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The bachelor's thesis work

Management and Organizations

**VALUES-DRIVEN MANAGEMENT AS PERCEIVED BY PERSONNEL  
ARVOLÄHTÖINEN JOHTAMINEN HENKILÖSTÖN KOKEMANA**

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## 1 INTRODUCTION

In the first chapter the background, purpose and scope for the study are described. Details of the research and the main concepts of the study are presented and research literature reviewed.

### 1.1 *Background of the bachelor's thesis work*

This bachelor's thesis work focuses on organizational values and especially on values-driven management as perceived by clerical employees in the organization. My starting point for the study is the recent research on the use of organizational values as a tool for improving organization performance. The implication of the research is that values-driven management can improve the internal and external success of an organization. The role of the leaders in building support and developing behaviours consistent with values-driven management is essential.

During my long period of employment in the object organization I have been participating in several discussions about organizational values. Usually people remember by heart some of the publicly announced values but the meaning of the values is unclear. "Values" as a word refers to something valuable – in this study I want to clarify how the values and values-driven management are perceived by the clerical employees at Stora Enso Imatra mills.

In scientific research the perceptions of empirical study can never be construed as results, but results can be interpreted as clues (Alasuutari 1999, 78). According to Alasuutari the clues are reviewed only from a certain, explicitly defined viewpoint, which is called theoretical framework (1999, 79). In my study the theoretical framework is built around the values in the core of organization culture. When the values are internalized by the leaders, it is perceived as values-driven management in the organization.

The subject of values-driven management is relevant in today's dynamic and complex organizations as stated by Dolan & Garcia (2001), Andersson (1997), Buchko (2006) and Järvensivu (2007). New economy challenges are different from traditional ones. Information technology is enabling versatile opportunities in several branches. In Finnish forest industry structural changes are going on and the companies have to reconsider also their values as well as their leadership concepts to be able to compete in global competition.

## **1.2 Purpose and the scope of the research**

Purpose of the study is to measure how the clerical employees perceive the values in the presentations of the middle-management in the object organization. Values are an essential part of organization culture and values-driven management is reflected in all activities of an enterprise. Theoretical part of the study describes the concept of values-driven management and how the values can be used as a management tool. By measuring the perception of values in the organization it is possible to find new information about the dialogue between the management and the personnel. The way the leaders behave is essential for the success of an organization.

Official values of the object organization are *Customer focus*, *Performance*, *Responsibility*, *Emphasis on people* and *Focus on the future*. Value perception of the clerical employees is described in the empirical part of the study. Clerical employees participated in the inquiry, where they were asked to answer to the five questions related values. The questionnaire was distributed in the information session, which was targeted to all clerical workers in the object organization. The purpose of the information session was to inform the participants about strategy and enable the free discussion and interaction throughout the sessions.

## **1.3 Concepts of the study**

The main concepts are *organization culture*, *values* and *values-driven management* studied by Argyris (1971), Rokeach (1973), Schein (1992, 1993), Collins & Porras

(1994), Juuti (1992, 1995), Andersson (1997), Blanchard & O'Connor (1997), Dolan & Garcia (2001), Buchko (2006), Mattila (2007) and Järvensivu (2007).

*Organization culture* is defined by Schein (1992, 12) as “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems”. Schein emphasizes that it is utmost important for the leaders to become conscious of the cultures in which they are embedded, because if they do not, the cultures will manage them (1992, 15).

*Values* are defined by Rokeach (1972, 124) to be “a type of belief, centrally located within one’s total belief system, about how one ought or ought not to behave, or about some end-state of existence worth or not worth attaining. Values are thus abstract ideals, positive or negative, not tied to any specific attitude object or situation, representing a person’s beliefs about ideal modes of conduct and ideal terminal goals”.

*Values-driven management* can be defined by three characteristics which are exhibited by values-driven leaders: 1) they lead by example, 2) they consistently champion the values, and 3) their key decisions are values driven (Harmon 1996, 272 – 273). According to Dolan & Garcia (2001, 103) value-driven management is becoming an overall framework for the continual redesign of the corporate culture. Järvensivu (2007) defines value-driven management as a process where an organization first determines the core values to follow and then implements various practices to increase value congruence in the organization (2007, 3 – 4).

#### **1.4 Research questions**

The main research question is the following:

- Are the official values of the company perceived as equally important in strategy related talks and presentations of the middle management?

Sub-questions are the following:

- Does gender affect clerical employees' value perceptions?
- Does work experience affect clerical employees' value perceptions?

### **1.5 *Presentation of the research object***

Stora Enso is a forest products company, which produces newsprint and book paper, magazine paper, fine paper, consumer board, industrial packaging and wood products. Its annual capacity is 13.1 million tons of paper and board and 7.5 million m<sup>3</sup> of sawn and processed wood products. Sales in 2007 was EUR 13.4 billion. Stora Enso has approximately 38 000 employees in more than 40 countries. The company shares are listed on Helsinki and Stockholm stock exchanges. (Stora Enso, 2008)

Stora Enso's Imatra Mills are situated some 250 km east of Helsinki in the town of Imatra on the southern shore of Lake Saimaa. Imatra Mills consists of two production units, Kaukopää and Tainionkoski. Imatra Mills employ around 2 000 people, of which around 650 are clerical employees. Kaukopää and Tainionkoski produce 1.1 million tons of board and paper annually, 90 % of the whole amount goes for export. (Stora Enso, 2008)

This study is made in Stora Enso Consumer Board business area, which is a market leader in primary fibre based consumer boards in Europe. Its production range consists of boards for consumer good packaging. Products are liquid packaging boards, cartonboards, cigarette boards, food service boards, graphical boards and complete packaging solutions. Consumer Board's total capacity is 2.7 million tons, of which one million tons is produced at Imatra mills. Other Consumer Board production plants are Baienfurt, Barcelona, Fors, Skoghall and Ingerois. (Stora Enso, 2008)

Stora Enso's mission is to promote communication and well-being of people by turning renewable fibre into paper, packaging and processed wood products. The vision of the company is to be the leading forest products company in the world. The official company values are the following:

- Customer focus - We are the customers' first choice.
- Performance - We deliver results.
- Responsibility - We comply with principles of sustainable development.
- Emphasis on people - Motivated people create success.
- Focus on the future - We take the first step. (Stora Enso, 2008)

## **1.6 *Research method and limitations***

The research method in my bachelor's thesis work is quantitative. The purpose of the empirical part of the study is to clarify if the clerical employees in the target organization perceive the official values of the company as equally important. It is examined, if there are significant differences between the perceptions of the values; as an example if performance is experienced to be more important than other values. The questionnaire aimed at the clerical employees includes five questions and it is to clarify also if gender or work experience affects the perception of values in leaders' verbal and written strategy presentations.

Organization theories and different leadership styles are not included in the study. The developing of leadership styles is reviewed only at general level in order to define how values-driven management is taking shape as a new approach in the evolution of management styles (figure 2). The effects of the values-driven management are considered from the clerical employees' point of view. The research does not tell how the official values are perceived by the personnel at their daily work.

## **1.7 *Structure of the bachelor's thesis***

After the introduction the study concentrates on the concepts of values and values-driven management in chapter two. Chapter two also reviews on vision, mission and working culture. Chapter three presents the research method, context and the reliability and validity of the research. Chapter four concentrates on survey material description, results and analyses. At the end of the research there are conclusions

including the answers to the research questions, self-assessment and critique of the study and the plans for the further study.

## **2 VALUES AND VALUES-DRIVEN MANAGEMENT**

Values and value processing in the organization form an essential part of this chapter. Value match between the superior and sub-ordinate is reviewed and values-driven management has been described from the personnel's point of view. At the end of the chapter mission and vision are integrated with values.

