THE RELATIONSHIP BETWEEN PERCEIVED

ORGANIZATIONAL BEHAVIORAL INTEGRITY AND

BENCHMARKS OF CORPORATE PERFORMANCE

A DISSERTATION

SUBMITTED TO THE SCHOOL OF EDUCATION

AND THE COMMITTEE ON GRADUATE STUDIES

OF STANFORD UNIVERSITY

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY

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June 2005

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ACKNOWLEDGEMENTS

Only one name stands as author of this dissertation, but in my opinion that tradition should be removed. The names of all those who sacrificed time and resources, wisdom and love, should stand as authors of any dissertation, this one included.

My parents need to be the first on this list. Neither one of them went to college but they are the wisest people I know. Although poor by any financial standards they are rich in their own personal integrity. My mother is the the most honest individual on this planet and my father the most straightforward. They are both the epitome of "walking the talk".

I want to thank Dr. Rich Hagberg for his willingness to share his time, resources and database with me. Without Dr. Hagberg's previous hard work and success creating a highly sought after consulting firm and cultural assessment instrument none of this would have emerged. He offered me my first opportunity to work for a thriving consulting firm which has had a tremendous impact on my life and my career. A special thanks should also go to his team for helping me navigate through the massive amounts of existing data.

A very special thanks to two dear friends, Alex Harris and James Tyson, who at times had to literally walk, or in Alex's case, run me through some tough times. They taught me the real meaning of love and the term "I've got your back". Without them I would not have finished this degree.

A warm thank you goes to Dr. John Krumboltz (or "JDK" as he is affectionately known all over my day planner), for his conscientiousness, his

warm-heartedness and optimism. He has a way a making you feel like you are his only student. He did what he said he would do, without exception. And he did what he had to do to ensure I would succeed. Thank you John!

At last, I want to thank my wife Amy. But what does one say to the most important person in one's life? I think C.S. Lewis best penned it when he wrote about the love of his life:

> *What was she not to me? She was my daughter and my mother, my pupil and my teacher, my subject and my sovereign; and always, holding all these in solution, my trusty comrade, friend, shipmate, and fellow-soldier.*

ABSTRACT

The relationship between organizational behavioral integrity and benchmarks of corporate performance is examined. Organizational behavioral integrity is defined as the perceived degree of congruence between an individual's, groups' or organizations' words and deeds. This study explores the relationship between perceived organizational behavioral integrity and employee satisfaction, customer orientation and financial performance.

The alignment between organizational values and practices was determined using items from pre-existing corporate culture data of 62 companies and 3,037 employees. A ranked 25-point congruence score for fourteen scales were correlated with employee satisfaction, customer orientation and financial performance scores using non-parametric tests, as mean scores did not produce normal distributions. Statistically significant relationships emerged between all fourteen behavioral integrity congruence scores and employee satisfaction and customer orientation. There were no significant positive correlations between the congruence scales and financial results.

The congruence scores with the strongest correlations with Employee Satisfaction were Employee Growth, Candor, Meritocracy, Autonomy, Decision Participation, Creativity & Innovation and Learning. A pattern of increased Employee Satisfaction was evident as congruence scores increased. The congruence scales with the strongest correlations with Customer Orientation were Learning, Autonomy, Goal Orientation, Creativity & Innovation, Meritocracy,

Employee Growth and Decision Participation. Again, as congruence scores strengthened Customer Orientation scores increased as well.

There were no significant correlations between the congruence scores and corporate financial results. A number of factors may be responsible for this outcome. First, financial data was not readily available so the decision was made to use items of perceived financial health to create the financial results outcome measure. Second, to add more rigor, only the responses of senior managers in finance functions were used. Consequently, the sample size was substantially reduced which may have resulted in the loss of statistical power and produced the non-significant results. Finally, a review of economic indices for 2001 and 2002, the years of data collection, reveals a significant negative pattern in financial markets.

Investigating the effects of mean value scores and mean practice scores verified that, when separated out from the overall congruence scores, values and practices had similar associations as overall congruence scores.

Statistically significant differences were also found between the congruence means of senior managers and non-managers. Managers reported more organizational behavioral integrity than non-managers. However, there were no differences in perceived congruence based on length of service. Significant and non-significance were confirmed using both Student's *t*-test and Mann-Whitney U tests.

CHAPTER 1: INTRODUCTION

Since the birth of the corporation, shareholders have been unflinching in their drive to improve business efficiency, effectiveness, production and the bottom line. For years, organizational theorists, researchers and practitioners have been relentlessly pursuing theories and convincing entrepreneurs to implement practices they believe will help improve business capabilities. For the last several decades, researchers have been trying to determine whether organizational culture plays an important role in increased profits. More specifically they want to find out which cultures and associated cultural variables (i.e. involvement, adaptability, aggressiveness, candor, etc.) are the most effective in increasing bottom line results. Investigators believe that if they can prove there is a link between specific cultural variables and financial performance, then organizations can begin implementing the key cultural ingredients to enhance firm performance. However, as Wilderon, Glunk & Maslowski (2000) so aptly warns, there is, " . . . a strong belief among researchers that the performance of organizations is attributable, in part, to organizational culture. Between a mere belief and hard scientific evidence, however, there is a world of difference" (p.193).

Hank Paulson (2002), the chairman and CEO of Goldman Sachs, recently addressed the National Press Club in Washington on the state of American business. In his speech he remarked that American businesses are experiencing the lowest reputation he has ever seen during his lifetime. He followed up by reporting that the only way businesses were going to build a reputation for integrity was to build more transparency in business practices by closing the gap between rhetoric and practice. A recent study reported that only 34% of employees worldwide felt loyalty towards their employers and that only 47% of U.S. employees saw their leaders as someone with "high personal integrity"(R. Simons, Mintzberg, & Basu, 2002). These same authors argued that CEOs were running companies on half-truths that are driving ". . . a wedge of distrust into society"(R. Simons et al., 2002, p. 117).

Holding fast to values requires a great deal of hard work and perhaps some discomfort on the part of senior leaders. Leaders are sometimes seen as incongruent because the organizations that they lead are buffeted by several competing tensions (Kramer & Neale, 1998; T. Simons, 2002a). Pfeffer (1998) reports that not only is it hard to maintain consistency between what is said and what is done, it is difficult to evaluate if consistencies exist and even harder for companies to correct those inconsistencies. In a study analyzing how firms change, Pfeffer (1998) found most companies talked a lot about alignment. Alignment is the expectation that employees realize corporate missions, values and objectives in their day-to-day behavior. Companies would be adamant that employees were putting into action their mission statements, goals and values throughout their organization. But when organizational practices revealed that the alignment did not exist on one anonymous company, personnel in the human resource department came up with several excuses to explain why alignment could not be achieved. Pfeffer calls this phenomenon the "religious theory of management" (1998, p.100). He explains that there is a lot of talk about alignment but no work goes into it, but there seems to be a belief that it will somehow "miraculously" occur.

Executives must be ready to act and follow through on what they utter as corporate values, no matter what challenges lie ahead, or they risk losing the faith their followers have in their integrity (Lencioni, 2002). Simons (T. Simons, 2002b) remarks that the ultimate consequence of managers not following through on what has been said is poor financial results due to the loss of trust among workers. Simons (2002b) explains that modern day employees are so sensitive to hypocrisy, superficiality and insincerity that ultimately they become "hearing impaired" when their leaders speak. It is worse than a case of the blind leading the blind because it is really the blind calling out to the deaf and asking them to follow. The following aptly illustrates the point.

> At an international business conference I attended recently, people were asked, 'Does your organization have a mission statement?' About two thirds raised their hands. Then they were asked, 'Does the mission statement describe the day-to-day reality of life there?' All but a few hands went down. When there is a glaring gap between the espoused vision of an organization and the actual reality, the inevitable emotional fallout can range from self-protective cynicism to anger and even despair (Goleman 2000, p.281).

From experiences like these it is not hard to see how misalignment between words and actions can have a powerful negative impact on organizational performance indicators such as employee satisfaction or financial results. When Kouzes and

Posner (2003a) asked respondents to describe or define what it means to be credible, they reported that the most common responses were "they practice what they preach" and "they do what they say they will do" (p.47).

If incongruity exists between what the company says it does (espoused theories[1]) and what is actually done (theories-in-use), and nothing is done to correct this misalignment, Schein warns that it usually results in what he calls a "myth or scandal explosion" (1992, p.326). The "explosion" is usually an embarrassing public event that forces the company to address its duplicity. Schein categorizes the Chernobyl nuclear disaster, the Exxon Valdez oil spill, and the Space Shuttle Challenger explosion as examples. Enron, WorldCom MCI, and the recent mutual funds debacle could also be considered corporate "explosions". In each case, the companies were forced to scrutinize their basic assumptions and to close the gap between what was being said and what was actually being done. If they had gone through the difficult work, that Covey (1989) speaks of, of ensuring they were aligning themselves with the values they said they championed, many of these embarrassing and devastating events could have been avoided.

Conversely, "emotionally intelligent" and productive organizations usually become this way when they do what they can to reduce the disparity between what is said and what it actually does in practice (Goleman, 2000). Kotter and Heskett (1992) found, after looking at characteristics that enhance corporate performance, that leaders who walk their talk build companies that stand the challenges of time. They noted, among 10 highly performing companies

[1] (Argyris, 1976)

in their sample, that leaders who were interested in changing a lackluster corporate culture into a performance-enhancing culture, among other things, emulated what they were envisioning. They worked hard at aligning words and actions.

> In almost all cases, the leaders became living embodiments of the culture they desired. The values and practices they wanted infused into their firms were usually on display in their daily behavior: in the questions they asked at meetings, in how they spent their time, in the decisions they made. These actions seem to have given critical credibility to their words. The behavior made it clear to others that their speeches were serious. And successes, which seemed to result from that behavior, made it clear that the speeches were sensible" (John P. Kotter & Heskett, 1992, p.96).

It is widely thought that a strong organizational culture, exhibiting particular cultural traits, is essential for business success (Calori & Sarnin, 1991; Christensen, 1999; Cooper, 2000; Deal & Kennedy, 1982; Denison, 1990; Gordon & DiTomaso, 1992; Klein, 1993; John P. Kotter & Heskett, 1992; Marcoulides & Heck, 1993; Petty, Beadles, Lowery, Chapman, & Connell, 1995; Rousseau, 1990b; Sorensen, 2002; Wilderon & Van den Berg, 1998; Zahir, John, & Mike, 1997). However, on closer inspection, several limitations are apparent in that stream of research, and neither the warrants nor the claims are strongly supported (Carroll, 1983; Martin, 1992, 2002; Siehl & Martin, 1990; Wilderon et al., 2000). Yet, the research on the culture-performance link repeatedly illustrates that notions of integrity are paramount to effective corporate performance (Calori & Sarnin, 1991; Casson, 1993; Collins & Porras, 1997; Covey, 1989; Deal & Kennedy, 1982; Denison, 1982, 1984, 1990; Denison & Mishra, 1995; Gordon & DiTomaso, 1992; Koene, 1996; John P. Kotter & Heskett, 1992; Marcoulides & Heck, 1993; Petty et al., 1995; Rollins & Roberts, 1998; Rousseau, 1990b). While many of these scholars recognize the construct of integrity as an important cultural variable that is essential for business success, they have failed to notice corporate integrity as an overriding force that possibly gives all cultural variables, no matter what they are, legitimacy.

