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LEADERSHIP, CORPORATE CULTURE AND FINANCIAL PERFORMANCE

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This dissertation, written under the direction of the candidate's dissertation committee and approved by the members of the committee, has been presented to and accepted by the Faculty of the School of Education in partial fulfillment of the requirements for the degree of Doctor of Education. The content and research methodologies presented in this work represent the work of the candidate alone.

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THE RESEARCH PROBLEM

Statement of the Problem

Under increasing pressure to adapt to changing market conditions, corporate leaders continue to struggle with business change implementation. In his meta-analysis of 49 business change research studies, Smith (2002) found that the only three out of every ten business change implementations produced the projected value or performance the company leaders planned for. The success rates for large scale, technology-based business change is even lower, with one out of every three technology initiatives abandoned altogether before completion (Miller, 2002).

This researcher recently consulted with a Fortune 50 high technology client that was attempting to implement a large business change involving a global marketing resource management system. After 18 months of implementation, the program leaders were faced with a stalled initiative. This lack of progress was measured by only 30 percent utilization of the new system by marketing employees. The operational target was 80 percent utilization. An organizational assessment uncovered the major barriers to successful implementation included a lack of sustained change leadership and a demoralized work culture.

So how is it that companies continue to struggle with adapting when change is a fundamental dynamic of our personal and professional lives? Change itself is not a new challenge for organizational leaders, but the increasing frequency and depth of change are forcing leaders to consider new ways of managing their organizations.

As part of their global business study, ProSci (2003) examined best practices in change management across 288 organizations in 51 countries. The researchers found that leadership and culture have a significant influence on the success or failure of major corporate change initiatives. Overwhelmingly, the greatest contributor to change project success was effective and strong change leadership. Additionally, the greatest obstacle to successful change was employee resistance. Employee resistance was related to the cultural factors of communication, complacency and fear. Another study finding was that only 28 percent of the responding companies characterized their change initiatives as very successful. More than half the participating companies classified their change projects as either failures or moderately successful. There exists a compelling need to examine other organizational factors, particularly transformational leadership, to assist companies in improving their ability to adapt and lead through change.

Corporate culture can have a significant impact on a firm's long-term economic performance and culture will probably be an even more important factor in determining the success or failure of firms in the next decade. (Kotter & Heskett, 1992). The concept of corporate culture has been widely used to explain economic performance and even the development of a highly motivated workforce (Denison, 1984). Corporate culture has been used to explain differences between performance of successful and unsuccessful companies operating in the same national culture. (Schein, 1990).

The type of corporate culture most closely associated with company performance remains an open question. From the cultural research conducted over the past two decades three perspectives have emerged to address this question. These perspectives are and there key proponents are; strong cultures (Deal & Kennedy, 1982), strategically appropriate cultures ((Donaldson & Lorsch (1983), Davis (1984)) and adaptive cultures (Kotter & Heskett, 1992). Additional research is needed to confirm which culture type is the most likely predictor of long term company performance. There exists a need to further examine the relationship between corporate culture and economic performance. Additionally there exists a need to explore the characteristics of corporate culture most closely associated with economic performance. Lastly, a need exists to explore the organizational factors, such as leadership, that influence corporate culture.

Purpose of the Study

The purpose of this study was to explore the relationship between leadership, culture and financial performance. Specifically, this study examined the relationship between leadership practices, adaptive corporate cultures and long-term financial performance in large corporations. Additionally, this study explored whether transformational leadership or change leadership practices are associated with adaptive corporate cultural norms.

Background and Need for the Study

Economic performance of a company is a top priority for its corporate leaders. Without sustainable performance the long term viability of a company is at risk. Despite the growing evidence of the performance benefits related to developing an adaptive organizational culture, few studies appear to have actually examined the existence as well as the nature of this relationship (Lim, 1995). Important questions arise from the results of studies demonstrating that companies with specific types of corporate cultures achieve stronger results in economic performance.

Schein (1985) proposed that the behavior of organizational leaders is the most influential factor in the creation and maintenance of corporate culture. He describes a series of primary and secondary mechanisms that work to embed a specific type of culture unique to that organization. This study seeks to examine strategies company leaders might apply to align their behaviors and practices in ways that create adaptive organizational cultures. By establishing an adaptive culture, or elements thereof, in their organizations, corporate leaders have a higher likelihood of achieving long-term economic performance.

Theoretical Foundation

The primary foundation for this study is based on the research literature of Edgar Shein. In his effort to develop a comprehensive theory and framework of organizational culture he defines culture in terms of change, shared learning and group processes. His definition of culture departs from the social anthropology view which focuses on classification and artifactual study as a means to understand organizational cultures. Schein states that culture is result ongoing, shared learning that develops when groups engage in solving problems related to external adaptation and internal integration.

Schein (1985) described the role of leader behavior as primary in the creation of a corporate culture. His framework describes primary and secondary embedding mechanisms that anchor or stabilize a culture in an organization. All primary embedding mechanisms in this framework relate to leader behavior or shared leadership practices in the organization. What leaders value, how they react, prioritize, reward, model and coach determines nature of the ongoing culture in the organization.

The secondary foundation for this study is based on the culture research efforts of Kotter and Heskett (1992). These authors have provided the strongest evidence to date that adaptive corporate cultures are likely to be associated with long-term economic performance. Another key finding from their landmark culture study is that companies with adaptive cultures perform better, over the long term, than companies with strong cultures or strategically appropriate cultures.

Echoing Sheins's view of the prominent role of leadership in creating and maintaining culture, Kotter and Heskett (1992) state that corporate culture is initiated by top management or founders of new company. In their model describing the emergence of culture in an organization, the top management in a new or young company develops then implements a business philosophy and strategy. Over time that implementation takes hold and shapes organization behavior so that people behave in ways that are guided by this philosophy and strategy. Over a period of years the firm succeeds and achieves results by following the strategy. From this history of success, a unique corporate culture emerges that reflects the philosophy and strategy. The practices and behaviors of the founding leaders exert a strong and lasting influence on the organization's culture. While culture is a systemic phenomenon, its primary architects are those at the very top (Schein, 1992).

Kotter and Heskett (1992) defined adaptive cultures as those cultures that respond effectively to change because company managers value the needs of the three primary constituents; shareholders, customers and employees. As a result company leaders initiate change in strategies and tactics whenever necessary to satisfy the needs of not just shareholders, or customers, or employees, but all three.

Research Questions

The following research questions guided this study:

1. Are transformational leadership practices associated with the long-term financial performance of a company?

2. Are change leadership practices associated with the long-term financial performance of a company?

3. Are adaptive corporate cultures associated with long-term economic performance?

4. When leadership practices and adaptive corporate culture are both present, is there a stronger relationship on financial performance than when only one is present?

Definition of Terms

The following terms have been operationalized for this study:

Corporate Culture

In this study, corporate culture is represented by a consistent set of behavioral norms or practices. These norms are accepted and reinforced within the company as the appropriate and expected way for new employees to fit in with existing employees. Each company emphasizes its own specific set of norms, creating a unique culture for each company.

Strong Corporate Cultures

In this study, strong corporate culture refer to those company cultures that have a unique and enduring cultural signature known to people outside the company. For example the Hewlett Packard Company is well known for the motto of "The HP Way" which is a statement of the company's strong culture.

Strategically Appropriate Corporate Cultures

In this study, strategically appropriate corporate culture refers to company's that seek to align the fundamentals of their culture to market conditions. For example, banking or financial service companies have a reputation for cultures that change slowly and methodically. Since banks operate in slow changing and highly regulated market environments, a slow changing and methodological culture may be appropriate.

Adaptive Corporate Culture

In this study, adaptive corporate culture exists in companies where behavioral norms supporting responsiveness, collaboration, risk-taking and continual learning are valued. These cultures are adept at continuously responding and assimilating changes from shifting market conditions and competitive pressures.

Transformational Leadership Practices

In this study transformational leadership refers to the art of mobilizing others to want to struggle for shared aspirations (Posner & Kouzes, 1995). Consisting of five specific leadership practices. Challenging the process. occurs when look for innovative ways to improve the organization by experimenting and risk taking. Inspiring a shared vision occurs when leaders help others envision the future by creating and communicating an ideal and unique image of what the organization can become. Enabling others to act occurs when leaders foster collaboration and spirited teams by strengthening others, making each person feel capable and powerful. Modeling the way occurs when leaders establish principles concerning the way people should be treated and goals should be pursued. They create standards of excellence then set an example for others to follow. Encouraging the heart occurs when leaders recognize contributions that individuals make and celebrate accomplishments.

Change Leadership

In this study, change leaders demonstrate a strong value for customers, shareholders, and employees. They work hard to address the needs of all three of these stakeholder groups. Additionally, change leaders are attentive and responsive to change needs of customers. They are willing to change their strategies quickly and take risks to address changes in the business environment. Change leadership refers to specific leadership practices that have been shown to help companies become more agile and responsive.

Financial Performance

The longer-term financial performance of a corporation. In this study, financial performance is measured as appreciation in net income growth or stock value over a ten year period.

Limitations

This study findings are limited by the selection of participating companies and manager respondents. Generalizability, the extent to which the results can be applied to other populations, will be limited to large, U.S. based corporations. The leadership and cultural practices measured in this study may not be generalized to company cultures outside of North America.

The selection of the targeted research participants, in this case human resource executives, may limit the perspective of an organization's culture and leadership practices. Including additional executive roles, in a future study, may provide a more comprehensive view of a company leadership and cultural practices.

Results of this study may be further limited by the use of one method for data collection. In this case a survey-questionnaire. If non-quantitative data collection methods such as interviewing, focus groups or observation were included, the external and internal validity of the findings may be improved.

Significance

This research study is of primary significance to organizational theorists, organizational psychologists, organizational development specialists, leadership researchers, change management consultants, human resources professionals and senior managers in corporations. Organizational development specialists and change consultants may use the findings develop targeted leadership development interventions aimed at shifting corporate cultures to enhance a company's capacity to adapt to change. Researchers of organizational leadership may use the results to advance understanding of the relationship between leadership practices, corporate culture and organizational effectiveness. In addition, the instrumentation applied in this study provides a useful diagnostic for assessing an organization's capacity for change leadership and adaptability.

Ultimately this research contributes to the body of research aimed at understanding of how leadership practices and corporate culture affect long term financial outcomes. This knowledge would help organizational researchers and corporate leaders provide targeted support, assessment and interventions that are more likely to, in turn, produce long-term economic results for the company.

Summary

Chapter I of this report provides a description of the research problem addressed by this study. The research purpose and rationale were presented along with a summary of the theoretical foundations for the study. The research questions were delineated and presented as organizers of the research methodology. Lastly, a list of definition of terms used in this study was presented.

Chapter II presents the review of the related literature for research on leadership and corporate culture. This chapter provides a synthesis of models, thought leaders and approaches for studying leadership and culture in corporations. Also presented is the theoretical foundation for linking leadership to culture.

Chapter III presents the research methodology applied in this study. The overall research design including sample design, data collection and instrumentation are discussed.

Chapter IV presents the study findings. The corresponding findings for each of the four research questions are presented.

Chapter V presents the study conclusions, implications and recommendations.

