

# **EVALUATING CORE ORGANIZATIONAL VALUES IN A PRIVATE COMPANY: AN APPROACH WITH SCHWARTZ THEORY OF BASIC INDIVIDUAL VALUES AND IMPORTANCE-PERFORMANCE ANALYSIS**

Andika Hakim Pratama<sup>1</sup> and Kristiana Dewayani

Faculty of Psychology

Gunadarma University, TB Simatupang 51B, Jakarta 12520, Indonesia

## **Abstract**

Core organizational values or corporate values are values that are owned and implemented by any individual in any activity in the company where those values are believed can support the vision and mission of the company and also direct the organization towards its goal. Along with the development in the increasingly advanced business world, the company must also maintain its values so that they remain appropriate in maintaining the company's performance in achieving those vision, mission and goals. The purpose of this study is to evaluate the corporate values of one of the private company in Indonesia that has not yet have a specific way in evaluating them and prepare a system of evaluating model in the form of Standard Operating Procedure (SOP). This study uses Schwartz theory of basic individual values approach and importance-performance analysis. As a pilot project, the data were collected through questionnaires to 32 staff of the human resources development division. The results shows that the distribution of the data on each dimension of values spreads across all quadrants. Which means that every individual in the population has a tendency to perceive different levels of importance and performance of the value and has diverse understandings towards the values of the company.

**Keywords:** corporate values; values evaluation; Schwartz theory of basic individual values; importance-performance analysis

## **I. Introduction**

The rapid development of a company is certainly cannot be separated from the hard work of the company's management that always directs its organization to the goals to be achieved in accordance with the vision and mission it has. In doing so, the management of the company needs to be supported by core organizational values so that the effort and the performance of the management to achieve the vision and mission of the organization are always in the direction that is expected. For the company, organizational values are values that are owned and implemented by any individual in any activity in the company where those values are believed can support the vision and mission of the company.

According to Schwartz and Bilsky (1994), values are cognitive representations of important human goals or motivations that must be communicated to coordinate their behavior. Therefore, values become encouragement and motivations of people to behave including when they work. The values applied by the organization certainly aim to motivate its employees to behave in accordance with what is expected to achieve organizational goals. Ferguson and Milliman (2008) said that a value explains what is important to the organization and can be used to direct the behavior of its employee. They also stated that the core values of the organization can take the form of formal or informal but whatever their values they are at the core of organizational culture and represent the philosophical views, priorities, and goals of the organization. In one sense, value represents the "soul" of an organization and reflects its sense of spirituality. Therefore, the goals and values of an organization provide a basis for organizational practice and the context in which employees think, act and make decisions.

Based on the description above, the company's values must be measurable so that the company can find out its performance and evaluate it periodically. This study aims to evaluate the core organizational values of a corporate organizations with Schwartz theory of basic individual values approach and importance-performance analysis. This study has been conducted by PT X, one of the largest private companies in Indonesia. As the first pilot project, the research sample data has been taken from employees in the HR division. This is done because the HR division is the party that socialized the company's values to other divisions and departments in the company. Therefore, the evaluation of the performance of corporate values must start from this division. This study can help the management of PT X in evaluating their core organizational values so that they can align and direct the performance of its employees and make them right on target in achieving the vision, mission, and goals of the organization.

## **II. Literature Review**

### **Values**

Value are a belief that can influence and refer to the desired goals. It can be a standard criteria which has a sequence of levels of interest in a person so it becomes guidance and motivation for the person to behave and act. According to Schwartz (2012), each person hold some values with different levels of importance. Some values can be very important for someone but cannot be for others. His theory adopting the concept of value which has six main features where values are a belief, refer to desired goals, go beyond certain actions and situations, become standard or criteria, sorted based on relative importance between each other, and some of them which have a relative level of importance become guidelines for action.

However, the six formal features that define the above values have not identified important features of the value content that distinguish from one another. The distinguishing feature is the motivational content of these values. It is because values are cognitive representations of human important goals or motivations that must be communicated by humans in order to coordinate their behavior. Content that distinguishes one value significantly from another is the type of motivation or purpose which represents it (Schwartz and Bilsky, 1994).

In his journal of “Refining the Theory of Basic Individual Values” in year 2012, Schwartz has developed his value theory model, which previously consisted of 10 types of values, into 19 types of motivational values. Those values are self-direction-thought, Self-direction-action, Stimulation, Hedonism, Achievement, Power-dominance, Power-resources, Face, Security-personal, Security-societal, Tradition, Conformity-rules, Conformity-interpersonal, Humility, Benevolence-dependability, Benevolence-caring, Universalism-concern, Universalism-nature, and Universalism-tolerance. This values theory is the one that will be used as the basis and reference for evaluating the company's core values.

