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# Core Counts

*A qualitative study on core values' role in the innovation process*

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# Abstract

**Title:** Core Counts: A qualitative study on core values' role in the innovation process

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**Key words:** Core values, innovation process, culture, alignment, multinational companies

**Purpose:** The purpose of the study is to explore the relationship between core values and innovation. By investigating innovation processes in four multinational innovative Swedish-founded companies with distinct core values, the aim of the study is to increase the knowledge regarding core values and to contribute to the field of innovation.

**Methodology:** The study is based on a qualitative research with an abductive approach. The approach is also explorative and the data collection has been carried out through semi-structured interviews.

**Theoretical perspectives:** The theoretical base covers the subjects of core values and innovation. Literature regarding culture and management is also applied.

**Empirical foundation:** The sample consists of 14 respondents working in four different Swedish-founded multinational companies.

**Conclusions:** The study shows how core values affect the innovation process by creating an innovation culture. Core values also create an alignment which leads to conformity and lack of new ideas. Demonstrated is also that core values function as high impact areas of innovation, meaning that employees are encouraged to generate ideas within the fields of core values. Core values are also proved to be used as a decision criterion during the innovation process, which facilitates the process but also leads to bureaucracy and potentially lost market opportunities.

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# Table of Contents

<b>1. Introduction</b> .....	<b>7</b>
<b>1.1 Background and problem discussion</b> .....	<b>7</b>
<b>1.2 Purpose</b> .....	<b>9</b>
<b>1.3 Problem formulation</b> .....	<b>9</b>
<b>1.4 Delimitations</b> .....	<b>9</b>
<b>1.5 Managerial implications</b> .....	<b>9</b>
<b>1.6 Disposition</b> .....	<b>10</b>
<b>2. Literature review</b> .....	<b>11</b>
<b>2.1 Core values</b> .....	<b>11</b>
2.1.1 Definition of core values.....	11
2.1.2 The nature and emergence of core values .....	12
2.1.3 The strategic impact of core values.....	12
2.1.4 Core values foster behavior.....	13
2.1.5 Criticism against core values .....	13
2.1.6 Culture.....	14
2.1.6.1 Levels of culture .....	14
2.1.6.2 Different perspectives on culture.....	15
<b>2.2 Innovation</b> .....	<b>15</b>
2.2.1 Definition of innovation.....	16
2.2.2 Innovation processes .....	17
2.2.2.1 Generic value chain .....	17
2.2.2.2 Innovation value chain .....	18
2.2.2.3 Stage-gate process .....	18
2.2.3 Factors influencing innovation.....	20
2.2.3.1 Corporate culture .....	20
2.2.3.2 Managers and leaders .....	21
2.2.3.3 Safe environment.....	22
2.2.3.4 Dissent and diversity .....	22
2.2.3.5 Collaboration .....	23
<b>2.3 Core values and innovation</b> .....	<b>24</b>
2.3.1 The importance of core values within innovation.....	24
2.3.2 Core values' impact on the innovation process.....	26
<b>2.4 Summary of key arguments</b> .....	<b>27</b>
<b>2.5 Challenges</b> .....	<b>29</b>
<b>3. Method</b> .....	<b>30</b>

<b>3.1 Research Approach .....</b>	<b>30</b>
3.1.1 Qualitative method .....	30
<b>3.2 Research design .....</b>	<b>30</b>
3.2.1 Case Study.....	30
3.2.2 Interpretive approach .....	31
3.2.3 Abductive approach .....	31
<b>3.3 Case selection .....</b>	<b>31</b>
3.3.1 Selection of companies .....	31
3.3.2 Selection of respondents .....	32
<b>3.4 Data collection.....</b>	<b>34</b>
3.4.1 Qualitative interviews .....	34
3.4.2 Interview guide.....	35
3.4.3 Pilot interview .....	36
3.4.4 Interviews.....	36
<b>3.5 Method for analysis .....</b>	<b>37</b>
<b>3.6 Trustworthiness .....</b>	<b>38</b>
<b>3.7 Ethics .....</b>	<b>39</b>
<b>3.8 Critique.....</b>	<b>39</b>
<b>4. Empirical findings.....</b>	<b>41</b>
<b>4.1 Alignment as a facilitator for innovation .....</b>	<b>43</b>
4.1.1 Core values create a common direction .....	43
4.1.2 Innovation within the areas of core values.....	44
4.1.3 Balance between freedom and control .....	45
4.1.3.1 Design of core values affects innovation.....	46
4.1.4 Core values create an innovation culture .....	47
4.1.4.1 A culture that promotes collaboration .....	47
4.1.4.2 A culture that promotes safety and acceptability of failure.....	48
4.1.4.3 A culture that promotes time for innovation .....	49
4.1.5 Core values' effect on decision-making within the innovation process .....	50
4.1.5.1 Core values facilitate decisions .....	51
4.1.5.2 Consequences of not using core values as a decision criterion .....	53
<b>4.2 Alignment as an impediment to innovation .....</b>	<b>54</b>
4.2.1 Core values create like-mindedness .....	54
4.2.1.1 Balance like-mindedness through diversity.....	54
4.2.2 Bureaucracy as a consequence of core values.....	55
4.2.3 Core values create a narrow view of innovation.....	56
4.2.4 Core values' effect on market potential .....	56

<b>4.3 The effect of innovation on core values .....</b>	<b>57</b>
<b>4.4 Summary of empirical findings .....</b>	<b>58</b>
<b>5. Analysis and discussion .....</b>	<b>59</b>
<b>5.1 Structure of the analysis .....</b>	<b>59</b>
<b>5.2 Core values create an innovation culture .....</b>	<b>60</b>
5.2.1 Core values establish acceptability of failure.....	60
5.2.2 Core values establish collaboration and openness .....	61
5.2.3 Core values create time for innovation .....	61
<b>5.3 The tension within the idea generation phase .....</b>	<b>62</b>
5.3.1 The effects of a strong culture on idea generation .....	62
5.3.2 Core values create areas of focus .....	63
5.3.3 Core values establish a balance between freedom and control .....	64
5.3.4 Core values' strategic role within idea generation .....	65
<b>5.4 The tension within decision-making .....</b>	<b>66</b>
5.4.1 Core values as a decision criterion .....	66
5.4.2 Core values can create a narrow view of innovation .....	68
5.4.3 Core values as constraints within decision-making .....	70
<b>5.5 Factors affecting the tension of alignment .....</b>	<b>71</b>
5.5.1 Diversity .....	71
5.5.2 National identity .....	72
<b>5.6 Summary of findings .....</b>	<b>73</b>
<b>6. Conclusion .....</b>	<b>75</b>
<b>6.1 Practical implications .....</b>	<b>78</b>
<b>6.2 Future Research.....</b>	<b>78</b>
<b>References.....</b>	<b>80</b>
<b>Appendix 1 - Interview guide.....</b>	<b>84</b>

# 1. Introduction

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*In the introductory chapter, background information about the research field is presented. In addition, a problem discussion about core values and innovation follows, where contradictory thoughts about the field are presented. The contradiction motivates the chosen field of study. The problem discussion culminates into a purpose, a research question, delimitations and managerial implications. Lastly, the disposition of the study is outlined.*

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## 1.1 Background and problem discussion

“Companies want innovation in their DNA. Including innovation in a mission statement or core value helps reinforce that mandate. The declaration changes it from being aspirational to being part of the everyday” (Johnston, 2016).

This study aims to investigate how core values affect companies’ innovation processes. Core values can be considered as firmly integrated principles and beliefs that act as the cultural pillars of an organization and can be seen as a strategic tool that guide companies’ actions (Collins & Porras, 1996; Lencioni, 2002; Mullane, 2002; Urde, 2003; Assunta Barchiesi & La Bella, 2014). Core values are vital within marketing and brand management (Urde, 2003), however, their implications on innovation, (innovation is here defined as “The creation of substantial new value for customers and the firm by creatively changing one or more dimensions of the business system” (Sawhney, Wolcott & Arroniz, 2011, p. 76)), are less established. Looking upon previous research within the field, there is an inconsistency in the knowledge regarding core values’ influence on companies’ innovation ability. Since innovation is a crucial factor to succeed in today’s competitive business environment, understanding how core values affect decisions and behaviors and thereby the company’s ability to be innovative, is a current problem.

Manohar and Pandit (2014) claim that core values established by the firm, can have an important effect on the firm’s innovation culture. Core values may create an environment and culture that promotes creativity and establishes the right conditions for innovation to prosper (Jassawalla & Sashittal, 2003; Manohar & Pandit, 2014). Moreover, core values’ impact on innovation is stressed by De Cagna (2007), emphasizing that “Innovation isn’t only about value creation - it is also about the realization of core values”. Jeffrey Baumgartner, a corporate

innovation consultant, strongly argues that innovation must respect the company's core values and that core values should be seen as a channel to guide the company to focus and define innovation and its goals. Further on, he proposes that the innovation process should be guided by the organization's core values as a decision criterion (Baumgartner, n.d.).

On the other hand, some researchers believe that core values create a barrier to the difficult pursuit of innovation. Jassawalla and Sashittal (2003) argue that some values may create paranoia, resulting in a culture that inhibits innovation. Bringing these arguments further, Nemeth (1997) discusses the fact that being too wary of dissenting opinions and promoting conformity may obstruct the company's ability to think outside the box, and also its ability to be flexible and adapt to new circumstances. Truly innovative solutions will thus be hindered by the culture and the values inherent in the company (Nemeth, 1997). This idea is also in line with Poškienė's finding that "[...] adherence to the organization's norms and values results in more uniform attitudes to creative ideas and innovations" (Poškienė, 2006, p. 49).

The discrepancy between researchers indicates that core values' actual impact upon innovation is rather complex. Whether core values are positive or negative for innovation is somewhat unclear and we have therefore found it necessary to deeper investigate the relationship between core values and innovation. To fully get an understanding of core values' effect on innovation and in what ways core values either could be positive or negative, we have found it suitable to investigate innovation processes. The innovation process is interesting to investigate, since it involves many different behaviors and decisions that need to be considered when a company innovates; behaviors and decisions that could be affected by the company's core values. Furthermore, there is a lack of previous studies regarding core values' role within the innovation process. We aim to understand core values' role within the innovation process by investigating four multinational companies with distinct core values.



## 1.2 Purpose

The purpose of the study is to explore the relationship between core values and innovation. By studying core values' effect on the innovation process and investigating individuals from four multinational innovative Swedish-founded companies with distinct core values, the aim is to increase the knowledge regarding core values and contribute to the field of innovation.

## 1.3 Problem formulation

In regards to the study's purpose, and the identified inconsistency in previous research, one main question needs to be addressed together with one sub question.

### How do core values affect companies' innovation processes?

- *What can core values' positive respectively negative effects be on companies' innovation processes?*

## 1.4 Delimitations

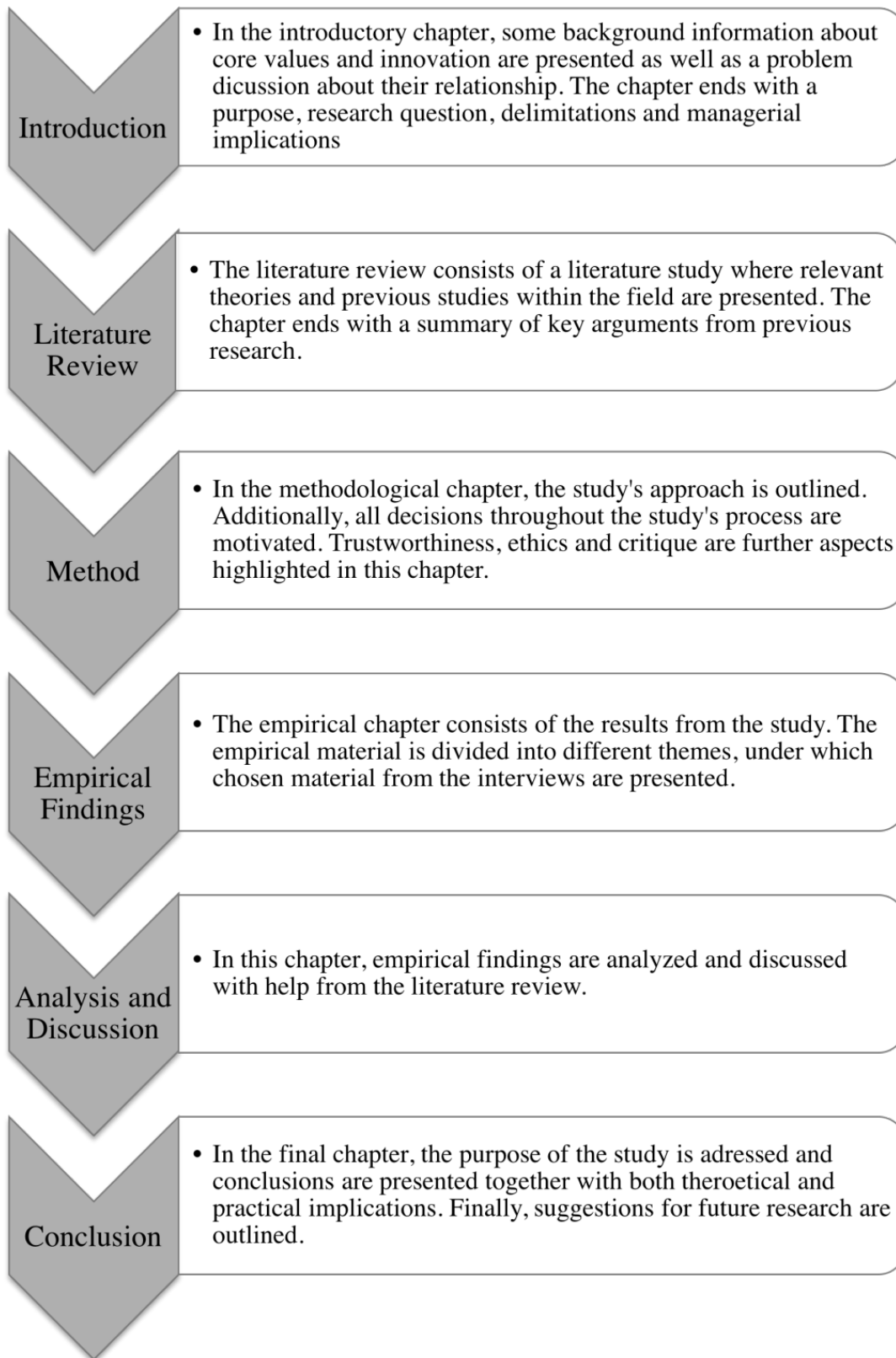
While there are many different as well as interesting aspects of both innovation and core values, this study solely focuses on their relationship and how they influence each other. This means that we do not aim to explore what type of core values that are especially advantageous or disadvantageous for innovation. Rather, the focus will lie upon *how* core values in general affect innovation processes. The study is also limited to understand how employees and managers *perceive* core values' effect on innovation processes.

## 1.5 Managerial implications

By investigating core values and innovation, an understanding of how core values affect decisions and behaviors within the innovation process can be reached. Companies' ability to be innovative is a current problem and the understanding of the relationship between core values and innovation, in a few innovative companies with distinct core values, may help other companies and their leaders to understand how to handle core values in order to stimulate innovation.

## 1.6 Disposition

The study's structure is outlined in the following model.



## 2. Literature review

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*The literature review presents what is already known within the subject through different perspectives relevant to the chosen topic. First, the concept of core values is presented, which is followed by innovation as well as previous studies regarding the relationship between core values and innovation. The chapter ends with a summary of key arguments required to address the research question.*

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The research question in this study, concerns two main themes; core values and innovation. These concepts will therefore be critical throughout the research. Some authors point at the intersection between innovation and core values. Among these, Martins and Terblanche (2003) claim that values, norms and beliefs, as part of culture, have an impact on innovation and creativity, either positively or negatively. Plenty of previous research regarding core values and innovation has focused upon the concept of culture (Martins & Terblanche 2003; Rao & Weintraub 2013; Manohar & Pandit 2014). Core values are, as pointed out by Parker and Bradley in Roper and Fill, (2012) an important aspect of the wider notion of corporate culture. As a consequence, it will be necessary to provide some background information regarding the concept of culture, even though it is not a direct part of our research question. Culture will be discussed under the section regarding core values.

### 2.1 Core values

In this section, core values are discussed in different dimensions. First, the definition of core values is outlined, followed by the nature and emergence of core values as well as core values' strategic impact. Next, core values' impact upon behavior as well as criticism towards core values are presented. The chapter ends with a section concerning the wider concept of culture.

#### 2.1.1 Definition of core values

The concept of core values has been the focus of several researchers and according to Urde (2003), there are three main purposes for a company to work with core values. Firstly, they may be used as the organization's pillars and strategic inner guidelines. Secondly, core values may be seen as a company's tool for linking the different parts of the organization together by the creation of a brand. The third way to look upon core values is as a contributor to the brand and thereby also as a contributor to customer identity and customer value (Urde, 2003). In this

study, focus will be on the first aspect of core values which concerns the organizational purpose and the strategic impact they may have on a company. Many researchers have defined core values through this perspective and have argued core values to be the beliefs that guide companies' actions (Collins & Porras, 1996; Lencioni, 2002; Mullane, 2002; Assunta Barchiesi & La Bella, 2014).

### **2.1.2 The nature and emergence of core values**

Core values can, according to Tushman and Nadler (1986), be seen as the beliefs that decide what is good and what is bad according to the focal firm. The values will only get confirmed and reinforced if the company succeeds in following the proposed set of values. If successfully implemented, the values will become recognized as shared and as the correct way of behaving and thinking (Schein, 2004). Gehman, Treviño and Garud (2013) mean that the emergence of core values does not always have to derive from the founder or in another top-down manner. Instead they argue the emergence and performance of values to be an ongoing process and not simply a one-time effort. This ongoing process involves interactions, discussions and negotiations (Gehman et al., 2013). Smolicz (1981) is another researcher studying core values and he argues that when having several core values, it is important to remember that there might be a relative hierarchy among the values.