CHAPTER II

REVIEW OF RELATED LITERATURE

The review of literature provides a comprehensive description of current models for defining and studying corporate culture. Schein (1992) and Kotter & Heskett's (1992) tiered models of culture are presented followed by a detailed discussion of a process for culture creation. A review of the dominant perspectives on the types of corporate cultures is presented to highlight the culture-performance link. Finally, the leadership factors influencing culture are presented followed by a discussion of a transformational leadership framework used in this study.

Defining Organizational Culture

There is substantial variation in the research literature on how to define corporate culture. Some researchers defined culture in a way that links cultural products or artifacts to underlying values and beliefs. For example Ouchi (1981) defined culture as a set of symbols, ceremonies, and myths that communicate the underlying values and beliefs of an organization and its employees.

Other researchers define culture as a shared way of thinking. O'Reilly, Chatman, & Caldwell (1991:p.491) describe culture as a set of cognitions shared by members of a social unit.

Finally a third group of researchers define culture in a way that links underlying shared values and beliefs to the behavioral patterns and norms of the organization. Koberg & Chusmir (1987, p. 397) defined culture as a system of shared values and beliefs that produces norms of behavior and establish an organizational way of life. Gundry and Rousseau (1994) define culture as norms and patterns of behavior.

Models for Studying Culture

The topic of organizational culture continues to gain wide exposure in the research and popular writings on organizational development and change. One of the first comprehensive reviews of organizational culture was done by Ouchi and Wilkins (1988) who noted that the field of organizational inquiry was being torn between what is explicit about organizational design and what is implicit. Unlike explicit organizational design features like structure or strategy, culture tends toward the implicit or hidden dimensions of the organization. In the current writings in change management, culture is treated as an organizational system or feature that can be influenced or manipulated by management to shape and control the behavior of organizational members in support of the achievement of strategic goals. There exists on ongoing debate as to whether culture is a distinct, concrete manifestation within the overall organization design, such as structure or technology, or whether it exists as a metaphor for which there can be many unique manifestations. When culture is viewed as a metaphor it serves to help managers better understand the complexities of the organizations they work in. Schultz (1995) states that this view of culture as metaphor involves the construction and reconstruction of meanings, tied to a specific organization and a particular context. In other words culture may not be a fixed, distinct entity but changes from context to context.

"Research on culture usually begins with a set of values and assumptions. These values whether conscious or unconscious, typically act as the defining elements around with norms, symbols, rituals and other cultural activities revolve. When a social unit's members share values, they may form the basis for social expectations or norms" (O'Reilly, Chatman, & Caldwell, 1991, p.491).

Researchers tend to study culture by either focusing on behavioral norms or focusing on artifactual elements. Researchers who investigate organizational culture by focusing on norms (Cooke & Rousseau (1988), Harrison & Carroll (1991), O'Reilly (1989)) are examining social or behavioral expectations informed by underlying values. Researchers focusing on the more explicit facets of culture (Trice & Beyer, 1984) are examining symbols, rites and ceremony which are projections of underlying values and assumptions.

The concept of organizational culture grew out of the field of social anthropology (Pettigrew, 1979). It is not uncommon to see concepts or classification schemes from the discipline of anthropology used to describe organizational cultures. For example, some researchers refer to culture in terms of observable behaviors, customs or traditions. Additionally, culture is regularly described in terms of shared meanings, values and metaphors. A number of cultural descriptors derived originally from the field of social anthropology have made their way into the modern parlance of organizational development. The following definitions and examples were adapted from original work of Pettigrew.

Observable behavior. Observable behaviors are practices or behavioral patterns for dealing with conflict or decision making. For example; key decisions typically made in an autocratic fashion by leaders not involving the employees.

Norms. Expectations people hold regarding behavior in a particular group or setting. For example; it may be a norm that it is acceptable to routinely attending meetings late at a company.

Espoused values. The public or publicly articulated values and beliefs of the organization. For example; we respect our employees or we're here to serve the community.

Formal company philosophy. The published principles or tenets that are meant to guide the leaders of the organization. For example, a mission statement.

Rules of the game. The way things get done in the organization. Typically the informal, unwritten rules for getting things done. For example: a company publishes an open-door management policy, but employees know they must only go through their direct manager to resolve cross-team issues and not approach other managers.

Organizational climate. The personality of an organization. For example; a particular work environment may have the quality of openness, risk-taking and creativity while another may be fear-ridden, protective and closed.

Embedded skills. The tacit knowledge and skills that people develop over time in support of the core competencies of the organization.

Paradigms. The mental models or mental frames held by people or groups. For example; until the 1980's the Swiss watchmakers believed that quartz watches would never replace precision mechanical watches. By holding tightly on to this paradigm the Swiss lost much of their global market share to Japanese watchmakers who seized the opportunity.

Metaphors or Symbols. Cognitive maps or images that reflect embedded meaning, values or beliefs in a culture. For example, it is common to see military style images, symbols and language used in an aerospace company.

Schein (1992) has modeled organizational culture using three interrelated layers. The first layer comprised of artifacts, are those surface or observable features of daily organizational life such as office design, dress code or formal reporting structures. Technology, products and protocols for how people are addressed are also considered artifacts. The second layer, espoused values, defines what is considered good or bad by members of the organization. Espoused values refer to those values or beliefs that are formally articulated and communicated by the leadership of the organization. The third layer of culture, and the most difficult to uncover, consist of basic assumptions. These assumptions included values in use; these may be in conflict with the espoused values and represent what is actually held as most important by the majority of organizational members. "Values on the walls but not in the halls" is one well-known business adage that describes this conflict between the formally published values of the organization and the actual values that guide day-to-day behavior of people in the organization.

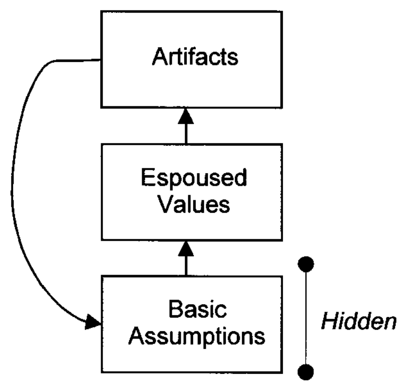

Figure 1. Tiered Culture Model Adapted from Schein (1992)

Kotter & Heskett (1992) offer a similar, two-level model of corporate culture. These two levels differ in terms of their level of visibility and resistance to change. The diagram below depicts this tiered approach to describing corporate culture.

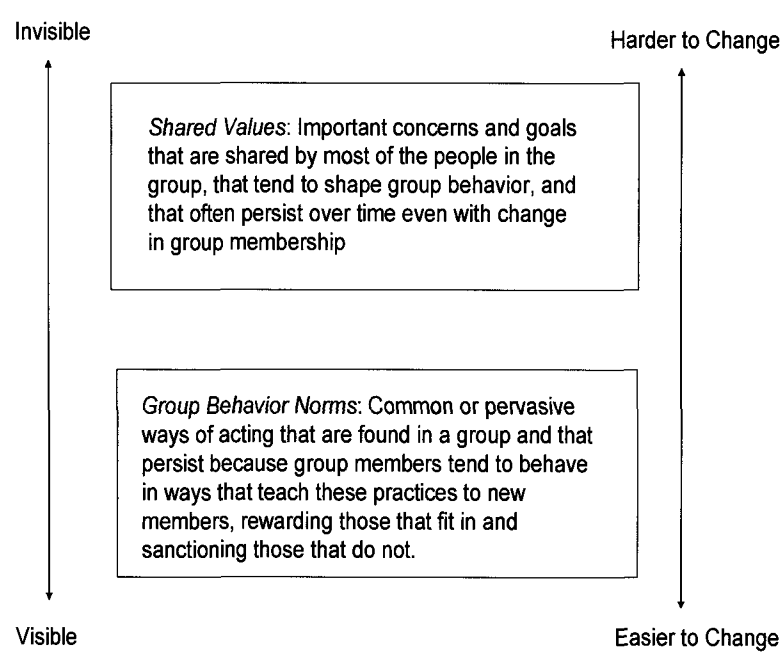

Figure 2. Layered Model of Culture Adapted from Kotter & Heskett (1992)

In this model each level influences the other. Shared values influence group norms over time and group behavior can influence values.

Schein's Approach to Corporate Culture

In his effort to develop a comprehensive theory of culture, Schein (1992) takes a departure from the social anthropology view when he defines culture in terms of change, shared learning and group process. In reading his widely accepted definition of organizational culture one can see this dynamic approach in use.

> "A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems. (Schein, 1992).

Culture formation, from Schein's definition, is the result of ongoing, shared learning that develops when groups engage in solving their challenges related to growth and adaptation to their environment combined with those related to internal functioning and adaptation. In order to survive a group must adapt to pressures from its operational context. In adapting to these external pressures the group must solve numerous operational problems including the development of shared goals, work process design, an effective division of labor, reporting structure, rewards and control systems. In solving its problems of internal integration the group must solve numerous challenges including the use of a common language, group boundaries for inclusion or exclusion, power distribution, norms and mechanisms for decision making and accountability.

If the group survives it will have successfully solved many of these challenges. For shared learning to occur there must be a group history of collective problem solving and experience. Shared learning implies some stability of membership in the group. Given such stability and a shared history, the human need for parsimony, consistency, and meaning will cause the various shared elements to form into patterns that eventually can be called culture (Schein, 1992). A pattern of shared assumptions implies that overtime what the group reacts to emotionally, pays attention to, and attributes meaning to will transition from explicit to implicit. In time the group develops a pattern of exercising unconscious competence in their approach to problem solving. This is similar to the way an experienced driver can effectively control an automobile down a freeway without having to consciously think about all the factors involved such as speed, position and other automobiles.

Corporate Culture and Company Performance

The research literature linking corporate culture to firm performance is organized along three perspectives or positions. (Kotter & Heskett, 1985). The first perspective is that companies with strong cultures outperform companies with weak cultures. A company with a strong culture is one where most managers share a set of consistent values and practices for conducting business.

The second perspective is that strategically appropriate cultures perform better over time. This perspective adds the need for fit or alignment to the strong culture model. That is the culture should fit or be aligned with the company strategy and market forces.

The third perspective and the focus of this study is that Adaptive Cultures outperform non-adaptive cultures over time.

Deal and Kennedy (1982) were among the first to argue for the importance of a strong culture as a main contributor to company performance. In strong cultures managers shared a consistent set of values and practices for leading the organization. Organizations with strong cultures are seen by outsiders as having a distinct way of doing things. Companies known for having strong cultures include IBM and Walmart. Another example is Hewlett Packard (HP) known for the “HP Way” as a statement of a strong company culture. Strong cultures are said to promote alignment around goals and unusual levels of employee motivation (Kotter and Heskett, 1992).

A critique against strong cultures suggests that if a company has a strong culture, and should the leaders promote a poor vision or strategic direction for the company, the culture promotes employees following the leaders in the wrong direction. This could prove disastrous for the company.

