Taxonomy of value development – how to classify values for application in business?

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ABSTRACT

Values as a tool for the development of a company have always been used – in a deliberate or less deliberate way. In recent decades, values have been purposefully identified and used in a company's strategy development, marketing, personnel management and other company development processes, as the company interacts with the stakeholders – consumers, employees and partners. The article reflects the historical development of values, and the authors also review the formation of company values within companies. Analyzing company values, the authors of the article reflect the company's value formation model, distinguishing three types of values: core values, *espoused* values un *active* values. Methodology: In order to achieve the objective of the study, literature study and systematic literature analysis were applied. In-depth expert interviews were conducted to verify the results, identify the actuality of the object of the article – whether values are important in business development and the active values and actions of employees are determined by their subjective values, which can be managed by developing employees' understanding of the company's values.
Scientific aim of the research is to determine the company value model and to group (classify) values for their use in business on the basis of value development studies (taxonomy).
Findings: Company values are values defined by the company within the framework of *espoused* values, and they determine how the company plans to act in order to achieve its goal. However, *active* values, actions of the company and the team, do not always correlate with them. Employees' *human* values and understanding of company values form active values in the company through action.
Conclusions: Values can be grouped by creating a classification of values (Figures 2 and 3). According to the literature research and the classification of values performed within the study, different dimensions of values can be distinguished. By grouping values and determining their relationships, it is possible to determine which dimension they refer to, for example, the *of, in, with* value dimensions –

see Figure 2, and how to use value correlation in the company when working with employees or customers.
Further research is intended to continue exploring values in the context of the *of, on* and *with* dimensions, distinguishing between the use of values in business and the real areas of value impact.

Keywords: Values, Marketing, Company values, Values history, Human values.

1. INTRODUCTION

In business development it is essential to know the stakeholders, their values and significances which stakeholders would like to receive within the company and along with the product (Keller, Kotler, McCracken, Rokeach et al.). Values and their priorities determine the choice of stakeholders. Regardless of the consumer choice motives they are based on the consumer's values which define belonging and "my" or "unknown" feeling [1].

Over time, focuses have changed significantly in defining the concept of value, so the authors present a study on value development in a historical context, where the development of values from broader values, such as the state and money as a value, to *human values*, is given a more subjective meaning. In the course of time, values have been put forward as a key factor in decision-making, and more often values are used in business purposefully: both in marketing and strategy development, and in personnel management.
The article discusses the formation of company values within a company, but values also significantly influence consumer choice. The emotional attraction through values of parties involved determine a strong brand loyalty (A.Wheeler, J.Aaker) [2, 3]. A practical example of studying and using target audience values in brand development is discussed in the publication "Analysis of values and interests of stake holders: case of MILZU!" [4], where values are introduced in both product development and design, and communication.
Object of the study – company values.

Subject of the study – value taxonomy-based classification of values and value theories for application to business development.

Period of research: 2019-2020. Within the research value classification was performed, value dimensions were determined and the correlation between values of the company and its employees was searched.

2. THEORETICAL BACKGROUND

Historical overview of values

If people did not have a certain value system, then people would not be able to decide on a particular course of action. On this point, Frondizi states that value is prior to valuation – if there were no values, what would people evaluate (Hartmann, 1967) [5]. So, values arise in the evaluation process. Values are studied in order to understand and describe society and individuals, to explain attitudes and behaviors, motivational basis for action. Values-based decisions determine our actions in any situation, and values-based communication is nowadays used in companies both in marketing for core associations of their brand values and in personnel management, as well as in strategy planning.

Human values as a factor influencing human behavior have been studied in depth relatively recently, despite the fact that the first human values were mentioned as early as in the 6th century, in fables of which Aesop [6] is considered to be the author (original in the 6th century BC, translated by Townsend, 1867), where the concept of value was indirectly reflected.

Since the days of the ancient Greeks, philosophers have been concerned with values on a rather tangential basis. References to values were unavoidable as Aristotle, Kant, and others discussed aesthetics, or as Plato, Hobbes, and Rousseau deliberated over the problems of government and citizen responsibility. But, as Wekmeister points out – no general theory of values was developed or enunciated by any of these thinkers (Wekmeister, 1967) [7].

