

Espoused corporate values on corporate performance.

Master thesis Business Administration

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Foreword and acknowledgements

This Master Thesis is the final part in order to successfully finish the Master of Business Administration at the University of Twente.

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Research abstract

Espoused values are an important tool for leaders to communicate their vision and if present, they can be found in the value statement of the organization. Theory states that values are used to set direction and manage public image. However, espoused values do not necessarily correspond with the enacted values of an organization.

Organizations that do have a set of espoused values do perform better than organizations that do not (Donker et al., 2008). However, it is still unclear which values lead to superior or inferior performance. This research clarifies this by studying the effect of different clusters of espoused values on firm performance.

Furthermore this study verifies the conclusion that espoused organizational values are related with better firm performance. To clarify the relationship between different espoused values and firm performance this study uses a quantitative approach. In this research a dataset of 72 Dutch corporations is used to analyze the relationship between espoused values and performance. To do this the organizational values were observed and clustered into four categories using the proposed framework by Bourne et al., (2017).

The four clusters used are: Espoused values that emphasize community; Espoused values that emphasize competence; Espoused values that emphasize the interpersonal; Espoused values that emphasize character. For each cluster the effect on performance is analyzed using a correlation analysis. The study finds that the relationship between different espoused values and performance is marginal. This study therefore argues that espoused values are more externally focused (e.g. to manage public image). It also argues that as a tool to influence performance espoused values are ineffective. Future research should elaborate on the role of espoused values in image management and behavior management.

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1. Introduction

Espoused corporate values can be described as the set of values written down by an organizations top management (Bourne et al., 2017). This set of values helps managers and employees in their decision making processes by setting direction and by functioning as a guideline for employees. Various organizations have a set of espoused corporate values. The most important reason for leaders to write their organizational values down is to communicate their vision to employees (Ehrenhard,& Fiorito, 2018). Furthermore espoused corporate values are sensitive to cultural norms (Kabanoff and Daly, 2012). Writing down corporate values is positively correlated with a firms performance (Donker et al., 2008). The espoused values, if present, can usually be found on an organizations websites where they are explicitly mentioned. Another possibility is in an organizations value statement where they are usually also explicitly mentioned. The espoused corporate values can be very different among organizations (e.g. PostNL mentions a connected society in their value statement (PostNL, 2005) whereas the ABN AMRO bank mentions ambition in their value statement (ABN AMRO, 2018)). Because leaders use espoused corporate values to communicate to internal and external stakeholders they are important for setting direction and managing the image of the organization. For this reason corporate values are instrumental determinants of corporate culture (Klenke, 2005). Even though research showed that having a set of espoused corporate values is positively correlated with a firms performance it is still not clear which espoused corporate values an organization should have (Hollender, 2004). Furthermore, the effect of different espoused values on firm performance is still unknown. An organization that values integrity might show differences in performance in

comparison to an organization that values operational excellence above all. This research aims to verify the in literature found positive relationship between having a set of espoused values and firm performance. More importantly it adds to the existing literature by researching the relationship between different espoused values and different performance measures. This with the goal of getting a better understanding and increasing the current knowledge about the concept of espoused corporate values. This research adds to the literature by filling a currently existing gap about the effect of different espoused values on performance. It also supports current knowledge about the concept of espoused corporate values.

In chapter 2 the concept of espoused values is explained. Furthermore a framework to cluster espoused organizational values is provided. Both the concept of espoused values as the framework to cluster espoused values are theoretically discussed. Lastly the hypotheses are provided and explained. In chapter 3 the methods that are used to answer the research question are explained. This includes the research design and the methods to select and gather the data. Furthermore the statistical tests that are used are explained. Chapter 4 explains the results of the methodology section (chapter 3). The results are shown and analyzed and conclusions based on the results are drawn. This will answer the research question and show if different espoused values are related with differences in performance. In chapter 5 the study will be discussed and suggestions for future research will be presented.

2. Theory

In this section the concept of values and espoused values will be elaborated and embedded in this research. First a definition of values in general will be provided. Second, the concept of espoused values will be elaborated. After that tension between the concepts of corporate values and espoused values will be explained.