Using a questionnaire to measure cultural strength, Kotter and Heskett (1992) surveyed 207 firms across 22 industries to test the assertions of the benefits of strong corporate cultures. The results were surprising. “We conclude from this study there is a positive relationship between strength of corporate culture and long-term economic performance, but it is a modest relationship. The statement “Strong cultures created excellent performance” appears to be just plain wrong (1992, p. 21).” The researchers concluded that a firm can have a strong culture and poor performance or a weak culture and excellent performance.

A strategically appropriate culture (Donaldson & Lorsch, 1983) promotes the concept of organizational fit and alignment. Under this model of culture, specific shared values and behavioral norms are more important that the overall strength of the culture. The culture must fit with the company's business context and strategy. Establishing this fit, as predicted under this approach, should produce long-term economic results.

The logic of this model is appealing. For example if a company operates in a highly competitive, dynamic market environment then a culture characterized by flat, agile management systems and few bureaucratic characteristics is more likely to produce a successful company. An entrepreneurial, high technology start-up will have a different culture than a large, established financial services company. The strongest criticism against this perspective on culture is that change is occurring too frequently in the business context for leaders and cultures to adapt in a timely manner. The result is a perpetual "mis-fit" of culture and business context.

Kotter and Heskett (1992) tested whether companies with strategically appropriate cultures experience results in long-term economic performance. Building on their previous cross-sectional study of 207 firms, they selected a group of 22 companies from 10 industries for an in-depth investigation. The firms selected for this study had cultures of relatively equal strength. The results supported the criticism that a changing business context or environment undermines the long-term performance of companies with strategically appropriate cultures. Ten low performing companies in this study reported having a better fit at an earlier time, but the fit eroded due to context changes and the firm could not adapt to these new environmental demands. As companies could not adapt in a timely manner the culture to environment fit continued to erode leading to poor performance. Twelve of the companies in this study did adapt and realized long-term performance as a result. As a result of this study the authors concluded that neither the strong culture perspective nor the strategically appropriate culture perspective adequately explained the link between corporate culture and long-term economic performance.

As a result of these findings, Kotter and Heskett postulated that adaptive corporate cultures, might explain the culture-performance link. The logic of this model is that only cultures that can help organizations anticipate and efficiently adapt to contextual or environmental change will be associated with superior performance over long periods of time (1992, p. 44).

Killman, Saxton, and Serpa (1986, p. 356) describe a corporate culture as adaptive if the culture entails a risk-taking, trusting, and proactive approach to organizational as well as individual life. Members actively support one another's efforts to identify all problems and implement workable solutions. There is a shared feeling of confidence: the members believe without a doubt, that they can effectively manage whatever new problems and opportunities will come their way. There is widespread enthusiasm, a spirit of doing whatever it takes to achieve organizational success. The members are receptive to change innovation.

Kotter and Heskett (1992) tested the adaptive culture and performance link with a follow-on investigation to their first two studies. Their conclusion:

> "Within the constraints of this methodology, the message from the data is clear. In the firms with more adaptive cultures, the cultural ideal is that managers

> throughout the hierarchy should provide leadership to initiate change in strategies and tactics whenever necessary to satisfy the legitimate interests of not just stockholders, or customers, or employees, but all three. In less adaptive cultures, the norm is that managers behave cautiously and politically to protect or advance themselves, their product, or their immediate work group." (p. 50)

In this landmark, eleven year study on organizational cultures, Kotter and Heskett (1992) concluded that companies with adaptive cultures realized dramatically higher economic returns that those with nonadaptive cultures. These researchers identified companies that had cultures that "...emphasized all key managerial constituencies (customers, stockholders, and employees) and leadership from managers at all levels. In other words successful companies have cultures that maintain a balanced focus on all key stakeholders: customers, investors and employees. The impact of adaptive culture on the financial returns of companies in this study was dramatic.

Table 1

Impact of Adaptive Culture on 172 companies in 19 industries. Adapted from Kotter & Heskett (1992)

Economic Peformance Indicator	Adaptive Culture	Single Stakeholder Culture (non-adaptive)
Stock Price Appreciation	901%	74%
Revenue Growth	682%	166%
Job Growth	282%	36%
Net Income Growth	756%	1%

It is widely accepted today that corporate culture affects organizational performance. Deal and Kennedy (1982) were among the first researcher to write about the culture-performance link. Denison (1984) continued to generate interest in this topic when he completed a quantitative study to examine the relationship between corporate culture and performance. He collected data from 34 U.S. companies over a five year period. Findings from this study indicated that companies with participatory cultures realized a return on investment that averaged twice that of companies with non-participatory cultures.

But Kotter and Heskett's 1992 study and resulting publications generated much interest in researching this link. Prior to this study it was believed that strong and strategically appropriate cultures promote economic performance. The authors defined adaptive cultures as those that facilitate the adoption strategies and practices that continuously respond to changing markets and new competitive environments. These cultures support the company's immediate strategy and business context but are also forward looking striving to guide positive change. In contrast, nonadaptive cultures exhibit arrogance, an inward focus and bureaucracy. The characteristics of nonadaptive cultures undermine the long term ability of the organization to adapt to change. Kotter and Heskett (1992) also describe the relationship between management values and adaptive cultures. In adaptive cultures managers value customers, shareholders and employees equally and support processes that create useful change. In nonadaptive cultures managers care mainly about themselves or immediate work group, product or technology. They value stability and risk-reducing processes and devalue leadership practices.

Culture and Leadership Behavior

Schein (1985) describes the role of the leaders as preeminent in the creation and maintenance of organizational culture. The idea that a culture is governed by a stable core of shared assumptions and beliefs implies that attempting to change or modify a culture an interventionist must work to affect changes at the level of these shared assumptions. According to Schein a culture can become self-correcting or adaptive if it is led by "learning leaders" who are capable of diagnosing and responding to changes on a continual basis. He proposes a framework in which culture is embedded in the organization through primary and secondary embedding mechanisms.

Table 2

Culture-Embedding Mechanisms (Schein, 1985)

Primary Embedding Mechanisms	Secondary Reinforcement Mechanisms
What leaders pay attention to, measure, and control on a regular basis.	Organization design and structure
How leaders react to critical incidents and organizational crises.	Organizational systems and procedures
Observed criteria by which leaders allocate scarce resources.	Organizational rites and rituals

Deliberate role modeling, teaching, and coaching	Design of physical space, facades, and buildings
Observed criteria by which leaders allocate rewards and status.	Stories, legends, and myths about people and events.
Observed criteria by which leaders recruit, select, promote, retire, and excommunicate organizational members.	Formal statements of organizational philosophy, values, and creed.

It is interesting to note that all of the primary embedding mechanisms proposed here involve some form of leader behavior. These include what leaders value, how they react, how they prioritize scarce resources, what they reward, model and coach. In a newly formed organization the founder has a direct and profound impact on culture formation. The founder of the organization brings his/her beliefs, values and assumptions that, in turn, influence the shared learning occurring among groups. Schein outlines a staged process of how founders shape the culture of a new organization. First the founder forms a small group around a key idea or vision. This group shares the vision and is willing to take risks to support it. This becomes the founding group who then begin working out their problems of external adaptation and internal integration. In order to survive they must solve practical problems like raising capital, marketing or implementing accounting systems. As the organization grows others are brought in, then taught the shared beliefs and assumption of the founding group and the organizational history is begun.

In their study examining the relationship between leadership and organizational culture, Sorras, Gray and Densten (2001) found transformational leadership factors to be highly correlated with organizational culture dimensions. Additionally, the cultural dimensions of performance orientation, emphasis on rewards and supportiveness were most frequently associated with leadership outcomes.

Transformational Leadership Practices

Bennis and Nanus (1997) state that great leaders empower others to translate their vision into reality and then sustain it. The authors have made several generalizations about the nature of transformational leadership. There is a symbiotic relationship between leaders and followers where the interplay between the follower needs and the leader's capacity to support these aspirations. Also that leadership can create institutions that can empower employees to satisfy their needs. Bass (1994) has characterized transformational leadership along intellectual, inspirational and individualized dimensions. He asserts that followers will perform beyond expectations because of the leaders influence.

Posner and Kouzes (1995) developed a transformational leadership framework consisting of five core practices that support transformational leadership. These authors define leadership as the ability to mobilizing others to want to struggle for shared aspirations. These core practices are the results of a two-decade long, inductive study using more than 3000 cases and 100,000 surveys with ordinary leaders who have accomplished extraordinary things. Based on their findings the authors concluded that five key leadership practices define transformational leadership including challenging the process, inspiring a shared vision, enabling others to act, modeling the way and encouraging the heart. As a result of this research the authors developed the Leadership Practices Inventory (1997) to measure and assess the frequency to which these practices are present in an organization.

The Leadership Practice Inventory was used in this study to measure the five transformational leadership practices according to the following definitions. Challenging the process occurs when leaders look for innovative ways to improve the organization by experimenting and risk taking. Inspiring a shared vision occurs when leaders help others envision the future by creating and communicating an ideal and unique image of what the organization can become. Enabling others to act occurs when leaders foster collaboration and spirited teams by strengthening others, making each person feel capable and powerful. Modeling the way occurs when leaders establish principles concerning the way people should be treated and goals should be pursued. They create standards of excellence then set an example for others to follow. Encouraging the heart occurs when leaders recognize contributions that individuals make and celebrate accomplishments.

Empirical Studies

In this section a summary is presented of relevant research studies related to transformational leadership, corporate culture and organizational outcomes. Few studies have been completed that measure the relationships between leadership, culture and company overall return on investment

The Leadership Practices Inventory (LPI), as a measure of transformational leadership, has been applied across a range empirical studies and institutions. Bell-

Roundtree and Westbrook (2001) surveyed military and private organizations to examine the relationship of transformational leadership practices to job satisfaction and organizational commitment. Using regression analysis the researchers found a significant positive relationship with all five transformational leadership practices in the LPI with overall job satisfaction and commitment.

In their study of 695 managers and 1440 subordinates in a large financial services company, Carless, Mann and Wearing (1994) determined that the LPI accurately predicted effective teams and managers and from ineffective teams and managers. Additionally, the LPI produced stronger discriminate validity than did the widely-used Multi-Factor Leadership Questionnaire (MLQ), which was also tested in their study.

To examine transformational leadership across cultures, Dunn (1999) conducted a two country empirical study to test the relationship between the LPI and organizational commitment. The researcher surveyed 474 high technology employees. The results show a significant, positive correlations between transformational leadership practices and both affective employee commitment (a desire to stay with the company) and normative commitment (a sense of obligation to stay).

While Kotter and Heskett's (1992) landmark study is one of the few studies to examine the specific link between adaptive corporate culture and performance, a number of studies have attempted to identify the factors affecting corporate culture and organizational outcomes.

Corporate culture is frequently cited as a core element of long term company performance. In their study of 160 companies across 40 industries, Joyce, Nohria and

Roberson (2003) identified corporate culture as one the four primary drivers of long-term financial performance measured as total shareholder returns. The characteristics of high performing cultures, in the participating companies, included talent management, leadership strength and innovation. The other three performance drivers, identified by the authors, were effective strategy, strong execution and appropriate organizational structure.