### **2.1.3 The strategic impact of core values**

Core values should be relatively stable over time and can help an organization in terms of strategic direction, mission determination and visioning (Mullane, 2002; Assunta Barchiesi & La Bella, 2014). Mullane (2002) claims core values to be a strategic tool and he has conducted two case studies, with focus on the mission statement as a strategic tool. The mission statement of an organization often consists to a large extent of values and beliefs that the organization is expected to follow. Mullane's (2002) findings indicate that the mission statement and its inherent core values should be developed and implemented with a strategic intent in order to unify the organization towards competitive success. Further, Heathfield (2015) points at some actions that need to occur within the organization to make sure that the values have a strategic impact on the organization. Among these actions, guidance in decision-making as well as priorities in line with the values, are found to be of importance (Heathfield, 2015).

### **2.1.4 Core values foster behavior**

Thorbjørnsen and Supphellen (2011) argue that when investigating core value behavior, employees' attitudes towards core values need to be taken into consideration. From a survey conducted among employees in a Scandinavian Bank, Thorbjørnsen and Supphellen (2011) draw the conclusion that it is important to understand how the employees' personal values correlate with the company's core values in order to determine core values' success (Thorbjørnsen & Supphellen, 2011).

The behavior of an organization should, according to Assunta Barchiesi and La Bella (2014), at all times be guided by its core values, both on an individual and on a group level. Citing Sathe (1985), Assunta Barchiesi and La Bella (2014, p. 160-161) state that core values should reveal "[...] how people communicate, explain, rationalize, and justify what they say and do as a community". They also believe core values to be the "[...] collective beliefs about what the entire enterprise stands for, takes pride in, and holds of intrinsic worth" (Fitzgerald & Desjardins 2004, cited in Assunta Barchiesi & La Bella 2014, p. 160). The view is further supported by several researchers implying that core values can act as a symbol and create a sense of pride, belonging and loyalty among the employees as well as motivate them to do a better job (Smolicz, 1981; Williams, 2002; Assunta Barchiesi & La Bella, 2014). A similar view is put forward by Williams (2002), who concludes that core values unify and bind an organization together. People who reject the values can, according to Smolicz (1981), be terminated from the group.

### **2.1.5 Criticism against core values**

Since core values are common within corporations today, one could believe they to simply be something good. However, Lencioni (2002) criticizes core values by pointing at the fact that ever since Collins and Porras's (1996) study of core values, many organizations have established a set of values, but do so only because they feel that they must, in order to be politically correct (Lencioni, 2002). Lencioni (2002) emphasizes that it is crucial to fully implement values in the organization by saying that "[...] poorly implemented values can poison a company's culture". Simply, you are better off without values if you are not willing to fully implement them. To ensure that values get fully implemented they must become the basis of all decisions, and they cannot be compromised at any occasion. Once the values are integrated in all systems, they must further be promoted at all times (Lencioni, 2002). Lencioni (2002)

exemplifies his reasoning with the case of Enron and points at the decent values that the company had, prior to the crisis. As events have shown, these values seemed to be hollow words. Thus, values that are not well implemented can be devastating, as they may create cynical and dispirited employees, alienated customers, and undermined managerial credibility (Lencioni, 2002).

Some researchers also direct criticism towards shared beliefs and values, indicating the conformity that can be evoked. Among these, Nemeth (1997) is eminent when pointing at the disadvantages of shared values. She claims it to be important to unify the organization towards common goals and missions. However, this unification needs to be balanced to ensure that it does not create conformity in the sense that minority viewpoints are disregarded. If not balanced in a good way, innovation and creativity can be at danger (Nemeth, 1997).

## **2.1.6 Culture**

As previously mentioned, core values are an important aspect of corporate culture. Organizational values can often be seen as the clearest manifestation of culture (Roper & Fill, 2012) and Smolicz (1981) argues that core values are crucial in forming an organization's culture. The concept of corporate culture will therefore be presented in more depth.

### **2.1.6.1 Levels of culture**

Edgar Schein is a frequently cited researcher within the field of corporate culture. He discerns three different levels of culture by using the metaphor of an iceberg. A large part of a firm's culture can be hidden and embedded in the organization and only a minor part is visible above the surface (Schein, 1990). The following three levels of culture are described by Schein (1990):

- **Artefacts and behaviors** - These are the visible parts of culture and may include different aspects such as symbols, ceremonies, slogans, dressings and physical settings.
- **Espoused values** – An organization's values manifest themselves in the organization's belief system. The values do not have to be spoken, even though many firms have them on the website or displayed on the walls of the firm. Values are often represented by the firm's philosophies, strategies and goals. Furthermore, management is highly likely to have an impact upon the values.

- **Assumptions** - At the deepest level of culture, assumptions reflecting the shared values within the organization are found. Values grow into assumptions when they are taken for granted and drop out of awareness.

Some organizations have strong corporate cultures while others have weaker ones (Roper & Fill, 2012). A culture can be regarded as strong when employees share the same organizational beliefs and values, while a weak culture is defined by encouragement of individual thought. Furthermore, Roper and Fill (2012) claim encouragement of individual thought to not always be a bad thing, especially not in innovative companies.

#### **2.1.6.2 Different perspectives on culture**

Apart from Schein's model on culture, several researchers have tried to establish similar or opposing theories on what culture is (Martin, 2002). According to Martin (2002) there are three main perspectives of culture. The first perspective is called the integration perspective, which defines culture as what is shared among those belonging to the culture. This perspective sees deviations from consensus as something bad and that organizations should strive towards having common values and beliefs among its members. The second perspective is the differentiation perspective, assuming that culture is not only defined by what is shared, but also by what is not shared. This perspective, assumes that subcultures exist within a culture and that differing opinions is not only inevitable but also desirable. The third perspective is the fragmentation perspective and defines a culture by the tensions, discussions and disagreements that exist within the group. This perspective, often emphasizes that it is impossible to define some values as shared, as values and beliefs constantly change. According to Martin (2002), culture can thus be defined by what is shared, but also by what is not shared and also by tensions and inconsistencies that exist within the group.

## **2.2 Innovation**

In the innovation section, focus first lies upon the definition of innovation. Afterwards, different innovation processes are presented, followed by a section regarding factors influencing innovation.

### **2.2.1 Definition of innovation**

Brands (2014) states that “The fundamental purpose of innovation is to create value that translates into enhanced stakeholder/shareholder value”. Innovation is often closely connected to product development and the creation of new things. Nevertheless, innovation does not have to be connected to the creation of new things, it can appear in many different dimensions and should therefore be defined as creation of new value (Sawhney et al., 2011). To successfully innovate, firms need to focus on managing innovation, and Sawhney *et al.* (2011) also find that successful innovations often is the result of a focus on few, but high impact innovation areas.

A common problem regarding innovation is that companies tend to focus on product development and thereby compete on the market with similar value propositions as their competitors. Sawhney *et al.* (2011) propose a tool that will help companies identify different kinds of innovations possible for them to undertake. The tool is called the innovation radar and pinpoints twelve different ways in which companies may innovate. The main categories according to the innovation radar are offerings (what), customers (who), processes (how), and presence (where). All of these dimensions in which a company can innovate indicate how multifaceted innovation can be and that innovation may take place anywhere within a firm (Sawhney et al., 2011). Barsh, Capozzi and Davidson (2008) also emphasize that innovation is progressively moving away from traditional product development and strategic thinkers are pioneering within other dimensions such as the value chain, business model and processes to name a few.

Innovation can be categorized depending on its focus area, but it can also be categorized as either incremental or radical (Smith, 2010). Radical innovation is normally connected to major technological breakthroughs and involves more than just an improvement of an existing design. Incremental innovation, on the other hand, is the most common type of innovation and it typically involves the exploitation of an already existing design. This may involve smaller improvements to already existing products, services, and processes (Smith, 2010). It is important to recognize that there are several other types of categorizations of innovation, which further indicates the complexity of innovation.



## 2.2.2 Innovation processes

Another crucial part in understanding innovation is knowledge about innovation processes, especially since we aim to understand core values' role in innovation processes. Dodgson, Gann and Salter (2008) explain the innovation process as “[...] the way firms marshal their resources to take advantage of scientific, technological, and market opportunities” (Dodgson et al., 2008, p. 60). Several innovation processes can be found within the literature and in order to facilitate the understanding of how the innovation process may be designed, certain processes will be presented in this section. The innovation processes and their design are also presented in order to facilitate the understanding of where and when there may exist points of contact with influencing factors such as management and core values. Some of the innovation processes also have a methodological reason for being presented, meaning that they have contributed to methodological decisions made in this study and will be referred to in the method chapter.

### 2.2.2.1 Generic value chain

Since innovation nowadays can take place anywhere within the value chain (Anandajayasekaram & Gebremedhin, 2009; Sawhney et al., 2011), Porter's (1985) value chain model is presented as a complement to Sawhney *et al.*'s innovation radar, as it gives a picture of where innovations may take place in an organization. The value chain model attempts to give a better understanding of the activities within a firm, through which the firm develops a competitive advantage.

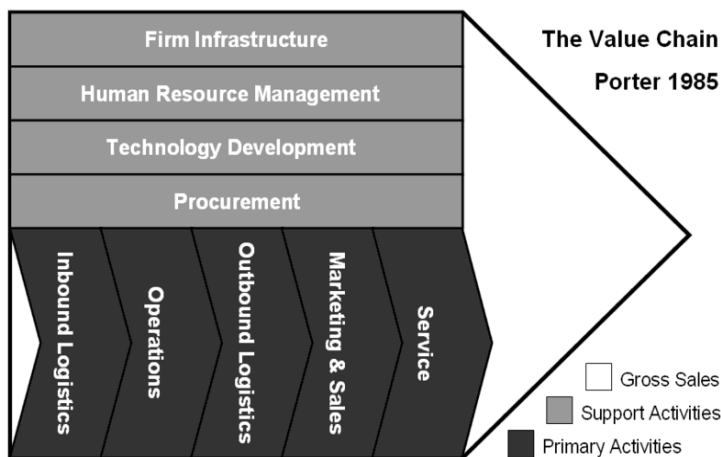


Exhibit 1: Generic value chain (Porter, 1985)

The model provides a process view of organizations, where the process is divided into primary functions and support functions. These different functions can be regarded as subsystems of the

entire organization that every firm in some way needs to undertake. The primary activities are built as a chain of activities, and in each activity there is a transformation process going on, where inputs are transformed into outputs. Together, all the activities aim at creating customer value that will exceed the cost of the activities, and thereby result in a profit margin.

### **2.2.2.2 Innovation value chain**

Another value chain, with a particular focus on innovation, is brought forward by Hansen and Birkinshaw (2007). They distinguish a process they call the innovation value chain, which discerns three main phases of innovation; idea generation, conversion, and diffusion.



*Exhibit 2: Innovation value chain (Hansen & Birkinshaw, 2007)*

The first phase involves the generation of ideas, which can be sourced both externally as well as internally. The second phase is constituted of idea selection and further development of selected ideas. Lastly, the idea needs to be diffused throughout the organization. Managers should, according to Hansen and Birkinshaw (2007), apply this end-to-end view on innovation, in order to easier manage innovation and to discover deficiencies and address those in a proper manner.

### **2.2.2.3 Stage-gate process**

The stage-gate model is presented as it serves as a useful tool when describing the innovation process and it provides a perspective on how and where decisions are made throughout the innovation process. It is also a commonly implemented innovation process (Griffin, 1997). The stage-gate model is the extension of a model that exemplifies what decisions and evaluations that may impact each step in the innovation process (Grönlund, Rönnerberg Sjödin & Frishammar, 2010) and is initially developed by Cooper (1990). It applies management-process methodologies to the innovation process and is closely related to product development. However, it serves as a useful tool in describing how a cluster of ideas goes through a process, facing different criteria that result in only a few ideas being prioritized and pursued (Cooper, 1990).

A typical stage-gate system involves about four to seven stages. The system begins with an idea generation phase, which can be regarded as a pre-phase to the more formal and structured process that proceeds (Edgett, 2015). Between each stage in the innovation process, there is a gate that the idea needs to pass in order to be pursued. The gate can be seen as a quality control and the criteria involved in each gate may differ from gate to gate. The project will be evaluated at each gate against different criteria. At each gate, a decision will be made, normally a go/kill/hold/recycle decision (Cooper, 1990). Those evaluating projects are called gatekeepers and generally hold management positions. Cooper (1990) argues that when applying a stage-gate system to the innovation process and using quality control checkpoints, a higher standard of execution will be achieved. He claims “Established criteria ensure that all projects are evaluated consistently and fairly, and that gut decisions and hidden criteria take a back seat to specified criteria and thoughtful decisions” (Cooper, 1990, p. 50).

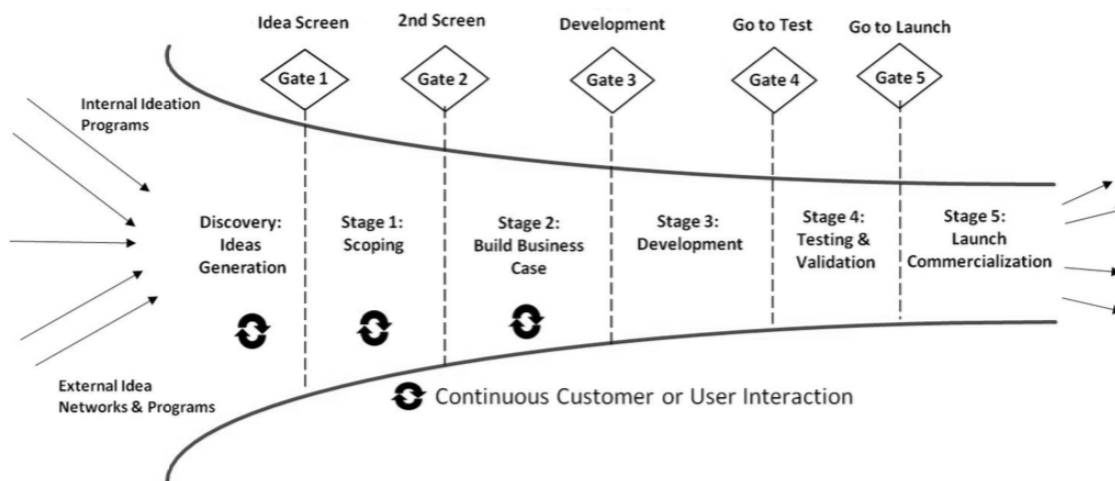


Exhibit 3: A typical stage-gate process (Edgett, 2015)

The stage-gate process has been the role-model for many organizations’ innovation processes and Grönlund *et al.* (2010) argue that external as well as internal ideas should constantly be evaluated by its fit to the firm’s business model. This evaluation should be followed by the question whether the business model should be revised in order to provide a better fit to the new idea (Grönlund *et al.*, 2010).

### **2.2.3 Factors influencing innovation**

Several researchers have defined crucial resources and factors influencing innovation and a company's innovation ability. Corporate culture, leaders, a safe environment and diversity are, among others, aspects that will be further elaborated here.

#### **2.2.3.1 Corporate culture**

According to Smith (2010) corporate cultures that value and promote the following aspects, generally tend to have strong records of innovation.

- **Outward-looking orientation** - Firms should be responsive to different signals in the external environment.
- **Facilitating communication** - Communication should be frequent and lateral across the organization to facilitate knowledge exchange and to help people with different perspectives to come in contact with each other.
- **Openness to new ideas** - The firm's environment should be characterized by some sense of freedom to encourage new ideas.
- **Challenging established ideas** - There should be a willingness to challenge the status quo and to not take anything for granted.
- **Acceptability of failure** - Innovation involves lots of failures and it is important that the organization accepts failure.
- **Promotion of evaluation and reflection** - Focus on analyzing and finding evidence and not rush into things too hastily.

Rao and Weintraub (2013) have developed a tool to assess how innovative an organization's culture is. They propose that an innovation culture consists of six different building blocks; resources, processes, values, behavior, climate and success. Rao and Weintraub (2013) state that the softer and people-oriented building blocks; values, behavior, and climate, are vital to assess in order to form an innovation culture and to create a sustained competitive advantage. The building block consisting of climate is divided into three different elements; safety, simplicity, and collaboration where integrity is vital, meaning that decisions and actions that are inconsistent with the firm's values should be questioned. Collaboration also implies that the firm needs to have a common language as well as diversity in terms of opinions and perspectives in the groups (Rao & Weintraub, 2013).

### **2.2.3.2 Managers and leaders**

Denti (2013) argues that managers have two different roles within innovation; bottom-up and top-down. The bottom-up role means that leaders help facilitating ideas and initiatives from the team. The top-down role, on the other hand, defines leaders as the main means of realizing innovation goals and strategies. These two roles can be difficult for managers to balance in an appropriate manner (Denti, 2013). Furthermore, researchers argue that since innovation tend to be unpredictable and non-linear it creates a huge need for autonomy, thus making managers obstacles rather than facilitators within innovation (Nemeth, 1997; Denti, 2013). Also, Ehin (2013) states that managers that wish to create an efficient organization, should “unmanage” more, since self-organization improves efficiency and innovativeness of the organization. The fact that managers may both be seen as obstacles as well as facilitators, points at a dilemma about freedom and control. Some argue that managers need to allow sufficient freedom to stimulate innovation, while others argue control and management to be important (Denti, 2013).

Judge, Fryxell and Dooley (1997) find managers’ ability to infuse a feeling of community in the corporate culture to be the main denominator to the most innovative firms in their study on research and development (R&D) departments. The culture and feeling of community are, according to the authors, something that is created by top management and grounded in comprehensive goals. Within these overarching goals the most innovative R&D-departments investigated were described as “chaos within guidelines”, and the departments were allowed to operate as they wished, while still complying with the general goals of the organization. The successful R&D-departments were also characterized by the absence of bureaucracy (Judge et al., 1997).

The successful R&D-departments, characterized by a “goal-directed community”, had implemented a balanced autonomy for the department, personalized recognition systems, sociotechnical systems and a permanent flow of organizational slack (Judge et al., 1997). A balanced autonomy is according to the researchers, characterized by operative autonomy but strategic conformity in terms of organizational goals. Too much autonomy was shown to be bad for innovation as it was a cause for misalignment between the research conducted and the goals of the company. On the other hand, too little autonomy was shown to reduce creativity, making research a routine business whereas management had pointed out too specific goals and limitations (Judge et al., 1997).