### **2.1 Values in the core of the organization culture**

*“Many companies in our industry have access to the same resources. We’re not any smarter. But, there is something about us that is helping us to be more successful. And, we believe it’s our culture, the way we operate, the way we do things. So, the more we can encourage this behaviour... the more we believe we’ll continue to be a success.”* (Laurie Price, Intel; in Harmon 1996, 145)

Above citation from Intel’s values champion Laurie Price indicates that any company’s success rests on the strength of its culture. At the heart of the organization culture there are fully or partially defined values. But during a rapid growth or crisis, stressed leaders can easily shove values aside (Harmon. 1996, 145)

Rokeach (1973) has defined values as a belief, according to which a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite mode of conduct or end-state of existence (1973, 5) Rokeach separates values in terminal values and instrumental values. Terminal values can be divided in personal and social values and instrumental values in moral and competence values (1973, 7-8)

Typical values, norms and assumptions are common to the community and are situated in the core of the organization culture (Juuti 1995, 72). The values affect how

we interpret our surroundings, what kind of objectives we prefer and what kind of means we use to achieve our targets. Organizational values are connected to the society and they reflect societal and cultural values. (Juuti 1992, 66)

After Schein (1993) the characteristic for an organization culture is that a certain group shares certain things or values and keep them as common. These kind of common things are e.g. the regularities in people's behaviour, language, habits, routines and traditions. Mutual norms, indirect standards and values are often developed in different work groups. The official objectives like the quality of the product or price leadership are perceived as shared assumptions – as well as the declarations headed to shareholders, employees, customers or other stakeholders. (Shafritz & Ott 2001, 372)

Schein (1992) reminds that the values in organization culture are something which can be discussed and which people can agree or disagree about. Basic assumptions are taken so for granted that someone who does not hold them is viewed as crazy. At the surface of an organization there are artifacts, which include the phenomena that one sees, hears and feels. (1992, 16 - 17) Figure 1 is describing the levels of culture, where values have a central position. Espoused values are the ones, which should be seen in strategies and goals of an organization.

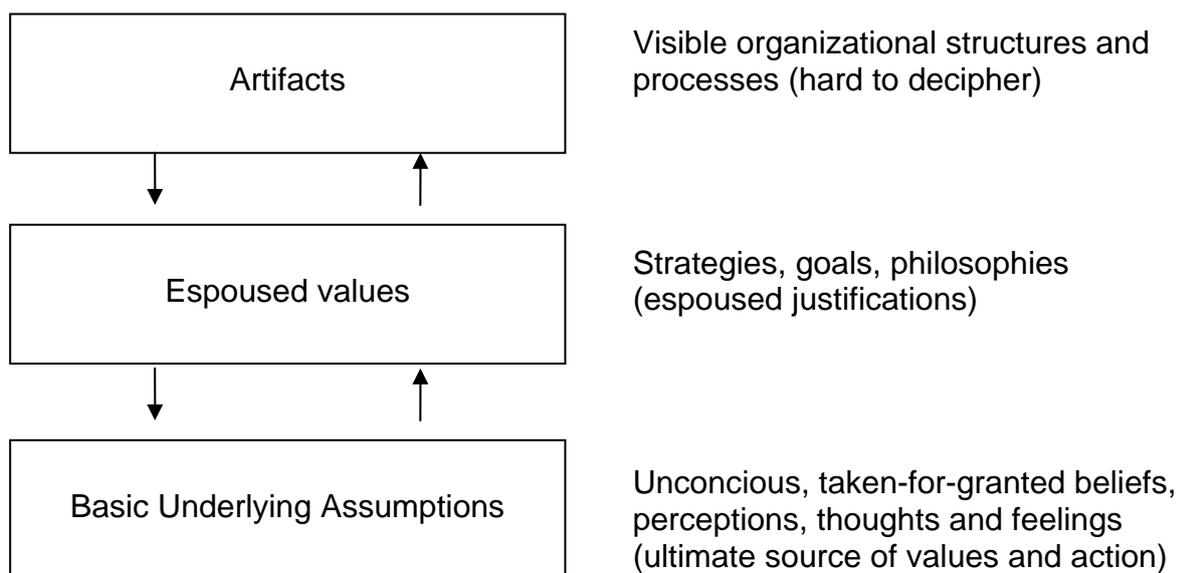


Figure 1. Uncovering the levels of culture (Schein 1992, 17).

According to Schein cultures basically spring from three sources, which are; 1) the beliefs, values and assumptions of founders of organizations; 2) the learning experiences of group members as their organization evolves and 3) new beliefs, values and assumptions which are brought to the organization by new members and leaders. The most important of these is the impact of founders. (1992, 211)

Buchko (2006) sees it important to differentiate the organization values and organization culture from each other. While the values are the beliefs the culture is the representation of certain key underlying beliefs. Culture demonstrates the values to organizational members and to outsiders in visible ways. (2006, 38)

Stähle et al. (2002) are reviewing path-dependent capabilities in the organization through norms, values and visions. Organizational members internalize norms, values and visions as a tacit knowledge and at the same time create organizational culture in the continuous learning process. (2002, 73)

Successful companies can easily identify the core values, but there are always a few that a company holds above the rest in concept and practice. An endless list of positive traits loses vitality. Core values have to communicate clearly what managers must protect and enhance to ensure future success. This requires choice between what matters most and what is not so important. It is also important to recognize the challenges coming from the markets, the environment and the competition in order to be able to adjust or change the values. As integrated strategic planning moves to the next level, emerging values have to be taken into account. (Harmon 1996, 66) This is now utmost important, when structural changes and reengineering are taking place in many companies, Stora Enso included.

A formal statement of values should be made to legitimize value choices. Organizations are built based on value choices cemented in the framework of ethical principles. Value statement is the most fundamental organization document which should be used to maintain stability, trust and teamwork, because what is expressed in value statement is central to the organization's character. Mission statements can be changed, but value statements should remain stable over time. Stakeholders would accept changes in products and markets more quickly than they would accept

changes in fundamental values of the company. The first step in implementing values-based management is writing down the organization's value choices. The values statement is above and precedes the mission statements, corporate plans and other goal setting approaches. (Andersson 1997, 36)

## **2.2 Value processing and value perception in the organization**

Organizational values are defined as beliefs of organization actors. Values help people to choose the correct way of action in different situations. Leaders and organization developers have studied the significance of the values as the performance increaser. Collins and Porras (1994) have noticed that speaking of core or common values characterize the successful companies. Shellenbarger (1999) has questioned the meaning of values as a success factor. Andersson (1997) and Blanchard et al. (1997) have stated the organizational values to be a significant strength in the leadership of big companies.

According to Shapiro (1999) real values are an enormous asset for a business, but often organizations use consultants to undertake a values generation exercise and it usually ends up with what Shapiro calls "corporate elevator music" meaning background noise, which can become irritating to personnel or become totally ignored. If there is no real passion behind the values, the employees can be made cynical with all sorts of value documents. Another danger is that company's values may become a barrier to needed change. Companies must operate effectively at combining of their values and market realities. People who are strongly values-driven are often putting so much energy into spreading the message of the values, that they forget the importance of the business. (Lloyd & Shapiro 1999, 48)

Andersson (1997) represents the value research of late 1990'ies bringing up the effect of values-driven leadership on the company's economic success. In spite of the discussion in the media and academic press, the connection between value judgements and economic success is still unclear. The compatible value choices can be seen in all operations of the company: shareholders expect profit on the capital invested, employees want a safe workplace and career development, leaders seek

for growth and industry leadership, government regulators insists minimal pollution, safety, work opportunities and tax revenues. Ethical headache of the leaders is to find a balance between the value choices – when one benefits, another suffers. There is no simple solution. Through values-based management it is possible to lay a ground for a high growth organization, in which individual performance improves and drives economic success. (1997, 25)

Järvensivu (2007) is reviewing the values-driven management in strategic networks. The purpose of Järvensivu's study is to increase the understanding about how the values of the member companies in strategic networks promote or hinder the functionality of the network and how the strategic networks can be lead by values. In his dissertation Järvensivu creates a new definition for values-driven management in networks. According to the definition the functionality of the network is promoted by accepting and understanding the fact, that partly similar and partly different values inevitably sometimes promote and sometimes hinder the success of the co-operation.