Peters and Waterman (1982) through their landmark study of 43 visionary companies developed a model of Corporate Excellence that included specific cultural norms supporting high performing corporate cultures. The researchers applied a comprehensive approach to measuring long term financial performance. In this study, financial performance was measured over a 20 year period as asset growth, equity growth, market-to-book value, return on capital, return on equity and return on sales. The cultural norms underpinning excellent companies included a bias for action, strong customer values, customer intimacy, employee autonomy, entrepreneurship and shared values.

In building on the excellence model developed by Peters and Waterman, Jain (1998) studied 20 major Indian companies to determine the organizational factors driving financial performance. The author measured long term financial performance, for participating companies, as sales and net income growth rates of at least 20 percent per year over a four year period. Through survey, field study and case study development, the author identified several characteristics of high performing cultures. These cultures were characterized by collective decision making, shared values, shared purpose, entrepreneurship, innovation, organizational learning and employee empowerment.

In their large study of premier and widely admired companies, Collins and Porras (1997) found that only companies that can effectively adapt to fast changing environmental conditions produce long-term sustainable performance. These enduring companies were adept at modifying business strategies and practices while maintaining continuity of shared purpose and values. The authors refer to this dynamics as preserving the cultural core while changing everything else. Their research findings made a strong case that corporate culture mattered, and that culture was a key element supporting high performing companies. In addition to preserving the cultural core, the researchers also found that visionary companies had cultures that were adept at managing paradox.

Using a case study approach, across a convenience sample of 25 large corporations, Katzenbach (2000) created an organizational model of Peak Performance. His logic was that companies achieve sustained performance by focusing on aligning the hearts and minds of employees. The corporate cultural practices most likely to produce this alignment included shared mission, shared values, performance metrics, entrepreneurial spirit, individual achievement and employee recognition.

Summary

In exploring the development of research and study on culture in organizations several trends emerge. Early models of organizational culture focused on classification schemes derived from social anthropology to describe what is explicit about cultures including language use, observable behavior, espoused values and formal philosophy. The current writings on culture, including the work of Schein, seek to understand what is implicit about culture, including underlying assumptions and values-in-use that shape and maintain culture.

Additionally, the current writings in organizational research tend to treat culture as an instrument that can be understood and ultimately shaped or controlled in ways to support the purpose and goals of the organization. Schein (1985) proposes a taxonomy of culture embedding mechanisms, centering on leadership practices that can be used to affect change in or on an organizational culture. This interest among leaders to discover ways to shape organizational cultures is expanding with the growing evidence that a significant relationship exists between adaptive cultures and economic performance.

While numerous studies have focused on determining the underlying factors of high performing corporate cultures few have attempted to identify the factors that determine culture adaptability.

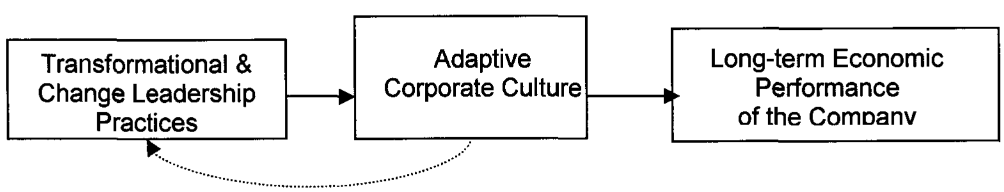

Figure 3. Basic Research Model

CHAPTER III

METHODOLOGY

The purpose of this study was to explore the relationship between leadership, corporate culture and long-term company performance. Specifically this study identified whether transformational leadership, change leadership practices, or adaptive corporate culture are predictors of long term company performance.

The literature review has shown that leadership behavior is a primary factor in the creation and maintenance of corporate culture. Schein (1985) proposed that the leadership behavior and practices provide the primary mechanisms for embedding culture in the organization. Kotter & Heskett (1992) demonstrated that companies with adaptive corporate cultures experience significantly higher financial performance than those with non-adaptive cultures.

Research Design

This exploratory, cross-sectional study used data collected from a 26 item survey questionnaire measuring the prevalence of transformational leadership practices, change leadership practices, and adaptive culture norms in participating companies. The research methodology applied in this study was based on the procedure used by Kotter and Heskett (1992) in their landmark study on corporate culture and performance. These researchers studied financial results of 172 companies, over and 11 year period, using net income growth as the primary measure of financial performance.

The survey used in this study asked participants to rate their observations of the frequency of specified cultural practices or norms in their organization. Also to rate the frequency of specified transformational and change leadership practices of senior managers in the same organization. Research participants completed and submitted the questionnaires online via a secure Zoomerang website.

The completed questionnaires produced data that were organized into two datasets. One dataset consisted of data collected from large companies with yearly revenues of greater than $300 million per year and for which 10 year financial performance data was available.

A second dataset, representing the dependant variable of company financial performance, was created by building customized company reports from the Hoovers Online subscription service. Financial reports were created for each participating company drawing financial performance data, over a 10 year period, for sales revenues, net income, year-end stock price and number of employees.

Population and Sample

Research participants for this study were identified through the researcher's network of professional colleagues, contacts and corporate clients from the past 15 years of consulting with Fortune 500 companies. Additionally, the researcher is a managing partner in a 24 year old, highly respected consulting firm specializing in large scale business change implementation. Additional research participants were identified from the consulting firm's database of client company leaders. By combining the researcher's participant data with consulting firm's data, a final database of 649 company leaders was created. The final sample of participants consisted of company heads of the Human Resources or Organization Development business units. A total of 94 corporations participated in the study. It is common practice in large companies that the Organizational Development business unit is part of the Human Resource division. Only managers working in Senior Vice President, Vice President or Director levels were invited to participate. The premise for selecting the heads of these business units as participants is that the Human Resources division in a company is considered the champion of corporate culture and organizational change. Additionally, the company leaders of Human Resources are typically responsible for performance management programs, competency management and talent development. These responsibilities included defining and developing leadership skills and practices that are most important to company performance. This puts Human Resource leaders in a unique position to observe and provide feedback on the company's dominant leadership practices and culture behavioral norms.

The participating company database was created using a convenience sample. As a result, a diverse group of companies are represented in the final dataset. The premise for the decision to study corporate culture using a cross-sectional approach across a diverse group of companies can is attributed to Kotter and Heskett (1992) who structured their initial study using a diverse group of companies across 22 different industries to provide a baseline for three subsequent studies aimed at determining what types of cultures enhance long-term economic performance. Denison (1984) also structured his landmark study of culture and performance around 34 companies representing multiple industries.

In accordance with the University of San Francisco's Institutional Review Board for the Protection of Human Subjects (IRBPHS), steps were taken that minimized the of potential risk to survey participants.

No questions included in the survey questionnaires that request disclosure of personal or potentially damaging data. Only company names were required to compute results. Participant data relating to postal and email addresses were kept in separate datasets than the survey response datasets so no attribution of individual respondents could be made. Furthermore, all respondents received an informed consent cover letter and all steps that were taken to ensure confidentiality and anonymity. A copy of the IRBPHS approval letter for this study can is provided in Appendix D.

Table 3 presents the descriptive information of the respondent companies that were used in data analysis.

Table 3

Number of Participating Companies and Associated Industries Represented in the Study. N=94 companies.

Industry	Number of Companies Per Industry
Aerospace	1
Automotive	2
Banking	3
Business Services	4
Chemicals	2
Computers	14
Construction	4
Consumer Products	5
Electronics	8
Energy	5
Financial Services	4
Food	3
Health Care	5
Industrial Manufacturing	2
Insurance	7
Leisure	2
Media	2
Metals & Mining	1
Pharmaceuticals	7
Retail	7
Security Products	1
Telecommunications	3
Transportation	2

Instrumentation

For this study, a customized 26 item questionnaire (Appendix C) was created and administered to collect data on the independent variables. The first section of the questionnaire consisted of 16 items that addressed the independent variables of transformational and change leadership practices. The second section of the questionnaire consisted of nine items that addressed the independent variable of adaptive culture norms. Items within each section were randomized to minimize item-to-item respondent bias.

Independent Variable Creation

The construction of the Likert frequency scale used in the questionnaire was adapted from the ten point anchor design of the widely used and validated Leadership Practices Inventory (Posner & Kouzes, 1997). The Leadership Practice Inventory (LPI) uses a ten point behavioral frequency scale measuring respondent observations of the frequency of leadership practices.

Transformational Leadership Variables. The questionnaire items related to the transformational leadership practices (items 2, 3, 4, 8, 9, 11, 12, 14, 15, 17) were drawn from the LPI-Observer version (Posner & Kouzes, 1997).

Posner and Kouzes (1997, p.341) published validity and reliability statistics for the LPI using a database of nearly 60,000 respondents. Internal reliabilities (Cronbach) for the LPI range between .81 and .92. A principle factoring method using subjected iteration and varimax rotation with the five factors extracting eigenvalues greater than 1.0

and accounting for 60.5% of the variance. Factor stability was also verified using subsamples.

The leadership practices measured by LPI, and used in this study questionnaire, are the results of a two-decade long, inductive study using more than 3000 cases and 100,000 surveys with ordinary leaders who have accomplished extraordinary things. The five practices or variables of transformational leadership under the LPI are detailed below.

Challenging the process occurs when leaders look for innovative ways to improve the organization by experimenting and risk taking. Inspiring a shared vision occurs when leaders help others envision the future by creating and communicating an ideal and unique image of what the organization can become. Enabling others to act occurs when leaders foster collaboration and spirited teams by strengthening others, making each person feel capable and powerful. Modeling the way occurs when leaders establish principles concerning the way people should be treated and goals should be pursued. These leaders create standards of excellence then set an example for others to follow. Encouraging the heart occurs when leaders recognize contributions that individuals make and celebrate accomplishments.

Change Leadership Variables. The questionnaire items related to change leadership practices (items 6, 7, 10, 13, 6) were drawn from findings in Kotter and Heskett's (1992) landmark culture and performance study. In the study, the researchers found two leadership factors linked to adaptive corporate cultures. The first factor is the ability of leaders to effectively coordinate the needs of multiple stakeholders. The second factor is related to levels of leadership responsiveness to changing business conditions.

The first factor addresses company leaders who are attentive and care deeply about customers, shareholders and employees and who work hard to address the needs of all three stakeholders. This leadership capability is characterized as multiple stakeholder management in the survey questionnaire used in this study. Kotter and Heskett also found that the converse of multiple stakeholder management, that is, single stakeholder management is a predictor of poor financial performance.

The second factor addresses overall leadership responsiveness to shifting business conditions. These shifts are driven by changing customer needs or changes in the business environment that the firm operates in. This leadership capability is characterized as leadership responsiveness in the survey questionnaire.

Change Readiness Variable. The questionnaire item related to change readiness (item 5) was drawn from this author's survey instrument known as The Change Readiness Questionnaire. This 29 item instrument has been applied, by the author, in a range of corporate settings over the past ten years as part of client consulting engagements. Change readiness measures the degree to which company leaders understand the value of gaining employee commitment to change rather than simply forcing employees to comply with company changes. This item was derived from Miller's (2002) four stage model of change leader maturity. In the low maturity of stage one, leaders are working under the assumption that employees make rational choices, so once they are exposed through communications to the logic behind a change they will willingly comply to the change. Failing this, formal company sanctions are applied to force employees to comply with the change. This practice, if consistently applied, creates a culture of compliance and not a culture of commitment. In Miller's stage four of maturity, leaders understand and appreciate that gaining employee commitment, beyond compliance, is more effective to implementing change. Committed employees are more likely to be advocates for the change and to apply discretionary effort, above their normal job responsibilities, to help the change succeed.