Barsh *et al.* (2008) focus their study on leadership and innovation and through a survey with 600 participating senior executives from global businesses, they identify two main motivators of behavior to be promoters of innovation. The first one is strong leaders who encourage and protect innovation and the second motivator is executives spending time to actively manage and drive innovation. Barsh *et al.* (2008) also argue leadership to be of importance within innovation, since innovation, according to them, in its essence is about change and directing resources away from short-term performance goals.

### **2.2.3.3 Safe environment**

In Barsh *et al.*'s study from 2008, 94% of senior executives claim people and corporate culture to be the most important drivers of innovation. According to Barsh *et al.* (2008) a culture based upon trust better sustains and stimulates innovation than extrinsic rewards such as monetary incentives. In firms where the cultural DNA inhibits innovation there is a belief that people cannot be trusted and thus needs to be controlled (Jassawalla & Sashittal, 2003).

Inhibitors to innovation are, according to Barsh *et al.* (2008), leaders that reward employees based on their short-term performance, which creates a fear of failure. Another inhibitor is leaders that fail to create an environment of trust, and openness to new ideas and risks. The openness towards and the promotion of risk-taking is also discussed by Nemeth (1997), who argues that innovativeness and creativity may be encouraged through the rewarding of risk-taking. West (2001) also argues that the group's internal environment and the processes must be perceived as safe, in order for innovation to thrive.

### **2.2.3.4 Dissent and diversity**

According to Nemeth (1997), the atmosphere required to promote innovation might be absolutely opposing to the cult-like atmospheres that many firms try to establish. What promotes creativity is according to Nemeth (1997), the welcoming of dissent, flexibility and openness. She argues that management often focuses on activities that create alignment, loyalty and productivity within the firm. These qualities are however, not necessarily factors igniting creativity and innovation. The culture required to support innovation may be very different from the culture in which loyalty and alignment is central. She criticizes companies that try to make their employees adhere to a culture, and that reject individuals that are in dissent with the majority viewpoint and the company ideology.

Nemeth (1997) believes that companies with a cult-like atmosphere can be beneficial, but this is mostly the case when the generator of ideas and the creative mind of the organization is its formal leader. Individuals within this kind of strong culture will adhere to the current group norm and the presence of radical ideas among the employees will therefore decrease due to social control. Nemeth's theory that alignment reduces creativity, is further supported by West and Patterson in *Psychology* by Hewstone, Fincham and Foster (2005) as well as by Poškiene (2006) who argues an organization's norms and values to create conform attitudes concerning creativity and innovation.

Pech discusses in his article from 2001, just as Nemeth (1997), the fact that conformity and followership have a direct impact on an organization's innovation capacity and consequently on an organization's ability to adapt to stressful situations and changes. A culture dominated by strong conformity to norms generates "more of the same", which tends to hamper discovery and creativity, and thus innovation. Conformity, in terms of deeply rooted traditions and norms within an organization, can stifle creativity by promoting things in line with what the firm already have done. According to Pech (2001), these types of organizations tend to promote people that conform to the existing traditions and norms.

Pech (2001) also points out that individuals reaching management positions within highly conformist organizations will most certainly be affected by the culture. These managers tend to be less critical and creative and will possess a very conformist mindset, not being capable of seeing opportunities. Intuition and spontaneity will then be replaced with rigid and strictly defined procedures. Jassawalla and Sashittal (2003) add that non-innovative firms value static conditions, and promotes conformity as well as similarity among employees. West (2001) also argues that diversity within the team may influence innovation. He discusses that homogenous teams may result in strong pressures of conformity, while if the firm can effectively manage the diversity within the group it may establish safety among the group members.

#### **2.2.3.5 Collaboration**

Barsh *et al.* (2008) argue collaboration between different functions and departments within an organization to be crucial for innovative ideas to spur. When allowing people from different departments to work together, the group will consist of individuals with different types of knowledge as well as different ways of approaching problems. This will facilitate innovation and the generation of new ideas. New ideas in turn, tend to further create new ideas. Diversity,

collaboration and networking can thus create a continuous cycle of innovation (Barsh et al., 2008).

Nemeth (1997) also discusses group work and diversity and argues that group constellations can either increase or decrease creativity. Group members may be afraid of articulating an idea that is not conform to what the majority thinks and creativity would thereby decrease. However, Nemeth (1997) also agrees with previous researchers and believes that group work may also increase creativity, since it is only within groups that factors such as discussion, disagreement and dissent can be present. It is not necessarily the differing opinions or minority viewpoints that are the most innovative or best ideas, but it is the mere presence of them that fosters creativity in the group (Nemeth, 1997). For individuals and groups to dare to be truly creative, there need to exist not only a tolerance, but also a welcoming of differing opinions and dissent in the organization. Many companies try to create heterogeneous teams in order to increase creativity. Although, it is not the heterogeneity itself that is crucial, but rather the acceptance of conflict and differing opinions that in reality builds creative organizations (Nemeth, 1997).

## **2.3 Core values and innovation**

In the following section, literature pointing at the specific interrelation between core values and innovation is presented. The negative aspects of core values have mainly been seen in previous literature through culture's effect upon innovation, wherein core values are one aspect. In this thesis, this has been highlighted when discussing factors influencing innovation. Most of the literature found on the specific relationship, however, points at positive aspects, and therefore this section concentrates on those aspects. This section treats the importance of core values within innovation as well as the existing literature specializing on core values and innovation processes.

### **2.3.1 The importance of core values within innovation**

Rao and Weintraub (2013) explain that values drive priorities and decisions within an organization and that those organizations that are truly innovative, promote creativity and continuous learning. Well implemented and strongly embedded values, beliefs and behaviors are what differentiate an innovative firm from other firms. Values are divided into three different elements; entrepreneurship, creativity, and learning (Rao & Weintraub, 2013). These elements point at the importance of having a hunger for improving things as well as



experimentation, diverse perspectives, and learning by failure in order to support and establish an innovation culture (Rao & Weintraub, 2013).

Tushman and Nadler (1986) define different areas on which the manager has to focus if he or she wants innovation to prosper. One of the areas that needs to be carefully managed is the informal organization, which includes aspects such as norms and core values. Some values are further on argued to be especially facilitating for innovation. Stated is also that innovation-promoting core values should be broad enough to be adaptable by the entire organization (Tushman & Nadler, 1986). The researchers highlight that executives have the role of managing, but also communicating the company's core values. When communicating core values, the researchers mean that the manager must not only reward desirable behavior, but also act as a role model, thereby making the importance of core values and innovation clear to all employees (Tushman & Nadler, 1986).

Core values' importance within innovation is also discussed by De Cagna (2007), who claims it to be necessary to incorporate the entire organization in the pursuit of innovation. As stated in the *Background and problem discussion*, De Cagna (2007) sees the innovation process not only as value creation, but also as the realization of core values. By that, he means that core values can help an organization and its people to achieve its full potential. De Cagna (2007) argues that innovation requires both discipline and freedom in order to bolster. As a consequence, the firm's core values need to balance between promoting freedom, which allows employees to think more freely and to experiment together, and promoting discipline, which allows the company a certain amount of control over its innovation process. Essentially, employees need to work under their own responsibility and must not be steered too much by management (De Cagna, 2007), and discipline in too high extent hampers motivation and creativity (Denti, 2013). On the other hand, discipline is important to prioritize and to help companies to only choose to proceed with the most promising ideas (De Cagna, 2007). De Cagna (2007) emphasizes the importance of reflecting this balance in the company's core values in order to spur innovation. Sull (2015) refers to a similar problem and claims that it is of importance to discipline the innovation process by having simple rules and he believes that "Constraints aren't the enemy of creativity - they make it more effective".

Manohar and Pandit (2014) have conducted a survey in which 800 managers from some of the world's most innovative firms have participated. Manohar and Pandit (2014) test the

assumption that core values create a corporate culture and common beliefs that guide companies and their employees in their daily work. The authors claim that systems and behaviors in the organization are based on the established core values. The most common practices when implementing an innovation culture among these firms are found to be, in order of importance: (1) Core values and beliefs that are commonly practiced by everyone, from top to bottom in the organizations. (2) Core values that define and give shape and clarity of direction to the people. (3) The organization builds a culture of openness and transparency. The rewards are directly linked to performance of the employees. (4) The human relationships are based on the values of care and trust for people in the organization. (5) There is consistency between what top management professes and what they actually do. Senior managers “walk their talk” (Manohar & Pandit, 2014).

### **2.3.2 Core values’ impact on the innovation process**

Along the innovation process there are several evaluations and decisions to be made (Cooper, 1990) and values can be regarded as vital within these evaluations (Baumgartner, n.d.). Baumgartner (n.d.) claims core values to be important decision criteria when deciding if a project is to be pursued or not. Every time the project is evaluated he means that the company must ask itself whether the idea is supported by the core values or not. If not supported, the project should either be killed or changed. It is thus beneficial to do this as early as possible in the innovation process, since it will save resources. Seeing core values as a barrier in the difficult pursuit of innovation, is a common view according to Baumgartner (n.d.). However, he argues that core values rather facilitate innovation by promoting the most suitable innovation initiatives as well as benefits the reputation of the firm. The values will help the firm to better define innovation goals as well as innovation initiatives (Baumgartner, n.d.).

Using core values within the innovation process is further argued to be of importance by Mroz (2013). Innovation cultures cannot only rely upon ad-hoc decisions. There needs to exist some structure in the decision-making. This structure can, according to Mroz (2013), be given by the organization’s core values. He further argues that those core values that encourage the environment that innovation needs to prosper, such as trust and creativity, are most powerful in creating this structure. Additionally, core values should work as guidance in the organization’s priorities (Mroz, 2013).

Marjolet (2013) argues that there are three C's of innovation that need to be considered in the innovation process. She emphasizes that the organization must encourage communication, coordination, as well as collaboration and argues that the C's can be regarded as important dimensions of core values within an innovation culture. The organization must prioritize these values in order to create the conditions in which innovation will prosper (Marjolet, 2013). The employees must openly and consistently communicate with each other in order to develop ideas and build upon them. Further on, it is necessary to create time and space for innovation by coordination. Lastly, employees must collaborate with each other and to enable this, there must exist trust among employees, which can be facilitated through a team-orientation approach (Marjolet, 2013).

## **2.4 Summary of key arguments**

In the summary presented in Exhibit 4, the literature review is divided into two major parts, corresponding to the study's sub question. This is done in order to connect previous literature to the research question of this study. The summary includes key arguments from previous authors as well as speculations regarding how these arguments can be applied to the research question in terms of core values' effect on the innovation process. The aspects in this summary will be investigated with help from the empirical data and the analysis, and a new summary of our own findings will be presented in the end of the analysis.

Main Topics	Key Arguments	Authors	Core values' possible effect on the innovation process
<b>Core values are positive within the innovation process</b>	Core values are firmly integrated principles and beliefs that act as the cultural pillars of an organization and can be seen as a strategic tool that can guide companies' actions.	Collins & Porras, 1996; Lencioni, 2002; Mullane, 2002; Urde, 2003; Assunta Barchiesi & La Bella, 2014	Core values can act as a strategic tool in the innovation process and thus be favorable in helping companies achieve their innovation goals.
	The concept of core values is an important aspect of corporate culture.	Smolicz, 1981; Schein, 1990; Martin, 2002; Roper & Fill, 2012	If core values promote important aspects of innovation they can create an innovation culture.
	A safe environment is necessary to inspire risk taking and innovation.	Nemeth, 1997; West, 2001; Barsh et al., 2008	If core values can create a safe environment they can have a positive effect on the innovation process.
	A welcoming of diversity and collaboration promotes creativity and thus enhances innovation.	Nemeth, 1997; Pech, 2001; West, 2001; Jassawalla & Sashittal, 2003; Barsh et al., 2008; Smith, 2010; Rao & Weintraub, 2013	If core values can create diversity and collaboration they can have a positive effect on the innovation process.
	Innovation needs discipline and freedom to bolster, which can be achieved through core values.	De Cagna, 2007	Core values can help to create a proper balance, required for innovation to thrive.
	Innovation processes with two things in common; idea generation and decision-making.	Cooper, 1990; Hansen & Birkinshaw, 2007; Grönlund et al., 2010; Edgett, 2015	If core values can facilitate idea generation and decision-making they can be favorable in the innovation process.
	Core values should be used as decision criteria.	Baumgartner, n.d.; Mroz, 2013	Using core values as decision criteria can facilitate innovation and give the process the structure needed.
	Companies should focus upon different high impact areas if they want innovation to prosper.	Tushman & Nadler, 1986; Sawhney et al., 2011	Core values can create areas to focus upon, which could stimulate innovation.
<b>Core values are negative within the innovation process</b>	If core values are poorly implemented and not the basis of decisions, they can poison a company's culture.	Lencioni, 2002	If core values are only hollow words and not used as decision criteria, they can have a negative effect on culture and innovation.
	Core values can be seen as the right way of behaving and thinking.	Schein, 2004	By being seen as the right way to behave, core values can create like-mindedness, which may impede the innovation process.
	Core values might create a corporate culture that inhibits innovation.	Jassawalla & Sashittal, 2003	If core values create a negative culture, they can hamper the innovation process.
	A strong culture creates conformity, which obstructs creativity as well as idea generation and thus innovation.	Nemeth, 1997; Pech, 2001; Poškienė, 2006; Roper & Fill, 2012	If core values create a strong culture they can hamper the innovation process by creating conformity.
	If core values are not broad enough they can inhibit innovation.	Tushman & Nadler, 1986	Too narrow core values may obstruct innovation, by limiting ideas.

Exhibit 4: Summary of key arguments

## **2.5 Challenges**

As pointed out in this chapter, several studies have been performed in the area of culture, core values, and innovation through different constellations. However, previous studies tend to investigate the relationship between culture and innovation, which points at a lack of understanding of how specifically core values, as part of culture, affect innovation. There are also, as can be seen in the literature review, challenges in understanding in which scenarios and situations core values actually are positive and in which they have a negative effect on the innovation process. While some researchers have argued that certain core values are favorable for achieving innovation, this study will not, as mentioned in *Delimitations*, focus upon which core values that are important. Rather, the study will contribute with a deeper understanding on where it exists points of contact between core values and the innovation process and what effect core values thus have on innovation.

## 3. Method

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*This chapter addresses the chosen methodological approaches. The research approach is discussed as well as the study's research design and the method for collecting data. Furthermore, reflections on the processing and handling of material are presented. Lastly, trustworthiness, ethics and critique are discussed.*

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### 3.1 Research Approach

This section presents the chosen research approach and the objectives of the study, together with motivations to why this method is suitable for the study.

#### 3.1.1 Qualitative method

In order to achieve a deeper understanding of the relationship between core values and the innovation process we have conducted a research using a qualitative approach. The qualitative method is interpretive and inductive in its approach. The quantitative approach is, on the other hand, more objective and a good choice when performing measurement (Bryman & Bell, 2011). Since our research question aims to understand human behaviors, it requires interpretive answers, which a quantitative approach would not give us. A questionnaire with predetermined answers would for example limit the respondents' alternatives (Bryman & Bell, 2011) and we, as researchers, could miss out on important information. Looking upon previous research regarding core values and innovation, there is a lack of researchers applying a qualitative approach, which further proves the need for this type of research.

### 3.2 Research design

The following section presents in more detail the approaches that have been used throughout the study. Practicalities of the approaches and arguments for them are also presented.

#### 3.2.1 Case Study

According to Bryman and Bell (2011) the qualitative approach is often combined with a case study. A case study is suitable when addressing how-questions as well as when investigating a phenomenon in relation to its context (Yin, 2003; Bryman & Bell, 2011). Since this study investigates how core values affect the innovation process, a case study is an appropriate approach. Yin (2003) believes that the explorative approach should be applied when there are

no clear, single sets of outcomes of the phenomenon investigated. This suits the situation of our research and therefore an explorative case study has been conducted. To address our research question we have talked to people from four different companies and we have therefore done, what Yin (2003) calls, a single case study with embedded units. This implies that while a single issue has been investigated, the focus has not solely been on one organization but rather on several ones. This approach opens up the possibility to create a richer analysis since it enables the researchers to look at sub-units within a larger case (Yin, 2003).

### **3.2.2 Interpretive approach**

The interpretive approach emphasizes the understanding of human behavior (Bryman & Bell, 2011). Our research is favored by an interpretive approach since we have aimed to create an understanding of our respondents' reasoning. We have needed to not only understand what has been said but also how it has been said. When we understand the world from our respondents' perspective they express more than what is actually said. It has therefore been very important for us to truly listen to our respondents and understand their reasoning.

### **3.2.3 Abductive approach**

In this study we have chosen to use an abductive approach. Alvehus (2013) argues that an abductive approach entails shifting between theory and data in order to receive a deeper understanding of the chosen subject. This is beneficial for an explorative study, and has affected the literature review, where our data collection has resulted in additions to the literature review. When applying the abductive approach we as researchers have tried to analyze the data with help from previous research in order to contribute to the chosen field.

## **3.3 Case selection**

The following two sections present the methods used for selection of companies and respondents. The characteristics of companies and respondents are also presented under the respective headline.

### **3.3.1 Selection of companies**

The companies have to some extent, been chosen due to their similarity. All four companies are large multinational companies founded in Sweden, they are eminent in their respective

industry and their products and services are today sold world-wide. Since we have aimed to increase the knowledge about innovation, we have regarded it as beneficial to talk to companies well known for being innovative. In order to understand the relationship between core values and innovation, we have also chosen companies with prominent core values. While all companies are eminent in their respective industry and have prominent core values, some companies have stronger core values and some are more innovative. However, since we have not aimed to compare the companies to one another, we do not believe the companies' differences to have negatively affected the study.

Since we have conducted an explorative study, where we have tried to look at the relationship from several different aspects and angles, people and companies with different views on core values and innovation have been required. Therefore, the chosen companies have products and services that are quite different from each other and two companies operate in the business-to-business sector, while the other two operate mainly in the business-to-consumer sector. Noteworthy is that the four companies' core values have different focuses, some are more product-oriented while others are more focused upon behavior. However, as we have not aimed to make any specific comparisons on a company level, this question has not been further investigated throughout the interviews.