Unfortunately, most organizational researchers (Calori & Sarnin, 1991; Christensen, 1999; Cooper, 2000; Deal & Kennedy, 1982; Denison, 1990; Gordon & DiTomaso, 1992; John P. Kotter & Heskett, 1992; Marcoulides & Heck, 1993; Petty et al., 1995; Rousseau, 1990b; Sorensen, 2002) interested in examining corporate culture's role in enhancing performance have been searching for a set of cultural variables that can be broadly applied. While a set of core values may exist researchers have failed to recognize that (a) industry standards and current market demands force companies to adopt particular values in order to survive (b) competitive advantage cannot be achieved if the same cultural variables are adopted by all companies and (c) companies may have to change values in order to keep up with industry shifts. I contend that integrity, perceived or actual, is the overriding principle that enhances effectiveness and performance. It is a value that can regulate congruence between words and deeds in an unbiased way - unbiased in that it does not matter what set of values that you adhere to only that you uphold those values through recognizable action. In addition, integrity is the value that employees use to judge the trustworthiness of the company they are working for and by which they gauge how much effort they are willing to expend in advancing the company's welfare.

CHAPTER 2: REVIEW OF THE LITERATURE

The ability to increase profit, in the most effective way, is the essence of business. From the beginning, organizational psychology's goal has been to help businesses find ways of becoming more effective by using current psychological knowledge. Organizational scholars first began by examining more mechanistic work processes. As psychological knowledge increased in sophistication scholars began to turn their attention to the process of individual and group psychology within the world of work. Under the force of increased global competition researchers realized they needed ideas that could explain why certain nations and organizations were outperforming others. The idea of culture was borrowed from anthropology. Several studies on the culture-performance link show some evidence that culture plays a role in performance, but many of the studies are methodologically weak. Yet, a common theme that continues to surface throughout the studies suggests that systemic integrity, also known as internal integration, consistency or congruence, may play a key role in organizational performance.

The Pursuit of Corporate Effectiveness

> The one constant that has prevailed through all of the evolutionary permutations that have accompanied life on earth – and that links those earliest struggles to gain and maintain life with contemporary business activities – is economizing. All successful life forms have reached out into the environment for vital energy, have directed that energy toward the

building of their own internal systems, and have then developed their biological and/or cultural potentials (Frederick, 1995, p. 79)

In order for business to survive it must adapt to its environment. In doing so, argues Frederick, it struggles to realize what he believes are the original values of business; economizing, growth and systemic integrity (Frederick, 1995, p. 25). While economizing and growth focus on the efficient utilization and expansion of available resources, systemic integrity " . . . implies organizational bonding of members to the firm and their cooperative interactions to promote the firm's economizing goals" (Frederick, 1995, p.25). In an effort to expand production, early entrepreneurs and theorists mainly focused on the economizing and growth aspects of business. However, it did not take long for industrial researchers to notice the impact human interactions such as "bonding" and "cooperation" had on productivity.

A review of business history is beyond the scope of this paper. Nevertheless, borrowing from Robbins (2003), one can examine the progress organizational psychologists made by reviewing their contributions to business effectiveness through what Robbins classifies as the "Early" (pre-1900), "Classical" (1900-1930) and "Behavioral" (1930+) eras. The movement through each era places the current research in context and provides a theoretical structure for a potentially complex labyrinth of thought and discovery. In addition, these eras succinctly demonstrate the shift organizational researchers made from focusing on economizing and growth to systemic integrity - - from the mechanical to the psychological.

Even though many management scientists such as Frederick Taylor, Mary Parker Follett, Hugo Munsterberg, Henri Fayol, Abraham Maslow disagreed in theory, they all found a commonality in the goal to enhance organizational efficiency. The goal of efficient business practices was just as strong in the early industrial years as it is today, and a great deal of what we take for granted, in terms of efficiency, is owed to the tenacious thinkers of the past. A top priority for industry at the turn of the century was "what could be done to get people to do more work in less time?" (Greenberg & Baron, 2003, 9). Although organizational scientists may currently focus on different organizational phenomenon such as attribution, perception, or expectations, the underlying hope is still relatively the same.

Ideas established pre-1900 are included in what Robbins calls the "Early Era" (Robbins, 2003, 594). Arguably, the earliest thought on industrial efficiency before 1900 can be traced to the idea of the division of labor (Robbins, 2003). Two primary figures argued that dividing labor and specialization would lead to increased productivity. The first was Adam Smith and he argued in his book, "The Wealth of Nations", that if manual tasks were deconstructed and then allotted to several individuals, productivity would increase. Charles Babbage picked up on Smith's idea and extended the argument in his book, "Economy of Machinery and Manufacturers." Babbage felt that the division of labor would not only increase the output of manual tasks but suggested that it would also work for professionals engaged in more cerebral tasks (Robbins, 2003). In this same era, Robert Owen, a Welsh businessman, was ostensibly the first business owner to fight for better working conditions for common workers. Robbins (2003) writes that Owen was sickened by the working conditions he witnessed and felt that workers deserved better treatment. He believed that if conditions improved workers would become more efficient. Interestingly, the first thoughts on ways to improve business touched on all three of those original values of economizing, growth and systemic integrity. Where Smith and Babbage narrowed in on ways of improving the usage of available resources, Owen, in an indirect way, focused on creating a mutual bond between employee and employer by improving work conditions. These two lines of thought were expanded throughout the next several decades.

The time between 1900 and 1930 marks the Classical Era of management thought and kick-starts a century of extensive organizational research, writing, practice and debate. During this period two significant ideas emerged: (1) the realization that applied scientific methods could help to increase productivity, and (2) the idea that organizational efficiency could also come as a result of examining individual and group dynamics.

Perhaps the most significant work of the time was by a mechanical engineer named Frederick Taylor (Greenberg & Baron, 2003; Riggio, 2003; Robbins, 2003). After observing the inefficient work habits of steel mill workers in Pennsylvania, he designed a method for studying worker movements in an effort to find the most efficient way to do a job (Greenberg & Baron, 2003). Because he was disturbed by the lack of work standards and organizational disorder, he devised programs that helped employees understand work responsibilities, managerial structures and the necessity of efficiency (Robbins, 2003). He stimulated the idea that if you could make machines more efficient, you could do the same with people. He subsequently introduced the idea of scientific management. Taylor, possibly borrowing from Smith's original idea, concluded that deconstructing a work task and figuring out the most efficient way to perform each particular task could increase production (Riggio, 2003). Subsequently, he spent two decades studying these ideas and eventually wrote " Principles of Scientific Management" and outlined his work on what he called "time and motion studies" (Robbins, 2003, p.596).

> . . .[He] not only identified ways to design manual labor jobs more efficiently but also emphasized carefully selecting and training people to perform them . . . Taylor is acknowledged to be the first person to carefully study human behavior at work
> (Greenberg & Baron, 2003, p. 19).

Furthermore,

> Taylor was able to define the one best way for doing each job. He could then, after selecting the right people for the job, train them to do it precisely in this one best way. To motivate workers, he favored incentive wage plans. Overall, Taylor achieved consistent improvements in productivity in the range of 200 percent or more. He reaffirmed the role of managers to plan and control and that of workers to perform as they were instructed (Robbins, 2003, p. 597).

While Taylor focused on the minutiae of movement, others like the French industrialist Henri Fayol and the German sociologist Max Weber authored theories on administration and bureaucracy (Greenberg & Baron, 2003; Robbins, 2003).

Henri Fayol produced several key principles of management that are still in use today. Foremost is his idea that the role of management is to plan, organize, command, coordinate and control work processes and that the activity of management is different from other business functions such as finance or marketing (Robbins, 2003). He believed that if management learned and practiced these principles, entrepreneurial success would materialize. Although Max Weber believed, to some extent the same as Fayol, that management's ability to control and coordinate the workforce would lead to better efficiency he added the need for clear rules, obvious chains of command, division of labor, and the de-emphasis on personal relationships. He took the focus on control to the extreme (Robbins, 2003). Unfortunately, many organizations embraced Weber's ideas only to discover that whatever gains were made, through bureaucratic lucidity, vanished as a result of having to wade through complex protocols, more commonly known as "red tape." Fortunately, there were several researchers who adversely reacted to the idea that the only way to find organizational effectiveness was through the mechanization of the workplace. They contended that particular human elements, if studied more closely, could provide a much more suitable and humane approach to organizational effectiveness.

Just as in the Early Era, the focus on improving the "mechanics" of work in the Classical Era were paramount. This did not mean, however that researchers were not interested in the human equation. The early 1900's witnessed the precursor to the human relations movement as illuminating discoveries were made, illustrating that human behavior was intricately influenced by social factors in the work place. Some of the earliest thoughts in this field were addressed by Hugo Munsterberg, Walter Dill Scott, Frank and Lillian Gilbreth, Mary Parker Follet and Chester Barnard (Riggio, 2003; Robbins, 2003).

Mary Parker Follet, perhaps the first to push for the idea that social phenomenon played a key role in organizations, argued that individuals expressed their "potentials" through group association and that it was the role of senior leaders to harness and direct individual potential through group effort (Robbins, 2003, p.598). This unique and very humanistic approach focused on the contributions of people to organizational performance rather than on the systems in which Taylor, Fayol and Weber were so interested. During this same period Chester Barnard, the president of New Jersey Bell, a subsidiary of AT&T, wrote a book entitled "The Functions of the Executive" wherein he advocated for the recognition of human factors in productivity (Robbins, 2003). A chief tenet of his work was that corporate success came as a result of effective social interaction. Managers needed to know how to communicate and motivate their followers. He expanded his idea to include developing good relationships with customers, suppliers and stakeholders external to the organization. He advocated awareness of one's environment as a means of ensuring success (Robbins, 2003).

Hugo Munsterberg and Elton Mayo are credited for launching the formal discipline of industrial psychology and began our foray into the Behavioral Era (Greenberg & Baron, 2003; Riggio, 2003; Robbins, 2003). Munsterberg contributed to the field by publishing his 1913 text "Psychology and Industrial Efficiency". Mayo's contribution came from embarking on perhaps one of the most famous early industrial inquiries, known as The Hawthorne Studies. Robbins (2003) sees the Behavioral Era as a time when more organizational theorists and practitioners began to recognize the power behind social interactions and human behavior and its application in business. In addition, it was during this time that personnel offices, a precursor to human resource departments, were being established in some of the larger U.S. firms.

The Hawthorne Studies took place in Western Electric Company's Hawthorne Works located in Cicero, Illinois. The studies occurred between 1924 and 1930 and involved recruiting the Harvard psychologist Elton Mayo to consult on the studies. Dr. Mayo was interested in how different working conditions might affect worker output. For example, he changed lights, lengthened or shortened breaks and work hours, and restructured wages. To his surprise he discovered that changing the environment did little to increase or decrease production but that the experimentation itself affected attitudes and group standards:

> Social norms or standards of the group . . .were concluded to be the key determinants of individual work behavior . . . Mayo's conclusions were that behavior and sentiments were closely related, that group influences

> significantly affected individual behavior, that group standards established worker output, and that money was less a factor in determining output than were group standards, group sentiments, and security (Robbins, 2003, p.600).

Even though the Hawthorne studies would not meet the scientific rigor of today, they are important because they forced researchers to examine the mechanisms of social psychology in organizational research. Dr. Mayo's conclusion is possibly the first time the value of systemic integrity or "bonding" is shown to have an impact on organizational output. This may also be first time someone demonstrated how the perceptions of others influences human productivity, a precursor to the understanding of perceived congruence between values and action.

