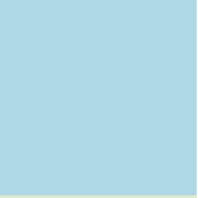


Synergy of Values, Missions and Visions in Companies

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Contents

- List of Tables and Figures · 7
- 1 Introduction · 9
- 2 Organizational Values · 13
 - 2.1 Values in a Company · 13
 - 2.2 Purpose of Values · 17
 - 2.3 Characteristics of Values · 18
 - 2.4 Relationship between Values and Behavior · 26
- 3 Mission Statement · 31
 - 3.1 The Purpose of Company Mission · 31
 - 3.2 Company Mission and Personal Mission · 33
 - 3.3 Discussing Company Mission · 34
 - 3.4 Written Mission Statement · 37
- 4 Vision Statement · 45
 - 4.1 Role and Meaning of Company Vision · 45
 - 4.2 Influence of Company Vision on a Company · 46
 - 4.3 Consequences of Creating a Vision · 49
 - 4.4 Creation of Company Vision · 50
- 5 Competitiveness and Company Performance · 57
 - 5.1 Company Competitiveness · 57
 - 5.2 Company Performance · 59
 - 5.3 Relationship with Organizational Values, Company Mission and Vision Statement · 65
 - 5.4 Conceptual Models · 69
- 6 Overview of Existing Research · 71
 - 6.1 Interpretation of Organizational Values, Company Mission and Vision Statements · 71
 - 6.2 Components of Organizational Values, Company Mission, and Vision Statements · 74
- 7 Research of Organizational Values, Company Mission and Vision Statements · 103
 - 7.1 Research Approach · 103
 - 7.2 Overview of Research Methods · 103
 - 7.3 Contents of Values, Mission, and Vision Statements · 105

Contents

7.4	Communication of Values, Mission, and Vision Statements	· 113
7.5	Communication and Implementation of Values, Mission, and Vision Statements	· 125
7.6	Values, Mission, and Vision Statements and Company Performance	· 134
7.7	Factors and Consequences of Managing Values, Mission and Vision Statements	· 135
8	Discussion	· 145
9	Conclusions	· 163
10	Recommendations for Practice	· 171
	References	· 173

List of Tables and Figures

Tables

- 2.1 Terminal Values in a Company · 20
- 2.2 Instrumental Values in a Company · 20
- 6.1 Values of Today and Tomorrow · 75
- 6.2 Stakeholders and Their Orientations · 76
- 6.3 Values, Included in Value Statements, Considering Geo-Economical Regions · 77
- 6.4 Frequent Shared Values in Context of a Company · 79
- 6.5 Directing Companies by Consideration of Organizational Values · 80
- 6.6 Most Common Words and Phrases in Company Mission Statements · 87
- 6.7 Frequency of Keywords in 489 Different American Company Statements · 88
- 6.8 List of Values and Phrases from Different Company Statements · 89
- 7.1 Keywords in Organizational Values, Company Missions, and Visions of Slovene Companies · 107
- 7.2 Rotated Factorial Matrix with Varimax Rotation · 108
- 7.3 Persons That Responded to the First Call to Generic Telephone Number of a Company · 120
- 7.4 Persons That Responded to the Second Call in the Secretariat of the Management Board · 120
- 7.5 Readiness for the Participation During the First Call · 121
- 7.6 Willingness for Cooperation during the Second Call · 122
- 7.7 Answers to Questions about Organizational Values, Company Mission, and Vision, 1st Call · 123
- 7.8 Answers to Questions about Organizational Values, Company Mission, and Vision, 2nd Call · 124
- 7.9 Answers to Questions about Organizational Values, Company Mission, and Vision, 1st and 2nd Call · 124
- 7.10 Adequacy of Answers on Organizational Values, Company Mission, and Vision, 1st Call · 125
- 7.11 Adequacy of Answers on Organizational Values, Company Mission, and Vision, 2nd Call · 125
- 7.12 Main Activities of a Company · 126
- 7.13 The Age of Companies · 127