### **2.3 Superior and subordinate value match**

Bringing people together or giving them more influence on decision making does not yet guarantee the effectiveness of their problem solving and their commitment to the decision. People in our society are programmed to behave in a certain way. When people are together they tend to create ineffective relationships and group dynamics. It is quite normal, that they are blind about their own contribution but aware of the contribution of others to the ineffectiveness. Usually they do not express their views openly – and if they do, they do it in a manner, that causes more difficulties. (Argyris 1971, 135 – 136)

Why it is so difficult to learn to behave more competently with other human beings and groups? First, because the concept of interpersonal competence is deeply built in us and it is strongly supported by society, being one key to organizational success. People tend to succeed in the organizational world if they show some degree of

interpersonal incompetence and equivalent blindness to this incompetence. In addition to this people find the re-educative process frustrating and embarrassing. They have great difficulty because the behaviour that is labelled as competent has to be accepted by the society. (Argyris 1971, 187)

Brown (1976), Appley (1974), Herzberg (1974), Mankoff (1974) and Mills (1975) have studied the meaning of values as motivation increaser (Ref. Brown 1976, 15). Rokeach (1973) has developed a system for the measurement of values between the superior and the subordinate. Rokeach value measuring instrument is designed to elicit information about values that the respondent would be willing or even eager to admit. (1973, 27) Few instruments have been developed for the measurement of values. In addition to Rokeach value survey, there are Parson's (1951), Kluckhohn's (1956), Scott's (1965) and Allport, Vernon & Lindzey's (1936) tests, which are planned for measuring the values in student communities and are not suitable for measuring values in work communities. (Ref. Brown 1976, 15)

Value conflict can be born in many ways. There may be differences in way of doing the work, some of us want to consider things carefully before making a decision, others want to proceed rapidly. It is often asked, if the personal values and the values of work community have to be the same. Usually they are not - and they do not have to be similar. But it is important that there is not an offending conflict between the two values. The values are directly connected to the ability at the work. (Aaltonen & Junkkari 2000, 136)

#### **2.4 Definition of values-driven management**

According to Järvensivu (2007) the values-driven management means that the internal functionality of the organization is improved by choosing the core values and promote the cohesion of these values in every level of the organization (2007, 3).

Dolan & Garcia (2001) have found out, that the leadership models, which have dominated in 1900's, are not sufficient any more. Leaders' most important task is to develop the personal and professional potential of organization members. Dolan &

Garcia present three leadership styles, which have dominated in 1900's: Management by Instructions (MBI), Management by Objectives (later MBO) and Management By Values (MBV). The leadership styles have developed from MBI to MBV as a result of the increasing challenges of the recent decades as described in figure 2. It is proposed, that the evolution is the consequence of the appearance during recent decades of four organizational trends that force organizations to adapt in order to stay competitive in more demanding and unpredictable markets. (2001,103 - 104)



Figure 2. Evolution of three ways of managing companies (Dolan & Garcia 2001, 104).

The challenges can be seen in the competitive environment of the companies as the following four trends, which are also inter-connected:

- Quality and customer focus are emphasized.
- More professionalism, independence and responsibility is required from the employees.
- Leadership is developed to coaching.

- Organization structures are becoming lower and more flexibility is needed. (Dolan & Garcia 2001, 104)

Both MBI and MBO have turned out to be insufficient leadership styles. Enabling the values in leadership, MBV, is becoming a strategic leadership tool. MBV is said to fit in complex organizations, where the above-mentioned four challenges have to be met. With the help of MBV the daily work performance is headed to the achievement of the strategic vision. This increases the motivation and commitment of the employees. (Dolan & Garcia 2001, 102)

MBV makes it easier to include also ethical and ecological principles into the strategic leadership and to the overall operation of the companies. Talking about business ethics is often seen threatening and restrictive, even if it enables the achievement of competitive advantage and success. (Dolan & Garcia 2001, 102)

MBV can be divided in two basic elements:

- MBV is a strategic leadership tool: *"MBV is a new way of understanding and applying knowledge per ideas advanced by behavioural sciences ever since the middle of this century."* (Dolan & Garcia 2001, 103)
- MBV is based on values: *"True leadership is, at its most fundamental, a dialogue about values."* (Ibid)

Increasingly higher quality and better performance is expected from more and more professional work community. Then the qualitative factors and values like responsibility, creativity and honesty become as important as effectiveness or return on capital. Organization, that sincerely approves and shares the values can more effectively enable the creativity and complexity and tolerate uncertainty. (Ibid)

The objectives of an organization are perceived sensible only, if they result from the specific, commonly approved beliefs and values. The employees should be able to participate in defining the targets. Table 1 describes, how values are concretized into actions through objectives. (Dolan & Garcia 2001, 106)

Table 1. Values, objectives and action. Dolan &amp; Garcia (2001, 106).

	<b>Essence of concept</b>	<b>Position in a "decision-taking – action" sequence</b>	<b>Example</b>
<b>Values</b>	"This is how it should be"	Initial strategic choice. Founding or constitutional character	Quality first and foremost
↓			
<b>Objectives</b>	"This is what we are going to achieve"	Intermediate instrumental purpose	Comply with ISO 9001 quality standard, within one year
↓			
<b>Reality</b>	"This is what we have achieved"	Observable consequence after the action has been taken	Issue of official quality certification

Talking about the significance of the values in leadership does not mean, that the objectives should be forgotten. MBV makes the execution of the objectives easier and the shared, common values become the critical success factors. (Dolan & Garcia 2001, 107)

Buchko (2006, 36) has studied, if the behaviour of the managers has a correlation between the behaviour of subordinates in the organization. A quantitative study in a big production plant in the USA was made (2006, 41). As a result of the study there was found a clear correlation: foremen recruit or elevate the subordinates, whose values and behaviour tend to be similar than the foremen themselves. Subordinates were noticed to change their behaviour according to the expectations of the foremen and according to the feedback they received from the foremen. (2006, 47)

Harmon (1996) reviews on three common characteristics, which values-driven leaders exhibit whatever their industry, wherever they work: *they lead by example, they consistently champion the values and their key decisions are values driven.* Values-driven leaders define values in the context of where they work, they set standards, first for themselves and then for their team. They try to search opportunities to link values and performance. At first the effort is conscious, but over time it becomes an unconscious habit. (1996, 272 – 273)

## **2.5 *The effect of values-driven management on personnel***

Buchko (2006) asks, what determines the behaviours of the people in the organization. One important factor is the organization's values, the shared beliefs that influence behaviours. There are naturally many other factors which influence individual's behaviours like attitudes such as commitment, satisfaction and basic human needs. (2006, 39)

Argyris (1971) found that managers and executives hold three values (internalized commands) about effective human relationships. They are:

1. The significant human relationships are the ones, by which the organization is able to achieve its objectives. (1971, 10 – 11)
2. People are most effective when they are rational. They are least effective when they express feelings and emotions. (Ibid)
3. Human relationships are most effectively influenced through unilateral direction, coercion and control. (Ibid)

Mattila (2007, 199) shows in her study the dilemma, which can be seen between the words and the deeds: the importance of organization values is emphasized in official talks and statements, but the perceptions of the personnel are mixed. Mattila emphasizes the importance of management acting as an example. It is also important that the personnel participates in value definition and dissemination processes. (2007, 208 - 209)

Harmon (1996, 40) points out, that values can be used to give direction to the work of employees, because values energize people.

