Managing Employee Values in Values-Driven Organisations:
Contradiction, Façade and Illusions

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ABSTRACT

The values-driven organisation has become ubiquitous in management thinking and popular literature, but its values engineering perspective contradicts current evidence-based knowledge that values are relatively stable in adulthood. This paper elucidates this contradiction as well as describes and addresses evidence supporting the malleability of values. Schneider’s attraction-selection-attrition theory is presented as the main theoretical explanation why, in spite of minimal values shifting among employees, employees within organisations are more homogeneous regarding values compared to employees across organisation. Finally, we offer three explanations why values-driven organisations may appear to achieve values congruence when, in fact, employees continue to have (although not necessarily be aware of) moderate levels of values incongruence.

Keywords: values, organisational culture, socialisation

INTRODUCTION

Values and the “values-driven organisation” model have become ubiquitous in management thinking and popular literature (Barrett, 2006; Collins & Porras, 1994; Deal & Kennedy, 1982; Hess & Cameron, 2006; Kotter & Heskett, 1992; Kouzes & Posner, 2002; O’Reilly III & Pfeffer, 2000; Peters & Waterman, 1982). In a values-driven organisation, the firm’s core values are articulated, communicated, and embedded in systems and structures. Equally important, congruence exists between the employees’ and organisation’s values, resulting in high levels of values enactment. Values enactment, which is a key objective of the values-driven organisation model, refers to decisions and behaviours that are consistent with and representative of the core values.

Richard Barrett, who has written two books and built a successful consulting practice around the values-driven organisation theme, suggests that all organisations are values-driven to some degree, but in highly values-driven organisations the core values are “conscious, shared and lived” (Barrett, 1998, p. 104). O’Reilly and Pfeffer (2000, p. 232) conclude that these firms are successful because they have “a clear, well-articulated set of values that are widely shared and act as the foundation for the management practices that build the core capabilities that in turn provide a basis for the company’s competitive advantage.” They add that the role of leaders is to “ensure that the values are maintained and constantly made real to all of the people who work in the organisation.” In Built to Last, which is sometimes (but incorrectly) cited as the origin of the values-driven organisation model, Collins and Porras offer case study evidence that companies with long-term success have a well-articulated core

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ideology, which consists of a purpose beyond making money, as well core values that “can be boiled
down to a piercing simplicity that provides substantial guidance” (Collins & Porras, 1994, p. 74).

A few experts have identified implementation problems with the values driven model (Cha &
Edmondson, 2006; Edmondson & Cha, 2002; Lencioni, 2002; Urbany, 2005). Others have exposed the
control-oriented “dark side” to this practice (Willmott & Willmott, 1993). Still others point out
shortcomings of the inherently functional and integrationist perspective adopted by values-driven
organisation writers (Martin, 2002; Martin, Frost, & O’Neill, 2006). Although these concerns and
critiques have merit, they overlook a more fundamental issue, namely, that the values-driven
organisation model contradicts or ignores key research-based knowledge about the characteristics and
dynamics of values, values congruence, and the nexus between values and behaviour.

The purpose of this paper is to elucidate an important and apparently previously overlooked
contradiction between the values-driven organisation literature and current academic knowledge on
human values. Specifically, we point out that while the values-driven organisation literature mainly
relies on “values engineering” – altering employees’ values to become congruent with the
organisation’s espoused or enacted values – academic research suggests that human values are actually
much less pliable, particularly during a person’s adult years. We present evidence supporting this
contradiction as well as describe and address the contrary evidence (i.e. research supporting the
malleability of values). Next, we discuss the main theoretical explanation why companies become
homogeneous with respect to shared values even though values likely have minimal change within
employees. This is followed by three further explanations why values-driven organisations may appear
to achieve values congruence when, in fact, employees continue to have (although not necessarily be
aware of) moderate levels of values incongruence. Before discussing these issues, we provide a brief
overview of the rationale and practices recommended in the values-driven organisation literature.

**RATIONALE AND PRACTICES TO DEVELOP THE VALUES-DRIVEN ORGANISATION**

The values-driven organisation literature presents a long list of benefits to those who follow down this
path. The most pronounced of these is that values-driven organisations are successful, as measured by
their profitability, growth, and long-term survival (Collins & Porras, 1994; O’Reilly III & Pfeffer,
2000). Kotter and Heskett (1992) provide a more critical and contingency-oriented view of the
influence of values on organisational performance. However, they also conclude that under the right
conditions and with an adaptive culture, shared values are an important ingredient for organisational
success. Others state that a values-driven organisation attracts and retains star performers (Rosenthal
& Masarech, 2003) and minimises unethical conduct (Driscoll & Michael Hoffman, 1999; George,
2007; Paine, 2003). Kouzes and Posner (2002, pp. 78-80) are perhaps the most enthusiastic regarding
the benefits of becoming a values-driven company. They suggest that employees in these organisations
have better organisational commitment, enthusiasm, drive, creativity, quality and accuracy of
communication, integrity of the decision-making process, feelings of personal effectiveness, ethical
behaviour, norms of hard work and caring, teamwork, esprit de corps, stress management, and clarity
of job expectations.

