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Assessing the existence and strength of core purpose and values in an entrepreneurial company – a field test

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ABSTRACT

This paper describes the design and testing of a research methodology aimed at assessing the existence and strength of core values and core purpose (as defined by Collins and Porras, 1994) in early-stage, growth-oriented companies. The methodology used several forms of data collection: in-depth interview; examination of formal company documentation; a company data collection survey; and a perception survey of all employees. The field test demonstrated that, subject to minor modifications, the research methodology was successful in gathering relevant data and practical to conduct for up to 10 case studies in the timeframe of a PhD.

BACKGROUND

This paper reports a field test of a new research methodology designed to assess the contribution of core values and core purpose as defined by Collins and Porras (1994) to the success (or otherwise) of early-stage, growth oriented ventures.

“Built to last: successful habits of visionary companies” by James Collins and Jerry Porras was published in 1994. It was the result of a 5-year study of 18 “visionary” companies that had been highly successful over at least a 50-year period, and of 18 less successful “comparison” companies of similar vintage and industry background. Collins and Porras found that what distinguished the “visionary” companies from the “comparison” set was that they all had a core purpose for being in business that extended beyond any fixed timeframe or technology and a set of core values which formed their operating principles and had not altered significantly over the lifespan of the companies.

The 18 visionary companies in the study were clearly entrepreneurial in origin and remained entrepreneurial in outlook (many still feature in case studies in corporate entrepreneurship, for example American Express, IBM, 3M, Hewlett Packard). And yet, the importance of core values and core purpose has not been widely emphasised in entrepreneurship education (McMullan & Gillin 1998, Hindle 2004).
Entrepreneurship scholars have consistently noted that entrepreneurs have the ability to tolerate considerable uncertainty (for example Timmons & Spinelli 2004, p. 250) – to be “cool with chaos” (Campbell & Gillin 2003). This observation suggested that a strong set of core values and a clear purpose for being in business might be one of the ways in which entrepreneurs retained a degree of focus in the midst of chaos. Research on companies that were experiencing, or had recently experienced, rapid growth – a time which might be expected to be more than usually chaotic – was therefore a fruitful line of enquiry.

Having identified a research question and defined the research domain, the question of methodology remained. An investigation into the influence of core values and core purpose on the success of a company raises three immediate questions:

1. How to determine whether a company has strong core values and/or core purpose?

2. How to define and measure success?

3. Having resolved the first two questions, how to distinguish the influence of values and purpose from other factors that contribute to success?

This paper concentrates on the approach taken to answering the first of these questions, and the process of validating that approach by means of a field test.

**MEASURING CORE VALUES AND CORE PURPOSE**

“Built to Last” records the findings of empirical research aimed at discovering what distinguishes those companies that remain successful over long periods of time, from other “also ran” companies. It was research aimed at theory building, and as such offers little help to those who aim to test the theory developed by the authors. Nor does it provide any academic provenance for the concepts of “core values” and “core purpose”. And yet the concept of “values” has been studied widely across a number of fields so, before embarking on research concerning values, such research should be acknowledged and the definition(s) of “values” most relevant to the work of Collins and Porras should be identified.

**Values as defined by Collins and Porras**

In truth, Collins and Porras could easily have chosen different terminology for the concept they describe as “core values” – for example, “guiding principles”. Similarly, “core purpose” could equally be described as “vision” (and indeed this term is sometimes used by them). What they meant by core values and core purpose is best explained by the authors themselves. They offer the following definitions to business practitioners (Collins & Porras 1994, p. 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.

“Core ideology = core values + core purpose.”

Furthermore, Collins and Porras are clear that there is no “correct” set of values or purpose for a company, as the following extract explains:

“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. Visionary companies do not ask, ‘What should we value?’ They ask, ‘What do we actually value deep down to our toes?’” (Collins & Porras 1994, p. 8)

This “deep meaning” is identified as spiritual capital by Zohar and Marshall (2004).