### **3.3.2 Selection of respondents**

To enable a discussion about the relationship between core values and innovation, we have applied what Bryman and Bell (2011) call a purposive sampling, which is a non-probability sample where we have chosen respondents best suited for our study. A criterion when selecting respondents has been that they have to work with innovation in some way. We have aimed to get answers from people that work with innovation in several different ways, since Sawhney *et al.* (2011) argue that innovation may concern many different areas within the firm. Furthermore, Porter's (1985) value chain indicates that the human resource department, technology development, marketing and sales as well as procurement and operations are some categories of the value generating process. As can be seen in Exhibit 5, we have not only talked to people working with product development but also with people from other departments. This has enabled us to receive more diverse perspectives on the innovation process, which fits well with an explorative study. We have also made sure to select respondents with different experiences and backgrounds and as a consequence we have both respondents with more than 25 years of



experience as well as recently hired graduates. The respondents have also been selected through a snowball sampling (Bryman & Bell, 2011) where we have contacted people interesting for our study and they have referred us to other suitable candidates. As a consequence, we have three respondents each from three of the companies and five respondents from the fourth company. Compared to when conducting a quantitative study, representation is of less importance in a qualitative study and Bryman and Bell (2011) therefore argue purposive sampling to be a good way of selecting respondents to a qualitative study.

The respondents represent companies with distinct core values and many of the respondents hold managerial positions. Since core values today are a huge part of many companies' brands, questions regarding core values influence upon the companies' behavior and decisions could be considered a sensitive topic. It would be especially sensitive if we were to find that core values are not as important as a company communicates to its customers. As a consequence, we have made the decision to allow all respondents to remain anonymous and neither their name nor company have been published. We believe that this has allowed our respondents to be more truthful while answering our questions. The matter of anonymity will be further discussed under section 3.8. To give the reader a more pedagogic reading we have decided to give our respondents new fictive names. A presentation of respondents is given in Exhibit 5.

<b>Respondents</b>	<b>Gender</b>	<b>Position</b>
Viktor	Male	Project Manager
Emelie	Female	Sustainability Coordinator
Johanna	Female	Development Manager
Kerstin	Female	Innovation Manager
Henrik	Male	Marketing Manager
Filip	Male	Product Manager
Harry	Male	Innovation Manager
Sandra	Female	Environmental Manager
Felix	Male	Development Manager
Tobias	Male	Development Manager
Carolina	Female	Innovation Manager
Petra	Female	HR Manager
Carl	Male	Quality Manager
Mats	Male	Production Manager

*Exhibit 5: Presentation of respondents*

### **3.4 Data collection**

The methods used for preparation and conduction of interviews are presented in this section.

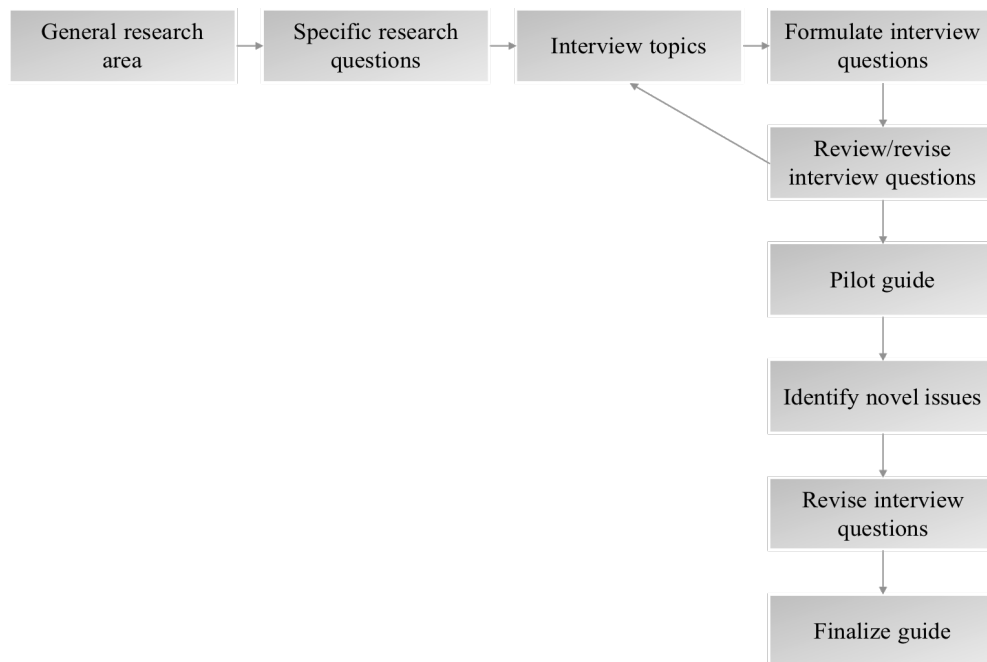
#### **3.4.1 Qualitative interviews**

There are different ways to collect data when using a qualitative method, examples are focus groups, participating observations, qualitative interviews, and ethnography. We have chosen to use qualitative interviews since it allows our respondents to share their personal views and knowledge regarding core values and innovation. To address our research question, it would also have been possible to do an ethnography and with help from a single case study, focus on only one company. However, since we have conducted an explorative study that focuses on the relationship between core values and innovation, it has been beneficial to investigate a wider variety of people and situations, which the qualitative interviews allow (Bryman & Bell, 2011). The ethnography is less flexible and usually quite time consuming (Bryman & Bell, 2011), thus further motivating the usage of qualitative interviews.

In order to conduct an explorative study, it has been necessary for us to both remain open and flexible during the interviews, and to follow up unexpected reasoning, while still receiving structured answers. Therefore, semi-structured interviews have been chosen. The usage of semi-structured interviews has been a good fit for us, since it has helped us to better understand how the respondents think and feel. Semi-structured interviews also allow the respondents to interpret the questions on their own and give them time to really reflect upon the subject (Bryman & Bell, 2011). The method has also given our respondents the possibility to further explain their reasoning and behavior in order for us to find different patterns. Furthermore, we as researchers have been allowed to change the order of the questions as well as formulate new ones and remove those that have felt superfluous (Bryman & Bell, 2011).

### 3.4.2 Interview guide

According to Bryman and Bell (2011) semi-structured interviews are usually based upon an interview guide in order to facilitate comparison of the respondents' answers and find patterns. To create our interview guide, we have used a template created by Bryman and Bell (2011). The template is recommended to be used when conducting qualitative interviews and thus fits this study very well.



*Exhibit 6: Interview guide (Bryman & Bell, 2011)*

As recommended by Bryman and Bell (2011) we started with a general research area, in our case the subject of innovation, and from there we decided to narrow it down to core values and more specifically, core values and its effect on innovation processes. In order to address our research question, it has been necessary to both cover the two topics separately but also to create questions focusing on the relationship between innovation and core values. As suggested by Seidman (2006) we have tried to formulate open-ended questions in order to spur discussion. When applying a qualitative method, it can be beneficial to construct questions starting with the word *how*. As a consequence, we, as researchers, can gain the possibility to better understand our respondents' reasoning and experiences (Seidman, 2006). After having formulated the interview questions with help from the literature review, we proceeded to the pilot interview.

### **3.4.3 Pilot interview**

Interviews can be regarded as a complex quest (Seidman, 2006). Therefore, to ensure best possible result, a pilot study is suggested. The pilot study prepares us, as interviewers, since it otherwise can be very difficult to know if the questions will encourage the respondents to reflect over their values and behaviors (Seidman, 2006). The fact that also Bryman and Bell (2011) argue for the need of a pilot study, as shown in Exhibit 6, has been argument enough to convince us to conduct one of our own.

The overall result of the pilot study was positive and it gave us an idea of what kind of answers to expect. We also found out that we needed to slightly adjust some questions to better address our research question. The pilot study lasted for about 40 minutes and indicated a need for more specific questions, especially regarding the innovation process. After the adjustment, we finalized the interview guide (see Appendix 1). Drawing from the knowledge we gained from the pilot study, we estimated the following interviews to last between 30 and 60 minutes, in order for us to receive the answers needed for our study.

### **3.4.4 Interviews**

We have conducted 14 interviews in total. While it would have been optimal to meet all respondents in person, it has not been possible due to the time frame. In order to receive different perspectives on the relationship between core values and innovation, it has been extremely important to come in contact with relevant people within our selected companies. We have therefore prioritized to talk to the right people over the possibility to meet everybody in person. We therefore have several respondents living too far away from Lund for us to be able to visit them in person in a time efficient manner. As a consequence, half of the interviews have been held over the phone.

The ability to listen is of utmost importance when performing interviews (Seidman, 2006), which we have had in mind throughout all interviews. Especially in the telephone interviews, listening has been crucial in order for us to recognize different intonations and signals. Interviews in person have been performed in the respondents' respective offices or in group rooms. Calm and quiet areas have also been ensured when talking to the interviewees over the phone. At each interview, there have been at least two, and sometimes even three researchers present, which is recommended by Bryman and Bell (2011). This has enabled us to take on

different roles throughout the interviews. At least one person has been able to manage the questions, while the other has focused upon notes and possible follow-up questions. Throughout the interviews we have followed our interview guide but have been open for potential follow-up questions when interesting topics have appeared upon our pre-determined questions. All interviews have also been recorded and transcribed, which has resulted in a total of 141 pages of transcribed text.

The interviews have been held in Swedish and the quotes from our respondents have been translated into English to the best of our knowledge. While all translations are subjective we believe that by conducting the interviews in Swedish, which is the mother tongue of all our respondents, we have received more detailed and thorough answers.

### **3.5 Method for analysis**

Since the study does not intend to compare the companies, it has not been of interest to present what results come from which company. In the empirical findings, the respondents' answers have been themed together and relevant quotes have been presented under the respective themes, where findings pointing at similar aspects have been categorized together. Additionally, aspects that have been touched upon only by one or a few interviewees, but that still are of interest for the analysis, are also presented.

Pattern matching is something that is proposed by Yin (2003) as a suitable approach for matching theories and previous studies from a literature review with empirical findings from a new study. As the purpose of this study is to investigate the inconsistency in previous literature around core values' effect upon the innovation process, we found pattern matching to be an appropriate approach for the analysis of this study. Both similarities and dissimilarities have been of interest when analyzing the collected material. Similarities between theory and empirical findings can be an affirmation of already existing theory. Dissimilarities, on the other hand, can imply that some part of the existing theory is obsolete and needs to be revised (Yin, 2003).

Those topics that have been found to be of particular interest as well as needed in order to address the research question have been presented in the analysis. However, these main topics are not the same as in the empirical chapter, but more similar to some sub categories from the

empirical chapter. This is because some of the sub categories have been considered to be of more importance, compared to the overarching heading. Furthermore, we found it favorable to discuss both pros and cons in conjunction to the chosen topics. By discussing pros and cons together, we hope to deepen the analysis and discussion. The different themes have been analyzed together with previous literature. However, not all theory has been discussed in the analysis. The reason to why these theories are presented in the literature review is because we, as researchers, regard the theories as important in order to provide a thorough understanding of the study's subject.

### **3.6 Trustworthiness**

When performing a qualitative study, reliability and validity are, according to Bryman and Bell (2011), not as important as when doing a quantitative study. Focus should therefore rather lie upon trustworthiness. Bryman and Bell (2011) argue that trustworthiness consists of four different parts; credibility, transferability, dependability and confirmability.

Credibility can be regarded as internal validity (Bryman & Bell, 2011). By recording the interviews, we have been able to receive a written transcription that completely corresponds to the interviewees' sayings during the interviews. When writing the empirical chapter, the transcriptions have been our guide and we have always tried to stay as close as possible to what the respondents have actually said, without making arbitrary interpretations of the data. However, some form of interpretation has been necessary, but has been validated by our interviewees before submission. Allowing the respondents to confirm the data is called respondent validation (Bryman & Bell, 2011) and is used to ensure that the researchers have correctly understood the social world that the respondents exist within, which strengthens the credibility of the study.

Transferability is related to external validity and is about showing how the findings can be used in other contexts (Bryman & Bell, 2011). To provide the reader with a clear description of the social context in which the respondents exist, we have, as can be seen in Exhibit 5, presented the respondents' positions at the companies. The companies have also been described as much as possible, without diminishing anonymity. We have also tried to as thoroughly as possible describe how and where the study has been conducted.

Dependability parallels reliability and is about showing the complete record to the reader in an accessible manner (Bryman & Bell, 2011). We have created high dependability by trying to motivate all our methodological decisions in such a clear manner as possible and with high consistency, thus increasing the trustworthiness.

Lastly, there is confirmability to show that the researchers have tried to be as objective as possible and have acted in good faith (Bryman & Bell, 2011). While we have been aware of the impossibility of achieving complete objectivity, we as researchers have always kept the importance of objectivity in mind and have strived towards objectivity in all reasoning and gathering of data.

### **3.7 Ethics**

An important part in ensuring high ethics is the avoidance of deception (Bryman & Bell, 2011). As mentioned before, all respondents are anonymous since it has allowed them to speak freely without being afraid of it being traced back to them, which possibly could have negatively affected their position at work. We have also tried to provide our respondents with a clear purpose of the study along with openness about how we were going to use the data. From the beginning, we have told our respondents about the length of the interview and what kind of questions we would ask. We have also in agreement with the respondents, recorded and transcribed all interviews to ensure that we have got all the data right.

### **3.8 Critique**

When conducting a qualitative study, the researchers' view on what is important as well as possible relationships with the respondents might have an impact on the result. As a consequence, Bryman and Bell (2011) bring up the possibility of the result presented to become too subjective. We, as researchers, have tried to minimize this risk by being very transparent when conducting our analysis as well as when we have described which data we have chosen to present from our collected empirical findings. One researcher of this study has a previous relationship with two of the respondents and in order to minimize the risk of their previous relationship affecting the result we have had at least two researchers present at each interview. Qualitative studies are also often the subject of critique due to the difficulty of replicating a qualitative study (Bryman & Bell, 2011). We, as researchers, have been aware of these problems, however this study has not aimed to provide a certain truth but rather to give the reader a snapshot of the current state. Furthermore, all decisions are motivated and explained

in detail to counteract the replication problem to some extent. To address the lack of transparency that qualitative studies might enquire (Bryman & Bell, 2011), we have aimed to describe the research process as detailed as possible. We have also tried to provide some information regarding the respondents' backgrounds as well as the theming process.

Another problem connected to qualitative studies is the lack of generalization (Bryman & Bell, 2011). All companies in this study are based in Sweden and as a consequence there is a possibility that national identity has affected the data. While we have not aimed to look at Swedish core values and innovation in particular, the possibility of national identity and other national aspects affecting the result exist. Thus, the generalization possibilities might have been harmed, which we have been aware of and national identity is further discussed in the analysis chapter. Furthermore, as the study builds upon 14 interviews from four companies, the problem of statistical generalization (Yin, 2003) is present. 14 interviews conducted in Sweden will not necessarily reflect what the reality look like in other companies or in other countries. We, as researchers, have been aware of the difficulties of generalizing the findings from our study. However, the study has not aimed to present the right way to look upon core values' effect on innovation, but instead we have hoped to contribute with one possible way of looking upon the relationship. Furthermore, this paper aims to achieve analytical generalization rather than statistical generalization. This kind of generalization is based on existing theory and focuses on different aspects rather than the frequency of observations (Yin, 2003), thus making 14 interviews less of a problem.

The fact that neither companies nor the industry belongings have been presented, might have caused a further generalization problem. Readers of this study might have benefited from knowing what industries the companies belong to, in order to apply the findings to other contexts. However, as anonymity has been required and since Sweden is a country where large enterprises are well known and not so several, even presenting their respective industry could have harmed the anonymity. As indicated earlier, the positive aspect of having complete anonymity throughout the study, is that it can have assured respondents that their answers cannot be traced neither to themselves nor to their company. This enhances the respondents' anonymity not only towards external parties but also towards their colleagues. A more nuanced view on core values and innovation might thus have been achieved, as respondents might have been able to speak more freely about the subject.



## 4. Empirical findings

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*The empirical chapter starts with an overview of the empirical data. The overview is followed by a presentation of alignment as a facilitator to innovation as well as a presentation of how alignment can hamper the companies' hunt for innovation. Furthermore, an additional finding is presented and lastly, the empirical findings are concluded in a brief summary.*

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The main finding in the collected data is that core values create alignment, meaning that they streamline employees' behaviors and mindsets. Overall, the collected data has revealed that alignment can both be seen as something positive as well as something negative within the innovation process. A large majority of the respondents believe core values' main purpose to be the creation of alignment among the employees.

The main purpose of core values, I think, is to unite the company. It is the stable platform that we all can agree upon. Large companies may be too sprawling anyway, but if we can agree upon these core values, then we have them in common and that platform to share. I think that is a very strong purpose. (Sandra, Environmental Manager)

The respondents believe that having common core values aligns the company and allows them to communicate better between the different departments. Carolina further argues that it facilitates her work.

[...] the core values are the same everywhere. It makes it easier to work as well. (Carolina, Innovation Manager)

Respondents from mainly two of the four companies, highlight that while the core values are common to all departments in the organization which indicates alignment, the companies have also decided to create sub values or sub goals. These are more adapted to the actual activities that take place within each department. According to the respondents, this division enables employees to see how core values could be used within their specific department.

Another dimension of alignment is evident through the fact that the companies have slogans or visions that are closely connected to the core values. The slogans often appear as answers on questions regarding the companies' active work with core values as well as on how core values create a certain culture. This is common for all four companies and these slogans are found to

be almost synonymous with the core values. The fact that many of the respondents emphasize slogans, points at an additional dimension through which core values can create alignment.

As previously noted, the respondents present various aspects of alignment, indicating different situations where alignment either acts as a facilitator for innovation or as an impedier to innovation. The relationship between core values, alignment and its impact on innovation will be continuously developed throughout the chapter.

The following framework outlines the structure of the empirical chapter, with two major sections; alignment as a facilitator and alignment as an impediment to innovation. One additional finding will be presented. The finding is however not presented in this framework.

