ORGANIZATIONAL VALUES OF COMPANIES IN CROATIA

ABSTRACT

The concept of organizational values has been engrossing to organizational theoreticians and practitioners alike for a long time. However, especially interesting and useful in the field are the works focused on the identification or recognition of organizational values in actual business organizations, since those works can be of great benefit in actual business practices. Namely, through the analysis of their own organizational values and comparing them with values of other organizations in the business environment, companies can access new ideas and bring about initiatives and actual practical projects. Certain studies have been noted whose goal was to recognize organizational values of business organizations on the global (or possibly regional) level, but it was felt the analysis of organizational values of Croatian companies would be of interest and of use to them in view of the specific business environment within which they operate. To that end, this paper presents the results of researching organizational values of the largest companies in Croatia and comparing them to organizational values present in other companies worldwide.

Key words: organizational values, companies in Croatia, comparison of organizational values

Acknowledgements

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1. ORGANIZATIONAL VALUES IN GENERAL

Every organization is guided by certain basic beliefs in their business conduct which they use to reach their defined goals. These beliefs, when transformed into relatively durable business practices, can be regarded as organizational values (Padaki, 2000). However, this is only a rough interpretation of the term organizational values since a more serious research of this concept will run into problems due to a large number of variances in comprehension and interpretation, and thereby in defining organizational values. Although scientific research of organizational values within the field of organizational culture began during the 1970’s, the understanding of the importance of this phenomenon dates to much earlier times. More than two thousand years ago, in 431 BC, Pericles in ancient Greece kept convincing Athenians in their war against Sparta to hold fast to values such as those inherent to democracy: informal communication, the importance of dignity of the individual and promotion based on success. Pericles understood that these values may mean the difference between victory and defeat (Weirich and Koontz, 1998, 333). However, until 1968, when Rokeach published the book called Beliefs, Attitudes and Values, not one significant written work existed which would systematically research organizational values (Järvenpää, 2007, 29). Only after Rokeach’s book did the field of organizational values attract more significant interest of researchers and from that day forth the field has been studied systematically.2

Since ‘organizational values’ is a relatively recent term, these values are often also mentioned as corporate values, core values or common values. Sometimes the term governing principles is also used, but regardless of the wording, all these terms designate the same: a group of values which the organization places at the forefront of its understanding of the world (Musek Lešnik, 2007, 56). According to the Management Lexicon (Bahtijarević-Siber and Sikavica, 2001, 380) ‘organizational values are deeply rooted assumptions and principles connecting a group of members’. They can be exceptionally powerful because they can substitute a large number of regulations with only a few principles. Organizational values are the strongest weapon with which the organization can influence their employees. The parallel with weapons is especially suitable when one takes in consideration the fact that organizational values shape organizational philosophy, organizational processes, the company’s approach to its operations and thereby the loss of the organization’s identity. On the other hand, as noted by Jaffe and Scott (2009, 4), organization basing itself on its values actually ensures to employees key principles rather than a great number of expected activities. This gives us a key advantage of organizational values versus regulations and procedures – organizational values do not function at the surface level - they reach a lot deeper into the consciousness of its employees (Musek Lešnik, 2005, 34), which speaks volumes of their importance.

Organizational values represent the final seal on the entire business of an organization; therefore, various interested and influential parties (stakeholders) are faced with them and their products. From that fact stems the importance of organizational values and the need to fulfill the needs of various parties, despite their varied and often conflicting interests. Barrett (2000, 1) thus lists examples showing expectancies of some stakeholders:
- Society: Organizational values need to meet society’s expectations with regard to environmental culture and terrorism. Failure to support society’s values can have a very significant impact on financial performance.
- Shareholders: Organizational values need to meet the needs of the new breed of shareholders that are only investing in companies that: (a) meet socially responsible investment criteria; and (b) compete to be the best companies to work for, or other quality awards.
- Potential employees: To attract the best people, the organizational values need to meet the needs of potential new employees who are choosing to work in organizational cultures that align with their personal values.
- Existing employees: To retain the best people, the organizational values also need to meet the needs of existing employees and support them in finding personal fulfillment at work.