Adaptive and Non-Adaptive Culture Variables. Five variables made up the Adaptive Culture scale used is the survey questionnaire (items 22, 23, 24, 25, 26). These variables were adapted from existing instruments for measuring aspects of corporate culture.

Items 22 and 26 refer to the degree to which consistent values and purpose are applied in a company. These two factors were derived from the results of the Good to Great landmark study by Collins (2001). Item number 22 measures the degree to which employees have a clear sense of mission that gives purpose and direction to their work. Item 26 measures the degree to which the company applies a clear and consistent set of values to govern the way it conducts business. These two factors, consistent values and purpose, were found to be predictors of long-term performance and sustainability in large corporations. Collins reported that great companies preserve the core of their business by applying consistent purpose and values. The most successful companies are those that preserve the core while adapting or changing other elements of the company to meet shifting business needs.

Item 23 measures the degree to which a company continuously invests in improving the knowledge and skills of employees. This item was derived from the work of Denison (1990). Denison was one of the first researchers to demonstrate the culture-company performance link. He reports that an important predictor of a company's ability to adapt or change is the degree to which the company invests in employee learning.

Items 24 measures the degree to which employees are empowered to work across internal company boundaries and collaborate with other departments. Item 25 measure the degree to which employees are encouraged to take risks and apply innovative new ideas. These two factors were derived from the Constructive (Adaptive) scale of the Organizational Culture Inventory, also known as the OCI (Cooke and Rousseau, 1989). The OCI measures corporate cultural behavioral norms and expectations. The OCI is one of the few organizational culture assessment instruments, along with the Organizational Culture Profile (O'Reilly & Caldwell (1990), to be supported by empirical data across a range of contexts and demonstrates generalizability across a large set of industries.

Cooke and Szumal (2000) established the reliability and validity for the OCI instrument using a database of 4,890 respondents across three forms of the OCI. Cronbach alpha coefficients for each of the 12 scales ranged from .75 to .91. The inter-rater reliability of the OCI was fairly high. Test-retest data presented stable cultural profiles over time. Factor structure and pattern of factor loadings is consistent with the conceptual framework underlying the instrument.

The OCI items are organized into three scales of cultural behavioral norms and further divided into adaptive and non-adaptive items. The first scale, Constructive (Adaptive) cultural norms, measures when employees are encouraged to interact with other people and approach tasks in ways that will help them to meet their higher order satisfaction needs. Companies reporting high levels of Constructive cultural norms are more likely to demonstrate adaptability.

The second scale of Passive/Defensive (non-adaptive) cultural norms measures when employees believe they must interact with people in ways that will not threaten their own security. The third scale measures Aggressive/Defensive (non-adaptive) behavioral norms and measures when employees are expected to approach tasks in forceful ways to protect their status and security. Items 19, 20 and 21 are measures of non-adaptive cultural norms. These items were derived from the Passive/Defensive and Aggressive/Defensive scales of the OCI instrument. Item 19 measures the degree to which employees feel they must avoid making mistakes (perfectionist norm). In work environments where employees are under pressure to avoid mistakes people are less likely to take risks to innovate for fear of retribution. Item number 20 measures the degree to which employees tend to avoid conflict and work hard to keep relationships pleasant. Item number 21 measures the degree to which employees feel they must compete or out-perform each other to succeed. Perfectionist norms, conflict avoidance norms and internal competition norms tend to diminish the company's ability to adapt or change (Cooke & Rousseau, 1989).

The final non-adaptive culture norms measure (item number 18) measures the degree to which managers put more effort into developing low performing employees than high performing employees. In other words managers put an inappropriate amount of effort into low performers relative to high performers. This item was derived from factors which were derived from the results of the Good to Great study by Collins (2001).

Collins reported that low performing companies tend to over invest in lower performing employees, while not attending to the needs of high performing employees. As a result the company was not able to realize the full contribution of its highest performing employees.

Background Variables. One item of the 26 was used to collect background data. Company name was collected to later segment data linking company name to industry type, company size and to locate historical financials for each participating company. Number of employees was also collected as a background variable. Percent of employee number growth over the ten year period was also computed as a control variable and used in the multivariate analysis.

Validity and Reliability

To ensure the internal consistency and reliability of the items comprising each of the five variables, a Cronbach Alpha scale reliability test was performed. The reliability results are shown in Table 4 along the descriptive statistics for each variable. Variables one through four had reliability figures of greater than 0.7 so they were used in the statistical analysis. Variable number 5, non-adaptive cultural norms produced a reliability of 0.3, well below the 0.7 lower reliability threshold, so it was not used in the statistical analysis for this study

Table 4

Means, Standard Deviations (SD), Reliability, and Correlations of the Independent Variables

Variables	Mean	SD	Cronbach Alpha	1	2	3	4
1. Transformational Leadership Practices (LPIAVE)	6.47	1.73	.95				
2. Adaptive Change Leadership Practices - (KOTCLAVE+)	6.82	1.82	.75	.87**			
3. Non-adaptive Change Leadership Practices (KOTCLAVEB-)	5.13	1.91	.72	-.76**	-.73**		
4. Adaptive Culture Norms (ADPTAVE)	6.60	1.86	.89	.87**	.78**	-.70**	
5. Non-adaptive Culture Norms (NADPTAVE)	5.70	1.21	.30+	-.37**	-.21*	.35**	-.31**

+ Variable #5 was not used in analysis due to low Cronbach reliability

** Correlation is significant at the 0.01 level (two-tailed)

* Correlation is significant at the 0.05 level (two-tailed)

Dependant Variable Creation

The dependant variable, measured as long-term company financial performance, was created using the procedure applied by Kotter and Hesket (1992) in their culture and performance study. The researchers used net income growth and net income growth index as indicators of long-term financial performance, measured over an 11 year period. For the purposes of this study net income growth was measured in these two ways, consistent with Kotter and Heskett's methodology.

Net Income Growth. This variable, measured in U.S.D., was analyzed as yearly net income over a ten year period from years 1995 to 2004. Following Kotter & Heskett's approach an average net income value was created for the first two years (NIADJ) and last two years of the ten year span to help smooth out unusual fluctuations in net income growth for any one year at each end of the ten year timeframe. Next the net income average for 1995-1996 period was subtracted from the net income average for the 2003-2004 period. That difference was then divided into the 1995-1996 value and this product multiplied by 100% to convert into a percent growth value.

Net Income Index. The Net Income Index (NIDXADJ) was the second measure of long term financial performance. The net income index for each company is produced by adding the net income average for the first two years of the ten year period to the net income average of the last two years then dividing that sum into the first two year average.

Table 5 summarizes the descriptive statistics for the two dependent variables used in this study.

Table 5

Means, Standard Deviations (SD), and Correlations of the Independent Variables

Variables	Mean (Millions)	SD	1
Net Income Growth (for period 1995-2004)	$864.83	$9237.53	
Net Income Growth Index	14.31	98.89	.95**

** Correlation is significant at the 0.01 level (two-tailed)

Data Collection

This section describes of the initial participant communication, follow-on email, web-site design and data entry procedures.

Initial Participant Communication & Follow-up

Company participants received a signed and personalized letter invitation on University of San Francisco letterhead asking them to participant in this study (Appendix A). The letter described the purpose and procedures, including those taken to promote confidentiality and anonymity. Included in the letter was a reminder that an email invitation would follow within a month inviting them to complete the online survey questionnaire. Within a month of receiving the initial letter participants received a personalized email invitation to complete the survey, including an embedded HTML hot-link to the on-line questionnaire (Appendix B).

Website Design

Participants completed and submitted the questionnaire electronically via a secure survey website. A Zoomerang subscription website and service was used to host the survey. The service included the functionality to download submitted data and monitor response rates. An interactive, online questionnaire was posted to the website. The Zoomerang survey service allowed for rapid questionnaire creation and response data management without the need for HTML or SQL programming.

The first web page, or Home Page, contained a greeting, instructions for completing and submitting the questionnaire, a statement of appreciation and steps taken to promote confidentiality. The following web pages contained the interactive questionnaire. Print-outs of the final questionnaire webpages can be found in Appendix C

Data Entry

The response data was downloaded, using Zoomerang functionality, into tab delimited tables then exported into Excel for formatting. Once all response data was formatted in Excel columns, the dependent variable data collection, ten year company financial performance data was added. A separate Excel worksheet was created for each participating company. A Hoovers Online subscription service was used to conduct queries on companies and produce the ten year financial data reports. This data was first saved to individual company Excel worksheets then exported to a master Excel dataset containing all independent response variable data and dependent variable financial data.

Finally, the master Excel data was imported into a Statistical Package for Social Sciences (SPSS) worksheet and dataset. Once all the data was confirmed in SPSS, each case was checked accuracy against the original tab-limited response data tables downloaded from the secure survey website.

Data Analysis

Final Dataset

The final dataset was created by merging all response and financial data from the 94 participating companies. Each item and variable was coded using a unique eight alpha-numeric code as identifiers. For companies that had more than one respondent (n = 17 companies) an average for each item response was computed and used in the final analysis.

Analytical Procedures

To answer the research question of whether transformational leadership practices and adaptive corporate cultures are associated with long-term company financial performance, the following analytic procedure was used. A bivariate analysis was applied to examine association between the independent variable related to leadership and culture and the dependent variables related to long-term net income growth. Multiple regression was then used to analyze whether the independent variables of transformation leadership, change leadership and adaptive culture are predictors of long-term financial performance of the company.

Final Research Model

Figure 4 summarizes the research questions and analytical procedures used to produce the findings. While single and double-headed arrows are used to indicate relationships, the model is not intended to represented causation. All relationships explored in this study were correlative, as were the statistical procedures used to analyze the data.