Shortly after the Hawthorne studies another important event took place that propelled business and academic communities to take seriously the impact of human factors in business. The Federal Government during the Great Depression recognized that companies were mistreating many workers. As a result, Roosevelt signed into effect The Wagner Act in 1935. This act was instituted in an effort to protect workers from corporate mistreatment. Employees now had a legal right to fair treatment. The act required employers to look at how they were treating employees and became a catalyst that ignited the creation of unions (Robbins, 2003). Consequently, the treatment of employees became a priority for companies.

During this period the human relations movement grew in popularity. Authors such as Dale Carnegie were writing books on "How to Win Friends and Influence People" while theorists such as Abraham Maslow and Douglas McGregor were unearthing the essential human needs that led to self-actualization (Robbins, 2003). For instance, Maslow was making important connections between human motivation, self-actualization and management. He illustrated that managers were apt to get better results if they managed under the assumption that workers were naturally interested in achievement, improvement and success (Maslow, 1998). Companies were beginning to adopt the principles of human needs, realizing that if they helped employees become self-actualizing, those same employees would be much more satisfied and efficient in their work. This idea is a forerunner to the service-profit chain theory. The main supposition of the service-profit chain is that employee satisfaction increases employee productivity and retention, which in turn improves customer service, which increases customer satisfaction, which fuels revenue and profitability (Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994). Although intuitively valid, the application of human need theory to business was not based on sound research. Admittedly, ideas such as human potential and the self-actualized workforce, which focused on the human factors of productivity, had not been rigorously tested. Yet, this was about to change as more carefully controlled studies of organizational effectiveness were about to be designed.

The utilization of scientific observations of human behavior in organizations offered insight into the importance of rewards and punishment, achievement needs, leadership theory, motivation and employee satisfaction and so forth. For example, B.F. Skinner's work in operant conditioning, David McClelland's discovery of high and low achievement needs, Fred Fiedler's contingency leadership model and Frederick Herzberg's studies on what people are looking for in their work have all made significant scientific contributions to our understanding of human needs in organizational settings.

Although progress had been made in looking at micro-interactions among workers and groups, the need to explain organizational-wide forces soon became apparent.

Culture and Effectiveness

While a great deal of work was put into investigating the impact that individual and group psychology had on organizational effectiveness the need for a theory explaining underlying macro-social processes was needed. Early psychologists intuitively believed that work environments and work groups had powerful influence on worker attitudes, habits and effectiveness. And although these psychologists did not use terms such as "climate" or "culture" they did recognize the importance of these underlying ideas. It took two significant events to thrust the concept of culture into the arena of business thought; the overhaul of business education in the U.S. and Japanese efficiency.

Perhaps the most significant event that catapulted the concept of "culture" into organizational research was the 1959 Gordon and Howell Report (Robbins, 2003). The Ford Foundation funded an inquiry that was to analyze ways in which business education in the U.S. could be improved. After an exhaustive analysis on the state of affairs in business schools, economists recommended that researchers examining organizational phenomenon shape their studies on the principles found in other social sciences. They hoped this step would ensure that business curricula would be taught in a more structured, rigorous and scientific way. Up to this point, organizational research was haphazard at best. The outcome of the report included a recommendation that business schools overhaul their programs. On the heels of this recommendation the task force recommended that the discipline of organizational behavior borrow concepts and scientific methods from psychology (personality, learning, perception), communications (communication networks), sociology (group dynamics), political science (power) and anthropology (culture) (Robbins, 2003). Consequently, teachers and researchers of organizational theories began to adopt ideas from these disciplines. This action introduced scientific precision that had not been evident in earlier studies, and it allowed the field to build on and adapt theories that had been well thought out in the other social sciences. Eventually, the idea of culture, borrowed from the field of anthropology, assisted in the understanding of underlying mechanisms that seemed to dictate a set of principles that drive human activity at the macro level. Still, the anthropological connotation of culture did not easily fit the territory of business ideas, practice and research.

According to Reicher and Schneider (1990) "culture", as an anthropological construct, assists anthropologists in understanding the rules, rituals, myths, symbols, values and behaviors of peoples from around the world.

Yet, business scholars did not readily adopt it. The underlying philosophy of anthropology is to observe, record and learn about cultural connections and meanings. Business is about effectiveness and efficiency. A review of Reicher and Schneider's (1990) three-stage model clearly illustrates how the concept of culture has struggled to situate itself in business research.

Reicher and Schneider (1990) use a developmental or evolutionary model of constructs to lay out the advent of two key constructs in organizational thought: organizational climate and organizational culture (1990). Their outline is a simple schematic that helps to demarcate the origin and development of the culture construct in organizational research. The first stage is *introduction and elaboration:* "This occurs when a concept is invented, discovered, or borrowed from another field" (Reichers & Schneider, 1990, p.6). The next stage is *evaluation and augmentation* and can be characterized as a refining process when newly introduced ideas are critiqued, debated and refined. The final stage is titled *consolidation and accommodation.* At this point, researchers and theorist usually agree on what is known about the phenomenon and its operationalizations. Culture, unlike climate, has struggled to find its place in organizational research, and the authors argue has yet to breach the third stage. The authors contend that this deficiency has occurred because culture is a borrowed concept and therefore its definitional history is difficult to translate into the business acumen. The authors surmise that culture does not lend itself easily to quantitative empirical research but is based in a tradition of ethnographic and qualitative examination and is at odds with the science of business (Reichers & Schneider, 1990). While anthropologists are interested in observation and documentation and come from a qualitative tradition, organizational psychologists are interested in effectiveness, efficiency and quantifiable outcomes (Reichers & Schneider, 1990). Yet, because the idea of culture possesses formidable strength, both sides continue to struggle with its meaning and utility in the advancement of organizational theory.

As maintained by Reichers and Schneider (1990), the first introduction of the idea of culture into organizational psychology was Pettigrew's 1979 article in the Administrative Science Quarterly (see Table 1), some twenty years after the Gordon and Howell recommendations. Soon after Deal and Kennedy wrote their landmark book in 1982 called "*Corporate Cultures: The rites and rituals of organizational life*". The interest in the concept of culture as applied to organizational studies became apparent when special issues on culture were published in the Administrative Science Quarterly and Organizational Dynamics in 1983. The authors agreed that "Together, these two special issues mark the beginning of the scholarly explication and study of culture in work organization" (Reichers & Schneider, 1990, p.19).

It was during the late 70's and early 80's that American businesses were struggling to compete with their Japanese counterparts, and the notion of national cultures and productivity began to enter the arena of business thought. Economic pressures and recognition that the United States faced a competitive disadvantage thrust "culture" into the forefront of business thought.

In the early 80's American companies were struggling to perform as well as the Japanese, and American businesses were perplexed by Japanese efficiency and quality. Consequently, interest in the link between culture and performance moved to the forefront of organizational research. Once experts in organizational theory realized that national culture did not sufficiently explain the differences in efficiency among companies within or beyond national boundaries, investigators sought out and applied multidisciplinary theories of culture that could be applied at the corporate level (Hofstede, 1984, 1991; Schein, 1990). At this juncture organizational theorists began to use the concept of culture as defined by anthropology and sociology. They quickly realized that the traditional definitions of culture needed to be revamped in order to work within organizational research. At this point, many researchers attempted to define culture in order to make it work within the realm of business organizations. Eventually, the most accepted definition of culture came from Schein (1992) who defined the culture of organizational groups as follows:

> A pattern of basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems (p.12).

Schein's definition not only includes the resolution of problems and transmission of knowledge but also confirms the original values of business as economizing and growth (external adaptation) and systemic integrity (internal integration). His ideas echo Frederick's (1995) impression that in the pursuit of exploiting resources there has to be a focus on strengthening the cohesiveness of organizational members in order to advance the company's financial goals. Most researchers accept Schein's definition of culture into their work on the culture-performance link. Yet, many have not recognized that internal integration, founded on the congruence between the espoused and enacted values, is a fundamental element in advancing systemic integrity and a key variable to continued corporate growth and success. Many research studies on the culture-performance link have alluded to the need for corporate integrity, but they include the concept as a variable within a set of "key" cultural variables (T. Simons, 2002a). What most studies have done is look at corporate culture as an integrative, cohesive whole and then search for a set of magical cultural variables that may enhance corporate effectiveness. The variable of integrity, often described within constructs as trust, teamwork, or cohesive values is not central but hidden in the midst of many other allegedly equally important variables.

The articles listed in Table 1 illustrate a progression from defining culture in organizational research to looking at culture's role in enhancing strategy, production and economic outcomes. It did not take long for researchers to begin looking for a relationship between culture and performance. However, it is my view that looking for a set of cultural variables that enhance performance was an unfortunate misstep by researchers.

Table 1. The Development of the Culture Concept

Introduction and Elaboration Stage				
Stage	Date	Author(s)	Title	Primary Emphasis
1	1979	Pettigrew	On Studying Organizational Culture	Traces the emergence and development of an organization's culture over time.
1	1980	Dandridge, Mitroff & Joyce	Organizational Symbolism: A Topic to Expand Organizational Analysis	Urges the study of myths and symbols as revealing the deep structure of organizations.
1	1982	Deal & Kennedy	Corporate Cultures	Extensive discussion of the nature of culture.
1	1983		Administrative Science Quarterly special edition devoted to culture	Introduces and explains the concept from a variety of perspectives; promotes the study of cultures in particular ways.
1	1983	Jelinek, Smircich & Hirsch	Introduction: A Code of Many Colors	**
1	1983	Smircich	Concepts of Culture and Orhanizational Analysis	**
1	1983	Gregory	Native-View Paradigms: Multiple Cultures and Culture Conflicts in Organizations	**
1	1983	Smith & Simmons	A Rumpelstiltskin Organization: Metaphors on Metaphors in Field Research	**
1	1983	Barley	Semiotics and the Study of Occupational and Organizational Cultures	**
1	1983	Riley	A Structuractionalist Account of Political Cultures	**
1	1983	Martin, Feldman, Hatch & Sitkin	The Uniqueness Paradox in Organizational Stories	**
1	1983	Jones	Transaction Costs, Property Rights, and Organiztional Culture: An Exchange Perspective	**
1	1983	Brooms & Gahmberg	Communication to Self in Organizations and Cultures	**
1	1983		Organizational Dynamics special issue devoted to culture	Urges managers to adopt the culture concept as a practical tool.
1	1983	Sathe	Implications of Corporate Culture: A Manager's Guide to Action	**
1	1983	Wilkins	The Culture Audit: A Tool for Understating Culture	**
1	1983	Koprowski	Cultural Myths: Clues to Effective Management	**
1	1983	Schein	The Role of Founder in Creating Organizational Culture	Extensive definition of culture: discussion of its etiology and transmission.
1	1983	Pondy, Frost, Morgan & Dandridge	Organizational Symbolism	Series of chapters focuses on a cultural perspective on organizations and the role of language, myths and symbols in that perspective.
1	1984	Schein	Coming to a New Awareness of Organizational Culture	Definition and exploration of the concept.
1	1984	Trice & Beyer	Studying Organizational Culture Through Rites and Ceremonials	Definition of culture; advocates studying culture through rites and ceremonials.
1	1985	Frost, Moore, Louis, Lundberg & Martin	Organizational Culture	A series chapters focusing on definitions of culture and on issues of managing culture, studying culture, and linking organizational culture to social culture.

