

≈ SUMMARY ≈

AN INVESTIGATION OF THE ROLE OF VALUES AND PURPOSE IN
FAST-GROWING AUSTRALIAN BUSINESSES

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Principal Topic

The impact of organisational culture on business performance has been much researched (e.g. Kotter & Heskett, 1992). A strong culture has been identified as a form of competitive advantage that can be hard to imitate (e.g. Zahra et al. 2004). Collins and Porras (1994) found that organisational culture based on three to six “core values” in pursuit of a long-term “core purpose” gave companies a long-term strategic advantage over their competitors. They further found that the core values were often based on the personal values of the founders, consistent with previous research (e.g. Schein, 1983). Other researches have argued that a strong culture can be a disadvantage (e.g. Foster & Kaplan, 2005) in that it can prevent a company from adapting to changed circumstances.

One reason why a strong organisational culture that unites the company’s workforce can be a competitive advantage is that such cultures are rare. This leads to the question of why some companies evolve strong culture while the majority do not. Strong organisational cultures have been found to be embedded relatively early in the development of a company, before they become large (e.g. see Collins & Porras, 1994: 79). Thus we have chosen to focus our studies on early stage, fast-growing companies, and to focus on core values and core purpose as a construct for assessing the strength of organisational culture.

Methodology

A three-part methodology for assessing the strength of core values in an organisation was developed and tested by the authors in 2004 (Rushworth & Gillin, 2004). The three components were:

1. A semi-structured, in-depth interview with a founder or the current CEO of the company discussing the role of values and purpose in the business.
2. Collection of standard information about the company, such as financial performance, employee numbers, staff turnover and an estimation by the CEO/Founder of level of business maturity (based on Davidsson & Klofsten, 2003).
3. Completion of an employee satisfaction survey by all employees of the company in order to obtain a measure of cultural alignment across the whole company.

In addition, any available company documents (including web site material) that provided explicit or implicit information about company values was also gathered.

In 2005, the methodology was taken to field on a larger scale with a number of case study companies selected from the BRW Fast 100 list of the fastest growing Australian companies, published annually. For logistical reasons, only the Victorian based companies were targeted, a total of 25 companies. Of these companies, eight agreed to participate. Two more companies

not in the BRW Fast 100, but with similar growth rates were recruited through referrals. Thus, including the original field test company, 11 companies have been studied.

Results and Implications

The challenges of rapid growth are many, and rapid growth is not a reliable predictor of long-term survival (Fitzsimons et al. 2005). Thus the practices of companies that have sustained rapid growth for a period of at least three years (a criterion for inclusion in the BRW Fast 100) provide insight on generic strategies that lead to a greater probability of sustainable, profitable growth.

This research focuses on one strategy for managing rapid growth: the development of a strong culture based on core values. It examines whether companies consciously identify core values, when and why they choose to make them explicit, how they evolve, and what role they play in the companies' operations. This paper focuses on which aspects of company operations are most enhanced by having clear core values and which practices appear to be most effective at embedding core values in organizational culture.

The results of this research contribute to the fields of leadership, organisational culture, and management of rapid growth, and to the less directly related fields of business ethics, corporate social responsibility and corporate governance. The findings will also be used to develop curriculum for entrepreneurship education.

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