covered. A secondary purpose was to provide the respondent with an outline of the topic areas to be covered. This was regarded as important in recruiting participants. Busy people require some indication of what you want to talk to them about before they will make space in their schedule for you.

The company questionnaire appeared straightforward. The purpose was to collect descriptive and historic information about each case study company. The main areas of interest were: company history; management and ownership; parameters of growth (income, number of employees, geographic dispersal); employee turnover; recruitment methods; reward and remuneration strategies. As it happened, a model for the questionnaire document was also available, from another research student in the faculty, John Yencken, who was studying university spin-off companies. There were two main advantages in using Yencken's questionnaire as a model: the instrument itself had been tested in the field and found both useful in terms of data collected and practical in terms of acceptability to respondents; and it would allow the companies in this research study to be compared with another sample set.

The existing questionnaire was divided into three sections: company descriptive information; sources of innovation; and the Business Platform Assessment, adapted by Yencken from the instrument developed by Davidsson and Klofsten (2003). The full questionnaire is described in detail in Yencken (2005). Relatively minor modifications were required to adapt it for the purposes of this study: expansion of the company information collected, and modification of the two later sections to remove any questions that referred to the role of university or public research partners, which were specific only to Yencken's research.

While satisfied that the two data collection approaches described above would yield valuable and to some degree independent information, both relied heavily on the viewpoint of the person interviewed and the person completing the survey—very likely the same person. Company documentation would provide a second source of data, but availability of anything but public domain documents might be limited, and indeed dependent on what the main respondent chose to release. Thus much could rest on a single person's viewpoint. This could be resolved by conducting several interviews in each case study company, but that would extend the data collection load for each case and limit the number of companies that could be studied. There would also be the issue of deciding who else should be interviewed, in itself a subjective judgement, and probably dependent on the main respondent.

Since the focus of the study was how founders perceived and translated the concept of values in their businesses, it was acceptable that the main source of data should be the founders themselves. Nevertheless, the methodology would be improved by adding an alternative way of assessing the strength of values in a company, which could be assessed by means of a large-scale survey instrument. No survey instrument designed to measure the strength of core values in a company had been discovered, and it was not feasible within the scope of the study to attempt to design one. However, it might be possible to discover a suitable proxy, which could be quantitatively assessed.

Investigation revealed the existence of an employee satisfaction survey instrument developed as a consulting tool. The instrument measured a satisfaction gap between a perceived ideal and perceived reality. It was designed for large scale survey, consisted of only 13 questions (each requiring two responses) and could be administered via web browser, making survey completion simple for the participants, and data compilation rapid and reliable. Furthermore, the survey contained a question explicitly addressing perceived gap between shared vision and shared values. It was considered to be a reasonable proxy for the phenomenon Collins and Porras (1994) described as 'tightness of fit'.

The survey instrument had a long pedigree and the invaluable assistance of its developer, Colin Benjamin, is acknowledged in preparing the very brief synopsis that follows. The original research arose out of work conducted for Sir Rod Carnegie at CRA in the early 1980s. Initially the goal was to develop a short heuristic instrument that would identify staff with potential to be senior executives of the future, so they could be placed on a fast track program. Benjamin worked on this with others through what subsequently became Mt Eliza Business School. In the late 1980s, he presented his findings at an International Human Relations Conference, where he met Professor Bob Mathis from the University of Nebraska at Omaha, who was working on the measurement of job satisfaction and corporate culture. The two found similarities in their approach and Benjamin was subsequently able to draw on the large item questionnaire that Mathis had developed.

Benjamin developed a model of the way people think, of which the icosahedron (a platonic solid with 12 vertices and 20 identical triangular faces) is a visual representation. The six sets of opposite vertices of the icosahedron represent polar opposites that, together, define the elements, constructs and links that must be in balance in order to represent a harmonious work culture.

The 12 vertices of the icosahedron are taken to provide a geo-spatial representation of the principle dimensions of the strategic thinking process. For the purposes of presentation to business clients, the constructs represented by the vertices are translated into familiar terms, expanding the '7S' vocabulary adopted from Peters and Waterman (1982), into 12 constructs. The "satisfaction gap" concerning each of these constructs is measured by a question drawn from the Mathis large-scale survey of job satisfaction and culture, selected by analysis of surveys completed by Australian workers. The 13th question concerns the communication of shared values and shared vision. These 13 questions are known as the ICOSA© survey. While the instrument was complex in origin, its administration was simple and the representation of the results to business clients used a form that was intuitively easy to grasp.

The initial research design was thus completed, and consisted of three data sources:

1. The founder (via face-to-face interview and company questionnaire)
2. Company documents
3. Employees (via ICOSA© survey)

Each form of data collection involved some delay between commencement of collection and availability of data for analysis. Face-to-face interviews needed to be transcribed. Although Glaser (1978) has argued transcription is unnecessary, he is in the minority and many (e.g. Patton, 1990) insist on a verbatim transcript, complete with pauses and unfinished or ungrammatical sentences. Company questionnaires would be completed at the respondent's convenience and returned by mail. The recommended timeframe for the ICOSA© survey was two weeks in order to allow as many employees as possible to complete it. Thus it would not be possible to complete data collection on one case study before starting the next—the timeframe involved would be impractical. It would therefore be necessary to conduct data collection on several case studies in parallel, which meant that the data collection design needed to be robust. Should significant problems emerge during the process, several case studies might be affected before the problem was identified. This could lead to re-visiting cases or, worse, having to discard them because data was not comparable with other cases and re-visiting was not possible.

These practical concerns supported a data collection approach similar to that proposed by Yin (1989) in that data collection should be conducted in the same way for all cases studies, and analysis and comparison should be deferred until data collection was complete. However, a constructivist approach would be adopted to analysing the data collected, allowing themes to emerge from the data, within the boundaries imposed by the data collection design. A pilot study was thus indicated. In choosing a company to act as the 'guinea pig' for the pilot study, there were several mandatory criteria:

1. That the company would be prepared to complete the full data collection (interview, questionnaire, employee survey, company documents).

2. That organizational values would play a reasonably significant, or at least explicit, role in the company, so that the pilot study would verify whether the data collection methods used were suitable for assessing the role of values.

3. That the company was 'dispensable' as a case study, since if a major flaw with the research design was discovered, it might not be possible to revisit it—either because the company was unwilling, or because revision would, in itself, compromise comparability with the other cases studies; and

4. That the company founder was comfortable with the fact that the company might have to be dropped from the data set, and thus not receive the full benefit of any research findings.

Fortunately, a company was located that fulfilled all of these criteria. The founder was acquainted with the university through a long-standing business relationship with one of the university's senior academics, and happy to participate with no guarantee of being included in the final data set. The senior academic could confirm from personal knowledge that values played an important part in the founder's personal life and the way he ran his business. The founder was willing to commit to completing all aspects of the data collection. Finally, the company did not completely match the profile for case study selection described earlier. It had existed for 20 years, and would not usually be regarded as an 'early stage' business. However, it had gone through a period of rapid growth due to the introduction of a new business model, which could be regarded as a new venture, though admittedly without many of the usual 'liabilities of newness' (lack of cash, lack of credibility etc.) It would therefore be no significant loss to have to discard it from the data set, and a bonus to be able to include it, if the research design proved robust in field test.

Pilot test of the research design

OBJECTIVES

In conducting a pilot test of the research design, the main objectives were:

- To determine whether the research design was practical, in terms of time and effort to conduct and acceptability to the research participants, whose cooperation was essential to its success.

- To verify that the data collected could genuinely shed insight on the interpretation and implementation of organizational values in the case study company.

- To eliminate any significant problems from the research design and incorporate improvements that would increase either practicality or effectiveness.

PRACTICALITY

By way of context, the company selected for the pilot study had just been sold, after 20 years under the ownership and direction of the founder. The sale had arisen as a result of an expression of interest by a larger company in the same industry. The founder had not been seeking to sell at that time, but had always envisaged selling the business as a potential harvest strategy. Rather than accepting the initial offer, the founder engaged a business broker to seek other potential buyers, and four interested parties eventually proceeded to the due diligence stage. The employees were kept informed of the situation throughout this process. The eventual buyer (the company that made the initial expression of interest) had expressed the intention of maintaining the brand identity of the company and allowing it to run as a more or less independent wholly-owned subsidiary. Many employees would retain their current roles, but some restructuring was inevitable, and the founder acknowledged a sense of uncertainty and anxiety among many staff. In particular, the founder's own role was yet to be agreed—whether he would remain with the business for a short period (up to 12 months), or move on straight away.

Effort and timescale

The practical implication of the above was that the founder had a lot of demands on his time, including frequent inter-state trips to the new owner's head office, and a long-delayed family holiday of several weeks. Thus the conduct of the pilot study had to fit around his availability. The three components were eventually conducted in the following sequence:

1. Interview with CEO (30th August 2004), at which time any available documentation of core purpose and core values was collected (some was forwarded later);

2. Online ICOSA© employee satisfaction survey of all staff (28th September to 13th October);

3. Data collection instrument (completed 28th October)

The actual sequence was a matter of circumstance rather than design. Any sequence was considered acceptable, so long as neither interviewer nor interviewee had been presented with the results of the ICOSA© survey before the interview took place. The CEO interview and data collection survey could be completed in parallel with the online ICOSA© survey, thus theoretically the entire data collection could be completed in two weeks. The assumption was, however, that an extended timeline, such as the one above, would be likely.

All components of the research methodology proved to be practical. The in-depth interview lasted just over one hour. The ICOSA© survey was easy to administer because it was web-based, therefore distribution and data collection were automatic. The survey consultant provided a template email to introduce the survey to employees, which the company tailored before distribution. Two weeks were allowed between survey launch and closure. Of 87 staff, 61 responded and 59 responses were usable, a response rate of 68 per cent. The survey developer advised that this was within the average range.

The company questionnaire had mixed success. The second (sources of ideas) and third (business platform) sections were completed in full. The first part (company information) contained some omissions. For example, turnover, profit, employee numbers and employee turnover were requested for the last five financial years, but only given for three, two, four and one years respectively. [The version used by Yencken (2005), on which this questionnaire was modelled, only requested information for three years.] The term "turnover" was found not to be sufficiently clear, creating some confusion about what figure was required (gross revenue was the intended figure). The profit question was labelled optional, since the CEO had already indicated this information might be considered sensitive.

The final page of the survey asked how long it took to complete, and whether any questions were difficult to answer. The timing of 15 minutes indicated that the questionnaire was easily manageable, even in a busy schedule (though the missing financial and employee number figures possibly indicated lack of time to look them up, rather than unwillingness to disclose). It was this final section that revealed the confusion over the term "turnover". This open question was therefore useful on three counts: it identified a potential ambiguity in a survey question to be corrected in the final version; it allowed the ambiguity to be resolved for this particular case, and accurate figures supplied; and it validated the utility of including an open question at the end of the survey. It was therefore retained in the final instrument.

Acceptability

The pilot case study company was very positive about assisting in this research and was therefore proactive about participation. Scheduling an interview was straightforward, even with a busy schedule. The face-to-face interview flowed well. The CEO was very open in his responses and seemed to enjoy the opportunity to reflect on his journey with the company. He nominated a staff member to be in charge of coordinating the employee survey, and this person was highly proactive and helpful. The CEO and the survey coordinator were both very keen to hear the survey findings, indicating that the opportunity to get a free 'diagnostic' of the company's health could be a powerful motivation for participation. The 67 per cent response rate indicated a reasonably high degree of employee commitment, and no reports were received of the survey being onerous or intrusive. Feedback on survey results to the CEO and the survey coordinator was received with interest (and some concern—see later), thus indicating that the survey would provide beneficial insight to research participants.

The CEO was very willing to provide company documentation illustrating existence of core values and core purpose. In practice it proved not to be as readily accessible as he expected and had to be forwarded after the interview. This situation, in itself provided useful information as it showed that the organizational values that were so clear in the CEO's mind were not necessarily explicitly communicated to the rest of the company.

The element of the research design that the company was least enthusiastic about was the company data questionnaire, which sat on the CEO's desk for a couple of weeks before being completed. The completion time of 15 minutes indicated that the task was not onerous, once commenced. As noted above, some data was omitted from the first section—that concerning company descriptive data. There was no compelling reason why the CEO should have to complete this information as it did not involve any subjective opinion, therefore this part of the questionnaire could be delegated to any employee with access to the necessary records.

No particular deadline was given for completion of the questionnaire, and this might have contributed to the delay. Since sequence of completion was not important, there was no reason why the questionnaire could not be sent to the company in advance of the interview with the invitation to complete it so it could be collected at interview time. This would provide a natural completion date without any sense of coercion toward a deadline arbitrarily imposed by the researcher.

WAS THE DATA COLLECTED USEFUL?

The usefulness of the research design was judged by its performance against following criteria:

- Capturing information on the personal values of the founder and what he believed to be the shared values of the company.
- Ability to assess the degree to which the organizational values espoused by the founder were genuinely in use.
- Insight into the homogeneity and harmony of the culture (described by Collins and Porras (1994) as 'tightness of fit').
- Contribution to the identified research questions:
    - Why did founder start to think in terms of values?
    - What benefits did he expect from articulating values?
    - How did he go about identifying, articulating and embedding values for their company?
    - If values were not articulated, how did the founder think about the concept of values? Could he identify their own values or the values of his organization? What values were implied by his words and actions?
- Providing a useful descriptive profile of the organization that could guide comparison of research findings with other research.

<u>Identification of purpose and values</u>

The in-depth interview yielded clear evidence of core values and some indication of a core purpose. The founder, who remained the CEO, had been managing the business for 20 years. His declared intent in starting the business was to provide a source of income that was not wholly dependent on his own personal effort, thus freeing him to take the occasional break and providing some insurance against circumstances that prevented him from working for a prolonged period of time. Later in the interview, he used the term 'building an asset'.

The interviewee was quite comfortable with the term 'values' and readily identified four core values that underpinned his business operation. The values he identified (edited and paraphrased for brevity) were:

- People: operating in a framework of mutual respect and trust and providing all members of the organization with opportunities to fulfil their full potential;
- Customers: striving to understand and exceed their expectations;
- Service: working together to develop the best solutions to meet evolving customer needs in an evolving business environment;
- Honesty and integrity: preserving the highest standards of honesty and integrity in all business dealings.

The CEO identified himself as having strong personal values. He felt these derived from his upbringing—his parents' values—and from his religious faith (Catholic). He made it clear that his faith was based on the church's actions with respect to the community, especially those who are disadvantaged or marginalised, more than its teachings. Thus it appeared that his church activities supported his personal values rather than defined them. The personal values he described, both in himself and as observed in his parents, were consistent with two of the four values identified as core values for his business. Support for people as individuals and the importance of supporting the community of people in general, especially those in particular need, emerged as a very strong value. He regarded work as a community and hence it was natural to apply those same values to the way he operated his business.

> *"I have a strong sense of responsibility for the community and family is an extremely strong influence on me. I'm the youngest of nine children and I grew up with having to share and to support and to nurture each other. I got a lot of that support and I've hopefully given a lot of that support back to others as they've needed it. So that was drummed into me ... from my parents who were very much people-focused—always two extra places set at the table, just in case someone happened to be there, so they wouldn't feel out of place."*

Integrity was an important personal value in two ways: treating others as you would wish to be treated yourself; and acting in accordance with your principles at all times.

<u>Assessment of values 'in use'</u>

Argyris and Schön (1978) made the important distinction between 'espoused theory' (what an organization *says* it believes in) and 'theory in use' (the values implied by its actions). An objective of the research design was to be able to make a judgement of the degree to which espoused values were 'in use' within the company, and to identify any implicit values that were not espoused but were actively in use.

The CEO provided, during the interview, formal documentation of the four values described above (along with a mission statement) in the form of the mouse mat on his desk. He also stated that the core values were built into other company documents such as performance reviews and the monthly newsletter.

The mouse mat was clearly several years old, and it proved difficult to find the same mission and values documented in any other form. For example, no electronic form of the same words could be found. Investigation of company documentation revealed aspects of the values, but nowhere were those original four core values repeated.

This clearly came as something of a surprise to the CEO who promised to follow up with further documentation after the interview. A few days later a vision and values statement was forwarded to me consisting of a statement of vision, company core value (singular) and four core competencies. The core value concerned the need for mutual trust and respect and a commitment to providing opportunities for all members of the organization to develop their full potential. Customer service and teamwork appeared as core competencies. Integrity was not explicitly included as a value, but was implicit to some extent in the inclusion of trust and respect in the description of the company core value.

This statement was consistent with other documentation collected after the interview—for example, the performance review template, a company brochure and a single sheet (double-sided) flyer. It appeared that the formal statement of vision and values had moved on from the original four values documented on the mouse mat, but the original values were what remained uppermost in the CEO's mind. The likelihood was that the more recent statement of vision and values, supported as it was by other company documents, is what would come to mind for employees if asked to identify their company's core values.

Several examples were given of values guiding action, but only two of the four values espoused by the CEO as organizational values featured in these examples. These were the same two values that were apparent in the CEO's personal value system: people and integrity.

> *"I precluded a couple of companies from entering into [the sale of the business] because I don't think they demonstrated in the community sufficient compassion."*
>
> *"I stopped dealing with a couple of financial institutions who have done the wrong thing, done things unprofessionally or unethically—because if they'll do it to somebody else, then why wouldn't they do it to you?"*

It was apparent therefore that not all 'core values' were given equal importance. The interview content was analysed for statements referring to values. Each statement was coded against the value to which it applied, but also the manner in which it applied, that is:

- A *principle* guiding actions in general; or
- An example of the value guiding a specific *action*; or
- An example of the value embedded as a routine *practice*.

The results are illustrated in Table 4. The numbers in the cells represent the number of statements referring to each value in each of the three contexts described above. The difference in emphasis on each of the espoused values is striking. People and Integrity received much greater emphasis than Customers or Service.

This difference in emphasis was consistent with the formal statement of vision, core value and core competencies currently in use within the company, and reflected in various company documents, except for the absence of Integrity as an explicit value. However, analysis of the interview transcript showed that the criterion for identifying breaches of integrity involved treating others in a way that you would resent being treated yourself—in other words, without trust or respect. Thus these two values were very closely linked.

Table 4: Relative importance of values

	Principles	**Actions**	**Practices**
People	13	7	5
Integrity	7	5	1
Customers and Service	2		1

Questions about behaviours most rewarded and least tolerated were asked to uncover any implicit values that had not been openly stated. In this company, the behaviours rewarded were those that enhanced the two core values of 'people' and 'integrity' and those least tolerated were those that breached those values. Thus the reward and penalty procedures were entirely congruent with these two espoused values. The values of 'customers' and 'service' did not figure in discussion of behaviours rewarded or penalised. There was no evidence, however, to suggest that actions were *not* congruent with those values.

"Tightness of fit"

Collins and Porras talked about "cultism" in a values driven organization—where values are very strong, people either fit in or they don't, and it doesn't take long to determine which (Collins & Porras, 1994: 287-289). This would suggest that people either stay with the company a long time or leave quickly. Employee turnover was, indeed, one of the business metrics monitored regularly and was running at 22 per cent at time of interview.

Although the respondent clearly felt that the company's culture was something to managed and nurtured, he challenged the idea that this objective would be achieved by low turnover. His view was that if a company is dynamic and constantly generating change, then there will be people whose jobs will change radically or be eliminated altogether and not all of these will be easily accommodated into new roles. Also, since one manifestation of the company's core value of 'people' was developing employees to their full potential, then a natural consequence was that some people would outgrow the company and have to look elsewhere to realise their potential. In fact, there had been several instances of people leaving to get broader experience and then returning. A key principle in the company was that people should be supported through change and assisted to find work elsewhere if no role could be found for them in the new structure.

The ICOSA© employee survey was included in the research design to provide some measure the homogeneity and harmony of the company's culture. The survey measured the satisfaction gap between perception of an "ideal company" and the respondent's current organization across 13 dimensions. Each response was on a 9-point scale, giving a theoretical maximum gap of 8 between "ideal" and "current". In practice the maximum average gap observed was never greater than 4, because anything above 4 is unsustainable and would cause the company to collapse. The average gap across all 13 dimensions for Australian companies had been found to be 2. International best practice would be an average gap of 1.

The results for the pilot study are shown in Figure 3. The average gap within the case study organization was a little over 2, with a gap of 3.0 on one dimension and gaps of 2.5 or above on three other dimensions. This indicated a workplace with some significant tensions. The survey was preceded by a question asking respondents to select the department in which they worked, making it possible to break down the results by work group. The recommended minimum number of responses for the survey results to be considered reliable is 11. With this number of responses, a single disenchanted employee can make less than a 1-point difference to the overall result on any dimension.

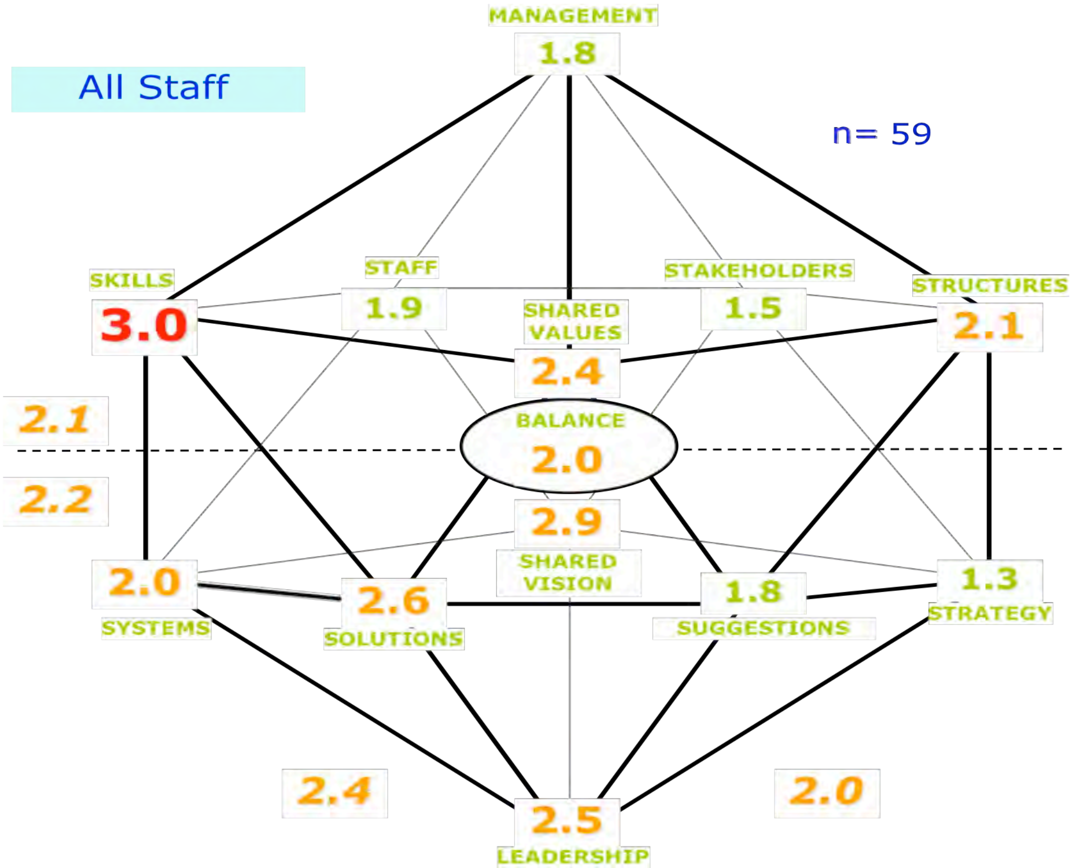

Figure 3: ICOSA survey results - pilot study

Unfortunately, none of the work group response numbers reached the minimum target of 11. However, observing caution about reliability, it was apparent that dissatisfaction was unevenly spread. It was also apparent that one dimension—skills—was a source of concern throughout the entire organization. The 'Balance' score, which gave a direct measure of the perception of clarity and coherence of vision and values was at the upper boundary of the range for a harmonious culture. This indicated that although there was considerable tension within the company, it was not primarily due to lack of agreement on vision and values.

In interpreting the survey results, it is necessary to remember the context in which the survey was conducted. The company had just been sold and would become an independent unit within a larger parent company. While the workforce had been kept fully informed throughout the negotiation of the sale, and most of them would retain their positions, there was inevitably some uncertainty about the future.

The CEO received the survey results with interest and some alarm at the degree of tension in some areas, which clearly surprised him. The attitude he displayed was a desire to understand the causes underlying the tension the survey reported, and address them where necessary, rather than to dispute their existence. The survey developer advised this was an indication of fairly strong alignment of values throughout the organization. His observation had been that when the CEO's values are not shared by other employees, the CEO will find the survey results at odds with his or her personal perception and usually seek to address the difference as a communication issue—to get people to "understand what I'm really trying to do".

The opportunity to visit the company a second time to see the employee survey results presented provided additional insight into the company culture. Observations and impressions were recorded as field notes during and after the meeting.

A comment received by email a couple of weeks after presentation of the survey results illustrates the spirit in which the findings were received:

> *"...it was good to have the indication of the gap in perceived skill level and I will do something quite urgently about this. It is strange how when I think about this, I suspect we already knew we were stretching the resources to limits not seen in the past and trying / hoping not to reach breaking point."*

Motivation, benefits and means

As has been noted earlier, of the four organizational values identified by the CEO, People and Integrity had greater importance in influencing how the company operated. It was also apparent that they had influenced the decision to start the company in the first place. In the first part of the interview, while discussing the origins of the business, the CEO talked of previous jobs he had held in which these two values were not supported—indeed were contradicted. It was a conscious decision on his part, when he started his own business, to operate in accordance with these two values, and contrary to the business practices he had experienced in the past as an employee. It was also, evidently, an underlying motive for starting a business—to be free of the pressure to act in a way that breached his personal values. It was therefore very natural to articulate and reinforce these values when launching the company and as it grew.

The CEO stated a strong belief that using fit with company values as a selection criterion made the recruitment process easier and more effective. It was standard practice to ask questions designed to uncover the candidate's views on how a business should operate, so as to determine whether their value system was congruent with the company's values. The CEO recognised the cost and potential damage of recruiting the wrong person.

> *"You'll muck up the culture within the organization, you will destabilise really good teams who are working efficiently, working harmoniously together, sharing work, being prepared to put in during the really heavy times etc. and if you disturb that culture which you've worked so hard to achieve, then you'll cost yourself a heck of a lot more than [money]."*

The CEO felt that values had both helped and hindered his business performance. They hindered to some extent in that he had turned down profitable business that conflicted with his company's values. But they helped in providing a framework that empowered employees to make their own decisions, thus eliminating the need for a substantial supervisory layer to ensure employees complied with company procedures.

> *"I really don't think there is an option. You either have those [values] and espouse them, or you haven't got the credibility with your staff. You would have to run–if you compromise [your values]–you would then have to run a very different company. Based on control and compliance, not on trust and teamwork and all that sort of thing."*

Overall, he felt that a values-driven business was more sustainable than one driven purely by opportunity. While his company's values might have caused it to miss out on business that competitors had benefited from, in the long term, these losses were outweighed by the long-term trust developed by acting consistently and with integrity at all times. He provided two illustrations of this: 1) the company's first customer and first financial backer were still with them; and 2) none of the competitors who started up within the first five years of his business' operation were still in business today. Yet the quote above suggests that sustainability was an outcome rather than a motivation for adopting organizational values. The company's identity was bound up in those values—were they to be breached, it simply would not be the same organization. This had been a major concern in the decision to sell the company. The CEO sought to find a buyer that would preserve the values of the organization.

Means used to embed organizational values included formal statement of espoused values, performance appraisal, recruitment interviews and grounds for dismissal. The role model provided by the founder was also very important. He was able to cite examples of critical decisions that had been driven by the values, where the role of values was open and explicit (e.g. terminating a customer relationship due to dishonest behaviour by the customer).

Descriptive profile of the company

The main source of data in obtaining a company profile for comparative purposes was the company data questionnaire. Although the metrics defining growth were not supplied as completely as was hoped, sufficient data was obtained to verify that the company had, indeed, gone through a period of rapid growth, which was still continuing. With privately owned companies, accurate financial data will always be a challenge to obtain. Potential improvements to the questionnaire format and administration were identified.

The interview also provided some information on the approach to setting performance targets, which gave insight into how the company regarded growth—as an objective or an outcome. In this case, the answer was a mixture of both. Specific growth targets were set by means of assessing existing customer relationships and the ability to expand them or bring in new business. Thus growth was an objective. However, it was defined in terms of maximising service provision, rather than as a target in its own right. There was no objective that the company should grow by a minimum amount each year. This strategy had been successful with growth of 55 per cent in the previous financial year and a target of 67 per cent for the current financial year.

The business platform survey was designed for early stage businesses, so it was uncertain how well it would apply to the relatively mature business (20 years old) of the pilot case study. In fact, it provided a very useful overview of the changes that the company had gone through in recent years. The results are illustrated in radar chart form as Figure 4. As would be expected for a mature business, the scores were close to the maximum on most dimensions, the notable exception being "Driving Forces". This reflected the fact that the business had recently been sold and the current CEO's role must necessarily change. Feedback from the CEO indicated that over the past three years, the business had been 'professionalised' in its operations, with the introduction of sophisticated computer systems, clearer identification of its target market, products to service that market and upskilling of the sales force. This was reflected in the changes in the Products, Customer Relations, Expertise & Competencies and Ideas and Opportunities dimensions of the Business Platform. Other Relationships might reflect an influx of cash into the business, and the recruitment of an external director to the board.

Driving Forces was also the lowest scoring dimension two years earlier. This suggested that the decision to "professionalise" the organization, taken about that time, may have been partly triggered by the founder's recognition that the business was not fulfilling its full potential, and its value as an asset could be substantially increased. Driving Forces shows up as the dimension that needs most attention in the future. This was also reflected to some extent in the Leadership and Shared Vision "satisfaction gaps" in the ICOSA© employee satisfaction survey.

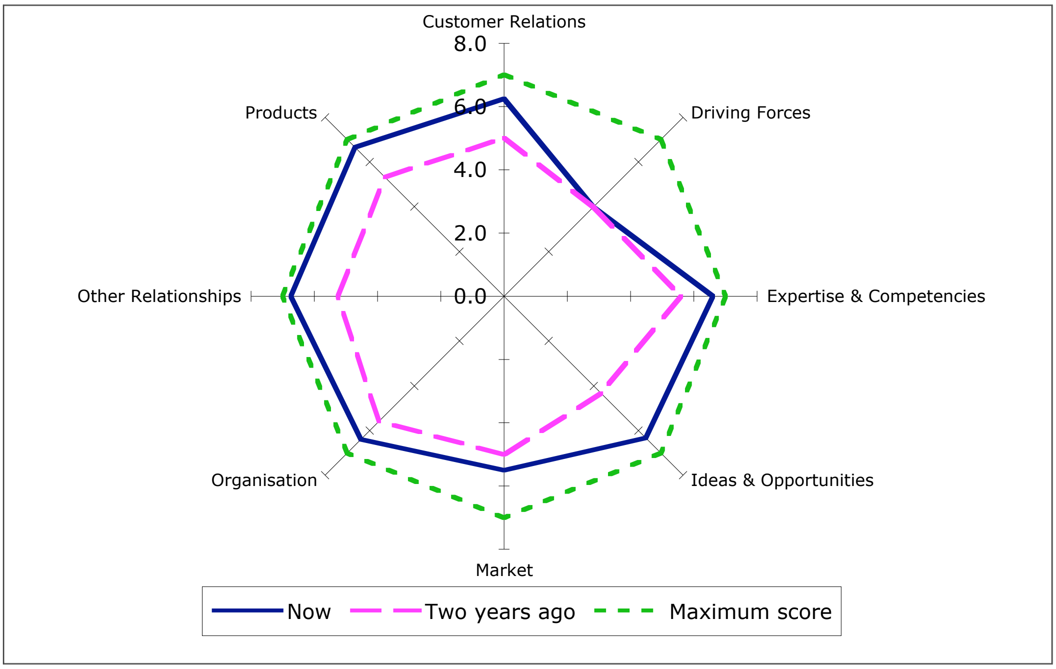

Figure 4: Pilot Study, Business Platform Survey Results

While it was interesting to analyse the information provided by the business platform survey, it did not add much insight into the role of values within the company. The 'driving forces' dimension was potentially useful as an indication of the degree to which the founder's identity is associated with the business (a factor identified by Churchill & Lewis (1983) as developing during the organizational life-cycle) and this, in turn might influence the motivation to embed personal values in the organization. However the links are too tenuous to justify inclusion of the instrument in the research for this reason alone.

In fact, the business platform survey remained in the questionnaire only because the pilot study indicated it was not onerous to complete, and it provided a point of comparison with a dataset gathered by another researcher at the same institution.

Implications of the pilot study

Overall, the multiple-source, multiple format data collection design was successful. It was practical in that it was not overly complex to administer or to analyse. It was effective in that a wide range of information about the company was gathered and provided multiple perspectives of the same phenomena. It was efficient in that each method of data collection yielded information that could not have been gathered by any of the other methods.

The in-depth interview provided an insight into the source of the company's espoused core values. The examples shown confirmed that two of the four espoused core values ("people" and "integrity") were genuinely and consistently supported by actions and derived from the founder's personal value system. The other two values ("customers" and "service") emerged as having lesser importance.