Table 1 Continued

Evaluation and Augmentation Stage				
2	1983	Wilkins & Ouchi	Efficient Cultures: Exploring the Relationship Between Culture and Organizational Performance	Explores the conditions that give rise to strong cultures; delineates ways in which culture contributes to efficiency.
2	1983	Martin & Siehl	Organizational Culture and Counterculture: An Uneasy Symbiosis	Critiques assumptions underlying most culture research; offers a partial reconceptualization of the concept.
2	1985	Morey & Luthans	Refining the Displacement of Culture and the Use of Scenes and Themes in Organizational Studies	Reviews and critiques the concept of culture as it has been used in organizational studies.
1-2	1985	Schein	Organizational Culture and Leadership: A Dynamic View	In-depth discussion of the nature of the concept, its etiology, and the role of the leader in cultural exchange.
2	1985	Sathe	Culture and Related Corporate Realities	Textbook: uses a cultural perspective on problems of organizational entry, establishment and change.
2	1985	Nicholson & Johnson	The Absence Culture and the Psychological Contract – Who's in Control of Absence	Absence rates are a consequence of varying types of cultures in combination with varying psychological contracts.
2	1986	Barney	Organizational Culture: Can It Be a Source of Sustained Competitive Advantage?	Explores consequences of culture such as performance and economic profit.
2	1986	Harris & Sutton	Functions of Parting Ceremonies in Dying Organizations	Explores the consequences of one aspect of organizational culture
2	1986	Kets De Vries & Miller	Personality Culture and Organizations	Culture is the vehicle through which executive's personalities influence strategies.
2	1987	Schriber & Gutek	Some Time Dimensions of Work: Measurement of an Underlying Aspect of Organizational Culture	Knowledge of norms about time facilitates rich descriptions of organizational cultures.
2	1988	Nahavandi & Malekzadeh	Acculturation in Mergers and Acquisitions	Successful implementation of a merger is a function of the degree of congruence between the two original organizations' cultures.
2	1989	Ott	The Organizational Culture Perspective	Exploration of various definitions and defining attributes of cultures as well as culture formation, management and change.

Table adapted from Reichers and Schneider, 1990.
** Cell left blank by original authors.

The Relationship between Culture and Performance

Most investigators interested in exploring the relationship between organizational culture and performance have been interested in finding out which specific cultural traits increase financial performance. Since the early Hawthorne studies of the 1920's there has been an interest in the impact that the working environment has on worker attitude, behavior and output (John P. Kotter &

Heskett, 1992; Schein, 1990). Although not always explicitly stated, early researchers believed that the "social architecture" or "culture" had a profound impact on a firm's output (Goffee, 1998).

Denison & Mishra (1995), Schein (1990) and Wilderon et al. (2000) examined empirical studies on the link between culture and performance and found the genesis of this research in the works of early organizational theorists such as Weber (1930), Buckley (1967), Bradford, Gibb, & Benne (1964), Likert (1961, 1967), Jacques (1951), Burns & Stalker (1961), Lawrence & Lorsch (1967), Schein & Bennis (1965). Many of these organizational scholars did not study culture per se but did make attempts to understand how work environments affected companies and workers. For instance, Jacques (1951) in his book "The Changing Culture of a Factory" examined company procedures and worker behaviors and recognized that the company "culture" influenced decreases and increases in productivity (Wilderon et al., 2000).

According to Wilderon et al. (2000), Silverzweig and Allen published the first explicit study on the link between culture and performance in 1976. Analyzing the case study data on eight companies willing to change their cultures to improve performance, the authors found that changing cultures improved performance in six of the companies enlisted in the study. Even though the main interest of their study was cultural change and its impact on performance, and even though the study suffered from methodological problems, it provided the fodder for others to initiate research on the culture-performance link.

Organizational researchers such as Ouchi (1981), Pascale & Athos (1981), Peters & Waterman (1982), and Deal & Kennedy (1982) worked to discover the cultural variables that would lead to increased profitability and production for American business in an effort to help U.S. companies compete with the Japanese. Together they published some of the top-selling popular management books on the subject. The main tenet that arose from their popular works was that the most effective organizational culture was a strong culture, where values were shared across a large part of the organization and where behaviors were uniform. Such a culture would have

> . . . a powerful effect on individuals and performance, especially in a competitive environment; this influence may even be greater than all those factors that have been discussed most often in the organizational and business literature - strategy, organizational structure, management systems, financial analysis tools, leadership, etc. (John P. Kotter & Heskett, 1992, p.9).

Although a flood of studies were published on the culture-performance link in the 1980's many were criticized for being atheoretical, focusing on qualitative/anecdotal evidence and using non-comparative outcome variables. It was not long before critics such as Carroll (1983) and Siehl & Martin (1990) emerged to underscore the weaknesses of studies published by Ouchi, Peters and others. For instance, one argument that Siehl & Martin made was that most culture-performance link studies have relied too heavily on what they call "espoused content themes" (Siehl & Martin, 1990, p. 245). Employees, in an effort to be seen as socially desirable or to keep up impressions, will say one thing and behave differently. Thus, many tools that assess corporate culture may be skewed. They argue that researchers need to not only address "espoused content themes" but also correlate what is said with what is done behaviorally, "enacted content themes". Another specific criticism of the studies done in the 1980's was that they assumed that only one culture existed organizationally and that it was perceived as an integrated whole. In other words, ambiguities, sub-cultures and issues of organizational dissent were not addressed (Siehl & Martin, 1990).

While many of these critics drew attention to the weaknesses of the above studies, they still believed that a relationship between corporate culture and financial results might still exist. But they also agreed that the evidence, so far, was questionable. In order to reduce the uncertainty that a relationship does exist between organizational culture and performance, investigators demanded the development of more complex theories and the use of more sophisticated analyses. Taking the suggestions to heart, many organizational scientists, interested in how socially constructed environments impact effectiveness, continued to initiate new studies using more advanced statistical methods and research designs.

In Search of the Most Effective Culture

The criticisms of the 1980's studies spurred on several new studies that investigated the culture-performance link using better designs and methodologies. Studies by Calori & Sarnin (1991), Collins & Porras (1997), Cooper (2000), Denison (1984; 1990), Denison & Mishra (1995), Gordon & DiTomaso (1992), Kotter & Heskett (1992), Levsen (1992), Marcoulides & Heck (1993), Petty, Beadles, Lowery, Chapman, & Connell (1995), Rollins & Roberts (1998), Rousseau (1990a), Sorensen (2002), and Wilderom & Van den Berg (1998) have made attempts to strengthen the case for the relationship between an organization's culture and its performance outcomes. While their research was driven by a need to define a cluster of variables that correlate well with increased performance, and while several of them mentioned integrity as part of those clusters, they failed to see that integrity or congruence may be a key mediating factor in their analyses.

Although many of the studies in the 80's were criticized for their non-empirical approach to establishing a link between culture and performance, Denison's 1984 study and subsequent studies stand out as the exception. Denison defined a strong culture as one that " . . . encourages participation and involvement of an organization's members" (Denison, 1984, p.5). His study's main purpose was to find out if the level of work organization and employee involvement in decision-making practices helped a firm perform better. His hypotheses were born from information that successful Japanese companies practiced decentralized decision-making, were highly organized and focused on human resource issues.

In an effort to establish a relationship between a strong corporate culture and performance, Denison analyzed survey and financial performance data of 34 U.S. corporations (Denison, 1984). Using Standard and Poor's COMPUSTAT to compute various financial ratios that included return on investment, equity, and sales and excavating corporate cultural data from the University of Michigan's Institute of Social Research Survey of Organizations, the author made an effort to illustrate that there may be a correlation between culture and performance.

Denison used the Survey of Organizations databank to analyze employees' perceptions of how their company is managed. A main assumption underlying the questionnaire is that "certain social processes and relationships are common to all organizations and have a consistent correlation with performance and effectiveness"(Denison, 1984, p.9). The 125-item questionnaire captured individual employee perceptions of how their organization was being managed in the domains of organizational climate, work design, leadership, and group functioning. It also captured employee satisfaction. Embedded in these scales were 22 behavioral indexes such as decision-making practices and organization-of-work. Denison only provides one example of an item which is "People at all levels of an organization usually have know-how that could be of use to decision-makers, to what extent is information widely shared in this organization so that those who make decisions have access to such knowledge?" (Denison, 1984, p.15).

Individual scores were averaged to create workgroup scores and workgroup scores were averaged to generate overall organizational scores. Eventually, all these scales were correlated with the dependent performance variables.

In order to control for overall economic climate and to provide a basis for comparing companies against one another rather than on absolute performance measures, Denison standardized the financial data for companies within similar industries. Denison did this by computing standardized scores and percentile scores of income/investment and income/sales ratios for five years following the date they surveyed. His decision to use these two financial performance indicators was based on their usefulness in illustrating the company's ability to utilize resources efficiently over time and their ability to operate effectively.

By comparing the companies that "scored" above average on the survey index with those that fell below average the author was able to illustrate significant cultural differences between high and low performers. Consequently, the decision-making index and the organization-of-work index had the most profound positive effect on the income/investment and income/sales performance ratios. Companies that scored higher were perceived as doing a good job on organization-of-work and decision-making practices and financially outperformed their below average counterparts.

Denison was able to illustrate those organizations with higher levels of decision participation and work organization not only outperformed those with lower levels but also continued to outpace them over time. In addition to examining the corporate financial results five years before the survey, Denison also observed the five years following the survey and found that return on investments and return on sales were twice as high for companies with higher scores on work organization. When correlating sales and return on investment

(ROI) with participative decision-making, Denison found that for years 0 to 2+ (post-survey) the difference was minimal. However, years 2+ to 5 showed a substantial increase in performance for companies scoring higher on the decision-making scale. This may be evidence supporting Covey's (1989) contention that immediate results are rarely apparent in the short-term but materialize over time.

Although Denison's results are promising, some limitations are apparent. First, the culture survey he used was not designed to measure organizational culture but more to capture general data on organizations (Calori & Sarnin, 1991; Wilderon et al., 2000). Calori and Sarnin (1991) point out that the survey instrument did not capture many of the possible variants or nuances of culture and only captured employees' perceptions of "quality of working life which is only one aspect of corporate culture" (p. 53). Denison himself remarked that the use of financial data as the sole outcome measure was limiting. He admitted that more balanced outcome measures that take into account all organizational stakeholders were needed. He pointed out that the companies in his sample were already performing better than others in the sample but rationalized that the general trend in results is indicative that his hypotheses are valid regardless.

Finally, companies in Denison's study took the Survey of Organizations from 1966 to 1981. This broad range must be taken into account when scrutinizing his results. Economic fluctuations and industry changes cannot be ignored as having possible mediating effects in such a broad range of results. Nevertheless, Denison's statistically significant correlations between decision participation and work organization support paying attention to participative management.

Rousseau (1990b) described culture as a set of pervasive normative beliefs and the resulting consequential behaviors that stem from those beliefs. He divided normative beliefs into four groups, namely, task-related behaviors, people-related behaviors, security-related behaviors, and satisfaction-oriented behaviors. Focusing in on satisfaction and security-oriented norms, he defined the former as, "promoting growth and innovation through creativity and teamwork" and the latter as, " avoidance of punishment, failure, and other adverse consequences" (Rousseau, 1990b, p. 449). He hypothesized that satisfaction-oriented norms are positively related to organizational performance and individual attitudes while security-oriented norms are negatively related to performance and individual attitudes.

Having recruited 32 metropolitan units of a large U.S. non-profit organization Rousseau correlated satisfaction-oriented norms and security-oriented norms with the "dollar amount of funds raised annually…for the most recently completed fund-raising campaign" for each metropolitan site (Rousseau, 1990b, p. 453). In order to measure the levels of each norm structure, the Organizational Culture Inventory (OCI) was administered to 263 paid staff of a not-for-profit organization.