Taking in consideration the fulfillment of all stakeholders, persons most responsible for constant consideration of organizational values have a difficult task ahead of them, often demanding compromises when reaching decisions. For example, it is virtually impossible to at least partially satisfy interests of employees if the shareholder value must go up at any cost. Anderson (1997, 32) states that exclusive fulfillment of only certain interests inevitably leads to conflict and disagreements among the stakeholders.

Just as personal values determine what will be acceptable for the individual, and as such guide his/her behavior, organizational values also play an important role in managing and guiding the way organizations function (Dobni at al., 2000, 91).

Today organizational values are more important than ever because the social context within which organizations function is changing ever more rapidly. The product being manufactured and sold matters less, while the standing behind that product and using which values seems to be increasingly important (Barrett, 2000, 1). Organization which gained consumer trust may also count on their loyalty, because the consumer will most often regard any product from that company as good and valuable. At the other end of the spectrum, organizations which in the mind of the consumer seem untrustworthy, unfair, etc. may have the best and cheapest products, but due to their reputations they cannot count on a significant portion of the market.

The importance of organizational values is reflected in various purposes they serve, such as clarifying the main purpose of the existence of the organization, defining its relationship with its environment, making the performance of tasks easier, achieving planned goals, etc. (Akinom, 2003, Hauss, 2007). Speculand and Chaudhary (2008, 327) wrote about this in even more detail, stating the following important roles of organizational values:
- Values define the areas in which the organization will not compromise – e.g. despite crises or recession or high turnover, the organization stands by its values;
- Values are positively chosen and will be firmly adhered to – people only subscribe to those values they personally believe in, which is why 2 Interested and influential parties (stakeholders) are all individuals and groups within and outside the organization who have certain demands from the organization or certain interests in it, or those who have the power to influence actions and decisions the organization makes, as well as reaching organizational goals which it influences through its behavior and decisions. External stakeholders are consumers, suppliers, the state, unions, competitors, local associations and the public; while internal stakeholders are the management, executive managers, owners and employees (Bahtijarević-Siber and Sikavica, 2001, 378).
3 According to research by Barrett (2000), in 1997 76% of American consumers would have purchased a product from another manufacturer (snubbing the current one) if the new manufacturer would have better organizational values (assuming the same price and quality of product).
top-performing organizations hire people whose values match their own;
• values can be clearly communicated – everyone in the organization must understand the values and therefore they must be capable of being communicated;
• values are institutionalized i.e. they form a rock-solid foundation and remain intact for a long period by being incorporated and reflected in organizational systems;
• values are demonstrated through the behaviors they encourage – the behavior must be displayed by the leadership team; and
• values can motivate staff members when they compare intentions against performance – they are verified through everyday actions of their peers and leaders.

Blanchard and O’Connor (2003, according to Ebener, 2005, 4) believe that organizational values are so important that they could occupy any managing director all day, every day. However, a large portion of managers who are to be working on strategic management actually spend a lot of time solving problems at lower levels (tactical or even operative). All too often there are pressing questions (Bellman, 2000; Diop, 1998):
• Which are the values and purposes of existence which define us as an organization/company?
• Which of these values are the most important for our future?
• Do we support (and how) the continuity and duration of these values?
• Which principles must we never forget while performing our work?

Recognition of organizational values does not end with drafting of a document containing pretty phrases which will be published on the company’s web page. It must be much more than that – an initiative to strengthen and develop some values, to leave others behind, and to develop new values which, up to that point, were not a part of the company’s business practices. The above questions will encourage some to think about organizational values, but their recognition, especially in large organizations, will require much more complex methods.

With the help of methods for recognition of organizational values it is possible to inspect them not only within a single company, but a greater number of companies grouped using certain methods. Some of the criteria used may be located-based (a state, a region, a continent), type of economic activity/industry, size of company, etc. Haugh and McKee (2004) determined that typical organizational values tend to differ significantly in smaller organizations versus those that dominate in larger, more formal business organizations. Groups of organizational values identified by various researchers using different methods vary significantly from company to company. Interests and methods for recognition of organizational values were scanned: the statement on organizational values, where they are explicitly listed, but also some other organizational documents.