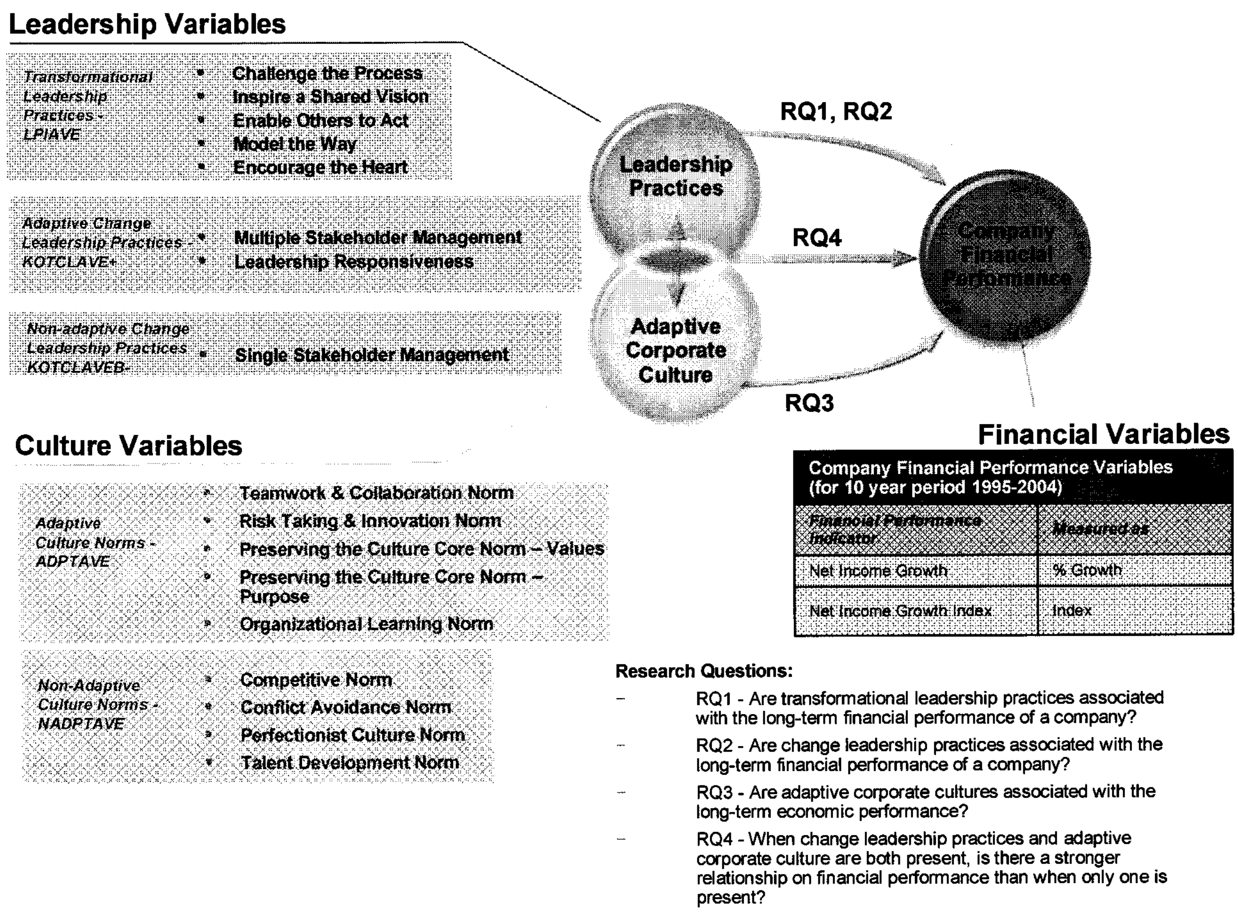

Figure 4. Detailed Research Model Reflecting Variables and Analytical Procedures

CHAPTER IV

FINDINGS

The data were analyzed to test the relationships between the independent variables of leadership and adaptive culture on the dependent variable of long-term financial performance of a company. The findings of this study are organized by research questions along with the details of the statistical procedure used to produce responses to each question. A summary of findings is also included.

Before addressing each of the research questions in detail, it is useful to look at the findings using basic descriptive statistics for the upper and lower quartiles of the companies represented in this study. This analysis was replicated from the univariate analysis produced by Kotter and Heskett (1992). The results for change leadership practices are shown in Table 6 below.

Table 6

Univariate Analysis of Upper and Lower Quartiles of Participating Companies

Variables	Strong Change Leadership Practices*	Weak Change Leadership Practices**
Net Income Growth	915%	- 2%
Net Income Index	10.9	2.3

* Twenty participating companies with highest change leadership responses

** Twenty participating companies with lowest change leadership responses

The data provided in Table 6 demonstrates that the top twenty companies in this study, based on reporting of strong change leadership practices, have net income growth performance of 915 percent versus minus 2 percent for the companies reporting weak change leadership practices.

In performing the same analysis for the top and bottom twenty companies reporting on the strength of adaptive culture norms similar results are produced. The results for adaptive corporate culture norms are shown in Table 7.

Table 7

Univariate Analysis of Upper and Lower Quartiles of Participating Companies

Variables	Strong Adaptive Corporate Culture Norms*	Weak Adaptive Corporate Culture Norms*
Net Income Growth	989%	-47%
Net Income Index	11.5	1.7

* Twenty participating companies with highest adaptive culture norms responses

** Twenty participating companies with lowest adaptive culture norm responses

The data provided in Table 7 demonstrates that the top twenty companies in this study, based on reporting of strong adaptive culture norms, have net income growth performance of 989 percent versus minus 47 percent for the companies reporting weak adaptive culture norms.

Research Questions

Research Question 1

Are transformational leadership practices associated with the long-term financial performance of a company? Net income growth and the net income index were regressed onto transformational leadership practices to address this research question.

Analyzing the data to answer the first research question entailed computing bivariate correlations between leadership practices and the two dependant variables measuring net income growth.

There was a positive and significant relationship between transformational leadership and long-term net income growth ($r = .317, .329$). These results indicate that a strong presence of transformational leadership practices in the company was associated with long term financial results. Conversely when a company reports a low presence of transformational leadership there are low, negative financial results. Bivariate analysis for all research questions is summarized in Table 8.

Research Question 2

Are change leadership practices associated with the long-term financial performance of a company? Analyzing the data to answer the second research question entailed computing bivariate correlations between adaptive change leadership practices, non-adaptive change leadership practices and the two dependant variables measuring net income growth.

There was a positive, significant relationship between adaptive change leadership practices and long-term net income growth (r = .335, .349). Conversely, there is a negative, significant relationship between non-adaptive change leadership practices and long-term net income growth (r = -.293, -.310).

These results indicate that for participating companies that when there is a strong presence of adaptive change leadership practices in the company, there are also long term, positive financial results. Conversely when a company reports a presence of nonadaptive change leadership there are low, negative financial results.

Research Question 3

Are adaptive corporate cultures associated with the long-term economic performance? Analyzing the data to answer the second research question entailed computing bivariate correlations between the adaptive culture norms variable and the two dependant variables measuring net income growth. Conversely, bivariate correlations between non-adaptive culture norms and net income performance were computed.

There was a positive, significant relationship between adaptive cultural norms and long-term net income growth (r = .355, .373). Conversely, there was no negative, significant relationship between non-adaptive culture norms and net income performance (r = -.009, .047).

These results indicate that for participating companies that when there is a strong presence of adaptive culture norms in the company there are also long term, positive financial results.

Table 8

Bivariate Analysis of Independent and Dependant Variables

Variables	Net Income Growth	Net Income Index
Transformational Leadership Practices (LPIAVE)	.317**	.329**
Adaptive Change Leadership Practices (KOTCLAVE)	.335**	.339**
Non-adaptive Change Leadership Practices (KOTCLAVEB)	-.293**	-.310**
Adaptive Culture Norms (ADPTAVE)	.355**	.373**
Non-adaptive Culture Norms (NADPTAVE)	-.009	.047

** Correlation is significant at the 0.01 level (two-tailed)

Research Question 4

When leadership practices and adaptive corporate culture are both present, is there a stronger relationship on financial performance than when only one is present. Analyzing the data to answer the fourth research question entailed applying a multiple regression analysis and model between the leadership and culture variables against the dependant variable measuring net income growth.

The following tables outline step-wise regression models tested to address research question number four. In each model, stock price growth over the same ten year period, was used as the control variable.

Table 9

Results of Regression Analysis on Net Income Growth

Independent Variables	Model 1	Model 2	Model 3	Model 4
Control (Stock Price Growth)	0.71 (0.00)	0.71 (0.00)	0.71 (0.00)	0.69 (0.00)
Transformational Leadership		-0.02 (0.99)	0.07 (0.72)	-0.33 (0.21)
Change Leadership			-0.08 (0.67)	-0.05 (0.78)
Adaptive Culture				0.42 (0.03)*
R^2	.50	.50	.50	.54
$\triangle R^2$	.50	.00	.00	.04
F	.00	.98	.67	.03
Adjusted R^2	.49	.49	.48	.51

* p = .05

Table 9 provides the linear regression results for measuring the independent variables of transformational leadership and change leadership combined with adaptive culture against net income growth. Stock price growth was used as a control variable to provide stability to the model to then add each of the independent variable to the analysis. The strongest regression model (R=.51) results when transformational leadership and change leadership are combined with adaptive culture norms as predictors of long term net income growth.

Summary of Findings

Are transformational leadership practices associated with the long-term financial performance of a company? The analysis indicates that transformational leadership practices are positively associated with long term income growth. Companies reporting higher levels of transformational leadership practices in their companies also experienced higher levels of long term financial performance.

Are change leadership practices associated with the long-term financial performance of a company? The analysis indicates that adaptive change leadership practices are positively associated with long term income growth. Companies reporting higher levels of adaptive change leadership practices in their companies also experienced higher levels of long term financial performance. Non-adaptive change leadership practices were negatively associated with net income growth.

Are adaptive corporate cultures associated with the long-term economic performance? The analysis indicates that adaptive cultural norms are positive associated with long term income growth. Companies reporting higher levels of adaptive culture norms in their companies also experienced higher levels of long term financial performance.

When change leadership practices and adaptive corporate culture are both present, is there a stronger relationship on financial performance than when only one is present? The combination of change leadership practices with adaptive culture norms produced the strongest predictive model for long term net income growth for the participating companies in this study. The results demonstrate a stronger relationship when all three factors of leadership and culture are present than when only adaptive culture is present. The addition of transformational leadership practices to change leadership combined with adaptive culture norms produced a less robust model for predicting long-term financial performance.

CHAPTER V

DISCUSSION, CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

This chapter includes a summary of the study, key conclusions, implications and recommendations for further application and study.

Summary of the Study

To accomplish the objectives of this study, a questionnaire was created and disseminated to corporate heads of human resources in large corporations. The questionnaire was designed to measure company leaders' observations of the leadership and cultural norms in their respective organizations. The survey provided the dataset for the dependent variables of transformational leadership, adaptive change leadership, non-adaptive change leadership, adaptive culture norms and non-adaptive culture norms. The independent variable, long-term financial performance, was measured as net income growth over a ten year period. Additionally, a net income growth index, as used by Kotter and Heskett (1992) was computed as a second measure of long-term financial performance. The data set for the net income growth, and company background variables, were collected using a Hoovers Online corporate research subscription service. Company specific queries were completed for last ten years of financial reporting and the resulting data added to the master, respondent data set.

Once all data were collected, cleaned and merged, then comparative and correlative statistical analysis was performed. It is interesting to note that this study produced findings for the top and bottom quartile companies similar to those results published by Kotter and Heskett (1992) in their landmark study on corporate culture and performance. The data highlights of that landmark study is shown in Table 1 of this report.

Bivariate analysis yielded significant positive associations between the dependent variables of transformational leadership, change leadership, adaptive culture and long-term net income growth. Additionally, the best fit regression modeling yielded change leadership practices combined with adaptive culture norms form the strongest predictive model of long term company financial performance in this study. In other words, company applying both strong change leadership practices and adaptive culture norms are more likely to realize long-term net income growth.