The formal company documentation corroborated the insight that the core value centred on treatment of people carried the most weight and was consistently reinforced by procedures and practices. It confirmed that two of the originally identified "core values" were not truly core values but competencies.

The core value of "integrity" was not explicitly mentioned in the most recent and widely used statement of vision, values and competencies, which was puzzling. The in-depth interview suggested that it was absolutely core to the conduct and decision-making of the CEO, and was reinforced by company practices such as grounds for dismissal. Perhaps it was so central the CEO's personal value system that it was taken for granted by him. Nevertheless, the statement of vision, core value and core competencies would be stronger—both as an internal and external communication—if the explicit mention of integrity were reinstated.

The employee survey showed that in spite of genuine, enacted core values, the workforce was no more than averagely—perhaps a little less—harmonious than the average Australian company (based on prior surveys). This might reflect the context of a company recently sold. It might also reflect the fact that the company launched a radical change to the way it did business three years ago, by implementing new systems. As a consequence of this, it had been expanding fast in terms of sales revenue and profit, while staff numbers had actually declined. The CEO's view was that in order to remain competitive, there had to be a degree of tension within an organization, otherwise the sense of urgency about getting things done would be lost and the workforce could become somewhat complacent. Therefore, while acknowledging certain specific issues that might have gone beyond a sustainable balance, he was happy that the level of tension the online survey reported was a) accurate and b) close to optimal.

The relevance of the data collected by the comparative company data survey was hard to assess based on only one case. However, the pilot study established that the survey form was not difficult or onerous to complete, taking only about 15 minutes. The two questions concerning turnover and profit over the last five financial years did cause some concern, however. Both were considered somewhat sensitive by the respondent and the turnover question was felt to be ambiguous since, in his industry, there were several different interpretations of this term.

While successful overall, certain limitations remained. Most important of these were:

1. The multiple methods of data collection, together with the need to transcribe interviews for analysis imposed an elapsed time of several weeks for each round of data collection.

2. Interpretation of the online survey was dependent on the goodwill of the survey developer's consulting team. Administration of the survey was straightforward, but interpretation and presentation of results to the company required experience. Thus the number of case studies that could be investigated would be limited by the amount of consulting time the survey developer was willing to donate.

3. Willingness to complete the employee survey and the company data questionnaire could not be relied upon, therefore these components of data collection would have to be considered non-essential.

4. The company data collection component of the paper-based survey completed by the CEO did not work as well as hoped. Data provided was patchy and one important question was not clear in intent.

The option of interviewing more staff was considered as a way of assessing the degree to which core values and purpose were shared across the whole company. The CEO of the pilot study company was asked whether it would be have been possible to make (say) half a dozen staff available for a one-hour focus group. The answer was a regretful no, as it would be considered too great an imposition on an already heavy workload. Since the research 'sample frame' was high-growth companies, it was likely that other case study companies would have similar concerns. The option of talking directly with a representative number of staff was unlikely to be feasible, and the increased workload of conducting, transcribing and analysing additional interviews would have reduced the number of companies that could be studied. This option was therefore rejected.

A limited, but manageable approach to assessing whether organizational values were widely shared, was to extend the in-depth interview protocol to ask specifically for examples of staff other than the CEO using core values as a guide to their actions and decisions. This would not extend the interview time by more than a few minutes.

It was recognised that case study companies might not all be willing to participate in the employee satisfaction survey. This potential issue, combined with the limited availability of the survey consulting team, led to the question of whether research design would be adequate without the inclusion of the employee survey. The pilot study had shown that the face-to-face interview and company documents alone provided a good insight into the evolution and implementation of organizational values within the company. The employee survey enhanced the design by providing insight into the overall culture of the company, but was not essential to the key focus of the research, which was how the *founder* interpreted the purpose of organizational values and how they were derived and implemented. The employee satisfaction survey could, therefore, be regarded as optional.

The same caveat applied to the company data questionnaire. The pilot study suggested that respondent motivation to complete this part of the survey would be low. The researcher's prior experience with a combined interview and questionnaire research design (the Global Entrepreneurship Monitor study—see www.gemconsortium.org), was that it was much easier to secure an interview than to persuade a respondent to complete a written questionnaire. Thus to assume a 100% response rate to this part of the research design would be optimistic. Again, the company data questionnaire did not directly address the main focus of the research, but validated that the company was growth-oriented and potentially allowed comparison with other studies. Some of the descriptive data could be obtained from other sources. For example, company growth and employee turnover were discussed in the interview with the CEO. Since fast growing companies were the target of case study recruitment, it was anticipated that many of them would be included in the Business Review Weekly Fast 100 list, which provided such information as income growth over 3 years and number of employees at time of inclusion in the list. Thus, like the employee satisfaction survey, the company data questionnaire could be regarded as optional.

To improve response rate on the questionnaire, it was decided to send it to companies before the interview, in order to give the founder an opportunity to complete it in advance. To improve the quality of the data capture, the CEO of the pilot case study was contacted for feedback on the sensitivities and ambiguities of the survey questions. He recommended substituting the term "sales revenue" for "turnover" and suggested asking for annual *growth* in sales revenue and profits, rather than actual figures, since this would be considered less sensitive. The survey instrument was therefore modified to invite respondents to provide *either* actual numbers *or* percentage growth year on year.

In summary, the modifications to the research design were as follows:

- Extend the interview guide to ask for examples of *employees* actions and decisions being guided by organizational values;
- Send the company data questionnaire to the company *before* the face-to-face interview;
- Change the term "turnover" to "gross income" in the company data questionnaire;
- Offer the option of providing either gross income and profit by year, or percentage increase in each of these by year;
- Invite the founder/CEO to delegate to another employee the section of the company data questionnaire that dealt with financial, employee and customer information for

which reference to company records would be required, thus minimising the impact on the founder/CEO's time.

With these modifications, the research design was considered sufficiently robust to take to field on a larger scale. The final versions of the interview protocol and the company data questionnaire can be found in Appendix 1.

Recruitment of case studies

Having validated the research design by means of the pilot study, the next issue was the recruitment of case study companies to the project. Where would suitable companies be found? How should they be approached? What factors might influence their decision to participate or not?

In quantitative research, it is usually an objective of the study to be able to generalise the findings to a wider population than the actual participants. In order to do so, the researcher first defines the population to which the research findings are intended to apply. They then identify a sample frame, a set of potential participants, from within that population. A representative sample of respondents, usually chosen by random selection, is invited to participate. Enough potential participants are invited to permit valid statistical analysis of the data collected, making allowance for non-response (which may be a very large proportion of invited participants) and for unusable data. Statistical analysis of the data collected yields findings that can be generalised with a known degree of confidence to the general population.

In qualitative research, using a multiple case study approach, it may still be an objective to generalise findings to a wider population, but without the degree of precision possible in a quantitative study. The generalisation might be hypothetical, remaining to be tested by further quantitative studies, for example. Nevertheless, many of the same principles apply. A population to which the findings are intended to apply must be identified, sometimes referred to as setting boundaries (Yin, 1989). Potential participants from within this population must be identified. However, they need not be, and usually are not, selected at random. Instead a theoretical or purposive approach is used. Cases are chosen for their ability to replicate or extend the theory being examined (Yin, 1989). In the case of an exploratory study, where no pre-conceived theory exists, cases may be chosen to represent a variety of the characteristics defining the sample population (Eisenhardt, 1989). For example, it may be a deliberate decision to choose companies of varying sizes and from different industries, so as to increase the generalisability of findings. The risk in this approach is that it may be the very factors that are varied—size, industry—that prove to influence the phenomenon being investigated, and by varying them, no common pattern is discerned.

Gilchrist and Williams (1999, reported in Neergaard, 2007) identified two basic approaches to sampling: theory-driven, where selection of cases is driven by existing theory; and data-driven, where new 'units' are selected as representative of theoretical categories emerging from the data. Patton (1990) used the term "purposeful" sampling in a way that embraces both of these approaches, since the sampling strategy chosen is driven by the purpose of the study – theory-testing or theory-building. In theory-driven studies, cases are usually selected up-front according to criteria defined by extant theory, whereas in data-driven studies they are selected as the research unfolds.

In this study, although theory-testing was not the purpose, existing theory had suggested selection criteria for cases: namely that the companies should be fast-growing (or actively planning for rapid growth) and preferably with the founder still involved. This was based on literature that located emergence of organizational culture (of which shared values are a significant component) in the growth stage of the organizational life cycle.

A second, implicit criterion was that company founders were willing to talk about values—personal and organizational. There was little benefit in talking to founders who had nothing to say on this subject, since the purpose of the research was to identify factors that led to the emergence of organizational values. It was not an objective to assess what proportion of the total population of leaders of companies at this stage of growth gave any thought to the concept of organizational values.

Sample selection was therefore theory-driven, but only to the extent that theory defined the *context* for the research. Within that context, the research was data-driven. Because the research topic was exploratory and included an interest in companies where the founder had not explicitly thought about the concept of organizational values, it was considered that any company that was fast-growing or preparing for fast growth, and young enough for the founder still to be involved would represent a suitable case. The second criterion of being willing to talk about values would be determined by willingness to participate in the research.

Thus the first criterion of sample selection—growth orientation—was used to identify and select companies to approach to join the study. The second criterion was applied by the founders themselves in agreeing to participate.

Sequence of data collection and analysis

Grounded theory insists upon data analysis proceeding in parallel with data collection—that is, data should be analysed as soon as possible after it is collected, in order to capture emerging themes as early as possible and tailor future data collection accordingly (Glaser, 1992; Strauss & Corbin, 1990; Eisenhardt,1989). Other methodologists have recommended a consistent approach to data collection (e.g Yin, 1989) in order to guard against subconscious filtering of findings. Eisenhardt (1989) argued that it was legitimate to alter or add data collection methods during a case research study because the objective is not to generate a statistically valid summary, but to understand in depth the phenomenon under investigation.

In practice, the approach taken must be, to some extent, determined by the degree to which the 'cases' are accessible to the researcher. If case data consists of archive material, then it can readily be revisited should a new theme emerge from analysis of another case. On the other hand, if cases consist of busy entrepreneurs with many other demands on their time, then the researcher is unlikely to get the chance to go back and seek further information. It is certainly possible to *try*, but there is no guarantee or even probability of success. Furthermore the context of the information retrieved by, for example, an email checking a further aspect of the topic area is different from information obtained during a face-to-face interview where the respondent is immersed in the topic area for an extended period of time.

An additional consideration is whether the timeframe of the data collection on one case allows for analysis prior to embarking on data collection for the next. In this study, all three main types of data collection involved some sort of delay. Interviews required transcription, company questionnaires had to be completed and returned, employee surveys required an elapsed time of a minimum of a week (usually two weeks) to conduct, and the survey 'launch' date was at the discretion of the company, not the researcher.

Finally, there was the issue of the timeframe involved in recruiting participant companies. Not all approaches would be successful. Entrepreneurs, being busy people, it was considered unlikely (and indeed proved to be the case) that every one approached would agree to an interview. Therefore approaches needed to be made in parallel, rather than sequentially. This, in turn, determined that data collection should also proceed in parallel. When a favourable response was received, the interview had to be scheduled and conducted as soon as possible; asking to defer it until data collection and analysis from the previous case study company was complete would carry a high risk of losing the participant.

The above characteristics combined to form a compelling argument for conducting data collection as intensively as possible, followed by data analysis. This further implied a robust research design (Yin, 1989), to minimise the problem of lack of comparability of data between cases, and the use of a pilot study to validate the research approach. With the pilot study successfully completed, the research design was ready to take to field on a larger scale.

Chapter 5: Data collection and analysis

Data collection and analysis rarely proceed in a straightforward, textbook manner. Issues, some identified in advance, others not, tend to arise and must be resolved. However, reporting of these issues and their resolution in detail may detract from the overall outcome of the research project—the findings. Thus, although the data collection and analysis process took place in two distinct phases, for reasons of clarity, it has been summarised and presented as a single phase.

Data collection

RECRUITMENT OF PARTICIPANTS

The defining criteria for participant companies were that they should be fast-growing or growth-oriented, young enough for the founder(s) still to be involved, and willing to particpate in a discussion about values in general and values in their business in particular. Finding such companies was assisted by the annual publication of a list of the 100 fastest growing companies in the country, the BRW Fast 100, released in October each year (see www.brw.com.au). This list was by no means exhaustive—some fast-growing companies preferred to keep a low profile, others were too busy managing growth to find time to complete the paperwork required to be considered for inclusion. Nevertheless, all the companies on this list met the criteria for inclusion in the study, and the list supplied relevant information such as year of founding and name(s) of founder(s), making it an ideal starting point.

Another possible approach, either as an alternative or in parallel, was to use personal networks to identify suitable companies. This strategy is particularly useful when potential participants are hard to find through publicly available sources. Studies of business angels have been conducted in this way, often extending the personal networks by asking recruited participants to suggest others who might join the study—referred to as the 'snowball' technique (Hindle & Wenban, 1999). Through the University's engagement with the entrepreneurial community, suitable personal networks were available.

In deciding whether to use the published list or personal networks, a second factor came into play—credibility. In this type of study, the level of involvement of each participant is greater than in quantitative studies. The relationship between researcher and participant is personalised, not anonymous. They meet face to face or at least talk on the phone or, with modern technology, via email or even web chat. The relationship is rarely a single encounter. It might involve multiple interviews, multiple visits to a site, or simply verifying interview transcripts, requesting more information or sharing findings. The decision to participate is therefore more complex. It is not as quick and simple as 'fill in a form and forget it'. The credibility of the researcher therefore becomes a factor that participants may consider when making their decision.

Use of personal networks increases researcher credibility because they are introduced through a trusted intermediary. Such credibility is lacking when the researcher approaches companies based only on their inclusion in a public list. A complicating factor is that other researchers, journalists and would-be entrepreneurs may use the same list as a source of contacts, making the companies wary of such approaches. The public list, however, has the advantage of providing an immediately accessible list of eligible participants. Identifying such a list through personal contacts would usually take much longer. In summary, the trade off is between 'accessibility' (the ability to locate suitable companies) and 'convertability' (the ability to persuade them to participate). A published list offers greater accessibility, but personal networks may offer greater convertability.

The use of personal networks may introduce a perception of subjectivity, however, it does not necessarily imply personal acquaintance between company and researcher. The network simply facilitates the connection and increases the likelihood of agreeing to participate.

Before contacting any companies, documentation about the study was prepared. Following the successful completion of the pilot study, ethics approval had been applied for and received. The 'Form of disclosure and informed consent' document required by the ethics committee was deliberately written in business rather than academic language, so as to be suitable for inclusion as an attachment to a covering letter, providing information about what participation in the study would involve. A standard covering letter (single page) was developed, which could be customised to refer to any personal contact or mutual acquaintance that would add to the researcher's credibility with the potential participant.

Feedback from a journalist involved in writing articles about the 'Fast 100' companies confirmed that they did indeed receive many approaches from researchers and other interested parties, to the extent that it had deterred some of them from continuing to nominate for inclusion in the list. The decision was therefore taken to start by recruiting case studies using personal networks.

The first company approached agreed immediately, however, after several weeks this was the only lead that had resulted in successful 'conversion'. The decision was then taken to approach the BRW Fast 100 companies. For logistical reasons, only the 25 companies based in Victoria (all of them within Metropolitan Melbourne) were contacted. On the advice of a colleague, based on his prior experience as a consultant, each company was contacted by telephone before sending a written request to participate. The purpose of this call was twofold: to generate interest in the research; and to maximise the possibility of the letter actually reaching the founder or CEO's desk.

Eight companies responded, of which seven agreed to participate. A follow-up phone call to one of the non-respondents who had a connection with the university, resulted in agreement to participate. In summary, eight of the 25 Melbourne-based companies included in the 2004 BRW Fast 100 list joined the study. This brought the total number of case studies up to 10, including the pilot test company. It was not easy to know in advance how many cases would be 'enough', but 10 cases is nearing the upper limit of what many case researchers recommend (e.g. Eisenhardt, 1989), and would provide sufficient data to analyse for patterns and potential models or theories.

In fact, after analysing these first 10 cases and discussing preliminary findings with colleagues and students, additional leads and offers to participate were received. Between December 2005 and March 2006, five more cases were recruited through such "opportunistic" sampling. Three of these represented potentially 'extending' cases (Yin, 1989): one followed an accelerated growth-path; another (technology-based) had not yet begun trading, but had billion dollar ambitions; a third had grown slowly and organically for 25 years before identifying a business extension with rapid growth potential.

DATA COLLECTION

The first wave of data collection was carried out between February and August 2005, with the bulk of work occurring during a two month period from mid-April to mid-June. The second wave of data collection was conducted (as noted above) between December 2005 and March 2006.

It did not prove possible to complete the full range of data collection with all the case study companies. While CEOs were happy to put aside an hour or more for an in-depth interview, spending about 15 minutes filling in a questionnaire proved less appealing. Take up of the employee survey was mixed. Some companies embraced the opportunity eagerly while others said they surveyed their employees regularly and were reluctant to ask them to complete another one. All 15 companies had a web site, which in most cases provided a source of company documentation, however one was so rudimentary that it provided no useful data. Some companies also made other documents available, such as induction handbooks and performance review templates. A summary of the spread of data sources is provided in Table 5.

Table 5: Data sources available per case study

Case ID	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
In-depth interview	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Questionnaire	✓	✓	✓	✓	✓	✓	✓	✓				✓		✓	
Employee survey	✓		✓	✓		✓	✓	✓					✓	✓	
Company documents	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓

In addition to the formal sources of data summarised in Table 5, field notes were taken at the time of interview and when re-visiting the company for presentation of the results of the employee survey (where this occurred). Field notes at time of interview recorded impressions of the company culture conveyed by the office environment (location, furniture, layout etc) and the behaviour of office staff toward a visitor. Reactions of the company staff to the employee survey findings were noted and a second opportunity was taken to record impressions of the office environment and culture (except in one case where the meeting took place in the survey consultant's office).

As explained earlier, a parallel approach to data collection was adopted with data analysis deferred until the completion of the first wave of data collection. The second wave of data was included in the analysis after all five additional cases had been collected. It did not prove necessary to extend the analysis framework to include the data from the second wave of cases.

Descriptive and quantitative data analysis

Quantitative and descriptive data was tabulated as it was collected. Data from the company questionnaire was entered into SPSS, except for the Business Platform data, which was recorded in Excel, summarised using the Pivot Table function and displayed in radar chart format, for easy interpretation and comparison. Examination of patterns in descriptive and quantitative data was deferred until data collection was complete for all cases. Business Platform data was deemed not to be relevant to the research question, but a brief analysis and comparision with an earlier study using this data can be found in Appendix 2.

ICOSA© EMPLOYEE SATISFACTION SURVEY DATA

Of the 15 cases, eight completed the employee satisfaction survey. The survey yields an average employee satisfaction index (expressed as a percentage) and a histogram showing the range of individual employee satisfaction indices. Figure 5 shows an example of the histogram, illustrating how, for the case shown, individual employee satisfaction levels ranged from above 95% to below 60%. An employee satisfaction index (ESi) in the range of 75% to 85% is considered comparable with the Australian norm, while an ESi above 85% is considered comparable with international best practice. The histogram was useful in determining how accurately the average employee satisfaction index reflected the satisfaction of the majority of employees. Using the data provided by the histogram, two additional indicators were calculated: the percentage of employees whose satisfaction index was 75% or higher; and the percentage of employees whose satisfaction index was 85% or higher.

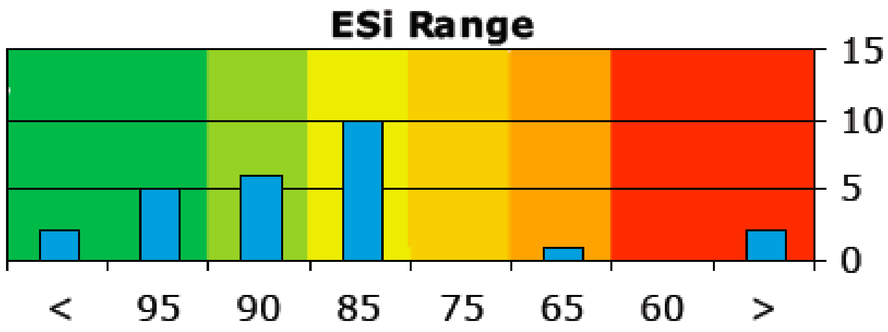

Figure 5: Example of ICOSA© survey histogram

The survey also provides average 'gap' scores for each for the 13 survey questions, representing the difference in perception between the practices of an 'ideal' company and those of the respondent's company and illustrated in the form of an icosahedron, with 12 vertices and an inner 'Balance' point. Figure 6 illustrates.

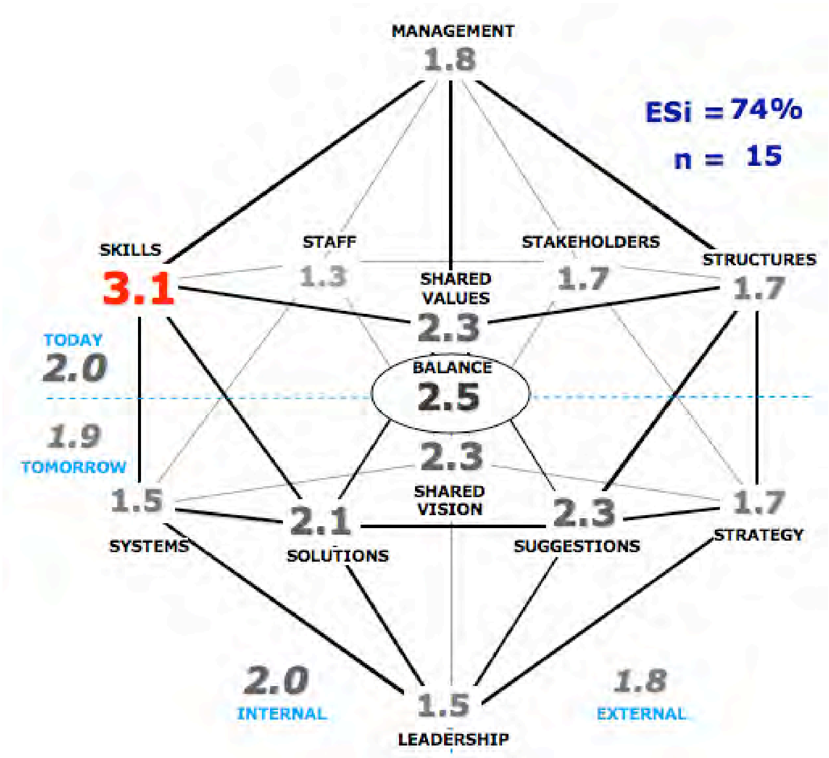

Figure 6: Example diagrammatic representation of ICOSA© survey results

While the theoretical maximum gap is 8, in practice gaps above 4 are never observed, because the degree of conflict represented by a gap above this level will cause the company or unit to collapse. Of particular interest in this study was the 'Balance' gap score, which represents the perception of congruity between the company's shared vision and shared values. Gap scores are also summarised into four indices reflecting satisfaction with 'Today' (what is currently happening), 'Tomorrow' (what could or should happen in the future), 'Internal' (how the company operates internally), and 'External' (how the company presents to the outside world).

The ICOSA© survey results are summarised in Table 6. Six companies were within the Australian best practice range and one in the World's best practice range. The other two fell just short of Australian best practice. These two companies were also the ones with the highest (least satisfactory) score on the 'Balance' between shared vales and shared vision. In general, employees were less satisfied with management of 'today', than 'tomorrow' (equal in two cases, 'today' marginally better in one). The survey developer advised that this pattern occurs when the workforce is either showing signs of insecurity or feels that their organization is under-resourced. Given that the pattern was evident even in companies with high ESi scores overall, and that 'Skills' frequently had the largest or among the largest individual satisfaction gap, that the organization feels under-resourced seems the most reasonable interpretation. Furthermore, the only company where employees were more satisfied with 'today' was the oldest company, which had not yet implemented its plan for rapid growth.

In every case, employees were more satisfied with the way the company dealt with the external world than how it was managed internally. This may reflect that young companies are forced to be highly responsive to their external stakeholders simply to survive, although it must be noted that companies A and M, both in existence 20 or more years, showed the same pattern.

Table 6: Summary of ICOSA© employee satisfaction survey results

Case ID	A	C	D	F	G	H	M	N
No. of employees	87	70	25	16	12	95	148	60
Response rate	68%	31%	60%	90%	83%	42%	82%	46%
ESI score	**73%**	**87%**	**74%**	**84%**	**84%**	**78%**	**78%**	**82%**
Per cent ESI >= 75%	66%	100%	87%	100%	100%	84%	83%	88%
Per cent ESI >= 85%	49%	86%	53%	78%	70%	64%	60%	88%
Balance score	2.0	1.1	2.5	0.8	1.2	1.9	1.6	1.2
'Today' score	2.1	1.0	2.0	1.1	1.4	1.8	1.7	1.5
'Tomorrow' score	2.1	0.8	1.9	1.1	1.1	1.6	1.8	1.2
'Internal' score	2.3	1.0	2.0	1.0	1.4	1.8	1.3	1.1
'External' score	1.7	0.8	1.8	0.9	0.8	1.6	1.1	0.8

Response rates varied widely, from a low of 31 per cent to a high of 90 per cent. There was no evidence of an association between response rate and ESi score. The highest ESi score overall came from the company with the lowest response rate, but the second highest score came from the company with the highest response rate. Low response rates were, however, associated with distributed structures. The three companies with response rates below 50 per cent were a franchise, an agency and a highly departmentalised company. Unfortunately, neither of the companies in the study with extensive overseas operations participated in the employee survey. In contrast, company M, a retail chain, showed a very high response rate despite most employees working outside of head office and not having regular access to the internet. This was attributed to the high degree of loyalty of staff to the CEO[3] and the CEO's determination that all employees should respond.

When components of the ICOSA© survey results were examined for patterns, there was a suggestion of a negative correlation between the ESi and the number of employees, and even more so if the percentage of employees above the 75% satisfaction threshold was substituted for the overall ESi (-.694, p=.056). The survey developer advised that this relationship was not supported in the cumulate survey database. However, lower ESi scores often indicated that management was overstretched and the potential for this to happen is greater in larger organizations (hence the strategy frequently adopted by large organizations of setting a maximum size for any individual division of the company).

[3] Quote from the business manager also present at the interview with the founder: "these [store operators] follow his lead. You put up another person in there [indicating CEO's chair] - forget it"

Approach to qualitative data analysis

Qualitative analysis consisted of thematic coding of transcribed interviews and (where available) company documents. In transcribing interviews, effort was made to capture not just the words used, but the emphasis and fluency with which they were delivered. Long pauses were recorded as '[pause]' in the transcript, an ellipsis (…) indicated a short pause or an unfinished sentence, a dash indicated a change of direction in a sentence. Words that were emphasised in speech were transcribed in capitals. Recordings were retained after transcription so that emphasis or uncertainty on any significant point could be checked. Interview transcripts were converted to rich text files and then edited to remove any references that might identify the company or the individual being interviewed, so that the analysis of this data could be examined by other researchers without violating confidentiality. Any company documents available in electronic form were similarly converted and edited.

SOME NOTES ON NVIVO 2 QUALITATIVE ANALYSIS SOFTWARE

The use of rich text format was to allow the textual data to be analysed using Nvivo software (version 2, which was the latest version at the time). The software is a tool, not a method. It supports any analysis approach that involves thematic coding. The researcher must decide how he or she wishes to go about the task of coding and examining the data. However, it enables a more flexible approach and a greater depth of analysis than manual methods would permit given a fixed amount of time in which to carry out the analysis. It is therefore useful to spend a few paragraphs briefly describing how the software is used and what benefits it offers.

Since the pioneers of qualitative analysis, such as Glaser and Strauss (1967), and Miles and Huberman (1984) outlined their recommended approaches to analysis, technology has made considerable advances. Glaser advised typing up multiple copies of research notes, so that passages could be literally cut and pasted into coding categories (Glaser, 1978). Many researchers have used different coloured highlighter pens to mark passages representing different themes or categories. The arrival of word processing technology increased the productivity of both techniques and made it easier to revise the coding of passages as the coding scheme developed. Highlight colour could be amended in an electronic document, and passages could be moved from one coding theme document to another, or duplicated in each, if the passage simultaneously represented more than one theme.

Software programs specifically developed to assist coding have been available since the early 1980s and fairly widespread since the mid 1990s. These programs were designed to increase the productivity of the thematic coding process and followed closely the processes previously carried out manually, such as creating coding schemes, either unstructured or in hierarchic form, and making memos regarding coding decisions. Nvivo, and its predecessor Nudist, developed by QSR International, are two such programs with which this researcher has some years' experience.

Nvivo works with textual data, imported in rich text format. It can also handle image and even video data. It enables a flexible approach to coding, from a rigid coding scheme, pre-defined in great detail to an emergent coding scheme, recording themes as they arise and later arranging them into a meaningful structure. Coding themes or categories (as Glaser & Strauss (1967) prefer to call them) are created as 'nodes', which can be arranged as a hierarchy or left completely unstructured. Detailed descriptions and coding instructions can be attached. Memos documenting coding decisions can be recorded. Text searches can be used to identify all passages containing certain key words or phrases, both to identify recurring themes, and to record where they occur in the text.

This researcher has used Nvivo extensively both with and without pre-defined coding schemes, and has observed several advantages over manual coding. These include:

- Easy revision and extension of the coding scheme. As coding proceeds, categories that initially appeared significant may prove to be isolated examples and can be discarded or merged with others. Conversely categories that prove to be too general can be separated, either into sub-categories or distinct categories at the same hierarchical level.

- Multiple coding of the same passage. This is hard to manage with manual techniques, especially using highlighter colours, and yet is frequently necessary, as a single sentence may express several distinct themes.

- Matrix displays showing the number of documents, passages or characters coded at the intersection between themes (represented as the 'cells' of the matrix). This is useful for cross-case analysis, for detecting patterns such as differences in response between classes of respondents (e.g. males and females) and for counting the frequency of passages expressing certain themes.

- Confirmation (or refutation) of perceived patterns in the data. Miles and Huberman (1994) caution against being overly impressed by the "vividness" of certain passages and attaching unwarranted importance to them. Nvivo's search facility makes easy to seek out the evidence that supports such a vivid impression or, conversely, establishes that it is not supported.

- The ability to follow a process of ongoing reduction of data (Miles & Huberman, 1994). Text can be coded initially under broad themes, then refined to narrower themes as the researcher makes decisions about which data are most significant or pertinent to the topic under examination.

- The ability to structure the same data in many different ways, for example to assess its consistency with existing theories.

- Greater transparency regarding the process by which conclusions were derived and the textual evidence that supports them. The thematic categories (nodes) can be browsed to view the text that underlies them. The same applies to the results of text searches and matrix displays.

In summary, Nvivo allows the researcher to create a database of coded passages that can then be interrogated in many different ways. As a consequence of this increased productivity, interrogation of textual data is possible at a greater depth than would be practical using manual techniques. The software supports any of the well-established thematic coding approaches, but its flexibility makes it particularly well suited to an exploratory study where existing theory does not provide a preliminary coding scheme, and where the significant data items are not apparent in advance.

This research made use of all the benefits outlined above. Nvivo not only greatly increased the productivity of the initial stages of data analysis, but made it relatively simple to extend that to a second stage (described in Chapter 6) involving multiple coding of a large number of passages of text and multiple matrix analyses of the results. To do coding in this level of detail by hand would be time-consuming, error-prone and hard to organize so that others could validate that the process had been correctly followed. Nvivo made all of these simple.

APPROACH TO ANALYSIS

Having described myself in the introduction to this report as a "synthesist" who by instinct inclines toward immersing myself in the mass of data until patterns emerge, it is natural that I should be drawn to explore the research method known as "grounded theory", developed and named by Glaser and Strauss (1967). A review of the literature relating to this technique showed that it was not, in its pure form, appropriate for this study, principally because it demanded an alternation of data collection and analysis which, for reasons already explained above, was not feasible. It was, nevertheless, possible to keep in mind one of the key concepts of grounded theory—that of emergence of theory from data—when examining the interview and company document data for themes and categories.

The approach taken in analysing the textual data gathered in this study was to observe the principle of emergence as far as possible, by coding data in the first instance without any pre-defined framework in mind, but within the boundaries imposed by the research topic, and choice of cases—that is, the nature and role of values, as interpreted by the founder, in early-stage, fast-growing businesses. Preliminary coding was based on the themes outlined in the interview guide (Patton, 1990). Meaning was generated through a process of reduction and extensive use of displays to identify key themes and patterns, and to narrow the focus of analysis around these themes (Miles & Huberman, 1994).

Initial data coding

The first stage of coding used the interview guide as a high-level coding framework (Patton, 1990). Although interviews were guided by this structure, it was not rigidly imposed. The objective was to cover the main topics outlined in the interview guide, but not necessarily in the sequence of the guide; to allow the interview to go "off topic" for short periods, with the aim of establishing rapport between interviewer and interviewee; and allowing the possibility for relevant material to be introduced under topic areas not covered by the interview guide. As a consequence, interview transcripts were not neatly sequenced according to the main topics of the guide, but relevant material occurred throughout the interview. The first stage of coding aimed simply to group together statements concerning the main themes of the interview to facilitate the next stage of analysis. Relevant material from company documents, such as web sites, induction manuals, performance review templates etc, was also coded under these themes. The themes forming the top level of this initial coding hierarchy are summarised in Table 7.

