
The Relationship between Organizational values and Performance

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Abstract:

Organizational values determine the way of treating the people, and it shapes basic work ethics. A systematic approach to build organizational values enables an organization to develop an effective and strong work culture to bind the behaviour of people. Theoretically, we can categorize values as terminal and instrumental. Managing the value systems of employees is important. Mismatch of value systems of the employees with the organization affects the efficiency and performance, which, therefore, renders the organization to experience competitive disadvantage. To inculcate the value systems, organizations may document their value statements to provide a sense of direction to their employees. All employees shape their pattern of behaviour based on such espoused value statements of the organization. This research paper aims to examine the relationship between organizational values and performance factors of this same organization, and how the organizational values making an impact on the performance of organizations. This study assume that there is a statistically significant correlation between the way how organizational values are noted and performance factors especially in factors that are related to absenteeism, loyalty of employees and employees' perception of company image. The research itself is based on a survey made *between 100* companies in India, and with the help of analysis of variance they will try to confirm their presumptions. Results are expected to show that there are statistically significant differences regarding performance factors between those companies that have explicitly noted organizational values and those who have implicitly noted organizational values as well as the ones that do not have organizational values noted at all.

Keywords: *Organizational, values, Culture, performance, and terminal and instrumental values.*

Introduction: -

The culture of an organization isn't present from the beginning; it is formed gradually, and is consolidated by the coherence and consistency between what its members say and do. This is an essential condition for the culture, to be conveyed to new members and to preserve its principles. But to convey a value, one must possess it and implement it; its credibility depends on it. How an organization functions, well or poorly, is determined by the strength of its values. These functions act as an operating system which shows us how to meet our needs, and allows us to assign

them a priority. They provide a common direction for all members, and establish guidelines for their daily commitments. Values also inspire the purpose of each organization. The founders must be explicit about them from the beginning. In this way the value system of the company is best communicated, which in turn allows the existence of unified criteria that strengthen the interests of all. The compatibility of personal values with organizational values leads to a high level of personal satisfaction with our work. The objectives of the organization and those of its members acquire greater meaning and importance. In the world of fast changing economy flexibility of organizations is growing ever more important. Within this context organization have started to realize even on a greater scale how important is to have the right people on the right places. Not even the best equipment is a guarantee for success if organizations do not have the right people to do the job. Every human has its own values that combined with other people's values create organizational values and the propose of this article is to investigate **how organizational values influence the performance of organizations**. Through this article we will focus on the question if the way organizational values are noted within organization influences the performance of these same organizations.

Every organization has a set of values, whether or not they are written down. The values guide the perspective of the organization as well as its actions. Writing down a set of commonly-held values can help an organization define its culture and beliefs. When members of the organization subscribe to a common set of values, the organization appears united when it deals with various issues. When an organization's values appear as guiding principles, a code of conduct, or a culture code that explains how the organization intends to operate in accordance with those values, **a values statement makes a promise**. Organizational Values are those beliefs held so strongly that they drive people's behavior and dictate how people interact with and treat each other. Values, together with their defined Behaviors, set the minimum expectation of behavior for everyone in your organization, and help to lay the ground work for your company's culture.

All organisations have values that can be seen in the way they do their work and the conduct of their staff whether they are written down or not. In the public sector all employees are expected to serve the public interest. For public sector employees to know whether their decisions and behaviour are in the public interest they need a set of guiding values. The values that are expected to underpin the work of public sector organisations are the basic professional standards or ethics of public service. These may not be the same as an individual's personal values or ethics or those of another profession. They focus on two essential concepts:-a) Impartiality – best demonstrated by the principle of merit-based decision-making, and b) Public Accountability – which can be seen in the practices of transparency, honesty, record-keeping and financial stewardship. These values should be evident in the culture of a public agency. Many agencies also endorse other values, such as respect, excellence and consumer service, that support the particular work that they do.

Review of Literature: -

The importance of an organization to develop a vision, mission, and values is important for strategic direction. Without the individual foundations of strong values illustrated by a vision to be undertaken by a mission, an organization cannot become an overly successful organization. Without