### **Core Organizational Values**

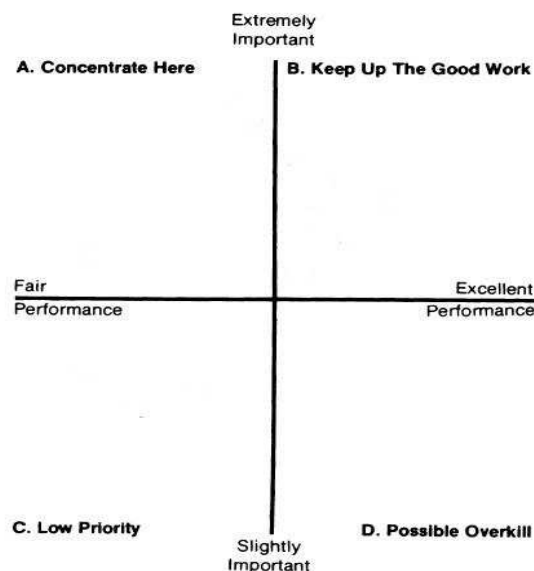
According to Ferguson & Milliman (2008), value explains what is important from an organization and can be used to direct employee behavior. Value provide a basis for organizational practice and context for employees to think, act and make decisions. The effective core organizational values is defined as a broad unique belief and idea of an organization that intrinsically influences employee attitudes and behavior to achieve broader

institutional and community goals and also promotes the achievement of employees' personal aspirations (Harmon, 1996 & Lewis, 1997). Harmon (1996) suggest that there are multiple types of core values and that organizations need to have different values for balance and to accomplish specific different purposes. In the other hand, Ferguson & Milliman (2008) said that it is important for organizations not to adopt too much value. It is also important to note that the core values of an organization are usually expressed in more general terms and some statements as guidelines are often needed to help employees to have better understanding so that they able to apply value in their daily work and in decision making.

For PT X, the company values are values that are owned and implemented in each activity by all individuals at PT X, where these values are believed to support the company's vision and mission. The PT X core organizational values or corporate values consists of Accountabilty, Strive for Excellence, Integrity, Service-mindedness, and Team Work.

### Importance-Performance Analysis

Importance-Performance Analysis is a descriptive statistical method that was first introduced by John A. Martilla and John C. James in 1977. Importance Performance Analysis is the result of research delivered in the form of 2-dimensional quadrants that are graphical and easy to interpret. The following are the quadrant exemplified by Martilla and James.



**Figure 1. Importance Performance Analysis Grid**

**Source: Martilla & James (1977)**

According to Martilla and James (1977), Importance Performance Analysis is divided into four quadrants and any factor that lies in each quadrant has its own interpretation. By looking at figure 1 above, any factors that lies in A quadrant or Concentrate Here are considered as important and expected factors, but have low or unsatisfactory performance. Therefore, the management of the company is obliged to allocate adequate resources to improve the performance of these various factors. The factors that lie in this quadrant are priorities for improvement. Meanwhile, any factors that lies in B quadrant or Keep Up The Good Work are considered important or expected and also have satisfying and good performance. Hence, the management of the company is obliged to ensure that the performance of the institution through those factors are always continue to be maintained. Different from the two previous ones, any factors that lies in C quadrant or Low Priority have a low level of performance as well as being considered not important or not to be expected. That is why the management does not need to prioritize or give too much attention to those factors in this quadrant. Another case with D quadrant or Possibly Overkill, any factors that lies in it are considered unimportant but have good performance so that the management needs to allocate resources related to these factors to any other factors that have higher priority handling which still require improvement.