Table 7: Primary coding themes and sources of data

Theme	Description	Source of material
Business evolution		
	Source of original opportunity, founder motivation in starting the venture, key events in the development of the business, such as set-backs, lucky breaks, crises.	Interviews
Founder's personal values		
	Statements about the founder's personal value system.	Interviews
Organizational values evolution		
	When were values considered? Why? How were they chosen?	Interviews
Espoused ideology		
	Any statements (including those from company documents) about the espoused purpose and values of the company.	Interviews, Company documents
Ideology in use		
	Any statements (including those from company documents) indicating actions or practices driven by organizational values (consciously or otherwise).	Interviews, Company documents

These five main themes served different purposes in the search for patterns and meaning in the data. All but the first were expected to relate directly to the research question of how founders interpret and apply values in the organizations they build.

Literature (e.g. Collins & Porras, 1994; Schein, 1985) suggested that the founder's personal values would influence the selection of and also prominence of organizational values. The evolution of organizational values was a major component of the research question. The espoused ideology and ideology in use were two aspects of how shared values might be apparent in an organization, and the degree of fit between would inform any assessment of the degree to which organizational values were actually embedded and embraced.

EVOLUTION OF THE BUSINESS

The first 'theme', evolution of the business, was not an analysis theme. Its purpose in the interview was twofold. Firstly, it served to break the ice by starting the interviews with a less personal and potentially intrusive subject than values. Entrepreneurs are generally very comfortable talking about how their business evolved. This section of the interview also gave them the opportunity to lead the direction of the conversation for a period, if they so wished. Secondly, it provided insights into the personal value systems of the founder and the process of evolution of organizational values, in a context that was more spontaneous and less guarded than a response to a direct question about values. In summary, it was a mini use of narrative technique embedded in a more structured interview. In practice, this part of the interview proved to be rich in insights. The related topics of source of opportunity and founder motivation offered insight into the goals and modes of conduct that the founder valued for himself or herself—what Rokeach (1973) termed 'personal' (as opposed to 'social') values. The growth trajectory of the business, the business model itself, and especially the turning points in the journey—those that made or threatened to break the young venture—offered illustrations of values (both personal and organizational) in action. Schein (1983) argued that what founders pay attention to and how they act at times of crisis are among the most powerful influences on the culture that develops in their organization.

The amount of data coded under each main theme was substantial, so themes were broken down into sub-themes to aid interpretation.

PERSONAL VALUES OF FOUNDER

In every case except one, it was possible to identify statements that reflected the personal values of the founder in some way. The exception was the case where the founder no longer had an executive role in the business, and the company was led by a professional CEO, who talked in terms of bench marks and professional training, but kept his own personal values very much in the background. Some founders were quite comfortable talking openly about their personal values; for others values had to be inferred from their accounts of their decisions and actions.

Following Rokeach (1973), the values of founders were classified as either 'personal' (desirable for self) or 'inter-personal' (considered by the individual to be desirable in general, not just for themselves). Following Schein (1985), statements reflecting beliefs about matters of fact rather than desirability were coded as assumptions. Schein argued that these were more influential than values in determining organizational culture. Finally, any statements about spirituality were coded under a fourth sub-category, following the renewed interest in the subject of spirituality in the workplace (see, for example, Zohar & Marshall, 2004). Spirituality was explicitly *not* equated to affiliation to any organised religion in the interview discussion on this topic. [Data under this theme proved sparse and this dimension of values was not explored further in the analysis.]

EVOLUTION OF ORGANIZATIONAL VALUES

This theme dealt with the process through which organizational values developed. Sub-categories within the theme included the timing of values development, the intended audience for values (internal, external or both), the selection and development of values, and the fit with the founder's personal value system. Where the company lacked explicitly espoused organizational values, data relating to this theme was obviously sparser, but was not entirely lacking. For example, narrative accounts of the business evolution, in some cases, linked personal values or core beliefs of the founder to implicit organizational values.

ESPOUSED IDEOLOGY

Much of the data coded under this theme came from company documents that made formal statements about the company's values and mission. Statements from interview transcripts about values, purpose, mission, 'what the company stands for' and so forth, were also included. It was not assumed that documents and founder's opinion would necessarily match. The pilot study had demonstrated that this was not always the case.

Within this theme, statements about long term purpose or mission were coded as a separate sub-category from statements about values. The distinction between these two sub-categories was that purpose expressed what the company existed to achieve and values expressed what it stood for—principles that would not be compromised. Following the definition provided by Collins and Porras (1994), a statement of purpose had to be long-term in focus—not linked to any specific timeframe—something related to an eternal vision or need. It was not assumed that all, or even any, companies would have such a statement of purpose. In fact one company had explicitly defined a core purpose (using that terminology) and about half had developed mission statements that were open-ended in terms of timeframe, and general in terms of means of delivery (i.e. not tied to any market, technology or distribution system).

IDEOLOGY IN USE

This was the largest theme in terms of data coded. Any passages relating to how values were interpreted or enacted in the company were coded under this theme. Values might be explicitly referenced, such as in an induction manual relating values to behaviours, or implied by a statement of principle, a standard practice or an incident reported. Sub-categories within this theme related to the manner in which the values were embedded and included: recruitment; induction, training and development; rewards and incentives; penalties and dismissals; general processes and culture; and specific incidents. These sub-categories were derived from analysis of the data for common themes, without explicit reference to literature. However, they turn out to be closely aligned with research on embedding values in organizational culture (e.g. Chatman & Cha, 2003).

Secondary data coding: the Why, What and How?

Primary data coding organised interview and document text into themes and sub-categories to allow deeper examination without becoming swamped by an unstructured mass of data. The next step was to investigate the "why, what and how?" of organizational value interpretation and implementation through key components of the research question:

- When and why did founders think about the values of their organization?
- What values did they choose for their organization? Did interpretation of the term 'values' vary between founders? How?
- What processes were used to embed values in the organization?

- Were implicit values evident? By what processes had they been embedded in the organization?
- Is it possible to assess the degree to which values are embraced by the organization as a whole? What factors seemed to be associated with organizational commitment to values?

In the discussion of the findings that follows, the approach of defining and articulating organizational values is referred to, for brevity, as values-based leadership. This stage of analysis is described in greater detail in Rushworth and Gillin (2006).

WHY HAVE ORGANIZATIONAL VALUES?

When founders talked about how they had arrived at the decision to adopt a values-based leadership approach, there appeared to be three stages to the decision process:

1. The Trigger stage: where the founder becomes aware of the concept of organizational values;

2. The Justification stage: where the founder decides this approach is appropriate for the company, based on one or more *immediately perceived* expected benefits (referred to as 'expectations'; and

3. The Benefits identification stage: where the founder, having made the decision to give a central role to values, identifies actual positive outcomes, providing motivation for continuing with this strategy.

These stages were evident, to some degree, even when founders had not explicitly identified values, but implicitly, through statements and actions emphasised certain values. The factors influencing the decision varied for each stage. There was, as would be expected, substantial overlap between factors justifying the decision and benefits perceived from making it. The results are summarised in Table 8.

Cases I, L, M and O were excluded because the founders had not given any thought, prior to the interview, about the values of their organizations. Implicit values were evident in each of these companies, but leadership was not explicitly based on values. Founder C had not explicitly adopted values, but nevertheless consciously and consistently articulated one particular value to all members of the organization. Founders M and O were able to identify values they believed guided their company, but the evolution of these values was a gradual process rather than a conscious decision. In Case M, the values had evolved from years of experience in the industry and in Case O, the single identified espoused value was forced on the company by circumstances threatening its survival.

In case H, the CEO was not actually the founder, but a professional manager who had nevertheless been involved in the company from inception. The company's espoused values (posted on the web site), were not chosen by him. He did, nevertheless, have a low profile strategy of values-based leadership, founded on allowing shared values to emerge from the employees themselves.

Table 8: Reasons for adopting values-based leadership

Case ID	A	B	C	D	E	F	G	H	J	K	N
Core Values explicit?	Y	Y	N	Y	Y	Y	Y	Y[1]	Y	Y	Y
Core Purpose identified?[2]	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y
Period values defined (y=year, m=month)	20y	8y	5y	??	4m	6y	3y	3y	7y	3y	2y
Triggers (reasons for awareness)											
Intrinsic awareness	✓		✓	✓		✓			✓	✓	
External prompting		✓			✓		✓		✓	✓	✓
Expectations (reasons for adopting values-based leadership)											
Codify what makes the company work	✓			✓	✓		✓		✓		
Align workforce		✓				✓		✓		✓	✓
Position for growth		✓		✓	✓						✓
Build something lasting									✓		
Perceived Benefits (reasons for continuing with values-based leadership)											
Trust, reputation, integrity	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Retaining focus		✓	✓	✓	✓	✓	✓		✓		✓
"Get the right people on the bus"[3]	✓	✓	✓	✓		✓	✓		✓	✓	✓
Opportunity evaluation	✓	✓		✓					✓	✓	
Reduce need for control	✓	✓				✓				✓	✓
Align workforce		✓				✓		✓		✓	✓
Guide to action		✓					✓				✓

[1] CEO stated that formally espoused values (on web site) were a historical artefact rather than representing current company values.

[2] A 'core purpose' was deemed to be present if the business had clearly identified the reason for its existence, but most of these did not meet the criterion of lasting 'at least 100 years' (Collins & Porras',1994).

[3] From "Good to great" (Collins, 2001) referring to attracting the right people to the company and quoted by several interviewees in explaining their motivation for adopting values-based leadership.

In case H, no triggers were apparent. In the remaining cases, two distinct triggers for adopting values-based leadership emerged:

- **Intrinsic awareness**: The founder held strong views on the appropriate way to run a business, prior to founding his or her own business. These universally concerned either treatment of people or honest behaviour, often based on negative experiences in the founder's employment history or (in one case) positive experience working for a values-led company.

  "I reviled or rejected the concept that I'd come to observe in some of the major finance houses where people were made to be subservient"

  "And I just absolutely despised that environment, really despised it... the lack of creativity, the lack of engagement of all of these really intelligent people that have all done degrees, all possibly amazing scientists, but they were all being asked to follow the ABC methodologies that were handed down by the parent company."

- **External prompting:** The founder was prompted to think about organizational values by some external trigger—an advisor, an education program, such as an MBA, or noticing that employees did not always behave as the founder thought they should (and often assumed they would).

  "We used an adviser based in London... He encouraged us to think more about our values so that's been valuable. And he's also been good at lifting our vision, setting our vision higher than it might have been otherwise."

  "About two years ago, I was finding that there was potentially a disconnect between some of my beliefs and some of my leaders' beliefs, or that information that I had in my head wasn't shared by others to the same degree."

For those founders with an intrinsic awareness of the importance of organizational values, it was a natural step to start identifying and communicating values. The other founders had not explicitly considered values prior to the external stimulus. In case K, the founder had instinctively identified the psychological and values of his target market, but had not thought about defining integrity as a value until an incident occurred that demonstrated he could not take it for granted.

Although triggers were clearly distinct, there was no apparent pattern regarding the expectations that acted as the original justification for adopting values-based leadership, or the benefits anticipated or derived. In other words, *how* the founder came to be aware of values-based leadership as an approach did not appear to have any bearing on *why* they chose to adopt it.

Schein (1985) argued that organizational culture (of which shared values are a component) evolves in response to the twin problems of internal integration and adaptation to the external environment. The identified justifications and benefits could be mapped to one or other of these two goals. In some cases, this was simple. 'Align workforce', 'get the right people on the bus' and 'reduce need for control' clearly aimed to enhance internal integration, while, 'opportunity evaluation' was aimed at external adaptation. In other cases, such as, 'codify what makes the company work' the goal could be either internal alignment or adapting to the environment. Examination of the actual statements made by the founders showed which was the intended focus.

This analysis revealed that the expectations of adopting values-based leadership were predominantly focused on enhancing internal integration. However, the benefits perceived were evenly spread between internal integration and external adaptation. The company with the greatest focus on external adaptation as a justification for values-based leadership had global ambitions and was searching for a means of ensuring that the company presented a professional, high quality brand wherever it operated. Thus the objective was external adaptation, but the means was internal integration: both were equally important.

The number of different benefits perceived gives some indication of the success of adopting values-based leadership, but perceived success also depends upon original intent. Perceived benefits fell into three categories:

Strategic: values used as a guide to making strategic decisions and means of achieving strategic objectives and long-term benefits (*What* and *Why* rather than *How*):

- Trust, reputation, integrity
- Retaining focus
- Opportunity evaluation

Tactical: values used as a guide to day-to-day actions (*How* rather than *What* or *Why*):

- Guide to action

Enabling: values provide a means of uniting the workforce and building commitment, an enabling platform:

- "Get the right people on the bus"[4]
- Align workforce
- Reduce need for control

While it was straightforward to classify the benefits (as above), classifying the intent behind the decision to adopt values-based leadership was more complex and could not be deduced directly from the expectations. In particular, codifying what made the company work might have either a strategic focus (what are the underlying principles? what is our purpose?) or a tactical focus (what specific behaviours underpin our success?). Thus the interview transcripts were re-examined to deduce strategic intent behind adopting values-based management. The results are shown in Table 9, which shows that all companies believed they had achieved outcomes that matched their original strategic intent.

Table 9: Original expectations of values, and actual outcomes

	Original intent	Actual outcomes		
Case		Strategic	Tactical	Enabling
A	Enabling	✓		✓
B	Strategic	✓	✓	✓
C	Enabling/Strategic	✓		✓
D	Enabling	✓		✓
E	Strategic	✓		
F	Strategic/Enabling	✓		✓
G	Tactical	✓	✓	✓
H	Enabling			✓
J	Strategic	✓		✓
K	Strategic/Enabling	✓		✓
N	Strategic/Enabling	✓	✓	✓

Case G stood out as the only one where values-based leadership was adopted with a Tactical *intent*. In this company, the founder set out to identify core values that defined the way employees should act and explained them in both internal (employee to employee) and external (employee to customer) contexts. To illustrate:

> *"I think the key values are more of a tactical thing—I need to worry about the four key values for today, whereas when I implement my strategy for tomorrow, that will then filter down into a tactical level... it's at that point that the values become important. I don't know how I could apply them in a strategic way."*

Some might call these core competencies rather than core values, but the term values sat comfortably with the CEO and the values were firmly embedded through day-to-day practices. While it was clear from the interview that the Tactical benefit was still most highly valued by the

[4] This phrase taken from *Good to Great* (Collins, 2001), and was used by several founders to express the concept of selecting employees that were a good cultural fit with their company.

founder, he also recognised Strategic (generating trust and reputation, retaining focus), and Enabling (getting the right people on the bus) benefits.

WHAT VALUES WERE CHOSEN AND *HOW*?

The second area of interest was the actual values that founders and how they selected them. In most cases, values were chosen by the founder(s), sometimes with input from the management team. Where the trigger for adopting organizational values was intrinsic awareness, values tended to be defined and formally articulated very early in the life of the company by the founder(s) alone (Cases A, C, F, J, K). Where the trigger was external prompting, employees, usually the management team were generally involved (Cases B, E, N). In case B, all employees were involved in defining values. In case G, although the trigger was external, the values appeared to have been selected solely by the founder. Companies B, F and J reported that they involved employees in periodic reviews of the company values.

In case H, where the espoused values were an artefact and their origin unclear, values were being allowed to emerge based on encouraging employee behaviour centred around recognition and collaboration. In case D, the source of values was unclear. Case D was unusual in having defined its values by means *only* of a fairly long list of espoused behaviours, but without linking them to any specific values. This list superseded a shorter 'bullet point' list, which may well have been closer in format to the Collins and Porras (1994) prescription of three to six core values. The decision to change the documented format of values appeared to be the founder's alone, indicating that he was probably also the sole source of the statement of values.

Although no two companies had the same set of values, certain common themes were evident. A generic coding scheme for values was derived and is shown in Table 10, together with the frequency with which each value was explicitly espoused and observed as implicitly operating.

Values are listed in descending order of frequency of espousal, but it is interesting to observe that the most universally practised value (*Respect*) was not among the most frequently espoused. *Customer Value* was also more widely practised than espoused, as was *Reward For Performance*, which was not formally espoused at all, even though some founders clearly felt very strongly about rewarding, and being seen to reward, high performers. Companies appeared to select as their espoused values, those that they did not think could be taken for granted in business in general or in their industry in particular. Although *Honesty and Integrity* were widely espoused across all cases, the founders of companies in the financial services industry made a point of emphasising their pride in their company's integrity in an industry where they did not believe this value could be taken for granted. Case B recognised that their initial set of values omitted an important value that went to the core of why their company existed—in other words, they had taken it for granted—and decided to add it to ensure that all employees understood its importance and interpreted it consistently.

Thus *Customer Value* was less likely to be espoused as it was generally assumed that if your business didn't offer good customer value, it would not survive. *Respect* seemed to be regarded as a given in entrepreneurial companies. Lacking resources, they needed to get the most out of the people they were able to attract. Thus treating them with respect, recognising their individual skills and abilities, encouraging them to develop their potential and to work together as a team were obviously desirable behaviours. Those companies that included *Respect* in their espoused values appeared to be expressing the intent that these values would be retained even after the company became larger and more stable. In most of these companies, intrinsic awareness of values was the trigger for establishing values-based leadership and *Respect* was among the values identified prior to launching the company.

Table 10: Generic values and frequency espoused

Value	Description	Frequency espoused (implicit)
Honesty & integrity	Acting honestly and ethically, including openly sharing information. Retaining integrity and reputation.	9 (4)
Ownership, commitment	Dedication to seeing things through, taking personal ownership of tasks. Passion was included in this category.	9 (3)
Creativity & innovation	A commitment to leading technology, encouragement of initiative and new ideas.	6 (2)
Excellence, quality	A determination to be the best, a commitment to highest quality, to having the best skills and resources.	6 (1)
Respect	Treating people as you would wish to be treated yourself. Includes employee development, empowerment, and teamwork.	5 (9)
Customer value	A commitment to creating value for the customer through product/service design or outstanding customer service.	5 (6)
Fun	Work should be fun and the office environment and fellow employees should encourage this.	4 (3)
Learning	A commitment to creating a learning environment within the company, encouraging employees to acquire new skills, and learn from experience.	3 (2)
Giving back	Contributing to the community, including a concern for social or environmental sustainability.	2 (2)
Communication	A commitment to clear and frequent communication – within and/or outside the company.	2
Reward for Performance	A commitment to recognising and rewarding performance appropriately.	0 (8)

To investigate this required the identification of a suitable theoretical framework and the examination and classification of each personal value of each founder and of each espoused or implicit value of each company—in other words, detailed within-case analysis of each company. This was conducted as an additional stage of analysis to explore potential relationships between the intent of values and the way in which, and the success with which, they were embedded and is the subject of the next chapter.

HOW WERE VALUES EMBEDDED?

Interview transcripts and company documents were examined for any processes, practices or actions aimed at embedding the company's core values. Nineteen methods were identified and these were grouped into five categories:

- *Modelling*: embedding values by means of congruent behaviour by the CEO and management team. This also covered congruent work practices or decisions, and involving employees in reviews or reaffirmations of values.

- *Recruitment*: introducing values as part of the selection criteria, interview process and induction programs for new employees.

- *Reward/Recognition*: making values an explicit part of formal performance reviews, pay and promotion, formal recognition programs (such as awards), goal and objective setting, and breaches of values grounds for counselling or dismissal.

- *Performance measures*: formal systems for measuring values-related behaviour.

- *Day-to-day routines*: Reinforcing values in staff meetings, routine communications (such as newsletters), day-to-day feedback on individual's performance, and introducing a company 'language' around values.

Although derived directly from the data without reference to literature, these categories are consistent with Chatman and Cha's (2003) assertion that culture is embedded through selection of employees, active socialisation and training, and reward systems.

Based on the frequency with which these methods were mentioned in interviews or supported by company documentation, each method was categorised High (H), Medium (M) or Low (L) frequency (or absent altogether) for each company. The results for companies where values had been formally espoused are shown in Table 11.

Modelling was the most comprehensively and intensively used approach to embedding values, which is consistent with the findings of Schein (1983) and with the fact that values were usually chosen as a distillation of the principles that the founders were *already* applying, albeit implicitly. This was followed closely by *Recruitment* and *Reward/Recognition*. Few companies had implemented formal measures of values-related behaviour or had embedded it in day-to-day routines. Cases G and N had the most systematic approach to embedding values, making extensive use of routines, measures and standard practices. Case G was the only one to have introduced a language surrounding its values, which was used on a daily basis.

Table 11: Selection and Embedding of Values—formally espoused

Case ID	A	B	D	E	F	G	J	K	N
Values formalised?	Y	Y	Y	Y	Y	Y	Y	Y	Y
*Documentation**	V	V+B	B	V	V+B	V	V+B	V	V
Selecting Values									
CEO/Mgmt team	✓		✓	✓	✓	✓	✓	✓	✓
Consensus decision		✓							
Embedding Values									
Modelling	H	H	M	H	H	M	H	M	H
Recruitment	M	H	M	L	M	L	H	M	M
Reward / recognition	M	H		L	L	H	H	H	H
Performance measures		M				H	M		H
Day-to-day routines	M				L	H	L		M

* V=Values only; B=Behaviours associated with Values
Letter sizes for H, M and L are designed only to highlight the most dominant approaches.

Cases G, J and N stood out as having the most comprehensive approach to embedding values, both in range of methods and intensity of use, using all five methods and rating High on three out of five. Case B also rated High on three out of five methods, and although specific examples of day to day routines were not evident, the values did appear to be guiding principles for every day activities. By contrast, cases D and E had relatively sparse approaches. Case D, with less clearly described values had only limited capacity to use the more targeted methods such as *Reward/Recognition*, *Performance Measures* and *Day-to-day Routines*. Case E had only just formally identified values and was therefore still strongly reliant on *Modelling* by the founding/management team. Case K, still essentially a 'virtual' organization at the time of study, could only use measures that did not depend on regular face-to-face contact with team members or on well-defined operational practices.

Cases A and F had reasonably comprehensive approaches to embedding value, however case F appeared to run the risk of being too reliant on the modelling ability of the CEO and management team. While this is probably the most effective strategy for embedding values (and it is hard to see how values can be genuinely embedded *without* modelling by senior management), it has limited range as a company grows, and would need to be supported by more systemic methods.

In Cases C, M and O, certain values were explicitly espoused without being formally documented. These informally espoused values were distinct from implicit values (which were also identifiable in each of the three companies) in that, although not documented, they were consciously chosen and deliberately reinforced. Thus methods of embedding values could also be analysed in these companies. Case H had a documented set of values that the CEO acknowledged to be a historical artifact of unclear origin, but he also had a strategy of allowing values to emerge by explicitly encouraging positive employee interaction. Hence Case H was included in this supplementary analysis. The results for these companies are shown in Table 12.

Table 12: Selection and Embedding of Values—informally espoused

Case ID	C	H	M	O
Values explicit?	N	Y*	N	N
*Documentation***		V		
Selecting Values				
CEO/Mgmt team	✓		✓	✓
Consensus decision				
Employee evolved		✓		
Embedding Values				
Modelling	H		H	H
Recruitment			L	M
Reward / recognition	L	M	L	H
Performance measures				M
Day-to-day routines				M

* Values an artefact; ** V=Values only; B=Behaviours associated with Values

In cases C, M and O, *Modelling* was heavily used as a strategy for embedding the informally espoused values. Lacking formal documentation, the use of modelling by management and through congruent work practices is more or less essential if values are to be understood and embraced by the company workforce. In companies C and M, the informally espoused values were the result of a choice made by the founder and reflected their personal values. The values were embedded largely through the founder's behaviour in interacting with employees and, to a lesser extent, through reward and recognition systems. In Company O the single over-riding value, "getting stuff done", was a matter of survival and was reinforced through every available means to keep it top of mind with every single employee. Sales recruits had, at one stage, only a matter of days to show they could sell, or they were sacked. Development team members who could not handle the pressure of constant problem solving and a constantly evolving technical and business model did not last long. The management team had to be resilient to constant challenges from powerful competitors and develop new protection strategies on a weekly basis. Sustaining this driven culture was the implicit value of having fun. The result was a workforce who thought of themselves as winners and enjoyed celebrating their successes together. As the founder said, "work hard, play hard is a bit of a cliché these days, but we actually *did*".

Company H, lacked any explicit content for values, nevertheless adopted a deliberate strategy of encouraging employees to acknowledge what they considered to be desirable behaviour on the part of their fellow employees, through a formal scheme whereby acknowledgement cards could be exchanged for small rewards such as movie vouchers. Team achievements were also formally acknowledged. In other organizations, this might have been presented as encouraging the value of 'teamwork', but Company H chose to use an explicit strategy without nominating an explicit value. The motivation for this appeared to be to counteract a somewhat unproductive individualistic and uncooperative culture that had emerged. The results from the ICOSA© employee satisfaction survey indicated that the approach was achieving some success, as satisfaction levels in one division, acknowledged by the CEO to be close to dysfunctional a few months earlier, had reached Australian best practice levels.

VALUES IN ACTION: THE VALUES IMPLEMENTATION INDEX

Regardless of the comprehensiveness of the approach adopted for embedding core values in a company's culture, the true test of success is whether observed actions and outcomes reflect the espoused values—in the terminology of Argyris and Schön (1978) whether 'espoused theory' is congruent with 'theory in use'. This is difficult to measure in a reliable and objective manner, especially with only limited data and across a range of companies with diverse approaches to values implementation.

Nevertheless, it was deemed useful to attempt some systematic analysis of the data available to derive from it a 'values implementation index', allowing companies to be compared. This analysis was first attempted using data from the first wave of data collection, adopting a cross case analysis approach. The process and results are explained in detail in Rushworth and Gillin (2006).

All passages expressing values in action were identified from the interview transcripts and any company documents collected. A passage was deemed to be an expression of values in action if it reflected a belief about the desirability or undesirability of an end state or a mode of conduct (Rokeach, 1973), either for the company specifically or more generally. This identification was carried out without reference to the espoused values (if any) of the company, thus extending the analysis to include implicit values. All passages were coded according to the generic coding scheme described earlier. Each passage was then additionally coded as one of the following forms of values enactment, following an approach first used in analysing the interview and company document data obtained from the pilot study (see Rushworth & Gillin, 2005a):

Espoused: a 'we believe in' style statement without elaboration or description of behaviour expected;

Principle: a general guideline translating espoused values into behaviours (for example, "we will only do something if it has a direct benefit to the customer").

Practice: a standard company practice reflecting values, such as performance review, routine staff meetings.

Actions/Outcomes: specific actions taken, decisions made, or outcomes observed, in which values were reflected.

An explicit value could be present in all four forms, but implicit values were restricted to principles (rarely), practices and actions/outcomes.

Coding was carried out using Nvivo software. Nvivo's Matrix Search facility was used to cross-tabulate specific values against their implementation, for each company individually (using Sets to restrict the scope of the search) and across all companies. The number of references (distinct coded passages) was chosen as the measure of the strength of implementation of values. The matrix was exported as a text file and imported into Excel to allow the data to be used in calculations and displayed graphically.

From the data derived as described above, the Values Implementation Index (Vii) was calculated. It was constructed based on the widely supported proposition (Argyris and Schön, 1978; Schein 1983, for example) that actions speak louder than words. Explanatory words were, however, credited with some significance by giving Principles, which translated the espoused values into espoused behaviours, half the weight of Practices and Actions. The index was calculated by adding the total number of references to Principles (weighted at 50%), Practices and Actions, and dividing by the number of values observed in that company, thus reflecting the average number of observations per value for each company. Two versions of the index were calculated: one including only values formally espoused; the other including all values observed, both explicit and implicit.

This data enabled two forms of comparison:

1. Comparison across values of whether some values were generally more successfully embedded than others
2. Comparison between companies of how effectively values were embedded

Figure 7 presents the results of the first comparison, which showed that certain values were more likely to be strongly implemented. Respect for People was the most evidently practised value across all companies, followed by Honesty/Integrity and Customer Value. However, relative to level of espousal, Customer Value was less evident in practice. Reward for Performance was actually more evident in practice than it was espoused.

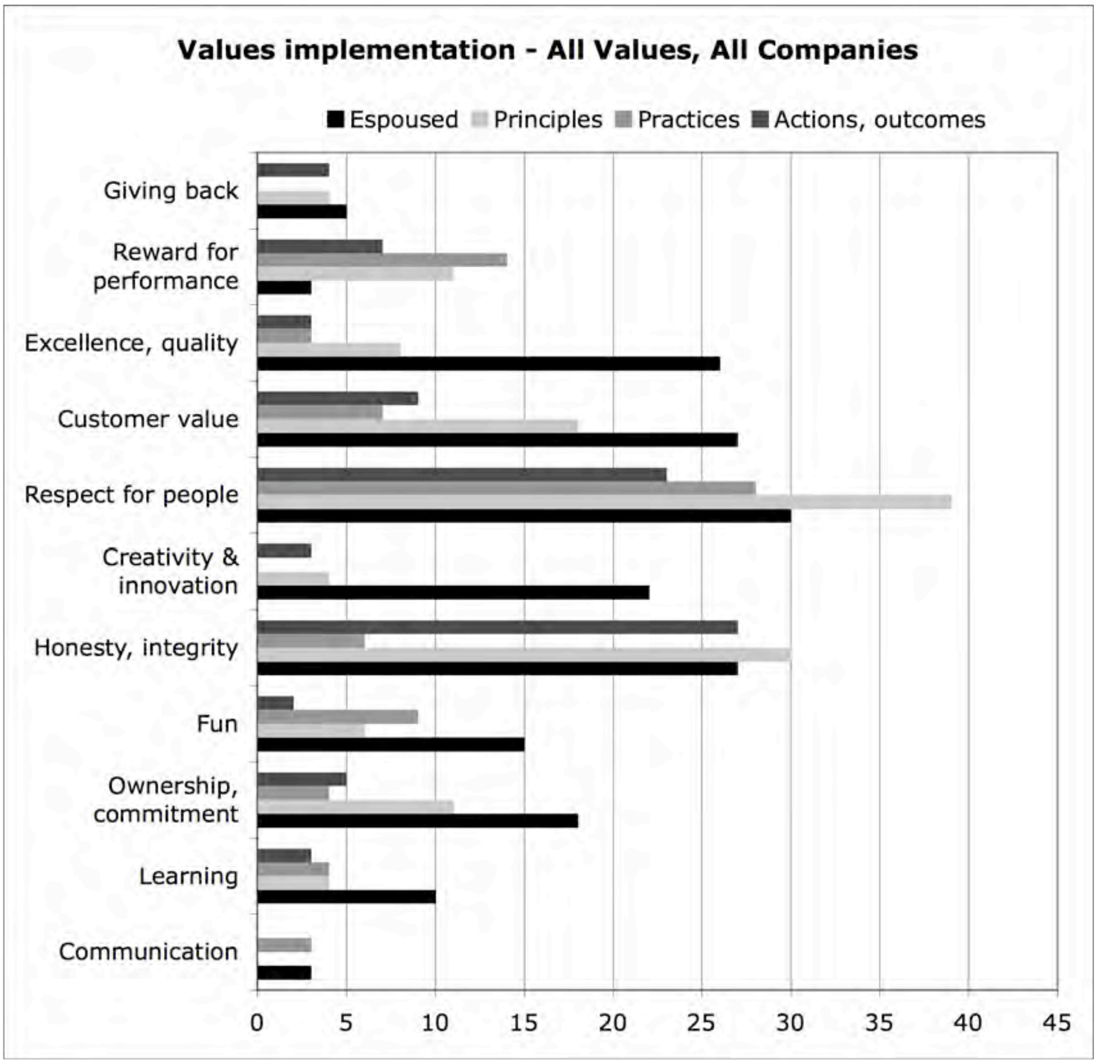

Figure 7: Matrix Search mapping values against implementation evidence

Relative to the level of espousal, the level of implementation could be broken down into three categories:

- HIGH: Respect for People, Honesty/Integrity, Reward for Performance, Giving Back.
- MEDIUM: Customer Value, Fun, Ownership/Commitment, Learning, Communication.
- LOW: Excellence/Quality, Creativity/Innovation.

This pattern no doubt reflects to some extent the nature of the values. Some values lend themselves more readily to daily routine, and therefore are more likely to be reflected in actions and practises, such as *Respect for People*, and *Reward for Performance*. *Giving Back* in the form of establishing a charitable foundation or linking to an existing one is a readily observable Action. By contrast, *Creativity/Innovation* is hard to measure or observe on a day-to-day basis.

However, the observed level of implementation of some values is less easily explained by such factors. *Honesty/Integrity* is not usually tested on an everyday basis. Nevertheless, many of the companies gave examples of this value influencing very significant actions or decisions, including severing a lucrative partnership, declining to enter into a financially attractive joint venture, and turning down an acquisition offer. Conversely, it would seem reasonable to expect commitments to *Customer Value* or *Excellence/Quality*, to be demonstrated by customer surveys and performance measures other than financial, but these were not widely evident.

HOW SUCCESSFULLY DID COMPANIES EMBED VALUES?