developing a mission, vision, and values to assist in developing a strategy, an organization cannot identify, distinguish or explain itself to its employees and customers alike. The organizational values seem too many people somewhat of a “soft” concept within the field of human resources management. The importance of organizational values for organizations is shown even strongly now in the time of economic uncertainty then even before. Organizations use organizational values to inspire their employees as well as their customers, and important for achieving organizational goals. Organizational values are also used to be a powerful marketing tool, since clear organizational values are positively noted and they encourage potential buyers to buy or use company’s product. It has been established by noted experts that organizational values influence organizational structure (Walsh et al. 1981, Kabanoff et al. 1995), organizational culture (Pettigrew, 1979), organizational identity (Ashforth & Mael, 1989), organizational strategy (Bansal, 2003) thus shaping organizational goals and means to achieve those goals. When defining organizational values within organization Simmerly (1987, p.15) argued that organizational values need to be agreed in a broader circle within organization. Cingular (1992, pp. 499–500) has also discussed organizational values, he sees organizational values as: “what people within organization think is good for organization, what needs to happen within organization and what might be needed within organization in the future”. Musek Lešnik (2006a) also discussed the advantages of broader consensus on organizational values; he said that organization needs to consider values of individuals that are the members of organization first in order to later find an agreement on common values of organization which consist of these individuals. Seeveres (2000) stresses the importance of good communication when defining organizational values by saying that organizational values directly influence the way how people perform their tasks; thus making poor efforts at discussing organizational values can result in decreasing performance of employees and company. When discussing the importance of organizational values for organization it is also important to present how these organizational values influence employee performance. Berkhout and Rowlands (2007) have made a research on personal and organizational values among employees of organizations that specialize in alternative energy sources, they have determined, that those organizations that focus their selection procedure on matching personal values with organizational values tend to be significantly more successful in their work because of the fact that employees have a higher level of job satisfaction.

Musek Lešnik (2008, p.72) says that it is much more tangible concept than it seems. Kenny (1994) proposed that just like every human community has its own value system, every organization has its own value system. In this context Mesner Andolšek (1995) has established a relationship between individuals’ values and organizational values, where she said that values of organization have grown from values of individuals that have shaped the organizational culture, and since organizational values are one of fundamentals of organizational culture, and this makes organizational values grow from individual values. Somewhat similar is also the view of Pfeiffer and others (1985) where they see the creation of organizational values as a process of following the philosophy of the company that is embedded in organizational culture. Simmerly (1987, p.15) also agrees that organizational values evolve from organizational culture, in his view organizational values evolve from modes of conduct, communication styles and decision making styles within organization. Svelte (2004, p. 323) says that organizational values are values that are being pushed forward by the management and have proven itself as a good foundation for development of organization. Some organizational experts also say that organizational values are intended to inspire employees with creative energy that will push

organization forward towards desired goals. Same author also says that due to mentioned above organizational values reflect the mission and strategic goals of the organization. Kaye and Jordan-Evans (2009) have even determined that some individuals even perceive the importance of a good match between organizational and personal values to be more important than the income they get. This clearly shows that people have started to value more how they feel in the organization than how much they get paid for the work they do. The importance of organizational values is even more stressed by Musek Lešnik (2006) and says that organization is just like a human; it makes decisions, does what it thinks it's right, has legal limitations on what it can do, has moral limitations, creates and implements its own rules and beliefs, it advances on the basis of its decisions, creates myths, legends and habits and so on. Organizational values are integrated into personality of a company thus playing a similar role as values do in lives of individuals; directing behavioral patterns, influencing relationships within the organization and influencing how company perceives its customers, suppliers and competition.

Musek Lešnik (2006b) also argued that the process of discussing organizational values within organization can lead up to conflict, especially between employees and owners; this conflict is almost certainly the result of improper procedures when defining organizational values. According to the same author most common errors in these procedures are: poor timing of discussion, inadequate vision, poor cooperation between management and lower levels of employees, one way communication, lack of transparent demonstration how organizational values should work in practice and lack of recognition of success or punishment of failure.

Measuring organizational performance has taken a new turn in the last couple of decades, Bukovina (2002) argued that the serious problem of this traditional view is in the fact that it only measures past events. In practice organizational performance is still very often thought as profits shown in accounting figures, neglecting the fact that these profits do not show current status, may be not even the profit from core business which is essential for a long term success and development of the organization. Accounting figures can also mislead sometimes, since they can be adapted into focusing in short term profitability on the basis of saving in areas that are not suppose to be saved upon on a long term. There is a need to stress that in order to understand the financial situation of the organization we need to understand management's long term plans for organization, adding to what we said above (Firer, 1999) says that in order to understand performance of the organization we need to understand how all the mechanisms that can add on value within organization. Škerlavay et. al. (2007) stressed that alongside with profit margins and other financial data when considering organizational performance, we also must consider also employees, partners and customers. This is based on findings of Cyert and March (2000) which have presented their organization behavioral theory where they have stated that organization is truly a complex mixture of individuals and groups such as management, employees, owners, etc. But looking only at profits will be like only looking after the interests of one particular – owners and that is according to Škerlavay et. al., (2007) is just not acceptable.