In the beginning, the understanding of values was formed through the prism of the responsibility of the government and citizens, later money was set as a priority of values. In the 14th century, Buridan (1300-1358) followed Aristotle in stating that the measure of value in goods is to be found in the satisfaction of wants, greater need resulting in higher value. Pufendorf (1632-1694) asserted that the price or value of any action or thing depends on its fitness to obtain, directly or indirectly, the necessaries, conveniences, or pleasures of *human* life. Barbon in 1680 refuted the notion that economic ends are necessarily tangible, or that pleasures and pains have to be physical. Whereas Galiani in 1750 stressed the desire for social distinction, in the form of rank, titles, honors, nobility, and authority, which he held to be stronger than the desire for luxuries, which in turn was stronger than the desire of the hungry for food (Georgescu-Roegen, 1968) [8]. Bentham (1748-1832) in his Introduction to the Principles of Morals and Legislation points out that behavior is influenced by morality and law. In his work A table of the Springs of Action (1815) Bentham offers a list of his values, and he was one of the first to present a list of *human* values. He defines the following values: taste, sexual appetite, wealth, power,

curiosity, amity, reputation, religion, sympathy, antipathy, self-interest, and the pains of labor and physical suffering [9]. Soon several authors turned to a more in-depth study and interpretation of values, for example, Nietzsche (1844-1900) interpreted the dynamic character of history as the continuous creation and annihilation of values. Men create values which stabilize cultures, albeit temporarily, until these values are subsequently replaced by another set which allows the upsurge of a new human culture (Hartman, 1967) [10]. Meinong (1853-1920) explains the essence of values in a simplified way: "when it pleases us, and to the extent that it pleases us" (Frondizi, 1963) [11], Weber in the early twentieth century interpreted values as individual, but culture-bound, points-of-view that motivate action (Bruun, 2007) [12]. Whereas Russell believed that it was subjective desires that give value to things and phenomena. From subjective preferences it is not possible to find arguments to prove that this or that has intrinsic value (Russell, 1925) [13]. Ayers studied collective values and behavior (Ayers, 1950) [14], and Lewin (1942) defined psychological field theory as well as later compensatory multi-attribute models (McReynolds, 1969) [15]. Clawson (1950) suggested combination of product and *human* values and form a more specific marketing model, developing a basis for understanding value-based decisions in marketing [16].

Thurstone proposed that values could be measured and, with the aid of the comparative judgment technique, developed a scale of "moral" values (Thurstone, 1954) [17]. And Scott described a method for measuring the values and ideologies of a culture (Scott, 1959) [18].

Values undeniably affect the outcome; Woodruff and Divesta measured the values of college students and showed their relationship to attitudes (Woodruff and Divesta, 1948) [19].

Rokeach offered a theory of personal values. He believed that values are created in culture and they maintain, regulate visible social culture (Rokeach, 1968) [20]. Rokeach proposes the eighteen terminal and eighteen instrumental values list, defining terminal values as goals and instrumental values as principles or beliefs through which to achieve the goal.

Scott and Lamont (1972) proved that global values – product evaluation, descriptive beliefs, and domain-specific values – are three unconnected but cognitively related variables [21].

Recent studies suggest that brands can be assigned values characteristic of humans: such as character, behavior (Aaker, Vohs, and Mogilner 2010 [22]; Allen, Gupta, and Monnier, 2008 [23]), while in marketing it is used in order to associate the brand with consumer values (Gutman, 1982 [24]; Keller, 1993 [25], Keller, 2007 [26]).

Schwartz's structure of *human* values represents abstract brand concepts, proposing 11 conceptually distinct *human* value domains (Schwartz, 1992) [27].