The approach of using a generic coding scheme was useful when comparing the effectiveness with which certain values were embedded, but as a means of assessing the effectiveness of individual companies in embedding values, and comparing them with other companies, it was found to be sub-optimal. There were two main limitations to the approach. One was that fitting each company's values to a generic coding scheme produced some distortion between espoused values as expressed by the company and the matching value in the generic coding scheme. For example, what was expressed as two distinct values in a particular company might be combined into a single value in the generic coding scheme. Conversely, a single espoused value might actually encompass two values in the generic scheme—espoused values were not always expressed in the clearest or most articulate terms. In these circumstances, a consistent coding approach was harder to apply. The second issue related to use of Nvivo to generate the frequency statistics. Where two or more examples of the same concept were given in a single passage, it was only counted once. This tended to result in understatement of implementation of values in the form of principles, where multiple behaviours were often listed in a single passage. These issues were identified at the time the analysis was first carried out, but the limitations were accepted in the interests of exploring the Values Implementation Index as a measurement technique and publishing a paper for discussion (Rushworth & Gillin, 2006). Extending the analysis to include companies from the second wave of data offered the opportunity to improve the approach and revisit the analysis carried out on the data from the first wave of collection.

To resolve the problem of distortion through fitting values to a generic coding scheme, each case was analysed separately using its own terminology for any espoused values, and deriving descriptions for any implicit values purely from the way they were expressed in the data relating to that case—that is, without reference to any other cases or generic coding scheme. This provided a more accurate assessment of whether a company's values, expressed in their own words, were matched by principles, practices and actions, decisions or outcomes observable from the interview and company document data collected. In short, within-case analysis was performed first, followed by cross-case comparison.

The process for each case was as follows:

1. **Identify espoused values**:
   Formally espoused values, without modification or rationalisation, were the starting point for the coding scheme for each company. Even if two values appeared to represent the same concept, they were treated as distinct, because the company had chosen to treat them as such. Values reported by the founder as informally espoused were treated as espoused values and assigned labels and descriptions reflecting the founder's choice of words in expressing them.

2. **Extract all data relating to values in action**:
   For companies in the first wave of data collection, these passages of text had already been performed, and it was only necessary to extract them from Nvivo. For companies in the second wave of data collection coding was done by hand directly from the interview transcripts and any company documents, by highlighting all passages relating to values in action.

3. **Develop a full coding scheme for each company**:
   Where espoused values existed, these formed the preliminary coding scheme. Where passages illustrating values in action could not be matched to any of the espoused values, a new concept was created and assigned a preliminary description, thus

extending the coding scheme. After examining all relevant data for that company, the additional concepts were re-examined and, where appropriate, rationalised, which involved combining concepts that were not sufficiently different to be treated as distinct values. The additional values thus derived were classified as implicit values. Individual company coding schemes varied from six to 10 values, ranging from all explicit to all implicit.

4. **Code passages**:
   Each passage expressing values in action was coded twice: first according to the value it expressed, and second according to whether it expressed a principle, practice or action/decision/outcome, as described earlier.

5. **Calculate the Values Implementation Index (Vii)**:
   For each value in each coding scheme, a values implementation score was calculated, as described earlier. Two Values Implementation Indices were then calculated for each case: the first was the average implementation score for espoused values only; the second included any values observed, espoused or implicit.

In three cases identification of espoused values was not straightforward. In case A, the espoused values initially provided by the founder did not match the most recent company documentation. The statement of values had been revised, but the founder still had the original form at the top of his mind. In Rushworth and Gillin (2006), the original form was accepted as the espoused values, but in revisiting, it was deemed more accurate to use the most recent version, which the employees would be familiar with. This document, however, consisted of a single value statement, encompassing three distinct values, followed by a list of four ‘core competencies’. Should the core value statement be broken down into its components? And should the ‘core competencies’ be regarded as espoused values (they were represented in the performance appraisal template, while the core value was not). In the end, the decision was taken to break down the ‘core value’ into its three clear components, and not to treat the core competencies as espoused values. The consequences of this decision are discussed later.

In case D, the founder had a clear intent to embed company values, but had chosen to document them in the form of a series of statements describing desirable behaviours, lacking any identification of common themes. This could have been treated as a case without espoused values, but this would not have been consistent with the clear intent to embed values. However, a page on the company’s web site outlining ‘our philosophy’ identified four distinct concepts that proved to be consistent with statements made in the interview and passages in other company documents. These four concepts were treated as the espoused values of the company. Again, the consequences of this decision are discussed later.

Case H technically possessed espoused values, but these were a historical artifact and did not reflect either the original founder’s values or those of the current CEO. Case H was therefore treated as if it did not have espoused values. This was consistent with the CEO’s strongly expressed distaste for “plaques on the wall”.

Having calculated the values implementation indices for each case, the next step was to examine the relative effectiveness of implementation of values across companies. Table 13 shows the average score (values implementation index), and minimum and maximum scores for espoused values only, and includes only companies that had *formally* espoused values.

Results varied considerably, but Case B stood out as a clear leader with an average implementation score of 10.8, well ahead of the next ranked case. Case B also achieved the highest minimum score, indicating that all six of its values had been effectively implemented. The scores for Case B were boosted by extensive use of statements of principle that translated the espoused values into espoused behaviours, but were also supported by numerous examples of congruent practices and actions. Case D, by contrast, also made extensive use of statements of espoused behaviour, but did not provide a clear link to the core concepts espoused and was lacking in specific examples of practices and actions or outcomes linked to values. Its overall index and maximum score were accordingly lower.

Table 13: Values Implementation—formally espoused values

		Value implementation scores		
Case ID	No. of values espoused	**Average (Vii)**	Min	Max
B	6	**10.8**	4.5	21.0
J	5	**6.6**	2.5	11.0
F	6	**5.6**	2.0	8.5
G	4	**5.4**	4.0	7.0
D	4	**4.9**	4.0	6.5
A	3	**3.7**	2.0	5.0
K	5	**3.0**	2.0	4.5
N	9	**2.7**	1.0	5.5
E	7	**1.8**	0.0	3.0

The high scores for cases J, F and G reflected a deliberate and focused strategy of selecting and embedding values within the organization. Case N had an equally deliberate and focused strategy (though more recently established), but the decision to select nine separate values diluted the implementation intensity of any individual value and hence the average score of Values Implementation Index. In case A, the implementation of certain values had become so ingrained in the culture that the most significant value was taken for granted and no longer formally espoused, as became apparent when implicit values were included in the analysis (see below). Case K's relatively low score to some extent reflected the limitations of the implementation index in a nascent, "virtual" organization with few formal practices, but also reflected an aspirational aspect of the values—they captured the CEO's vision of what the company *would be* rather than what it actually *was* at the time of study. Case E's low score reflected newly espoused values, intended to be reviewed and refined, together with the dilution effect of choosing a relatively large number of values (seven). Case E was the only company with any zero implementation scores—that is, no actual evidence of that value in action. It occurred, however, for only one of the seven espoused values of the company.

Table 14 adds the companies with informally espoused values to the analysis. As in Table 13, implicit values are excluded. The three companies with informally espoused values all achieved Vii scores above the median, with Case O taking the lead. However, it would not be accurate to draw the conclusion that it is more effective to espouse values informally than formally. Cases O and C only espoused a single value each. While that value was top of mind for the CEOs, it existed alongside other strong values that, had those companies gone through a formal exercise of identifying their values, would certainly have been included in their espoused list. Thus they did not suffer from the dilution effect noted above with respect to Cases N and E.

This effect starts to become noticeable with Case M. Three values were mentioned by the CEO as those underlying the company and discussed with new recruits. Two of these were strongly evident from the interview data, while the third was only weakly supported (admittedly partly a limitation of the data collected), thus the implementation index dropped accordingly.

Table 14: Values Implementation—all espoused values

Case ID	Values format	No. of values espoused	Value implementation scores **Average (Vii)**	Min	Max
O	Informal	1	**13.5**	13.5	13.5
B	Formal	6	**10.8**	4.5	21.0
C	Informal	1	**7.0**	7.0	7.0
J	Formal	5	**6.6**	2.5	11.0
F	Formal	6	**5.6**	2.0	8.5
M	Informal	3	**5.5**	1.0	8.0
G	Formal	4	**5.4**	4.0	7.0
D	Formal	4	**4.9**	4	6.5
A	Formal	3	**3.7**	2.0	5.0
K	Formal	5	**3.0**	2.0	4.5
N	Formal	9	**2.7**	1.0	5.5
E	Formal	7	**1.8**	0.0	3.0

The data did, however, support the conclusion that values do not need to be formally espoused in order to be effectively implemented.

IMPLICIT VALUES

Values were regarded as explicit if they were either formally documented or openly espoused in terms of 'what this company stands for'. Case C had a clear example of the latter. Although there was no written statement of values, the founder verbally communicated the value of what he labelled 'honesty and integrity' at every available opportunity—"if you think it's wrong don't do it" was his mantra. Implicit values, however, could be inferred from the actions and practices of that founder and other members of the company, especially with regard to behaviours most rewarded or least tolerated.

In most companies, there was evidence of values in use that were neither formally nor informally espoused. A separate Values Implementation Index was calculated for each company, which included all observed values. For companies without any espoused values, only this second index was calculated. Table 15 presents the results in descending order of values implementation index for all observed values. All companies are included and both values implementation indices are shown (where available), together with the minimum and maximum individual value implementation scores for each type of index.

Case B topped the implementation index rankings when all observed values were included. Case B was unique in that all observations of values in action related to one of the espoused values. Expressed in the language of Argyris and Schön (1978), theory in use reflected the espoused theory.

In all except Case E, the observed values implementation index was lower than the espoused values index, indicating that, in general, the espoused values were more actively practised than the implicit values. In most cases the value most frequently observed in action was one of the espoused values. However, there were exceptions, as the maximum score for observed values shows. In Case A, by far the most frequently observed value was an implicit one: honesty and integrity. This had previously been an espoused value as shown by earlier documentation and was at the centre of the founder's own ethical code. The fact that it had ceased to be an espoused value appeared to have been unintentional, resulting from a restructure of the company's mission and vision statement into more "businesslike" terms. This interpretation is supported by the fact that the founder assumed it was still an espoused value until presented with the current vision statement. Case E had a strong implicit value about skewing the reward system toward high performers. The founder expressed the opinion that this approach was not widely accepted in Australian culture, which may account for that value not being included among the espoused values of the company.

Table 15: Values Implementation—all observed values

				Values implementation scores					
		No. of values		All observed values			Espoused values only		
Case ID	Values format	Esp'd	Obs'd	**Average (Vii)**	Min	Max	**Average (Vii)**	Min	Max
B	Formal	6	6	**10.8**	4.5	21.0	**10.8**	4.5	21.0
O	Informal	1	7	**6.4**	2.5	13.5	**13.5**	13.5	13.5
J	Formal	5	6	**5.7**	1.0	11.0	**6.6**	2.5	11.0
M	Informal	3	7	**5.2**	1.0	8.0	**5.5**	1.0	8.0
D	Formal	4	6	**4.8**	4.0	6.5	**4.9**	4	6.5
F	Formal	6	9	**4.3**	2.0	7.0	**5.4**	4.0	7.0
G	Formal	4	6	**4.3**	1.0	8.5	**5.6**	2.0	8.5
A	Formal	3	7	**3.6**	1.0	11.5	**3.7**	2.0	5.0
L	-	0	6	**3.4**	1.5	5.5	**-**	-	-
C	Informal	1	6	**3.3**	1.0	7.0	**7.0**	7.0	7.0
H	-	0	5	**2.7**	1.0	4.0	**-**	-	-
N	Formal	9	10	**2.6**	1.0	5.5	**2.7**	1.0	5.5
K	Formal	5	7	**2.5**	1.0	4.5	**3.0**	2.0	4.5
I	-	0	7	**2.3**	1.0	3.0	**-**	-	-
E	Formal	7	8	**2.1**	0.0	3.0	**1.8**	0.0	3.0

This diffidence about explicitly espousing certain values was evident in other cases also. In Case C, the founder admitted to according more respect to the top performers in his organization, by taking their suggestions more seriously. He did not appear to feel that this was wrong, and yet was reluctant to acknowledge openly that this was the case. The company was a sales organization and compensation was heavily commission-based, so higher financial reward for higher performers was automatic and accepted. Greater input into operational and strategic decisions for higher performers, however, appeared to be more contentious for reasons that were not entirely clear, but may well have been associated with a personal value of the founder about respecting people by treating them as equals.

Some tension between implicit values was observed. In Case C, the value of rewarding high performers was in tension with the value of coaching and mentoring, when it came to dealing with poor performers. In Case L, the value of having fun and maintaining work life balance, caused problems when not matched with the strong work ethic of completing work on time to a high quality standard. Celebrating success and teamwork had also produced some tension when some employees did not understand the contribution of other team members. Case L had no espoused values, which may have made it easier for employees to embrace the values that suited them and ignore other values.

Tension between values was not restricted to implicit values, however. Case J reported a constant battle to balance the value of *quality* with that of *positive attitude*, which tended to encourage compromising quality to produce a solution quickly. Similarly, the value of Honesty, translated to "open book" management had sometimes resulted in loss of morale if the company went through a period of poorer financial performance, challenging the value of *positive attitude*. Case K reported tension between *creativity* and *professionalism*. However, where values were explicitly espoused, founders reported these tensions to be challenging but productive. Collins and Porras referred to this effect as overcoming the "tyranny of the OR" to embrace the "genius of the AND" (2002: 43-45). In contrast, where values were implicit, the tensions were reported as an ongoing balancing act with no sense of progressing toward an ultimate stability.

COMPARATIVE PERSPECTIVE: THE 'VALUES CLIMATE'

Morris et al. (2002) proposed and tested a framework for classifying ethical climates in organizations, resulting in four distinct clusters. 'Superlatives' (21% of sample) openly adopted organisational ethics and reinforced them through practices ('walk' matched 'talk'). 'Core proponents' (26%) openly supported them in theory, but were less diligent about supporting them with practices ('talk' but less 'walk'). 'Pain and Gain' (7%) companies did not give much emphasis to espousing ethics, but reinforced them through practices ('walk' rather than 'talk'). Deficients (47%) simply did not consider ethics. Through identification of the behaviours surrounding ethics in each of these clusters, it was possible to derive a descriptive framework for each cluster type. Substituting 'values' for 'ethics' in this framework, provided an alternative framework for describing the degree of commitment to organisational values.

It was possible to map the data collected in this study to this adapted framework with a reasonable degree of confidence. This was done by making a judgement about how each company scored on each element of the descriptive framework and then assessing which of the four cluster types it most resembled. From this exercise, six companies emerged as 'Superlatives' (Cases A, B, F, G, J and N); three as 'Core proponents' (Cases D, E and K); four as 'Pain and Gain' (cases C, H, I and M) and two as 'Deficients' (cases L and O). This contrasts markedly with Morris et al.'s study, where almost half the sample fell into the 'Deficients' cluster. Their study, however, was based on random sampling and a survey instrument. This study was based on recruitment through networks and involved a face-to-face interview. It is reasonable to suppose that 'deficients' would be less likely to agree to participate, having little interest in the research topic. It is also acknowledged that a generous interpretation of actions to reinforce values was taken in applying the adapted framework.

I found that this rough and ready 'values climate' framework provided a useful additional insight into the different approaches taken, and did appear to reflect founder assumptions about the role of values. The outcome of the classification was not clear in advance, but on completion made sense—it 'felt right'. 'Superlatives' are the 'true believers'. They are sold on the importance of values and are not afraid to say so, and to reinforce their words with congruent practices. 'Core Proponents' either believe values are important but are unsure how to make them real or (the cynical view) are indulging in window-dressing. 'Pain and Gain' founders believe in the importance of values and reinforce them through practices, but are uncomfortable talking about them. 'Deficients' either haven't given them any thought or think they don't matter.

The 'values climate' as applied above differs from the Values Implementation Index (Vii) in one important respect. The values climate (reflecting the fact that it was adapted from a model designed to assess the organisational climate for a single concept—ethics) does not reflect that certain values are more actively reinforced than others, whereas the Vii measures embedding of *all* values and averages the results. The two forms of assessment are not really comparable. Even so, there was a high level of commonality at the upper range of each scale. The 'Superlatives' were in the top half of the rankings on Vii. The lowest of them (Case A) was, in fact, drifting toward 'Pain and Gain' by allowing one of its core values to become implicit and others to be absorbed into a values-neutral mission statement. Case D, a 'Core Proponent' that scored high on Vii, only did so by virtue of a 'best guess' interpretation of its core values (discussed above). On a previous interpretation, its Vii was low. Where values are implicit, reflecting shared assumptions (Schein, 1985), the values climate framework is hard to apply and the two measures can diverge widely (e.g. Case O, a 'Deficient' with a high Vii score).

Discussion and implications

The analysis above provided insight into the intent of founders in adopting organizational values (the "why?") and the processes by which they selected and embedded them (the "how?"), but did not adequately describe the nature of the values chosen (the "what?"). It was apparent that founders' interpretation of what constituted organizational values varied considerably, but a framework for describing the differences was lacking. Furthermore, the relationship between the types of values chosen and the intent in adopting organizational values (the relationship between the "what?" and the "why?") merited further exploration. Two specific areas for further exploration were identified:

1. The ethical stance reflected by selected values, which varied from the explicitly ethical (desirable for society as a whole) through personal motivation (what is valuable to the individual) to pragmatic (ethically neutral, what works for the company);

2. The relationship between the founder's personal values and the organization's values.

To explore the first of these areas further, a robust conceptual framework was required. A two-stage approach was indicated: first a framework to distinguish between values that involved an ethical stance and those that did not, then a framework to explore the nature of the ethical stance further. Kohlberg's (1967) stages of cognitive moral development provided such a framework and a research colleague had experience in applying that framework.

The second could be explored through a systematic analysis of the frequency with which values were expressed in a personal and an organizational context (c.f. Rushworth & Gillin, 2005b). This detailed analysis of the nature of the values identified in the data collected is the subject of the next chapter.

It will be apparent to the astute reader that the score for any particular company on the Values Implementation Index is heavily influenced by how the company has expressed their espoused values (or how the researcher has chosen to interpret them, if they are not clearly documented). Case A provides a good example of this. When first calculated (Rushworth & Gillin, 2006) using the four espoused values provided by the founder, its Vii for espoused values was 6.4 and for all observed values, 5.4. In the analysis presented above, these scores have reduced to 3.7 and 3.6 respectively. Similarly, Case D, which scored very poorly (0.6 and 1.1 respectively) in the first analysis, improved to 4.9 and 4.8 in the revised analysis, when espoused values were chosen based on the philosophy outlined on the company's web site.

To some extent, the differences are due to adopting manual counting of references rather than automating the process using Nvivo. The manual counting approach is preferable as it is more accurate in identifying distinct references. However, the choice of espoused values was the main factor in the different scores for these two companies. For Case A, the founder's list of espoused values of the company was closer to the values in use than those espoused in the most recent vision statement, hence the higher score when his list was used. In Case D, the values presented by the founder consisted of a long list of desirable behaviours, lacking uniting themes. When these were matched to the generic coding scheme, the result was a diffuse set of values, patchily implemented. However, when four clear themes taken from the statement of company philosophy on the web site were used as the espoused values, the principles expressed in the founder's list of desirable behaviours were clearly aligned to these values, resulting in a much higher Values Implementation Index.

The important point here is that the impact these changes have on the Values Implementation Index very possibly reflects the impact they have on employees. If a core value disappears from the list of espoused values, as it did in Case A, then there is a risk it will cease to be practised, especially if the founder leaves the company (as was about to happen in Case A). A long list of espoused behaviours, as in Case D, is harder to remember than four uniting themes. There is a strong possibility that employees will either forget the espoused behaviours or decide for themselves what the uniting themes are, possibly coming to different conclusions than the founder intended.

As an instrument, the Values Implementation Index will tend to favour companies with a smaller number of core values, because the denominator in the calculation of the index is smaller. However, this reflects the way the human brain works. We struggle to hold more than five or six concepts in our minds (Miller, 1956), therefore it makes sense to restrict a list of company values to no more than six items. Collins and Porras (1994) noted that in the companies they studied, the number varied from three to six.

Finally, it was interesting to note that the Values Implementation Indices for espoused values presented were consistent with the Employee Satisfaction Index (ESi) as measured by the ICOSA© survey. Although only eight companies completed this survey, a scatter plot comparing Vii for espoused values only with the ICOSA© ESi suggested that higher Vii scores were associated with higher ESi scores. If Case N was excluded (having nine espoused values, two more than any other case, values implementation suffered markedly from the dilution effect described earlier), the relationship became strong and statistically significant (corr=.813, p=.049). This relationship did *not* hold, however, when the ESi for *all* observed values (i.e. including implicit values) was used. This suggests that the Values Implementation Index has a degree of validity as a measure of organizational harmony, when based on openly espoused values.

Chapter 6: Understanding the *"What?"*: exploring the nature of company values

As noted in the previous chapter, comparison between cases showed that there were distinct differences in the nature of values between and even within companies, and I was interested to explore these differences in greater detail. The objective of this exploration was to identify, for each individual company value, three characteristics:

1. Whether the value it represented an ethical stance, a psychological preference or a purely pragmatic judgement of what was good for the company—referred to as *orientation* of the value;

2. For values with an ethical stance, the degree to which the way the way the value was defined and expressed provided a basis for resolving dilemmas—referred to as *moral reasoning level* of the value;

3. The extent to which the value was personal to the founder or shared within the organization—referred to as *internalisation* of the value.

Theoretical framework

Rokeach's (1973) distinction between 'personal' and 'social' values was a useful differentiator of value orientation. Some values were expressed in terms of a personal motivational value of the founder that was shared by other members of the company, which Rokeach termed a 'personal' value. Others were expressed as shared belief in a mode of conduct that was desirable for society in general, which Rokeach termed a 'social' value.

Dees and Starr (1992) in a discussion of ethics and entrepreneurship made a similar distinction, using slightly different terminology, between psychological values (what an individual values for themselves) and ethical values (what an individual values for society in general) and illustrated it using the value of autonomy—widely observed as a personal psychological value of entrepreneurs:

> *"This is quite distinct from the entrepreneur having autonomy as an ethical value. To hold autonomy as an ethical value is to believe that it is important to respect* everyone's *autonomy, that a good society is one in which people enjoy a high degree of autonomy. Entrepreneurs who have autonomy as an ethical value would presumably structure their own organizations so as to promote autonomy for their employees as well as themselves."* (Dees & Starr, 1992: 94)

These distinctions were apparent in the values espoused in the companies studied. Broadly speaking, most companies' values statements contained a mixture of ethical and psychological values, together with qualities described as 'values' that appeared to be based on pragmatism rather than any sense of what was personally or socially desirable. The balance of emphasis of orientation of values within a company formed a continuum from wholly ethical to wholly psychological/pragmatic, with most companies somewhere in the centre, probably closer to the psychological/pragmatic end. Two companies, however, illustrated the extremes. Case B, united by a core purpose expressed as an ethical statement, had a clear emphasis on ethical orientation within all six of its values. Case G, represented the opposite extreme, with a set of values (Fun, Ownership, Learning, Communication) that appeared to be purely psychological or pragmatic in orientation.

The founder viewed ethics as an entirely separate issue:

> *"Ethics is doing what you perceive to be right. That's about as simple as you can get. You know when you're being unethical. Whereas you could go against our values and you wouldn't be unethical. You could be grumpy - that's not being unethical. You don't have to take ownership of issues - that's not unethical. You don't have to learn anything, you don't have to communicate. None of those things are unethical."*

The content of the value did not necessarily define which context was intended. For example, fun could be expressed either as a value within the company, or as a statement that work should be fun for everyone. A more detailed examination of the way in which values were expressed in words, and through actions was necessary to establish whether an individual company value was intended to be social/ethical or personal. The same distinction applied to personal values of the founder.

Combining the Dees and Starr terminology with the distinction between whether a value was expressed in a personal or organizational context (*internalisation*), four potential levels on which values could be expressed in the context of this study were identified:

- A psychological value of the founder, expressed in a personal, non-business context—termed Personal Psychological;

- A psychological value, expressed in the context of being shared by, and uniting members of the company—termed Shared Psychological;

- An ethical value of the founder, expressed in a personal, non-business context—termed Personal Ethical;

- An ethical value presumed to be shared by members of the company, and perceived as desirable for society in general—termed Shared Ethical.

In addition to these four classifications, it was recognised that some expressions of qualities described by the founder as values did not, in fact, have a value orientation at all, in that they did not express a belief about what was desirable, but simply about what worked. Such expressions were termed 'Pragmatic' values. Rokeach would not have classified these as values at all, but Schein (1985) regarded such assumptions as very important in the formation of organizational culture.

It was theoretically possible for any one company value to be expressed in all five ways. This is illustrated in Table 16 as a hypothetical example of expressions of the value 'developing potential'.

Table 16: Hypothetical example of values orientation

Value expression	**Value classification**
I get a real buzz out of seeing people achieve things they never thought they could do.	Personal psychological
People in this company really enjoy supporting each other to achieve their potential	Shared psychological
I think that helping people to achieve their potential is just the right thing to do	Personal ethical

In this company, developing employees' potential is part of managers' performance assessment	Shared ethical
Developing employees' potential gives you a competitive advantage over other companies	Pragmatic

The objective, therefore, was not to apply a single categorical label to each value, which excluded the other four categories, but instead, to categorise each individual statement expressing the value, thus providing a spectrum of expression types for each individual value.

This framework provided a systematic description of the orientation of each value, but did not provide much insight into the extent to which it could be used to resolve dilemmas or conflicts. To explore that dimension of values, Kohlberg's (1967) framework of cognitive moral development (CMD) was chosen. Specifically Kohlberg's (1985) re-statement of the theoretical issues underlying his classification system was used as a guide to determining the stage of moral development indicated by each expression of a value. This book chapter described each of the six stages of moral development in terms of problems of justice (based on Aristotle's *Nicomachean Ethics*), and five operations of the fairness orientation, as detailed in Table 17. The way each of these problems of justice and operations of fairness were displayed at each CMD stage was described, both in terms of general principles, and through specific examples, thus providing a practical guide to identifying the CMD stage reasoning associated with passages from interviews or company documents.

Table 17: Elements used in determining CMD stage

Problems of justice	
Distributive justice	The way in which 'honour, wealth, and other desirable assets of the community' are distributed. Assessed in terms of equality, equity and reciprocity.
Commutative justice	Focuses on voluntary agreement, contract and equal exchange
Corrective justice	The principles by which restitution, compensation and penalty are imposed.
Procedural justice	Added by Kohlberg. The process by which justice is seen to be done. Applies mainly at the higher stages of moral development.
Justice operations	
Equality	The extent to which all parties are accorded equal status
Equity	An operation of compensation on inequality, for example, receiving a greater share of goods due to prior deprivation.
Reciprocity	An operation of distribution by exchange.
Prescriptive role-taking	Explicitly taking into account the perspectives of other parties, and examining the problem as if you were in their shoes.
Universalizability	Would it be right if everyone were to behave in this way?

[Source: Kohlberg (1985: 485-498)]

Kohlberg's six CMD stages were specifically intended to apply to discussions of the 'right' or 'moral' way to behave in a given situation. It was therefore only appropriate to attempt this classification for expressions of values with an ethical orientation, either personal or shared.

In applying Kohlberg's framework to an individual's level of moral reasoning, practitioners are at pains to emphasise that "people are not stages" (Reimer et al., 1983: 260). The Kohlberg classification technique, using specific dilemmas and interviews with individuals regarding their reaction to the dilemmas, is designed to tease out the highest level of moral reasoning the individual is capable of applying. Thus it is usual to classify an individual as reasoning at the highest level of which they are observed to be capable, even if they do not consistently reason at this level.

It is unorthodox to use the Kohlberg classification guidelines to assign a level of reasoning to a particular statement on a particular value, but it is by no means impractical or inappropriate to do so. A statement such as: "If X had made the request I probably would have said yes, but Y isn't a strong performer, so I'm not inclined to give as much weight to his suggestions" indicates Stage 3 reasoning, because the 'right' thing to do is judged according to the individual involved rather than an impartial system that applies equally to all (Stage 4).

The object of the exercise here was to assess not so much the level of moral reasoning the founder was capable of, but rather the degree to which they had applied that reasoning to particular contexts, which, as Kohlberg (1967) found, improved with practice. Thus, as proposed by Trevino (1992), a manager who had had more opportunities to develop their reasoning around a particular issue, *and* had an ethical intent, would be likely to improve their level of CMD. In adopting this analysis approach, I am suggesting that a person may apply a higher level of moral reasoning to one type of issue than another as a result of having thought more deeply about the first issue, either through inclination or force of circumstance, than the second.

To summarise the argument: individual statements about specific values with an ethical emphasis may be classified by the Kohlberg CMD stage indicated by the reasoning expressed. Different statements about the same ethical value by the same individual may indicate different CMD stages. The stage assigned to a particular value would be the *highest* level indicated by any statement concerning that value. In this context, company documents, as well as interview transcripts, were assumed to be indicative of the moral reasoning level associated with a particular value.

Finally, Kohlberg's framework has been criticised for being oriented too strongly to a male perspective of justice (Gilligan, 1982). However, given that only one of the founders interviewed was female, the framework was considered acceptable for this study.

Analysis procedure

The analysis process was an extension of the within-case analysis carried out to assess the degree of penetration of company values and calculate the values implementation index. It was carried out using Nvivo qualitative analysis software, by creating an individual project in Nvivo for each case. All cases were analysed, except case H, where the founder was no longer actively involved with the company, and the interview was with the professional manager brought in to take up the CEO position.

To streamline the process, a project template was created in Nvivo, which defined 'nodes' (coding categories) for each of the Kohlberg (1967) CMD stages, and each of the five value orientations defined above. An additional node was created to code passages expressing founder beliefs or assumptions based on experience, since these have been found to be a strong influence on company culture (Schein, 1985).

For each case analysed, a new project was created from this template, and nodes were created for each of the actual values espoused by, or previously identified as implicit within, the company.

Hand coding of interview transcripts, field notes and company documents, using highlighters was first carried out, identifying each passage, by colour, as personal motivation (personal psychological values), personal ethical value, organizational value or founder belief. Through this process, passages that were essentially a repetition of previous statements could be identified and discarded from analysis, so that they did not receive disproportionate emphasis.

Using the hand-coded documents as a guide, interview transcripts and company documents (as available) were then coded in Nvivo. Each passage was coded twice in Nvivo: first for the specific value it expressed, and second, for the value orientation it represented (personal psychological; personal ethical; shared psychological; shared ethical; pragmatic), or, where appropriate, as a belief, not expressed as a value.

Passages representing a value with an ethical orientation were then further coded according to the Kohlberg stage of moral development indicated by the passage contents. After coding three cases, the accuracy of classification was checked by a colleague who was experienced in applying the Kohlberg classifications, and confirmed to be valid. The broad criteria for classification were as follows:

- Statements expressing 'right' in terms of a case-by-case approach depending on the individual(s) involved were interpreted as lacking an impartial system of rules or guidelines and coded as Stage 3.

- Statements expressing 'right' in terms of a system of rules or guidelines that applied equally to all members of the company (or community), were interpreted as 'society maintaining' and coded as Stage 4.

- Statements expressing 'right' in terms of adapting a system of rules or guidelines to remain true to the expressed values were interpreted as 'society creating' and coded as Stage 5.

- Statements expressing 'right' in terms of a universal moral value overriding all other considerations were coded as Stage 6. [It was not expected that any such statements would be found, but in fact, one company did exhibit this level of moral reasoning for one of its values]

The outcome of the analysis approach described above, was that each passage of text expressing a value was classified according the value orientation it indicated (personal psychological; personal ethical; shared psychological; shared ethical; pragmatic) and, where an ethical orientation was apparent, it was also classified according to the Kohlberg CMD stage it expressed.

Interpreting the results

The analysis process yielded rich data about the expression of each individual company value. From the Nvivo coding, it was possible to extract, for each value (using the matrix search function) the frequency with it was expressed as a personal psychological value, a personal ethical value, a shared psychological value, a shared ethical value, or a pragmatic value. This provided a spectrum of orientation for each individual value. The Nvivo matrix search function allowed the frequency data to be extracted in spreadsheet form, allowing it to be presented in graphical format, or further manipulated and analysed.

Two types of calculation were carried out for each:

1. The percentage of all passages concerning a value that expressed an ethical orientation (personal or shared ethical), a psychological orientation (personal or shared psychological), or a pragmatic orientation.

2. The percentage of all passages concerning a value expressed from a personal (personal psychological or personal ethical), or a shared (shared psychological or shared ethical) perspective. (Pragmatic statements were not included)

For values expressed with an ethical orientation, the Nvivo matrix search allowed identification of both the dominant CMD stage indicated by statements expressing each value, and the highest CMD stage observed. The highest CMD stage was assigned to the value, in keeping with the argument outlined above.

RELATIVE ORIENTATION OF VALUES

The first level of interpretation of values was visual. For each company, a stacked bar chart was generated with a bar for each value espoused by, or implicit within, the company, with a different colour representing the proportion of ethically, psychologically and pragmatically oriented statements. This gave a clear picture of the dominant orientation of any particular value and the pattern of orientation across all values for the company. From this exercise, it was immediately apparent that the pattern of orientation varied widely. Figure 8 and Figure 9 provide contrasting examples. Value descriptions have been modified somewhat to avoid identifying the companies. The "(E)" or "(I)" following each value indicates whether it was espoused or implicit. Figure 8, representing case A shows a company with a high level of ethical orientation across all eight of the values identified. Three of the values were expressed only in ethical terms, and another three dominantly so (80 per cent or higher). Pragmatic orientation was not widely evident.