## **2.6 Formulating the vision, mission and working culture**

Terminal confusion exists among vision, objectives, mission, goals and ambitions. Every culturally structured company should have explicitly defined two important group of values which guide its day-to-day working objectives:

1. The basic values associated with company's vision (Where are we going?) and its mission (Why does the company exist?). (Dolan & Garcia 2001, 111 – 112)
2. The operating values connected to the organization's way of doing things, to meet the challenges of its industry and markets, and integrate its internal tensions to achieve its vision and mission. (Ibid)

As an example the mission of the company may be to make certain profits (a basic value), and the standard quality may be a key means to achieve such profits (an operational value). Differentiation between basic and operational values is extremely important for defining the strategy. Values that are integrated in future vision guide the essential choices of the company. (Ibid)

Another set of basic values are integrated in the mission. Every company has a double mission: an economic and the other social. The social mission is dependent on the economic one. When the economic mission is to be profitable, the social mission concerns the aspects like human resources, provide employment etc. (Ibid) An accurate mission means understanding technologies, markets, industry and competitive dynamics, and the motives of the people, who are expected to share them (Andersson 1997, 36)

For the individuals in the operating work environment the values have to be equivalent to the regulations of the daily conduct to achieve the vision and mission of the company: mutual trust, customer satisfaction, honesty and teamwork. (Dolan & Garcia 2001, 111 – 112)

The practical implementation of values-based management needs the consideration of how to fit all the ideas together. Having the strategic values explicitly formulated does not only increase internal coherence in the company but the values create confidence at the customers and get them closer to identify with the company. (Ibid)

## 2.7 *Managing values to achieve the strategic vision*

The essential benefit of values-based management from the strategic point of view is that values regulate the daily work processes taking the company from its current position towards its future vision. In figure 3 the idea of management of change refers to the legitimization of the resources (people, time and money) in a strategic architecture bridging the gap between the vision and the current reality. Values work like the skeleton or framework of this structure. (Dolan & Garcia 2001, 115) It is the duty of the transformational leaders to legitimize the deployment of resources aimed at building on strengths and correcting weaknesses and realizing the vision of where the company is going (Dolan & Garcia 2001, 113).

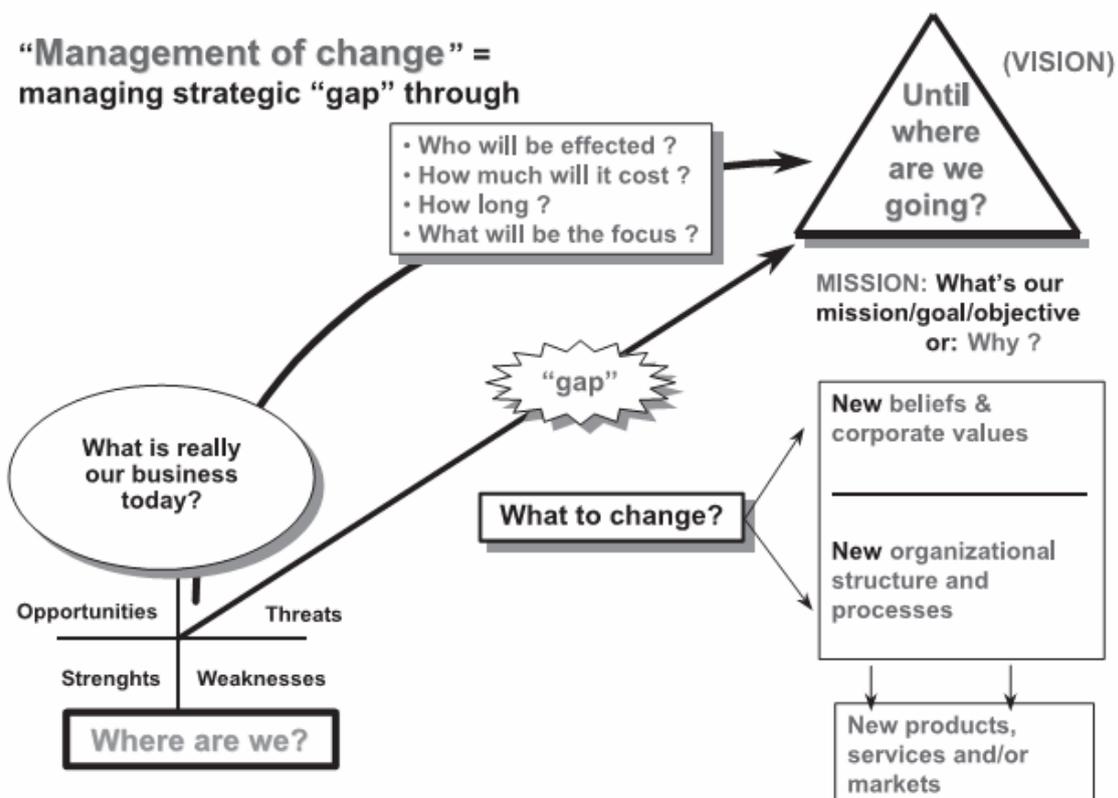


Figure 3. Parameters for managing organizational change (Dolan & Garcia 2001, 113).

## **2.8 Two hypotheses on the impact of gender and work experience**

The objective of the research is to solve a problem. The starting point for the research in quantitative study is the hypotheses concluded from theory. Theoretical framework and the set-up of research questions guide the choice of the material and research methods. The accuracy of the hypothesis is tested empirically. (Alkula 1995, 15)

Previous research on differences of attitudes between genders has mainly concentrated on ethical differences and not much on values differences. Eaton & Giacomino (2001) investigated whether gender differences impact on personal values. They claim that the interest on moral and ethical behaviour in business is increasing. Eaton & Giacomino (2001, 221) applied the Musser and Orke Typology to a sample of business students and a sample of business managers by using the Rokeach Value Survey, where 359 respondents were asked to provide their gender in addition to ranking the values. Gender differences were examined by performing t-tests. Eaton & Giacomino (2001, 222) found significant differences in the personal values of women and men. Thus,

Hypothesis 1: Value perceptions differ by gender.

In addition to gender differences Eaton & Giacomino (2001, 225 – 226) also tested value classification differences between business students and managers by using Pearson chi-square test. According to the study of Eaton & Giacomino work experience impact females' values more than males' values and this difference is more related to social values than moral values. The differences were statistically significant for social values, but not for moral values.

According to the Musser and Orke typology (Eaton & Giacomino 2001, 218) social values focus on others like "equality", "freedom", "national security" and the moral values describe moral means to attain goals like "forgiving", "helpful", "honest" and

“polite”. Stora Enso’s official values focus on others and can be compared to social values. As stated in the previous chapter, Eaton & Giacomino has interpreted that work experience impacts on perceptions of social values, thus:

Hypothesis 2: There is correlation between the work experience and social value perceptions.

In quantitative study it is possible to describe the structure of a certain phenomenon and test the correlation and dependencies between the parts. (Alkula 1995, 22) The testing of hypotheses 1 and 2 will be performed in chapter four.

### **3 RESEARCH**

In this chapter the choice of the research method is presented as well as research context and steps. Reliability and validity analyses are introduced in general and related to this study.

#### **3.1 *Choice of the research method***

Survey method is the structured way of gathering the material with the help of a questionnaire. Both material gathering and the analysis methods keep continuously developing in accordance with information technology. Survey method is workable, when the effectiveness and economy is needed and when the information need concerns the attitudes and opinions of a big number of people. (Alkula et al. 1995, 118 – 119)

The information, which has been gathered by survey method, has been criticized for being superficial. When choosing a ready made option in a questionnaire, there is always some contingency and miscalculation involved. It is easier to gather reliable information about the matters that are related to respondents’ daily routines and experiences. (Alkula et. al. 1995, 121)

### **3.2 Research context and steps**

There were a plenty of favourable factors for making the study in September 2007. The clerical employees of Imatra mills were invited to spend a day out of the office and hear about Stora Enso's strategy in Imatra mills and in Consumer Board business. The personnel had an opportunity to fully concentrate on the presentations, interact and discuss with each other. The questionnaires were presented, distributed, fulfilled and gathered during the day.

The clerical employees had participated in similar strategy information sessions also in previous years and they already had some earlier knowledge about the strategy, values and the contents of the day's presentations. The reason for choosing just clerical employees as a target group is, that I also personally represent the same group and was interested in studying value perceptions of "my people". This may also have affected a good participation percentage.