Table 1: Dominant organizational values of Fortune 100 companies

<table>
<thead>
<tr>
<th>1. customer</th>
<th>11. us</th>
<th>21. achieve</th>
<th>31. performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. value</td>
<td>12. employees</td>
<td>22. best</td>
<td>32. excellence</td>
</tr>
<tr>
<td>3. people</td>
<td>13. mission</td>
<td>23. help</td>
<td>33. financial</td>
</tr>
<tr>
<td>4. company</td>
<td>14. health</td>
<td>24. needs</td>
<td>34. responsibility</td>
</tr>
<tr>
<td>5. products</td>
<td>15. provide</td>
<td>25. respect</td>
<td>35. strive</td>
</tr>
<tr>
<td>6. business</td>
<td>16. world</td>
<td>26. vision</td>
<td>36. committed</td>
</tr>
<tr>
<td>7. service</td>
<td>17. integrity</td>
<td>27. opportunities</td>
<td>37. diversity</td>
</tr>
<tr>
<td>8. community</td>
<td>18. believe</td>
<td>28. success</td>
<td>38. serve</td>
</tr>
<tr>
<td>9. work</td>
<td>19. care</td>
<td>29. associates</td>
<td>39. shareholders</td>
</tr>
<tr>
<td>10. quality</td>
<td>20. environment</td>
<td>30. growth</td>
<td>40. innovative</td>
</tr>
</tbody>
</table>

(Source: Tian, 2005, 10-11)

1. Leadership and Governance – the directors and executives of the company align their personal interests with the fate of stakeholders and act in a responsible way to ensure the viability of the enterprise.
2. Transparency and integrity – the company’s business operations are transparent to shareholders, employees, and the public, and its executives will stand by the integrity of their decisions.
3. Community – the company thinks of itself as part of a community as well as a market.
4. Customer care – the company represents its products honestly to customers and honors their dignity, up to, and beyond a transaction.
5. Valuing the worker – workers are treated as valuable team members, not just hired hands.
6. Respect for the environment – the environment is treated as a silent stakeholder, a party to which the company is wholly accountable.
7. Equality and diversity – the company strives for balance, diversity, and equality in its relationships with workers, customers, and suppliers.
8. Globalization – the company pursues international trade and production based on respect for the rights of workers and citizens of trade partner nations.

4 For example, one of the values described by Haugh and McKee (2004, 351) as dominant in small companies is the ability to survive. This is logical, since small companies often depend on low quantity of working assets, which, along with no significant reserves of capital may result in liquidation of the company almost overnight.
Evaluation was made of each analyzed company to which extent the values of each of the above eight value groups characterize the pertinent company, where each of the value groups was marked by one of the values from Likert’s scale, i.e. pertaining to the degree that each of the value groups is characteristic of the pertinent company (1 = not characteristic at all; 2 = not characteristic; 3 = neither characteristic nor non-characteristic; 4 = characteristic; 5 = very characteristic). All organizational values which were stated as characteristic for certain organizations were also noted, and it was not necessary for these values to belong to one of the eight Batstone value groups. One of the important goals of this research was to determine which organizational values the leading companies in Croatia note as being characteristic for their business.

3. RESEARCH RESULTS

Our research has shown that of the 100 largest companies in Croatia six do not have their own official web pages, while 13 of them offer no information on their organizational values on their web pages. Therefore, 19 companies were not used for further analysis, i.e. only 81 companies were used to research organizational values. Furthermore, it was determined that of those companies analyzed, only slightly more than 25% have a formal statement on organizational values. On the other hand, mission and vision statements, as statements which have been standard organizational statements for a number of years, are present in more than 50% of cases. A little more than two thirds of analyzed companies keep other statements on their web pages from which one can extrapolate organizational values. Table 2 below shows the frequency of representation of statements containing information on organizational values on official web pages of analyzed largest companies in Croatia.

As is shown in Table 2, the analyzed organizations have only 26 value statements, 58 mission statements, 51 vision statements and 64 other similar statements that contained organizational values. Analysis and evaluation of organizational values in accordance with the Batstone model and the Likert scale have shown that in the largest Croatian companies which are customer related, followed by those aimed at employee value and those concerning the community. On the other hand, organizational value groups least present/characteristic for the largest companies in Croatia are leadership and governance, equality and diversity and transparency and integrity, as Figure 1 shows.