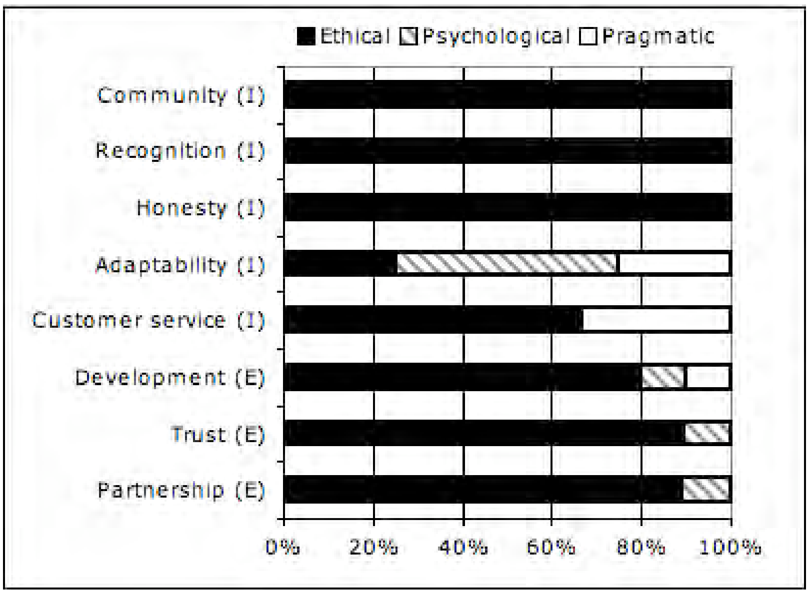

Figure 8: Relative orientation of values, Case A

In Figure 9, which represents Case O, the picture is quite different. Pragmatic and psychological values dominate, and ethical values are little in evidence.

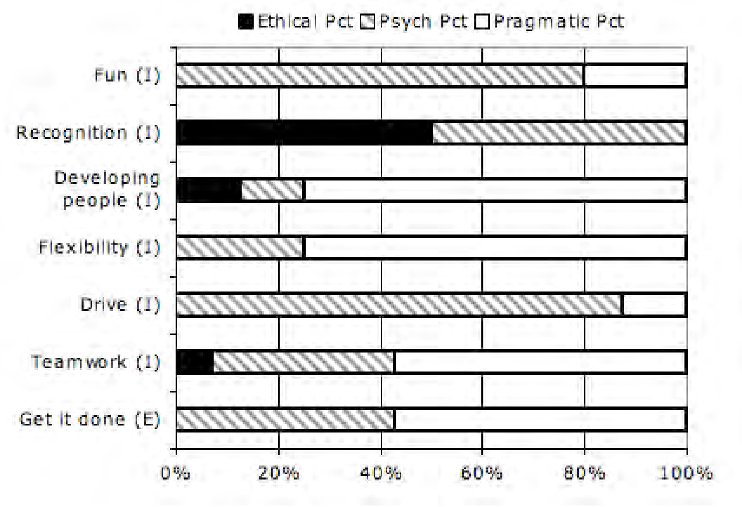

Figure 9: Relative orientation of values, Case O

Case O was the youngest of the companies studied and was included in the study as an extending case, having grown from launch to around 200 employees in less than two years, and been sold to a large industry player. The industry environment was highly competitive and values (mostly implicit) centred around the behaviours necessary to survive. Shared psychological motivations provided additional alignment, and a shared ethical value emerged almost accidentally, but evolved to be embraced by the members of the company.

For cases A, B and C an ethical orientation was evident for every one of their values, espoused or implicit. For all cases at least some ethical orientation for at least one of their values was evident. Ethical emphasis was the highest of the three orientations for most of the companies, the only exceptions being Case L, in which psychological orientation was dominant, and Case O (illustrated above), in which pragmatic orientation was highest, closely followed by psychological orientation with ethical orientation scarcely evident.

This demonstrates that even when the founder believes they have chosen values for pragmatic reasons (because they perceive them as aligned to commercial success) or for psychological reasons (because they like working with people who share their personal motivational values), it is rare that there is no ethical orientation whatsoever. Take the example of Case G, whose founder explicitly stated that he felt his company's values were ethically neutral, that failure to act according to those values did not constitute unethical behaviour. Yet for three out of the four espoused values of the company, a degree of ethical orientation was apparent. The distinction was that while the founder did not believe there was any universal ethical imperative for people in general to act according to those values, there was an implicit ethical imperative for employees of his company to observe them. This is subtly different from simply enforcing congruent behaviour through routine practices and specific actions. In this case, the ethical imperative derived from the linking of the four core values to the company's mission of providing outstanding customer service. This statement of mission was treated in the analysis as an implicit value. Of the 15 distinct passages of text where it was mentioned, eight had an ethical orientation. Customer service was not just a source of competitive advantage (pragmatic), but also an ethical obligation to fellow human beings (the business owners the company provided service to)—to treat them as you would hope to be treated. Therefore, adherence to the four core values became a shared ethical obligation, as well as a pragmatic source of business success. [The value lacking an ethical orientation was "Fun", which was a mix of psychological (shared motivation of a fun workplace and culture) and pragmatic (customers like cheerful service)].

Thus core values that appear to be ethically neutral can acquire an ethical orientation through linking to an ethical mission or, in the terminology of Collins and Porras (1994), a 'core purpose'.

Values most likely to be expressed with a predominantly psychological orientation were those associated with personal enjoyment or self-actualisation. Frequently occurring examples were 'Fun', 'Creativity' (or 'Innovation'), 'Challenge' and 'Passion' (or 'Drive'). 'Learning' appeared both as a psychologically-oriented value (shared enjoyment of learning), and as an ethically-oriented value (obligation to keep learning to maintain excellent performance).

The most interesting group in some respects was the predominantly pragmatic values. There were few of these, and in most cases, were values that would be readily linked to commercial success, such as excellence, rewarding high achievement, lean operations etc. However, in Case O, in which the commercial reality of 'grow or die' forced an accelerated growth path, two values appeared in a pragmatic context, that in older companies appeared as ethically-oriented values. These (both implicit values) were *Teamwork / Mutual Respect* and *Developing People*. Lacking the resources to buy skills from the general labour market, company O was forced to take whoever they could get and get the best out of them. With an imperative of 'Getting stuff done' (their only espoused value), they could not afford to keep people who would not cooperate with others in the company. They had access to a substantial supply of unskilled workers, so they *could* hire and fire quickly, but they could demand almost no qualifications or previous experience. As a result they hired people who were deemed unemployable, some of whom turned out to be among their best performers. People who had were used to being classified as 'losers' in the job market found self-respect and a career path and told their friends, generating a new stream of employees into the company. Turnover was also unusually low for the industry once employees passed the rigorous but short probationary period. By the time the company was sold, the founders had come to regard *Developing People* as an ethical (this is a good, moral thing to do) and psychological (we really enjoy giving people a new start in life) value, and feared it would not survive under new ownership (the company was sold just prior to the interview with one of the founders).

RELATIVE INTERNALISATION OF VALUES

Another dimension of company values analysis was the extent to which the values were expressed in the context of being shared or explicitly reinforced within the company, as opposed to being expressed as part of the founder's personal value system. This dimension was termed values internalisation and classified as either shared or personal. It was not examined for expressions of values with a pragmatic orientation, which were inherently shared because they arose from what was deemed good for the organization.

As one would expect, given that this research examined organizational values, the large majority of company values were predominantly expressed in a shared context. However, this was not universally the case. Some values were expressed more often in the context of the founder's personal value system than in the context of the meaning of that value for the organization. For two of the companies, cases C and I, values internalisation was more often personal than shared. In these instances, all such values were implicit rather than formally espoused. In case E, however, three of the seven espoused values were more often expressed in a personal than a shared context. This possibly reflected that organizational values had only recently been articulated and formally espoused, and there was therefore less time to accumulate evidence to support shared internalisation.

There was no obvious relationship between the orientation and the internalisation of values. That is to say, ethically-oriented values did not appear to be any more or less likely to be shared than psychologically-oriented values.

Table 18 summarises the classification of values according to three dimensions: expression (espoused or implicit); orientation (ethical, psychological or pragmatic); and internalisation (shared or personal). The number of values in each category for each company are shown, case by case. For some cases, the total across a dimension exceeds the total number of values identified for the company. This reflects the situation where two elements of the dimension (for example, ethical orientation and psychological orientation) were equally strong for a value. The most frequent element (or elements where two were equal) have been highlighted.

Table 18: Case by case summary of values dimensions

		# Values by expression			# Values by orientation			# Values by internalisation	
Case ID	Core purpose?	Esp.	Imp.	Total	Eth.	Psych	Prag.	Sh.	Pers.
A	Y	3	5	**8**	7	1	0	7	1
B	Y	6	0	**6**	4	3	0	6	0
C	N	1	3	**4**	4	0	0	1	3
D	Y	4	2	**6**	5	2	1	6	0
E	N	7	1	**8**	4	4	1	5	4
F	Y	6	4	**10**	8	2	1	10	1
G	Y	4	2	**6**	4	2	1	6	1
I	N	0	5	**5**	3	2	1	2	3
J	Y	5	1	**6**	4	2	0	5	2
K	Y	5	2	**7**	4	3	0	6	2
L	N	0	6	**6**	2	5	0	6	2
M	Y	3	4	**7**	5	2	0	6	1
N	Y	9	1	**10**	5	3	2	9	2
O	N	1	6	**7**	1	3	4	6	1

COGNITIVE MORAL DEVELOPMENT AND VALUES

All values with any degree of ethical orientation were assigned the Kohlberg (1967) cognitive moral development (CMD) stage associated with the *highest* level of moral reasoning indicated by any expression or discussion of that value. In Kohlberg's system, stage 4 is associated with developing systems and rules by which society should operate. Since a company is a subset of society, usually aiming to be internally consistent through defining guiding principles, processes and perhaps codes of conduct, it is not surprising that most of the expressions of values were consistent with Stage 4. Although Stage 4 was the dominant level of reasoning for most values, Stage 5 was also observed for many, and for some it was the dominant level of reasoning. One company, Case B, showed Stage 6 reasoning for one of its values, identifying a universal ethical principle. Stage 3 reasoning was occasionally apparent, but only for one value in one company was it the highest stage of reasoning. Where Stage 3 reasoning was observed, it was usually in the context of reporting an incident or pattern that involved deciding the 'right' thing to do based on the individual(s) involved. However, it was almost always found alongside separate statements indicating that a system of rules, equally applicable to all was being developed to cover such situations in the future, indicative of Stage 4 reasoning.

Table 19 summarises the results. It shows, for each case, the number of values expressed at each of Kohlberg's (1967) CMD stages and the number of values for which CMD stage was not applicable because they lacked any ethical orientation. The dominant CMD stage(s) for each case, is (are) highlighted. Stage 5 reasoning was frequently attained. In all but two cases, the founder's expression of at least one of the company's values indicated Stage 5 moral reasoning. As explained earlier, a value was classified as Stage 5 if at least one passage from an interview or company document indicated stage 5 reasoning, in keeping with the practice of crediting an individual with the highest level of reasoning they show themselves to be capable of. The Nvivo analysis recorded the frequency of passages of text with each level of CMD classification, thus it was possible to identify values where reasoning was habitually at a higher stage. It was noticeable that the values that were most frequently discussed using level 5 reasoning were nearly always those most closely aligned with the company's reason for existence—its core purpose—where such a purpose had been defined.

Table 19: Summary of values and Kohlberg CMD stages

		# Values by expression			# Values by Kohlberg CMD stage				
Case ID	Core purpose?	Esp.	Imp.	Total	Stage 6	Stage 5	Stage 4	Stage 3	N/A
A	Y	3	5	**8**		6	2		
B	Y	6	0	**6**	1	5			
C	N	1	3	**4**		3	1		
D	Y	4	2	**6**		2	3		1
E	N	7	1	**8**		1	4	1	1
F	Y	6	4	**10**		7	1		2
G	Y	4	2	**6**		3	3		
I	N	0	5	**5**		2	1		2
J	Y	5	1	**6**		4	1		1
K	Y	5	2	**7**		1	5		1
L	N	0	6	**6**			4		2
M	Y	3	4	**7**		1	4		2
N	Y	9	1	**10**		4	3		3
O	N	1	6	**7**			3		4

Patterns within values data

In this research project, the unit of analysis was the company founder (or, in one case, current CEO). With only 15 companies studied, statistical analysis was not possible. However, the analysis reported in this chapter is at the level of the *individual value*, and yielded 96 values across 14 companies. This is a large enough number for some simple statistical analysis. Variables of interest were the form of expression of the value (espoused—formally or informally—or implicit); the value implementation index, the Kohlberg CMD stage (where applicable), the value internalisation (shared or personal); and the value orientation (ethical, psychological or pragmatic). A table of the 96 values is provided as Appendix 3. [Note: This appendix is omitted from the electronic version for confidentiality reasons. Bona fide researchers may apply to the author for a copy]

Normally when describing statistically analysis, we would have a number of cases, described in terms of a number of variables, each of which would be assigned a value for each case. When the unit of analysis is something called a 'value', it becomes confusing to talk of variables associated with that unit of analysis having values. For that reason, in the discussion that follows, the numerical value associated with a data variable will be termed a 'score'.

For graphical representation, value internalisations and value orientations were shown as a percentage of the total number of passages expressing the value, and thus were relative only within the value itself, but not to any other values present within the same company. These scores did not, therefore, take into account that some values were expressed much more frequently than others within the same company. Furthermore, the percentage method of representation necessarily meant that the scores for the modes of internalisation or orientation were not independent. Shared and personal internalisation scores summed to 100%, as did ethical, psychological and pragmatic orientation scores.

For statistical analysis it was seen as more useful to derive a form of score for each of the dimensions of values described above, that would be relative to other values held by the same company, but at the same time would adjust for the fact that some companies provided longer interviews and/or more company documents than did others. Scaled versions of each of the value dimensions were calculated to account for this. The issue and the solution developed to address it, is most readily illustrated by a hypothetical example: Case X.

Case X's most frequently referenced value is V1, referred to in 20 separate passages across a number of documents, thus having what I shall call a 'density' of 20 (passages). Of these 15 express an ethical orientation and five a psychological orientation. Value V2 is only referred to four times in total (a density of 4), three with an ethical orientation and one with a psychological orientation. Calculated using the percentage method, the two values have identical ethical and psychological orientation scores: 75% and 25% respectively. But it is reasonable to argue that value V1 should be regarded as having a higher ethical orientation than value V2 because it is referenced 15 times in that manner, as compared with only three references for value V2.

Using the scale method, the orientation is calculated as a percentage of the *highest* density for any value of the company, and then multiplied by 10 to give a result between zero and 10. In the example above, the ethical orientation for value V1 becomes (15 / 20) * 10 = 7.5, while the ethical orientation for value V2 becomes (3 / 20) * 10 = 1.5. The scaled representation of values orientations for Case A is shown in Figure 10, and provides a contrast with Figure 8 showing percentage orientation scores for the same company. A similar process was used to calculate scaled scores for the value internalisation dimensions (shared or personal). The expectation was that scale variables would yield more meaningful results than percentage variables, but both were loaded into SPSS for analysis.

The full list of data items loaded into SPSS is shown in Table 20.

Since the numbers entered into SPSS were derived from well-grounded, but necessarily subjective judgements, it was not considered appropriate to attempt any sophisticated statistical analysis. The main objective was to discover whether there were significant correlations between the variables, and to see if these correlations differed between espoused and implicit values.

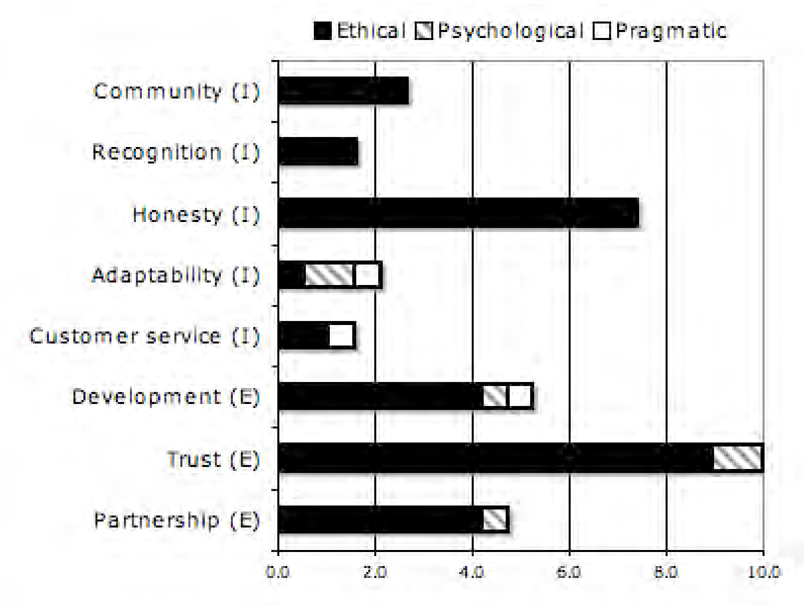

Figure 10: Scaled representation of values scores—Case A

It was recognised that the variables were not independent. The related variables representing orientation of values were necessarily co-dependent, as were those representing internalisation. In fact, for the internalisation variables, only the shared percentage score was included, since the personal internalisation percentage score would necessarily vary inversely. All three orientation percentage scores were included, with the expectation that they would vary inversely. Since the Value Implementation Index was based only on shared values, it was expected to be positively correlated with both forms of the shared internalisation variable.

Table 20: Data items loaded into SPSS

Variable	*Description*
Case ID	Single letter identifier
Value description	
Value expression	Espoused or Implicit
Value expression format	Formal or Informal (applied only to Espoused values)
Value implementation index	As reported in previous chapter. Estimates degree to which value is embedded in organization
Kohlberg CMD stage	As described above
Shared internalisation—percent Ethical orientation—percent Psychological orientation—percent Pragmatic orientation—percent	Number of passages referring to value with specified internalisation or orientation as a percentage of the total number of passages referring to value.
Shared internalisation—scaled Personal internalisation—scaled Ethical orientation—scaled Psychological orientation—scaled Pragmatic orientation—scaled	Number of passages referring to value with specified internalisation or orientation, scaled to highest density value (see above) of the company.

The statistical analysis did not set out to validate any hypotheses, but rather to explore whether any statistically significant patterns existed. One possible relationship was, however, indicated by theory. As described earlier, Trevino (1992) proposed that increased exposure to ethical decisions, accompanied by a concern for ethical behaviour, should tend to increase the level of cognitive moral development of a manager. Thus it would be expected that higher stages of cognitive moral development would be associated with higher levels of ethical orientation.

Two types of analysis were carried out:

1. Examination of correlations between the key variables; and

2. Comparison of means of key variables between Espoused values and Implicit values.

Correlations were examined between: Value Implementation Index (Vii); CMD stage; shared and personal internalisation; and ethical, psychological and pragmatic orientations. Analysis was conducted separately with percentage and scaled variables for internalisation and orientation data items.

There was high consistency between the results found using the percentage and scaled variables. With only one exception[5], significant correlations found using percentage variables were also found using scaled variables. Analysis using scaled variables, however, produced a greater number of significant relationships. Results below reflect analysis using scaled variables. Unless otherwise stated, all relationships described are statistically significant.

The first stage of analysis examined all values as a single group. The relationships expected due to co-dependence among variables were observed. Ethical Orientation was negatively correlated with Psychological Orientation and also negatively (though not significantly) with Pragmatic Orientation. The Value Implementation Index was positively correlated with Shared Internalisation. The hypothesis that CMD Stage would be positively correlated with Ethical Orientation was strongly supported at the .000 significance level. The correlation matrix for this initial stage of analysis is shown as Figure 11.

As well as the positive correlation with Shared Internalisation, the Value Implementation Index was also positively correlated with CMD Stage, Ethical Orientation and Pragmatic Orientation—despite Ethical and Pragmatic Orientation being negatively (though not significantly) correlated.

CMD stage was positively correlated with both Shared Internalisation *and* Personal Internalisation. This was unexpected, since the intuitive expectation would be that Shared and Personal Internalisation would tend to vary inversely. However, this is not automatic when using the scaled method to score these variables, and in fact the relationship between them was weakly (and not significantly) positive. Consistent with the negative correlation between Ethical and Psychological Orientations, the positive correlation between CMD Stage and Ethical Orientation was matched by a negative correlation between CMD Stage and Psychological Orientation.

Both Shared and Personal Internalisation were positively correlated with each of Ethical and Psychological Orientation, despite these two being negatively correlated.

[5] A negative correlation between Value Implementation Index and Psychological Orientation

Correlations

		VII	KOHLBERG	SHARE_SC	PERS_SC	ETH_SCAL	PSY_SCAL	PRG_SCAL
VII	Pearson Correlation	1	.283**	.604**	-.102	.427**	-.034	.240*
	Sig. (2-tailed)	.	.005	.000	.322	.000	.740	.019
	N	96	96	96	96	96	96	96
KOHLBERG	Pearson Correlation	.283**	1	.283**	.223*	.629**	-.360**	-.121
	Sig. (2-tailed)	.005	.	.005	.029	.000	.000	.242
	N	96	96	96	96	96	96	96
SHARE_SC	Pearson Correlation	.604**	.283**	1	.082	.602**	.262**	-.040
	Sig. (2-tailed)	.000	.005	.	.424	.000	.010	.698
	N	96	96	96	96	96	96	96
PERS_SC	Pearson Correlation	-.102	.223*	.082	1	.380**	.330**	-.200
	Sig. (2-tailed)	.322	.029	.424	.	.000	.001	.051
	N	96	96	96	96	96	96	96
ETH_SCAL	Pearson Correlation	.427**	.629**	.602**	.380**	1	-.404**	-.155
	Sig. (2-tailed)	.000	.000	.000	.000	.	.000	.132
	N	96	96	96	96	96	96	96
PSY_SCAL	Pearson Correlation	-.034	-.360**	.262**	.330**	-.404**	1	.013
	Sig. (2-tailed)	.740	.000	.010	.001	.000	.	.897
	N	96	96	96	96	96	96	96
PRG_SCAL	Pearson Correlation	.240*	-.121	-.040	-.200	-.155	.013	1
	Sig. (2-tailed)	.019	.242	.698	.051	.132	.897	.
	N	96	96	96	96	96	96	96

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Figure 11: Correlation matrix for values as single group, using scaled variables

The somewhat confusing picture of apparently contradictory relationships becomes clearer when the analysis was repeated, treating Espoused and Implicit values as separate groups. The correlation matrix is shown as Figure 12. Relationships divided into three categories:

Supported for both groups:

- Value Implementation Index positively with Shared Internalisation
- Ethical Orientation positively with Shared Internalisation (stronger for espoused values)
- CMD Stage positively with Ethical Orientation
- CMD Stage negatively with Psychological Orientation
- Ethical Orientation negatively with Psychological Orientation

Supported for Espoused values only:

- Value Implementation Index positively with CMD Stage
- Value Implementation Index positively with Ethical Orientation
- CMD Stage positively with Shared Internalisation
- Personal Internalisation positively with Psychological Orientation

Supported for Implicit values only:

- Value Implementation Index positively with Pragmatic Orientation
- CMD Stage positively with Personal Internalisation
- Shared Internalisation positively with Psychological Orientation
- Personal Internalisation positively with Ethical Orientation

The apparently contradictory relationships observed in analysis of the data as a single group were thus explained by differences between the characteristics of Espoused and Implicit values.

For Espoused values, stronger levels of embedding (as measured by the Value Implementation Index) were associated with higher Ethical Orientation, which in turn was associated with a higher CMD Stage. But this was not true for Implicit values, where stronger levels of embedding were associated with Pragmatic Orientation.

For Espoused values, Shared Internalisation was associated with a higher CMD Stage, but this was not supported for Implicit Values.

For Espoused values, Ethical Orientation was associated with Shared Internalisation and Psychological Orientation with Personal Internalisation, but for Implicit values, the reverse was true.

The above suggested that when organizational values were openly espoused, they were more likely to be ethical in orientation, and that founders were less likely to use their own psychological values as a basis for organizational values.

However, when values were implicit, psychological values were more likely to evolve into shared organizational values, whereas ethical values were more likely to be kept personal to the founder.

Correlations

V_EXPRES			VII	KOHLBERG	SHARE_SC	PERS_SC	ETH_SCAL	PSY_SCAL	PRG_SCAL
Espoused	VII	Pearson Correlation	1	.311*	.600**	-.170	.476**	-.142	.100
		Sig. (2-tailed)	.	.020	.000	.211	.000	.296	.464
		N	56	56	56	56	56	56	56
	KOHLBERG	Pearson Correlation	.311*	1	.353**	.114	.634**	-.404**	-.180
		Sig. (2-tailed)	.020	.	.008	.405	.000	.002	.185
		N	56	56	56	56	56	56	56
	SHARE_SC	Pearson Correlation	.600**	.353**	1	.193	.682**	.167	-.137
		Sig. (2-tailed)	.000	.008	.	.153	.000	.219	.314
		N	56	56	56	56	56	56	56
	PERS_SC	Pearson Correlation	-.170	.114	.193	1	.241	.434**	-.163
		Sig. (2-tailed)	.211	.405	.153	.	.073	.001	.230
		N	56	56	56	56	56	56	56
	ETH_SCAL	Pearson Correlation	.476**	.634**	.682**	.241	1	-.488**	-.148
		Sig. (2-tailed)	.000	.000	.000	.073	.	.000	.277
		N	56	56	56	56	56	56	56
	PSY_SCAL	Pearson Correlation	-.142	-.404**	.167	.434**	-.488**	1	-.028
		Sig. (2-tailed)	.296	.002	.219	.001	.000	.	.837
		N	56	56	56	56	56	56	56
	PRG_SCAL	Pearson Correlation	.100	-.180	-.137	-.163	-.148	-.028	1
		Sig. (2-tailed)	.464	.185	.314	.230	.277	.837	.
		N	56	56	56	56	56	56	56
Implicit	VII	Pearson Correlation	1	.196	.503**	.034	.234	.151	.521**
		Sig. (2-tailed)	.	.226	.001	.834	.146	.353	.001
		N	40	40	40	40	40	40	40
	KOHLBERG	Pearson Correlation	.196	1	.119	.355*	.614**	-.324*	-.057
		Sig. (2-tailed)	.226	.	.466	.025	.000	.042	.728
		N	40	40	40	40	40	40	40
	SHARE_SC	Pearson Correlation	.503**	.119	1	.120	.387*	.448**	.072
		Sig. (2-tailed)	.001	.466	.	.460	.014	.004	.658
		N	40	40	40	40	40	40	40
	PERS_SC	Pearson Correlation	.034	.355*	.120	1	.626**	.271	-.236
		Sig. (2-tailed)	.834	.025	.460	.	.000	.091	.143
		N	40	40	40	40	40	40	40
	ETH_SCAL	Pearson Correlation	.234	.614**	.387*	.626**	1	-.318*	-.191
		Sig. (2-tailed)	.146	.000	.014	.000	.	.046	.239
		N	40	40	40	40	40	40	40
	PSY_SCAL	Pearson Correlation	.151	-.324*	.448**	.271	-.318*	1	.070
		Sig. (2-tailed)	.353	.042	.004	.091	.046	.	.666
		N	40	40	40	40	40	40	40
	PRG_SCAL	Pearson Correlation	.521**	-.057	.072	-.236	-.191	.070	1
		Sig. (2-tailed)	.001	.728	.658	.143	.239	.666	.
		N	40	40	40	40	40	40	40

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Figure 12: Correlation matrix with split file, using scaled variables

Comparison of means between the two groups found significant differences between Espoused and Implicit values for three of the variables. In each case, the means for Espoused values were higher than those for Implicit values. The results are summarised in Table 21 and confirm the association of Espoused values with higher implementation indices, shared orientation and ethical orientation. In fact, in every case except for Personal internalisation (which was negatively correlated with Shared internalisation), the means were higher for Espoused than for Implicit values suggesting that espousing a value tends to increase not only the likelihood of the value being shared, but the clarity of its orientation, whether ethical, psychological or pragmatic.

Table 21: Comparison of means - Espoused vs Implicit values

	Means			
Variable	Espoused	Implicit	Difference	Significance
Value Implementation Index	4.938	3.250	1.688	p = .018
Shared internalisation	4.059	2.225	1.834	p = .000
Ethical orientation	3.477	2.313	1.164	p = .046

In a final stage of analysis, the split file analysis was repeated, but this time with informally espoused values treated as implicit values. The pattern of correlations was compared with the results above. Three differences were found—that is three instances of a new significant relationship appearing or a previously significant relationship becoming non-significant. In each case, the change resulted in the Implicit values group mirroring the Espoused values group. In other words, Implicit values became more like Espoused values. Thus it appeared that informally espoused values were characteristically more similar to formally espoused values than to implicit values.

Comparison of means between these two groups reinforced this conclusion. While mean scores for Ethical orientation remained higher for the formally espoused values than for those informally espoused or implicit, the difference was no longer significant (p=.188). Mean scores for the Value Implementation Index and for Shared internalisation remained significantly higher for the group of formally Espoused values, but the significance of the difference weakened.

In conclusion, this analysis suggested that there were distinct differences between the nature of Espoused (whether formally or informally) and Implicit organizational values.

For Espoused values, deeper embedding within the organization was associated with higher ethical orientation and a higher level of moral reasoning, indicating that these values actually served as a useful guide to resolving ethical dilemmas within the company. Personal ethical values of the founder were more likely to serve as a basis for Espoused values than their personal psychological values.

For Implicit values, deeper embedding within the organization was associated with pragmatic orientation of 'values'. Personal psychological values of the founder were more likely to serve as a basis for Implicit values than their personal ethical values.

Founders might find these distinctions useful when deciding whether it would be appropriate to openly espouse company values, and in choosing the types of values they wish the company to embody.

Beliefs and assumptions

During the thematic coding process described earlier in this chapter, passages expressing founder beliefs that did not contain a sense of the 'desirable' and were therefore not regarded as values (Rokeach, 1973) were identified and coded under a 'founder beliefs' node. The purpose of this exercise was to examine the role of such assumptions, which Schein (1983) regarded as a major determinant of organizational culture.

It should be noted that the methods used in this research are not ideally suited for identifying the types of beliefs that Schein regarded as important. He made it clear that his observations were based on what he called a 'clinical' approach to studying company culture, which involved working with and closely observing the company over a long period of time to identify *unexamined* assumptions (Schein, 1985). However, given the importance Schein attached to such assumptions, it was considered worthwhile to investigate whether such founder beliefs that were identified in the study played a different role from founder values.

These beliefs were compared with the values espoused by or observed as implicit within the company. In some cases a belief underlay a value—for example, a belief that formal learning led to practical knowledge might underlie a company value of 'learning'. Such beliefs were further coded against the matching value. This made it possible to examine for each case, via Nvivo's matrix search facility, beliefs that were *not* apparently related to company values.

The majority of founder beliefs identified were not directly relatable to company values, espoused or implicit. In six out of the 14 cases examined in this way, there was no direct relationship between founder 'non-value' beliefs and company values. For the few founder beliefs that *were* clearly and directly related to company values, it was noticeable that the same beliefs were shared by other founders but were not espoused as values or implicitly expressed through company practices.

For example, several founders expressed the belief that you have to live by your espoused principles or you lose credibility, but only three had a value of 'integrity'. About half the founders expressed a belief that when you building strong relationships with customers, they will allow you to fail occasionally, but only one expressed this belief as a company value. Given that the methodology was not designed to tease out founder assumptions, any conclusions drawn from the data gathered in this area must be very tentative, but I would make the following observation:

Unexamined beliefs (which I believe is what Schein referred to when he wrote about assumptions) are unlikely to be reflected in company values. However *conscious* beliefs, where the founder has reflected on a belief and noticed that it is not necessarily shared by others, are likely to translate to company values.

To illustrate this, while many founders stated a belief in integrity, two of those who expressed it as a company value both stated that, regrettably, it could not be taken for granted in their industry.

All founder beliefs were further categorised according to Schein's "basic assumptions around which cultural paradigms form" (Schein, 1983: 16). It proved possible to fit beliefs into one of Schein's five categories, and the results illustrated that this model does, indeed, provide a useful basis of comparison between companies. In particular, it might be used to identify incompatible cultures in a merger or acquisition situation. No striking patterns emerged, however, that might suggest a 'typology' of companies according to the nature of the specific beliefs identified in each of Schein's basic assumptions.

The exercise did yield a useful summary of beliefs about the role of organizational values with respect to the four of Schein's five assumptions:

Relationship to environment:

- A business with a genuine commitment to values is more sustainable
- Values define the business's identity and provide a point of differentiation
- Your business values should match your market's (customers) values

Human nature:

- Most people want to work in an environment that matches their personal values
- Values must be actively communicated and enacted or people won't understand them.
- Values can only be reinforced, not enforced.
- If you manage by values, you must measure performance against values, or they will not be taken seriously.

Human activity:

- Values provide a common focus as the business grows
- Values provide a yardstick by which decisions are made
- Values should be something you talk about routinely and build into everyday practices.

Human relationships:

- If you compromise your values, you lose credibility
- Values make it easier to filter out people who will disrupt your culture (but are not a substitute for skills)

Values as a guide to ethical behaviour

In the interviews conducted with company founders, they were not explicitly asked for examples of ethical dilemmas. However, they were asked for examples of values influencing actions and this provided several examples. From the interview transcripts, any incidents reflecting a decision about the 'right' thing to do were extracted and examined for the influence of values, either espoused or implicit. Furthermore, following Dees and Starr's (1992) call to examine "the things we wish entrepreneurs *would* lose sleep over", any incidents where there was no apparent reflection on ethics, but where the action taken might be regarded in the community as involving an ethical decision were extracted and examined.