Personnel's value perception were studied by quantitative research methods. The semi structured survey questionnaire was distributed to the clerical employees of Stora Enso Imatra Mills on September 6<sup>th</sup> and 13<sup>th</sup>, 2007. The sessions were arranged for the clerical employees to inform them about the vision and strategy of the mill and the business segments. Twelve managers representing the middle management were giving the presentations. The questionnaire consisted of 17 questions, five of them measured value perception. Background variables were gender, age and work experience. The questions were presented in Finnish, because all the respondents were Finns. (Enclosure 1) Participants were asked to rate the value perceptions on a scale from 1 (poorly) to 5 (well). Altogether 445 clerical employees participated in the two sessions and 366 persons answered the questions. Participation percentage was 82 %.

The purpose of the survey was to find out, if gender or work experience affects value perception in verbal and written strategy presentations of the middle management. This was cleared up by quantitative analysis. The material was first entered in Webropol program and then transferred to SPSS 15.0, where statistical analyses were performed.

### **3.3 Reliability and validity**

Reliability and validity together form a *total reliability* of a barometer. Validity is defined as a barometer's ability to measure promptly what it was meant to be. Poor reliability is decreasing the total reliability of the barometer, but not the opposite: the reliability is not dependent on validity. (Alkula et al. 1995, 89)

In survey questionnaire the questions have to be similar to all of the respondents. The aim is that the questions are as close as possible to respondents' everyday life. The reliability of different kind of information varies a lot. It is easier to get reliable information about respondent's age or gender than his/her attitudes towards a certain matter. (Alkula et al. 1995, 128-129) In this study the reliability of the survey was checked by Cronbach's alfa, which is the most general way of estimating the reliability of the barometer in quantitative research methods. According to Alkula (1995, 99) Cronbach's alfa should preferably be over 0.7. In this research the figure is 0.774 implicating a good reliability of the study. (Enclosure 2)

Validity is a result from researcher's knowledge around the subject, earlier studies and general logics, by which the researcher tries to convince him/herself from the rationality of the chosen indicators. Validity can be reviewed from different viewpoints (content, criterion, construct) and the theoretical framework of the study defines, how the concepts are to be specified. (Alkula et at. 1995, 89 - 91)

## **4 RESULTS AND ANALYSIS**

In chapter four the material for the empirical part of the study is described and the statistical analyses related to research questions are presented. Hypotheses were set up based on earlier research.

### **4.1 Material description**

There were 366 returned questionnaires, of which eight were sorted out because they included unclear or missing data. 358 responses were taken into the final

analysis. Gender and work experience were chosen as independent back ground variables and the five value questions (Customer focus, Performance, Responsibility, Emphasis on people and Focus on the future) were chosen as dependent variables. The distribution of material in variable groups “gender”, “work experience” and “emphasis on people” was normal, but in negatively skew in groups “customer focus”, “performance”, “responsibility” and “focus on future”. The skew distributions are not recommendable in statistical testing, but because all the responses wanted to be taken into study, no logarithmic or other transformations were done. The distributions were taken into account when SPSS tests were chosen. Histograms are presented in enclosures 3 and 4 and skewness values in enclosure 5.

Respondents’ gender distribution is equal as shown in figure 4.

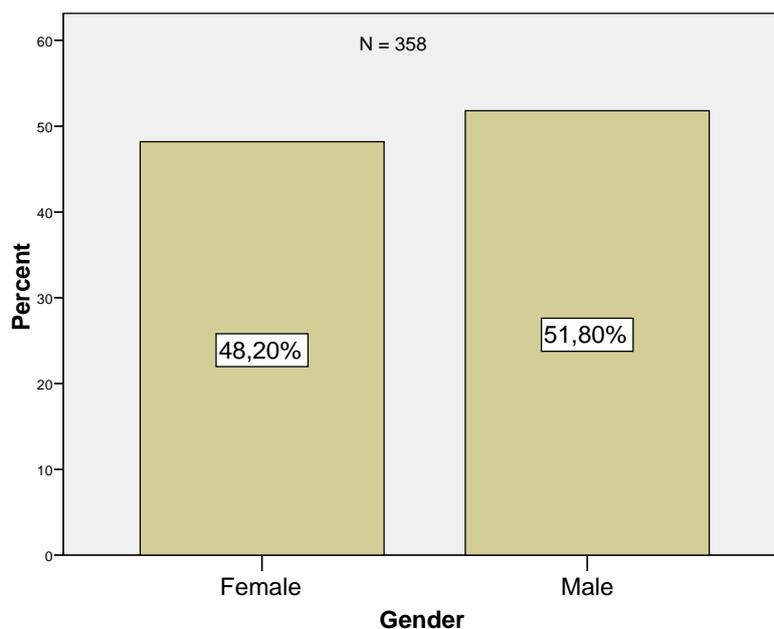


Figure 4. Respondents’ gender distribution.

Work experience at Stora Enso was emphasized on the clerical employees, who had been working for the company over 20 years. Their share of the total respondents was 43,6 % (figure 5). In spite of the skewness of the data, work experience can be defined normal distributed (enclosure 3).

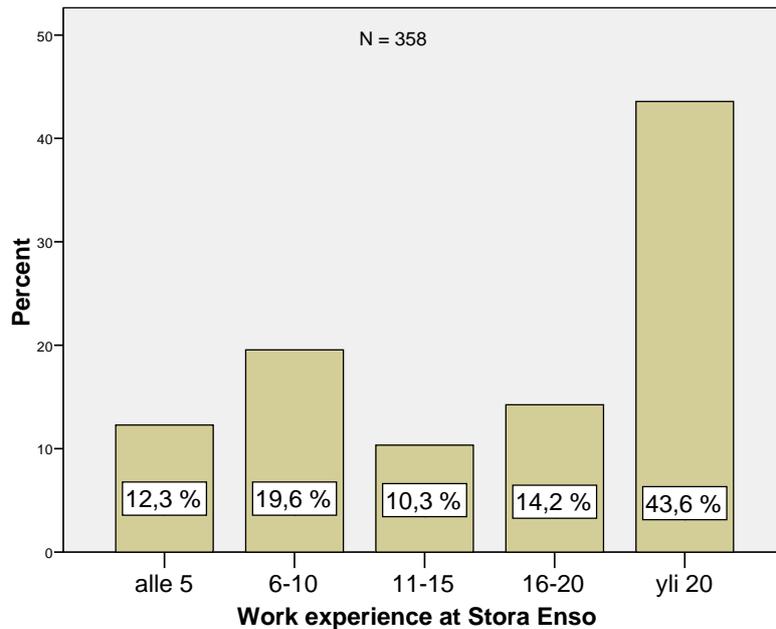


Figure 5. Respondents' work experience at Stora Enso.

#### 4.1.1 Perception of the official values

Perception of the official values were measured by comparing the mean values of the five questions in the survey. As can be noticed from table 2 the official values of the company were not perceived equally important and visible in the presentations of the middle management. Customer focus (mean = 4.24) and Performance (mean = 4.20) were perceived as strongest values and Emphasis on people (mean = 3.08) the poorest. Responsibility (mean = 3.85) and Focus on the future (mean = 3.67) were perceived rather similarly. The biggest deviation appears to be in Emphasis on people and the smallest in Customer focus and Performance.

Mean values vary from 3.08 to 4.24, which indicates satisfactory-good perception of official values in the research group. The responses "can not say" were scaled as 3, but because there were only few "can not say" responses, their significance in the whole study was small. The perceptions by each value and the histograms are found in enclosure 4.

Table 2. Descriptive summary statistics of value perceptions.

Value perceptions, summary								
						Percentiles		
	N	Mean	Std. Deviation	Min	Max	75th	25th	50th (Median)
Customer focus	358	4,24	0,99	1	5	4,00	5,00	5,00
Performance	358	4,20	0,99	1	5	4,00	4,00	5,00
Responsibility	358	3,85	1,07	1	5	4,00	4,00	5,00
Emphasis on people	358	3,08	1,33	1	5	2,00	4,00	4,00
Focus on the future	358	3,67	1,18	1	5	3,00	4,00	4,00

#### 4.1.2 Test of hypothesis 1: Gender impact on value perceptions

In chapter three it was stated that Eaton & Giacomino (2001, 222) found significant differences in the personal values of women and men. In my study the effect of gender on value perceptions was tested by Independent samples t-test and Mann-Whitney test. According to t-test there was no correlation between the gender and value perception of Emphasis on people ( $p = .60$ ). According to Mann-Whitney test no correlation was found between the gender and value perceptions of Customer focus ( $p = .51$ ), Performance ( $p = .45$ ), Responsibility ( $p = .10$ ) and Focus on the future ( $p = .80$ ).