Organizational values

To get in depth knowledge about corporate values first the phenomena of values itself will be explained using the ideas of Rockeach (1973) about values as cited by Agle and Cardwell (1999): "Values are determinants of virtually all kinds of behaviour that could be called social behaviour or social action, attitudes and ideology, evaluations, moral judgments and justification of self and others, comparisons of self with others, presentations of self to others, and attempts to influence others." (Agle and Cardwell, 1999, p.327). This definition is used for this research but it is placed in the context of a corporation. As mentioned briefly in the introduction and based on the definition provided, corporate values are important for providing clarity and therefore directing workforce to act in the desired way and therefore affect behaviour and company performance (Nwachukwu, Vitell, 1997). Also, corporate values have implications for more abstract concepts. For example, corporate values are instrumental determinants of corporate culture (Klenke, 2005; Gagliardi, 1986) which significantly impact firms performance (Kotter, 2008). Furthermore corporate values impact external stakeholders in the way they view at the company and the way it is operating. For this reason corporate values have been used to analyze several parts of the organization. In the past corporate values have been used to research the performance of management (Peters and Waterman, 1982). Corporate

values are also associated with work motivation (Blau and McKinley, 1979). Corporate values can also affect the behaviour of employees in their personal life (Cambra-Fierro et al., 2008).

Espoused Organizational values

It is needless to say corporate values are of major importance to inspire the workforce to contribute to the goals and objectives of the firm. An important way to communicate the vision of the company and direct the workforce is by defining a set of corporate value statements (Ehrenhard, Fiorito, 2018). These are the so called espoused values. These espoused values are important because espoused corporate values are essential in dealing with social organizational coherence (Kabanoff et al., 1995). Furthermore espoused values play a role in supporting ethical decision making (Pruzan, 2001; Victor and Cullen, 1988). The definition of espoused values will be explained by Bansal (2003) as cited by Bourne et al. (2017): "Espoused values are those determined by the top management team ... often stated explicitly in corporate documents." (Bourne et al. 2017, "introduction" para. 1).

The idea that espoused values are developed by top management is strongly supported in the literature and also mentioned by Forte (2004), Harris and Crane (2002) and Moor (1999). This important because managers can act in their own interest by trying to align corporate values with their personal values. This can be done by managers to eliminate conflicts of their personal values and their behavior at work (Hemingway, 2005). The fact that conflicts of values of people and organizations can occur makes it possible that employees do not live the values of the organization they work for. This is supported by Minbeava et al. (1992) who underpin that writing down corporate values does not

necessarily mean a company is actually trying to achieve these values even though they claim to do. This is further supported by Howell et al. (2012) who also make a clear distinction between espoused corporate values and other forms of corporate values (enacted values). Espoused corporate values are also influenced by the culture of the society in which an organization is operating (Gond and Herrbach, 2006; Posner and Smidt, 1984). Nevertheless espoused corporate values are important tools for leaders to communicate their vision to thousands of employees (Ehrenhard and Fiorito, 2018). Donker et al. (2008) discovered that writing down corporate values positively correlated with a firm's performance. According to Donker et al. this indicates that for management and employees but also for shareholders, stakeholders and the community as a large, corporate values are vital. Furthermore espoused corporate values are in place to set direction and to influence (ethical) decision making (Nwachukwu and Vitell, 1997). This is consistent with the findings of Ehrenhard and Fiorito (2018) considering organizations in the banking sector. They found that banks that mention integrity in their espoused values are more often associated with public scandals. It is important to notice that writing down corporate values on a formal corporate document does provide opportunity to test the values based on the behavior of the corporation. It is difficult to say to what extent the decision making can be influenced by culture and to what extent culture can be influenced by espoused corporate values. The espoused corporate values are also a tool to communicate a company's vision to external stakeholders and is used to enhance the image of an organization (Khandelwal and Mohendra, 2010). Hence the importance of espoused corporate values.

Since espoused corporate values can be very divergent among organizations different approaches of clustering them are developed in theory. E.g. the CV-index by Donker et al. (2008). This index is developed to numerically quantify corporate values using a set of 10 values that should represent a set of integrated corporate values. This model makes however no distinction between different value categories. That is, it is limited at indicating if an organization has a set of espoused organizational values. Other clustering methods are used for example 6 overarching groups by Ehrenhard & Fiorito (2018). Furthermore a framework is proposed by Bourne et al. (2017) to map espoused values. This framework is developed especially with the purpose of map espoused organizational values. To cluster espoused corporate values Bourne et al. (2017) proposed a framework in which four areas of espoused corporate values can be distinguished. These areas are: emphasis on community, emphasis on competence, emphasis on character and emphasis on the interpersonal (Appendix 1). Each area contains several possible espoused values which is important as it reduces the possibility of finding an espoused value that is not in the map. Therefore less interpretation off the values is necessary reducing the bias of the study. For this reason this reliable framework especially developed for the soul purpose of this study considered appropriate and selected.. To see how the framework is divided see appendix 1.