Three categories of ethics in action (or not in the latter case above) were identified, in order of frequency:

1. Actual dilemmas: the founder or another member of the company was faced with a situation in which they had to choose the 'right' thing to do;

2. Ethical imperatives: situations where an ethical principle removed the need to make a decision by removing all but one option from consideration;

3. Non-dilemmas: situations where others might perceive an ethical issue, but the founder did not.

Of 20 actual dilemmas identified, all but four were resolved by reference to the values that the company espoused or implicitly enacted. Two were unresolved, involving situations where the founder still struggled to decide what was the 'right' thing to do. Both of these were from the same company and represented tension between two implicit values. The solution appeared to be to resolve each situation on a case-by-case basis, but the founder was uncomfortable that he had not yet developed a consistent guiding principle and might, therefore, be perceived as behaving unfairly or arbitrarily.

Two dilemmas were resolved by taking pragmatic decisions that ran contrary to founder values. One founder reported that, given the same situation again, he would have risked litigation rather than gone against his principles. The other introduced 'integrity' as an espoused value as a direct result of the unsatisfactorily resolved dilemma.

The sixteen incidents of dilemmas resolved by referral to company values came from eight of the 15 cases. In five incidents (three companies) those values were implicit; for the rest they were explicitly espoused values. Most incidents involved decisions made by the founder alone, but three involved input from employees—in one incident, a vote from the entire company (the consensus approach was consistent with the company's espoused values).

All the non-dilemmas clearly fitted Dees and Starr's definition of the 'promotor' dilemma: exaggerating the resources of the business in order to overcome liabilities of newness. The deceptions were minor: using "we" to describe a one-person office; describing the founder's home as an office; keeping an unused office just for show; not disclosing to employees the meagreness of financial resources. When reflecting on the incidents, all founders acknowledged a degree of deception, but did not have appeared to have considered it in this light at the time. Instead they regarded it simply as what was necessary to overcome the general prejudice against doing business with start-up companies.

Neither of the other types of dilemmas ('relationship' and 'innovation') proposed by Dees and Starr (1992) as more likely to be encountered by entrepreneurs were observed. However, there were four examples of actual dilemmas arising from a third party, such as a customer, investor or competitor, attempting to coerce the company into acting against its principles. This is in keeping with Brass et al. (1998) who argued that where there is asymmetry of power status it is the cognitive moral development of the stronger party that inhibits them from unethical behaviour toward the waker party. Thus entrepreneurs may be vulnerable to third party stakeholders who lack a strong moral compass. I therefore propose that a fourth type of dilemma 'intimidation' should be added to the list proposed by Dees and Starr.

In all four cases (three companies), the company stuck to its principles to resist the intimidation. In one of these cases, the decision was largely driven by pragmatism, as giving in to the intimidation would have resulted in a dysfunctional organization, so it was better to disband and start over.

In situations involving what I have chosen to call an 'ethical imperative', dilemmas simply did not arise because the company values meant that only one course of action was possible. These are best illustrated by some examples:

- "If you think it's wrong, don't do it"—and if you *do* do something dishonest, legal barriers won't prevent your being fired.
- Respect and trust employees and help them to develop their potential within or outside the company.
- Everyone deserves the opportunity to learn from anything they undertake.

In the first example, the company had a record, unique in its industry (financial services), of no instances of fraud. In the second example, the assumption was if you hired someone, you had a responsibility to look after them unless they committed a dismissable offence. The company would go to great lengths to find a job in which the employee could perform well. When a salesman lost his sight, he was relocated at company expense to another office and given a job he could do from a desk. In the third example, determination to provide feedback to all job applicants about the status and success of their application led to development of an internal system, which later proved to be a highly successful commercial product. The norm among most companies is not even to acknowledge unsuccessful applicants, let alone keep them informed during the assessment process, but the ethical imperative of providing feedback meant this simply was not an option for this company.

Use of the ethical imperatives is in keeping with the finding that leaders need to communicate their ethical stance clearly or employees may conclude that ethics are not important to them (Trevino, 2000).

Although ethics in action was not the focus of this study, the evidence that emerged supported the proposition that clarity about values aided ethical decision-making. A final example is offered as illustration. The company severed a relationship with a profitable customer accounting for 70% of the business of one of the regional offices, because the customer behaved unethically. In response to my comment that it must have been a hard decision, the founder replied, "No, I don't think it's hard at all. It's difficult to have to deal with it. It's not difficult to explain it. I really don't think there is an option. If you have values you live by them, because if you don't then you haven't got any credibility with your staff."

Chapter 7: Discussion and implications

Revisiting the research questions

The question that prompted this research was an interest in why some company founders chose to define a set of company values to guide their company's operations. The research of Collins and Porras (1994) suggested that adoption and long-term embedding of a 'core ideology' was unusual, but was associated with stronger long-term performance. As noted earlier, the benefits observed by Collins and Porras (1994) and others (e.g. Peters & Waterman, 1982; Deal & Kennedy, 1982) of adopting a set of company values, were not readily identifiable without the benefit of hindsight. So what was it that attracted founders to this approach in the first place?

The research began with an exploration of the phenomenon of emergence of organizational values centred around four main areas of investigation:

- Why did founders start to think in terms of values?
- What benefits did they expect from articulating values?
- How did they go about identifying, articulating and embedding values for their company?
- If values were not articulated, how did founders think about the subject of values? Could they identify their own values or the values of their organization? What values were implied by their words and actions.

The objective was not necessarily to develop theory, but to gain a clearer understanding of the factors that were important in guiding the emergence of organizational values and, in particular, the factors that led founders to articulate these values and make them explicit.

The initial phase of the research revealed distinct differences between the triggers prompting articulation of organizational values and a potentially useful instrument for assessing their strength, but did not identify a theoretical model explaining the emergence of values. However, it did lead to identification of a key issue for the research organizational values, which the literature did not seem to touch on. That issue was the heterogenous nature of the values themselves, and the consequences of this heterogeneity on the obligations imposed by organizational values upon members of the organization.

In order to explore more systematically the patterns suggested by the data collected, a framework or system for describing the nature of individual values within an organization was needed. This led to new theory questions:

- What are the characteristics or dimensions of organizational values?
- What are the implications of these differing characteristics or dimensions?

This formed the second stage of the study, using data collected in the first stage.

Conclusions

It is acknowledged that the selection of cases for this study was biased toward founders interested in discussing organizational values. Nevertheless, the response to a 'cold call' mail-out to fast-growing companies, was eight out of 25 (32%) and, of these, seven were consciously attempting to identify and embed company values. This suggests that despite the peak of publications on organisational values being one or two decades ago (Peters & Waterman, 1982; Deal & Kennedy, 1982; Collins & Porras, 1994), the idea of using values to provide a foundation for business success remained current with contemporary business founders. In fact, in Australia, it has recently gained new prominence in the corporate sphere (Johnston, 2007).

This suggests that understanding the nature and impact of organizational values remains an important question for both founders and organization leaders, and researchers of emerging organizations. This is consistent with Heneman and Tansky's (2000) finding that founders were preoccupied with getting a good fit between person and organization.

WHY CONSIDER VALUES-BASED LEADERSHIP?

Ten founders had explicitly defined and articulated company values. For these, there was a distinct split regarding the 'trigger'—that is the event or mindset that raised awareness of the concept of values-based leadership. For six founders, there was an intrinsic motivation to define values that led them to seek out a model for formalising and embedding company values.

For all six of them, the primary motivation arose from *personal ethical* values concerning *honest behaviour* (two cases) and *the appropriate way to treat people* (five cases). These concerns were reflected in their choice of values, but in no case did they form the *only* basis for company values. Additional values were included that reflected other concerns and were not necessarily ethical in orientation.

For the other four founders who had explicitly adopted values-based leadership, the motivation arose from an external prompt of some kind. In two cases the prompt came from a business advisor, in one case from an MBA program, and in one case from incidents that demonstrated to the founder that his management team's views of the 'right' way to act differed from his own.

The founders who had not consciously considered the concept of organisational values were, nevertheless, able to identify values they felt were important and strong within their organization, but none had attempted to articulate them in any formal manner.

In only one of the cases studied was there a conscious decision *not* to adopt values. Even in that case, the decision was not to ignore values, but to avoid *explicitly* defining and espousing them, instead encouraging them to emerge from within the workforce. The CEO (not the original founder) felt that values were very important, but could not and should not be imposed, and that a 'plaque on the wall' approach to defining company values would have a detrimental rather than beneficial effect.

ADOPTING VALUES: THE INTENT

The nature of the trigger that prompted *consideration* of adopting organisational values, did not have any discernable effect on the expectation of benefits from doing so. Founders prompted by external events to consider organisational values perceived the same sorts of potential and actual benefits from doing so as did those who were prompted by intrinsic motivation to run their businesses in the 'right' way.

Three distinct, but not mutually exclusive, types of intent when adopting values were identified. These were:

Strategic: values used as a guide to making strategic decisions and means of achieving strategic objectives and long-term benefits (*What* and *Why* rather than *How*).

Enabling: values provide a means of uniting the workforce and building commitment, an enabling platform.

Tactical: values used as a guide to day-to-day actions (*How* rather than *What* and *Why*).

Strategic intent is consistent with Collins and Porras' (1994) conclusions regarding the role of organisational values in providing a consistent core focus regarding *why* the company existed and *what* it would (and would not) do, without limiting in any other way its operational activities or choice of technologies or markets. It implies a long-term focus.

Enabling intent is also implied in Collins and Porras' model (and explicit in Collins, 2001), but places less restriction on the timeframe of the strategy. It enables strategy implementation (Chatman & Cha, 2003).

Tactical intent is about how to operate on a day-to-day basis. It incorporates the concept of 'the way we do things around here' identified by numerous researchers (e.g. Peters & Waterman, 1982; Deal & Kennedy, 1982), but potentially omits the question of *why* we do things the way we do them.

In the companies studied, there was an even balance in the adoption of values with strategic and enabling intent (with both intents apparent at several companies). Only one company adopted values with a tactical intent, and it resolved the question of *why* the chosen values defined *how* the company operated by linking them clearly to a core purpose of making life easier for their business clients.

Only one company had formally defined a 'core purpose' for the organization, but about half had defined a mission that was sufficiently long-term and broad in focus to provide a unifying sense of meaning.

ACTUAL VALUES CHOSEN

While the primary objective of this research was not to examine the content of company values, it was noticeable that 'respect for people' was expressed as a value, explicitly or implicitly, in all 15 of the companies studied. A common belief was evident, that it was desirable to treat people as unique individuals capable of contributing in unique ways, rather than as representatives of a role or skill, and to give them the opportunity wherever possible to apply their individual skills and knowledge. This was, in most cases, clearly a personal value as well as a company value.

This is consistent with a previous study examining the personal values and motivations of serial entrepreneurs (Rushworth & Gillin, 2005b), where values involving treating people with respect were both widely expressed at the personal level (what I believe is right), and also most likely to be consciously translated into business activities (how I run my businesses).

It may be that entrepreneurs have no choice but to value people for their individual contribution and diversity of personality types. Lacking the resources to offer attractive remuneration packages, and having to run lean, they learn to make the best of the human capital they have at their disposal. However, the evidence of Rushworth and Gillin (2005b) suggests that over time they come to value this as one of the psychological rewards of founding a business or even an ethical obligation. This transition was actually observed in Case O, where developing people was an accidental outcome of having to hire people nobody else wanted to employ. Finding that many of these people actually performed very well was firstly an unexpected bonus, but gradually became a psychological reward for the founders, and had begun to emerge as an ethical value, with pragmatic benefits (developing people's potential encourages them to stay, and to recruit others like them).

What is noteworthy about this common value among entrepreneurs is that the recognition of individuality and diversity is often absent in large, established organizations. The very term 'human resources' implies that employees are interchangeable within roles, like parts in a machine. Schein (1983) highlighted this tendency, noting that founders tended to be 'particularistic', seeing employees as individuals, whereas professional managers tended to be 'universalistic', seeing employees as members of categories. He further noted that this was often a source of considerable tension, as companies scaled up and introduced a management layer. Along with such traits as need for autonomy and enjoyment of challenge, the preference for a 'particularistic' view of people may be one reason why entrepreneurs generally do not flourish in large companies.

Honesty and/or Integrity was a value expressed in all but one business. Often the two were linked together in a single value, yet when founders talked about them, two distinct values were apparent. Honesty was expressed in terms of not behaving deceitfully—sometimes limited to not lying or misleading, but often extended to not withholding information, especially from employees.

Integrity was related to identity, and actually encompassed the whole value system of the company. Maintaining integrity was about remaining true to your values and not losing your identity. Maintaining integrity was the most common reason for rejecting an offer to buy the company, or for deciding not to pursue an acquisition. This is consistent with Vyakarnam et al. (1997), where 'self' emerged as an important stakeholder in resolving ethical dilemmas.

Honesty (in terms of respecting people and treating them fairly) and integrity (being true to one's personal values) were also dominant in the values of serial entrepreneurs in the study referred to above (Rushworth & Gillin, 2005b).

Thus it appears that respect for people, behaving honestly, and maintaining personal and professional integrity are almost universal values for entrepreneurs. There may be a degree of pragmatism in adopting these values, aimed at overcoming liabilities of newness. However, the fact that they persist in successful serial entrepreneurs (Rushworth & Gillin, 2005b), whose track record and personal wealth significantly reduces liabilities of newness, suggests that they may be another element to be considered in the search for the characteristics or behaviours of 'the entrepreneur'.

ORIENTATION AND INTERNALISATION OF VALUES CHOSEN

The actual values chosen by companies varied not just in their content (*what* was deemed desirable), but also in their intended context (for *whom* was it deemed to be desirable). For each value, there was a concept of "rightness", but the basis of that concept varied from 'right for me', through 'right for the company' to 'right for society in general'.

Dees and Starr (1992), classified 'right for me' values as 'psychological' and those that implied a broader context than the individual as 'ethical'. However, it did not prove possible to categorise values in this way based on the way founders talked about them. In one passage a value might be expressed as an ethical value ("everyone deserves the chance to grow to their full potential"), but in another as a psychological value ("I really enjoy seeing employees achieve more than they thought they could"). Similarly, values were sometimes expressed in a personal context and sometimes as shared by members of the company. This applied to implicit as well as explicitly espoused values.

Thus for each value espoused or observed as implicit within each company, rather than categorising it as exclusively either 'ethical' or 'psychological', or as 'personal' or 'shared', it was actually more appropriate to place it on a continuum between two extremes as illustrated in Figure 13. Each value espoused or observed in each company could be placed on each of these two continua, providing scale variables to describe each value.

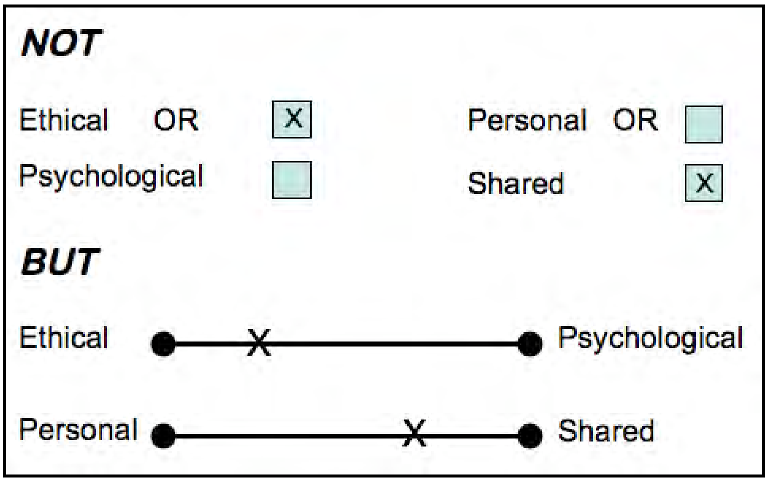

Figure 13: Values classification: category versus continuum

Aggregating the results at company level showed clearly different patterns of orientation (psychological or ethical) and internalisation (shared or personal) across the companies. This demonstrated that founders interpret values in widely differing ways. An additional category of 'pragmatic' was introduced for the expression of values as 'what works' rather than 'what is desirable'.

Kohlberg's (1967) stages of cognitive moral development (CMD) provided a framework for describing the degree to which ethical values supported moral reasoning.

PATTERNS WITHIN VALUE TYPES

Using the analysis processes described above, numeric scores could be assigned to a number of dimensions, describing each of the 96 values (espoused or implicit) found across the 14[6] companies so analysed. Statistical analysis of these variables revealed significant distinctions between formally espoused values and implicit values.

For **espoused** values, stronger levels of embedding (as measured by the Value Implementation Index) were associated with higher *ethical orientation*, which in turn was associated with a higher CMD Stage. But this was not true for **implicit** values, where stronger levels of embedding were associated with *pragmatic orientation*.

For **espoused** values, *shared internalisation* was associated with a higher CMD Stage, but this was not supported for **implicit** values.

For **espoused** values, *ethical orientation* was associated with *shared internalisation* and *psychological orientation* with *personal internalisation*, but for **implicit** values, the reverse was true.

This suggested that when organizational values were openly **espoused**, they were more likely to be ethical in orientation, and that founders were less likely to use their own psychological values as a basis for organizational values.

However, when values were **implicit**, psychological values were more likely to evolve into shared organizational values, whereas ethical values were more likely to be kept internal to the founder.

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[6] Case H was excluded from this part of the analysis because the founder was no longer involved.

VALUES AND ETHICS

The association between stronger ethical orientation and a higher level of CMD found for espoused values, suggested that such values were likely to serve as a useful guide to resolving ethical dilemmas within the company. Support for this proposition was provided by examples of actual dilemmas reported in interviews with founders. Values were evident as reference points in resolving dilemmas or making decisions, and the values referred to were high in ethical orientation. Furthermore, some values served as 'categorical imperatives' (Kant, 1785 [1969]) in that they bypassed any perception of dilemma because acting in accordance with the value was the single possible course of action.

VALUES, INTENTIONS AND IDENTITY

Although it was not within the scope of the data gathering to discuss entrepreneurial intentions, many founders did talk about their plans for their company and their intentions regarding eventual exit from the company. From these discussions, and through comparison of organizational values with the founder's personal values, some inferences could be made about the extent to which founder identity was associated with the identity of their company, the development trajectory they envisaged, and the extent to which they saw themselves as personally involved in that development.

The symbolic format developed by Churchill and Lewis (1983) to represent the relationship between owner and company identity at various stages of growth, was extended to describe this inferred relationship. The black circle they used to represent the company's identity remained black when representing a company where the organizational identity strongly mirrored with the founder's identity, and grey when no such association was clear. This allowed the distinction to be made between the situation where the founder and the company had distinct but similar identities (as with two people with similar characteristics) versus the situation where founder and company had distinct and different identities.

In 14 of the 15 cases the founder was still involved with a substantial ownership share. In half of these cases, the organization identity clearly reflected the founder identity. In the remaining cases, the organization identity was distinct, unclear or the founder's concept of self-identity was unclear. In some cases where the organization identity reflected the founder identity, there was nevertheless clear separation between the two—in essence, the founder(s) had stamped their identity on the organization but it appeared sufficiently embedded to endure independently of the founder's involvement.

The overlap between founder and organization identity was assessed first, and then compared to Churchill and Lewis' prediction of the relationship between owner and business identity at each of the stages of growth they identified. Companies fitted four categories. As expected, most were associated with Stage 4-rapid growth (five companies) or Stage 3G-preparation for growth (four companies). Four, however, were associated with the Stage 3D, which Churchill and Lewis labelled 'success-disengagement', where the company was successful and had growth potential, but the founder was considering exiting. [The remaining company was still at the start-up stage].

In only one of those four cases had the founder actually negotiated an exit. Two founders reported themselves low on 'driving ambitions' in the Business Platform survey (see Chapter 5), indicating that serial entrepreneurship might be their inclination. One remained apparently committed to the company, but with a sense of needing to 'get it right' before exiting, rather than taking it to full potential.

The interesting observation for me was that it appeared possible for the founder's identity to be strongly reflected in the company, without the company's success being dependent on the founder's presence. This was illustrated by case A, where the founder had actually completed an agreement to sell the business, but the sense was very much that the identity of that business (as a distinct unit within the purchasing company) would be retained and not threatened by the new owners. This was, in fact, a key factor in both the purchaser's interest in buying the business, and in the owner's agreeing to the sale.

By contrast, for the cases where company identity reflected founder identity, but the overlap was still very large, it was doubtful whether the identity—or even the viability—of the company would have survived the exit of the founder. None of these founders appeared to have contemplated exiting.

The above suggested that founder identity and its relationship to company identity was associated with entrepreneurial intentions, though the nature and causality of the association could not be assessed.

CASE SUMMARIES

Appendix 4 provides a one page summary of each case. It shows descriptive information (age of company, number of employees, industry sector, growth pattern), together with summary information from data collected covering: values format, values orientation; values implementation; business platform and ICOSA survey scores; inferred growth and exit intentions; and owner / company identity representation. It also provides a brief update on each company's status in 2007.

[Note: This appendix is omitted from the electronic version for confidentiality reasons. Bona fide researchers may apply to the author for a copy]

Limitations

GENERALISABILITY

The study was designed to be exploratory and did not seek a representative sample of cases. Although there was an element of randomness in recruiting cases from the BRW Fast 100, those who agreed to participate in the study can reasonably be assumed to be companies that had a higher degree of interest in organizational values and therefore not representative of the general population of companies in the list.

The case study companies were mostly from knowledge-intensive industries, where people are a key resource. Their interest in values and their approach to applying them within their companies may not be representative of industries that are not people-intensive or do not depend on highly-educated workers.

However, there is no reason to suppose that the issues involved in selecting, applying and embedding values observed in the companies selected for study differed significantly from any company seeking to adopt organizational values, where the founder is still the leader, or a subsequent owner has assumed a leadership role akin to a founder.

VALIDITY

Values in an individual are not easy to measure, and values in an organization have the additional complexity of identifying not just what they are, but how deeply they are held and shared. The author was unable to discover any established survey instrument for assessing the existence and strength of shared values in an organization, thus a combination of data gathering techniques were used in an attempt to converge on the phenomenon to be examined. As explained earlier, not all data sources were available for all companies and those that were available were available to differing degrees. Interviews varied from 45 to 90 minutes. Some companies provided internal documents, others did not. The analysis is therefore limited by the data available.

Only one person was interviewed for each company, therefore the primary data source was clearly not unbiased. This was a conscious trade-off between the depth of study of each case and the number of case studies that could be undertaken. Use of additional data sources aimed to mitigate the potential bias of a single interviewee's perspective. However, readers should be clear that the findings reflected the founder's perspective of organizational values and should be regarded as only a partial reflection of organizational values from the perspective of other stakeholders. It also reflects the 'critical realist' philosophical stance that the expression of values by the founders' words and actions creates a reality that impacts other members of the organizations they create.

The constructs used to measure degree of embedding of individual values (the Value Implication Index) and the orientation of individual values (the ethical-, psychological- and pragmatic-orientation scales) were developed by the author and are not tested elsewhere. This was because no existing applicable constructs were found. Each has its limitations.

Scores on the Value Implementation Index depended on verbal (via interviews) or documentary evidence of values in action. The more evidence, the higher the score. In this study, the amount of documentation provided to the researcher by each company varied widely. The Value Implementation Index might, therefore, in some cases reflect the commitment of the founder to the research project rather than their effectiveness in embedding values. However this is a limitation of the data gathering rather than the instrument itself. Because the Value Implementation Index is a score rather than a scale, it is of only limited usefulness in comparing companies. However, it is useful for comparing the degree to which individual values within the same company have been embedded.

The aggregate score for any particular company on the Value Implementation Index (an overall measure of how deeply *all* company values are embedded) is heavily influenced by how the company has expressed their espoused values (or how the researcher has chosen to interpret them, if they are not clearly documented). Companies with a smaller number of core values will (other factors being equal) tend to score more highly, because the denominator in the calculation of the index is smaller. However, this reflects the way the human brain works. We struggle to hold more than five or six concepts in our minds (Miller, 1956), therefore it makes sense to restrict a list of company values to no more than six items. Collins and Porras (1994) noted that in the companies they studied, the number varied from three to six.

The constructs of value orientation (ethical, psychological), internalisation (shared, personal) and cognitive moral development (CMD) stage involved direct application of conceptual frameworks described by others. The validity issue that potentially arises, therefore, is whether the researcher correctly understood and applied the concepts. The concepts were, however, quite straightforward, except in the case of CMD stages for which the coding approach was verified with a researcher with expertise in applying that model.

RELIABILITY

All coding, including the development of coding schemes, was performed by the author. However, the approach to coding was informed by expert practitioners (e.g. Patton, 1990; Strauss & Corbin, 1998; Eisenhardt, 1989), and the use of Nvivo software allows the text underlying every aspect of coding to be readily scrutinised.

The application of quantitative techniques to frequency data extracted from qualitative coding is clearly limited in validity by the reliability of the initial coding (see below). However, it is not dissimilar to using Likert scale questions to assess the importance of a factor on a scale of (say) 1 to 7. Whereas a survey captures the opinion of the respondent, the quantitative measure extracted from coding frequencies captures the same construct based on the attention they give that factor in conversation or documentation as interpreted by the coder. Both methods contain the risk of bias: respondent bias (such as perceived social desirability) in the case of the survey question, or coder bias in the case of the qualitative coding. Both methods also contain the risk of inconsistency: different interpretations from different respondents in the case of the survey question, or inconsistent application of coding themes in the case of qualitative coding. In survey design, multiple questions pertaining to the same construct and cross-correlated to ensure consistency of response are used. In qualitative coding, minimising coding inconsistency is achieve via a clear coding scheme and use of multiple coders. Resources did not permit multiple coders, but a coding scheme was designed (documented in Chapter 6) in advance for the constructs that were subsequently used to calculate numerical values for statistical analysis. It remains, however, a priority for ongoing research to demonstrate the reliability of the coding framework via independent coding of interviews by a third party.

The derivation of numeric values from coded passages of text for subsequent statistical analysis is unusual, but not unprecedented. Bazeley (2006) cites several examples involving the combination of quantitative survey data and numeric variables derived from qualitative data analysis systems for manipulation using statistical techniques such as correlations and cluster analysis.

The patterns emerging from the statistical analysis of individual value characteristics in this study should, however, be regarded as extremely tentative. The numeric variables derived from qualitative coding involved several stages of intepretation, during which subjective judgement was involved: which value each passage represented; the orientation represented by the mode of expression (ethical, psychological or pragmatics); whether it expressed a personal or organizational value (internalisation); and, if it was interpreted as ethical orientation, which stage of moral reasoning it represented. From the frequencies thus derived, scale variables were constructed for orientation and internalisation to enable comparison between values both within and across cases.

The possibility of errors or inconsistencies occurring during such a complex process is undeniable. However, the very complexity of the process also makes it difficult to introduce any bias (deliberate or sub-conscious) into the coding that would have any predictable effect on the statistical relationships between the numerical scores derived. The relationships that emerged, therefore, emerged naturally and bear further investigation by more rigorous means, such as a survey with multiple questions representing each construct, administered to a larger sample of company leaders.

PRACTICAL IMPLICATIONS

This study was exploratory in nature. It commenced without any testable hypotheses. While it used a grounded theory approach in that themes were allowed to emerge from the data (Glaser & Strauss, 1967; Strauss & Corbin, 1998), the objective was not to develop theory, but to construct a useful description of the actual experience of founders attempting to interpret and apply the concept of organizational values, a constructivist approach (Guba & Lincoln, 1994; Charmaz, 2002). The implications therefore are confined to some practical application for entrepreneurs and indicative contributions to existing theory, rather than well-developed, consistent theoretical models. These are explained in detail in the section that follows.

Implications

AN ANALYSTICAL FRAMEWORK FOR DESCRIBING ORGANISATIONAL VALUES

The evidence above shows that founders interpret and apply the concept of organisational values in differing ways. The framework of ethical, psychological and pragmatic orientation of values described above serves to describe and even quantify the differences. But what are the implications of those differences? What purpose do the different types of values serve?

<u>Ethically-oriented values</u>

Values that are ethical in orientation contain a conception of right and wrong and therefore may serve as a guide to appropriate behaviour. However, even within this category, there are important distinctions. In simplistic terms, the philosophy of ethics falls into two schools: deontology, which deals with duties of individuals, and teleology, which deals with consequences of actions (Lewis & Speck, 1990).

Deontology does not admit shades of grey, a behaviour is right or wrong and there are no excuses for wrong behaviour. Kant's concept of the 'categorical imperative' is an example of deontological ethics—if you know that an action is right, you have a duty to act accordingly (Kant, 1785 [1969]). A hierarchy of deontological values is permitted. For some people, "thou shalt not kill" may override all other imperatives, meaning that they would not kill to save their own life or that of another person. For others, supporting the victim against the aggressor may be a higher imperative, making it not just acceptable, but *right* to kill the aggressor rather than let the victim die. Deontology holds that duty is independent of consequences.

Teleology concerns the consequences, or rather—since consequences cannot be known in advance—the probable consequences of an action. Rather than offering categorical rules governing behaviour, it addresses the preferred outcome. The 'rightness' of an action is judged according to whether it supports or detracts from the preferred outcome. John Stuart Mill's concept of 'greatest happiness for the greatest number' (Mill, 1957 [1863]) is an example of teleological philosophy, as is Aristotle's concept of 'eudaemonia' (Aristotle, 1962 [c328 BC]).

In adopting an ethical value for an organization with deontological intent, a founder is prescribing a mandatory mode of conduct, admitting no exceptions. It is permissible, acknowledging human fallibility, to allow a limited number of breaches before action is taken to eject the offender from the company. Indeed, legal constraints often make this mandatory. However, to permit a persistent offender to remain in the organization sends a message that the value is not genuine. Thus in choosing to adopt this type of value, the founder (or management team) needs to be sure they are prepared to sack employees who breach the value, or terminate contracts with suppliers or customers that undermine the value.

In adopting an ethical value with teleological intent, different issues apply. Here, the crucial factor is to be clear about the *purpose* the value serves. Without such clarity, there is a high risk of different interpretations of what the value means in translating it to congruent behaviour. Attempts to codify behaviour run the risk of fostering compliance rather than commitment.

Rokeach (1973) distinguished between instrumental (concerning modes of conduct) and terminal (concerning end states) values. In seeking to use values as a guide to ethical behaviour, it would therefore seem that instrumental values are more compatible with deontological ethics, and terminal values more compatible with teleological ethics.

Both types of values were observed in the study reported here. Honesty (often listed as an abstract noun or terminal value, but explained in terms of appropriate behaviour) was expressed in deontological terms. There were several instances of it acting as a 'categorical imperative' mandating a course of action that might have been considered optional in other organizations. Quality, by contrast, was an example of an ethical value applied with teleological intent. The manner in which it was applied reflected an interpretation (often not explicit) of 'quality' as 'fitness for purpose', which is by definition a teleological perspective. For example, the quality standards applied to a prototype system for market testing were quite different from those applied to a production system, yet both reflected—genuinely—the same value. 'Customer satisfaction', another frequently encountered value, is inherently a teleological value, in which the measure of congruence is the outcome (end state).

The distinction between deontological and teleological interpretations of the meaning of ethical values may explain different attitudes to values-based leadership observed between company leaders. The CEO of company H disliked the idea of espoused values, on the grounds that as soon as there was any breach, the values became tainted. Founders J and N, by contrast, wanted values to be explicitly espoused so that if they were breached, somebody would point it out, offering the opportunity to correct and refocus. CEO H's attitude is consistent with a deontological interpretation of values, whereas founders J and N's approach suggests a teleological interpretation.

Jim Collins, co-author of Built to Last (Collins & Porras, 1994) emphasised a teleological approach to values in the following extract taken from an online article:

> *"Timeless core values should never change; operating practices and cultural norms should never stop changing. A timeless core value in an academic institution, for instance, is freedom of intellectual inquiry. A practice adopted to support that core value is academic tenure. But there's a lot of evidence to suggest that the practice of tenure probably needs to be changed or discarded because it no longer serves the purposes for which it was created."* (Collins, 1996)

In fact, many of the core values attributed to the 'visionary companies' Collins and his team studied were expressed as modes of behaviour, rather than end states, as Figure 14 shows (from Collins, 1996: 68). However, Collins and Porras advocated not just core values but a core purpose—a reason for the company to exist—with which all the core values were aligned. Purpose deals with consequences, a teleological approach.