While he was able to show that security-oriented norms were negatively correlated with fund raising performances he could not, with any statistical significance, illustrate that satisfaction-oriented norms were positively correlated with the same. However, as predicted, all satisfaction-oriented beliefs (achievement, self-expression, humanistic/helpful, affiliation) were positively correlated with role clarity, fit, satisfaction, propensity to stay and willingness to recommend the organization to someone else. Conversely, all security-oriented beliefs (approval, conventional, dependence, avoidance, oppositional, power, competitive, perfectionism) were negatively correlated with the same role clarity, fit, satisfaction, propensity to stay and willingness to recommend the organization to someone else.

Rousseau's study has been critiqued for narrowing culture down into two scales, making his operationalizations of organizational culture too shallow (Wilderon et al., 2000). Yet, I believe that the greatest shortcoming of Roussseau's study is that he did not follow the guidelines of his own definition of culture. He failed to show that there is a significant relationship between normative beliefs and consequential behaviors. He only demonstrated that certain norms are correlated with organizational outcomes and did not speak to the mediating or moderating effect of behaviors even though he defines culture as a set of normative beliefs that result in consequential behaviors.

Following a contingency model, Calori and Sarnin (1991) decided to study five French companies with single businesses, in mature industries pursuing a differentiation strategy. These five businesses did not diversify their business portfolios to pursue other related or unrelated business ventures, they chose a single product or service to focus on. These companies also worked in mature industries. That is, their companies were competing with other companies in very stable environments as oppose to competing with companies working in volatile, dynamic, developing industries. These companies used a differentiation strategy in that they chose to use market strategies that set them apart from the competition by creating new solutions or products rather than offering lower costs or fees on existing solutions.

The reason for outlining their sample in specific detail is based on the underlying assumption that there are no “magic” cultural traits that can be “universally” applied, only contingencies to anticipate (Calori & Sarnin, 1991, p. 54). They argue that previous research on the relationship between culture and performance did not take into account the diversity of company strategy, the distinctiveness of business goals and national cultures. Calori and Sarnin believe that researchers examining the culture-performance link need to analyze companies within particular organizational contingencies and avoid the overgeneralization of results.

The authors collected survey results from 280 employees. The survey measured 12 scales on work-related values and 17 scales on management practices and culture strength. These values were extracted from qualitative interviews and cluster analysis but disappointingly the authors do not define the exact meaning of each, leaving us to assume the meaning of each value. Outcome measures included return on investment, and return on sales and growth for the years 1984, 1985, and 1986. Growth was defined as the product of yearly net turnover.

Several values and management practices were positively correlated with corporate growth but only a few were correlated with profitability. The higher the company scored on the growth index as compared to other companies within its industry the higher it scored on the following 11 values. Cultural variables that had significant positive correlations with growth are listed as follows but the authors failed to define the meaning of each variable:

Personal fulfillment at work
Listening to others (involvement)
Team spirit (internal cooperation)
Responsibility
Trust (internal cooperation)
Openness to the environment
Adaptation
Anticipation
Entrepreneurship
Quality of products/services
Consistency

When exploring the relationship between values and profitability (return on investment and return on sales) the relationship is obviously less potent as only the following five ethical values showed a statistically significant positive correlation:

Openness to the environment
Participation in local activities
Societal contribution
Solidarity (relations with personnel representatives)
Flexibility

The authors measured the strength of a company's culture via homogeneity and intensity. Homogeneity was measured by the consistency of answers on items within a company. Intensity was measured by dividing the average score of the top ten values in the company by the average score of all 60 values in the same company. "High intensity means that some values emerge as being distinctive characteristics of the company" (Calori & Sarnin, 1991, p. 61). Calori and Sarnin found that cultural strength, defined as the intensity and homogeneity of a company's culture, was positively correlated with high levels of growth over a short period (3 years).

Even though the homogeneity of corporate culture may be a desired outcome for business leaders, researchers must be careful not to design studies with an assumption that organizations exist as an integrated whole. As Siehl and Martin (1990) pointed out in the earlier critiques, too many researchers have addressed the culture-performance link question by studying organizations as a whole and not in terms of sub-units. They warn researchers that organizations are not integrated but quite fragmented. Goffee and Jones (1996) reiterate this point and state that, "One of the great errors of the recent literature on corporate culture has been to assume that organizations are homogenous" (p. 137).

Organizations are made up of sub-groups and counter-cultures that do not conform to the norms, values and shared assumptions of the entire company. Calori and Sarnin fell into this trap by having respondents answer items that referred to the entire company (Calori & Sarnin, 1991, p. 61) rather than answer items that refer to employees specific business units.

In addition, the contingency model laid out by the authors was so specific that it excluded them from any generalizability of results. Their study's findings may have important implications for French companies with a single business focus and a differentiation strategy but how applicable are these findings to companies working under different business models outside of the French context?

An analysis of corporate culture and performance in the computer industry was the focus of Levsen's (1992) study. Using both quantitative and qualitative methodologies, Levsen sampled computer companies in the Seattle area.

Senior leaders of 24 high tech companies were interviewed. The purpose of the interviews was to have senior leaders define corporate culture and identify factors they believed were included in the concept of corporate culture. Levsen then developed a questionnaire that measured nine factors based on the earlier interviews and literature, namely, Organizational Goals, Autonomy, Cooperation and Teamwork, Communication, Importance placed on Employees, Technical and Managerial Competence, Cohesion of Values and Beliefs, Moral and Written Rules and Regulations.

Piloting and administering the final instrument to 26 high tech companies the author found that high performing companies, companies employees perceived to be doing financially well, were statistically significantly better at maintaining a culture of

Goal Congruence, Autonomy, Cooperation and Teamwork, Communication, Importance placed on Employees, Managerial Competency and Morale than those companies that were below average performers. The quantitative analysis confirmed the qualitative data suggesting that Goal Congruency, Cooperation and Teamwork, Communication and Value Placed on Employees were the most important cultural characteristics in enhancing corporate performance. Rules and regulations were more apparent in lower performing companies but both rules and regulations and cohesion of values were excluded from the study based on low reliabilities. Interestingly, this supports Rousseau's claim that security-related norms will have a negative impact on financial performance whereas satisfaction-oriented norms will have a positive impact.

The author reported a main effect between culture and performance with most of the variance accounted for by Cooperation and Teamwork and Morale. However, the reported R-squares are quite low at .14 for cooperation and teamwork and .04 for morale.

In order to compare culture with performance Levsen (1992) initially turned to experts to evaluate the performance of these privately held companies to create a dependent performance variable. A lack of response from the industry experts, however, forced the author to use the perceived performance ratings of participants who filled out the questionnaire as the dependent variable.

Gordon and DiTomaso (1992) measured the cultural strength, adaptability and stability of 11 insurance companies (n=850 employees) and correlated the outcomes against 6 years of company asset and premium results setting out to confirm three hypotheses. Their first hypothesis is stated as, "The greater the culture strength, the stronger the firm's financial performance will be in subsequent years" (Gordon &

DiTomaso, 1992, p. 787). They use the consistency of survey responses to measure culture strength, rationalizing that low variance of scores “implies both pervasiveness and homogeneity of perceptions” and a good indicator of an organizational culture (Gordon & DiTomaso, 1992, p.786). What they fail to recognize is that organizations are often fragmented by sub-cultures. Their survey is a measure of the average and does not capture the nuances of alternate practices or beliefs. Their second hypothesis reads, “The higher the relative value placed on adaptability, the stronger the firms’ financial performance will be in subsequent years” (Gordon & DiTomaso, 1992, p.787). The second hypothesis is based on the results of prior research (Denison, 1984, 1990) that shows there is a relationship between leaders’ emphasis on organizational adaptability and positive financial outcomes. Gordon and DiTomaso proposed that adaptability means being action-oriented, taking risks and being innovative. Valuing change and adjusting to environmental fluctuations is believed to be a fundamental component of corporate success. Their third hypothesis is the reverse of the second hypothesis “The higher the relative value placed on stability, the weaker the firm’s financial performance will be in subsequent years” (Gordon & DiTomaso, 1992, p.787). They define stability as focusing on integration and communication, promoting from within and fairness of rewards.

Based on an earlier factor analysis of 61 items found on the Survey of Management Climate instrument, the authors defined the following eight factors:

Clarity of strategy/shared goals
Systematic decision-making
Integration/communication
Innovation/risk-taking
Accountability
Action orientation
Fairness of rewards
Development and promotion from within

In order to calculate cultural strength, the inverse of the standard deviations on each of the above eight factors was taken and then averaged across all the factors for each company (p. 789). As mentioned previously, Gordon and DiTomaso believed that Denison's (1984; 1990) use of variance was an appropriate way to measure culture strength because respondents were endorsing common items and the standard deviation of these responses express the magnitude of "dispersion" (Gordon & DiTomaso, 1992, p.789) Furthermore, adaptability was a measure of the action orientation and innovation/risk-taking factors while stability was a measure of integration, development and promotion from within and fairness of rewards factors. What the authors found was that culture strength was statistically significant when correlated with asset growth and premium growth. When comparing adaptability and stability measures to asset and premium growth, adaptability factors had significant positive correlations to both outcome measures, while stability factors correlate negatively.

One troubling aspect of the Gordon and DiTomaso study, as well as previously discussed studies, is how they define the strength of corporate culture. So far, researchers have defined cultural strength as the agreement across items, the homogeneity or intensity of employee responses. For instance, Gordon and DiTomaso try to make the case that their survey results show that companies with strong organizational cultures produce better financial results. I argue that culture strength comes in the form of integrity and not in the homogeneity or agreement of survey scores. All Gordon and DiTomaso are really showing is a relationship between employee agreement on the type of values being espoused in a company and performance. There may be more important ways of defining and measuring cultural strength within organizations. I propose that cultural strength be defined as the congruity between espoused values and the realities of day-to-day behaviors.

Investigating the premises of three theories espousing a relationship between culture and performance, culture strength (Theory I), strategy-culture fit (Theory II) and adaptable cultures (Theory III), Kotter and Heskett (1992) published one of the more extensive studies on organizational culture and performance. The authors argued that while many researchers have investigated these theories as separate ideas, they saw the three theories working together to form a powerful fourth theory.

Analyzing the cultural content of 207 diverse U.S. companies, Kotter and Heskett studied each theory separately. In their first study they analyzed the relationship between cultural strength measures and performance. What they found was a moderate relationship between the two and concluded that the model was incomplete because the relationship was weak and did not account for much of the variance. In the second study they chose 22 companies from the original 207. All of these companies had strong cultures but 12 out of the 22 companies performed significantly better financially than the others. The difference, they found, was that the better performing companies had a better "culture-environmental fit" meaning their cultures fit with business strategy, labor markets, financial markets and product/service markets (John P. Kotter & Heskett, 1992, p.37-38) supporting the hypothesis for the second theory. They also found, however, that this theory was incomplete. Even though companies had strong cultures and good culture-environmental fit companies in this sample struggled to adapt to changes in markets and external environments. They discovered this by investigating the 10 lower performing companies and found that every one of those companies had previously had cultures that fit their environments but had failed to parallel the changes in their given industry or markets.

The third study focused on the 12 companies that seemed to be able to adapt to external demands. Again, what they found was not only did these businesses create a culture that was a good industry fit while maintaining some key values but the cultures ensured that managers and employees were in the business of taking care of the needs of all, not just some, business stakeholders (i.e. customers, employees and investors). In comparison, the authors found that managers of lower performing businesses did not take into account the needs of principal stakeholders but instead focused on their own needs -- suggesting a possible lack of congruence between words and deeds.