An example of a company’s core values (IBM):

• Give full consideration to the individual employee
• Spend a lot of time making customers happy
• Go the last mile to do things right; seek superiority in all we undertake
  (Collins & Porras, 1994: 69)

An example of a company’s core purpose (Merck Pharmaceuticals):

“To preserve and improve human life”
  (Collins & Porras, 1994: 225)

Other definitions of “values”

The very term “value” is problematic. It is a non-technical term, by which we mean that it is familiar, used in everyday conversation, and is not “owned” by any particular field of study.

Two “greats” of values research were Milton Rokeach and Geert Hofstede. Rokeach’s writings on values emerged from his study of belief systems, and dealt with the personal values of the individual (Rokeach 1968, 1973). Hofstede conducted pioneering research on cultural values, using data from a massive survey of employees of a large multinational to demonstrate that values were influenced by national culture. He further defined four dimensions (a fifth was introduced after a later survey that included eastern cultures) that could be used to classify a national culture (Hofstede 1980).

A search of more recent literature on the subject of values found a substantial body of work in the fields of professional ethics and of corporate social responsibility. Much of the research and writings in these fields has been undertaken by organizations in the corporate and not-for-profit worlds, rather than by academic institutions – for example, the UK-based “Tomorrow’s Company” organization (see www.tomorrowscompany.com/home.html).
However Collins’ and Porras’ own definition of core values and core purpose clearly show that:

- They are not a code of conduct or system of professional ethics. They lack the precision of definition of how to act in a specific situation.
- They are not culturally defined. It is possible for the core ideology to be at odds with prevailing national cultural values.
- Corporate social responsibility is simply an example of a principle that may be embraced by individual companies as part of their core values.
- Core values are personally embraced, not merely complied with.

These key points lead to the work of Rokeach as the academic “anchor” for the empirical concepts identified by Collins and Porras and labelled by them “core values” and “core purpose”.

Values as defined by Milton Rokeach

In “The Nature of Human Values” (1973, chapter 1), Rokeach defined a “value” as a special type of belief, which he described as prescriptive/proscriptive. That is the means or end of an action is judged to be desirable/undesirable. Referring back to his earlier work on beliefs (Rokeach 1968), it therefore followed that a value possessed the three properties common to all beliefs: cognitive, affective and behavioural. A value is a cognition about the desirable. A value is affective in the sense that a person can feel emotional about it. A value has a behavioural component in the sense that it may influence action.

Values may refer to a desirable mode of conduct (means-based or instrumental) or a desirable end-state (ends-based or terminal). Each type of value has two sub-types. Terminal values may be personal (e.g. peace of mind) or social (e.g. world peace). Instrumental values may be moral values or competence values. Violation of a moral value leads to feelings of guilt about wrongdoing, whereas violation of a competence value leads to feelings of shame about personal inadequacy.

With the above in mind, it appears that “core values” and “core purpose” as defined by Collins and Porras are both types of values as defined by Rokeach. “Core values” are examples of instrumental values, in that they guide actions. “Core purpose” is an example of a terminal value, in that it refers to a desired end state. Digging deeper, into sub-types, “core values” are moral rather than competence values, but the morality they define is internal to the company and not necessarily derived from the national culture in which that company operates. “Core purpose” is a social value rather than a personal one, since it describes a desired end state that goes beyond the individual.

Measurement issues

It can be seen that it is no easy matter to assess even the existence, let alone the strength of “core values” within a company. They will not necessarily be explicitly documented, even if they exist. Conversely, something looking like “core values”
may be documented as part of the company’s beliefs or operating standards, but unless those values are enacted, then they are not truly “core values”. Unlike profit, revenue, number of employees, which can be more or less reliably plucked from annual reports, core values cannot be identified in that way. Furthermore, the case study companies are expected to be private companies and therefore not required to produce detailed annual reports.