In the 21st century, human values are increasingly integrated into brand management and product development trying to find connection with the consumer. Marketing strategies are focusing on human qualities in the company, creating an emotional perception. For example, Aaker defines the components of a brand's personality that envisage facets of personality traits, thus forming an emotional perception [28] (Aaker, 1997). Brands often have an emotional appeal that builds connection with customers, so the seller can use

metaphors to show the human quality of the product, service or company [29]. Wheeler also points out that it is important for companies to build an emotional relationship with the consumer in order to gain loyalty in the long term. The consumer, in turn, benefits from brand competition for emotional relationships, with entrepreneurs being increasingly challenged to become visible. Applying appropriate personalization to the brand and maintaining it in communication creates a stable emotional perception of the brand. "Strong brands stay out of a densely populated market," says Wheeler (Wheeler, 2009). People fall in love with brands, trust them, and believe in their superiority. [30] Hopewell speaks about developing abstract brand concepts on the basis of motivational and emotional meanings that create a more favorable consumer response than focusing on higher functionalities (Hopewell, 2005) [31]. Keller concludes that if we want to stimulate consumer attraction to the brand, then the brand must be assigned the target audience values (Keller, 2008, p.5) [32]. Kotler, Kartajaya and Setawan [33] also emphasize the importance of values-driven marketing (Kotler, Kartajaya and Setawan, 2010).

In the last decade, the values of the company and the brand have been increasingly associated with ethical attitudes, and their mutual correlation is required. As per the definition given by Busch and Murdock, value-based leadership is considered as "goal-setting, language-creating, problem-solving, and value developing interaction, which is an integral part of any organization's *human* values and very high ethical standards" [34] (Busch and Murdock, 2014).

Figure 1: *A summary of scientific literature on the historical study of values (authors' developed framework)*

Analyzing the course of value development and summarizing the above, Figure 1 shows a summary of the historical development of the scientific view of values: a summary of scientific literature on the historical study of values.

Over time, definitions of values become more and more complex, and nowadays *human* values play an important role in the development of a company, integrating them into strategy development, brand development, as well as internal and external marketing communication. Stakeholders with values-based decisions require companies not only emotional involvement, but also truthfulness – compliance of actions with the defined values.

Perspective of a "Theory of marketing"
In performing value analysis, the authors developed theoretical aspects of values by adapting M.K. Ludicke's approach to the explanation of marketing by analyzing the values from the *of, in* and *with* perspective (see Figure 2). The purpose of this section is to subsume the state of the art and science surrounding these three perspectives [35]. *Of* values explain the nature of values, *in* values show a more detailed distribution of values to the related sub-categories, while *with* values explain other areas where a similar manifestation is observed.

Of values within the company values refer to the defined values, *in* values explain values in order to create a common perception of them – what actions are to be supported at different levels, and what actions are not supported in the company. Whereas, *with* values in this context refer to the defined values in behavior that are not directly related to the company's operations, but reflect the employee's behavior, for example, an employee's social network profile where their values, manifestations outside of work are communicated.
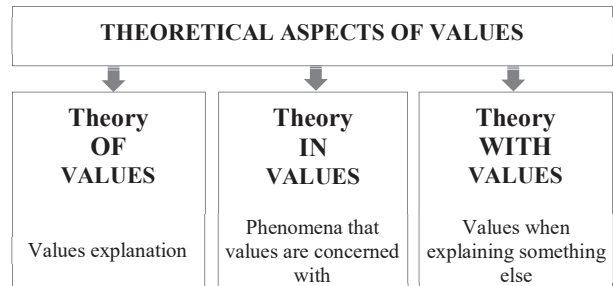

Figure 2: *Theoretical aspects of values (authors' adapted framework)*

The results of the interviews conducted within the framework of the research confirm that the more the values are correlated at all levels shown in Figure 2, the more the active values and the employee's actions will be in line with the company's values.

Correlation of values with actions
Company values must correlate at all levels: both the brand and the products or services offered, the actions of employees and the company's management, the communication and management style, so that the company's values are truthful. Roberts found: "As with all mental models, there is a

distinction between our *espoused* values – which we profess to believe in – and our values in action, which actually guide our behavior" (Roberts, 1994) [36]. *Espoused* values determine how we plan to achieve our goal: *espoused* values "describe how we intend to operate, on a day-by-day basis, as we pursue our vision" (Smith, 1994) [37]. *Espoused* values do not always coincide with *active* values at the time of action, which is well reflected, for example, in the company's team daily observing the defined values.