These powerful assertions and conclusions have motivated organisational leaders in many countries to
articulate and communicate a set of core values. The American Management Association reported that
86 percent of its executive and council members had a list of corporate values that are specifically
written or stated (American Management Association, 2002). The Aspen Institute and Booz Allen
Hamilton recently reported that 89 percent of the 365 firms surveyed in 30 countries have a written
corporate values statement (Kelly, Kocourek, McGaw, & Samuelson, 2005). ISR, a global survey
research firm, reported that 82 percent of the 200,000 surveyed American employees claimed their
company’s values were clear (i.e. articulated and effectively communicated), up from 79 percent in
2001 and 72 percent in 1999 (ISR, 2006).

Documenting the companies core values (whether espoused or enacted) is usually identified as the first
step along the values-driven organisation pathway (Elliott, 2004; Posner, Kouzes, & Schmidt, 1985),
but it is not considered the most important (nor essential, according to some writers) strategy for
aligning employee values. The Aspen/Booz survey reported that an explicit corporate values statement
was the second most frequent but much less effective practice for aligning employee’s values (Kelly et
al., 2005). Instead, the chief executive’s explicit support for the core values was rated both the most
frequent and effective practice for aligning employee’s values. Values-congruent performance
appraisals were identified as the third most popular way to reinforce values and the second highest in
terms of perceived effectiveness. Fourth and fifth on the list were internal communications and
training, respectively.

VALUES ENGINEERING VERSUS VALUES STABILITY

Collectively, the strategies described above are supposed to help leaders transform their firms into
more values-driven enterprises. This transformation occurs primarily through “values engineering”
(Martin et al., 2006), in which corporate leaders re-arrange the values hierarchies of its employees to
become more congruent with the organisation’s espoused or enacted values (O'Reilly III, 1989; Posner
et al., 1985). Typically, the formal list of core corporate values is heavily influenced by top
management in order to incorporate multiple stakeholder interests (Argandoñan, 2003; Lencioni,
2002), so employees are expected to shift their values hierarchy accordingly. Employees have fairly
diverse hierarchies of values, so many would need to alter their values hierarchy even when the list
incorporates the values of current employees (Barrett, 2006; O'Reilly III & Pfeffer, 2000).
Even scholarly writing embraces the assumption that values are pliable. In their presentation of a connectionist perspective of values activation, for example, Lord and Brown (2001, p. 148) conclude with practical advice that organisational leaders are “the natural source for teaching appropriate values to subordinates” and they can “influence values explicitly through communications or implicitly through their behaviour.” Notice that this conclusion differs from the idea that leaders can make an individual’s personal values more salient. Rather, it presumes that values are almost as malleable as attitudes, and that the leader’s role modelling and communication can significantly alter an individual’s values hierarchy.

Values as Relatively Stable Constructs

The difficulty with the assumption that employee values are pliable is that values are, by definition, relatively stable. Although some conflicts and inconsistencies exist in the semantics of values research (Rohan, 2000), many scholars believe the field has converged on several characteristics that define values (Agle & Caldwell, 1999; Connor & Becker, 1994; Schwartz & Bilsky, 1987). Specifically, there is general agreement that values are relatively stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations (Bardi & Schwartz, 2003; Feather, 1971; Hitlin & Pilavin, 2004; Rokeach, 1973). They transcend specific situations and are organised into a hierarchy of importance within each person. Values are also considered an important component of a person’s self-identity and positive self-evaluation (Verplanken & Holland, 2002; Watson, 2004).

How stable is an individual’s values hierarchy? The most robust studies – longitudinal within-person panel surveys using accepted measures – generally find that, among adults, values remain quite stable for up to several years. In a large-scale longitudinal panel study, 48 percent of the parents and 35 percent of their offspring (most in their 20s during this time frame) gave identical responses (same answer on a 7-point scale) on two surveys 9 years apart regarding their liberal versus conservative ideology. Only 4 percent of parents and 9 percent of offspring had shifted three or more places on that scale (Markus, 1986). Two other studies reported equally stable results for Rokeach’s 18 values measured on four occasions across more than a dozen years, with the top six and bottom six values receiving almost identical rankings across time (Inglehart, 1985; Rokeach & Ball-Rokeach, 1989).