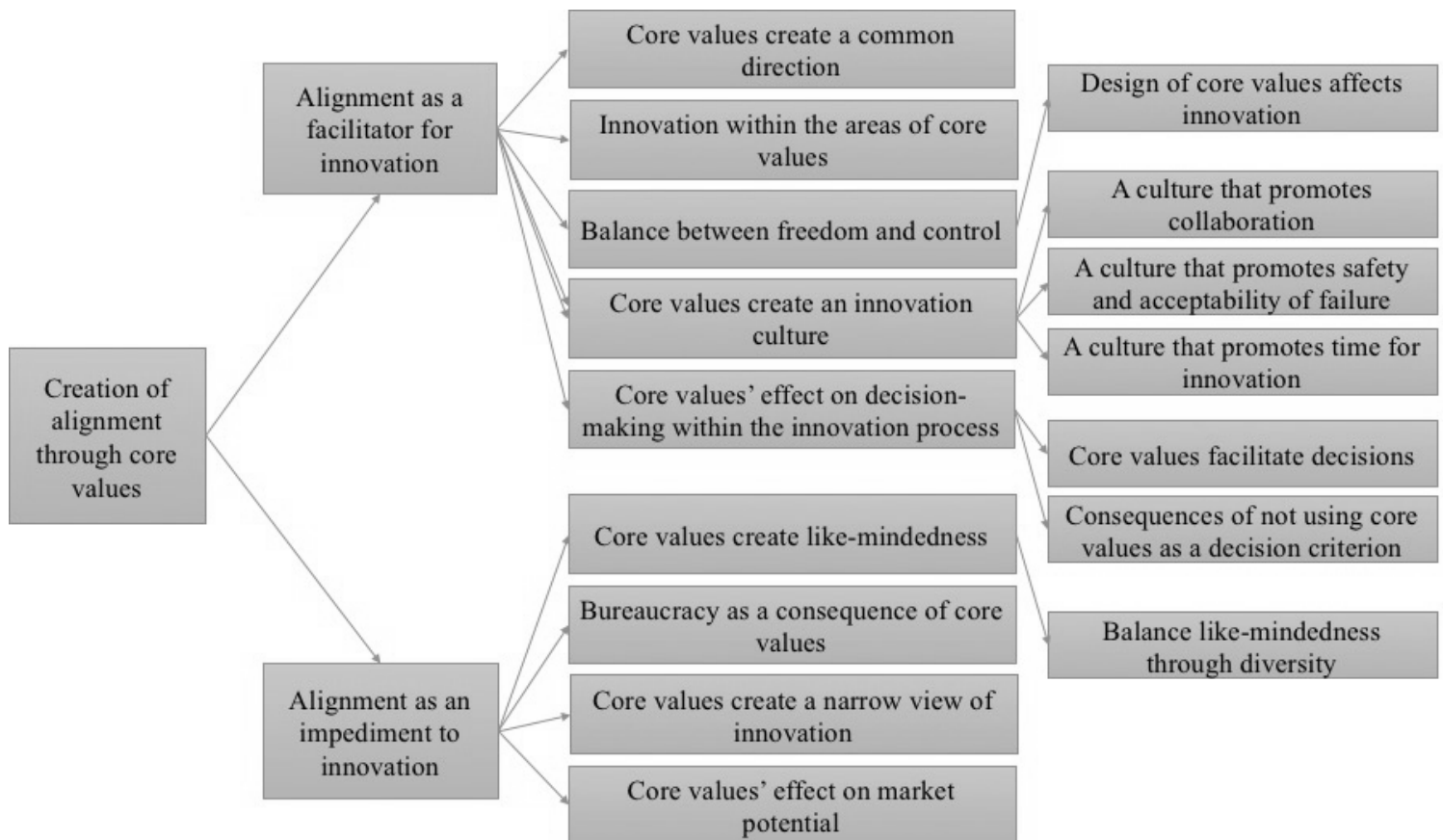


Exhibit 7: Empirical structure

## **4.1 Alignment as a facilitator for innovation**

The empirical findings reveal several different aspects of how core values affect and facilitate innovation processes within the companies. The facilitating factors will be presented and explained in the following sections.

### **4.1.1 Core values create a common direction**

One idea that frequently has come up throughout the interviews is that a multinational company consists of many cultures within the organization and therefore alignment is good and even necessary for the employees to have as a common ground. The alignment is also important within each country's organization since it may be affected by national or other kinds of cultures.

We operate all over the world, and new countries are added all the time [...] but everybody works according to the same concept. (Carolina, Innovation Manager)

Carolina highlights the importance of being aligned through some dimension, in this case core values, in order to globally facilitate innovation and to make everyone work in one common direction. Indicated in the data is also that if core values are well implemented in the organization, they create a culture that assures that even the small and sometimes unconscious decisions made in the organization, are aligned with the company's overall strategy. According to the respondents, core values play an important role in ensuring that the whole company moves in one common direction, both innovation wise and in other aspects. It is also described in the data that alignment and keeping everything together has historically been a crucial factor for success.

Another perspective on alignment is brought forward by Felix who highlights the drawback of not having true alignment among employees.

[...] dissidence is sometimes very painful. I guess that is the problem. And sometimes you do not have any time for dissidence when you are having deadlines. If we have something that is supposed to be launched in three weeks, and then suddenly someone thinks differently than the rest of the group, that is not always suitable for the situation. (Felix, Development Manager)

This indicates that less alignment could result in more dissidence in the innovation process, which can be very troublesome, since it is time consuming as well as difficult to handle.

#### **4.1.2 Innovation within the areas of core values**

Some respondents believe that lots of attention and creativity will, because of the strong focus and alignment, be directed towards the areas of core values. As a consequence, innovation will thrive within these focused areas. The companies are encouraged to push limits connected to their core values in order to constantly improve their work and innovations within those fields. Highlighted by Carl is that when everyone knows what the company needs in order to stay competitive, which can be understood through core values, it will stimulate innovativeness among the employees.

Then of course the focus upon our core values also drives innovations connected to the company's core values. Because you get an extreme focus where the entire organization focus on complying with a specific core value, and that thinking and strategy breed lots of innovation.  
(Carl, Quality Manager)

Core values are here presented as an important factor needed for the company to stay competitive. As a consequence, many new innovations and ideas seem to be connected to the companies' core values.

Several respondents are also under the impression that many innovations connected to core values come from dispersed departments and from the roots of the company. Sandra discusses that they receive suggestions for improvements regarding the core values from all parts of the company.

We receive many improvement suggestions regarding core values from employees in the organization. It is a sign that people are proud of our core values and that we want to become better at working with them. So I see it as part of the culture, to lift these kind of improvement suggestions because we really want to be in forefront of these areas. (Sandra, Environmental Manager)

Carl is of the same opinion and exemplifies with a period during which the company was facing challenges concerning one of their core values.

It spurred the co-workers to innovate, as they knew that it was this area that we needed to be strong and capable within. So it created some sort of independent thinking. And I think that it is beneficial when you have the core values as a basis for innovation. It functions as some kind of innovation support for the individual. (Carl, Quality Manager)

This indicates an enthusiasm concerning the companies' core values. It also highlights that innovations derive from different departments, and that employees are committed to the core values. Additionally, it shows that the respondents think that the presence of core values facilitates innovation, by focusing the employees' thoughts within limited areas. Thus core values seem to provide a support for employees when trying to be innovative.

### **4.1.3 Balance between freedom and control**

Freedom accompanied with limitations and responsibilities, is a frequent topic that many respondents have highlighted as an important factor if one wants to have an innovative organization. Kerstin emphasizes that this balance can sometimes be hard to find and she gives the example of two different phases.

Personally, I think that there is one moment for a lot of dissidence, openness, and revolutionary things, as well as one moment where you are less of that, because then you have decided what you are about to do and then you have to deliver [...] And sometimes I think that we are too much in a phase of dissidence and sometimes we are too little in that phase. (Kerstin, Innovation Manager)

Kerstin here points at the difficulty in finding a clear line between the two phases, which can be connected to the innovation process, in terms of an idea generation phase and a phase where you are about to implement the selected idea. As can be noted, the different phases require different environments. According to Kerstin, this results in a more cumbersome innovation work, since it can be hard to decide when to be structured and when to be more free and creative and thus allow more dissidence.

According to the collected data, freedom within limits can be created with help from the company's core values. Viktor stresses that core values outline the freedom that employees have, but also provides a framework for the work.

What type of freedoms you have, and what types of responsibilities and accountabilities. All of that. I guess that is core values. It is a bit like a framework, safety, rules of engagement, I guess you can call it. (Viktor, Project Manager)

Viktor's quote indicates that his company's core values function as a tool to outline both freedom and discipline, two factors that have been shown to be crucial for innovation to prosper. Carl further develops that core values can provide employees with freedom, and allow leaders to not control their employees' work in detail.

I think core values facilitate since you get a common direction and get a coherent view on what the company should do, among the employees. Without controlling in detail. And I definitely think that facilitates innovation, because you provide freedom within borders if one puts it that way. (Carl, Quality Manager)

Consequently, when the company's objective is clear to all employees and everyone know in which direction the company should move, the leader may let go of some control. By having core values, the leaders are allowed to transfer responsibility to his or her employees. When not controlling the details and thus limiting the mind of the employees, the leader may, with help from core values, increase creativity and innovativeness.

#### **4.1.3.1 Design of core values affects innovation**

Several respondents argue the design of core values to be important in order to stimulate innovation. While core values may allow freedom as well as limitations, the limitations must not be too narrow. The respondents highlight that core values need to be adaptable to everyone and to all departments in the organization.

Sometimes, very niched projects are running, but core values should be useful everywhere. Otherwise, it is not a good core value. (Filip, Product Manager)

If the core values are written in a way in which they do not affect our approaches, concerning how we build our product offer, then they are useful. In our case, the values are written in a way that does not suggest how a product range should look like [...] They are written in more general terms. (Carolina, Innovation Manager)

The respondents stress that if core values are too narrow, they could limit the employees' innovation ability. On the other hand, broad values seem to allow employees to think more freely, thus counteracting the otherwise strong conformity that core values may create.

#### **4.1.4 Core values create an innovation culture**

A majority of the respondents claim their core values to affect both themselves as well as their colleagues and that they create a culture within the organization.

To me, core values have the purpose of creating a culture and should permeate everything we do. That's it. (Filip, Product Manager)

Yes, they impact everything I do! The way in which I contact institutes, the way I work with potential suppliers, the way I run projects, everything is based upon the core values. Really. (Carolina, Innovation Manager)

##### **4.1.4.1 A culture that promotes collaboration**

During the interview with Carolina, it became clear that one of her company's core values addresses the importance of working in teams, which have created a culture in which it is common to collaborate.

So, you use each other to brainstorm ideas and by doing so, if you come in contact with the right people with the right input, you can create amazing ways of working and amazing innovations. Only because you build upon each other's ideas. (Carolina, Innovation Manager)

Carolina here brings up an idea that is very common among the other respondents as well, namely that innovations in the organizations are usually better when people are working together. Carolina also discusses her company's core values in terms of being Swedish values, promoting collaboration.

Some people that origin from other countries might think that it sometimes can become too Swedish, because everything is supposed to be done together with consensus. And some people think 'ah, I cannot stand anymore consensus, should it be a three-hour long discussion just to reach consensus?' but the company is like that. You just have to accept it. Everything we do, all projects are done together. (Carolina, Innovation Manager)

Carl also finds consensus and collaboration to be a Swedish phenomenon.

I would argue that cross-functional work is a pretty Swedish thing. You do not sit by your own, working in a silo, but you use to work together. And we are consensus driven, that does also belong to the context. (Carl, Quality Manager)

The companies' success in terms of working together and thus being innovative is, according to the respondents, partly explained by their companies' core values being influenced by Swedish culture. In the sample of this study, certain core values have created an alignment through which teamwork is promoted among the employees. Hence, core values can be seen as a facilitator for innovation since many respondents argue teamwork to be beneficial for innovation.

#### **4.1.4.2 A culture that promotes safety and acceptability of failure**

The empirical data indicates that core values encourage risky decisions.

It feels like we always can take advantage of our core values when it comes to risk-taking, and say that 'we have to, because this is our core value and we need to fail fast'. (Filip, Product Manager)

This quote by Filip implies that the presence of core values establishes a culture of risk-taking, which is beneficial for innovation, according to the respondents.

Core values are perceived by the respondents to create openness and a safe zone in which the employees feel safe to express their thoughts, ideas and aspirations to their respective leader. When many of the respondents describe their respective company's culture they underline openness as a main denominator. Emelie gives an example of the openness that exists at her company.

The openness at the company is very evident. Even if you are a new employee, you are taken very seriously, like you were the CEO of the company. Well, maybe not like that, but the CEO would definitely talk to everyone as if they were as good as the CEO itself. So it is very clear. And you notice it instantly. If you come into a meeting as a new employee, you are treated just like everyone else. So, that is nice! (Emelie, Sustainability Coordinator)

Creating an open environment where employees feel that they are allowed to fail is, according to several respondents, extremely important in order to encourage innovation. This is further highlighted by Viktor.

I think you need to create an environment where it is allowed to be innovative. I think that safety is one of the most important things for the employees. That it is ok to fail [...] because it creates a feeling of a safe zone. And that is something I believe to be extremely important. (Viktor, Project Manager)



One crucial dimension of daring to fail is the importance of having support from managers.

You have to dare. And regarding that, I definitely feel that I have support from my closest leader. (Tobias, Development Manager)

Further on, an environment that encourages people to dare failing, is also highlighted as something very Swedish.

Then you also have the cultural aspect, I think that we dare to fail in Sweden [...] If you compare our company in Italy with how the company is in Sweden, I think we have a lot more safety here [...] And here in Sweden, there is always someone saying 'hey, wait a second, what did you think of here?'. And then you have to explain, which can be very difficult for someone that has never experienced the Swedish culture before. Being questioned by your colleagues or subordinates, if you want to put it that way. (Viktor, Project Manager)

Viktor's idea is further developed by Carl, who believes that a corporate culture based upon Swedish values encourages openness.

Many people perceive us as a very attractive employer where you are allowed to express your opinion. I mean, in general we have pretty flat structures in Sweden. And I want to claim that this has to do with the company being Swedish, but it is also part of our philosophy as a company; that you are allowed to do that. And it is something that facilitates innovation. (Carl, Quality Manager)

Openness and allowance of failure seem to be crucial facilitators for innovation. Since core values seem to encourage risk-taking and create a safe environment it indicates that core values function as an important facilitator in the difficult pursuit of innovation, by establishing a culture that is beneficial for innovation.

#### **4.1.4.3 A culture that promotes time for innovation**

Many respondents point out that in order to achieve innovation and to keep stimulating it, time is a crucial factor. They often feel that they tend to get trapped in daily work tasks, since the agendas are full and therefore there is hardly any time left for reflections and thinking outside the box. However, Henrik believes that one of the company's core values has helped him to feel that he has time to work on projects that deviates from his ordinary agenda. Henrik also

highlights that in order to fully exploit this core value, he has actively chosen to work for managers that clearly promote this value.

I have chosen managers that give me that opportunity. People who live our core values.  
(Henrik, Marketing Manager)

In the interview Henrik gives the example of an opportunity to work with a product launch in China, something that is far from his ordinary duties and has been enabled by the company's core values. The importance of having managers allowing their employees to devote time to things beside the agenda is also emphasized by Tobias.

One cannot state control over exactly what everybody should do at all times. You have to make room for individuals to come up with good ideas and make them feel involved. And the price for that is that you actually have to be allowed to temporally work with things that are beyond the direct agenda, all must. And it's not an easy balance. (Tobias, Development Manager)

Since time has been argued to be such a crucial factor for employees to be creative, alignment of managers and employees by a time-promoting core value, thus seems to facilitate for employees in their quest to make room for creativity.

#### **4.1.5 Core values' effect on decision-making within the innovation process**

From the empirical data it is evident that in many cases, core values play an important role within decision-making throughout the innovation process. In these situations, core values often function as a decision criterion.

Based upon the collected data, one thing that is common among the respondents is the belief that when an idea has been presented it has to go through a certain number of stages before being launched to the market. In some companies it is also clearly expressed that they are using a stage-gate process in their innovation efforts where the projects need to pass different tolls. The respondents state that each department usually has their own internal process, and there are usually several parallel funnels running alongside each other. As a consequence, there are, throughout the innovation process, many different decisions that need to be made.

When it comes to innovation decisions, the respondents emphasize that top management is often involved.

[...] top management is mainly involved in the beginning of the processes. The further we come in the processes, the more top management withdraw since they by then have assured that we are working with the right type of projects. By then, specialists and people that are good at handling routine tasks, take over in the processes. (Carolina, Innovation Manager)

The data indicates that top management is mainly present in the beginning of the innovation process, and take on a more passive role as soon as they have made sure that the innovation will produce value to the company by being aligned with its core values. Experts are added into the teams to make sure the product gets delivered to the market.

#### **4.1.5.1 Core values facilitate decisions**

According to several respondents, core values can simplify decision-making when being used as a decision tool.

Core values simplify decision-making. And they also help us to know how to greet people outside of the company. Like, how to behave in different situations. (Emelie, Sustainability Coordinator)

In the end, it all comes down to if this idea is core for us and there, core values come in as decision criteria, both from a business point of view but also from a cultural perspective. Are these the kind of values we want in our company? (Filip, Product Manager)

Core values also facilitate for managers and others to make difficult decisions and to make sure that they are aligned with the company's strategy, which for instance is stressed by Filip.

Sometimes we actually walk away from a possible deal because we feel that it contradicts our core values. (Filip, Product Manager)

Furthermore, these difficult decisions may imply high risk-taking. Mats describes a situation when top management made a decision that favored core values, but exposed many other aspects to high levels of risk.

At that occasion we took a huge risk concerning if we would get production up and running in time, by doing this last minute change. So, obviously the core values encourage risk-taking. Sometimes to the point that we are acting almost foolishly. (Mats, Production Manager)

Another common thing among the respondents is the event of having several ideas running through the same funnel, and priority has to be given to either of them. In that case, many respondents claim that an idea more tightly linked to core values, will get priority over the others.