### **III. Methodology**

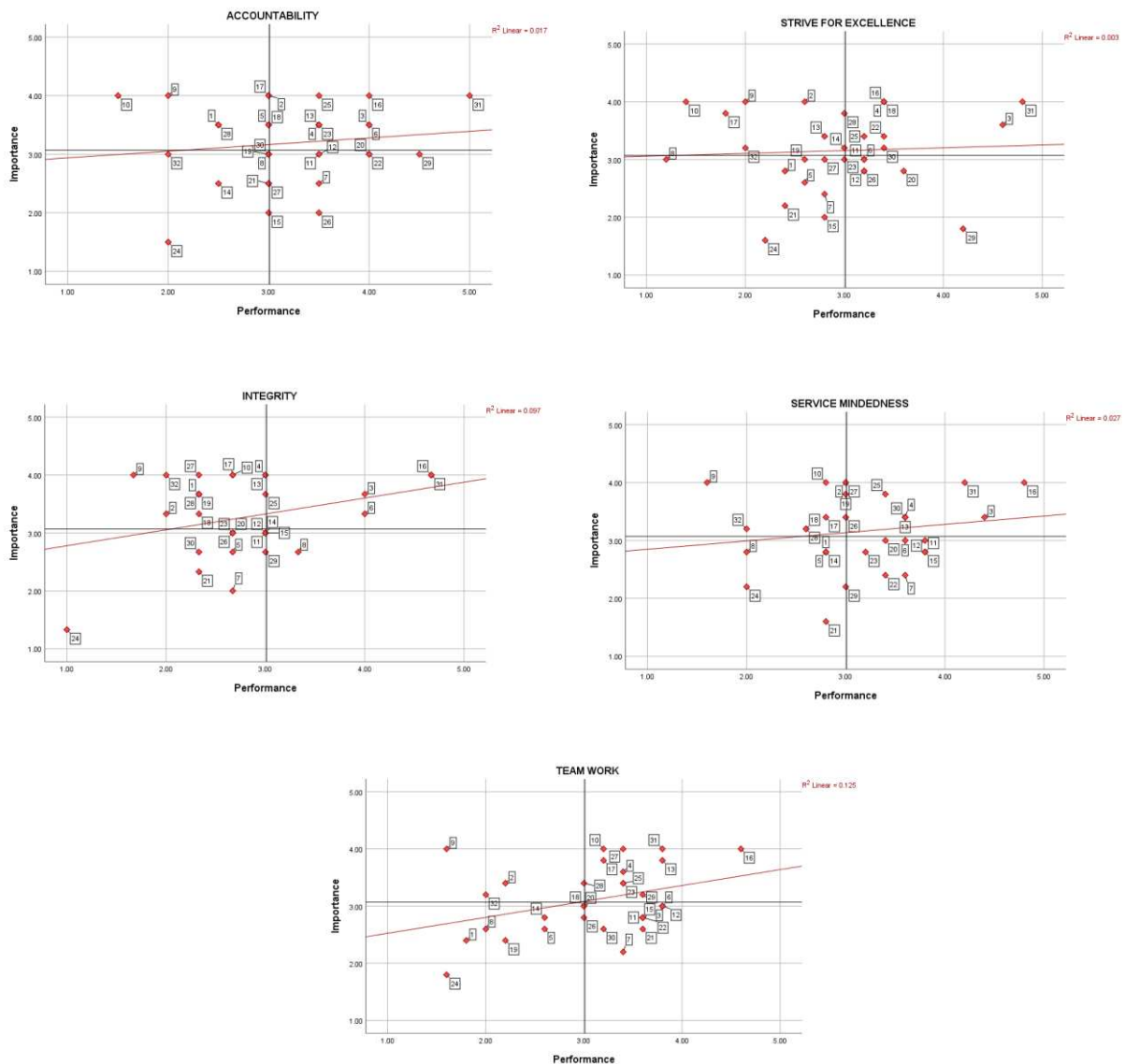
Data used in this study are obtained from literature study of the theory, company archive, and field research such as interview and questionnaire. The literature study is conducted after gathering data of the company archive about corporate values. This is done with the aim of adjusting the corporate values of the company with Schwartz's value theory so that it can be measured using Portraits Values Questionnaire (PVQ). The questionnaire itself has undergone an adaptation process and with the help of expert judgement it has been revised and refined to establish the basic validity content of the instrument. All items in the questionnaire are loaded on a 6-point Likert scale and using two scale model to measure the respondent's level of importance and perception of the performance. The greater the scale score chosen by the respondent the more important and perceptively have higher level of compliance or performance in their workplace. The data collection is conducted by distributing the adapted questionnaire and must be answered by 32 respondents of Human Resources division staff.