Analyzing several authors' statements about values, the authors of the article offer a model of company value formation, see Figure 3.
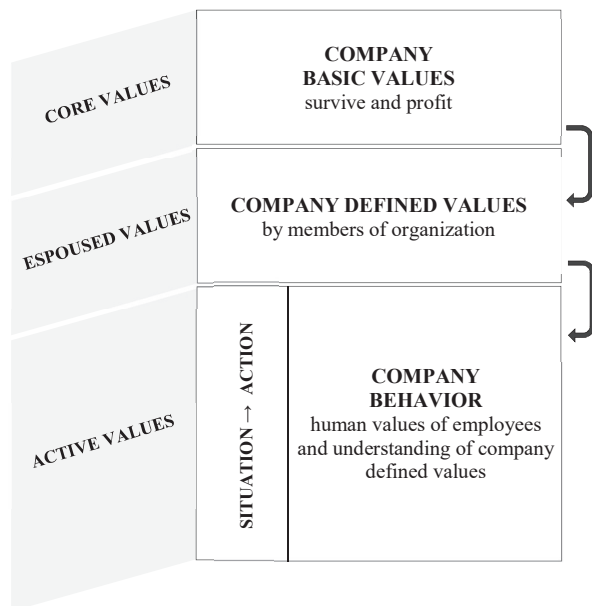

Figure 3: *Company values model (authors' developed framework)*

Espoused values are values that help to achieve the chosen goal when the core values are satisfied. Mostly these are borrowed values. Companies set and define their values in order to better achieve the core value: survive and profit, as well as to lead joint action. In corporate structures, values are mostly defined and implemented by the company's management in a way that corresponds to its management style, but not all employees of the company act in accordance with the values in real situations. The company's *active* values are formed from the employees' actions that are determined by *human* values (which are largely determined by the environment) by interacting with the employees' understanding of the company's values.

The correlation of *espoused* values with *active* values is shown by the consumer with their habits – what the consumer thinks about their habits, and how they choose products and make choices about the purchase in the store, in a real environment. For example, research shows that in Latvia "93% of shoppers say they buy healthy products, which is the highest rate in the Baltic States (86% in Estonia and 76% in Lithuania)" [38]. However, in Latvia, consumers, for example, in the breakfast cereal segment, which is considered to be mostly saturated with sugar and artificial vitamins, as well as dyes and preservatives, buy mostly conventional,

rather than organic flakes, which are more natural. Also, Coca Cola's market share in the segment is still high: 20.3% in 2018 according to sales statistics [39]. Research center SKDS in 2020 as a result of a survey stated that part of the population considers themselves healthier than they really are – 65% of Latvians evaluate their lifestyle as healthy, but at the same time only 35% perform enough physical activities [40].

In the above examples, there is a clear deviation of *active* values from *espoused* values and differences in health perceptions from actual actions.

The company "MILZU!" Ltd, when commercializing the developed new products, investigates and takes into consideration the values of the target audience (at the level of *espoused* values and *active* values) both in product development and later in B2B and B2C communication [4].

3. METHODOLOGY OF THE RESEARCH

In order to approve the classification and values correlated with the company's actions, the authors conducted expert interviews (9 respondents – company managers and Human Resources managers). The results of the interviews confirm the classification and division of values into different value dimensions according to Figure 2. The interviews also revealed that the *human* values of the employees and their understanding of the company's values interact in their real actions. That is why companies, when implementing and maintaining defined values, conduct in-depth training to ensure a common understanding of company values and to avoid different interpretations.

The authors ascertain that a purposefully selected team, whose human values correlate with the company's defined values, will act more in accordance with the company's values at the time of real action (*actual* values). Values need to be explained and included in the company's culture and communication, even in the motivation system, in order to arrive at the same possible understanding within the team, as well as for the company to represent values at all its levels.

4. CONCLUSIONS

Values can be grouped by creating a classification of values (Figures 2 and 3). According to the literature research and the classification of values performed within the study, different dimensions of values can be distinguished. By grouping values and determining their relationships, it is possible to understand which dimension they refer to, for example, the *of, in, with* value dimensions – see Figure 2, and how to use value correlation in the company when working with employees (or customers).

Employees' *active* values and actions are determined by their *human* values, interacting with employees' understanding of the company's values.

Further research is intended to continue exploring values in the context of the *of, on* and *with* dimensions, distinguishing between the use of values in business and the real areas of value impact.

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