That is, if you are faced with different options where one goes in line with our core values, it will facilitate the decision and create focus upon it. (Carl, Quality Manager)

Sometimes, compromises regarding core values might be done. The respondents indicate that it is not always the case that all ideas need to be totally in line with the companies' core values. The respondents indicate that among the core values, there is usually one value that is slightly more dominant than the others. This can be seen on a company level, where one core value is more prominent when making decisions. It can also be found on a more personal level where the respondents believe one core value to be of extra importance to them. However, as soon as a project is contradicting one or more of the company's stated core values, the project gets highly questioned.

I would not say that all our core values must be included and nothing else. But if something goes against the core values in some way, then it is much more difficult. (Kerstin, Innovation Manager)

Well, it would be significantly impaired. But reality might not be as black and white [...] Maybe you are inclined to make some compromises if all the other core values are very strong. Perhaps you cannot completely reject the project, but it will most certainly be questioned. All aspects should be considered in all stages. (Harry, Innovation Manager)

Using core values as decision criteria seems to align the companies in one common direction and thus facilitate the otherwise rather long and complicated innovation process.

#### **4.1.5.2 Consequences of not using core values as a decision criterion**

Some respondents reflect upon what happens when you are not staying true to your core values while making a decision within the innovation process. Three main consequences have been highlighted by the respondents.

Firstly, Sandra believes that innovations might be looked upon from more of a short-term perspective when disregarding core values in decision-making. Their core values thus provide a long-term perspective, according to Sandra. She also explains why staying true to your core values is not an obstacle to innovation.

I do not see any obstacles, because in that case, the innovations are no good. We should not proceed with innovations if they do not include our core values. Otherwise we are not thinking long-term. If you are thinking of innovation as a winning for tomorrow or next week, then you might have to deselect some values [...] If you deselect any of the core values, then of course you might get your money back much sooner, but you might be out on deep water regarding the innovations in general. I think that you always should look upon innovations with a long-term perspective and then you must consider the values. (Sandra, Environmental Manager)

Secondly, Tobias discusses the consequences of not staying true to the company's core values by pointing at the ambiguity and shallowness that might be generated.

It is quite often that you reflect upon how on earth a decision could have been made when you at the same time are saying that 'this is our core value' [...] it can sometimes feel a bit shallow. (Tobias, Development Manager)

Thirdly, Sandra points out that she does not think that her company is doing enough innovation concerning one specific core value. She definitely believes that more decisions should be based upon a certain core value, since she thinks that it would allow her company to be more innovative.

[...] what core values can result in, is a frustration when one is not able to drive through certain suggestions that one is working on. Often, there are several reasons why. But then I can feel 'can we not do more? It is still our core value!' (Sandra, Environmental Manager)

Aligning the company and using core values as a decision criterion seems to be very important for several different reasons. First, it creates a long-term perspective, secondly, it ensures the

employees that their core values are not just empty words and thirdly, it allows the company to be more innovative.

## **4.2 Alignment as an impediment to innovation**

While several respondents regard core values as something that may help and even increase innovation, some argue that they can also put limits on innovation work.

In overall, I would not say that our core values stop us. Neither do they make life more difficult. However, they make the work with certain ideas a bit longer and a bit more cumbersome.  
(Kerstin, Innovation Manager)

### **4.2.1 Core values create like-mindedness**

Some respondents specifically claim that their core values might create too strong alignment and thus result in like-mindedness impeding creativity. A note of warning towards core values' effect on like-mindedness is expressed by some respondents who are certain that the presence of core values creates a coherent thinking among the employees. When asked about core values' effect upon behavior, Harry draws the parallel with a sect.

It is like we are a sect and we all know it. (Harry, Innovation Manager)

The idea generation phase might get particularly harmed by alignment, due to everyone thinking alike, which may result in good ideas being missed out on. This idea is brought forward by Felix, among several other respondents.

[...] sometimes it becomes easier within the teams if everyone thinks alike. And unfortunately I sometimes see that we recruit people who are similar to each other. And then you are sitting in the team and thinking 'wow, we are very efficient, we do agree all the time'. But maybe you miss out on very good ideas. (Felix, Development Manager)

#### **4.2.1.1 Balance like-mindedness through diversity**

Carolina expresses that people in the company are pretty much molded in the same way but she also presents a way to counteract like-mindedness through the encouragement of diversity, which can enable innovation.

You are not blocked to one single approach, there are many different approaches. Sometimes we hire consultants, and sometimes we invite a group of innovators. I guess there are about 20 different approaches within the company as far as I know. (Carolina, Innovation Manager)

By inviting people from outside of the company and by not being forced to use the same approach to innovation all the time, Carolina's company counteracts like-mindedness. This indicates diversity as a way to balance like-mindedness in order to better stimulate innovation despite the presence of strong core values.

Another respondent, Viktor, further points out diversity as a crucial aspect for innovation. He argues that if you are having very like-minded people in a group, you will not see the other side of the coin, which can be devastating for innovation. Here, Viktor expresses the importance of diversity from his point of view.

I focus a lot upon that when I am forming new teams, so I consider what type of background different people have. I try to create a balance, not just man or woman, but also what type of qualities, what type of personalities and so on [...] If you only have people that think as me, then we become as good as me. But if we have people that think differently, we think in many more dimensions than just my way of thinking. (Viktor, Project Manager)

Consequently, diversity has been revealed to be something that all companies work with in different extents, in order to escape the risk of becoming too conformed for innovation to thrive.

#### **4.2.2 Bureaucracy as a consequence of core values**

Another limiting effect of core values, according to several respondents, is that core values can sometimes be the founder of unnecessary bureaucracy.

It happens easily, we work in processes and talk about the importance of documentation and as a consequence, it becomes very bureaucratic. One can understand that it is necessary, though it is not many of us who get inspired by it. (Petra, HR Manager)

Too much focus upon different processes and documentations associated with complying with the different core values can, according to Petra, limit her inspiration, which may negatively impact her creativity.

A similar point of view is brought forward by Harry who believes that his company's core values can sometimes establish bureaucracy. He argues that core values can sometimes make their innovation processes very time consuming.

If we launch three ideas, we usually finalize all three ideas, which is good. But it is done at the expense of time. So, sometimes it would have been beneficial to launch ten ideas and reject seven of them. There are both pros and cons [...] I guess it works well with some of our products, however, it suits really bad with some areas that we are trying to innovate within, because within those areas you have to run faster. (Harry, Innovation Manager)

In their effort to meticulously follow the core values in their innovation pursuits, Harry's company ends up in a situation where things are very time consuming. This is something that may impede their innovation efforts depending on what type of innovation it regards and it could negatively affect their competitive position within those certain fields.

#### **4.2.3 Core values create a narrow view of innovation**

By aligning employees around the companies' core values, it forces the employees to only be innovative within areas connected to their core values, creating a rather narrow view of innovation, according to the respondents. Core values cause strong like-mindedness among the employees, which may result in ideas that could have provided the firm, its brand or its customers with new value, to be dismissed.

I think it is important that an innovation department is explicitly allowed to work with other things than core values. And when it is contradictory to the core values, there should not be end of discussion right away, but it must be allowed to continue. Because, there might be a great connection that is possible to make. [...] I think it is within that dialogue or conflict that something new might be created. (Kerstin, Innovation Manager)

Based upon the collected data and Kerstin's argument, core values can have a limiting effect upon innovation, since decision makers sometimes have a narrow view concerning which innovations are possible to align with the core values.

#### **4.2.4 Core values' effect on market potential**

Several respondents notice that core values sometimes hinder their respective company to achieve its full market potential. The companies' core values may impede innovations that are



specifically targeting only one type of customer. Henrik exemplifies that his company is currently facing a problem and are wondering how to enter a certain market while one of their core values is not completely aligned with the need of that specific market. This makes it troublesome for the Swedish employees.

No this is not possible, 'I, as a Swedish employee, I cannot work like that'. (Henrik, Marketing Manager)

Not entering this market means that the company, due to their core value, lose an immense market opportunity. If they are to enter the market, the company will have to radically change or redefine this core value. As a solution, Henrik discusses the possibility of moving some of its product development to other countries, where the core values are implemented, but may have a slightly different meaning than they have for the Swedish employees.

Well, maybe then we have to place that development in India or China that possess a completely different mindset than we Swedes have. (Henrik, Marketing Manager)

Additionally, Carl expresses some drawbacks with core values within the innovation work, meaning that the focus upon core values, might be on expense of a more holistic perspective of the company.

There is a drawback to the focus upon core values. If you have too much focus upon core values, then you might lose the holistic perspective. Even though we have our core values, we still have, like all companies do, a general purpose in terms of making money. (Carl, Quality Manager)

This indicates that alignment created by core values, may obstruct the company in its general pursuit of making money. The focus upon core values thus tends to narrow the view of the employees and managers.

### **4.3 The effect of innovation on core values**

An additional finding that is closely connected to the research question of this study is an idea brought forward by Kerstin. She claims innovation to be a factor that sometimes actually influences core values and not only the other way around. She believes this to be a consequence

of an open culture and acceptance. She gives the example of how health can be related to one of the company's core values, even though it might not be related by first sight.

[...] health is connected in some way to one of our core values, so it can be an extension of that value. (Kerstin, Innovation Manager)

New ideas that in the beginning might seem peripheral to core values, may sometimes help the company in widening its core values and thereby also stay competitive by innovating in a broader perspective, but still within core values. New innovation areas can thus widen their core values and incorporate more factors into the core values. The relationship between core values and innovation thus seems to be mutual, where core values also can drive innovation. Consequently, there is an indication of the relationship to not only be in the direction we sought to explain by this research, but also in the other direction.

#### **4.4 Summary of empirical findings**

Based upon the collected data, the respondents are aligned around the companies' core values, which creates cultures that help them to be innovative, mainly by creating a safe place where people are working together and are encouraged to set aside time for innovation. The downside of having a strong culture, as a consequence of alignment, seems to be like-mindedness, which can hamper creativity and negatively affect the idea generation process. Having core values seems to give the respondents some areas in which they should generate ideas, something that can inspire the respondents and help them in their innovation pursuits. By having predetermined areas in which to focus, core values also act as a tool to find the balance between freedom and control, something that appears to be necessary for innovation to thrive. Core values are also found to be used as decision criteria within the innovation process. They facilitate decision-making and can guide managers when there are difficult decisions that need to be made. However, by using core values as decision criteria there is a risk of employees having a rather narrow view of innovation, limiting the companies' market potential. There is also evidence that core values sometimes create unnecessary bureaucracy within the companies in their pursuit to meticulously follow the values. Finally, one deviating aspect shows that core values do not only influence innovation, but sometimes innovation can actually affect companies' core values.

## 5. Analysis and discussion

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*Throughout this chapter, main aspects from the empirical findings are analyzed with help from the literature review. In this chapter, the subjects presented in the empirical findings are presented and analyzed together, under the most salient themes connected to the innovation process. First, an overall discussion regarding the structure of the analysis is presented. Next, innovation culture is analyzed, followed by a section focusing upon the idea generation phase. Afterwards, a section regarding decision-making as well as an analysis concerning diversity and national identity are outlined. Lastly, a summary of findings is presented.*

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### 5.1 Structure of the analysis

Through the empirical data, it is possible to discern a tension regarding core values and innovation. The tension can be explained through an alignment around the companies' core values and can be noted in previous literature, as pointed out in the *Background and problem discussion* as well as in the *Literature review* of this study. As explained in the literature review, there is a need for more research regarding in which situations core values have a positive respectively a negative effect on the innovation process. The empirical data of this study concretizes the relationship between core values and innovation. It establishes a better understanding of how the tension, created by core values and its effect upon innovation, is expressed in different situations of the innovation process.

The following analysis focuses upon this tension of alignment, and it starts in what positive effects core values can have on the innovation process through the creation of a culture. Next, the problems that alignment creates as well as the benefits that it generates within the innovation process are discussed. This tension is addressed within two main sections, one pointing at the idea generation phase, and the other one focusing upon decision-making throughout the innovation process. These phases are the first two out of three phases in the innovation value chain (Hansen & Birkinshaw, 2007) and, as stated in the empirical findings, core values seem to have a considerable impact on both idea generation and decision-making. Towards the end of the analysis, some further discussions concerning factors that have proved to impact the tension regarding alignment take place. The chapter ends with a summary of the main findings.

## **5.2 Core values create an innovation culture**

Looking upon the collected data, core values are used in terms of creating slogans as well as when communicating the companies' beliefs. Some respondents also see core values as deep assumptions and mean that core values affect unconscious decisions. Slogans, values and assumptions reflect Schein's (1990) three levels of culture, which indicate core values to play an important role in creating as well as sharing the companies' culture. When values are shared within a company, Roper and Fill (2012) regard it as a very strong culture, which also has been explained by the respondents. From the empirical data it is possible to discern that core values have a positive influence, innovation wise, upon corporate culture. Especially, acceptability of failure, collaboration, openness and time have turned out to be main denominators of this culture and they will be further developed in the following sections.

### **5.2.1 Core values establish acceptability of failure**

One distinguished aspect in both the empirical data, under the headline *A culture that promotes safety and acceptability of failure*, as well as in the literature review (West 2001; Barsh et al., 2008; Smith, 2010) is the need to create a safe environment where employees are encouraged to take risks in order to stimulate innovation. Presented in the collected data is also core values' role in creating an environment where acceptability of failure is present. The respondents feel that they can use their core values as an argument to why they should take risks and they feel protected by the values if they were to fail. This seems to be especially obvious in the idea generation phase of the innovation process. Indicated by the respondents is also manager's influence in creating a safe environment. This is in line with Barsh *et al.*'s (2008) findings where one main inhibitor to innovation is leaders that reward their employees based upon short-term performance, which may establish a fear of failure. Under the headline *Consequences of not using core values as a decision criterion*, the respondents indicate that without core values, managers might end up with a short-term perspective, which could lead the company on a risky path regarding innovations. The presence of core values thus seems to allow managers to prioritize alternatives that create long-term gains rather than short-term gains. This points at core values' strategic role in influencing managers to have a long-term perspective, which can establish an acceptability of failure. This in turn, will further foster innovation, as seen both in the empirical data, and through the arguments of Barsh *et al.* (2008).

### **5.2.2 Core values establish collaboration and openness**

Core values are also presented to have an important role in allowing the respondents to be open and to work in teams. The respondents present the idea that as a consequence of their implemented core values, employees are encouraged to work in teams, something that, according to Barsh *et al.* (2008), is a crucial part in the innovation process and necessary for enabling innovation. The influence of openness and collaboration is argued, in the empirical data, to allow the respondents to build upon each other's ideas and thus together create a continuous cycle of innovations since new ideas further promote additional ideas. These beliefs are supported by Barsh *et al.* (2008) and Smith (2010) who both see collaboration and openness as keys in creating and maintaining innovation. This study supports Barsh *et al.* (2008) and Smith's (2010) findings but also contributes with core values' role in creating collaboration and openness.

As pointed out in the empirical chapter under *A culture that promotes safety and acceptability of failure*, openness and acceptance towards diverse point of views are found to be recurring aspects important for innovation. According to Nemeth (1997), acceptability and welcoming of diverse point of views, is the most vital aspect of teamwork that fosters creativity. The fact that the respondents feel, as a consequence of core values, an acceptability towards different views and are encouraged to work together, enhances creativity and can thus result in a more creative idea generation phase and in turn result in better innovations.

### **5.2.3 Core values create time for innovation**

Time has turned out to be a vital aspect within the innovation process. The collected data indicates that many employees get stuck in their daily agendas and therefore the opportunities to be creative and innovative are limited. Judge *et al.* (1997) emphasize the importance of organizational slack within R&D-departments. According to the empirical findings where many respondents from diverse departments stress time, organizational slack seems to be of importance not only in R&D-departments, but in other organizational departments as well. As pointed out in the empirical chapter *A culture that promotes time for innovation*, one respondent presents a possible solution to the problem with time, namely core values. The respondent argues that the company's core values encourages him to set aside time for projects that might not necessarily be related to his usual duties, thus allowing him to be more innovative. This indicates that core values can create a corporate culture that encourages employees to take time

for creative thinking and projects that are beside their daily workloads. This idea is further strengthened by Marjolet (2013), who argues time to be a vital aspect that needs to be encouraged through values.

As pointed out by several respondents, leaders have an influencing role when it comes to allowing their employees to set aside time for innovation as a task beside the normal agenda. The respondent that works for a company with a core value indirectly focusing on time, has actively chosen managers that live the core values, hence indicating the importance of managers acting as role models. The importance of role models is also discussed by Tushman and Nadler (1986) as well as Manohar and Pandit (2014). The idea is somewhat also supported by Barsh *et al.* (2008), who emphasize that leaders who encourage and protect innovation is a main promoter for innovation. Since the time aspect is less of a problem for the respondent who, in comparison to the other interviewees, indicates that core values give him time to be innovative, the combination of a core value promoting time together with leaders living the values seems to be one way in which this crucial aspect for innovation can be solved.

### **5.3 The tension within the idea generation phase**

Within the idea generation phase, a tension has been indicated where core values establish like-mindedness, which seems to hamper creativity and thinking outside the box, something that is crucial for innovation. At the same time core values create a focus, which through this study has indicated to stimulate innovation. Furthermore, core values seem to help ensuring a proper balance between freedom and control. This tension will be analyzed in the following sections.

#### **5.3.1 The effects of a strong culture on idea generation**

As stated in the empirical section *Core values create an innovation culture*, core values seem to help creating a strong culture. While this, as described previously, can be very positive in terms of innovativeness, there have also been indications to another side of the coin. Under the headline *Alignment as an impediment to innovation*, the data indicates that since a strong culture may create conformity among the employees, core values also inhibit a company's ability to be creative and generate new ideas. According to Roper and Fill (2012), a consequence of alignment and a strong culture is that the company may experience difficulties in encouraging individual thought, which the discussed conformity is proof of. The loss of individual thought and the ability to generate different ideas might then have a negative effect on the innovation

process. The respondents' opinions concerning conformity and lack of individual thought might be explained with help from Smolicz (1981), who argues that people who reject a company's core values can be terminated from the group. The fear of not fitting in with one's colleagues could be an explanation to why it would be difficult to present new ideas that are not in line with the company's core values. The finding about conformity around core values, is somewhat supported by Nemeth's (1997) argument that radical ideas might disappear under the influence of a strong culture. However, our findings indicate that radical ideas do not necessarily disappear, but become concentrated around the firm's core values.