It was therefore clear that publicly available information on case study companies would be of very little value in conducting this research. Direct contact with the case study companies would be required and any formal documentation collected would have to be supplemented and corroborated by direct conversation with representatives of the company.

This suggested an approach of in-depth interviews, supplemented by company documentation. Collins and Porras describe how they collected the evidence of core values and purpose in a series of tables provided as Appendix 3 of “Built to Last”. Using these tables as a guide – particularly tables 4 through 7 – information needs were identified, and divided into objective information that might be derived from formal company records and documentation, and subjective information that would be best solicited in the form of an in-depth interview.

These information needs were translated into two data collection templates: an in-depth interview protocol; and a company information collection survey designed to be printed, completed by hand and returned by mail. Where possible, the intention was to supplement this with formal documentation of core values / core purpose, collected in person after conducting the in-depth interview.

The in-depth interview protocol was based on an existing model and 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 / not tolerated; values and decision making; values and competitive advantage; key business performance measures) and designed to flow naturally from one topic to the next. Using such a protocol offered two main advantages: it defined a relaxed, informal style designed to put the interviewee at ease; it allowed a reasonable estimate of how long each interview would take, based on interviews actually conducted using the model protocol. A copy of the protocol is provided as Appendix 1.

The company information collection survey was also based on an existing model. It was based on the Business Platform survey, originally designed by Magnus Klofsten of Jonkoping University, Sweden (see Davidsson & Klofsten 2003), and further adapted by John Yencken (PhD thesis 2004). The resulting survey instrument was in three parts:

1. Company information such as age, type of business, nature of market (domestic, overseas), customer concentration, financial performance, employee turnover etc.

2. Sources of ideas and information: this indicates what were the sources of innovation within the company and the relative importance of each source.
3. Business platform assessment: this indicates the degree of maturity the company had reached across eight “pillars” that together define a stable business platform. Maturity is assessed both now and two years ago.

While part one of the survey could theoretically be completed by anyone within the company with access to the relevant records, parts two and three required a subjective assessment to be made about all aspects of the company’s operation and could therefore only be completed by a senior manager of the company, preferably the CEO or founder. Since this person would also be the first priority for an in-depth interview, this increased somewhat the demand on that individual’s time and might provide a disincentive for participation. The additional information provided was felt to be worth this risk, but to assess the impact, a feedback page was added asking: how long it took to complete the survey; how difficult the respondent found the questions; and inviting comments on which part of the survey was most difficult or least relevant.

The problem of subjectivity

While satisfied that the two data collection approaches described above would yield valuable and to some degree objective information, both relied heavily on the viewpoint of the person(s) interviewed and the person completing the survey. In a situation where only one interview was possible, it would probably be the same person doing both. Thus a lot would rest on a single opinion. This could be mitigated by identifying and exploring any apparent contradictions between interview content and company documentation, or by conducting several interviews. The latter option would be time-consuming and would require a high degree of cooperation from the case study companies. There would also be the issue of deciding who else to interview, in itself subjective.

Thus it was felt 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. While it was not considered feasible to construct a survey to measure the strength of core values in a company directly, it might be possible to discover a suitable proxy, which could be quantitatively assessed.

Investigation revealed the existence of a “cultural audit” 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.

The survey instrument has a long pedigree and the authors acknowledge the invaluable assistance of its developer, Colin Benjamin, 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 has 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 (1984), 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 is very complex in origin, its administration is simple and the representation of the results to business clients uses a form that is intuitively easy to grasp.

The ICOSA© survey completed the toolset for investigation of each case study.

Testing the methodology

Robert Yin presented the argument for refining and testing a research design for case study research, especially multiple-case research (Yin 1994, chapters 2&3). It is acceptable to alter the design after conducting a pilot case study, but not to keep modifying it as cases are added. Yin warned of the danger of unintentionally shifting the theoretical concerns or objectives of the research as investigation proceeded (Yin 1994, p. 52).