As is shown in Figure 1, the organizational value group least represented in the largest Croatian companies is transparency and integrity. As it happens, it is these exact organizational values which are increasingly important in modern business, since all stakeholders (interested and influential groups) need to be allowed access/insight into the company business. Such an approach breeds trust in stakeholders, and the company shows integrity and governance in their business. Such an approach breeds trust in stakeholders, and the company shows integrity and governance in their business. The second and third place from the top respectively belongs to valuing the worker and to community. This does not correspond to the actual state of matters, since in Croatian companies an ever growing number of employees is not paid regular salaries, companies fail to pay taxes and contributions, and the employees’ work is undervalued. Therefore, this value group also speaks more of declarative that actual values. The second part of the research analyzed all explicitly stated organizational values and concluded that 42 different organizational values were noted on official web pages of the 100 largest companies in Croatia. These were arranged in three groups:

a. Values pertaining to the company environment (commitment to customers, environment protection, community benefits, supplier benefits, sustainable development, complaisance, reputation, credibility);

b. Values pertaining to management and human potentials (creativity, innovativeness, teamwork, excellence, commitment to employees, responsibility, honesty, competence, ethics, uniqueness, respect, trust, initiative, integrity, professional conduct, safety, transparency, reliability, diversity, freedom of expression, learning, knowledge, ambition, equality, loyalty, personal development, winning spirit);

c. Values pertaining to management and human potentials (creativity, innovativeness, teamwork, excellence, commitment to employees, responsibility, honesty, competence, ethics, uniqueness, respect, trust, initiative, integrity, professional conduct, safety, transparency, reliability, diversity, freedom of expression, learning, knowledge, ambition, equality, loyalty, personal development, winning spirit);

Table 2: Representation of organizational value information in the largest 100 companies in Croatia

<table>
<thead>
<tr>
<th>Num.</th>
<th>Type of information</th>
<th>Frequency of information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Values statement</td>
<td>26</td>
</tr>
<tr>
<td>2.</td>
<td>Mission statement</td>
<td>58</td>
</tr>
<tr>
<td>3.</td>
<td>Vision statement</td>
<td>51</td>
</tr>
<tr>
<td>4.</td>
<td>Other similar statements</td>
<td>64</td>
</tr>
</tbody>
</table>

Figure 1: Dominant organizational value groups in the 100 largest companies in Croatia

Table 3: Organizational values according to their representation in the largest 100 companies in Croatia

<table>
<thead>
<tr>
<th>Organizational value</th>
<th>Number of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>commitment to customers</td>
<td>12</td>
</tr>
<tr>
<td>creativity</td>
<td>11</td>
</tr>
<tr>
<td>innovativeness, teamwork</td>
<td>10</td>
</tr>
<tr>
<td>work quality</td>
<td>9</td>
</tr>
<tr>
<td>excellence, environment protection</td>
<td>8</td>
</tr>
<tr>
<td>commitment to employees, responsibility, honesty</td>
<td>7</td>
</tr>
<tr>
<td>community benefits, competence</td>
<td>6</td>
</tr>
<tr>
<td>ethics</td>
<td>5</td>
</tr>
<tr>
<td>suppliers benefits, owner benefits, uniqueness, respect, trust</td>
<td>4</td>
</tr>
<tr>
<td>initiative, integrity, professional conduct, safety, transparency</td>
<td>3</td>
</tr>
<tr>
<td>sustainable development, reliability, diversity, freedom of expression, learning,</td>
<td>2</td>
</tr>
<tr>
<td>complaisance, knowledge</td>
<td></td>
</tr>
<tr>
<td>ambition, cost-effectiveness, flexibility, equality, loyalty, personal development,</td>
<td>1</td>
</tr>
<tr>
<td>winning spirit</td>
<td></td>
</tr>
</tbody>
</table>
c. Values pertaining to company efficiency and effectiveness (work quality, owner benefits, cost-effectiveness, flexibility, enterprising spirit, working conditions, tradition).