### **5.3.2 Core values create areas of focus**

While core values in some cases have a negative effect upon the idea generation phase through like-mindedness and narrow views, the empirical data connected to *Innovation within the areas of core values*, also points in the other direction, indicating that core values may facilitate the process of idea generation. The respondents emphasize that core values communicate a few areas in which the respective company should focus its innovations upon. Some respondents further claim that having focus areas makes it easier to be innovative. This is also a huge benefit according to Sawhney *et al.* (2011) that believe successful innovations to often be the result of a focus upon a few high impact innovation areas. A similar view is presented by Judge *et al.* (1997) that find clear organizational goals necessary to generate innovation. Based upon the respondents' answers, the companies' core values could be seen as these high impact areas or organizational goals, around which employees should focus their attention. This idea could be compared to what De Cagna (2007) argues, who sees core values as a way to help firms become prominent within their core areas, as well as stay competitive and thereby achieve their full potential. Further on, Baumgartner (n.d.) argues core values to help an organization to focus and define innovation goals, which is very similar to what can be discerned from the companies in this study. The presence of core values seems to help employees to not get lost in the jungle of opportunities, but to focus ideas into specific fields, represented by the core values. The focus enables the companies to keep improving within the fields of their values and thus become more innovative. Consequently, core values seem to put some limitations on the employees' minds while also allowing some freedom within the areas of the values. This function of core values will be further developed under the section of *Balance between freedom and control*.

A negative consequence of a too narrow focus on innovation through core values, is the fact that it may result in “more of the same”. This idea is somewhat supported by Pech (2001), however his focus lies upon a strong culture creating conform innovations, while this study specifically indicates core values role in creating conform innovations. As employees are focused upon innovating within the fields of core values, it creates the risk of innovating more or less the same things, with only minor tweaks. Discovery beyond core values thus gets hampered through this focus. This could be seen in the empirical findings under *Core values’ effect upon market potential* where several respondents express that core values limit their market potential by lessening their ability to adapt to and expand into new markets. One respondent even argues that core values may direct focus away from the general purpose of firms, namely to make money. Furthermore, the respondents express that core values limit their ability to think outside the box, which also limits the firm’s innovation possibilities and thereby also its market potential.

### **5.3.3 Core values establish a balance between freedom and control**

When employees focus upon generating new ideas connected to the high impact areas established by core values, it has been shown in the empirical findings, to lessen managers’ need to control the employees and as a consequence the employees are granted more freedom. The importance of allowing employees freedom and self-organization is highlighted by for instance Ehin (2013), who argues that it increases innovativeness. The empirical data under the headline *Balance between freedom and control*, indicates it to be necessary for companies and managers to find the right balance between freedom and control in order to be innovative. The data implies freedom to be crucial when generating ideas, but it also shows that there exists a need to control the employees within this phase. This to make sure that employees do not locate the resources in the completely wrong area and end up creating an innovation that does not fit into any business context of the company, which can be very costly. The balance is according to the collected data, rather difficult to find, but one solution discussed by the respondents as well as by De Cagna (2007), is core values. Judge *et al.* (1997) underline this strategic role that core values may have. They find that strategic control, but also operational freedom is crucial for generating innovations that create value for the firm. The empirical data indicates that by using core values in the idea generation phase, employees are, without being controlled too much by managers, sure they are generating ideas connected to the company’s core competencies and thus create value for their customers. This in turn creates safety, which has



been emphasized as important for an innovation culture. The strategic role of core values will be further developed in the following section.

### **5.3.4 Core values' strategic role within idea generation**

Assunta Barchiesi and La Bella (2014) believe that core values can help an organization in terms of strategic direction, mission determination and visioning. While core values strategic role is not mentioned directly by the respondents, using core values as an indicator to which areas a company should try and generate innovations within, indicates that core values also have a strategic role in the idea generation phase. However, as argued both in the literature review and in the empirical chapter regarding *Balance between freedom and control*, for core values to carry the strategic role they may have, leaders need to allow core values to set limits, but also to accept the freedom that core values may provide the company with. It is also important to notice that while core values can be part of finding a balance, it might not be the complete solution. Freedom and control, from a leader's perspective, can still be a struggle. The empirical findings suggest that one difficulty for managers lies in that managers must not be too controlling when creativeness is required, nor must he or she allow employees to constantly change the project when focus is required.

The usage of core values in the companies, indicates that core values fulfill a strategic role. Core values help companies to focus their innovations to a few, high impact areas. This in turn seems to enhance innovativeness within these fields and the focus areas seem to facilitate idea generation. However, this might be on expense of a wider perspective on the company's opportunities. An absence of core values could possibly open up for better and wider ideas. On the other hand, it is hard to make any arguments for if an absence of strong core values would be better in this single dimension since the situation could also end up in too many opportunities making the innovation work too sprawling, resulting in no better innovations at all.

## 5.4 The tension within decision-making

While core values seem to facilitate decision-making through acting as decision criteria and help companies to prioritize throughout the innovation process, there are also proved to be some drawbacks in terms of bureaucracy and narrow views of innovation. This tension will be further developed in the following sections.

### 5.4.1 Core values as a decision criterion

Under the headline *Core values facilitate decisions*, several of the respondents describe their innovation processes with a stage-gate approach, where ideas and innovations need to pass certain gates in order to be pursued. This indicates the stage-gate approach to be a commonly used innovation process, as described by Griffin (1997). The empirical data points at top management's involvement in the innovation process and looking upon it from Grönlund *et al.*'s (2010) perspective, managers then fill the role as gatekeepers. When gatekeepers make their decisions throughout the innovation process, core values have turned out to be considered one main criterion in the investigated companies. This means that core values, as decision criteria, give managers the possibility to evaluate an idea both from a cultural and a strategic perspective. Core values can thus function as a tool that both ensures that the project is aligned with the corporate culture and what the company stands for as well as aligned with the company's strategy from a business point of view. Grönlund *et al.* (2010) believe that at each gate, an idea should be evaluated against the company's business model, and based upon the collected data, core values have turned out to play a similar role within innovation decisions.

Core values are indicated under the headline *Core values facilitate decisions*, to also be used as decision criteria when gatekeepers need to prioritize between ideas, hence making core values facilitators in decision-making as opposed to the otherwise rather complex quest of prioritizing ideas. Ideas closely linked to the company's core values are, according to the respondents, given priority in the stage-gate process. This usage of core values is supported by Baumgartner (n.d.) who states core values to be facilitators in the complex pursuit of innovation and act as a quality stamp on innovation projects. As core values have been shown to be a recurring decision criterion within the stage-gate process, it could indicate that core values play an important role in delivering innovations with high standards that comply with both culture and strategy. Furthermore, the usage of core values as decision criteria indicates that the companies rationalize their decision-making according to what they define as beneficial respectively

disadvantageous for their companies. Accepting projects in line with core values, and dismissing projects not aligned with core values corresponds to the view of Tushman and Nadler (1986), who explain core values as fundamental beliefs deciding what is good respectively bad for the focal firm.

Under *Core values facilitate decisions* in the empirical chapter, it is also indicated that even though core values function as decision criteria it is not always crystal clear whether an innovation should be pursued or dismissed. It has been proved by the respondents that it is not always possible to only put forward ideas with strong records of all core values. An idea that is more aligned with one core value, and less aligned with another, might as a consequence not always get dismissed. This finding somewhat contradicts Lencioni's (2002) statement that core values should be the basis of all decisions and never get compromised. While there could be several explanations to the phenomenon that compromises occur, one explanation could be what Smolicz (1981) calls the relative hierarchy among values. Smolicz (1981) argues that in case a group has several values, one or two could be regarded as more important than the rest, something that also can be discerned through the empirical data under *Core values facilitate decisions*. Applying this logic to core values' role within the innovation process, the explanation could be that one value is used as a decision criterion to a higher extent than the rest of the values. Depending on a company or an employee's feeling towards a particular value, that specific core value could be used to a higher or lower extent as a decision criterion. This idea can be compared to Thorbjørnsen and Supphellen (2011) who argue that it is very important to understand how employees' personal values correlate with the company's core values in order to determine the core values' success.

The empirical data presented under *Core values facilitate decisions*, indicates that even though there might be a relative hierarchy among core values, the respondents argue that their respective company generally does not make decisions that contradict the company's core values. The reason to why companies do not make contradicting decisions is that when innovations are presented to the market, they need to live up to the standards outlined by the core values both internally and externally, even if it involves taking huge risks in the process. This consistency in decision-making regarding core values is supported by Rao and Weintraub (2013) that discuss the importance of integrity in a firm. Rao and Weintraub (2013) claim integrity to be a vital aspect of the climate at a firm and mean that integrity takes expression through decisions and actions, where companies with strong records of integrity highly question

decisions and actions not in line with core values. The similarity of this argument with the empirical finding about projects being highly questioned if they are not completely aligned with core values, points at a high level of integrity within the studied companies. Making decisions according to the companies' core values can thus seem to partly establish integrity among the firms.

Furthermore, by not making decisions that contradict the companies' core values, managers seem to send coherent signals to the employees and prove the importance and influence of the companies' core values. The importance of working in line with the core values is highlighted by Manohar and Pandit (2014) that argue innovative firms to be characterized by core values that are commonly practiced throughout the entire organization. Furthermore, Lencioni (2002) states that if core values are not implemented in the organization it could have a negative effect upon the company's entire culture. Allowing core values to play an important part in the innovation process could thus help companies to not fall into the dangerous trap of core values simply turning into hollow words, as stated under *Consequences of not using core values as a decision criterion*.

Using core values as decision criteria can, as described under *Bureaucracy as a consequence of core values*, also be quite time consuming. Due to the companies' core values and their effort to meticulously follow them, the innovation processes can often be very time consuming. Several respondents also stress that as a consequence of working with core values, some bureaucracy can sometimes appear in the decision-making process. Something that could be very dangerous since Judge *et al.* (1997) argue innovative R&D departments to be characterized by the absence of bureaucracy. This could indicate bureaucracy as a consequence of core values to be one scenario where core values actually obstruct a company's ability to be innovative. Noteworthy is that the situation of bureaucracy might be applicable to other decision criteria as well and not solely a problem of core values as a decision criterion.

#### **5.4.2 Core values can create a narrow view of innovation**

As emphasized in the empirical data regarding *Core values' effect on decision-making within the innovation process*, having core values as a basis for all decisions regarding innovation, both conscious and unconscious, aligns the company and is believed to make it easier for the organization to move in one common direction. The downside of alignment is however, as

presented under *Alignment as an impediment to innovation*, the risk of like-mindedness. Like-mindedness, as argued by the respondents under *Core values create a narrow view of innovation*, can take place when gatekeepers in the innovation process are, due to the company's core values, having a too narrow view upon innovation when making decisions. If all gatekeepers always act according to the core values, it seems to result in a case where innovations that could have generated new value, are dismissed without further discussion. This only because the ideas are not fully aligned with the company's core values, something that could be very dangerous according to Nemeth (1997). She argues openness and the presence of dissent and discussion, to be crucial for creativity in an organization, something that can be seen as the opposite to like-mindedness. An allowance of discussion has also, through the empirical findings, been suggested to be of positive influence for a company to assure that value-creating innovations are not being ignored. De Cagna's (2007) view that core values allow companies to fully exploit their potential may, as a consequence, be contrasted since core values also seem to have a limiting effect on innovation and thus the companies' respective potential.

In order for core values to not limit the companies' value creation, the interviews reveal under *Design of core values affects innovation* that core values need to be designed and interpreted in a broad way. This finding is supported by Tushman and Nadler's (1986) argument that core values should be broad enough in order to promote innovation within the entire organization. The empirical data related to *The effect of innovation on core values*, suggests that core values are not only an affecting factor in the innovation process but also a factor that can be affected. When core values are interpreted in a broad way, innovations and new areas can be major influencers that can enlarge and enrich core values and thereby add value to the firm, its brand, and its customers. This indicates that the driving force can also be evident in the other direction, meaning that core values might not always be the driver of innovation, but innovation can also drive core values. If managers allow employees to interpret core values more broadly, it could thus open up for new innovation possibilities also in line with core values, since the interpretation of the values get broader and more inclusive.

Based upon the collected data, the arguments of Baumgartner (n.d.), Heathfield (2015) and Mroz (2013) concerning that core values should guide all decisions, could be challenged. Especially one respondent argues that sometimes innovations can increase the scope of core values, indicating that innovations can also guide and develop core values. This is supported

by Gehman *et al.* (2013) who argue core values to be developed through ongoing discussions and negotiations that do not need to come from top management. Innovation and core values' effect upon each other could thus be regarded as a cycle, where the two of them can affect each other on an ongoing basis. The respondents also seem to believe that an evaluation of the company's core values against a new idea or innovation could be beneficial, in order to create new value and increase the potential of the firm. This could be compared to Grönlund *et al.*'s (2010) view that an important part in the stage-gate process is not only to evaluate an idea based upon the business model but to also, from time to time, evaluate the business model itself.

### **5.4.3 Core values as constraints within decision-making**

As earlier pointed out, decision-making can be facilitated in several ways through core values. However, even though core values can be seen to make the decision-making process more efficient by providing a clear criterion to rationalize ideas through, as supported by Sull (2015), several respondents claim the usage of core values to make the work a bit more cumbersome and time consuming. Sull (2015) believes constraints to not be an enemy of creativity, instead he believes that constraints make the innovation process more efficient. The constraints can in this study be regarded as core values, which have proved to create a focus upon the areas of core values when innovating. This constraint could, as argued before, both be seen as a limitation to creativity as well as a reinforcement of inspiration, depending on the perspective one takes. Further on, the decision-making process has proved to become more efficient when using core values, since it facilitates the rationalization of projects. However, the drawback is that the usage of core values can make decisions very time consuming, since you want to meticulously follow the values when making decision, as explained under *Bureaucracy as a consequence of core values*. Thus, the material of this study indicates that things are not as simple as explained by Sull (2015). There are both pros and cons of constraints within innovation and decisions regarding this field. Constraints seem to both obstruct and enable creativity as well as it can obstruct and enable efficiency. Whether the direction will be positive or negative, might be a result of the specific situation.

## **5.5 Factors affecting the tension of alignment**

In addition to the analysis concerning the tension within innovation culture, idea generation, and decision-making, a further discussion will be provided which focuses on additional areas that have appeared throughout the interviews. Through the empirical data, both diversity and national identity have proved to have an effect upon the tension concerning like-mindedness and creativity and these aspects will be further discussed in this upcoming section of the analysis.

### **5.5.1 Diversity**

As the empirical basis indicates, there lies a great inherent risk in core values since they tend to establish like-mindedness among employees, something that the respondents of this study are completely aware of. As stressed by the respondents, the influence of diversity becomes important in order to balance like-mindedness evoked by core values. Almost all respondents declare that they try to minimize employees' like-mindedness, in one way or another, by increasing focus upon diversity. This shows that Martin's (2002) view on what constitutes a culture is relevant and used by the companies. Martin (2002) argues that a culture is constituted by what is shared but also by dissent and dissimilarities. Companies seem to use core values to create a culture that not only aligns people, but also generates discussion and diversity. The companies in the study has been shown to use different approaches to diversity. Some are searching for new perspectives from outside of the company by using universities and external consultants, while some try to create as diverse project teams as possible. This behavior, is supported by Nemeth (1997), who says that diverse teams can release the pressure of conformity, and help creativity to prosper.

However, diversity is also expressed as something difficult by several respondents, since dissent can be both time consuming and difficult to handle since it may create conflicts. The handling of conflicts together with the extra time that is required when people are of different opinions, prove that like-mindedness by core values does not have one simple solution. It points at a trade-off that always needs to be considered. In the case of diversity, these multinational companies must for instance consider lost time due to dissidence, which might delay an important launch. This must in turn be weighed against the risk of missing out on better and more creative ideas, since better ideas could have been the result of allowing dissidence. A

compromise between diversity and like-mindedness seems to be where the companies end up, in order to handle things efficiently but still allowing creativity.

### **5.5.2 National identity**

Several aspects that affect innovativeness have shown to be influenced by core values. One of these aspects is collaboration and many respondents believe that collaboration is important for innovation to thrive. However, collaboration has also been argued to be a consequence of the companies being founded in a Swedish culture. Thus, the national identity seems to affect the companies' approaches to collaboration and thereby also affect the innovation processes. Closely linked to collaboration is the notion of the companies being consensus driven, which also is highlighted as a rather Swedish phenomenon and something that enhances innovation, since it creates collaboration and discussion. Collaboration and discussion are pointed out by for example Nemeth (1997) and Barsh *et al.* (2008), as requisites for innovation to prosper. National identity has been shown to also have an impact on the important dimension of daring to fail. In the empirical findings, under the headline *Safety and acceptability of failure*, several respondents further argue that core values can create a safe zone. They also highlight that this safe zone in which it is accepted to fail and try anew, is a result from the companies belonging to a Swedish culture.

The fact that national identity seems to affect innovation in the investigated firms, is something that may indicate that the tension created by core values is present to a lesser extent than it otherwise would have been. The major problem that core values seem to create is that they, through alignment, can create like-mindedness and reduce creativity, which is crucial for innovation (Nemeth, 1997; Pech, 2001). However, even though core values might create alignment and an excessive like-mindedness, they do so with point of departure in a Swedish culture that promotes diversity, collaboration and discussion as well as safety. The fact that these aspects are what promote innovation (Nemeth, 1997; West, 2001; Barsh et al., 2008), may be one reason to why the companies in the study have been successful innovators. National identity may impact the tension's severity, and may hamper or facilitate innovation, depending on the nature of the national culture. If proceeding with a similar study in another country, national identity might have a completely different effect upon innovation than what has been observed through this study.