It was therefore judged prudent to conduct a pilot case study before taking the methodology to field on a larger scale, especially since one of the research methods involved, the survey instrument, was something of an unknown quantity to the researcher.

The case study chosen for the field test was a company that had a connection with the Australian Graduate School of Entrepreneurship via one of the senior academics. The CEO had indicated willingness to assist with academic research and readily agreed to the commitment involved in this case. The company met the criterion of rapid growth, but, at 20 years old, was hardly an “early-stage” company. Thus, in the worst case scenario, should the methodology prove to have major flaws, it could be dropped from the case study set without serious loss.

METHODOLOGY

The three components of the field test were 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© 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 would be 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 amount of time allowed for employees to complete the online survey. There is no reason why multiple case studies could not be investigated in parallel, thus reducing the overall elapsed time.

RESULTS

Methodology

All three components of the research methodology yielded useful information and proved practical to conduct. The in-depth interview lasted just over one hour and flowed well. The interviewee did not appear constrained in his responses and overall seemed to enjoy the opportunity to reflect on the journey from start-up to where the company is today. However, company documentation illustrating existence of core values and core purpose was not as readily available as hoped and had to be forwarded after the interview. On reflection, however, this in itself was useful information as it indicated that the core values (core purpose was less apparent) were clear in the CEO’s mind, but not necessarily so clearly communicated to the rest of the company.

The online survey yielded 61 responses, 59 of which were usable. With a total staff of 87, this represents a 68 per cent response rate. Colin Benjamin advised that this was within the average range. Data collection and interpretation went smoothly and the feedback to the case study company was relatively well received, thus indicating that the company felt it gained some value from the exercise.

The data collection instrument had mixed success. Parts two and three were completed in full. Part one 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 Yencken version of this survey only requested information for three years – perhaps five years was too much to expect. Also the term “turnover” was not clear enough, creating some confusion about what figure was required (gross revenue was the intended figure). The profit question was labelled optional, since the respondent had already indicated this information might be considered sensitive. Any confusion over “turnover” needs to be addressed, since this is a key figure that would be used to compare growth rates among case study companies.
Data

Identification of purpose and values

The in-depth interview yielded clear evidence of core values and some indication of a core purpose. The interview was with the CEO who was also the business founder, and had therefore been managing the business for 20 years. His espoused 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.

Personal values

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 preachings. 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 also 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.

**Values and recruitment**

Whether new employees would fit in with the company’s values was an important criterion in recruitment. 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].”

He believed strongly that using values as a screen made the recruitment process easier.

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, pp. 287-289). This would suggest that people either stay with the company a long time or leave quickly. The CEO felt that this was not necessarily the case. 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, where one of the core values is developing people to their full potential, as it was in his company, then a natural consequence is 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.

The key principle in his 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.

Employee turnover was one of the business metrics monitored regularly and was running at 22 per cent at time of interview.

**Values in action**

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 company values and those least tolerated were those that breached company values. Thus the reward and penalty procedures were entirely congruent with the espoused values.

Several examples were given of values guiding action, but only two of the four 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 standard *practice*.

The results are illustrated in Table 1. The numbers in the cells represent the number of statements referring to each value in each of the three contexts described above. It clearly shows that the difference in importance of values.

Not only did People and Integrity have greater importance in influencing how the company operated, it was also apparent that they 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 may even have been an underlying motive for starting a business – to be free of the pressure to act in a way that breached his personal values.

**Values and competitive advantage**

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 may have caused them 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. His company had outlived them all.

*Performance measures*

The approach to setting performance targets involved assessing existing customer relationships and the ability to expand them or bring in new business. This defined a baseline performance and a derived growth target. The business grew by 55 per cent in the previous financial year and had a target growth of 67 per cent for the current financial year.

The employee’s performance review incorporated performance against core values and also invited suggestions on how to improve business performance – “if you were CEO, what would you change?”