List of Tables and Figures

- 7.14 Organizational Values, Company Mission and Vision · 128
- 7.15 Communicating the Records of Organizational Values, Company Mission, and Vision · 129
- 7.16 Grades of Self-Detected Performance and Competitiveness in Companies · 131
- 7.17 Eigenvalues and Explained Variance of Discriminant Functions · 131
- 7.18 Wilks Lambda and Statistic Feature of Both Discriminant Functions · 131
- 7.19 Structural Matrix of Saturation of the Grades of Indicators with Discriminant Functions · 132
- 7.20 Position of Group Centroids in the Space of Discriminant Functions · 132
- 7.21 Written Values, Mission and Vision Considering Value Added · 135
- 7.22 Organizational Values, Company Mission, and Vision Regarding Company's Orientation towards Quality and Value Added · 136
- 7.23 Organizational Values, Company Mission, and Vision Regarding Company's Orientation towards Achievements and Value-Added · 136

Figures

- 1.1 Conceptual Model · 11
- 3.1 Elements, Functions, and Effects of a Mission Statement · 38
- 7.1 Diagram of Values of Exploratory Factor Analysis · 107
- 7.2 Keyword Network, Made with Pajek Program · 110
- 7.3 Network of Keywords after Use of PathFinder Algorithm · 112

Chapter One

Introduction

In the life of a company organizational values play a similar role as personal values in lives of individuals: they direct behavior, influence attitudes towards oneself, towards people as well as towards different things and phenomena. They affect interpersonal relations in a company, relations between a company and its environment, between the organizational structure and company results, attitude of employees towards the environment, changes, etc. A company mission is like its *raison d'être* – in professional and in laic public one can understand it as an indispensable element of company performance. Company vision that represents an answer to a question how the company might look like in the future is also a topic that many researchers write about in the last decades.

Among researchers and practitioners, solid belief is widespread that clear organizational values, the feeling of shared company mission and clear company vision are the key elements of an excellent organizational culture. International studies point that out in the last two decades: in the research conducted by Bain & Company 1996 (Bart, Bontis, & Taggar, 2001; Rigby, 2003), for example, the mission statement is recognized as one of the most powerful management instruments. In a bit more recent research (Işeri-Say, Toker, & Kantur, 2008) no less than 84% of managers quote that they also use organizational values and company mission statements as management tools. Finding of Collins and Porras (1996) that successful companies have core values and company mission that remain permanent despite continuous adapting of business strategies and short-term practices to the changing world stays valid and alive and has a very special place in times of uncertainty that many companies are facing in last years.

Organizational values, company mission, and vision seem to be such an important management tools that they appear in a form of particular companies' documents. In the western world, their essence, organizational values, company mission, and vision are written down by up to 85% of firms (Desmidt & Heene, 2006;

1 Introduction

Klemm & Redfearn, 2004). Research in Slovenia finds written mission statements in 44% of yearly reports of the most successful Slovene¹ companies (Biloslavo & Lynn, 2007). Some authors (Atkinson, 2003; Bart et al., 2001; Bearden, 2005; Giblin and Amuso, 1997; Ireland and Hitt, 1992; Peters, 1993; Rosser, 2003; Stokely, 2004; Urbany, 2005; Whitbred, 2003; Wickham, 1997) list numerous advantages of introducing such statements. For example, such statements put organizational processes into perspective, clear out priorities, contribute to saving time, provide certain tradition and stability regarding managing the changes. They also eliminate doubts, friction, and ambiguities, help to prevent bad business processes, encourage internal and external organizational communication, right behavior, enable evaluation of various practices, etc. Since such documents are meant to link corporate identity with desired future of a company, they are often used for integrating elements of corporate identity and company vision into companies' internal systems. (Bart et al., 2001; Ireland and Hitt, 1992). Meaning given to such documents is evident from the naming of such documents – our roots, our foundations, our pillars, our compass, etc. (Lewis, 1997; Lippitt, 1998; Musek Lešnik, 2003; Talbot, 2003).

Empirical data confirm the importance of internal discussions on identity, organizational values, company mission, and vision. They also establish a positive relationship between the existence of such discussions and company performance (e.g. Bart, 1997, 2001; Bart & Baetz, 1998; Bart et al., 2001; Kantabutra & Avery, 2002, 2005). For example, research finds out that after putting the organizational mission in a written form, efficiency of a company can rise to 50% (Smith, Heady, Carson, & Carson 2003). A study by Deloitte & Touche (2003, in Marzec, 2007) points out a 43% higher ratio between market and book value of a company that communicates their business strategies clearly compared to other companies that do not do that. Gallup's research (Marzec, 2007) notes that compa-

¹ The empirical research described in this book is done in Slovenia which is a typical Central European country, a member of the European Union (EU) and European Monetary Union. It is an EU economy with an average level of success, with most of its economic transactions involving other members of the EU, which altogether means that the country can be considered as a good choice for the study.