In summary, it appears from this analysis that value perceptions do not differ by gender at Imatra mills and the hypothesis 1 was disproved (Enclosures 6 and 7).

#### 4.1.3 Test of hypothesis 2: Work experience impact on value perceptions

In chapter three it was interpreted by Eaton & Giacomino that work experience impacts on perceptions of social values. In this study the correlation between work experience and value perceptions was tested by Spearman's test. No significant correlation was found between the work experience and value perceptions of Customer focus ( $p = .18$ ), Performance ( $p = .42$ ), Responsibility ( $p = .11$ ), Emphasis on people ( $p = .67$ ) and Focus on the future ( $p = .72$ ).

As a result from from this analysis work experience did not impact on value perceptions at Imatra mills and the hypothesis 2 was disproved (Enclosure 8).

According to Schein (1992, 211) the beliefs, values and assumptions of founders of organizations play the most crucial role in creating the organizational cultures. It can be concluded, that value perceptions of experienced workers are important for the development of a good organizational culture.

## **5 SUMMARY AND CONCLUSIONS**

In this chapter the study outcome and the answers to research questions are summarized. Also self-assessment and options for further study are presented.

### **5.1 *Research questions***

The main research question was, if the official values of the company are perceived equally important in strategy related talks and presentations of the middle management. The sub-questions were, if gender or work experience affects value perceptions.

The overall results of value perceptions were positive. It could be forecasted, that Customer focus and Performance are to be perceived as the strongest values in a listed company like Stora Enso. Responsibility was perceived somewhat better than focus on the future. Emphasis on people was perceived as the weakest value. Maximizing of the shareholder value in the company can be clearly seen in value perceptions (table 2).

In spite of the presupposition and hypotheses based on earlier research, gender or work experience did not affect value perceptions at Imatra mills. Before starting the study I had pre-thoughts like: “emphasis on people could be more important for women than men” and “longer work experience could be a separating factor in value perceptions”. Because almost half of the clerical employees have been working over 20 years for the company, their responses have dominating effect on the results.

The conclusion of the research is the official values of the company are perceived rather well in strategy related talks and presentations of the middle management by the clerical employees at Imatra mills. All the values are not perceived as equally important; Customer focus and Performance are perceived as the strongest and Emphasis on the people as the weakest value. According to the research gender or work experience do not affect value perceptions.

As stated by Alasuutari (1999, 78) the perceptions of empirical study in scientific research can never be construed as results, but they can be interpreted as clues. The clues are reviewed only from a certain, explicitly defined viewpoint, which is called theoretical framework (1999, 79). In my study the theoretical frame work was built around the values in the core of organization culture. When the values are internalized by the leaders, it is perceived as values-driven management in the organization.

The four trends which Dolan & Garcia stated in chapter 2.3, can be found in the operation of Stora Enso Imatra mills. Quality and customer focus are of the utmost importance and the employees are independent, professional and responsible for their own input. The leaders work as coaches. Organization structures have been lowered and the work is performed in teams.

## **5.2 Self-assessment and critique of the study**

Making the inquiry, proceeding with the material through Webropol and SPSS programs and performing the analyses have been a versatile learning process. I started the work by combining the theoretical framework and the empirical part at the beginning of the study. The aim was to clarify, if the values are disseminated to the personnel by values-based management. As a result of the research the answer is yes - but this study can work only as a starting point for possible future studies about values and values-driven management at Imatra mills. This study does not tell yet, how the values are perceived in daily work of the organization. As Mattila (2007, 199) showed in her study that there is a dilemma between the words and the deeds: the

importance of organization values is emphasized in official talks and statements, but the perceptions of the personnel are mixed.

The study around values has been interesting because of my work experience in the object organization. I have been involved in strategy process for several years and have been preparing the presentation materials for the strategy information sessions. It was interesting to realize, how the clerical employees feel about the values in official speeches and presentations of the management. The end result was a positive surprise.

According to Alkula (1995, 20) quantitative study is always a part-study, which describes the research object only at abstractive level. Because values are related to the behaviour representing a person's beliefs (Rokeach 1972, 124) it would have been interesting to interview some of the clerical employees in order to get deeper understanding about the subject. By the qualitative research also the causal relations would have been enabled and the versatility of the study would have increased. These considerations give a good basis for further research of values and values-driven management in the organization.

### **5.3 Options for the further study**

Recent media discussion around Stora Enso and other Finnish forest companies has concentrated on corporate social responsibility. Stora Enso closed Summa mill at the end of January 2008 and Kemijärvi pulp mill will be closed later in the spring 2008. I doubt that if I made a similar survey at Imatra mills now, the results would differ from September 2007. The image of Stora Enso as a reliable employer has changed in quite a short period of time. Values-driven management in today's forest industries is really a challenging issue.

I have preliminary plans to study values-driven management from corporate social responsibility point of view in my master's thesis. Corporate social responsibility is an actual subject in today's forest industry. According to Harmon (1996, 145) during a crisis stressed leaders can easily shove values aside even if any company's success

rests on the strength of its culture. Further mill closures can be expected in Finnish forest industry if the conditions remain the present. Russia is going to substantially increase customs duties on wood exports and Finnish paper mills are facing problems to compensate wood shortage with supplies from other countries or to increase logging in Finland. The structural change in European forest industry is self-explanatory if there will not be a turn-up in the customs duty negotiations between EU and Russia. The companies will have to optimize their profit and concentrate future operations on core businesses, which will mean more difficult decisions and uncertainty about the future. As Andersson (1997, 26) stated, value choices have a specific place in making ethical decisions: one group will always be harmed while another will benefit.

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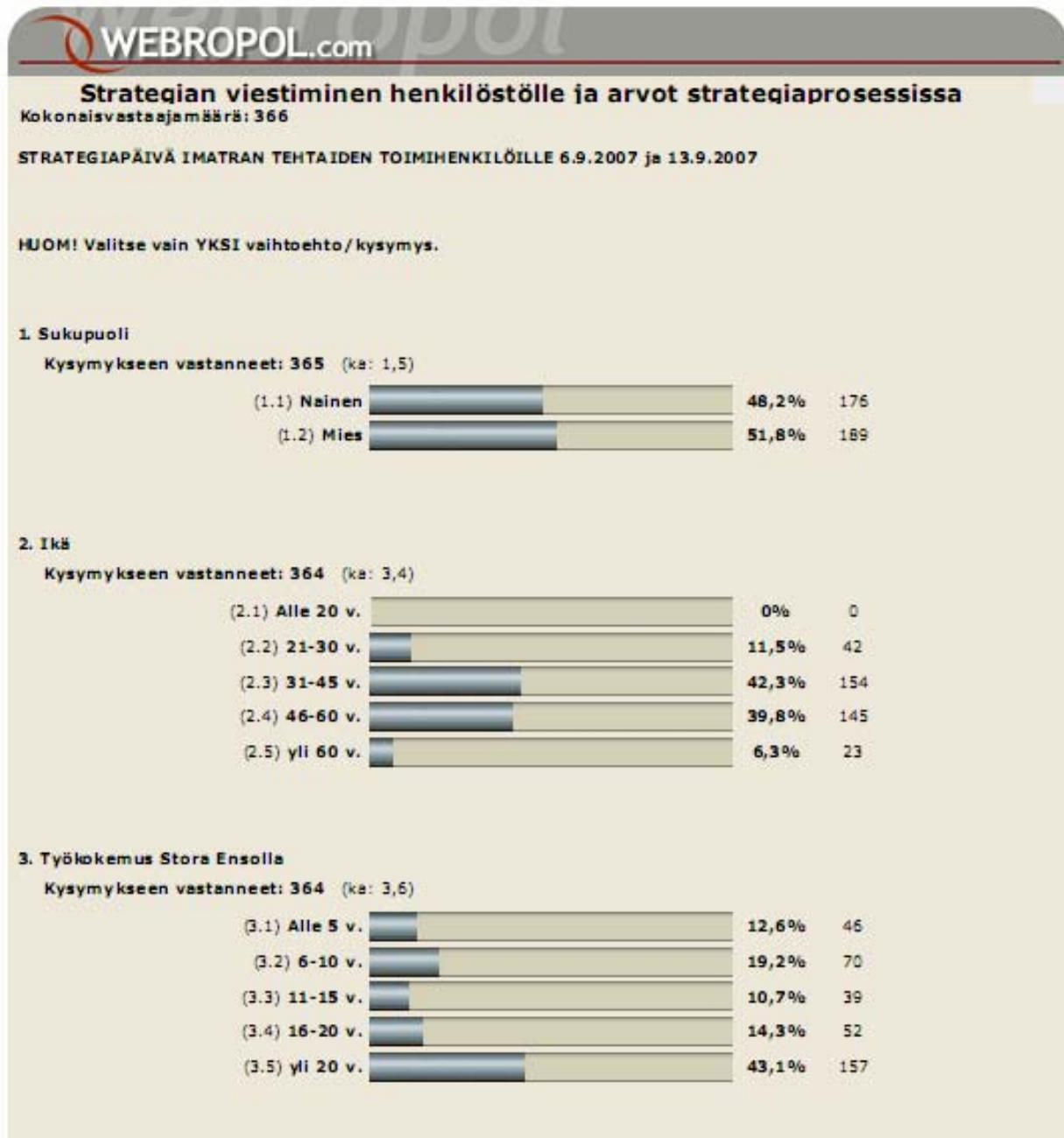
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## ENCLOSURE 1: SURVEY QUESTIONNAIRE, RESULTS