Research Methodology: -

The research study has made through studying various researches and literatures on organizational values and organizational performance, and the study have devised the research question, and the following hypothesis is framed:

H0: *There is no significant relationship between the established organizational values and organizational performance.*

H1: *- there is a significant relationship between the established organizational values and organizational performance.*

The study devised a basis of doing research, there is any correlation between how organizational values are stated within organization influences how organization performs in several categories.

The study finds the correlation between independent variable how are organizational values stated in your organization and dependent variable organizational performance.

Research Methods/Sampling Methods: -

Two sources of data are used for this research paper. First primary data collected from a sample of three manufacturing firms and the study are carried out through survey method and interview of employees working at different levels in the firms. The secondary data are collected through rigorous review of scholarly literature published in various prestigious peer review journals, books, internets and various government publications. The research paper is based upon the data collected from the survey of 100 corporations/firms located in India. The corporations/firms have been selected randomly and questionnaire has been sent online, to access the online data, and as well as to access the direct data, few companies have been selected on convenient basis. The study is pertaining two aspects of the study; as first part deals with the how the organizational values are started, obtaining reply on explicit, implicit and not recorded. The second part is related to the how the organization would evaluate their organizational performance. The questionnaire is designed by keeping in mind the organizational culture and value system established over the years, performance, and the relationship between organizational value and performance; and for the purpose a pre-test on the questionnaire are conducted to ensure the validity of the instrument To validate their responses, they are asked to complete a given set of questionnaire and the freedom to be given to the employees/worker to demonstrate their views.

Regarding the organizational performance, the study have undertaken the following parameters for a solid overall view on the organizational performance: return on assets, added value, relationships with suppliers, absence from work, fluctuation of employees, number of customers, organizational reputation, employee affiliation, employee productivity, costs per employee and effectiveness in client proceedings; organizations are asked to evaluate where their company stands regarding to their own sector average, with a five stage scale. The study have transformed these parameters of organizational performance into a new variable and named it organizational performance – combined. The following research tools have been applied for collecting the data:

1. Questionnaire: Online/Direct
2. Structured and Unstructured Interview
3. Observation Methods
4. Annuals Reports/Websites/Books/Journals

Objectives of the Study

The formally stated values will only influence what actually happens, day-in-day-out ‘on the ground’, if these become established as organizing themes within the everyday conversational life of

the organization. If other themes come to dominate, then the benefits that were sought from declaring the values 'up front' are unlikely to materialize. The essence of 'culture' that emerges from this process can therefore be very different from that which managers intend to create when they issue a formal statement of "core values". Paradoxically, the very act of integrating a set of these values into a formal appraisal process might easily trigger a quite contrary view of what the organization is 'really like'. The study is based on the following objectives: -

1. To evaluate the organizational values in today's organizations, and how the organizational values are started.
2. To find out the ways/methods of evaluation of organizational performance.
3. To find out the correlations between the organizational values and performance of organizations.

Research Questions

The research paper is based on the following research questions: -

1. Does the organizational values and performance in today's organizations have any relationships?
2. Does the application of organizational values influence the performance of today's Organizations?
3. Could the performance of the organizations be as a result of the application of the established organizational values in the management practice of the organizations?

Interpretation and Data Analysis:-

Cronbach's alpha is a measure used to assess the reliability, or internal consistency, of a set of scale or test items. Alpha coefficient ranges in value from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous (that is, questions with two possible answers) and/or multi-point formatted questionnaires or scales (i.e., rating scale: 1 = poor, 5 = excellent). The higher the score, the more reliable the generated scale is. Nunnally (1978) has indicated 0.7 to be an acceptable reliability coefficient. Cronbach's alpha is not a statistical test – it is a coefficient of reliability (or consistency). The study has been later on tested our variables for reliability analysis with Cronbach's Alpha test, that shown the value of .814 on the set of variables that we have researched on, which indicates a high level of internal consistency for our scale with this specific sample. This value is showing, according to Ferligoj and others (1995) that the responses collected are reliable. The next step was to analyze with the help of cross tabulation the strength of correlation between independent variable *how are organizational values stated in your organization* and dependent variable *organizational performance*. *The data collection on the basis of sector or industry wise has been given below and results have been shown in Table: -*

Table No: 1
Organizational Values – Average wise

	100 Explicit noticed values	200 Implicit shown values	300 Not Recorded values	Total
200 Below Average	0	1	1	2
300 Below Average	7	5	8	20
400 Above Average	21	27	17	65
500 Above Average	5	3	2	10
Total	33	36	28	97

Table No:2
Organizational Performance -200 below the Industry Average

	100 Explicit noticed values	200 Implicit shown values	300 Not Recorded values	Total
N	0	1	1	2
Percentage within Organizational Performance	0%	50%	50%	100%
Percentage within How are organizational values stated in organization	0%	14%	18%	10%