Emphasis on community is the top left quadrant of the framework includes, sustainability, partnership and community. This quadrant is about responsibility and includes notion about others. (Bourne et al., 2017)

Emphasis on Competence is the upper right quadrant. The quadrant encompasses competence and performance. Financial strength and growth but also value-to-money and efficiency and effectiveness are examples of espoused values that are emphasizing on competence. (Bourne et al., 2017)

Emphasis on the interpersonal is the bottom left quadrant. This quadrant lays emphasis on relationships within organizations. Examples of corporate values are trust, teamwork and respect and honesty. It is about the way the organization does it and has an ethical focus. (Bourne et al., 2017)

Emphasis on character is the bottom right quadrant. This quadrant focusses on character adopted by members in their working processes. It encompasses ambition, resilience enthusiasm and confidence. (Bourne et al., 2017)

It is important to note that the upper half of the framework tends to be outward facing whereas the lower half of the framework tends to be inward facing. This means the top half focusses more on the outward of the organization (externally) and the bottom half of the framework on the organization itself (internally). Likewise, the right half of the framework tends to be more focused on task attributes whereas the left half of the map tends to focus more on ethical attributes. In other words, the right half of the framework focusses on tasks and performance whereas the left half tends to focus more on ethical issues that are considering the ethical aspects of their work (Bourne et al., 2017).

The research of Bourne et al. provides the possibility to compare espoused corporate values as they can be clustered in one of the categories and therefore can be quantified. All in all espoused values fulfill various requirements in different objectives of organizations. For this reason it can be described as a complex matter with contradictive aspects. Espoused corporate values are written down by top management and can therefore be a representation of the personal values. Espoused corporate values are also used for setting direction and for managing public image. Furthermore having a set of espoused corporate values is positively associated with performance and are important for a large group of internal and external stakeholders.

Hypotheses

Based on the theory it can be stated that having a set of espoused corporate values has a positive relationship with firm performance (Donker et al., 2008). The effect of specific espoused organizational values on performance has not been researched. For this reason this study aims to study the relationship between different forms of espoused organizational values and performance. Since we know that espoused corporate values are abstract and important for organizational culture (Klenke, 2005; Gagliardi, 1986) it is assumed that the orientation of espoused values correlates with firm performance. This assumption is further strengthened by the conclusion that espoused values are important for setting direction (Nwachukwu and Vitell, 1997). It also suggests that different espoused values are indicators for superior performance in different areas. For this reason the focus of a value quadrant should be an important indicator in what an organization excels. The model distinguishes two focus areas a task focus and an ethical focus (see appendix 1). A task focus is about

what is done and how it is done whereas an ethical focus is about morality and concern for others (Bourne et al., 2017). This suggests that task focused organization perform better on financial performance measures. High profits could be viewed as immoral and less concerning about others. This because customers are paying for the profit. The model also distinguishes an inward facing view and an outward facing view. Logically and likewise the inward facing view is more concerned with the individually focused and the outward facing view is more concerned with the environment (Bourne et al., 2017). For the reasons above it is expected that organizations that emphasize competence (task focus and outward facing) in their espoused organizational values tend to perform better on financial performance. The assumption arises that these organizations are relatively more profitable. An example of an espoused value emphasizing competence is the espoused value: "value for money". This value directly and literally focusses on profitability. For this reason a positive performance is expected between espoused values that emphasize competence and the performance of that organization.

Hypothesis 1: Espoused values that emphasize competence are positively related with a firms performance.

It is expected that this also applies for espoused values that emphasize character. Both value orientations are task focused. However, espoused values that focus character are more inward facing whereas espoused values that focus competence are more outward facing as explained by the model in appendix 1. The inward facing view versus the outward facing view supports the idea that the organizations has more focus on the total organization and therefor on the overall performance of the organization. For this reason a positive relationship is expected

between espoused values that emphasize competence and performance.

Hypothesis 2: Espoused values that emphasize character are positively related with firm performance.

Espoused values that focus the interpersonal are ethically focused. Logically organizations that underpin the importance of investing in their employees in their espoused values could be willing to invest relatively more in their employees than organizations that do not underpin that importance. Investment in employees (human capital) is widely believed to have a positive effect on firm performance. (Arthur, 1994; Bishop et al., 1994; Huselid, 1995). But more importantly, the ethical orientation of the espoused value in combination with the inward facing view suggests that organizations that emphasize the interpersonal in their espoused values do invest more in their human capital than organizations that don't as their espoused values are inward facing and ethically focused. For this reason espoused values emphasize are expected to invest more in their human capital.

Hypothesis 3 : Espoused values that emphasize the interpersonal are positively related with investment in human capital.

The last quadrant of the framework by Bourne et al. (2017) is filled with espoused values that emphasize the community. Like espoused values that emphasize the interpersonal these values are ethically focused. However, the espoused values are outward facing. For this reason it is expected that espoused values that emphasize the community are negatively related with firm profitability. The outward facing view suggests that customers and the community are relatively more important to these organizations that high profit. For this reason it is expected that their financial

performance is closer to a break-even scenario.

Hypothesis 4: Espoused values that emphasize the community are negatively related with a firms profitability.