One of the most comprehensive studies of values among managers found a high degree of stability across three decades (Oliver, 1999). However, this study compared different people, whereas within-person change is the correct way to identify values stability or change. Other research indicates that when people move to different cultures, their values change over two or three generations, not two or three years (Moore, 1999). Perhaps the most far-reaching evidence of values stability comes from studies of twins, which consistently reports that 35-40 percent of the variance in a person’s work values can be explained by heredity (Arvey, McCall, Bouchard, Taubman, & Cavanaugh, 1994;
Bouchard Jr & McGue, 2003; Keller, Bouchard, Arvey, Segal, & Dawis, 1992). In other words, to some degree an individual’s values hierarchy is genetically anchored.

Even with a genetic anchor and evidence that values correlate to some extent with specific personality characteristics, (Furnham, Petrides, Tsaousis, Pappas, & Garrod, 2005; Triandis & Suh, 2002), we are not arguing that values are fixed traits. Instead, they are enduring standards or ideals over which individuals have cognitive control (Roccas, Sagiv, Schwartz, & Knafo, 2002). Furthermore, empirical evidence indicates that values are more pliable among people through to their early career stages. As noted in the Markus (1986) study, offspring had less values consistency over time compared to their parents. This observation is similar to several adolescent and early career socialisation studies, which report that values hierarchy stability increases with age (Johnson, 2001, 2002; Krau, 1989; Porfeli, 2007; van der Velde, Feij, & van Emmerik, 1998). The explanation from these studies is that young people are still making sense of their ideal selves, which involves some adaption of the values hierarchy through socialisation and reinforcement experiences (Zentner & Renaud, 2007).

Contrary Evidence: Values Self-Confrontation and Values-Congruence Socialisation

In contrast to the above-noted evidence that values are relatively stable, two streams of research suggest that leaders can change employees’ values fairly quickly. The “value self-confrontation” studies indicate that individual values can be quickly altered by introducing information that put specific values in a negative light (Grube, Mayton II, & Ball-Rokeach, 1994; Hirose, 2004; Watson, 2004). Value self-confrontation theory states that people experience dissonance or self-dissatisfaction when they receive information that is contrary to their self-concept and undermines their self worth, which motivates them to alter their values hierarchy so it becomes more compatible with a higher standard of competence or morality. Typically, students complete a values scale, then are presented with information indicating that a specific value item represent selfishness (e.g. a comfortable life) while another value item (e.g., a world of beauty) is placed high in the hierarchy by people who are altruistic and caring. A few weeks later, students complete the values instrument again. The results usually find that the offending values item is placed further down the hierarchy while the enhancing values item is placed higher in the second measurement.

The problem with value self-confrontation studies is that they likely measure short-term self-reporting biases or behaviour changes due to priming, framing or persuasion effects, whereas actual values have not changed. Indeed, this may be similar to the notion of internal versus expressed values (Hewlin, 2003), and has been reported elsewhere as a concern in values measurement (Hitlin & Pilavin, 2004, pp. 367-368). Measuring personal values much later, in a different situation, or possibly even using different methodology would likely reveal that individuals have retained the same underlying values hierarchy.
Person-organisation fit through socialisation represents the other stream of research suggesting that employee values can be managed (Kristof, 1996). Collins and Porras (1994, pp. 71-72) and other advocates of values-driven organisations recommend intense organisational socialisation practices as an important way to align the values hierarchies of employees to the organisation’s list of espoused or idealised values. Very strong socialisation practices likely have some values-bending influence on employees, although the few studies on this process also indicate that the newcomer’s values change fairly modestly – i.e. there is still a strong association between values before and after socialisation (Cable & Parsons, 2001; Chatman, 1991). At the same time, a recent study by Cooper-Thomas, van Vianen, and Anderson (2004) suggests that the values shift reported in other socialisation studies may be more cognitive fabrication than an actual change in employee values. They found that while perceived fit (self-reported personal values compared with self-reported organisational values) decreased over the first few months of employment, actual fit (self-reported personal values compared with organisational values estimated by current managers) remained stable. This suggests that the apparent alteration of employee values may have been mostly an alteration in perceptions of organisational values as employees became more familiar with the organisation. This minimal change in employee values during socialisation is consistent with the conclusions of Roe and Ester (1999) that there is “as yet little research evidence on the successful modification of values.”