Table No: 3
Organizational Performance: -300 below the Industry Average

	100 Explicit noticed values	200 Implicit shown values	300 Not Recorded values	Total
N	7	5	8	20
Percentage within Organizational Performance	31.7%	26.8%	41.5%	100%
Percentage within How are organizational values stated in organization	19.7%	15.3%	29.8%	21%

Table No:-4
Organizational Performance-400 above the Average of Industry

	100 Explicit noticed values	200 Implicit shown values	300 Not Recorded values	Total
N	21	27	17	65
Percentage within Organizational Performance	32.3%	41.4%	26.3%	100%
Percentage within How are organizational values stated in organization	65.2%	76.4%	61.4%	68.2%

Table No: 5
Organizational Performacne-500 above the Average

	100 Explicit values noticed	200 Implicit values shown	300 Not Recorded Values	Total
N	5	3	2	10
Percentage within Organizational Performance	52.6%	26.3%	21.1%	100%
Percentage within How are organizational values stated in organization	15.2%	6.9%	7.0%	9.7%

Table No: 6
Total: Organizational Performance

	100 Explicit values Noticed	200 Implicit values shown	300 Not Recorded Values	Total
N	33	36	28	97
Percentage within Organizational Performance	33.8%	36.9%	29.2%	100%
Percentage within How are organizational values stated in organization	100%	100%	100%	100%

Table No: 7
Symmetric Measures'

		Value	Asymp. Std. Error(a)	Approx. T(b)	Approx. Sig.
Interval by Interval	Pearson's R	-.148	.073	-2.085	.038(c)
Ordinal by Ordinal	Spearman Correlation	-.142	.074	-1.993	.048(c)
N of valid cases		97			

- Not assuming the Null Hypothesis
- Using the asymptotic standard error assuming the null hypothesis
- Based on normal approximation

The study has analyzed the results, which have been shown in the above tables. The study result has been shown in the above table, where the study have found that 33.8 % of the organizations have their organizational values explicitly noted, there is 36.9 % of those organizations where organizational values are implicitly shown within the organization and 29.2 % of those organizations where organizational values are not noted at all.

Regarding organizational performance the study have shown that there is 52.6 % of those organizations that have organizational values explicitly noted within the organization and are above the average of the sector regarding their performance, there is 41.4 % of those organizations that have organizational values implicitly shown within organizations and are regarding the performance slightly above the sector average, there is also 41.5 % of those organizations that do not have organizational values noted within the organization and are regarding the performance within sector average. Among all organizations there are 65.2 % of those that have organizational values explicitly noted within the organization, 76.4 % of those that have organizational values implicitly shown within organization and 61.4 % of those organizations that do not have organizational values noted within organization and are slightly above average of the sector.

The study has shown in table no. 6, that for the variables *how are organizational values stated within your organization* and *Organizational performance*. It is generally held that a scale reliability of equal to or greater than 0.7 is acceptable. A low Alpha coefficient (less than 0.7) indicates that all of the items in a scale are not measuring the same construct. The study has determined the coefficient of convergence of -0.148. From this data the study can determine that this represents a rather weak statistical correlation. The level of statistical importance of correlation is 0.038, this tells us that coefficients are statistically important at level $p=0.05$, this means that variables are valid in 95 % confidence interval. Overall we can say that *how organizational values are stated within your organization* influences *Organizational performance* with a 5 % risk interval.

Conclusions:

Managers therefore need to consider carefully whether incorporating the organization's core values into their appraisal schemes is the best way to inculcate these into the life of the organization. All decisions and actions are unavoidably meaningful and value-laden. But the values and meanings that are intended to be conveyed by initiatives of this sort are best thought of as

idealized designs. These ideals get translated into actions – faithfully or otherwise – through the myriad of local, context-specific situations that people find themselves facing every day. And, as suggested above, these actions are not governed by their dispassionate reflection on a set of formally stated values or handed-down meanings. They are taken as the result of in-the-moment sense making and the local negotiation of meaning, against the background of a plethora of diverse - and potentially conflicting – observations, ‘messages’ and other demands. The main interest of research paper find out the correlation between how organizational values are stated within organization and to what extent do they influence organizational performance in several categories. In conclusion, the data indicates that the strength of association between the variables is very low, and that the correlation coefficient is very different from zero. Although the study has only established a *weak correlation* there is no doubt that correlation exists. For the purpose of this research organizational performance was self evaluated by the companies that have been researched in, the study has the opinion that if we would use actual data regarding the performance the correlation would show as even more significant. For further research the study would see the possibility of gaining even more representative results if firm providing data regarding performance of the organization instead of self evaluation of those same organizations. None of the less, building on organizational values pays off; this has been confirmed through this research yet again.

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