Furthermore, it is necessary for this research to retrieve a dataset that only contains organizations that do have a set of espoused organizational values. This means a distinction has to be made which provides the possibility to verify the study done by Donker et al. (2008) specifically in the Netherlands. Here, the same conclusion as drawn by Donker et al. (2008) is expected. Having a set of espoused corporate values positively correlates with firm performance.

3. Methodology

In order to test the hypothesis appropriate study is a necessity. This includes usage of good data to ensure validity and statistics to ensure reliability. For this reason the research design, data selection and gathering and the data analysis will be explained extensively in this section. This also applies for the statistical tests.

Data Collection

The data is gathered using the Orbis database as data generator. This has disadvantages as not every organization is in this database. However, Orbis is a large database with information about a lot of organizations worldwide. Another upside is that the data is gathered using multiple different data sources improving the quality of the data. For this reason the data is considered reliable. Furthermore the database provides the opportunity to set different criteria which the data has to fulfill. This helps to obtain a comprehensive dataset that is applicable to test the hypothesis. The financial data of 2017 is used as this is the most recent complete book year when the data, including the espoused values is retrieved. In the Orbis database organizations that fulfill preselected criteria are selected. In this study 5 criteria are used to retrieve the required data necessary to answer the hypothesis. The criteria used in this research are shown below:

Number	Criteria
1	Country: Netherlands
2	ROE using P/L before tax (%)
3	ROA using P/L before tax (%)
4	Cost of employees / operating revenue (%)
5	Operating revenue (turnover) of minimal €200.000

The first criteria narrows the available data to organizations that are located in the Netherlands. This criteria is selected because

it provides insight in espoused values from a Dutch perspective. This is to verify that study done by Donker et al. (2008) who found his results in a Canadian context. This study will test if the same results are shown in a Dutch context. Criteria 2,3 and 4 are based on the performance measures selected in this study and eliminate all the organizations where one of these values is unknown. Criteria 2 is selected because ROE is a widely used and effective measure of profitability and performance. It shows how well an organization is generating profits from shareholder investments. This measure is used by investors to evaluate performance (Kijewska, 2016). Criteria 3 is also selected to provide insight in performance of the organizations. ROA does not only include shareholders equity but also the liabilities. This provides a more overall view of an organizations performance. It shows how well an organization is generating profits based on their total assets. Also ROA is widely used to evaluate organizations performance (Selling, Stickney, 2018). Criteria 4 is selected to evaluate how much an organization is investing in their employees as part of their revenue. It shows the relative investment of an organization in their human capital. Criteria 5 eliminates all the organizations that have an operating revenue below €200.000. This is because sleeping organizations should be eliminated from this research as they can bias the data. Furthermore the likelihood of an smaller organizations having a set of espoused values could be smaller in comparison to bigger organizations. Eventually this will result in a dataset with only organizations that meet the preset criteria. After that, the espoused organizational values will be manually searched and added to the dataset (if present). This is done by searching for espoused values at all the organizations websites. If espoused values cannot be found on the website the code of conducts will be

examined (if present). If no espoused values are found it is assumed the organization does not have espoused values. Organizations often mention multiple espoused corporate values. For this reason it is difficult to pick one value that is most important. To eliminate this problem the values will be clustered in the proposed framework by Bourne et al. (2017) (Appendix 1). This framework will be used to map the espoused corporate values. By doing this the values will be quantified. The values organizations select can vary among the four quadrants of the framework (e.g. the same organization can mention commitment which focusses on character and integrity which focusses on the interpersonal). For this reason different combinations are very much possible. The variety increases even further based on the fact that organizations have different amounts of espoused corporate values. For this reason the independent variable (espoused organizational values) will be used as a share for each quadrant. The shares of each quadrant combined will logically form the 100% of the espoused values of that organization. Eventually this will result in a selection of organizations that have espoused values and organizations that do not. The espoused values of organizations that do mention them are placed in the framework by Bourne et al. (2017). The dataset will be used to test the effect of having a set of espoused values. This will be done by comparing all the organizations that have a set of espoused values with the organizations that do not. For this all the organizations in the dataset will be used. The dataset that is used to examine the difference in performance based on espoused values logically contains only organizations that do mention their espoused organizational values explicitly. This, because the effect between different espoused organizational values is examined.

Statistical Tests

To verify the study by Donker et al. (2008) Anova analysis will be used. This analysis is selected and used to test if a significant difference in performance between organizations with a set of espoused values and organizations without a set of espoused values is present. This will be done for each performance measure mentioned in the previous section. In this study a probability of 5% ($\alpha = 0.05$) is used as reliability requirement.

$$PM_i = \alpha_{0i} + \beta_1 EVP$$

The independent variable can be explained as Espoused Value Presence (EVP). This means that EVP equals 1 if one or more espoused values are present at an organization. PM can be explained as the Performance Measures which are ROE, ROA and cost of employees as part of operating revenue.