**HOMOGENISING VALUES WITHOUT VALUES CONGRUENCE**

If an employee’s values hierarchy is relatively stable, as the above evidence suggests, then what processes are at work that create a seemingly more culturally homogeneous organisation? By far, the most commonly cited explanation is Schneider’s attraction-selection-attrition (ASA) theory (Schneider, 1987; Schneider, Smith, Taylor, & Fleenor, 1998). ASA theory states that organisations have a natural tendency to attract, selection, and retain people with specific values hierarchies and personality characteristics, resulting in a more homogeneous organisation with respect to these characteristics. When business leaders introduce a set of ideal corporate values (typically in their own likeness, according to some ASA research) or attempt to strengthen the company’s existing weak culture, three phenomena occur that eventually homogenise the organisation around those characteristics: incumbent turnover, applicant self-selection, and recruiter selection.

First, employees whose values hierarchy is considerably different from the organisation’s espoused values are more likely to leave the organisation. As Collins and Porras (1994, Chap. 6) acknowledge, values-driven companies develop a cult-like ambience which drives away employees who don’t fit the mould. Peters and Waterman (1982, pp. 280-281) present this point even more strongly: “Every excellent company takes the process of value shaping seriously…you either buy into the company’s values or get out”. This incongruence-turnover relationship is consistent with Feather’s (1992) theory that personal values motivate people to seek out environments that are sufficiently congruent with
those values. It is also consistent with the theory postulated by Cable and Edwards (2004) that employees are motivated to maintain a high degree of values congruence to support their social identity. Most people define themselves partly in terms of the organisation to which they belong, so the values publicly associated with that organisation need to be reasonably congruent with the individual’s own values. There is some evidence that high person-organisation values incongruence is associated with employee turnover (Cable & Judge, 1996; Chatman, 1991; Verquer, Beehr, & Wagner, 2003), although other studies suggest that the specific content (Finegan, 2000) or strength (Kalliath, Bluedorn, & Strube, 1999) of the organisation’s values are more important than the employee’s congruence with those values.

Turnover is probably more common during the change process or following a merger, because the two other processes in ASA theory -- self-selection (attraction) and selection – reduce entry of high values-incongruent employees when corporate values are already articulated and representative of the company’s culture. Under these conditions, job applicants engage in self-selection by avoiding employment in companies whose values seem incompatible with their own values (Cable & Judge, 1996), although some individuals pay little attention to how well they fit into the organisation. Meanwhile, there is some evidence that an applicant’s values hierarchy is considered during employment selection, so applicants with high values incongruence are not given job offers (Kristof-Brown, 2000).

Given that values shifting is minimal, Schneider’s ASA theory offers an elegant and likely account for the relative homogeneity of values and personality within rather than between organisations (Giberson, 2005). However, we believe that the theory mainly addresses high values incongruence, for three reasons. First, some job incumbents with moderate values incongruence will tolerate staying due to vested interests. Second, some job applicants are also motivated to overlook moderate incongruence due to vested interests or higher concerns such as financial needs (Wheeler, Buckley, Halbesleben, Brouer, & Ferris, 2005). Third, ambiguous and distorted information available to job applicants and recruiters likely undermines their ability to assess values incongruence except where it is pronounced (i.e. where high values incongruence exists).

**FACADES AND ILLUSIONS OF VALUES CONGRUENCE**

So far, we have presented evidence that values are far more stable than is assumed in the values engineering perspective adopted by the values-driven organisation model. Furthermore, we explained how Schneider’s ASA theory explains how employee values within an organisation would be more homogeneous than employee values across organisations. In this section, we introduce three explanations why values-driven organisations seemingly have values congruence when, in fact, moderate levels of values incongruence might exist.
Values Incongruent Employees Engage in Facades of Conformity

Rather than adopting the company’s values or leaving the organisation, Hewlin contends that employees are mainly motivated by values-driven organisation practices to engage in “facades of conformity” in which they “conceal values that differ from and perhaps conflict with those of the organisation” (Hewlin, 2003, p. 633). This is similar to Ogbonna and Harris’s (1998) earlier observation of instrumental value compliance during culture change. These facades are more likely to occur where the organisation rewards values-consistent behaviour, the individuals are minorities in the organisation, and among individual who have a self-monitoring personality.