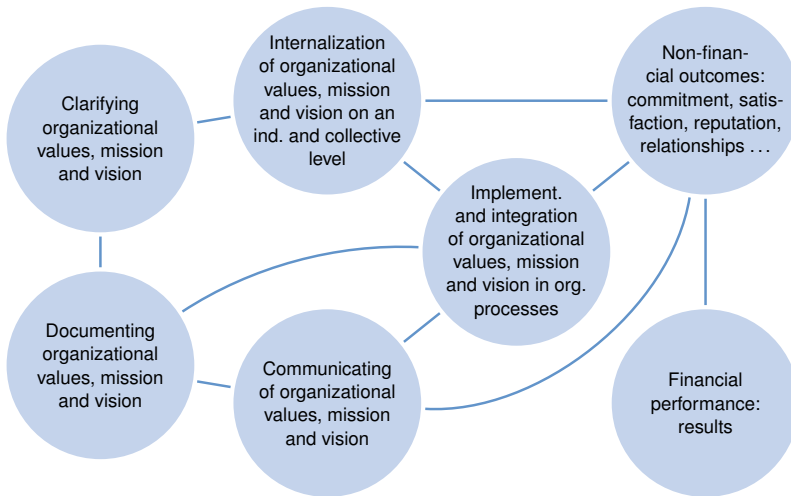


FIGURE 1.1 Conceptual Model

nies that include their employees in important processes² reach a 4.8% higher market value on average. Extensive Japanese research (Hirota, Kubo, Miyajima, Hong, & Park, 2010) confirms that mission statement enhances employment policy of a company, strengthens management structure and encourages performance as well as relates to the lower indebtedness of a company. Some studies report on links between internalization of values and sales growth, strengthening of a brand, knowledge sharing within a company, etc. (James and Lahti, 2011; Michailova and Minbaeva, 2012). Trapp (2010) points out that clear organizational values, identity, and reputation can be a source of motivation for ethical behavior. In the field of non-profit organizations, Kirk and Nolan (2010) report on a weak connection between the contents of a mission statement and financial results, and McDonald (2007) presents a model in which innovativeness in a company stands out as a consequence of a clear company mission. Although research data confirm that organizational values, company mission, and vision really can influence the performance of individual employees and the company as a whole, it is evident that explicitly formulated (and written down) organiza-

² E.g. give them insight in business plans, goals and financial information; openly communicate about things related to employees; connect strategies with personal roles and responsibilities, etc.

1 Introduction

tional values, company mission, and vision are simply not enough. Bart et al. (2001) point out that only when the employees feel the meaning of a mission, they can exercise it passionately and positively. It is therefore not only important for companies to clearly define organizational values, company mission, and vision; it is also of the utmost importance that company spread such ideas among the employees.

By literature review and empirical research, we form a conceptual model (figure 1.1) to illustrate and verify the significance of written and communicated organizational values, company mission, and vision. In our study, we deliberately avoid simultaneous treatment of causal connections in the conceptual model because the provided research methods and approaches to collect and analyze the data do not make that possible. We are interested mostly in relationships between individual parts of the conceptual model instead.



Mission statements, vision statements, and organizational values are recognized as important managerial tools. Besides, they are frequently in the focus of researchers and their scientific studies. As indicated in the book, among researchers and practitioners, solid belief is widespread that clear organizational values, the feeling of shared company mission and clear company vision are the key elements of an excellent organizational culture. Besides, such statements might put organizational processes into perspective, clear out priorities, contribute to saving time, provide certain tradition and stability regarding managing the changes. They can also eliminate doubts, friction, and ambiguities, help to prevent bad business practices, encourage internal and external organizational communication, right behavior, enable evaluation of various methods, etc. Research also confirms that such statements might enhance companies' employment policies, strengthens management structures and encourage company performance.

In the book, we present an extensive study of organizational values, company mission, and vision, the creation of such statements in business, their dissemination and internalization and finally, their impact on company performance and competitiveness. The findings are based on several types of research done in recent years and using different research methodologies. The authors of the book have an academic background as well as practical experience in business context.

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