In summary, the authors recognized that each model whether it be a strong, strategic or adaptive culture had inherent strengths and weaknesses, but they took it one step further and argued for a fourth model that combines the best of all three models. What they suggested was a model where managers "care deeply about their customers, their stockholders, and their employees, as well as leadership and other processes that can produce change" (John P. Kotter & Heskett, 1992, p. 59). Even though they presented case studies of companies who lived by the fourth model they did not conduct any research to see if their fourth model was valid.

Furthermore, they did not note the need for congruence between espoused vs. enacted values when dealing with customers, stockholders and employees. They may turn to hypocrisy in an effort to seem like they are addressing the needs of all stakeholders when in fact they are not (Brunsson, 2002).

Using a priori structural equation modeling, Marcoulides and Heck (1993) posited that they had found substantive evidence that the cultural variables they had chosen for their model had direct and indirect effects on performance. Borrowing heavily from organizational culture theories of Schein (1990) and Allaire & Firsirotu (1984), the authors developed an "exploratory model" to test the theory that certain cultural dimensions (i.e., organizational structure, organizational values, task organization, organizational climate and employee attitudes) influenced performance measures defined as gross revenue, market share, profit and return on investment.

Making an effort to sample a representative cross-section of American corporations, the researchers chose 392 participants from 26 Midwest and Western U.S. organizations. Respondents participated in a one-hour interview and filled out a questionnaire that measured a variety of organizational cultural variables. However, the authors only provide one example of an item found on the questionnaire leaving us to wonder if the items truly measured organizational culture. Once the researchers received the responses from participants they carefully selected items representative of organizational culture constructs that they felt, according to the literature, would be predictive of organizational performance and created an a priori model using confirmatory factor analysis (Marcoulides & Heck, 1993).

Marcoulides and Heck make it clear that they are attempting to find out whether or not the "visible" components of culture have an impact on performance. These "visible" components make up what the authors call "latent or hypothetical variables which together comprise visible aspects of an organization's culture and, in concert, are believed to influence organizational performance" (Marcoulides & Heck, 1993, p.215).

They name these latent variables Organizational Values, Organizational Structure/Purpose, Task Organization, Organizational Climate, and Work Attitudes & Goals. (Figure 1, page 50). Before the actual structural equation modeling occurs the authors confirmed, through mathematical measurement models, that the relationship between the sub-variables that form the latent constructs are statistically significantly correlated. For example, Organizational Values, a latent variable, is measured by looking at the observable sub-variables risk, safety, professionalism, marketing and image, and research and development collected from participant scores on related items. The Coefficient of Determination (COD), the chosen measure to test the goodness of fit between the sub-variable and an observable variable (or measurement model), is .84 suggesting a strong fit.

Once the relationships between the observable sub-variables and their associated latent variables were deemed adequate, the two authors proceeded to measure the relationship between the five latent variables and one performance outcome variable using structural equation modeling. However, before examining the correlations of this structural model they also tested its fit using the Goodness of Fit Index (GFI = 0.86), the Bentler and Bonett Normed Index (BBI = 0.82) and the Root Mean Square Residual (RMS = 0.08). Each measure indicated a strong fit between the model's variables.

The outcomes of the structural equation modeling suggested that all five of the variables are associated with performance outcomes directly or indirectly. The strongest direct correlations are between Worker Attitudes and Performance Outcomes (0.93) and Task Organization and Performance Outcomes (0.71). Strong indirect correlations are found between Organizational Values and Organizational Climate (0.88) and between

Organizational Values and Employee Attitudes (0.78) (Marcoulides & Heck, 1993, p.221).

One shortcoming of Marcoulides and Heck's study is that they do not specifically discuss how they determined which observable behaviors fit under which latent variable.

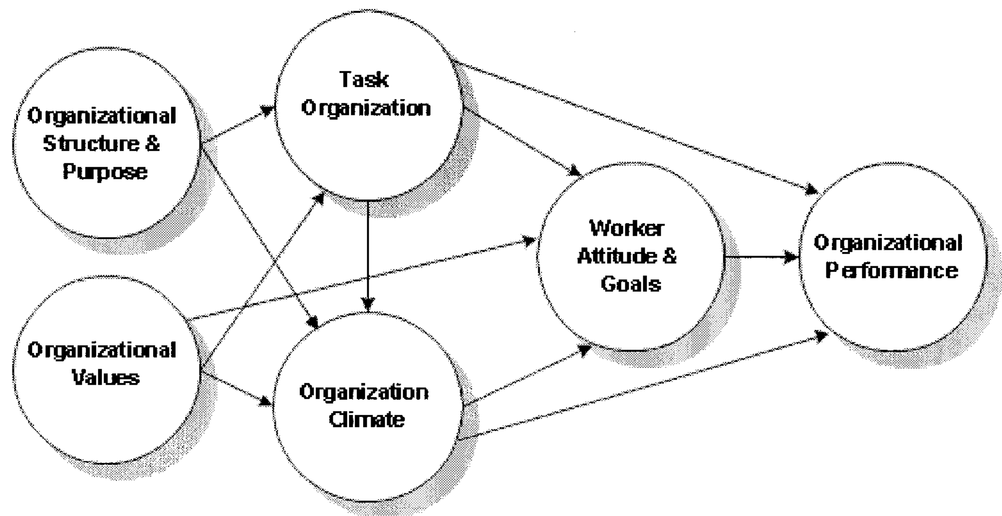

Figure 1. Proposed model of organizational latent variables and their relationship to organizational performance. Adapted from Marcoulides & Heck, 1993

In a six-year study to define what makes a great company, Collins and Porras, in their influential work, "Built to Last", worked to discover the features of highly successful companies (Collins & Porras, 1997). Analyzing 18 companies that were nominated as highly visionary and judging them against a set of 18 comparison companies, the authors discover some unique characteristics of visionary companies.

Tracking quantitative and qualitative data in nine content areas (organizing arrangements, social factors, physical setting, technology, leadership, products and services, vision, financial analysis, markets/environment) from the inception of the organization until 1990, the authors gained a comprehensive understanding of the dynamics and culture of each company.

Using mainly qualitative techniques Collins and Porras' research team waded through enormous amounts of data and distilled what they found into conceptual themes. As they state, "The underlying backbone of our findings comes from comparison analysis. Throughout our work, we kept coming back to the primary question 'what separates the visionary companies from the comparison companies over the long course of history?'" (Collins & Porras, 1997, p.19) The results of their analysis revealed five essential practices that helped the companies maintain their identities while adapting to external changes. They are:

Big Hairy Audacious Goals	Home Grown Management
Cult-Like Cultures	Good Enough Never Is
Try a Lot of Stuff and See What Works	

A cult-like culture is one of the practices and is seen as important and essential to the longevity and financial success of a company. Fervently held ideologies, indoctrination, tightness of fit and elitism are the four common themes found throughout the cultures of the 18 visionary companies (Collins & Porras, 1997, p.122). What separates these companies from less ideal companies is that each one of these characteristics encapsulates a socialization process that goes beyond the cultures of most companies. Then the authors warn:

> But isn't a tight, cult-like culture dangerous? Does it lead to group think and stagnation? Does it drive away talented people? Does it stifle creativity and diversity? Does it inhibit change? Our answer: Yes, a cult-like culture can be dangerous and limiting if not complemented with the other side of ying-yang. Cult-like cultures, which preserve the core, must be counterweighted with a large dose of stimulating progress (Collins & Porras, 1997, p. 138).

The authors point out that having Big Hairy Audacious Goals acts as a counterbalance to cult-like cultures, and the two work together to reinforce one another. So while other researchers (Gordon & DiTomaso, 1992; Petty et al., 1995; Sorensen, 2002) are saying that stability decreases long-term performance outcomes, Collins and Porras might argue that long term performance suffers in these companies, not because they are too integral, but because they lack a balance between internal integrity and external risk.

Collins and Porras discovered that these built-to-last companies not only outperformed their counterparts they outperformed the stock market. The authors illustrate this significant performance by comparing a $1 investment in the visionary companies, the comparison companies and the market. A $1 investment in the visionary companies from 1926-1990 would have yielded a return six times greater than that from comparison companies and fifteen times greater than that from the market as a whole.

Based on findings in Denison's previous work (1984, 1990), Denison and Mishra (1995) designed another study that explored the link between organizational culture and performance using both qualitative and quantitative procedures. Their two-part study began with a qualitative analysis of five U.S. companies and ended with quantitative analyses of their grounded work. Using case study methods the authors collected financial and non-financial histories and interviewed a wide-range of employees from all five companies: Medtronic, Procter & Gamble, People Express, Detroit Edison and Texas Commerce Bancshares. These companies were selected based on data from a previous study (Denison, 1984) which measured the relationship between level of involvement and performance. In that previous study "involvement" was couched within the construct "decision-making practices" and operationalized as "the degree of involvement that individuals have in the decisions that affect them, and the extent to which information is shared across levels of an organization in a way that brings the best information possible to decision makers" (Denison 1984, p. 11).

The five companies were also selected because they represented a cross-section of involvement/performance interactions that included the following:

high involvement – high performance (Medtronic)
moderate involvement – moderate performance (People Express)
low involvement - low performance (Detroit Edison)
high involvement – medium performance (Procter & Gamble)
high involvement – low performance (Texas Commerce Bankshares)

The last two companies were selected because they contradicted the high involvement – high performance model.

In order to understand the corporate culture of each company, a cross-section of members were interviewed and an average of 20 to 30 interviews were completed within each organization. The authors collected public documents on the companies that included annual reports, business histories, background articles, etc. Journalists, industry experts, past employees and others were interviewed in an effort to triangulate on the companies culture. Gradually a picture of the companies' cultures began to emerge. As they acknowledged, " The goal of these case studies was to identify a broad set of traits that can enable a fuller understanding of the impact that culture has on effectiveness" (Denison & Mishra, 1995, p.208).

Qualitative analyses revealed common themes among the five companies, providing a foundation to substantiate the relationship between culture and performance. From these themes they generated the following four hypotheses:

1. *Involvement is a cultural trait which will be positively related to effectiveness.*

" high level of involvement and participation create a sense of ownership and responsibility. Out of this ownership grows a greater commitment to the organization and a growing capacity to operate under conditions of autonomy" (Denison & Mishra, 1995, p. 214).

2. *Consistency, or the degree of normative integration, is a cultural trait that will be positively related to effectiveness.*

   In other words, if there is widespread internalization and acceptance of company values by employees then there is a no need for the company to "enforce" behavior; socialization will be naturally internalized and impact productivity and effectiveness.

3. *Adaptability, or the capacity for internal change in response to external conditions, is a cultural trait that will be positively related to effectiveness.*

4. *Sense of mission or long-term vision is a cultural trait that will be positively related to effectiveness.*

Once Denison and Mishra (1995) created these hypotheses from the interview data, they developed a model to address what they had found. They wanted their model to (a) illustrate the "contrast" between trying to maintain internal cohesion and the ability to adapt to external changes, (b) illustrate the tension companies deal with between change and stability, and (c) to show the need for interdependence between the traits in order to establish balance. Their model is also a nice synthesis of other scholars' work in this area.

The authors contend that organizational excessiveness in involvement, consistency, adaptability or mission can have debilitating effects on a company's performance, growth and longevity (Figure 2, page 56). For example, Medtronics' excessive focus on making sure it involved its employees in decision-making (involvement) created new problems of employees feeling overly entitled. The real issue, argue Denison and Mishra, to Medtronics problem was the "absence of mission and adaptability" not the excess of involvement (Denison & Mishra, 1995, p. 217). The model purports to illustrate the complexities of organizational life and does not subscribe to a simple theory of opposites – they are all interdependent values. This echoes Collins and Porras (1997) notion that instability/change is needed to temper corporate stability.