The above grouping of organizational values is aimed at analytical overview only, since the values are basically scattered and some of them show up only once. The overview of all explicitly noted organizational values is shown in Table 3, according to their representation in the total number of companies.

As can be discerned from Table 3, organizational value explicitly stated as the base value of the greatest number of analyzed companies is commitment to customers, which corresponds to the first part of our research - in which customer care was recognized as the dominant value group in the largest Croatian companies. The second most represented value is competitiveness, followed by innovativeness and teamwork. It should be noticed that only three companies listed transparency as their core value, while credibility was chosen by only one company. These results also support the results of part one and point to insufficient orientation of leading domestic companies to business transparency - which may be a syndrome of social and political surroundings these companies function in.

4. COMPARISON OF ORGANIZATIONAL VALUES IN CROATIAN AND FOREIGN COMPANIES

In this part of the paper we compare the results of our research with those of global organizational values research conducted in 2004 (Kelly et al., 2005). The goal of that research was to recognize organizational values in 30 countries of the world, which resulted in a leader board of most represented organizational values in world-level companies, as shown in Table 4.

As shown in Table 4, ethical behavior is the number one organizational value for those companies researched. The focus then switches to customers, employees, and teamwork while owner benefits are only in the fifth place. In comparison, Croatian practice shows that owner interest is number one, as proven by situations in which employees may work for months but not receive their salary, or that the salary is not appropriate for the effort and work efficiency of the employees.

Table 5 shows the ranking of organizational values in Croatian companies, where these are largely declarative values, as we have already declared. As Table 5 shows, according to declared values in Croatian companies, the leading value is commitment to customers; commitment to employees is eighth and honesty tenth. Several inconsistencies should be noticed on the leader board structure and rank: creativity and innovativeness are ranked second and third respectively, while commitment to employees is only eighth. It is unclear how creativity and innovation can be developed as values without care for employees. This confirms that organizational values of Croatian companies shown on web pages are truly just declarative.

If we consider Tables 4 and 5 we can see the differences in the structure and in the rank of organizational values which are often present in Croatian companies vs. those in foreign companies. For example, ethical behavior is most promoted in foreign companies while not even being present in the Croatian top ten; the Croatian list does contain honesty, but even that value is tenth. Similar situation is with commitment to employees, which is an imperative for foreign companies, while being a lot less important in Croatian companies.

5. CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

Research performed for this paper poses the question of recognition of organizational values in Croatian companies. However, since only accepted organizational values were analyzed, i.e. those for which the companies themselves state are characteristic of their business, it would be interesting to observe actual organizational values, i.e. those values which are actually characteristic of analyzed companies. Such research would be significantly more complex, since the recognition of true organizational values would ask for more than just the study of official web pages of a company; it would require a more detailed analysis of organizational values of each analyzed company. That analysis would include interviews with chosen managers, employees, buyers, even members of other stakeholders which could give their contribution to the recognition of actual/true organizational values of each company. Said limitation is indeed the largest one in this research, but at the same time it represents a recommendation for future research in which the researchers could compare the ‘usual’ (widely acceptable) and actual organizational values for companies being analyzed.

The next limitation pertains to the subjective system of evaluation of measures in which each analyzed company was regarded in accordance with Batstone’s organizational value groups. Future research could decrease the influence of this limitation by having more researchers assess the same organization, after which descriptive statistics would be used to merge the results of individual assessments. Additional explanation should also be given to research results shown in Table 3. Said table presents individual organizational values, although it would (also) be suitable to group them, as was performed in the previous step in the research (results shown in Figure 1). The reason due to which organizational values were shown individually in this case is of semantic nature, since the idea was to determine the use of individual words to describe organizational values, similar to the methodology used by Tian (2005).

The results of research shown in Tables 2, 3, 4 and 5 present a lot of questions about the value of business performed by the companies in Croatia. It would be interesting to perform the analysis of actual/true organizational values in the Croatian companies by industry sector, or to analyze organizational values of the most successful Croatian companies. These are only some of recommendations for further research, since it would be useful to continue research initiated in this paper.