The validity and the reliability test that is used in this study are convergent validity and construct reliability. The convergent validity and construct reliability are calculated using the formula that are mentioned by Fornell and Larcker (1981) in their journal. The criteria for convergent validity is as follows: If the value of convergent validity  $\leq 0.5$  then declared invalid and if the value convergent validity  $> 0.5$ , then declared valid. Meanwhile, the criteria for construct reliability is as follows: If the value of construct reliability  $\leq 0.7$  then declared unreliable and if the value of construct reliability  $> 0.7$  then declared reliable. In this study, the testing of validity and reliability is carried out on each dimension and its item group. As a result, each dimension and its item group are declared valid and reliable.

Data processing is done by changing the raw score into a standardized weight score using z scores. Then the score weight is processed by calculating the mean score and the results are presented with the Importance-Performance Analysis method with scatter dot graphs display.

## IV. Result and Discussion

This section presents the result from the data analysis and the interpretations. The five core organizational values of PT X has been calculated for each value using mean score and the Statistical Package for Social Science (SPSS) version 25.0 was employed to make the importance-performance analysis graph. The following is the result of the data processing:



**Figure 2. Importance-performance Analysis Graph – Each Dimension of Values**

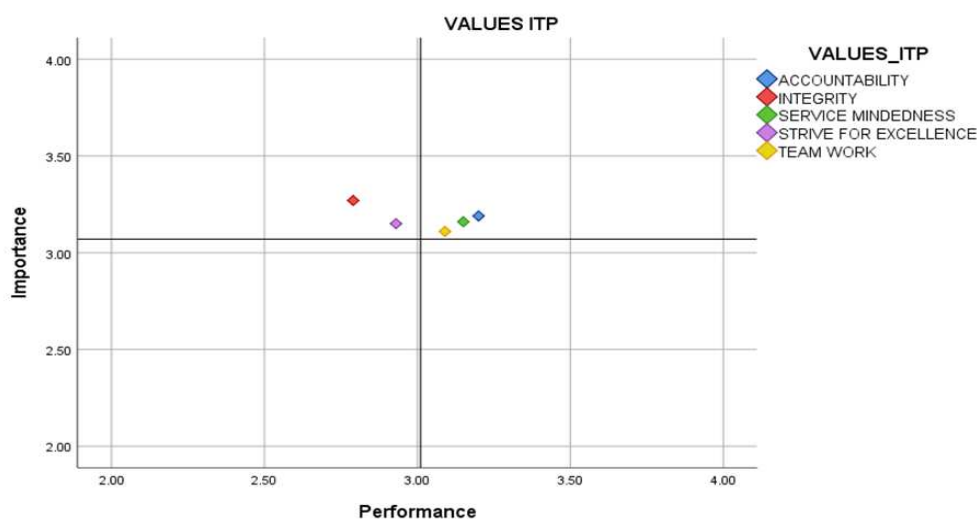
The expected result of the assessment is that the distribution of the respondents' sample data in the graph of each value above gathered or concentrated on quadrant B, which means that the population measured through the sample has a high perception of the importance of

value and also has a satisfactory or good performance of value. However, based on the results of the above data (Figure 2), it can be seen that the distribution of respondents' sample data on each dimension of values spreads across all quadrants. This means that every individual in the population has a tendency to perceive different levels of importance and performance of the value. This also means that the employees' understanding, particularly HR staff, towards the value of PT X varies so that their application to the work is still diverse. In other words, PT X's corporate value has not been internalized and well understood by all staff in the HR division.

The r square score are also low ( $<0.5$ ) in each graph of PT X value. It shows that the level of importance and performance of the values has a very weak relationship. Meaning, even though these values are considered important to a person, but not necessarily that person will apply or perform according to these values and even if a person performs well and applies these values in his performance, but not necessarily the person considers that value important to him.

**Table 1. Mean Score of PT X's Values**

No.	VALUES	M.P.	M.I.	GAP (M.P. -M.I.)
1	ACCOUNTABILITY	3.20	3.19	0.02
2	STRIVE FOR EXCELLENCE	2.93	3.15	-0.23
3	INTEGRITY	2.79	3.27	-0.48
4	SERVICE MINDEDNESS	3.15	3.16	-0.01
5	TEAM WORK	3.09	3.11	-0.02



**Figure 3. Importance-Performance Analysis Graph – Comparison between PT X's Values**



By looking at the result of the overall score and the comparison of each value of PT X (Table 1 and Figure 3), It shows that Accountability, Service-mindedness, and Team Work have low gap score ( $<0.1$ ) and are located in B quadrant. It means that these 3 values already have high level of importance and good or satisfying performance in the HR division, so that the management of PT X only needs to maintain this conditions. However, the other two dimensions of value, Strive for Excellence and Integrity, have high gap score ( $> 0.1$ ) and are located in A quadrant. It means that the two dimensions of value are considered important but their application in the performance is not good enough and satisfying, so that the management of PT X is obliged to allocate its resources to improve the performance of the two values in the HR division.