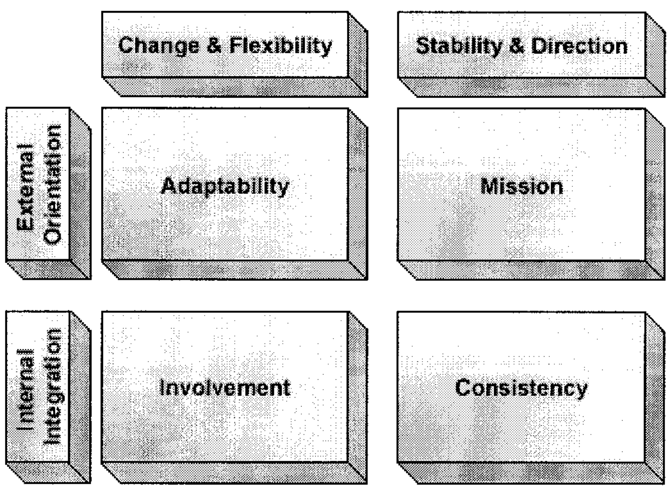

Figure 2. A theoretical model of culture traits and tensions. Adapted from Denison and Mishra, 1995.

A different study (Petty et al., 1995) undertook the task of substantiating the culture-performance link, using the four following culture scales,

Teamwork,
Trust and Credibility,
Performance, and
Common Goals and Organizational Functioning

and correlating them with the following five performance benchmarks;

Operations
Customer Accounting,
Support Services,
Marketing, and
Employee Safety and Health.

Using a large U.S. utility company for their study they set up Time 1, Time 2 and lagging correlations for analyses. One year elapsed between Time1 and Time 2.

Their first task was to develop a culture questionnaire for this large electric utility company that could be compared with the results of that company's financial statements. Using the chief executive officers' "vision statement" as the foundation for espoused values within the company, the authors developed a survey instrument to measure the extent that that vision was being communicated and put into practice by employees. The researchers had groups of employees discuss the vision statement of the company in focus groups and were asked ". . . to indicate what behaviors they believed should be occurring in a work environment which was reflective of the Vision Statement" (Petty et al., 1995, p.487).

A 55-item (Likert scale ranging from 1-6 for each item) culture assessment tool was created and administered to 3977 respondents within the company. A subsequent factor analysis produced the scales Teamwork, Trust and Credibility, Performance and Common Goals, and Organizational Functioning. The survey was then administered to 832 employees of 12 service organizations all under the umbrella of the larger utility company. A year later the survey was administered to 884 employees employed in the same 12 organizations in order to get Time 1 and Time 2 results.

Although the authors argue that one of study's strength lies in the fact that all the measures were developed within the company they unfortunately do not provide any details on how the performance benchmarks were derived.

These five performance benchmarks were given equal weight and standardized. Each of the five performance measures was worth a total score of 1,000 so the possible total score was 5,000. These scores were calculated at Time 1 and Time 2 and labeled "Objective Performance". The mean Objective Performance score at Time 1 was 3,889.58, and the mean Objective Performance score at Time 2 was 4,040.83 suggesting that the 12 service organizations of this utility company were "performing" better at Time 2. However, it is unclear what this really means since the authors left out important details defining the five performance benchmarks that make up the Objective Performance measure.

Time 1 results show statistically significant correlations between the Objective Performance score and the cultural scales Teamwork ($r = .77$; $p<.01$), Trust and Credibility ($r = .62$; $p<.05$) and Performance and Common Goals ($r = .44$; $p<.01$) but not Organizational Functioning ($r = .33$; $p<.01$). At Time 2 the only statistically significant correlation was between Objective Performance and Teamwork ($r = .49$; $p< .01$). When analyzing the lagging correlation between Culture at Time 1 and Objective Performance at Time 2 the authors again found that the scale Teamwork was the only culture variable that had a statistically significant correlation with Objective Performance ($r = .61$; $p<.05$).

Designing a survey based on the espoused vision of top executives is problematic. It excludes what is realistically occurring within an organization because, as mentioned earlier, senior executives usually have a biased or skewed view of the day-to-day realities of organizational life (Hambrick & Mason, 1984). In addition, the authors do not seem to ask employees what actually is occurring. Instead they ask what should be occurring based on that vision. As far as I understand it, "culture" is the application of socially acceptable learned responses to daily interactions and problems in the here and now. The survey was based on an idealistic vision of what should be occurring, not on what was realistically occurring.

In another effort to establish a link between organizational culture and performance outcomes, Rollins and Roberts (1998), using the HayGroups' Employee Survey Database, took the 20 strongest financially performing companies in the database and compared their cultures with the rest of the "hundreds" of companies in the database (Rollins & Roberts, 1998, p.21). Analyzing data at one point in time and comparing over 70 survey items, they found that employees of the leading companies generally scored items more "favorably" than those employed by the other less financially successful companies (Rollins & Roberts, 1998, p.21). They also found this to be the case not only for lower level employees but also for top managers, professional, clerical and hourly staff. This is one of the few studies that measured the perceptions of a broad cross-section of employees. The authors pointed out pronounced differences in employee responses between top and average performing companies using the following "representative" items rated on a five-point scale. "Responses were more favorable in leading companies for all these items" (Rollins & Roberts, 1998, p. 21):

1. Overall, how would you rate this company as a place to work? (overall environment)
2. This company insists on high quality work by its employees. (work quality)
3. How would you rate the training you receive? (employee development)
4. My job provides the authority to make decisions about how to do the work. (autonomy/decision making)

5. How would you rate this company on encouraging suggestions for improvement from employees? (employee development)
6. How would you rate this company on applying rules and policies the same way to all employees? (fairness and equity)
7. How would you rate this company on treating you with respect as an individual? (respect)

With the exception of Item #4, "My job provides the authority to make decisions about how to do the work," the stronger performing companies obtained statistically significantly higher ratings than their poorer performing counterparts. Top and middle managers in leading companies scored lower on Item #4 than average companies. The authors suggest that this may be a result of managers in leading companies having a more difficult time adjusting to flattening hierarchies and distributive power. Yet, it may also be that authoritative structures do produce better financial results.

Based on their results, Rollins and Roberts state, " High-performance work cultures – as shown by values and behaviors such as insistence on quality, investment in training and emphasis on respect and fairness – contribute to financial performance" (Rollins & Roberts, 1998, p.26). Although Rollins and Roberts claim that culture plays a role in impacting financial outcomes, their methodology is limited. The authors do not, for example, tell us what financial criteria they used to select the top performing companies. Alternate financial criteria could generate a completely different list of companies from their database. In addition, we have no idea which industries these companies represent. Industry specific events may have played a factor in the performance outcomes at the time of analysis (e.g. economic fluctuations in high tech). Although the authors show the results for the seven items listed above, there is no discussion of the remaining sixty-three work culture items. There are also no discussions on how their work culture survey was constructed.

Sorensen (2002) is not so much interested in the culture-performance link per se but is interested in how the strength of corporate culture impacts performance variability. He agrees that culture plays an important role in the performance outcomes of a company but takes it a step further and argues that it also enhances reliability or in other words, stability, but only under specific circumstances.

He argues that a strong culture is one that displays wide "behavioral consistency across individuals in a firm" and therefore stabilizes performance but that the stabilizing force of culture may impede a company's ability to adapt to environmental changes and thus reduces a company's ability to compete in volatile markets (Sorensen 2002, p. 72). In other words, Sorensen is telling us that while a strong culture builds internal cohesion and congeals corporate ideologies, culture can be problematic when facing external forces in that it may negatively affect the bottom line. Sorensen hypothesized the following:

1. Firms with strong corporate cultures will exhibit more reliable (less variable) performance.
2. As industry volatility increases, the positive effect of culture strength on mean performance declines.
3. As industry volatility increases, the positive effect of culture strength on performance reliability declines.

In order to test his hypotheses he analyzed several public companies across 18 different industries. Top managers were asked to rate other companies in their industry on three criteria that captured the tenets of a strong corporate culture (1) communications on the style of doing things (2) explicit knowledge of values of the company and (3) management by historical policies and practices rather than by current leadership style. Although the author was able to measure culture strength across a wide range of companies, I am concerned about (a) the lack of company-wide consensus on existing culture, (b) the skewed views of leaders as to what is really going on (some studies indicate that top managers paint a much rosier picture than those further down the corporate food chain) and (c) the potential lack of knowledge about other companies by senior leaders.

Performance data on the corporations in the study included yearly return on invested capital and the yearly operating cash flow from 1979-1984. Including market capitalization controlled for company size. Industry volatility was measured using Capital Asset Pricing Models.

Sorenson (2002) found that a firm's culture strength was a strongly correlated and statistically significant with reliability of performance. He also reports that as competition increases, those with strong cultures perform better. While there was no indication that mean performance among firms with strong cultures is weakened during times of industry unpredictability, there was strong evidence suggesting that "as industry volatility increases, the reliability –enhancing benefits of strong corporate cultures attenuate" (Sorensen, 2002, p.85). Therefore, it seems that strong corporate cultures do well in stable environments but lose their potency and competitive advantage when industries are in the throes of change; they find it difficult to adapt to change. The assumption is, that in order to maintain a competitive advantage, companies need a culture that not only enforces its core ideologies and practices, but a culture that also allows them to adapt to external demands and fluctuations.

Even though these studies point to some evidence that an association between culture and performance exists, there are still many skeptics who challenge the results. Skeptics posit that measures of organizational culture are not as valid as they should be, that the operationalizations of terms are too dissimilar for any congruent application of findings, that respondents tend to be skewed toward upper management and that studies are based on very small numbers of organizations (Wilderon et al., 2000). In their research on companies that stood out as a cut above the rest, Collins and Porras (1997) also argued that not one single culture item shows up consistently across all companies they examined (p. 67). Therefore, the search for the ultimate culture may be futile. Furthermore, while many of these studies touch on the notion that systemic integrity, cohesion, or consistency are crucial components for enhancing organizational effectiveness, they do not seem to see the value in isolating the value-practice congruence concept and examining the impact that a single variable has on performance. Yet, on closer inspection, within the clustering of cultural variables correlated with financial outcomes, variations of systemic integrity were included. Denison and Mishra (1995) were the only scholars who felt that organizational consistency made a strong enough impact to include it in their model on cultural traits and tensions. Looking back at some of the studies reviewed here, the idea of integrity or consistency was couched in ideas that fall within Frederick's (1995) earlier definition of "bonding" or systemic integration. Names for this integrity have included consistent management systems, involvement (Denison, 1990), trust (Calori & Sarnin, 1991), teamwork, stability, integration (Gordon & DiTomaso, 1992), credibility (Petty et al., 1995), internal cohesion (Denison & Mishra, 1995), cohesion of values and beliefs (Levsen, 1992), and satisfaction (Rousseau, 1990b).

Yet, what is most surprising is that even though most of these scholars used Schein's 1990 definition of organizational culture, which emphasizes internal cohesion, they failed to see the importance of walking your talk as an aspect of fostering that cohesion.

Denison and Mishra's four-quadrant model illustrated earlier (Figure 2, page 56) but failed to express how the idea of consistency or integrity could have an overriding effect on the other quadrants or competing values. Rather than a four-box model I am proposing that the model look more like Figure 3, giving consistency/integrity a meta position above all other organizational values.