To test the hypotheses only the organizations that have a set of espoused values are used. A correlation analysis will be used as statistical test to test hypothesis 1, 2, 3 and 4. For each quadrant will be examined if a higher share of espoused corporate values correlates with better or worse performance. This again will be tested with a probability requirement of 5%. After that, the espoused organizational values (if present) will be manually searched and added to the dataset. Important is that they are explicitly labeled as values. This is done by searching for espoused values at all the organizations websites. If espoused values cannot be found on the website the code of conducts will be examined (if present). If no espoused values are found it is assumed the organization does not have espoused values.

4. Results

After selecting the criteria mentioned in the methodology section of this study, 280 organizations in Orbis fulfilled the requirements. 72 organizations of these 280 mentioned their values explicitly. These values were manually searched and out of this 72 organizations with espoused values, 66 organizations mentioned their values explicitly on their website and the espoused values of 6 organizations were found in the code of conducts. 72 out of 280 is considered low as only 25.71% of organizations wrote down their values from which we can conclude that at least in the Netherlands writing down espoused corporate values is not something every organization does. The 72 organizations all together wrote down 302 organizational values. This means an average of 4.19 values. The lowest amount of espoused values in this dataset is 2 and the maximum amount of espoused values is 8. Out of this 302 values 115 focus on competence, 63 on character, 82 on the interpersonal and 42 on the community. Since a selection between organizations that do have a set of espoused organizational values and organizations that don't have a set of espoused organizational values the study done by Donker et al. (2008) can be verified. This is to see if the same results are found in the Netherlands. The results of the Anova analysis in this study are shown in tables 1-3.

Case Processing Summary

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
ROE * Standardization	280	100,0%	0	0,0%	280	100,0%
ROA * Standardization	280	100,0%	0	0,0%	280	100,0%
COST_EMP_OREV * Standardization	280	100,0%	0	0,0%	280	100,0%

Table 1: Case processing summary

Table 1 shows that no cases were excluded in this Anova analysis. Since the Orbis database did eliminate all the organizations that did not meet the preset criteria no cases were excluded in this Anova analysis. As mentioned above we see a N of 280 which means the data of 280 organizations is used in this Anova analysis.

Report

Standardization		ROE	ROA	COST_EMP_OREV
0	Mean	19,52	6,54	9,98
	N	208	208	208
	Std. Deviation	38,164	6,964	10,169
1	Mean	39,80	7,40	16,89
	N	72	72	72
	Std. Deviation	98,802	7,838	18,093
Total	Mean	24,73	6,76	11,76
	N	280	280	280
	Std. Deviation	60,363	7,194	13,007

Table 2: Report

Table 2 shows the mean and standard deviation of each performance measure for the 208 organizations that do not have a set of espoused organizational values (0) and the mean and standard deviation of the 72 organizations that do have a set of espoused organizational values (1). We see that for all the three performance measures the mean of the organizations that do have a set of espoused values is higher in this sample. Table 3 will show if these differences are significant.

		Sum of Squares	df	Mean Square	F	Sig.
ROE * Standardization	Between Groups (Combined)	22011,775	1	22011,775	6,153	,014
	Within Groups	994586,680	278	3577,650		
	Total	1016598,456	279			
ROA * Standardization	Between Groups (Combined)	39,724	1	39,724	,767	,382
	Within Groups	14399,194	278	51,796		
	Total	14438,918	279			
COST_EMP_OREV * Standardization	Between Groups (Combined)	2549,381	1	2549,381	15,873	,000
	Within Groups	44649,472	278	160,610		
	Total	47198,853	279			

Table 3: Anova Table

Looking at table 3 a positive and significant effect for performance measure ROE ($P=0.014$) is shown. This means that organizations with espoused values have a higher ROE than organizations without a set of espoused values. Also a positive and significant effect for performance measure Cost of an Employee as part of the operating revenue ($p<0.001$) is shown. This means that organizations with a set of espoused values have a higher cost of employees as part of their operating revenue. Performance measure ROA also shows a positive effect but it is not significant. For this it cannot be stated that in the Netherlands organizations that do have a set of espoused organization values perform better on ROA than organizations that don't. Conclusively it can be stated that the study done by Donker et al. (2008) can be confirmed by this study as organizations that wrote down a set of espoused organizational values do perform better than organizations that do not.

Effect of different espoused values

To examine the effect between different espoused organizational values only the 72 organizations that did write their values down were selected and their values were clustered in one of the four categories of the framework. After that the percentages for each category were calculated and added to the dataset. The dataset is analyzed using correlation analysis. The relationship between each category of the framework for each performance measure are shown in the tables below in tables 4-6.