In conclusion, we believe that the concept of organizational values is very relevant for the effectiveness of any organization. It would, therefore, be useful to identify organizational values of the most successful companies in Croatia, not only in order to find a good organizational value model, but also to confirm the purpose of organizational values in company business and development.
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Organizacijske vrijednosti gospodarskih organizacija u Hrvatskoj

Sažetak
Koncept organizacijskih vrijednosti već duže vrijeme zaokuplja kako teoretičare organizacije tako i praktičare. Na ovom su području osobito zanimljivi i korisni radovi koji se bave identifikacijom ili prepoznavanjem organizacijskih vrijednosti u stvarnim poslovnim organizacijama, budući da takvi radovi mogu biti od velike koristi u stvarnoj poslovnoj praksi. Naime, analiza vlastitih organizacijskih vrijednosti i usporedba s vrijednostima drugih organizacija u poslovnom okruženju može pomoći tvrtkama da dođu do novih ideja i ostvare neke inicijative i praktične projekte. Iako postoje određena istraživanja usmjerena na prepoznavanje organizacijskih vrijednosti poslovnih organizacija na globalnoj (i ponekad regionalnoj) razini, smatra se da bi analiza organizacijskih vrijednosti u hrvatskim tvrtkama bila zanimljiva i korisna za te tvrtke s obzirom na specifično poslovno okruženje u kojem djeluju. S tim se ciljem u ovome radu predstavljaju rezultati istraživanja organizacijskih vrijednosti u većim tvrtkama u Hrvatskoj te ih se uspoređuje s organizacijskim vrijednostima koje postoje u drugim tvrtkama širom svijeta.

Ključne riječi: organizacijske vrijednosti, tvrtke u hrvatskoj, usporedba organizacijskih vrijednosti

Dr. sc. Duško Pavlović, Draženka Ćosić, dipl. oec., Sanja Stojsavljević, bacc. oec.: Razlike u vrednovanju inozemne lokacije za izravna ulaganja

SAŽETAK
Posljednjih nekoliko desetljeća veliki broj zemalja, kako razvijenih, tako i onih u razvoju, uključio se u tokove inozemnih izravnih ulaganja. I dok su još do nedavno investicije išle gotovo isključivo od razvijenih prema razvijenim zemljama, od kraja 20. stoljeća zemlje u razvoju postaju sve značajniji ulagači u inozemstvo. Jedan broj zemalja imao je više uspjeha u privlačenju inozemnoga poduzetničkog kapitala od drugih. Postavlja se pitanje zbog čega i koji su najznačajniji čimbenici koje ulagači uzimaju u obzir prilikom izbora inozemne lokacije u koju će investirati. U radu se prezentiraju rezultati inozemnih istraživanja s tim u vezi i uspoređuju s rezultatima dva empirijska istraživanja koja su autori proveli u Hrvatskoj.

KLIJUCNE RIJEČI: inozemna izravna ulaganja, kapital, lokacije za ulaganje, investiranje.

1. UVOD
Interes je svih država da u razvoj svoga gospodarstva, uz domaću akumulaciju, privuku i što više inozemnoga kapitala jer su kapitalna opremljena poduzeća te ovladavanje suvremenim tehnološkim i upravljačkim znanjima, uvjeti bez kojih nema ravnopravnog uključivanja u ekonomske odnose s drugim, osobito razvijenim, državama. Postoji korelacija između priljeva inozemnih izravnih ulaganja i stupnja uključenosti nacionalnoga gospodarstva u međunarodnu razmjenu. Gotovo sve države različitim mjerama i instrumentima ekonomske politike potiču privlačenje inozemnih investicija. Uz investicije značajnu je ulogu imaju i drugi učinak uključivanja u međunarodnu ekonomiju. U svim zemljama postoji veliki interes za učinkovito uključivanje u međunarodnu ekonomiju u svim područjima gospodarstva.

U cilju privlačenja inozemnoga kapitala, osobito inozemnih izravnih ulaganja, mnoge zemlje izmjenile su zakonske odredbe omogućujući ulaganje u inozemstvu kako bi se gotovo isključili od tehničkih blokada u međunarodnoj ekonomiji. Uz usavršavanje pravnog okruženja i ekonomskih sredstava investitorima, postoji veliki interes za učinkovito uključivanje u međunarodnu ekonomiju u svim područjima gospodarstva.