Discussion

Research Question 1

Are transformational leadership practices associated with the long-term financial performance of a company? The transformational leadership variable was constructed using the leadership practices defined in the Leadership Practices Inventory (1997). While numerous studies have used the LPI to measure the effect of leadership on organizational outcome variables such as team dynamics or employee commitment, none have used the LPI to measure the relationship of leadership factors on long-term financial performance of a diverse group of large companies. This study provides a modest, but important result of testing the LPI against long term company performance at the enterprise level.

The correlation analysis of the data produced from the LPI portion of the questionnaire indicates a positive association between transformational leadership practices and long term net income growth of large companies. While cause and effect relationships are not implied in this study, it may be reasonable to assume that strong leadership practices would have a positive effect on the long-term performance of a company. This study also confirmed the historical reliability of the LPI scales by reporting a Cronbach alpha of .95.

Numerous studies have been conducted to measure the effects of leadership practices on employee, team and other organizational outcomes. Few empirical studies have addressed the need to measure the relationship between leadership practices and corporate level outcomes such as long-term financial performance. The transformational leadership behaviors associated with the Leadership Practices Inventory (LPI) were used in this study to measure this relationship. The LPI is a widely applied instrument that has been used in many organizational settings.

Research Question 2

Are change leadership practices associated with the long-term financial performance of a company? The correlation analysis of questionnaire data showed a positive association of change leadership practices to long term financial performance. Conversely, the data measuring non-adaptive change leadership practices showed a negative association with long term financial performance. To address this research question, the author created two variables adapted from the change leadership factors identified by Kotter and Heskett (1992) in their landmark study on corporate culture and long term financial performance.

This study provided confirmation of the adaptive change leadership practices and values proposed by Kotter and Heskett (1992). The researchers reported that companies that apply adaptive change leadership practices and values are more likely to realize long term financial performance. Specifically, the researchers proposed that change leadership is present when company leaders are adept at managing the needs of all three primary company stakeholders represented by shareholders, customers and employees. Change leaders have the capability to effectively manage the competing demands of all three stakeholder groups. The converse of this is when company leaders focus on only one stakeholder group, mainly shareholders, at the expense of customers and employees. Placing a priority on balancing the changing needs all three groups the company demonstrates a management value for responsiveness.

In other words, for leaders to effectively manage the shifting needs of all three company stakeholders, they must develop responsiveness to shift direction and resources quickly as stakeholder needs shift. This combination of this leadership responsive and multi-stakeholder management is known as adaptive change leadership. This study confirmed the findings of Kotter and Heskett (1992) that adaptive change leadership is a predictor of long-term financial performance of a company. This author derived the adaptive change leadership and non-adaptive leadership variables from the findings of

Kotter and Heskett's landmark study on culture and performance. These two newly derived scales were tested in this study and returned appropriate Cronbach reliabilities of .75 and .72 respectively. This study represents the first known published reliabilities for these two scales measuring adaptive change leadership.

Research Question 3

Are adaptive corporate cultures associated with the long-term economic performance? The correlation analysis of the questionnaire data resulting from this scale resulted in a positive association between the presence of adaptive corporate culture norms and the long term financial performance of a company. This study also confirmed the results of Kotter and Heskett (1992) that companies with adaptive corporate cultures tend to outperform companies with non-adaptive cultures. It is interesting to note that the top and bottom quartile performance analysis of companies in this study, and those in the Kotter and Heskett study, produced similar results for long term net income results. Kotter and Heskett studied 172 large companies and financial performance over an 11 year time period. This study examined 94 large companies and financial performance over a 10 year time period.

This study made a unique research contribution by creating and testing a new adaptive culture variable. This variable was derived from items used by previously validated culture assessment instruments and study findings. This author reviewed the available corporate culture assessment instruments to narrow down the list to three widely respected and applied instruments. From this point an analysis was conducted to identify consistent adaptive culture variables related to measuring corporate culture norms. The items that comprised the adaptive culture variable used in this study where derived from three validated culture assessment instruments: the OCI (Cooke & Rousseau, 1989), the OCP (O'Reilly & Caldwell, 1990) and the Denison's Culture Survey (Denison,1990). This newly derived scale for measuring adaptive corporate culture retuned an appropriate Cronbach Alpha reliability of .89. A second scale was also derived for measuring non-adaptive culture, but this scale returned a Cronbach reliability of .30 in this study, implying that the items comprising the non-adaptive culture scale need to re-examined and tested. The non-adaptive culture norm data was not used in the analysis for this study.

Research Question 4

When change leadership and transformational leadership practices are combined with adaptive corporate culture, is there a stronger relationship on financial performance than when only adaptive culture is present? To answer this question, the questionnaire data was analyzed using linear regression modeling to determine the best fit, predictive model.

The dependent variable of net income growth, over ten years, was regressed against the three independent, predictor variables of transformational leadership, adaptive change leadership and adaptive corporate culture norms. Stock price growth, measured for the same time period, was used as a control variable in the regression models.

Four regression models were tested using a step-wise method to monitor the effect of each predictor variable as it was introduced into the model. The strongest predictive model, for long-term net income growth, was produced when transformational leadership and change leadership practices were combined with adaptive culture norms. The combination of change leadership with adaptive culture produced a strongest predictive model (R = .51). These results demonstrate a cumulative effect of combining leadership practices with adaptive culture to produce long term financial outcomes.

Conclusions

The central finding of this research revealed that companies in the study population is that leadership and culture matter. These factors are key drivers of long term financial performance and adaptability. Companies that value leadership and cultural practices that promote adaptability are more likely to realize long term financial performance. Companies that strengthen their ability to adapt, by applying specific leadership and culture practices, substantially outperform those that do not.

Companies reporting a strong and consistent application of transformational leadership practices experience much higher levels of financial performance than those reporting a weak application of change leadership practices.

Companies reporting a strong and consistent application of adaptive change leadership practices experience much higher levels of financial performance than those reporting a weak application of change leadership practices. Change leadership practices in the high performing companies are demonstrated by leaders who care deeply about customers, shareholders and employees. They work hard to address the changing needs of all three constituents. Additionally these change leaders willing to change their strategies quickly and take risks to address changes in the business environment.

Conversely, low performing companies cite non-adaptive change leadership practices where leaders care mainly about themselves and their immediate workgroup. These leaders tend to overvalue shareholder or profit demands at the expense of customer and employee needs. These behaviors lead to low responsiveness to shifting strategies when there are changes in the business environment.

Companies reporting high levels of adaptability in their corporate culture experience much higher levels of financial performance than those companies reporting non-adaptive cultural norms. Adaptive corporate cultures are those in which teamwork, cross-unit collaboration, risk taking, innovation and learning are valued and promoted. Additionally adaptive cultures are guided by a consistent set of values and shared purpose.

Implications

The implications of this study can assist companies today to develop stronger change leadership practices, combined with adaptive cultural norms are more likely to produce long-term financial performance. Companies are experiencing ever increasing pressures for speed, globalization and aligning to shifting markets. To remain competitive in the long run and respond these increasing pressures, companies need to develop more adaptability and agility.

Few research studies have been conducted, at the cross-organizational level, to measure and report on the relationships of leadership, culture, and long term financial performance of major corporations. Most of the prior studies have reported on the linkages between leadership or culture and organizational outcomes like employee commitment. This study provides a unique and valuable contribution to understanding the relationship of leadership and culture and the level of organization.

This study provided an important confirmation of the positive association between transformational leadership practices and long-term financial performance. The five core leadership practices presented in this study are valuable to companies seeking to strengthen their core leadership capabilities

This study also provided an important confirmation of the results of the landmark study of adaptive corporate cultures and financial performance by Kotter and Heskett (1992). This study produced a contribution to those results by creatively applying the researcher's findings to provide a reliable means to measure adaptive change leadership and non-adaptive change leadership in corporations. By validating specific definition and practices of adaptive change leadership and non-adaptive change leadership this study assist companies to focus their change leadership development efforts more efficiently.

Recommendations

The recommendations offered by this study are both specific for scholars and broad, for organizational development professionals. Scholars may apply the results to the body of knowledge related to organizational effectiveness, and organizational development professionals may apply the results to their client engagements.

Recommendations for the Profession

Company leaders are faced with increased volatility and instability from forces inside and outside the business. There exists a compelling need to further define and validate how company leaders can create more adaptive cultures. In turn, companies are more adept at navigating change. There is growing evidence that strong cultures, once thought to be the optimal type of culture for companies, is losing ground to models of adaptive corporative cultures (Sorenson: 2002, Kotter & Heskett: 1992). Strong cultures, while providing the benefits of goal and behavior alignment, seems to slow to change direction in response today's turbulent markets and continually changing customer needs. Researchers and practitioners should turn more attention and study to the factors behind creating adaptability in companies. In particular are questions related to how multi-stakeholder leadership practices can be developed more efficiently in a company. What combination of training, or other interventions, would accelerate adaptive leadership capabilities? What are the organizational levers for shifting corporate culture norms to create more adaptability?

This study found that teamwork, cross-unit collaboration, risk taking, value consistency, shared purpose and organizational learning are important norms for defining an adaptive corporate culture. Further study is required to validate if this is a reliable list of factors across different organizational settings.

This research study is of primary significance to organizational theorists, organizational psychologists, organizational development specialists, leadership researchers, change management consultants, human resources professionals and senior managers in corporations. Organizational development specialists and change consultants may use the findings develop targeted leadership development interventions aimed at shifting corporate cultures to enhance a company's capacity to adapt to change. Researchers of organizational leadership may use the results to advance understanding of the relationship between transformational leadership practices and organizational effectiveness. In addition, the methodology and instrument applied in this study may result in a useful diagnostic for assessing an organization's capacity for adaptability and long term financial performance.

For Further Research

This study was limited by the selection of a convenience sample participating companies (n=94) and the positions of company respondents as heads of human resources. Generalizability of this study's findings are limited to the extent to which the results can be applied to other populations. The results of this study apply to large (revenue > $300 million per year) corporations. Whether the results are reliable for mid- and small size companies need to be tested.

Further research is suggested to investigate the predictive factors constituting a non-adaptive corporate culture. The four cultural norm items tested in this study included competition, conflict avoidance, perfectionism and talent development. These factors did not meet the item reliability criteria to move the data forward into analysis.

Further research is suggested to investigate the relationship between leadership practices and the creation of corporate culture. This study proposed the model of leadership behavior as a primary factor for creating corporate culture (Schein, 1985). There exists a need to further test and validate this model for culture creation and the specific relationships between leadership and cultural factors.

This study has assessed the relationship between transformational leadership, change leadership and adaptive corporate culture. Strong relationships were established between both transformational and change leadership factors promoting adaptability and financial performance. Company reporting adaptive cultures also significantly out-performed those with low adaptability. Additionally, companies that value and promote both change leadership practices and adaptive corporate cultures are more likely to experience long term financial results.