It is suggested that PT X can provide its staff, especially the staff of the HR division, an internalization program or activity that can gives the employees a deeper understanding of the corporate values so that they are able to apply the values of the company in their work and improve their performance.

## **V. Conclusion and Recommendation**

The theoretical approach of Schwartz Individual Basic Value that has been used as a basis for assessing the core organizational values of PT X can provide a basic foundation for management in evaluating the values of the company. The importance-performance analysis method used is also able to map the level of importance and performance of the company corporate values from its employees so that the management can identify the corporate values that require improvement, maintenance, and allocation in terms of efforts and resources so that their performance can be better and more balanced to its employees. The evaluation of the corporate values of the PT X that has been carried out also contributes to the preparation of a system model or evaluation procedure in the form of a Standard Operating Procedure (SOP) that can be used by the management whenever they wants to do an evaluation in the future. However, it is important to realize that this evaluation is a pilot project and the first trial using a limited number of samples, so the results cannot be said to be final or perfect. Therefore, further efforts with further observation and evaluation of this process still need to be done for its development.

In order to be able to improve and get a better picture of the results in evaluating the company's values, the company is advised to collect data with a larger sample size and a more

diverse employee population. The evaluation also needs to be repeated so that the effectiveness of the procedures can be evaluated and also developed. In addition, the management can also try to use other theoretical approaches or other analytical methods so that the results can be compared or combined.

## References

- Ayre, C., dan Scally, A.J. (2014). *Critical Values for Lawshe's Content Validity Ratio: Revisiting the Original Methods of Calculation*. Measurement and Evaluation in Counseling and Development, Vol 47 (I) 79-86. [sagepub.com/journalsPermissions.nav](http://sagepub.com/journalsPermissions.nav)  
DOI: 10.1177/0748175613513808
- Ceja, L., dan Tàpies, J. (2011). *Corporate Values Guiding the World's Largest Family-Owned Businesses: A Comparison with Non-Family Firms*. Barcelona: Working Paper 916, IESE Business School – University of Navarra.
- Cummings, T. G., dan Worley, C. G. (2009). *Organization development and change*. USA: South-Western Cengage Learning.
- Ferguson, J. dan Milliman, J. (2008). *Creating Effective Core Organizational Values: A Spiritual Leadership Approach*. Colorado Springs: International Journal of Public Administration, 31:4, 439-459.
- Fornell, C. dan D. F. Larcker. (1981). *Evaluating Structural Equations Models with Unobservable Variables and Measurement Error*. Journal of Marketing Research, 18, 39-50.
- Harmon, F. G. (1996). *Playing for keeps*. New York: John Wiley & Sons, Inc.
- Indocement. (2017). *Indocement Values*. Bogor: Arsip PT. Indocement Tunggal Prakarsa Tbk.
- Kumar, R. (2011). *Research Methodology: a step-by-step guide for beginners*. Singapore: SAGE Publications Asia-Pacific Pte Ltd.
- Lewis, C. P. (1997). *Building a shared vision: A leader's guide to aligning the organization*. Portland, OR: Productivity Press.
- Martilla, J. A. dan James, J. C. (1977). *Importance-Performance Analysis*. Journal of Marketing, Vol. 41, No. 1 (January, 1977), pp. 77 – 79.
- Schwartz, S.H., dan Bilsky, W. (1994). *Values and Personality*. Münster: European Journal of Personality. Vol. 8, 163-181.

- Schwartz, S.H. (2012). An Overview of the Schwartz Theory of Basic Values. Online Readings in Psychology and Culture, 2(1).
- Schwartz, S.H. dkk. (2012). Refining the Theory of Basic Individual Values. Journal of Personality and Social Psychology. Vol. 103, No. 4, 663-688.
- Widhiarso, W. (2009). Koefisien Reliabilitas Pada Pengukuran Kepribadian yang Bersifat Multidimensi. Psikobuana. Vol. 1, No. 1, 39-48.
- Yurdugül, H. (2006). The Comparison of Reliability Coefficients in Parallel, Tau-equivalent, and Congeneric Measurements. Journal of Faculty of Educational Sciences, Ankara University, 39(1), 15-37.