This stream of thought posits that while facades of conformity can be stressful for some people, it may have less psychological effect on those who are adept at segmenting their personal and work identities (Kreiner, Hollensbe, & Sheep, 2006a, 2006b). We suggest that segmentation would operate effectively for those with moderate or low values incongruence, but would be very difficult for most people where high values incongruence exists, although this remains a testable proposition. The main explanation here, however, is that values incongruence can and is hidden by some or many employees in values-driven organisations.

Corporate Values Lists with Hierarchy

Hewlin’s facades of conformity theory is based on the employee’s conscious awareness of values incongruence and corresponding actions to hide their true values and act out the organisationally sanctioned values. We supplement this proposition with two others in which circumstances make employees are unaware that they have values incongruence. For the first of these propositions, we point out that corporate values statements almost always list several (usually four to six, sometimes more) espoused organisational values without placing them in a hierarchy of importance. Scholars generally believe that decisions and behaviours seek guidance from personal values when those decisions and behaviours relate to dilemmas or conflicts (Meglino & Ravlin, 1998). A values hierarchy is necessary to resolve these dilemmas because the values themselves offer conflicting advice (Myyry, 2002). In other words, one value must have priority over another in order for people to rely on values to make choices.

Employees are unlikely to experience conflict or even be aware of potential values conflict when several corporate values are listed with apparently equal importance. Instead, employees likely experience a false sense of high congruence seeing that one or more of their top-ranked values is on the corporate list. Employees become acutely aware of their own level of values incongruence when management applies those values to a specific situation, thereby revealing which values on the list receive higher priority. Even here, however, some or many employees may complain that management has violated its own values list by overriding some of the values.
Values as Abstract Constructs with Vague Behavioural Domains

Our second proposition regarding the illusion of values congruence begins by observing that values are highly abstract reference points which often become disconnected from specific behaviours even when people are committed to those values (Hitlin & Pilavin, 2004; Maio & Olson, 1998). This abstraction is represented in a recent review of personality and individual differences in organisational behaviour, in which values are painted as a broad construct that influence more specific strivings which, in turn, influence narrowly-focused goals for immediate action (Roberts & Barry, 2006). These observations not only suggest that values do not easily predict an individual’s behaviour; they equally suggest that employees have, at best, a vague notion of the behavioural domain represented by the organisation’s list of core values. Without a precise micro-level mechanism to connect abstract values to a representative behavioural domain, employees are unlikely to experience values incongruence because they don’t see any conflict between their behaviours and the espoused values they are supposed to enact. Murphy and Davie reported exactly this phenomenon in their qualitative study of corporate values and values enactment in a major U.K. utility company: “The company’s values were so unexceptionable that people felt affronted by the implication that they would not be upholding them, even if they never gave them a thought” (Murphy & Davey, 2002, p. 26)

This abstractness also partly explains why employees sometimes give top executives a low score on values enactment (Murphy & Davie, 2002). In their study of values and values enactment at a New York City advertising firm, Cha and Edmondson (2006) reported that employees (particularly those with longer tenure) believed that the agency’s chief executive and founder breached the organisation’s values that he espoused, whereas the CEO did not see his behaviour as inconsistent with those values. For example, one of the company’s values was unpretentiousness, which the CEO interpreted as the unglamorous work location (a warehouse district), understated office décor, informal communications, and minimal politics. Some employees, on the other hand, felt that the CEO acted contrary to this value when he purchased an expensive home. Cha and Edmondson introduce the concept of “value expansion” to explain why these differences occur; they suggest that the meaning of specific values easily get diluted or expanded to include related meanings that were not originally intended. This is consistent with our proposition that employees (and chief executives) do not experience values incongruence because the abstract nature of values and corporate values statements make it difficult to see what behaviours fall within or outside the domain of those values.

CONCLUDING COMMENTS

The purpose of this paper is not, surprisingly, to dismiss the relevance of the values-driven organisation model. On the contrary, there are too many anecdotes, case studies, and a few empirical studies attesting to the idea that “something” causes this model to have positive outcomes. Instead, our purpose was to cast doubt on the “something” that is assumed to operate in that model, namely values
changing employees’ values to create values congruence. Through existing evidence-based knowledge in psychology and other fields, we presented the case that very little values shifting occurs (at least in the short run) in these organisations. Furthermore, we suggested that high values incongruence is addressed through Schneider’s attraction-selection-attrition model, and that moderate levels of values incongruence can exist consciously and without awareness in values-driven organisations due to three explanations that we presented.

This paper raises questions about a long-standing assumption in the values-driven organisation model. At the same time, it also hopefully triggers new research to discover the psychological and sociological processes that more correctly explain the success of values-driven organisations. Also, it urges future research to discover mechanisms that link values to values enactment.
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