In the 2002 paperback edition of Built to Last, the importance of core purpose was reinforced:

> *"In our hardcover edition of Built to Last, we did not give enough attention to purpose as distinct from core values and we under-emphasised its importance. Pushed to choose between core purpose and core values, we would likely choose core purpose as the more important of the two for guiding and inspiring an organization."* (Collins & Porras, 2002: 224)

Core Values Are a Company's Essential Tenets

Merck
- Corporate social responsibility
- Unequivocal excellence in all aspects of the company
- Science-based innovation
- Honesty and integrity
- Profit, but profit from work that benefits humanity

Nordstrom
- Service to the customer above all else
- Hard work and individual productivity
- Never being satisfied
- Excellence in reputation; being part of something special

Philip Morris
- The right to freedom of choice
- Winning – beating others in a good fight
- Encouraging individual initiative
- Opportunity based on merit; no one is entitled to anything
- Hard work and continuous self-improvement

Sony
- Elevation of the Japanese culture and national status
- Being a pioneer – not following others; doing the impossible
- Encouraging individual ability and creativity

Walt Disney
- No cynicism
- Nurturing and promulgation of "wholesome American values"
- Creativity, dreams, and imagination
- Fanatical attention to consistency and detail
- Preservation and control of the Disney magic

Figure 14: Examples of core values (Collins, 1996)

In the discussion of the difference between values and ethics in the literature review, I arrived at the following tentative conclusion:

> Values are a standard to which we aspire; ethics are a standard by which we have committed to live.

I now recognise that a similar distinction exists between two types of ethical values, which I would express thus:

> Teleological values set a standard to which we aspire, and to which we are prepared to be held accountable; deontological values set a standard by which we have committed to live.

The implication of this distinction is that teleological values impose a different demand on the individual employee than do deontological values. For teleological values, breaches are tolerated as an inevitable consequence of human imperfection, provided that the intent and commitment to the values remains sincere and within the ability of the individual to achieve. Failure to live up to teleological values does not damage the organization's integrity provided that it is only occasional, is openly acknowledged and that acknowledgement is used as an opportunity to reinforce commitment. Deontological values, by contrast, demand compliance. Breaches cannot be tolerated. Failure to observe these values damages the organization's integrity.

Teleological values define an aspiration that encourages a commitment to high achievement. Deontological values define a benchmark that mandates a minimum standard of acceptable behaviour. However, this 'minimum' can be set very high, motivating commitment to a high standard of ethical behaviour. While this may sound similar to a code of conduct, it is different in that what is demanded is commitment, not compliance.

Psychologically-oriented values

Psychologically-oriented values concern a belief about what is desirable for an individual. In an organisational sense they serve as a common motivational factor—for example, a shared enjoyment of challenge or autonomy or combining work with having fun. The primary role of psychologically-oriented values is to promote an aligned workforce who work together in a relatively harmonious fashion.

Ethically-oriented values provide a guide to behaviour. Psychologically-oriented values guide behaviour only indirectly, through socialisation into congruent behaviour. For example, in an organization with 'challenge' as a value, workers are more likely to adopt a 'can-do' approach focusing on how a goal can be achieved, rather than on what might go wrong. An employee only moderately motivated by challenge might, through exposure to such attitudes and behaviours learn to take a more positive approach and, in due course, to become more strongly motivated by challenge. Another employee in the same situation might find the work environment too stressful and decide to leave.

Psychologically-oriented values therefore would tend to be more effective on attracting and retaining people who 'fit' the organization, as Collins (2001) expresses it: "getting the right people on the bus".

Pragmatically-oriented values

Values have been defined as an *enduring belief* about the *desirability* of a mode of behaviour or an end state (Rokeach, 1973). For ethically-oriented values, desirability is judged by reference to a community of some kind (the company, the industry, the society). For psychologically-oriented values, desirability is judged by reference to individuals. For pragmatically-oriented values, desirability is judged simply by what makes the company successful. What I have chosen to call 'pragmatic' values are not truly values at all because they do not represent an *enduring belief*, but may change as the business environment changes.

Pragmatic values (as I shall continue to call them, setting aside the contradiction inherent in this label for the convenience of nomenclature) are relevant because this is the category that many aspirations masquerading as organizational values fall into. This is probably not through any conscious misuse of the term, but more likely reflects a lack of clarity about what values really are and the difficulty of identifying 'what we stand for' without relating it to commercial success in some way.

Pragmatic values may be very useful in aligning behaviour and focusing the attention of the workforce on short- to medium-term goals. However, if the values are chosen because based on 'what works', then they are unlikely to endure when circumstances change. For example, when a company lists on the stock exchange, its 'success' will often be judged by its share price. This may diverge from the measures of success used by the management team prior to going public. Should new 'values' be adopted that are more aligned to maintaining the metrics of success applied by market analysts?

In summary, pragmatically-oriented values are not truly values at all. They may serve a useful purpose, but would more accurately be labelled 'key success factors' or 'core competencies'. However, it is not contradictory to note that genuine organizational values may also be good for business. The crucial factor is whether they are chosen purely *because* they are good for business. If that is the case, then they will change as the conception of what is 'good' for business changes, and are not truly values.

VALUES, ENTREPRENEURIAL INTENTIONS AND IDENTITY

Interviews with founders were structured around an interview guide based on general topics rather than specific questions. In this guide, the first question simply asked for background on how the business got started. Often statements of personal values were made in this part of the interview, indicating that values influenced the decision to start the business. The study of this decision is the focus of extant literature on entrepreneurial intentions.

Krueger and Brazeal (1994), building on Ajzen's Theory of Planned Behavior (TPB) (Ajzen,1991) and Shapero's model of the Entrepreneurial Event (SEE) (Shapero, 1982) identified three factors influencing the decision to start a new venture: perceived desirability;

perceived feasibility; and propensity to act. Further research by Krueger et al. (2000) validated the predictive capability of these models. Since values concern a belief about the desirable (Rokeach, 1973), then values are clearly among the antecedents of the first of these three factors – perceived desirability. Personal values will influence whether a person regards self-employment as being a desirable option at all, and the type of business they choose to start.

This study provided empirical (though anecdotal) support for this proposition. Several founders described a desire to run their own business before having any clear idea what that business should be, based on psychological values such as autonomy and challenge. Other founders identified very clear ethical values based on earlier negative experience as an employee, usually concerning the right way to treat people, or (less frequently) honest conduct. In three cases, founders explicitly identified these values as a key motivation to start a business: to be free to run it in the way they felt appropriate.

In their prior work environments these founders were expected to act in a way that contradicted their conception of what it meant to be a good person: their moral identity. Weaver (2006) described moral identity as a sense of "who I am", which in turn defined "what I should do". The more important an identity is to a person, the more it is likely to affect they way they behave, and the more likely that departures from that identity will lead to cognitive dissonance—the tension between "who I am" and "what I do" (Weaver, 2006: 347). For the founders referred to above, removal of this cognitive dissonance was clearly at least a partial motivation for founding a business. It follows therefore that their business began as a reflection of their own self-identity.

Churchill and Lewis (1983) identified the overlap between founder identity and business identity as one of the attributes that changes as a business grows, depicting the relationship graphically as a white circle (founder) superimposed on a black circle (business). In the early stages, they asserted, the white circle is entirely within and almost as large as the black circle. As the business grows, the white circle decreases in size and its intersection with the black circle diminishes. It is at the stage of deciding to grow that the white circle first moves (a little) beyond the circumference of the black circle, indicating that this is the point at which the founder acknowledges that he or she has an identity distinct from the business. This suggests that it may also be the point at which the nature of these two distinct (though still overlapping) identities is examined.

When the founders in this study talked about identifying the values of their business (those that had elected to do so), this process addressed not just what the business was, but what it could and should be in the future. The desire for the business to reflect their own personal values was widely evident, yet also the desire for it to have an identity that did not depend on them, and, in some cases, for that identity to remain after they exited. The organizational values they (sometimes with a team) articulated for their business reflected their projected identity of the business. The values selected were a mix of founder's personal values and other values that had emerged from the nascent organization or were adapted from organisational role models, but the relative emphasis of that mix varied. Thus the defining of organizational values did reflect a desire to invest the business with its own identity, distinct from that of the founder, but that identity might still be seen as an extension of the founder's identity.

The pattern of inference from the cases I studied suggested that founders with an inclination to start businesses, harvest and move on to the next either did not attempt to define a sense of organizational identity, or did not define it as an extension of their own identity. Founders who envisaged organic growth in response to market demand, tended to make little distinction between their own and their company's identity. Founders who aspired to grow their business to market leader or market creator status tended to define distinct organizational identities, but that identity was as likely to be an extension of the founder's identity as not. There was, therefore, no suggestion that the association between founder identity and company identity limited growth intentions.

Churchill and Lewis (1983) identified the success stage as a decision point: stay small (and possibly disengage) or go for the next level of growth. This decision should surely be as important a focus of research on entrepreneurial intentions as the decision to start a business in the first place, and yet it is largely ignored. This may be because it is assumed that growth is a function of external forces rather than intrinsic motivation, however there is evidence to contradict this. A study of female entrepreneurs found that growth (or non-growth) was usually a deliberate decision, made after considering benefits and trade-offs (Morris et al., 2006). Furthermore, those women who chose to go for growth tended to view the business as an extension of themselves, a form of self-actualisation, in contrast to their low growth counterparts who tended to see it as a means to another end, usually income provision or financial security (creating an asset).

These observations tend to support the proposition that values, entrepreneurial intentions and identity (self and business) are related, though the nature of the relationship is not yet clear. The following paragraphs explore the relationships a little further with a view to suggesting further research directions.

Entrepreneurial intentions and values

Krueger and Brazeal (1994) outlined the model of entrepreneurial intentions described above, composed of the three elements: perceived desirability; perceived feasibility; and propensity to act. This model has been extended by Shepherd and Krueger (2002) into the sphere of corporate entrepreneurship by focusing on entrepreneurial team's social cognition with respect to the three elements of Krueger and Brazeal's model. These three elements could equally well be applied to the analysis of a founder's (or current owner's) intention to grow a business.

The entrepreneurial intentions literature focuses mainly on the decision to start a business, however Douglas (2007) has attempted to expand this to include consideration of the *type* of business to start. He proposed four distinct styles of entrepreneurship, each with distinct motivating factors (shown in parentheses): necessity entrepreneurship (make a living); lifestyle entrepreneurship (work/life balance); speculative entrepreneurship (make money quickly); and high-growth, high-potential entrepreneurship (make history / build an organization). The types of persons who might be attracted to each of these styles of entrepreneurship were examined through three attitudes toward work: work involvement; work enjoyment; and psychic need for work. While the first two of these attitudes might well be contextual and liable to change depending on the nature of the work currently engaged in, the third, psychic need for work, would appear to be an enduring belief about a desirable mode of conduct and therefore, by Rokeach's (1973) definition represents a value rather than an attitude. (In Rokeach's terminology, it would be a personal, instrumental value or what Dees and Starr (1992) labelled a psychological value.)

The purpose of Douglas's paper was to provide propositions that other researchers were invited to test empirically. It was limited in that it addressed only one aspect of motivation (attitudes to work) and lacked depth in the styles of entrepreneurship considered (most of my case studies do not fit comfortably into any of the posited entrepreneurship styles). Nevertheless, it acknowledged that the type of venture an entrepreneur chooses to start depends on their perception of the benefits, which in turn depends on their personal values. It starts to explore the relationship between the values of an entrepreneur and their entrepreneurial intentions.

Sarasvathy (2004) made a persuasive argument for returning the entrepreneur to the centre of entrepreneurship. She argued that entrepreneurship research has focused on the firm, with the entrepreneur seen as an instrument of delivering firm success and has struggled to explain why some firms succeed when others fail. If the focus is on the entrepreneur and the firm is seen as an instrument of entrepreneurial intention, then firm heterogeneity becomes a natural outcome of the heterogeneity of the entrepreneur (p521). Research should therefore focus on the processes by which entrepreneurs design the organizations they create.

Entrepreneurial cognition and values

An area of research that has potential to contribute to the understanding of the relationship between values, entrepreneurial intentions and identity is the emerging field of entrepreneurial cognition. Entrepreneurial cognition investigates how entrepreneurs think and why they behave as they do (Mitchell et al., 2002). Two special issues of *Entrepreneurship Theory and Practice* reviewed the development of this field. The first issue (summarised in Mitchell et al., 2002) focused on articles that built on past entrepreneurship research. This revealed two general limitations in the scope of the field to that date:

1. a focus on the difference in cognitions between entrepreneurs and non-entrepreneurs, rather than differences between different types of entrepreneurs; and

2. a focus on the rational, more visible, aspect of cognition, neglecting hidden beliefs that are widely acknowledged to have a significant influence on behaviour (e.g. Rokeach, 1973; Schein, 1985; Hofstede, 1991; De Bono, 1987)

Both of these limitations relate to more generally identified research needs. Item 1 underlies recent calls for more recognition of heterogeneity of entrepreneurs by Davidsson (2005) and Sarasvathy (2004) among others. However, a more recent review of entrepreneurial cognition research (Mitchell et al., 2007) suggests that this limitation no longer applies, citing numerous studies that investigate differences in entrepreneurial cognition between entrepreneurs.

Item 2 remains a limitation, though it has been recognised as a priority for further research (Mitchell et al., 2007). Sarasvathy (2004) highlighted this limitation and suggested exploring entrepreneurial cognition through the themes of symbolic processing and semantic categorization. The latter theme recognises that categories are imposed by individuals on the world that surrounds them based on a number of factors (among them values) that constrain our perception. In other words, what we can imagine is constrained by (among other things) our value system (2004: 526).

Krueger (2007) has called for entrepreneurial cognition research to explore "(1) deeply seated beliefs and belief structures that ultimately anchor entrepreneurial thinking and (2) how they change as entrepreneurs move toward a more professional, expert mind-set".

Values are a type of belief and value systems a belief structure (Rokeach, 1973) and are likely to be deep-seated (Hofstede, 1991) and should, therefore, be a factor in this exploration. Indeed, Liedtka (1989) argued that values *precede* the decision-making process by defining the 'givens' that frame the possibilities before conscious decision-making begins.

Further, the acknowledgement that these deep cognitions may change as entrepreneurial expertise grows (part 2 of Krueger's identified knowledge gap) recognises that entrepreneurial intentions continue to evolve after the initial decision to start a business.

Identity and values

The subject of identity is a complex one with a rich, deep literature dating back to the Greek philosophers. Personal identity is something we instinctively acknowledge, but often do not actively examine unless circumstances stimulate us to actions that are in conflict with our self-perception of "who I am". Identity is something we construct through experience and interaction with external events. In the words of one author explaining this concept:

> *"Heidegger has shown that our socially given personal identity is fundamentally uncertain and meaningless, and that there is a consequent need to construct a meaningful identity for ourselves... Given then, that we exist as interpreting beings who must take a stand on what it is to 'be' rather than having a fixed and predetermined identity to which we can aspire to be true, each of us is unavoidably always in the process of choosing who to become in terms of the projects through which we bring an identity into being."* (Gibson, 2004: 178-179)

Weick (1995) refers to the process of sense-making where, after action has occurred, we endow it with some meaning in order to make 'sense' of it in our social context. According to Weick, while we may believe that the meaning thus conferred preceded and informed the action taken, it is in fact a rationalization of the action taken after the event (possibly only micro-seconds after). In other words, meaning follows rather than precedes decisions and our self-identity is constructed from our actions and those of others, rather than guiding our behaviour.

While this may be true, I do not believe it suggests that we construct a completely new identity for ourselves from day to day based on interactions with our environment. We have a continuity of identity based on our deep beliefs about what *is* (truth) and what is *desirable* (values), which does not change from day to day, although extreme events may cause even this foundation to be challenged and reconstructed. Thus, for effective purposes, we do have a reasonably stable sense of "who I am" which serves as a guide to negotiating the question of "what should I do?"

Is it inevitable that a founder's identity becomes equated with the identity of their business? Churchill and Lewis (1983) equated activity with identity, and this connection has theoretical foundation. It has been shown that activities that involve investment of self have greater impact on self-identity than more arms-length or transactional activities (Reed et al., 2005, cited in Weaver, 2007). Thus founding a business would lead to a stronger association of identity with the venture, than becoming a purely financial investor. Weaver (2006) writes of the need for congruence between "who I am" and "what I do". In the early stages of a new venture, the founder is unlikely to have much time for anything *but* the business. "What I do" is running the business, therefore "who I am" is likely to be equated with the business or the resulting cognitive dissonance would be unbearable. Founders may not realise how closely their sense of self is bound up with their business until the question of selling it or closing it arises. In one interview I conducted, a founder reported a conversation with a friend who was considering selling a business he had run for most of his adult working life. The question that arose for this entrepreneur was, "If I sell the business, who am I?"

When the decision to grow a business involves, as it often does, the need to bring in new stakeholders, the business's identity and the founder's identity must inevitably diverge, at least in the eyes of the new stakeholders. While equity investors talk of investing in the person or team, what they really mean is investing in the team that has the ability to successfully exploit the identified opportunity to create a viable business. They are not 'buying' the founders for the simple reason that they cannot sell the founders, only the business they have built. At this point, the founder must, if they have not already done so, recognise a divergence between their personal identity and the identity of the business they have built.

Organizational identity is more complex. As with organizational values, and organizational cognition, it is a concept that imposes individual characteristics on a collective. It is not the aggregate of the identities of the members of the organization (even if such a construct could be accurately described), but nor is it simply the perception of the organization by outsiders. Whatever it may be, it is regarded as a topic of growing importance. In a special issue of *Academy of Management Review* focusing on organizational identity, the editors noted that:

> *"Increasingly, an organization must reside in the heads and hearts of its members. Thus, in the absence of an externalized bureaucratic structure, it becomes more*

> *important to have an internalized cognitive structure of what the organization stands for and where it intends to go—in short, a clear sense of the organization's identity. A sense of identity serves as a rudder for navigating difficult waters."* (Albert et al., 2000: 13)

Organizational identity has been examined both from the perspective of the individual organization (e.g. Scott & Lane, 2000; Pedersen & Dobbin, 2006) and from the perspective of emerging industries (e.g. Porac et al., 1995 Clegg, 2007).

Different perspectives exist on organizational identity, concerning whether it is: "central, distinctive and enduring" (e.g. Albert and Whetten 1985; Elsbach and Kramer 1996; Scott and Lane 2000); "shifting, precarious, dynamic and unstable" (e.g. Gioia et al. 2000; Harrison 2000), or "has multiple facets such that there is no singular unity" (e.g. Brickson 2000; Pratt and Foreman 2000)." (all cited in Clegg, 2007: 497).

The idea of organizational identity serving as a "rudder for navigating difficult waters" as Albert et al. (above) suggested, involves an interpretation of identity as "central, distinctive and enduring". It suggests an identity as perceived by the members of the organization, rather than by outsiders. There are striking similarities between this perspective of identity, and its role for an organization and Collins and Porras' concept of 'core ideology' (1994). Values are implicit in "what the organization stands for" and purpose in "where it intends to go".

The multiple perspectives of organizational identity are similar to perspectives of organizational culture. Scott and Lane's conception of organizational identity as:

> *"best understood as contested and negotiated through iterative interactions between managers and stakeholders"* (Scott & Lane, 2000: 44)

echoes Schein's definition of organizational culture as:

> *"the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration"* (Schein, 1983: 14)

The perspective of organizational identity as transitory or multi-faceted mirrors the perspective that organizations do not necessarily have a single culture or any meaningful culture at all (Schein, 1985; O'Reilly et al., 1991: 492).

The connection between organizational identity and organizational culture may be better understood through the perspectives offered by Smircich (1983) on organizational culture. She examined the concept from the perspective of academic antecedents and research directions. By combining five concepts of 'culture' (drawn from anthropology) with five concepts of 'organization' (drawn from organization theory), she derived five themes in organization and management research. The study described in this thesis, straddles two of these themes: corporate culture, and organizational cognition. The corporate culture theme views culture as an adaptive-regulatory mechanism and organizations as adaptive organisms. The organizational cognition theme views culture as a system of shared cognitions and organizations as systems of knowledge. Both themes seek to improve the ability to understand and manage culture, but organizational cognition places greater emphasis on the cognitive processes of the members of the organization.

Smircich summarises the distinction between these two themes as moving from "the view that a culture is something an organization *has*, in favour of the view that a culture is something an organization *is*" (Smircich, 1981, cited in Smircich, 1983: 347, emphasis original). If organizational culture is viewed through the lens of organizational cognition, then the overlap with organizational identity becomes considerable. At the outset of this research project, I tended to locate my research in the domain of 'corporate culture', but I now see it as belonging more properly in the domain of 'organizational cognition'.

This perspective is very much in keeping with Sarasvathy's (2004) proposition that firm design is a product of the interaction between the entrepreneur (and stakeholder team) with the external environment, through a process which she describes as effectuation, defined as "a set of nonpredictive control strategies that are primarily means-driven, where goals emerge as a consequence of stakeholder acquisition, rather than vice versa." (2004: 524). This is akin to Weick's (1995) concept of sense-making in organizations. Adopting this perspective, the process of identifying, articulating and embedding organizational values may be seen as a process of sense-making with a view to defining the identity of the organization. The non-linear nature of the entrepreneurial process has been frequently noted (Campbell, 2004) consistent with a process of sense-making through experience. Sarasvathy's (2004) concept of 'effectuation', combines synthesis and imagination to construct an image of a future organization. Recent research (Bradley, 2007b) extends this concept, suggesting that passionate attention to an objective (such as a vision of a future business) actually generates and focuses an energy field that attracts others and thus helps to develop an 'entrepreneurial system' to create and sustain a new venture.

While organizational culture reflects the internal identity of the organization (that is, as viewed by its members), organizational identity also embraces the appearance of the organization to external stakeholders. It is this interpretation of organizational identity that is adopted by those who take the view that organizations have multiple identities choosing to present the one most favourable to them (e.g. Sillince, 2006). For the research reported here, the concept of identity as perceived by members of the organization is the more relevant.

AN ILLUSTRATIVE MODEL OF INTERACTIONS

So how do the concepts of values (personal and organizational), identity (personal and organizational), and entrepreneurial intentions relate to each other? Others have explored this territory somewhat. Bryant (2007) investigated the influence of self-identity on entrepreneurial decision-making (conceptualised as goal-setting, goal-pursuit and outcome evaluation), examined through the theoretical framework of self-regulation. Semi-structured interviews were conducted with 30 entrepreneurs, who were also assessed using established instruments to measure two constructs of self-regulation: entrepreneurial self-efficacy and regulatory focus (Scherer et al. (1989), Higgins et al. (2001) respectively, cited in Bryant, 2007).

Regulatory focus has two elements: promotion focus (on hopes and accomplishments or *gains*) and prevention focus (on safety and responsibilities or *avoiding losses*). Regulatory focus may be either situational or chronic, and the chronic form is termed regulatory pride. Thus an individual may exhibit either chronic promotion pride or prevention pride (the instrument measures both as independent scales).

Bryant found that combining the scores (normalised to a scale from zero to 1) for promotion pride and entrepreneurial self-efficacy (he called the combination entrepreneurial self-regulation) provided a useful distinction between groups of entrepreneurs. Those scoring highest on entrepreneurial self-regulation were more likely to: make decisions based on self-identity; refer to deeply-held beliefs; use congruence with self-identity to select and evaluate potential opportunities and partners; use intuition in decision making; and evaluate the quality of their decisions by reference to how well they preserved their self-identity.

This perspective on self-identity and entrepreneurial decision-making can be mapped on to Krueger and Brazeal's model of entrepreneurial intentions as Table 22 shows. Different aspects of self-identity inform different elements of the entrepreneurial intentions model. Desirability is informed by self-perception of what it means to be a good and fulfilled person. Feasibility is informed by entrepreneurial self-efficacy. Propensity to act is informed by promotion pride, which is associated with avoiding errors of omission.

Table 22: Entrepreneurial intentions and self-identity

Entrepreneurial intentions element	**Self-identity element**
Desirability	Moral self-identity: As a good person, who am I? Psychological self-identity: What do I enjoy doing?
Feasibility	Achievement self-identity: What do I do well?
Propensity to act	Promotion pride: Acts to avoid errors of omission

The model can be extended to include personal values, organizational values and organizational identity, as illustrated by Figure 15. Moral and psychological self-identity are informed by personal values. Personal values also influence the emergence of organizational values, providing the answer to the question "what does this organization stand for?" Entrepreneurial intentions translate to a vision of the organization in terms of "what is its purpose?" (influenced by moral and psychological self-identity), "how big can it be?" (influenced by promotion pride) and "what role can I play in it?" (influenced by self-efficacy).

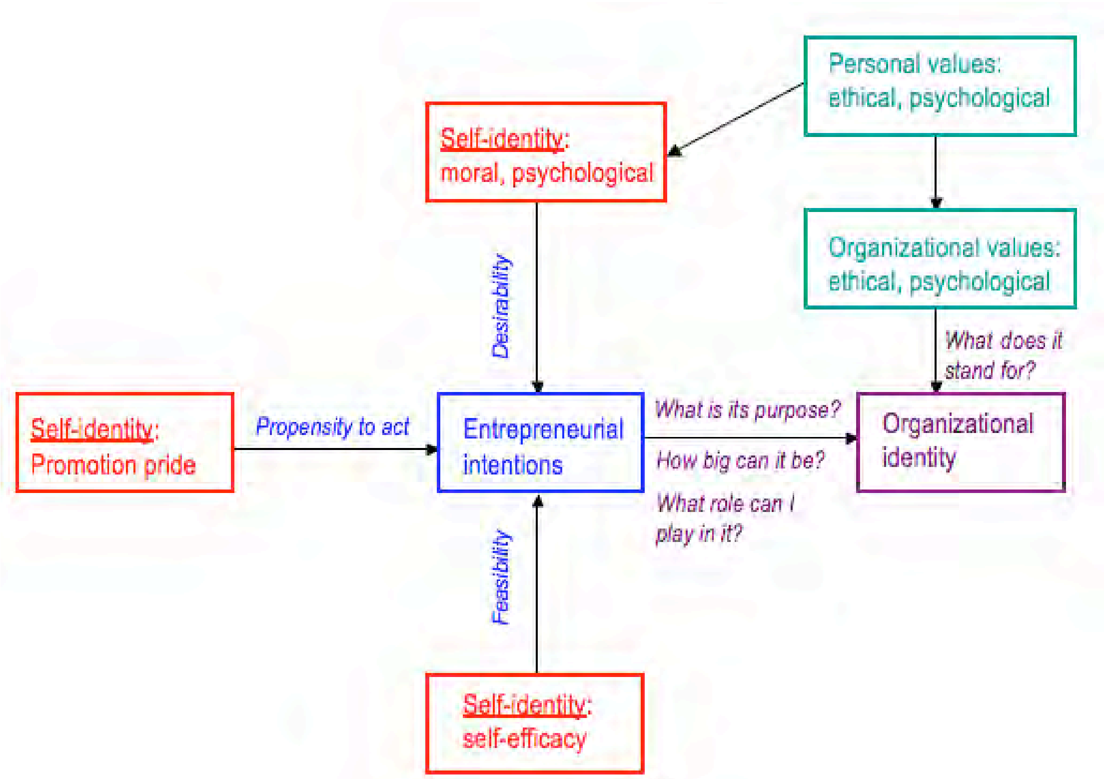

Figure 15: A model linking values, identity and entrepreneurial intentions

Finally, recognising that entrepreneurial intentions do not end with the decision to start a business, the model can be applied in a heuristic fashion, which I explain by reference to Kolb's cycle of experiential learning in which knowledge results "from the combination of grasping and transforming experience" (Kolb, 1984: 41). The learning cycle (illustrated in Figure 16) makes the connection between the "grasping" experiences of concrete experience and abstract conceptualisation through the “transformative” experiences of active experimentation and reflective observation. The nexus between each grasping and each transformative experience defines a basic learning style.

Concrete experiences such as work life, family life, education and other social interactions, reflected on by the sense-making process we use to make meaning of our activities (Weick, 1995) contribute to a person’s self-identity and allows them to conceptualise not only starting a business, but the sort of business they would like to run. Launching the business is a form of active experimentation, which leads to new concrete experiences. Reflection on these experiences refines (and where experiences are extreme, possibly radically reconstructs (Krueger, 2007)) self-identity, especially entrepreneurial self-efficacy. The heuristic nature of the model is consistent with recent observations (Krueger & Kickul, 2006; Brannback et al., 2007) that the linear nature of the widely-accepted entrepreneurial intentions model is inadequate and, in fact, empirical data supports the interpretation of intentions as an antecedent to desirability and feasibility rather than the dependent variable. Brannback et al. (2007) noted that “even in a static data set, we see clear evidence of entrepreneurial intentions as a dynamic process replete with apparent feedback loops”.

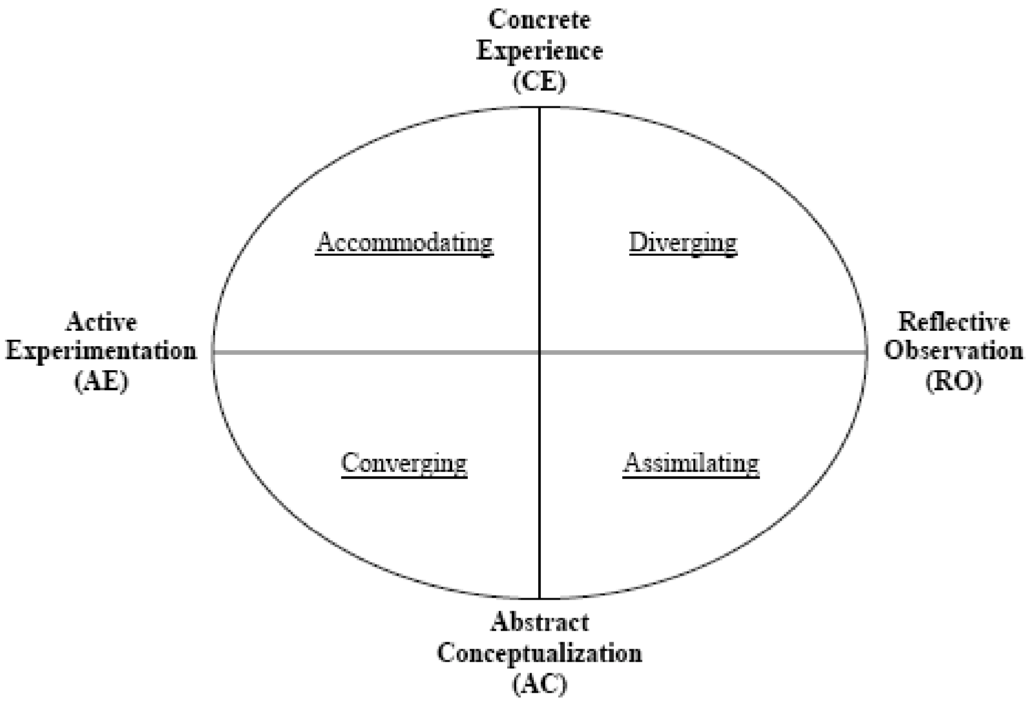

Figure 16: Experiential learning cycle learning styles (Kolb, 1984)

This leads to a further conceptualisation of the person’s self-identity as an entrepreneur, of the business they have created (by reference to other businesses in the industry or market), and of the connection between the two—is there compatibility between where the entrepreneur wants to go, where the entrepreneur is capable of leading and what the business has potential to become? The responses the entrepreneur makes to these questions lead to active experimentation either in a new business (exit and restart) or in a growth phase, both of which lead to new concrete experiences, and so the cycle continues.

Bryant’s (2007) research suggests that entrepreneurs with high entrepreneurial self-efficacy and high promotion pride—those who would, therefore, appear more likely to set high ambitions for their businesses and (if perceived self-efficacy is an indicator of effectiveness in practice) to be more likely to succeed in achieving their goals—are also more likely to be constrained by considerations of congruence between self-identity and the identity of the organization they construct, as represented by the behaviour engaged in by its members. This may either limit the scope of their entrepreneurial ambition or, where there is high congruence between self-identity and business potential, give them the clarity of focus and sustained energy to build a substantial, market-changing, venture. Bradley's (2007b) research on quantum coherence and quantum holography finds that passionate attention to a goal actually invests the object of attention (such as a vision of a new venture) with an energy field that attracts others who are attuned to similar goals. A state of coherence is described as a pre-requisite for achieving the resonance that generates this energy:

> *"When the entrepreneur calms his mind and feelings, and adopts a heart-focused state of positive emotion directed to the object, a global shift to psychophysiological coherence is induced which optimizes attentional resonance with the incoming quantum level information from the object of interest."* (Bradley & Gillin, forthcoming)

Thus the congruence between self-identity and goal setting would appear to favour the generation of what Bradley calls 'socioemotional coherence', which in turn favours the formation of an entrepreneurial system that transforms a vision into reality (Bradley & Gillin, forthcoming).

The proposition that identity influences entrepreneurial intentions found some support in the research results reported in this thesis. Those founders who talked freely about their own personal values—one indication of a clear self-identity—were also more likely to give examples of using congruence between these same values, extended to organizational values, as a criterion for business decision-making, both in pursuit of goals and especially in outcome evaluation. It was often expressed as maintaining integrity. This was the most common reason given for rejecting an offer to buy the company, not pursuing an acquisition and not pursuing or terminating customer or supplier relationships. Interestingly, only one of these founders had accepted equity investment and that was from a close friend with whom he had previously partnered in business.

For these founders, exit was either not yet envisaged or was conditional on finding a successor who would preserve the values of the organization, especially in regard to treatment of employees. The ethical value of respect for individuals was prominent in these cases. Where the founder(s) had established a business identity based on ethical values, exit did not usually seem to be envisaged, even if those values were not a direct reflection of the founder's personal values. Case B, for example, with two founders, defined organizational values as a team project after several years of successful operation. The founder interviewed stated that, while he agreed with all the values and was happy to live by them, he would not have nominated all of them as core. The business had a clear identity independent of the founders. Nevertheless, there was no suggestion of an exit for either founder.