Include parts used in this research.



#### 12. Koen, että ASIAKASKESKEISYYS näkyy yksikköemme strategiassa

Kysymykseen vastanneet: 361 (ka: 1,7)

(12.1) Hyvin		50,1%	181
(12.2) Tyydyttävästi		34,9%	126
(12.3) Välttävästi		9,7%	35
(12.4) Huonosti		1,4%	5
(12.5) En osaa sanoa		3,9%	14

#### 13. Koen, että TULOKSELLISUUS näkyy yksikköemme strategiassa

Kysymykseen vastanneet: 362 (ka: 1,8)

(13.1) Hyvin		45%	163
(13.2) Tyydyttävästi		41,4%	150
(13.3) Välttävästi		7,7%	28
(13.4) Huonosti		2,8%	10
(13.5) En osaa sanoa		3%	11

#### 14. Koen, että VASTUU näkyy yksikköemme strategiassa

Kysymykseen vastanneet: 361 (ka: 2)

(14.1) Hyvin		25,8%	93
(14.2) Tyydyttävästi		53,2%	192
(14.3) Välttävästi		15%	54
(14.4) Huonosti		3,3%	12
(14.5) En osaa sanoa		2,8%	10

#### 15. Koen, että IHMISLÄHEISYYS näkyy yksikköemme strategiassa

Kysymykseen vastanneet: 360 (ka: 2,5)

(15.1) Hyvin		12,5%	45
(15.2) Tyydyttävästi		41,4%	149
(15.3) Välttävästi		30,3%	109
(15.4) Huonosti		13,6%	49
(15.5) En osaa sanoa		2,2%	8

#### 16. Koen, että TULEVAISUUS näkyy yksikköemme strategiassa

Kysymykseen vastanneet: 362 (ka: 2,2)

(16.1) Hyvin		24,6%	89
(16.2) Tyydyttävästi		47%	170
(16.3) Välttävästi		20,2%	73
(16.4) Huonosti		4,4%	16
(16.5) En osaa sanoa		3,9%	14

## ENCLOSURE 2: RELIABILITY OF THE STUDY

### Case Processing Summary

		N	%
Cases	Valid	358	100,0
	Excluded(a)	0	,0
	Total	358	100,0

a Listwise deletion based on all variables in the procedure.

### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,774	,781	5

### Inter-Item Correlation Matrix

	Customer	Performan	Responsibi	People	Future
Customer	1,000	,512	,426	,325	,346
Performanc	,512	1,000	,499	,310	,378
Responsibil	,426	,499	1,000	,432	,477
People	,325	,310	,432	1,000	,458
Future	,346	,378	,477	,458	1,000

### Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3,807	3,084	4,240	1,156	1,375	,220	5
Item Variances	1,248	,973	1,763	,790	1,812	,112	5
Inter-Item Correlations	,416	,310	,512	,202	1,653	,005	5

### Item-Total Statistics

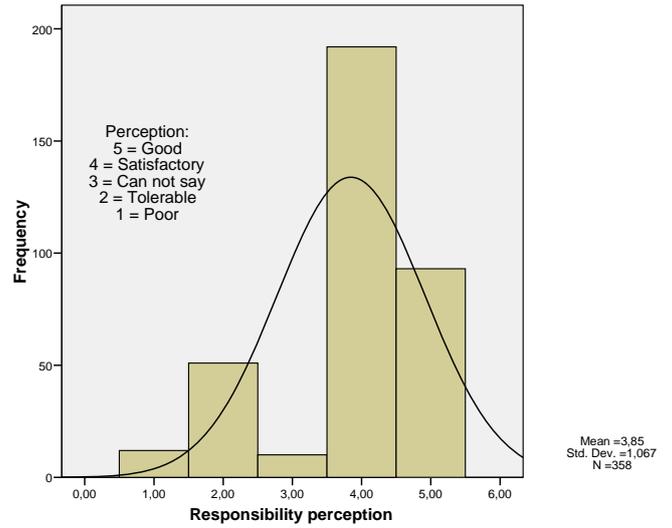
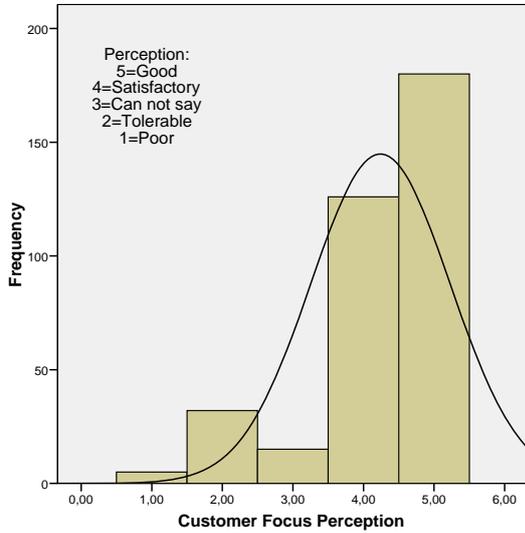
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Customer	14,7961	11,866	,522	,319	,742
Performanc	14,8408	11,669	,555	,369	,732
Responsibil	15,1899	10,877	,621	,394	,708
People	15,9525	10,303	,507	,281	,754
Future	15,3659	10,686	,560	,327	,728