*Communication of values*

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

The mouse mat, however, 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 the 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 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 later statement of vision, core value and core competencies was possibly more consistent with the values implied by the actions and standard practices of the company. Interview content analysis showed that the value most often driving decisions and actions was respect for people. Furthermore, 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.
Similarly, customer service and working as a team were touched upon in the interview as desirable ways of operating, but came through more as essential outcomes of the decision to operate the company based on shared values rather than a command and compliance structure. “Core competency” was thus probably a better reflection of their importance to the company than “core value”.

**ICOSA® survey results**

As explained earlier, 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 is 4, because anything above 4 is unsustainable and causes the company to collapse. It has been found that in the average Australian company, the gap averages around 2 across all 13 dimensions. International best practice would be an average gap of 1.

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.

The results for the field test case study are illustrated as Figure 1. 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 indicates 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. 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.

In interpreting the survey results, it is necessary to understand 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 survey results were generally accepted by the CEO, although the degree of tension in some areas surprised him a little. The attitude 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. Colin Benjamin advised this was an indication of fairly strong alignment of values throughout the organization. Where 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”.

**Business platform survey results**
The business platform survey was designed for early stage businesses, so it was unclear how well it would apply to the relatively mature business (20 years old) of the field test 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 2. As would be expected for a mature business, the scores are close to the maximum on most dimensions, the notable exception being “Driving Forces”. This reflected the fact that the business has 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 ago. This may indicate that the decision to “professionalise” the organization, taken about that time, may have been partly triggered by a 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 survey.

DISCUSSION AND IMPLICATIONS

Overall, the three-pronged research methodology (four-pronged if collection of company documentation is counted as a separate method) 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. It was efficient in that each method of data collection yielded essential 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 around 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 online survey showed that in spite of genuine, enacted core values, the workforce was no more than averagely – perhaps a little less – harmonious against the benchmark of Australian companies previously surveyed. 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 value of the data collected by the comparative company data survey was hard to assess based on only one case. However, the field test 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. By contrast, the business platform survey was considered simple to complete and, even in the context of a 20-year old company, showed some significant changes between the current situation and the situation two years ago.

While successful overall, certain shortcomings remain. Most important of these are:

1. Use of, and more importantly, interpretation of the online survey is dependent on the goodwill of the survey developer. Administration of the survey is relatively straightforward, but interpretation and presentation of results to the company requires experience. The primary researcher does not have the necessary experience. This may limit the number of case studies that can be investigated.

2. The online survey is the only source of information about the congruence between espoused values and actions within the company as a whole, as opposed to the congruence between espoused values and actions of the CEO.

3. 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 mentioned above as a way of assessing the degree to which core values and purpose were shared across the whole company. The CEO of the field test company was asked whether it would be a burden 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 targets high-growth companies, it is likely that other case studies
will have similar concerns. Thus the option of talking directly with a representative number of staff is unlikely to be feasible, even if the researcher could manage the consequent workload of transcribing and analysing so many more interviews.

A more pragmatic approach would be 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 should not extend the interview time by more than 10 to 15 minutes, which would be manageable. The interview protocol will be modified to reflect this change.

The CEO was contacted for feedback on the sensitivities and ambiguities of the company data collection survey. 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 will therefore be modified to invite respondents to provide either actual numbers or percentage growth year on year. It is hoped that the patchiness of data – where figures were given for only the most recent year or three years, rather than the requested five years – was attributable to loss of momentum in the research process due to the delay between the interview and completion of the data collection survey. This can certainly be addressed.

Overall, the authors were happy with the results of the field test and intend to apply the methodology, with the modifications indicated above, to case study companies to be recruited in 2005.

Feedback and suggestions from others involved in related research would be most welcome.

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APPENDIX 1: IN-DEPTH INTERVIEW PROTOCOL

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? 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.

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Figure 1: Field Test Case, ICOSA Survey Results

Figure 2: Field Test Case, Business Platform Survey Results