With a small sample of cases, not representative of any general population, it is impossible to generalise in any meaningful way about a theory that was not the actual focus of the study. Nevertheless, my *impression* was that when founders had established a clear identity for their business that was congruent with their own self-identity *and* the business still offered new ways of fulfilling their self-identity, they saw no reason to exit. By contrast, founders who did not reflect on their own identity, talked about the business in more arms-length terms, tending to focus on an envisaged future for the business, rather than for themselves within the business.

One founder with strong self-identity and business identity *had* exited the business. This was after 20 years and following an unsolicited offer to purchase and a search during which two potential purchasers were excluded on the grounds of poor cultural fit (treatment of employees). For this founder, an important part of his identity was family provider and building an asset to provide financial security was a major motivation for starting a business. Thus, when a good offer came along, the family provider aspect of his self-identity required that he consider it. After satisfying himself that the sale would not be incongruent with other aspects of his self-identity (it would preserve the ethical values of the business), an offer was accepted. In the absence of such an offer, and with exciting plans for the business, it seems unlikely he would have sought to exit.

Drawing the connection between identity and entrepreneurial intentions opens the space for a wider variety of models of entrepreneurship than the perhaps over-emphasised serial entrepreneur model. If the pathway through the entrepreneurial process is determined by having a clear sense of self-identity and the values on which that identity is based, then it may be a more satisfying and fulfilling process.

To quote Weick: "A coherent statement of who we are makes it harder for us to become something else." (1985: 385). This applies equally to individuals and to organizations.

Conclusion

The purpose of this study was to gain a clearer understanding of how the concept of leadership through organizational values was regarded, interpreted and applied by founders of businesses with high growth potential.

Notwithstanding the lack of a statistically representative sample, the level of interest in organizational values from the cases sourced from the BRW Fast 100 list suggests that interest in values as a leadership tool is fairly widespread. Indeed, a book published in Australia just as this thesis was being completed (Johnston, 2007), called for a new model of leadership based on values and purpose, drawing explicitly on the 'core ideology' concept of *Built to Last* (Collins & Porras, 1994).

However, the interpretation of the role of values and the way they were selected and embedded varied considerably, even within the same company. There was no apparent recognition by founders that values such as 'honesty' and 'fun' placed different demands upon employees. Many founders did not use any model to guide them in selecting organizational values.

In analysing the textual data gathered in this study, the concept of identity kept intruding. Articulating organizational values was an attempt to define an identity for the business, but the degree of overlap between founder's self-identity and the identity of the business varied. In some cases, the purpose of defining the business identity appeared to be to separate it from the founder's identity; in other cases, to bind it more closely to the founder's identity. This observation led to the question of how the founder viewed the connection between their own future and the future of the business, a question of entrepreneurial intentions.

From the above, I have identified three potential contributions to entrepreneurship practice and entrepreneurship research.

Understanding types and roles of values

For practitioners seeking to define their business by means of shared core values, it is useful to understand that there are different types of values, and that they place different demands on members of the organization. In addition to asking whether values are truly 'core' to their business (do they matter more than profits?), they should also ask what they are trying to achieve with their choice of values:

- Gain commitment to a mandatory desirable mode of behaviour, where failure to comply will quickly result in ejection from the organization (deontological ethical value)

- Gain commitment to serving a desirable outcome, where failure or inability to act in support of the goal will over time result in departure (teleological ethical value)

- Define a motivation that is shared by members of the organization that is key to person-organization fit (psychological value)

If proposed values do not fit into any of the above categories, then they should consider whether they are actually values at all. The term 'core ideology' used by Collins and Porras (1994) to describe the combination of core purpose and core values is instructive. An ideology is something enduring that members of the organization believe in and commit to. It is not a statement of business success factors or a code of conduct demanding compliance.

If an organization does not have a genuine ideology, but seeks only to define for pragmatic purposes, what it is about the organization that has made it successful, then organizational values are probably not the right tool. What may be more useful is a set of clearly defined key success factors that are 'key' simply *because* they have led to business success and are therefore subject to change should that cease to be the case.

It is not at all clear to me that all organizations should have core values, and I have not attempted to collect data to justify such an assertion. What I do argue, however, is that an organization that cannot readily identify core values that meet one of the definitions above should not attempt to establish its identity by means of values. It is futile to pretend that an ideology exists when it does not. Those founders or leaders who choose not to define their business's identity in terms of values perhaps recognise this. When a business is founded to meet a transient need, then it probably does not make sense to define it in terms of values. Likewise, when a business is founded with the objective of building it up to sell to a larger company, it may seem pointless to try to establish a distinct identity for it.

For researchers, the system of classification of values described above (extended to include 'pragmatic' values, which are not truly values, but may have been so labelled within an organization), may be useful as a means of investigating in a systematic fashion how the concept of organizational values has been applied in businesses of all sizes. It could form the basis of survey research, which would then allow results to be generalised to larger populations.

Contribution to the study of entrepreneurial cognition and intentions

The interest in entrepreneurial cognition has arisen partly as a consequence of the failure of decades of research to identify consistent characteristics of entrepreneurs (Mitchell et al., 2002). Entrepreneurial cognition shifts the focus from visible attitudes and behaviour to internal thought processes. In terms of Wilber's (2000) four quadrant model, the shift is from the exterior-individual quadrant to the interior-individual quadrant. Personal values as viewed by the individual belong also in this interior-individual quadrant, as does self-identity.

The need to include deep belief structures in the study of entrepreneurial cognition has been recognised (Krueger, 2007). Values are an integral part of these deep beliefs (Rokeach, 1968; Hofstede, 1991) and should be included in this area of study. Values are enduring beliefs about what is desirable, and thus contribute to entrepreneurial intentions. Along with experience, values inform self-identity, which influences how individuals set goals, pursue them and evaluate the outcomes (Bryant, 2007). The interaction, therefore between values, identity and entrepreneurial intentions appears a promising field of study. The model described above (see Figure 15) illustrates in simplified form some of these interactions.

This exploration fits within the boundaries of a recent definition of a key research question in the field of entrepreneurial cognition, derived from the 2005 Ivey Conference on Entrepreneurial Cognition Research:

> *"How do entrepreneurial context and individual cognitive mechanisms interact to create entrepreneurial attitudes, intentions and behaviours that drive new means-end relationships?"* (Mitchell et al., 2007: 17)

Mitchell et al. criticised the term "cognitive mechanisms" as being too narrow, and expanded it to include such holistic processes as emotion (2007: 18). I would argue that values, if only in the capacity that they may act as filters to cognitive processes (Liedtka, 1989), should be included in their expanded definition. Entrepreneurial intentions are explicitly included and the nature of the organization resulting from those intentions is covered under "means-end relationships", acknowledging the influence of cognition and intentions on firm design.

Extension of models of entrepreneurship

The process of entrepreneurship has been conceptualised as the management of opportunity in four main stages: existence; discovery; evaluation; and exploitation (Shane & Venkataraman (2000). For research purposes, it is convenient to study the process when it occurs over a compressed period of time, leading to an emphasis on repeat practitioners (serial entrepreneurs) and those who repeatedly invest at a certain stage (e.g. venture capitalists).

This potentially skews the perception of entrepreneurship toward the model of the serial entrepreneur, who sees an opportunity, formulates a business model, launches the venture, grows it to a certain stage, then exits and repeats the process with a new opportunity. In this model, there is usually little interest in what happens to the business after the exit of the entrepreneur, even though it is accepted that serial entrepreneurs often exit before the business has reached anything like its full potential.

This form of entrepreneurship certainly exists in practice, but it does not usually represent the way market-dominating businesses arise, since the most common exit is by trade sale to a dominant player already within the industry. It does not represent the foundation of family businesses or the entrepreneur who starts a business and grows it to the potential its market, core assets or core competencies allow. Nor does it address how the identity of a business is preserved or evolves after the founder exits.

While researchers may legitimately focus on one model of entrepreneurship while recognising that others exist, in the teaching of entrepreneurship, there is a very real risk that the serial entrepreneur model, which has the convenience of demonstrating the entire entrepreneurial process from opportunity recognition to harvest, is implicitly the only model presented. The consequence of this is that entrepreneurship education programs may not attract, or may fail to nurture, aspiring entrepreneurs for whom the apparent transience of the serial entrepreneurship model is not appealing. Those, for example, who want to "build to last".

A framework of entrepreneurship that gives adequate recognition to self-identity in the formation of entrepreneurial intentions, and to values as a foundation of self-identity and business identity is likely to provide a richer and more inclusive model of the entrepreneurial process.

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Appendix 1: Final data collection instruments

Interview Guide

Introduction

Thank you for your time today. I am a student at the Australian Graduate School of Entrepreneurship, conducting research for my doctoral thesis. I am interested in the value systems that underlie some businesses, and the extent to which these are made explicit in the form of formal mission, vision and values statements.

Brief business history

I would like to start by asking you about how this business got started. What were your reasons for going into business? What did you originally set out to achieve and have the objectives changed? What are the main challenges you have faced along the way? Have there been any crisis points?

Core purpose and core values

Would you say that there is a core purpose for your business, something that goes beyond specific objectives, even long-term objectives—the reason your business exists? Is there a set of core values or guiding principles or a philosophy by which your business operates? Has this remained consistent throughout the time the business has been in operation? Do you have mission, vision or values statements that make these explicit?

Personal value system

Would you say that you have clear and strong personal values? On what are these based? Would you describe yourself as a spiritual person? How strongly are the values of your business aligned with your personal values? Was this alignment something you consciously considered when you started your business? Did it evolve naturally? Or do you make a separation between your personal values and your business operations?

Values and recruitment

How do you go about ensuring that your business' values and purpose are endorsed by your employees? Is this something you consider when new staff are recruited? Is it part of an induction program? Is it reinforced by peer pressure from existing employees?

Implicit values in action

What behaviours do you feel are most rewarded in your company? What behaviours are least tolerated?

Influence of values on decision making

Can you give examples of when your company's values have influenced an important decision? Both decisions made by you and by other employees. Describe the situation and the role that values played. What other criteria are important in decision making?

Values and competitive advantage

Have your company's values helped or hindered the growth of your business? Have there been occasions when your company's values have helped you towards achievements your competitors could not match? Have there been occasions when they have held you back from opportunities others have capitalised on? Do you regret such missed opportunities?

Other key measures guiding business

What measures do you use to assess whether your business is performing well, both in the short- and long-term?

Thank you.

Company questionnaire

Case Studies of Fast-Growing Small Businesses

Research plan and comparative data collection questionnaire

This research is being conducted by Susan Rushworth, PhD candidate in the Australian Graduate School of Entrepreneurship at Swinburne University of Technology with Professor Murray Gillin as Principal Supervisor.

Research plan

The research plan is to conduct up to twenty case studies of small businesses (up to 100 employees) that are going through, or have recently undergone a sustained period of rapid growth. The anticipated threshold is 30 per cent growth in revenue per annum for a period of at least three years (comparable with the bottom end of the BRW Fast 100 rankings in 2003). These companies will be identified from a variety of sources.

The purpose of the research is to investigate the contribution of "core values" (operating principles) and "core purpose" (mission or vision) to a company's performance, in particular when it has survived start-up, achieved a degree of stability and is attempting rapid growth.

Each case study company selected will be involved in three forms of data collection:

1. *An in-depth interview with the founder / CEO of the company or another member of the founding team or senior manager;*

2. *A questionnaire to be completed by a suggested 'main respondent' from the company, for comparative quantitative data collection.*

   This is the questionnaire that follows.

3. *A "cultural audit" of the company, consisting of a web-based survey to be completed by all employees. This survey is the intellectual property of a consultancy firm, who will process the results and prepare a report to the company interpreting the findings.*

Confidentiality

Approval from an appropriate officer will be obtained before any publication and will if required avoid using company names. Names of individuals will be removed from all case study reports and any publications. Inclusion in case study reports of data and information that may be seen to be confidential will not take place without the approval of the person or persons to whom the data is confidential.

Feed back

The findings of each stage of the data collection and analysis will be available to and discussed with the informants and individuals who provided the data.

Comparative data collection questionnaire[7]

Date ....../....../....../

Company Name: ______________________________

Respondent:

Name: ______________________________

Position: ______________________________

About you, the respondent to the survey

(You can give several responses.)

Q. 1. What role do you play in the company?

- ❑ Founder……
- ❑ Managing Director……
- ❑ Board Chairman……
- ❑ Innovator/Entrepreneur……
- ❑ Other______________________________

Q. 2. How long have you been involved with the company? ______ years

[7] This survey is adapted from the "Business Platform" survey instrument developed by Magnus Klofsten and further adapted by John Yencken. See Davidsson & Klofsten (2003), "Developing a Business platform to Gauge and to Assist the Development of Young Firms", *Journal of Small Business Management*, 41 (1) pp1-26

About the company

Q. 3. How long has the company been operating? ______ years

Products and services

Q. 4. What type of customer goods or services does the company produce?

(*Please give the principal operation and/or activity sector The detail will be sought later in the survey in the section entitled called* The Product.*)*.

Attach any relevant company literature.

Services ………………………………………………………………………

Products………………………………………………………………………

Other…………………………………………………………………………..

Q. 5. Is the company involved in a different type of activity today than it was to begin with? (Please tick one)

Yes ……..

No ………

Don't know ……..

Ownership and Management Team

Q. 6. Does the company have owners other than its founders or present employees?

Yes, others have a majority ownership ……

Yes, others have a minority ownership ……

No ……

Don't know ……

Q. 7. When the company started, did any of the founders previously have experience in starting a company?

Yes ……

No ……

Don't know ……

Q. 8. Have any of the people that have joined the company since it started had previous experience with starting and managing new ventures?

Yes ……

No ……

Don't know ……

Q. 9. If YES, could you please describe their experience and their role in the company?

Market and Customer Base

Q. 10. How extensive is the market to which the company is selling?

Local/Regional ……
National ……
International ……

Q. 11. In which month of which year did you

identify your first customer? ……./……
make your first sale? ……/……

Q. 12. Does the company operate in locations other than the head office?

YES …… *NO ……*

If YES, please list locations

The following questions only need to be answered approximately:

Q. 13. How many customers has the company invoiced in the

last month? ……..
last three months ……..
last six months ……..

Q. 14. How great a share of the company's turnover do the three largest customers represent? *(Please tick one)*

<10% ……
10-24% ……
25-49% ……
50-74% ……
75-100% ……

Financial Performance

Q. 15. Please indicate the growth rate in the company's ***gross income*** by providing either actual dollars or percentage growth for each financial year:

	Gross income ($)	*Percentage growth*
2004/2005	……………………	……………………
2003/2004	……………………	……………………
2002/2003	……………………	……………………
2001/2000	……………………	……………………
2000/2001	……………………	……………………

Q. 16. Please indicate the growth rate in the company's ***profit*** by providing either actual dollars or percentage growth for each financial year:
(may be omitted if this data is considered sensitive)

	Gross income ($)	Percentage growth
2004/2005	……………………	……………………
2003/2004	……………………	……………………
2002/2003	……………………	……………………
2001/2000	……………………	……………………
2000/2001	……………………	……………………

Recruitment and Employee Retention

Q. 17. How many employees did the company have in full time (ie. not casual) employment?

2004/2005 …………

2003/2004 …………

2002/2003 …………

2001/2000 …………

2000/2001 …………

Q. 18. What was the average employee turnover (percentage) in?

2004/2005 …………

2003/2004 …………

2002/2003 …………

2001/2000 …………

2000/2001 …………

Q. 19. How many CEOs has the company had since founding? ....

What were the reasons for change of CEO

How was each CEO recruited?

Q. 20. What recruitment methods are used by the company?
Please tick all that apply and, if possible, indicate percentage of employees recruited by that method

	Used?	Percentage?
Executive search / head-hunter:	....	....
External advertising:	....	....
Personal networks:	....	....
Direct approach from employee:	....	....

Remuneration and Reward Strategy

Q. 21. What remuneration strategies other than base salary does the company use?
Please tick any that apply.

Annual bonus based on company performance: ....

Annual bonus based on individual performance: ....

Financial bonus based on team performance: ....

Financial bonus for performance on specific task: ....

Q. 22. What other forms of performance recognition does the company use?
Please tick any that apply.

Periodic ‘awards’ (e.g. employee of the month): ....

Company-funded outings, holidays, dinners: ....

Other (give details): ....

Sources of ideas, information and other inputs

Q. 23. Which of the following have been important sources of ideas and information to your company?

[This table has been designed to cover a wide range of types of businesses. Please leave blank any that do not apply to your company.]

Please insert numbers in cells as follows:

0= Not Important, 1= Quite important, 2=Important, 3= Very Important

Source	*Initial idea*	*Throughout the new venture*	*Technical info or advice*
Internal sources			
Management			
Sales & Marketing staff			
Production staff			
Administrative staff			
R&D staff			
Non-Executive directors			
External sources			
Customer or clients			
Suppliers			
Competitors			
Consultants			
University or other public research provider			
Professional networks			
Informal networks			
Other			
…Please specify			

"Business Platform" assessment

A number of statements follow which deal with the company and its internal and external relations. These statements are placed in opposite pairs. The statements are formulated in the present, but are always concerned with two timelines: *how things are right* now, and *how they were two years ago*.

Please read the two statements. Score the company on the scale between the two according to which statement fits best. Choose 1 if the left-hand statement **fits completely**, or 7 if the right-hand statement **fits completely**. If the situation of the company was/is right in the middle, choose 4. If it doesn't fit completely, but leans more towards one or the other statement, choose 3 or 5.

Please circle one number in each row.

IDEAS AND OPPORTUNITIES

The idea of what the firm's operations should be is not clearly specified.	There is a clearly specified understanding of what the company's operations should be.

Q. 24.	Now:	1	2	3	4	5	6	7
Q. 25.	Two years ago:	1	2	3	4	5	6	7

There is uncertainty about which ideas and opportunities have should be pursued.	Everybody in the company is completely clear about which ideas and opportunities should have priority for development and investment.

Q. 26.	Now:	1	2	3	4	5	6	7
Q. 27.	Two years ago:	1	2	3	4	5	6	7

It is unclear what needs, for which type of customer, the company's initiatives can satisfy.	It is completely clear what needs, for which type of customer, the company's initiatives can satisfy.

Q. 28.	Now:	1	2	3	4	5	6	7
Q. 29.	Two years ago:	1	2	3	4	5	6	7

PRODUCTS

There is no developed, market ready product.	There is at least one well-developed product that is completely ready to sell.

Q. 30.	Now:	1	2	3	4	5	6	7
Q. 31.	Two years ago:	1	2	3	4	5	6	7

No user has tested the product.		The product has been tested with a number of potential users.

Q. 32.	Now:	1	2	3	4	5	6	7
Q. 33.	Two years ago:	1	2	3	4	5	6	7

No identified customer can confirm the product's usefulness.		Various identified customers can confirm the product's usefulness.

Q. 34.	Now:	1	2	3	4	5	6	7
Q. 35.	Two years ago:	1	2	3	4	5	6	7

THE MARKET

The company has no limitations on the customer categories to which it should sell.		The company sells to a very specific customer category.

Q. 36.	Now:	1	2	3	4	5	6	7
Q. 37.	Two years ago:	1	2	3	4	5	6	7

It is difficult to say what characterises the company's customers.		There are a number of criteria that precisely define the potential customers who have are most likely to buy from the company.

Q. 38.	Now:	1	2	3	4	5	6	7
Q. 39.	Two years ago:	1	2	3	4	5	6	7

The market is cultivated primarily through random contacts.		The company follows a structured strategy for market cultivation.

Q. 40.	Now:	1	2	3	4	5	6	7
Q. 41.	Two years ago:	1	2	3	4	5	6	7

The company cultivates a large number of customer categories.		The company makes a clear prioritisation of certain customer categories over others.

Q. 42.	Now:	1	2	3	4	5	6	7
Q. 43.	Two years ago:	1	2	3	4	5	6	7

ORGANISATION

All staff do most types of tasks.		All staff have clearly demarcated tasks.

Q. 44.	Now:	1	2	3	4	5	6	7
Q. 45.	Two years ago:	1	2	3	4	5	6	7

There are no specific organisational units.		The company can clearly be described in an organisational chart.					
Q. 46. Now:	1	2	3	4	5	6	7
Q. 47. Two years ago:	1	2	3	4	5	6	7

Employees were recruited from the founder's personal network of contacts.		Employees were recruited for their specific skills and competencies.					
Q. 48. Now:	1	2	3	4	5	6	7
Q. 49. Two years ago:	1	2	3	4	5	6	7

The company's activities derive from reactions to situations and events.		There is a disciplined and goal-oriented effort to develop the company.					
Q. 50. Now:	1	2	3	4	5	6	7
Q. 51. Two years ago:	1	2	3	4	5	6	7

Everybody in the company has responsibility for most of the activities involved.		There is a clear division of authority and responsibility within the company.					
Q. 52. Now:	1	2	3	4	5	6	7
Q. 53. Two years ago:	1	2	3	4	5	6	7

EXPERTISE AND COMPETENCIES

The company lacks knowledge about the markets for its products.		The company is very well supplied with knowledge about the markets for its products.					
Q. 54. Now:	1	2	3	4	5	6	7
Q. 55. Two years ago:	1	2	3	4	5	6	7

The company lacks expertise in marketing and sales.		The company is very well supplied with expertise in marketing and sales.					
Q. 56. Now:	1	2	3	4	5	6	7
Q. 57. Two years ago:	1	2	3	4	5	6	7

The company lacks expert knowledge in its field.		The company is very well supplied with peak expertise in its field.					
Q. 58. Now:	1	2	3	4	5	6	7
Q. 59. Two years ago:	1	2	3	4	5	6	7

There is a lack of leadership experience and expertise in the company.	The company is very well supplied with leadership experience and expertise.

Q. 60.	Now:	1	2	3	4	5	6	7
Q. 61.	Two years ago:	1	2	3	4	5	6	7

The technical expertise that exists in the company does not cover its needs for the future.	The technical expertise that exists in the company completely covers its needs for the future.

Q. 62.	Now:	1	2	3	4	5	6	7
Q. 63.	Two years ago:	1	2	3	4	5	6	7

DRIVING FORCES

The founder's foremost aim with the company is to create employment for him/herself and possibly some friends.	The founder's foremost aim with the company is to "amaze the world" and build a growing company.

Q. 64.	Now:	1	2	3	4	5	6	7
Q. 65.	Two years ago:	1	2	3	4	5	6	7

The founder sees the company as one of several income creating opportunities.	The founder is fully focused on a future as a business person within the company.

Q. 66.	Now:	1	2	3	4	5	6	7
Q. 67.	Two years ago:	1	2	3	4	5	6	7

Commitment by people involved to the company could be characterised as modest.	Everyone involved has a very strong commitment to the company.

Q. 68.	Now:	1	2	3	4	5	6	7
Q. 69.	Two years ago:	1	2	3	4	5	6	7

CUSTOMER RELATIONS

The company has not yet sold any products or services to any customers.	The company has a large number of customers who have bought its products or services.

Q. 70.	Now:	1	2	3	4	5	6	7
Q. 71.	Two years ago:	1	2	3	4	5	6	7

It is not likely that any customers will make repeat purchases.					The company's customers regularly make repeat purchases.			
Q. 72.	Now:	1	2	3	4	5	6	7
Q. 73.	Two years ago:	1	2	3	4	5	6	7

It is difficult to make sales to new customers.					The company regularly brings in lots of new customers.			
Q. 74.	Now:	1	2	3	4	5	6	7
Q. 75.	Two years ago:	1	2	3	4	5	6	7

Customers are rarely satisfied.					Customers are always very satisfied.			
Q. 76.	Now:	1	2	3	4	5	6	7
Q. 77.	Two years ago:	1	2	3	4	5	6	7

OTHER RELATIONSHIPS

There are no relationships with banks and investors.					There are good and firm relationships with banks and investors.			
Q. 78.	Now:	1	2	3	4	5	6	7
Q. 79.	Two years ago:	1	2	3	4	5	6	7

The company is lacking in capital.					The company has access to all the capital that it needs for the company's present and likely future activities			
Q. 80.	Now:	1	2	3	4	5	6	7
Q. 81.	Two years ago:	1	2	3	4	5	6	7

There are no external contacts that can add to the company's credibility in the eyes of the market.					The company has good contacts with other people in business and/or government that strengthen its credibility in the market.			
Q. 82.	Now:	1	2	3	4	5	6	7
Q. 83.	Two years ago:	1	2	3	4	5	6	7

The company has no external contacts or sources that can bring it extra management expertise.					The company has good external contacts and sources that bring it extra management expertise.			
Q. 84.	Now:	1	2	3	4	5	6	7
Q. 85.	Two years ago:	1	2	3	4	5	6	7

About this survey

This feedback will help me to improve the survey.

How long did it take you to complete the survey (in minutes): …………….

How easy was it for you to answer the questions (circle one):

1. None were difficult
2. A few were difficult
3. About half were difficult
4. Most were difficult
5. All were difficult

Which sections did you find hardest to answer / least relevant to your company?

Appendix 2: Business Platform survey data

The Business Platform instrument is a self-administered diagnostic, developed by Davidsson and Klofsten (2003), which assesses the maturity of a company across eight elements considered essential to business survival. The version used in this study combined the questions from the original Davidsson and Klofsten version, but used a 7 point rather than 5 point Likert scale, following the adapted version used by Yencken (2005). Several questions assess each of these elements on a scale of 1 (least mature) to 7 (most mature). The entire set of questions can be combined to give a mean score out of a possible maximum of 7 for the entire company. The only other survey to use the Business Platform instrument in a comparable form was Yencken and Gillin (2006), which surveyed 28 technology spin-off companies, predominantly at an earlier stage of development (two to three years old) than the companies in this study. The mean Business Platform score across the companies in Yencken's study averaged 4.93, with a minimum of 3.42 and a maximum of 6.24. The companies were originally surveyed in 2002 and follow up in 2005 showed that a mean Business Platform score above 5.0 appeared to be the threshold necessary to predict survival. Only one company with a score above that threshold had failed and only one below it had survived (and was yet to make a sale).

In this study, the average Business Platform mean score for the 10 companies that completed the questionnaire was 5.7. The minimum mean score was 5.0 and the maximum 6.3. Based on the research of Yencken and Gillin (2006), the companies all appeared to have reached a level of maturity that had moved them beyond the immediate vulnerabilities of the 'liability of newness'. Given that the companies that completed this survey were all experiencing strong growth, this was to be expected and provided corroboration for the validity of the instrument. The Business platform results are summarised in Table 23.

Table 23: Summary of Business Platform Survey Results

Case ID ***Business Platform Element***	A	B	C	D	E	F	G	H	L	N	**All companies**
Ideas & Opportunities	6.3	5.3	6.3	5.3	5.7	5.7	5.7	3.7	5.0	5.7	**5.5**
Products	6.7	6.7	6.3	7.0	7.0	6.0	7.0	7.0	6.7	N/A	**6.7**
Market	5.5	6.0	5.8	3.3	5.8	5.5	5.8	5.5	7.0	6.0	**5.6**
Organization	6.4	4.8	6.0	5.4	6.0	4.6	6.0	3.8	6.0	6.0	**5.5**
Expertise & Competencies	6.6	5.4	5.6	5.0	6.6	5.0	6.6	5.2	5.6	6.0	**5.8**
Driving Forces	4.0	6.7	6.7	4.7	7.0	6.0	7.0	4.7	4.0	5.0	**5.6**
Customer Relations	6.3	7.0	6.0	6.5	6.0	5.3	6.0	5.8	5.0	5.5	**5.9**
Other Relationships	6.8	4.3	4.8	4.0	6.3	4.3	6.3	4.3	4.5	6.0	**5.1**
All Elements	**6.1**	**5.8**	**5.9**	**5.1**	**6.2**	**5.3**	**6.3**	**5.0**	**5.5**	**5.7**	**5.7**
2 YEARS AGO	5.0	5.0	5.8	3.8	5.8	4.7	5.9	4.6	5.0	5.1	**5.1**
Age of company	20	16	5	5	5	6	6	5	7	5	
Legend	Strongest element					Weakest element					

All companies had increased their self-assessed maturity level in the past two years, even the two oldest companies. In recognition that some respondents might be more self-critical than others, the highest and lowest scoring elements for each company were identified, and a distinct pattern emerged. The weakest elements were "Ideas and opportunities", "Other relationships" or "Driving forces". For two of the three companies rating "Driving forces" as the weakest element, the founders either had or were preparing to disengage. 'Ideas and opportunities' reflected the degree of clarity the company had about its core business and its most promising opportunities. 'Other relationships' reflected access to capital and the use of external relationships to provide credibility and expertise. The strongest elements were predominantly "Products" and "Driving forces" and where not the strongest, one or both of these were close seconds. (Company N's founder did not respond to the "Products" section on the assumption that this section did not apply to services, but interview data suggested he would have rated this element very highly).

The overall pattern suggested that for companies at this stage, the entrepreneur's passion for the venture was still very strong and that they had identified a clear range of products that underlay their current success. However, they had not yet reached the same degree of clarity about how to sustain this success through new opportunities for products and customer solutions, and they were still suffering some of the 'liabilities of newness' such as lack of access to capital and external advisers, and lack of credibility in the market. The low (relative) score for "Driving forces" in cases L and N after only seven and five years respectively of trading, suggested that the founders might have a propensity for serial entrepreneurship.

SOURCES OF IDEAS AND INFORMATION

The middle section of the company data questionnaire asked the respondent to rate potential sources of information from 0 (no importance) to 3 (very important) in three separate contexts: initial idea; throughout the new venture; and technical information or advice. Information sources were categorised as internal (within the company) or external. Table 24 summarises the results by showing the percentage of respondents who classified each source at each level of importance.

Overall internal sources were rated as slightly more important than external sources, but this was by no means universal. Some companies, for example, got their initial idea from a customer, supplier or competitor. The most widespread and highly rated internal sources of information were management, and sales & marketing staff. Most widespread and highly rated among external sources were customers, competitors, professional, and informal networks.

There was no discernable pattern in the use of sources of ideas and information, not even, as might have been expected, a greater use of external sources throughout the venture, than in deriving the original idea for the business. This suggests that reliance on sources of information tends to vary more with the nature of the venture than the stage of development. This section of the survey was originally developed by Yencken (2005) for a study of technology-based spin-off companies from universities or other public research organizations, which thus provided a point of comparison. The main difference between the two sets of findings was that R&D staff were rated overall as the most important source of ideas and information in Yencken's study, whereas they were regarded as unimportant in this study. This reflects the fact that the companies represented by the responses shown in Table 24 were not technology-based. Where technology was used it was in the nature of development (typically building software products) rather than research. Management and customers were important sources of ideas in both studies.

Table 24: Relative importance of sources of ideas and information

	Importance for Initial idea *(% respondents, n=9)*			
Internal sources	Very Important	Important	Quite important	Not important
Management	78%	0%	0%	22%
Sales & Marketing staff	22%	33%	11%	33%
Production staff	0%	11%	22%	67%
Administrative staff	0%	0%	44%	56%
R&D staff	11%	0%	11%	78%
Non-Executive directors	0%	11%	22%	67%
External sources				
Customer or clients	44%	11%	22%	22%
Suppliers	22%	11%	22%	44%
Competitors	22%	33%	11%	33%
Consultants	11%	0%	11%	78%
University or other public research provider	0%	0%	11%	89%
Professional networks	33%	11%	11%	44%
Informal networks	22%	11%	33%	33%
Other	0%	0%	0%	100%

	Importance Throughout the Venture *(% respondents, n=9)*			
Internal sources	Very Important	Important	Quite important	Not important
Management	78%	22%	0%	0%
Sales & Marketing staff	22%	56%	11%	11%
Production staff	11%	33%	22%	33%
Administrative staff	0%	11%	56%	33%
R&D staff	22%	0%	11%	67%
Non-Executive directors	0%	11%	22%	67%
External sources				
Customer or clients	44%	11%	22%	22%
Suppliers	22%	0%	33%	44%
Competitors	11%	33%	11%	44%
Consultants	11%	22%	22%	44%
University or other public research provider	0%	0%	0%	100%
Professional networks	11%	33%	44%	11%
Informal networks	11%	0%	67%	22%
Other	0%	0%	0%	100%

Publications

Publications generated as part of, or closely related to this research are listed below:

Refereed journal articles

Rushworth, S. and Gillin, M. (2005). "Assessing the personal value systems of successful serial entrepreneurs" *International Journal of Entrepreneurship and Small Business* **3**(1): 106-122.

Refereed conference papers

Rushworth, S. and Gillin, M. (2005). "Assessing the existence and strength of core purpose and values in an entrepreneurial company - a field test". 2nd AGSE International Entrepreneurship Research Exchange, Swinburne University of Technology, Melbourne, Australia.

Rushworth, S. and Gillin, M. (2006). "An investigation of the role of values and purpose in fast-growing australian businesses". Third AGSE International Entrepreneurship Research Exchange, Unitec, Auckland, New Zealand.

Rushworth, S. and Gillin, M. (2007). "How passion attracts talent: a study of recruitment in an Australian high-technology start-up ". Fourth AGSE International Entrepreneurship Research Exchange, Queensland University of Technology, Brisbane, Australia.

Rushworth, S. and Gillin, M. (2008). "A descriptive taxonomy of organizational values". Fifth AGSE International Entrepreneurship Research Exchange, Swinburne University of Technology, Melbourne, Australia.