The results shown in table 4 show the effect from the four categories the model to map espoused performance measure ROE. This is used to test hypotheses 1, 2 and 4.

Correlations						
		ROE_Using _PL	Competence_ perc	Character _perc	Interpersonall_per c	Community _perc
ROE_Using_PL	Pearson	1	,119	-,049	-,006	-,121
	Correlation					
	Sig. (2-tailed)		,319	,684	,963	,311
	N	72	72	72	72	72
Competence_per c	Pearson	,119	1	-,430**	-,520**	-,364**
	Correlation					
	Sig. (2-tailed)	,319		,000	,000	,002
	N	72	72	72	72	72
Character_perc	Pearson	-,049	-,430**	1	-,290*	-,205
	Correlation					
	Sig. (2-tailed)	,684	,000		,014	,085
	N	72	72	72	72	72
Interpersonall_p erc	Pearson	-,006	-,520**	-,290*	1	-,119
	Correlation					
	Sig. (2-tailed)	,963	,000	,014		,321
	N	72	72	72	72	72
Community_per c	Pearson	-,121	-,364**	-,205	-,119	1
	Correlation					
	Sig. (2-tailed)	,311	,002	,085	,321	
	N	72	72	72	72	72

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 4: Correlation table ROE

Table 4 shows that no significant effect is found between emphasizing espoused values in any quadrant and performance measure ROE. This indicates that different orientation of espoused values does not result in significant difference in performance. The table also shows the correlation between espoused values. Logically, since espoused values in each quadrant are used as a share of the total values emphasizing espoused values in one quadrant have a negative effect on espoused values in another quadrant. This explains why negative and significant effects are found. To test hypotheses 1, 2 and 4 further table 5 shows the effect from the four categories of espoused corporate values on the performance measure ROA.

Correlations

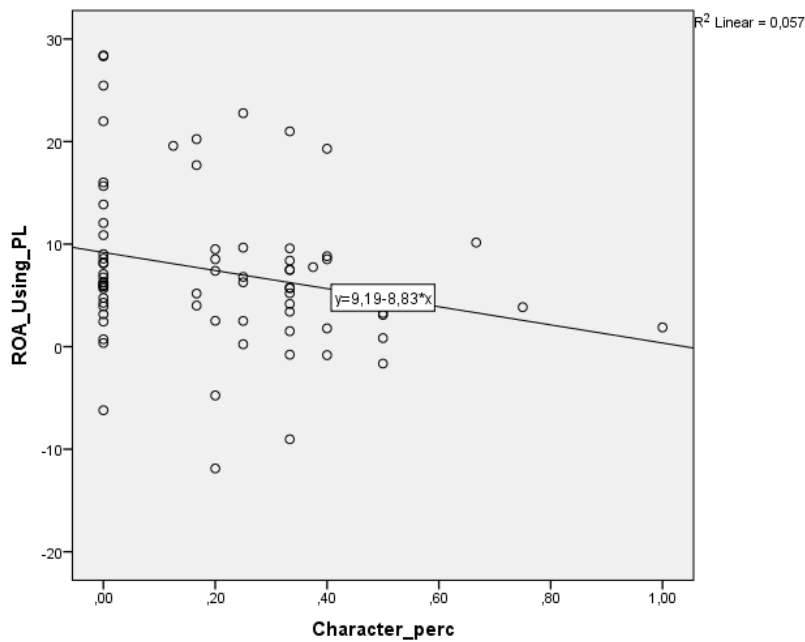
		ROA_Using_ PL	Competence_ perc	Character_ perc	Interpersonall_ perc	Community _perc
ROA_Using_PL	Pearson	1	,185	-,238*	-,034	,054
	Correlation					
	Sig. (2-tailed)		,121	,044	,774	,655
	N	72	72	72	72	72
Competence_per	Pearson	,185	1	-,430**	-,520**	-,364**
	Correlation					
	Sig. (2-tailed)	,121		,000	,000	,002
	N	72	72	72	72	72
Character_perc	Pearson	-,238*	-,430**	1	-,290*	-,205
	Correlation					
	Sig. (2-tailed)	,044	,000		,014	,085
	N	72	72	72	72	72
Interpersonall_p	Pearson	-,034	-,520**	-,290*	1	-,119
erc	Correlation					
	Sig. (2-tailed)	,774	,000	,014		,321
	N	72	72	72	72	72
Community_per	Pearson	,054	-,364**	-,205	-,119	1
c	Correlation					
	Sig. (2-tailed)	,655	,002	,085	,321	
	N	72	72	72	72	72

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 5: Correlation table ROA

Table 5 shows that the performance measure ROA is significantly impacted by the quadrant that reflects the emphasis on character in the espoused values. The table also shows that emphasizing other quadrants in espoused values does not significantly impact performance on ROA. Again, the correlation table shows the correlation between the quadrants of the framework. These values logically do not change as the espoused values in the dataset do not change. Considering emphasizing character a significance of 0.044 is found which is lower than α (0.05). Unlike the expectation the relationship is negative were a Beta of $-,238$ is shown. The effect is graphically shown in graph 1.