### Scale Statistics

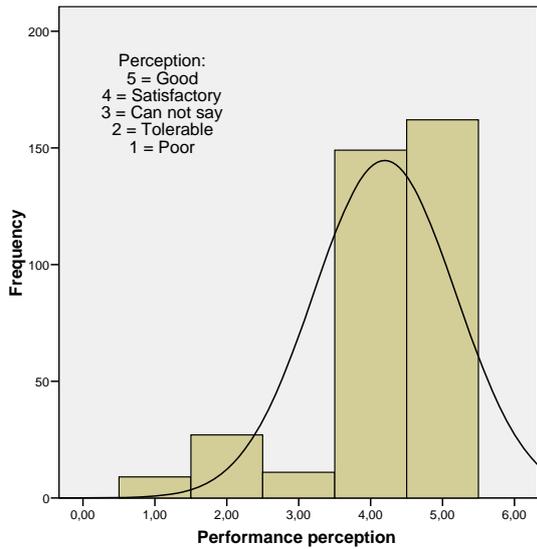
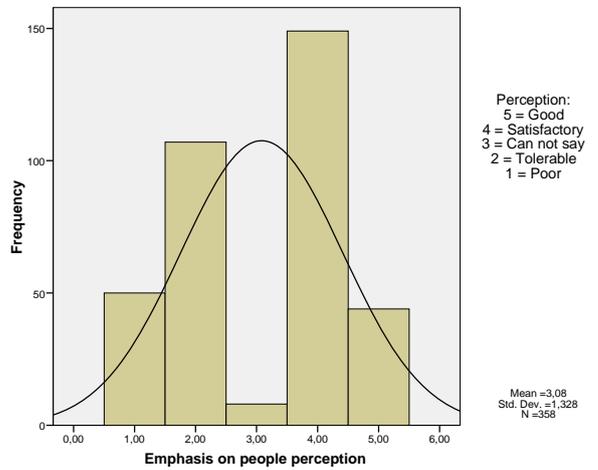
Mean	Variance	Std. Deviation	N of Items
19,0363	16,388	4,04821	5



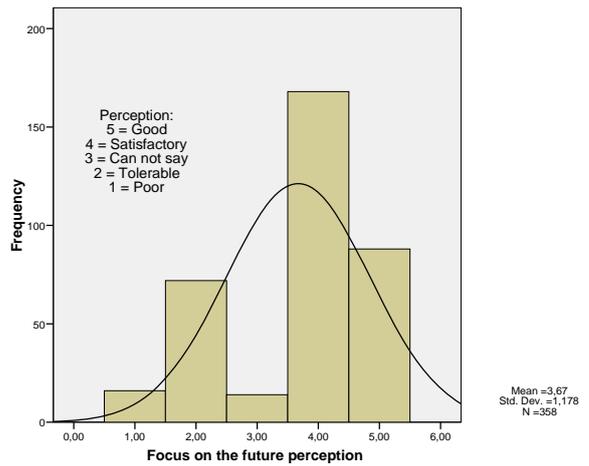
# ENCLOSURE 4: DISTRIBUTIONS OF VALUE PERCEPTIONS, 1(2)



Mean =4,  
Std. Dev. =0  
N =358



Mean =  
Std. Dev. =  
N =31



## ENCLOSURE 5: DISTRIBUTIONS OF VALUE PERCEPTIONS, 2(2)

Statistics						
		Customer focus	Performance	Responsibility	Emphasis on people	Focus on the future
N	Valid	358	358	358	358	358
	Missing	0	0	0	0	0
Mean		4,240223464	4,195530726	3,846368715	3,083798883	3,670391061
Median		4,418300654	4,36977492	4,070175439	3,229299363	3,923076923
Mode		5	5	4	4	4
Std. Deviation		0,986378917	0,987758191	1,067143992	1,327880341	1,177646784
Skewness		<b>1,412642371</b>	<b>-1,50527184</b>	<b>1,066990659</b>	0,197857187	<b>0,744401329</b>
Std. Error of Skewness		0,128921522	0,128921522	0,128921522	0,128921522	0,128921522
Kurtosis		1,347048994	1,931228488	0,380017195	1,386654493	0,575723042
Std. Error of Kurtosis		0,257139776	0,257139776	0,257139776	0,257139776	0,257139776
Minimum		1	1	1	1	1
Maximum		5	5	5	5	5
Percentiles	25	3,638297872	3,6	3,212871287	1,821656051	2,872093023
	50	4,418300654	4,36977492	4,070175439	3,229299363	3,923076923
	75	.	4,945337621	4,698245614	4,300518135	4,64453125

a

Calculated from grouped data.

b

Percentiles are calculated from grouped data.

Absolute value of statistical skewness is  $> 0.50$ , which results into the skew distribution in the perception of customer focus, performance, responsibility and focus on the future.

**ENCLOSURE 6: EFFECT OF GENDER ON VALUE PERCEPTION  
OF "EMPHASIS ON PEOPLE"**

**T-Test**

**Group Statistics**

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Emphasis on people	Female	172	3,1221	1,33429	,10174
	Male	186	3,0484	1,32454	,09712

Value perception is normal distributed -> T-Test

H<sub>0</sub>: Value perceptions do not differ by gender.

Sig 0.600 > 0.05: H<sub>0</sub> remains valid.

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Upper	Lower
Emphasis on people	Equal variances assumed	,052	,819	,524	356	,600	,07371	,14061	-,20283	,35024
	Equal variances not assumed			,524	353,397	,601	,07371	,14065	-,20291	,35033

**ENCLOSURE 7: EFFECT OF GENDER ON VALUE PERCEPTION OF "CUSTOMER FOCUS", "PERFORMANCE", RESPONSIBILITY" AND "FOCUS ON THE FUTURE"**

**NPar Tests**

**Descriptive Statistics**

	N	Mean	Std. Deviation	Minimum	Maximum
Customer	358	4,2402	,98638	1,00	5,00
Performance	358	4,1955	,98776	1,00	5,00
Responsibility	358	3,8464	1,06714	1,00	5,00
Future	358	3,6704	1,17765	1,00	5,00
Gender	358	1,52	,500	1	2

Value perceptions are not normal distributed -> Mann-Whitney test

H<sub>0</sub>: Value perceptions do not differ by gender.

All sig values > 0.05: H<sub>0</sub> remains valid in each cases.

**Mann-Whitney Test**

**Ranks**

	Gender	N	Mean Rank	Sum of Ranks
Customer	Female	172	176,10	30289,00
	Male	186	182,65	33972,00
	Total	358		
Performance	Female	172	183,47	31556,00
	Male	186	175,83	32705,00
	Total	358		
Responsibility	Female	172	187,97	32331,50
	Male	186	171,66	31929,50
	Total	358		
Future	Female	172	178,17	30645,00
	Male	186	180,73	33616,00
	Total	358		

**Test Statistics(a)**

	Customer	Performance	Responsibility	Future
Mann-Whitney U	15411,000	15314,000	14538,500	15767,000
Wilcoxon W	30289,000	32705,000	31929,500	30645,000
Z	-,657	-,763	-1,640	-,250
Asymp. Sig. (2-tailed)	,511	,445	,101	,802

a Grouping Variable: 1. Gender

## ENCLOSURE 8: CORRELATION OF WORK EXPERIENCE AND VALUE PERCEPTIONS.

$H_0$ : There is no correlation between the work experience and value perceptions.

All sig values > 0.05:  $H_0$  remains valid in each cases.

### Nonparametric Correlations

#### Spearman's test

			Correlations					
			Work experience at Stora Enso	Customer	Performance	Responsibility	Emphasis on people	Focus on the future
Spearman's rho	Work experience at Stora Enso	Correlation Coefficient	1,000	,071	-,043	,086	,023	-,019
		Sig. (2-tailed)	.	,180	,416	,106	,668	,717
		N	358	358	358	358	358	358
	Customer	Correlation Coefficient	,071	1,000	,444(**)	,370(**)	,304(**)	,342(**)
		Sig. (2-tailed)	,180	.	,000	,000	,000	,000
		N	358	358	358	358	358	358
	Performance	Correlation Coefficient	-,043	,444(**)	1,000	,460(**)	,306(**)	,393(**)
		Sig. (2-tailed)	,416	,000	.	,000	,000	,000
		N	358	358	358	358	358	358
	Responsibility	Correlation Coefficient	,086	,370(**)	,460(**)	1,000	,449(**)	,444(**)
		Sig. (2-tailed)	,106	,000	,000	.	,000	,000
		N	358	358	358	358	358	358
	Emphasis on people	Correlation Coefficient	,023	,304(**)	,306(**)	,449(**)	1,000	,473(**)
		Sig. (2-tailed)	,668	,000	,000	,000	.	,000
		N	358	358	358	358	358	358
	Focus on the future	Correlation Coefficient	-,019	,342(**)	,393(**)	,444(**)	,473(**)	1,000
		Sig. (2-tailed)	,717	,000	,000	,000	,000	.
		N	358	358	358	358	358	358

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