Concluding Thoughts

The process of researching and completing this dissertation has been a transformative journey. I learned a tremendous amount along the way about the challenges and self-discipline required to conduct a high quality field research project. The review of the literature provided me an opportunity to clarify and focus the research questions and final model. Working through the a larger narrative of research in the field of leadership and culture was highly beneficial in shedding light on how the models and theories have shifted and became richer over time. I discovered wide ranging, and sometimes conflicting, points of view of what contributes to creating effective leadership and high performing cultures. I was struck by the dearth of empirical studies examining, at the company level, the relationships between return on investment, leadership and culture. This discovery inspired me to attempt to replicate the methodology used by Kotter & Heskett (1992) in their landmark study on corporate culture and performance. With this new found inspiration I manage to survey 94 large corporations and 271 executives. It took a lot of work and persistence to get data from this cross section of company executives, but I am happy that I took the extra time and effort to produce this dissertation. I truly hope that my contribution to the field of organizational leadership and culture will be beneficial for others.

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APPENDICES

APPENDIX A

PARTICIPANT COVER LETTER

University of San Francisco

May 17, 2005

[Click **here** and type recipient's address]

Dear Human Resource Manager:

My name is Richard Roi and I am a doctoral student in the School of Education at the University of San Francisco. I am conducting a study of the relationships among leadership, corporate culture and economic performance in high technology and financial services companies.

I am asking you to participate in this research because you have a unique and experienced perspective on your organization's leadership practices and culture. I obtained your name from the Silicon Valley Chapter of the Organization Development Network. If you agree to participate in this study, you will complete a survey that asks about your perceptions of leadership practices and cultural norms in your company. The survey should take no more than 15 minutes to complete.

All of your responses are confidential. No individual responses will be released. And when published, it will be impossible for any individual or corporation to be identified.

Obtaining a large sample size is essential; however, your participation is entirely voluntary. You are free to decline to be in this study. There will be no costs to you as a result of taking part in this study, nor will you be reimbursed for your participation in this study. If you would like a copy of the results of this study, please send me an email and I will gladly forward it to you.

If you have questions about the research, I will be happy to respond. I can be reached by telephone at (650) 703-2412 or by email at roi@usfca.edu.

If you have further questions about your participation in this study you may contact the IRBPHS at the University of San Francisco, which is concerned with the protection of volunteers in research projects. You may reach the IRBPHS office by calling (415) 422-6091, or by emailing IRBPHS@usfca.edu.

I would like to thank you in advance for your assistance. Please complete the survey online by visiting the following website:

http://www.zoomerang.com/survey.zgi?p=WEB224PTHF

Sincerely,

Richard Roi

APPENDIX B

PARTICIPANT EMAIL INVITATION

Yahoo! My Yahoo! Mail

YAHOO! MAIL Welcome, **ricroi**
[Sign Out, My Account]

Search the Web Search
Mail Home - Mail Tutorials - Help

Mail Plus | Addresses | Calendar | Notepad
What's New - Mail For Mobile - Upgrades - Options

Check Mail | Compose | Search Mail | Search the Web

Folders [Add - Edit]
- **Inbox (39)**
- Draft
- Sent
- Bulk [Empty]
- Trash [Empty]

My Folders [Hide]
- Accelerate
- Accelerate Meet...
- Karunamayi
- USF

Previous | Next | Back to Messages

Delete | Reply | Forward | Spam | Move...

This message is not flagged. [Flag Message - Mark as Unread] Printable View

Date: Mon, 20 Mar 2006 20:24:44 -0800

From: "Richard C. Roi" <roi@usfca.edu> Add to Address Book Add Mobile Alert

Subject: Survey Invitation Reminder

To: ricroi@yahoo.com

Hello <<Name>>,
Approximately two weeks ago you recieved my survey invitation via email. If you completed the survey, please accept this reminder as a note of appreciation. If you haven't done so, please complete the survey by going online to:

http://www.zoomerang.com/survey.zgi?p=WEB224PTHF

The survey will take less than 15 minutes to complete. Please know that your responses will remain ***strictly confidential.*** Thank you for your time.

If you have any questions or problems completing the survey, please contact me at (650) 703-2412 or roi@usfca.edu

Again, thank you in advance for your participation

Best Regards,
Richard Roi
University of San Francisco

Delete | Reply | Forward | Spam | Move...

Previous | Next | Back to Messages Save Message Text | Full Headers

Check Mail | Compose | Search Mail | Search the Web

APPENDIX C

SURVEY QUESTIONNAIRE

Leadership Practices, Adaptive Culture, and Company Financial Performance

Thank you for participating in my doctoral survey on leadership practices, adaptive corporate culture, and company financial performance.

This 25-question survey will take less than 15 minutes to complete. At the end of the survey, you will have an opportunity to request a copy of the findings.

Please be assured that your responses are, and will remain STRICTLY CONFIDENTIAL, and will be used only in aggregated survey results.

START SURVEY!

POWERED BY zoomerang

University of San Francisco
Jesuit Education

Leadership Practices, Adaptive Culture, and Company Financial Performance

Questions marked with an asterisk (*) are mandatory.

1 *Please type your company's name below. This information is required for computing company financial performance.

SUBMIT

Leadership Practices, Adaptive Culture, and Company Financial Performance

INSTRUCTIONS:
For the following questions, please consider:

On most days and with most people, to what extent do the senior leaders at your company typically engage in the following behaviors?

Please use the 10-point rating scale to select the most appropriate frequency if 1 = never, and 10 = always.

2 Our leaders enlist others in a common vision by appealing to their values, interests, hopes, and dreams.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

3 Our leaders recognize individuals as contributors to the success of projects.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Farily often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

4 Our leaders support small wins that promote consistent progress and build commitment.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

5 Our leaders understand the value of gaining employee commitment to change rather than simply getting employees to comply with company changes.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very Frequently	Always
1	2	3	4	5	6	7	8	9	10

6 Our leaders tend to overvalue shareholder or profit demands at the

expense of customer and employee needs.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

7 Our leaders respond and adjust slowly to the need for change in strategy or changes in the business environment.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

8 Our leaders strengthen people by giving power away, providing choice, delegating tasks, and offering visible support.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

9 Our leaders set the example by behaving in ways that are consistent with our core company values.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

SUBMIT

Leadership Practices, Adaptive Culture, and Company Financial Performance

INSTRUCTIONS:
For the following questions, please consider:

On most days and with most people, to what extent do the senior leaders at your company typically engage in the following behaviors?

Please use the 10-point rating scale to select the most appropriate frequency if 1 = never, and 10 = always.

10 Our leaders are attentive and responsive to addressing the changing needs of customers. They are willing to change their strategies quickly and take risks to address changes in the business environment.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

11 Our leaders foster collaboration by promoting cooperative goals and building trust.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

12 Our leaders search out challenging opportunities to change, grow, innovate, and improve.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

13 Our leaders care mainly about themselves and their immediate work group.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

14 Our leaders experiment, take risks, and learn from mistakes.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

15 Our leaders envision and communicate an uplifting and compelling future for the company.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

16 Our leaders care deeply about our customers, shareholders, and employees. They work hard to address the needs of ALL three groups.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

17 Our leaders regularly celebrate team accomplishments.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Farly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

SUBMIT

Leadership Practices, Adaptive Culture, and Company Financial Performance

INSTRUCTIONS:
For the following questions, please consider:

What does it take for you and co-workers to "fit in" and meet your company's behavioral expectations?

Please use the 10-point rating scale to select the most appropriate frequency if 1 = never, and 10 = always.

18 We put more effort into developing low performers than motivating and rewarding high performers.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

19 People here feel they must avoid making mistakes.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

20 People here tend to avoid conflict and work hard to keep relationships pleasant.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

21 People here are rewarded for out-performing each other.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

22 Employees have a clear sense of mission that gives them direction and purpose for their work.

Once in Fairly Very

Never	Rarely	Seldom	a while	Occasionally	Sometimes	often	Usually	frequently	Always
1	2	3	4	5	6	7	8	9	10

23 Our company invests in improving the knowledge and skills of employees.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

24 Employees in our company are empowered to work across internal boundaries and collaborate with other departments.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

25 Employees in our company are encouraged to take risks and apply innovative new ideas.

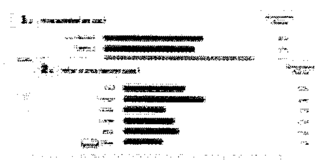
Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

26 We apply a clear and consistent set of values to govern the way we do business.

Never	Rarely	Seldom	Once in a while	Occasionally	Sometimes	Fairly often	Usually	Very frequently	Always
1	2	3	4	5	6	7	8	9	10

SUBMIT

Thank you very much for your participation.



View Survey Results

Click to see how others responded.

POWERED BY zoomerang

APPENDIX D

INSTITUTIONAL REVIEW BOARD APPROVAL

February 15, 2005

Dear Mr. Roi:

The Institutional Review Board for the Protection of Human Subjects (IRBPHS) at the University of San Francisco (USF) has reviewed your request for human subjects approval regarding your study.

Your application has been approved by the committee (IRBPHS #04-123). Please note the following:

1. Approval expires twelve (12) months from the dated noted above. At that time, if you are still in collecting data from human subjects, you must file a renewal application.

2. Any modifications to the research protocol or changes in instrumentation (including wording of items) must be communicated to the IRBPHS. Re-submission of an application may be required at that time.

3. Any adverse reactions or complications on the part of participants must be reported (in writing) to the IRBPHS within ten (10) working days.

If you have any questions, please contact the IRBPHS at (415) 422-6091.

On behalf of the IRBPHS committee, I wish you much success in your research.

Sincerely,

Terence Patterson, EdD, ABPP
Chair, Institutional Review Board for the Protection of Human Subjects

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IRBPHS - University of San Francisco
Counseling Psychology Department
Education Building - 017
2130 Fulton Street
San Francisco, CA 94117-1080
(415) 422-6091 (Message)
(415) 422-5528 (Fax)
irbphs@usfca.edu

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http://www.usfca.edu/humansubjects/

THE UNIVERSITY OF SAN FRANCISCO
Dissertation abstract

LEADERSHIP, CORPORATE CULTURE AND FINANCIAL PERFORMANCE

STATEMENT OF THE PROBLEM

The purpose of this study was to explore the relationship between leadership, culture and financial performance. Specifically, this study examined the relationship between leadership practices, adaptive corporate cultures and long-term financial performance in large corporations. The theoretical foundation and framework for this study is grounded in two bodies of literature: theories of organizational leadership and models of high performing corporate culture.

PROCEDURE

A questionnaire was developed and disseminated to 271 human resource executives in 94 corporations. The instrument measured the prevalence of the independent variables of transformational leadership practices, change leadership practices, non-adaptive cultural norms and adaptive cultural norms. The dependent variable of financial performance was measured over a ten year period as net income growth and net income growth index.

RESULTS

Bivariate correlations were computed to demonstrate the following positive relationships:

1. Transformational leadership practices and ten year net income growth.
2. Adaptive change leadership practices and ten year net income growth.
3. Adaptive cultural norms and ten year net income growth.

Multiple regression analysis yielded a stronger positive association when transformational leadership and change leadership are combined with adaptive culture over adaptive culture alone.

CONCLUSIONS

The findings of this study indicate that effective leadership and culture are key contributors to the long term financial performance of a corporation. Companies reporting a high prevalence of leadership and cultural norms that contribute to increasing adaptability substantially outperform companies that do not.

Richard C. Roi, Ed.D,
Author

Patricia Mitchell, PhD.
Chairperson, Dissertation Committee