## **5.6 Summary of findings**

In the following table (Exhibit 8), the main findings concerning core values' effect on innovation processes are outlined and presented with both positive and negative aspects, which clarify the identified tensions that core values create. These main findings in relation to the research question and its sub question are presented under the dimensions of culture, idea generation, and decision-making. In the end of the table, other aspects in terms of diversity and national identity are presented. These aspects are distinguished from the other dimensions since they are not necessarily factors creating the tension between core values and innovation, but rather factors that can impact the tension created by core values. Since these other factors have different effects depending on the setting, it is not possible to divide them into positive or negative effects.

Organizational dimensions affected by core values	Core values' effect on the innovation process
<p><b>Culture</b></p>	<p><b>Positive effects</b></p> <ul style="list-style-type: none"> <li>- Core values enable innovation by aligning the company around acceptability of failure, collaboration and to set aside time for innovation.</li> </ul> <p><b>Negative effects</b></p> <ul style="list-style-type: none"> <li>- Core values create a strong culture, that can generate conformity and thus limit creativity within the innovation process.</li> </ul>
<p><b>Idea generation</b></p>	<p><b>Positive effects</b></p> <ul style="list-style-type: none"> <li>- Core values have a strategic role in the innovation process as they communicate areas to focus innovation upon, which generates qualified innovations within the core areas.</li> <li>- Core values can help to create a balance between freedom and control, which allows employees to think freely while still being aligned to common goals.</li> </ul> <p><b>Negative effects</b></p> <ul style="list-style-type: none"> <li>- Core values create like-mindedness, which make it difficult to generate new ideas outside of core values. Like-mindedness in the idea generation phase also creates more of the same and can reduce market potential.</li> </ul>
<p><b>Decision-making</b></p>	<p><b>Positive effects</b></p> <ul style="list-style-type: none"> <li>- Core values function as a decision criterion and facilitate decision-making in the innovation process by emphasizing what is of importance to the firm.</li> <li>- Core values play an important role in delivering innovations that comply with both culture and strategy and thus help in prioritization situations.</li> <li>- Core values should be interpreted in a broad way when used as decision criteria during the innovation process. A broad view allows innovations to drive core values, and expand their meaning.</li> </ul> <p><b>Negative effects</b></p> <ul style="list-style-type: none"> <li>- Working according to core values in the innovation process can create bureaucracy and be time consuming.</li> <li>- Core values create a narrow view of innovation and ideas which could have generated value in the innovation process are dismissed too soon because of core values.</li> </ul>
<p><b>Factors affecting the tension of alignment</b></p>	<ul style="list-style-type: none"> <li>- To counteract like-mindedness created by core values, companies focus on diversity to stimulate innovation.</li> <li>- National identity impact the tension of alignment that core values imply and the like-mindedness might be lesser, due to Swedish culture.</li> </ul>

Exhibit 8: Summary of findings

## **6. Conclusion**

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*In the last chapter, the study's conclusions are outlined. The conclusions are based upon the empirical data and the analysis in order to address the research question of the study. Both theoretical as well as practical implications of the study are highlighted throughout the chapter. Lastly, some suggestions for future research are presented.*

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The study's purpose has been to explore the relationship between core values and innovation. By looking on innovation processes, the aim has been to address this relationship by conducting an explorative study on four Swedish-founded multinational companies with distinct core values and strong records of innovation. Through the empirical data and the analysis, it has been possible to discern a major finding in terms of alignment. Core values can be concluded to create an alignment among the employees, which both has proven to take positive as well as negative forms. This indicates a complexity and tension regarding the relationship between core values and innovation. Furthermore, core values can through this study, be seen to have an active impact on the innovation process, mainly when it comes to idea generation and decision-making.

What is mainly distinguished in this study is that core values affect innovation through its strong impact on corporate culture. Core values help to establish an innovation culture, promoting necessary ingredients for innovation such as time, openness, acceptability of failure, and collaboration. It is evident that core values stimulate innovation by creating a safe environment through encouragement of risk-taking and allowance of a long-term perspective. It is also clear that the combination of core values promoting time and managers living the core values creates time for innovation. Since the companies are aligned around core values, the values will strongly affect the employees' behavior. The downside of having a strong culture is the creation of like-mindedness, mainly in the idea generation phase of the innovation process. Core values create a way to behave which can generate a fear of not fitting in, which results in conformity. Consequently, core values have turned out to have a vital effect upon the cultural setting, which in turn affects the firm both positively and negatively innovation wise.

Core values have demonstrated to function as high impact areas of innovation, meaning that it is encouraged to be innovative within the fields of core values. By focusing upon a few areas, represented by core values, innovation has proved to prosper since it helps to concentrate

employees' thoughts, which streamlines idea generation. Furthermore, it provides the employees with space for free thinking within those areas. However, there is a drawback to the focus upon core values within idea generation. This drawback takes expression through core values narrowing the view upon innovation, which negatively affects market potential and the possibility of thinking outside of core values.

Another conclusion that can be drawn from the study is that core values help to establish a balance between freedom and control, which in turn facilitates the idea generation phase of the innovation process. Core values help the company to set a clear objective of what the firm wants to reach. Consequently, core values function as a constraint in that aspect, controlling the employees to focus only upon those areas. At the same time, core values have also proven to provide freedom. When controlling the employees to focus around the areas of core values, it provides freedom within those areas.

Another conclusion from this study regards decision-making, where core values have proved to be used as an active and frequent decision criterion within innovation processes as it facilitates difficult decisions and prioritizations. By allowing core values to guide decisions, companies can assure that core values do not just turn into hollow words. On the other hand, the usage of core values as decision criteria tend to create some bureaucracy in the decision-making process as well as it has proved to sometimes be very time consuming. Using core values as a decision criterion throughout the innovation process can also create a rather narrow view of innovation, which can hamper a company's market potential.

The study indicates that core values do not only affect innovations, but innovations also affect core values by extending the meaning of them. Consequently, it seems to exist a mutual relationship between core values and innovation, meaning that both factors can drive one another. However, this is something that the companies must actively allow, it will not happen passively. Companies must therefore be open-minded regarding their core values and allow extensions and reevaluations of them, when laying forward new ideas. Ideas that are not connected to core values at first sight can, with a broader interpretation, actually become connected. Allowing innovations to drive core values can thus generate value to companies and assure that the employees do not have a too narrow view upon innovation. This conclusion opens up the view of the relationship between core values and innovation and further indicates the complexity it involves.

Based upon the empirical findings and the analysis, the following model is presented as a conclusion regarding the relationship between core values and innovation. The model demonstrates the complexity and tension regarding this relationship. The empirical findings and the analysis stress core values' effect upon innovation through two main courses. The first one is *Alignment as a facilitator*, demonstrating the positive effects that core values have upon innovation. The second one is *Alignment as an impediment*, which indicates the negative effects that core values have upon innovation and thus stresses the situations in which this appears. Lastly, an arrow from innovation towards core values demonstrates the finding concerning innovation's effect on core values.

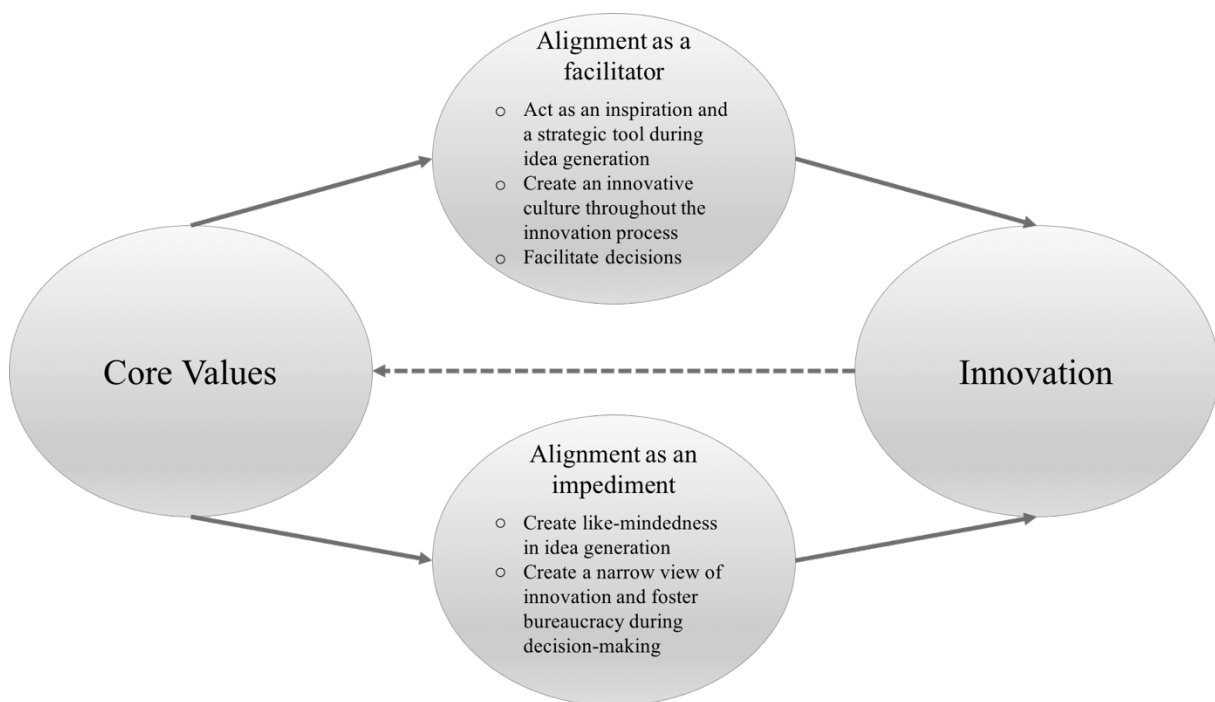


Exhibit 9: The relationship between core values and innovation

An additional finding to those presented in Exhibit 9, is that companies use diversity to counteract like-mindedness established by core values. By employing people with different backgrounds, assumptions, ages and gender, like-mindedness gets somewhat counteracted. However, employees are still proven to be aligned around the core values, but the fact that diversity is present in other dimensions ignites different perspectives, which is positive for innovation. While diversity can be seen as a solution to like-mindedness it is also important to be aware of the fact that diversity creates other problems. Diversity involves the risk of dissent and conflicts as well as more time consuming processes. A second additional finding regards national identity, where Swedish culture has been demonstrated to have a positive effect upon

innovation, but also upon core values. However, it is important to note that national culture's effect upon the relationship between core values and innovation might be sensitive to changes in the cultural setting. The findings concerning national identity could thus have become completely different if the research would have been conducted in other cultural or national settings.

## **6.1 Practical implications**

The conclusions presented in Exhibit 9 provides companies with knowledge regarding different situations in which core values affect a company's innovation ability. This knowledge of both pros and cons can help managers and firms to better understand how to work with core values. It can help companies to plan for how to handle the consequences associated with core values' effect upon innovations in order to make innovation prosper. If managers allow, core values can act as strategic tools, which provide the employees with both freedom and control. Consequently, core values can help managers in their quest to create the necessary balance between freedom and control for innovation to prosper. Core values can also help managers to prioritize between ideas and projects through a clear criterion, which facilitates decision-making in the otherwise complex and long innovation process. Furthermore, the study shows that managers with help from core values can establish an innovation culture. In order to not lose market potential, which the aligning effect of core values can result in, it is important for managers to allow a broad interpretation of core values, for valuable innovations to not be dismissed.

## **6.2 Future Research**

The collected data indicates innovation to have an effect upon core values, a relationship that would be beneficial to further investigate in order to broaden the knowledge about the relationship between core values and innovation. Since national identity appeared in this study as a factor affecting the tension of alignment, it could also be interesting to study national identity in more depth. This could be done by adding a national culture perspective on the study and thus further try to understand how a nation's culture affect core values and as a consequence, a company's innovation ability. Another suggestion for future research is to gain an even deeper understanding of the studied area and of core values practical implications on the innovation process by conducting an ethnography, focusing on one company for a longer period of time. Furthermore, this study is based upon four Swedish-founded companies, but it

could also be possible and even beneficial, to conduct a similar study somewhere else in the world and see whether the results would be similar. Such research could both contribute to the field of national identity as well as to the field of innovation and core values.

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## **Appendix 1 - Interview guide**

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### **Introduction**

Name?

Can you tell us a little bit about yourself?

What is innovation to you?

What are core values to you?

### **What role do core values play at your company/department?**

Aims at discussing core values' purpose (culture, strategy and brand).

### **What is needed in order for your company to continue to be innovative?**

Aims at discussing core values' and management's role within the innovation process. We also hope to discuss collaboration, measurement and rewards in connection to innovation.

### **What does your company do in order to stimulate innovation?**

Aims at gaining concrete examples of the companies' innovation work.

### **How does the innovation process look like in your company?**

Aims at discussing the formal innovation process from beginning to end.

### **How are new ideas welcomed and how are decisions made throughout the innovation process?**

Aims at discussing where ideas come from as well as how ideas are prioritized.

### **How do core values affect your work?**

Aims at discussing if core values create inspiration, like-mindedness, safety, and/or risk-taking.

### **What concrete actions indicate that you work with core values at your company?**

Aims at discussing communication, implementation, control, education, rewards, and leadership in relation to core values.

### **Are core values beneficial for your innovation work? If yes, in what way?**

Aims at discussing core values and innovation work together with culture, inspiration, strategy and safety.

**Are there any reasons as to why you should not use the company's core values in the innovation work?**

Aims at discussing the negative aspects of core values and a strong culture, especially with regards to the innovation work.

**Is dissidence encouraged at the company?**

Aims at receiving an understanding of the respondents' opinions on like-mindedness within the companies.

# Di

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Nyheter

Opinion Aktietjänster Börssnack Bostad Dagens tidning Play Jobb Mer

« Tillbaka

Kommentera (0) | Skriv ut | Spara artikel

## Kärnvärden – nyckeln till innovation!

Publicerad 2016-05-09 11:46



Proucentpremiär för Vikander



Persbrandt köper herrgård



Exklusiv financial Times-läsning!

Kraven på svenska likväl internationella företag blir allt hårdare vad gäller innovation. Att ständigt vara innovativ är dock lättare sagt än gjort. En ny undersökning från Lunds universitet visar däremot att kärnvärden kan vara lösningen som företagen så länge har letat efter.

**Under de senaste** åren har pressen på företag att vara innovativa ökat lavinartat och i Huffington Post diskuterades nyligen en nytt paradigmskifte där kreativitet och nytänkande beskrivs som avgörande för framgång. Att vara innovativ är dock inte det lättaste då influerande faktorer är många till antalet, vilket gör det svårt för managers att bringa klarhet i vad man bör fokusera på. Några som har bestämt sig för att ändå försöka underlätta innovationsarbetet är Elin Bolmgren, Jennifer Jönsson och Linnéa Hedberg, studenter vid Lunds universitet.

- Vi fann jakten på innovation oerhört intressant och bestämde oss för att se om vi kunde hjälpa företagen genom att undersöka relationen mellan kärnvärden och innovation, berättar Jennifer.

**Fyra svenska multinationella** innovationsstarka företag med tydliga kärnvärden har undersökts och det har visat sig att kärnvärden spelar en oerhört viktig roll i jakten på innovation. Att använda kärnvärden som ett tydligt beslutskriterium kring innovationer har tydligt påvisats. Beslutsfattande gällande formella, likväl informella, beslut inom företagen påverkas av kärnvärdena och undersökningen visar även att när chefer fattar beslut som är kopplade till kärnvärden ger det en naturlig fördel då det likriktar företaget och ger en tydlig identitet på marknaden. Besluten blir således konsekventa och hamnar naturligt i linje med företagets kultur såväl som strategi. Studien visar även på att kärnvärden kan hjälpa företagen att prioritera mellan idéer och på så sätt underlätta den annars ganska komplexa innovationsprocessen.

**Kärnvärden har också** visat sig vara viktiga för att företagen ska kunna generera idéer. Väl implementerade kärnvärden har visats sig hjälpa till att generera idéer, då de fungerar som fokusområden. I och med att de anställda är likriktade kring kärnvärdena kan ledare tillåta en viss frihet för de anställda som utan att behöva kontrolleras kan leverera innovationer kopplade till företagets kärnvärden.

- Kärnvärden kan alltså genom att agera som fokusområden, skapa både ramar, inom vilka de anställda ska hålla sig, men samtidigt skapa frihet vilket är nödvändigt för att kreativitet ska finnas, förklarar Linnéa.

**Vidare visar studien** på att kärnvärden också kan skapa en säker miljö där anställda uppmanas att våga ta risker. Kärnvärden kan också uppmuntra till att de anställda arbetar tillsammans och hjälper varandra i innovationsarbetet. Studien visar också på att kärnvärden kan uppmuntra de anställda till att faktiskt ta sig tiden att vara innovativa, någonting som anses vara oerhört viktigt i jakten på ett bra innovationsarbete. Att arbeta utifrån kärnvärdena kan också hjälpa företagen att se till att kärnvärdena inte bara förvandlas till tomma ord och faktiskt på så sätt skadar kulturen. Kärnvärdena gör helt enkelt att företagets strategi inte blir innehållslös.

**Studien höjer dock** också ett varnande finger mot att förlita sig allt för mycket på kärnvärden i innovationsprocessen. Kärnvärden kan skapa liktänkande vilket kan orsaka problem i att generera nya idéer, något som kan leda till en förhållandevis smal syn på innovation. För att inte låta kärnvärden resultera i förlorad marknadspotential är det därför viktigt att uppmuntra till en bred tolkning av kärnvärdena. Studien visar även att arbetet utifrån kärnvärden kan resultera i såväl onödig byråkrati som tidsödande processer.

- Det gäller helt enkelt att hitta en bra balans. Lyckas man med det så kan kärnvärden vara nyckeln i jakten på lyckad innovation, säger Elin.

**Studien kommer att** publiceras i juni och går då att ladda ner via Lunds universitets hemsida.\*

*\* Till kursen hör en uppgift att skriva en fiktiv artikel för att åskådliggöra hur det skulle kunna se ut när studiens resultat, samt dess underliggande fakta, data och argumentation, på ett begripligt sätt, sprids till en bredare massa.*



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