Graph 1: Character on ROA.

This table and graph show that in general more dominant espoused values that emphasize character results in worse performance of ROA. This means that a relationship is present between espoused values that emphasize character and performance. However, the assumed relationship is not supported by the data as in fact the opposite appears to be true. The table and graph show a negative relationship in contradiction to the assumed positive relationship. Based on tables 4 and 5 it can be concluded that hypothesis 1, hypothesis 2 and hypothesis 4 are rejected. Espoused values that emphasize competence are not positively related with firm performance in comparison to mentioning other espoused values. No relationship between espoused values that emphasize competence with both performance measures has been found. This indicates that espoused values that emphasize competence are not related with firm performance. The aforementioned conclusion also applies for espoused values that emphasize the community. However, espoused values that emphasize character are related with performance. That is, for one performance measure a correlation is found in this study. This means espoused values are related with firm performance in this cluster. The negative relationship could be viewed as a discrepancy between espoused and enacted values. This could enhance the idea that espoused values are used to manage public image and therefore do not correspond with enacted values and therefore is not reflected in the results. However most quadrants do not show a relationship with firm performance indicating that the relationship between espoused values and performance is minimal. This since considering most quadrants no relationship is found.

Table 6 shows the effect from the four categories of espoused corporate values on the performance measure cost of employees as a part of operating revenue. This table answers hypothesis 3 where a positive relationship is expected between emphasizing interpersonal in the espoused values and investment in human capital.

Correlations

		Cost_Employees _Operating_profit	Competence_ perc	Character _perc	Interpersonall _perc	Community _perc
Cost_Employees_Oper ating_profit	Pearson Correlat ion Sig. (2- tailed) N	1 72	,008 ,949 72	,107 ,369 72	-,141 ,239 72	,036 ,761 72
Competence_perc	Pearson Correlat ion Sig. (2- tailed) N	,008 ,949 72	1 ,000 72	-,430** ,000 72	-,520** ,000 72	-,364** ,002 72
Character_perc	Pearson Correlat ion Sig. (2- tailed) N	,107 ,369 72	-,430** ,000 72	1 ,014 72	-,290* ,014 72	-,205 ,085 72
Interpersonall_perc	Pearson Correlat ion Sig. (2- tailed) N	-,141 ,239 72	-,520** ,000 72	-,290* ,014 72	1 ,321 72	-,119 ,321 72
Community_perc	Pearson Correlat ion Sig. (2- tailed) N	,036 ,761 72	-,364** ,002 72	-,205 ,085 72	-,119 ,321 72	1 ,321 72

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 6: Cost of an employee divided by operating revenue

Based on table 6 it can be stated that no significant effect is found and therefore hypothesis 3 is not supported. The assumption that mentioning the importance of interpersonal values explicitly is related to higher investment in human capital in comparison to other organizations is not supported by the data. Investment in human capital appears to be adjective regardless the espoused value orientation that is mentioned. Another important thing to notice is that other orientations of espoused values also do not show a significant effect. In this study espoused values and investment

in human capital are not related. All in all it can be concluded that espoused values have a marginal relationship with firm performance as most espoused value orientations are not related with superior or inferior performance. The conclusion that most espoused value orientations are not related with firm performance supports the idea that espoused values are used for more external purposes rather than internal influence. Perhaps internal influence is still present by influencing ethical behavior of employees. However, if so, the behavior that is influenced by different espoused values is not translated in differences in performance based on the financial measures used in this study. This could be viewed as support for the idea that espoused values are in place to manage public image. This could also explain the discrepancy between espoused values and enacted values as often reported in theory. The conclusion that having espoused values leads to better performance in general but is not really impacted by which values are mentioned supports the aforementioned idea. Espoused values could perhaps be seen as something that more mature and professional organizations develop and that they are therefore related with superior performance. In literature it is suggested that espoused values are in place to set direction. However, little difference in performance is found regarding different orientations of espoused values. This suggests that the behavior that is influenced by espoused values is behavior that does not impact results measurable by the financial performance measures used in this study. This study therefore argues that as a tool to influence performance espoused values are ineffective. This study adds to the existing literature by examining the effect of specific espoused value groups on firm performance and is an extension to the already in literature existing view that companies that do have a set of espoused organizational value outperform organizations that don't (Donker et al., 2008). This study also confirms this theory by Donker et al., (2008) as it also finds that organizations that do have a set of espoused corporate values perform better than organizations that don't. More importantly this study shows that difference among espoused values are marginally related with difference in firm performance. This supports the in the idea that espoused values are used to manage public image but argues the effectiveness of espoused values as a tool to influence performance. Since organizations that have a set off espoused values do outperform organizations that do not, but no superior performance is found within espoused value sets the idea is suggested that having a set of espoused values itself indicates a better performing organization no matter what the espoused values specifically are. This could be due to the phase in which an organization is. A possible explanation for this is that organizations that write down their organizational values are more mature and therefore outperforming organizations that do not. Conclusively it can be stated that emphasizing different espoused values is marginally related with influencing firm performance from a financial perspective. This suggest that espoused values should be seen in a context to manage ethical behavior considering the internal organizations and influencing the external view towards the organization. Further research to both purposes of espoused values is necessary to understand the role the concept of espoused values considering the aforementioned purposes further.

5. Discussion and limitations

This study has various aspects that need to be discussed. First of all, this study provides quantitative evidence and supports the idea that espoused values are in place to manage public image. More importantly this study argues that as a tool to influence performance espoused values are ineffective. This applies for the financial performance measures used in this study. Maybe, influencing behavior is done by espoused values on other aspects that do not impact financial performance. This study also verifies the study done by Donker et al., (2008) by finding support for the theory that organizations that have a set of espoused corporate values perform better than organizations that don't. This study elaborates on this view by arguing that better performance is achieved regardless of what the espoused values specifically are. Another noticeable conclusion in this study is that only 25.71% (72 out of 280) of the organizations in the Orbis database that met the preset criteria wrote down their values explicitly suggesting that writing down corporate values is not standard in the Netherlands. This study also has limitations. It is researching espoused corporate values on an orientation level. By clustering the espoused corporate values the variation is reduced and the clusters are reviewed. For example, sustainability and accountability are viewed the same as they are both emphasizing community whereas in reality they are different values. This eliminates possible differences within a quadrant of the framework used. However, since the orientation of the espoused values within each quadrant of the framework is corresponding as explained by Bourne et al. (2017) this effect should be minimal. Furthermore the definition of each value can be explained different within each organization. Besides that, this study is limited in a sense that it only researches espoused

values and corporate performance but does not control for enacted values. This means that the discrepancy between the espoused values and enacted values of corporations is unknown. This can be viewed as a limitation as it could help to understand the purpose of public image management that espoused corporate values can fulfill. This could be especially important since this study argues the effectiveness of using espoused values as a tool to influence performance. As this study argues that espoused values are more externally focused future research is required. The effect of espoused values on internal behavior should be researched further in the future. Maybe, different espoused values influence ethical behavior in a way that is not noticeable in the financial performance measures used in this study. For this reason a study devoted to relation between espoused values and employee behavior can enlighten the internal effect of espoused values. This study argues that espoused values are important and perhaps more externally focused. Future research can study the relationship between espoused values and the external environment. This could verify the implications of this study by studying espoused values in the context of the external environment. Perhaps a link can explain the discrepancy between espoused values and enacted values by relating espoused values with the external environment. Espoused values could be seen as a tool to align external desires with internal behavior. All in all, more research to the role espoused values play in directing ethical behavior and managing the external view to the organization is helpful as this study argues the effectiveness of espoused values as a tool to affect performance.

Implications

This study quantitatively elaborates on espoused values and adds to the literature by quantitatively supporting and arguing currently existing views. Espoused values are largely qualitatively researched which underpins the importance of finding quantitative support as well. The most important findings of this study are that it argues that different espoused values does marginally impact performance. That is, financial performance as measured by the performance measures. This conclusion supports the idea that espoused values are used to manage public image. This study therefore might find a lead for the often reported discrepancy between espoused values and enacted values. This has to be studied in future research. Since only 25.71% of the organizations wrote their values down it can be concluded that more organizations might want to do this in the future. Especially since organizations that do have a set of espoused values outperform organizations that don't. To develop a set of espoused values most effectively it is important to understand the concept. This research can help by arguing the effectiveness of espoused values as a tool to influence performance and by underpinning the more ethical and external focus of espoused values. This can help leaders to select espoused values most appropriate for their internal behavior management and external environments desires. More theoretical implications of this study are the leads for future research mentioned above. This additional research results in a better understanding which can help to explain the concept and increase the knowledge about espoused values further. All in all this study and the theoretical research implications lean toward the idea that the purpose of espoused values is not managing performance but behavior that is not reflected by performance. Also the research finds

implications that external focus is important as well. This should be taken into consideration when developing and reflecting on espoused values.

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Appendix 1: Quadrants of espoused organizational values

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