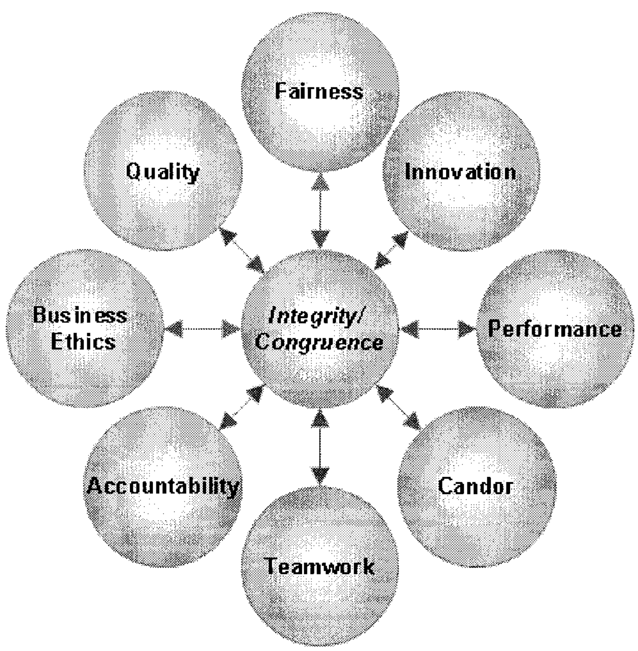

Figure 3. Integrity/Congruence as a Meta-Value.

If this idea of systemic integrity, defined as the perceived congruence between words and deeds, were extracted from organizational culture clusters and analyzed on its own merit, it might confirm that integrity accounts for a large portion of the variance in the correlations with performance outcomes. If this is the case, then organizations will discover they have more degrees of freedom when deciding on what values to adopt and what kinds of organizational cultures they would like to implement. Examining a decade's worth of organization culture research Goffee and Jones (1996) observed that many well-established companies had to change their values to adapt to changing environments and concluded that there are no particular cultures that guarantee success. Collins and Porras (1997), writing about their own highly-acclaimed research, strengthen this argument by stating,

> In short, we did not find any specific ideological content essential to being a visionary company. Our research indicates that the authenticity of the ideology and the extent to which the company attains consistent alignment with the ideology counts more than the content of the ideology (p. 67).

This is a powerful statement about companies who have gained the competitive advantage over their counterparts. It seems that no matter what companies say they value, "consistent alignment" may be a strategy for gaining an edge.

Interest in this phenomenon continues to receive ample attention from organizational theorists, book authors and business practitioners. This unwavering interest stems from a strong intuition that culture has to play an important role in creating an environment that fosters or obstructs effectiveness. As this paper argues, however, it is the global culture of integrity that is paramount in ensuring corporate success, not exclusive corporate cultural variables. Unfortunately, only a handful of people are pursuing research in this promising area.

Value-Practice Congruence

Values are important and defined by Rokeach (1973) as, "an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence" (p. 5). Yet, it is one thing to discuss what one values and quite another to reflect on those values and use them as a guidepost for daily actions and decision-making. Argyris (1976) has contended there is an important distinction between what an individual espouses as a value and what one actually does behaviorally. He illustrates this through his research that humans often will say and believe one thing but act in opposition to that belief (Argyris, 1976). Values such as flexibility, candor, teamwork and so forth are important and admirable aspirations but can also backfire if perceived as rhetoric. Esoteric values mean nothing to the average employee, but what can matter is that they believe an organization will do what is necessary to keep its promises.

I am hypothesizing that it is not what management values that affords competitive advantage but that employees perceive that espoused organizational values are being practiced. If organizational constituents believe that managers and leaders are doing what they can to follow through on their promises, no matter what they are, production increases as a result. This follows the same logic used in the Service-Profit Chain model. Essentially, satisfied employees yield satisfied customers which results in repeat business (Heskett et al., 1994). Production increases because employees are more prone to feel they can trust their managers (Casson, 1991; Hosmer, 1994), that their psychological contracts are being honored (Bigley & Pearce, 1998; Erber & Fiske, 1984; E. W. Morrison & Robinson, 1997; Robinson, 1996) and that their managers are credible (Kouzes & Posner, 2003b).

In his work, "The Economics of Business Culture" Casson (1991) echoes what many researchers (Barney, 1986; Bromiley, 1991; Burt, Gabbay, Holt, & Moran, 1994; Christensen, 1999; Robert Goffee, 1998; Hofstede, 1991; Kouzes & Posner, 2003a; Wang, Tsui, Zhang, & Ma, 2003; Zahir et al., 1997) have said in the past: culture is important to economic growth. But Casson notes a similar sentiment as Collins and Porras' earlier statement, that it is not a focus on specifics that enhance the economy, it is the effort to make good on promises. Casson maintains that the rate of reduction in transaction costs is related to the level of trust found in a culture. He argues that "an effective culture has a strong moral content" and that "morality can overcome problems that formal procedures-based on monitoring compliance with contracts-cannot" concluding that "there is a critical level of mutual trust in an economy, which is necessary to prevent it from disintegrating into anarchy" (Casson, 1991, p.3). Transactions can include interactions between individuals, groups, organizations and nations. Efficient coordination and transaction between these units is essential in an effort to enhance economic performance. These units face decisions on how to interact and make decisions based on the cultural milieu in which they find themselves. If individuals or organizations operate in a low-trust culture, then economic efficiency is a challenge because they must rely on social mechanisms to ensure that obligations and commitments are met. The main point Casson is making is that having to monitor employees constantly is a drain on resources. He uses the U.S. legal system as an example. The utilization of business contracts as a means to protect both parties is an example of a low-trust apparatus that works but at a very high cost to the firms involved.

The idea that the U.S. economic system is founded on trust is a theory that Kouzes and Posner (2003) also posit. They write:

> As a result of the corporate malfeasance, fraud, and deceptions that were uncovered in 2001 and 2002, the outrage grew into a call for reform of the laws and rules that govern corporate accounting and stock options, along with demands to separate auditing and consulting. <u>*We've reached a point where an executive's word is no longer sufficient*</u> [emphasis added]. Legislation has been passed requiring CEOs of the largest corporations to sign a document swearing their quarterly reports are correct. Why has this become necessary? Where does it end? Whether you like these changes or not, they just prove one thing: our entire capitalist system is based on trust. It's not based on an investment model that's taught in business school. It is not based on the price earnings ratio. It's not based on an income statement or balance sheet. It's not based on any of these rational concepts, and it's not based on numbers. <u>*It's based on whether people believe in the numbers and in the people who are supplying them*</u> [emphasis added]. If people don't trust those who handle their money, their livelihoods, and their lives, they'll just refuse to participate [Emphasis Added] (p. xvii).

So how do we get people to "participate"? Naturalistic moral mechanisms, argues Casson, reduce the need for monitoring systems and thus increase economic performance because people are monitoring themselves. He reasons that leadership is the best source for instilling this kind of self-monitoring and the best approach for leaders to instill a sense of trust in their followers is through what Casson calls "moral rhetoric" (Casson, 1991, p.20). He ascertains that moral rhetoric "exploits the fact that an individual's mood is strongly affected by whether certain norms have been attained" or, if we refer back to Argyris' idea, that espoused values match enacted values. Casson adds that it is the leaders' role to ensure that their behavior and the behavior of others match the espoused values set by their organizations so that "moods" are positively affected (Casson, 1991, p.20). Kouzes and Posner (2003a) reinforce this by writing, "What the leader does is the single most important factor in demonstrating to others what is acceptable – and unacceptable – behavior in our organizations" (p. 188). Leaders, by their actions, can inspire followers to trust them. They can act as a standard of acceptable behavior, but they must also say things that resonate with their constituents – people must believe in what they say (Kouzes & Posner, 2003a). Consequently, employees will monitor their own actions, fully commit to the company, and exert additional effort, allowing the external monitoring system to be jettisoned. The consequences will be freeing up more resources and ultimately increasing economic performance.

The Integrity of Leaders

Leadership traits, behaviors and situations have been examined to see what variables can be extracted to predict successful leadership. While trait and behavioral theories of leadership added some insight to effective leadership, they ultimately failed to produce a comprehensive theory of leadership because they assumed that a specific set of traits or behaviors could be applied to all circumstances (Howell & Costley, 2001). They also failed to focus on the relationship between leaders and followers, as the emphasis was on the leader alone.

Fortunately, researchers developed more sophisticated situational or contingency theories that have proven to be more promising for predicting effective leadership (Gardner, 2003; Greenberg & Baron, 2003; Koene, 1996; Nahavandi, 2000; Robbins, 2003). The main tenet of the these theories is that particular leadership styles will work better under specific conditions (Robbins, 2003). More specifically, contingency theories such as the Path-Goal Theory, Attributional Models, the Leader-Member Exchange Theory (LMX), Hersy and Blanchard's Situational Leadership and Leadership Substitutes consider the exchange between leaders and their followers, and it is within this exchange that leaders have the opportunity to instill a sense of integrity and followers have the opportunity to judge that integrity. They differ, in that they focus on different aspects of the relationship such as leader characteristics, follower characteristics, and tasks but underlying the success of leadership is the relationship.

For instance, the Path-Goal theory, developed by Robert House, essentially purports that the leader's role is to help remove any barriers that stand in the way of an employee getting a task completed (Nahavandi, 2000). Structured on Vroom's Expectancy theory, the idea is to remove obstacles in order to increase a subordinate's motivation. If an employee's expectations are that a certain amount of effort will lead to an expected outcome then the motivation is built to pursue that outcome. Thus, it makes perfect sense for leaders to do whatever they can to foster the momentum behind that motivation, such as working to remove obstacles that could decrease expectancies and ultimately performance. Therefore leaders must pay very close attention to their own behavior because it will be their behavior that determines if they strengthen or weaken the "linkage among effort, performance, and outcome" (Nahavandi, 2000, p. 129). This follows Morrison's (2001) assertion that organizational success is rooted in the integrity of a leader.

The leader-member exchange theory (LMX) is another especially relevant branch of contingency theory research that may add some insight to the study of perceived behavioral integrity (Nahavandi, 2000) . Most contingency theories assume that the relationship between leaders and their members is the same. The other theories do not focus so much on the relationship between leaders and followers (with the exception of Hersey and Blanchard's Situational Leadership Theory) but more on the appropriate coupling of leadership style and situation. LMX does not make this assumption but contends that leaders, based on factors such as compatibility, competence and personality, decide who will be in their "in" group and who will be in their "out" group (Greenberg & Baron, 2003). Those employees who find themselves enjoying the benefits of being in the "in" group experience higher job satisfaction and performance rates while those in the "out" group experience less satisfaction and more frustration than those in the "in" group (Nahavandi, 2000).

It is easy to imagine how these sorts of leader and member dynamics could influence a follower's perceptions of a leader's integrity. Those employees who find themselves on the periphery may be less forgiving of a leader's discrepancies between words and actions than those on the inside, and they may ascribe a hypocritical label with less hesitation. It may not be because the leader is more or less hypocritical but because the follower's access to decisional rationale is more or less restricted. For instance, in-group personnel have more access to privileged information that those in the out-group. As a result the in-group staff have a fuller understanding of the rationale behind a particular decision made by the leader. The out-group staff only sees the implementation of the decision and not necessarily the careful deliberation. Thus, it is easier for them to ascribe the leader's decision to a hypocritical disposition rather than to the thoughtful deliberation based on the situation.

Using the theories of leadership that have been developed, it may be possible to examine how each approach may detract from or encourage the act of integrity. It would be reasonable to think that each model of leadership advocates for the reduction of hypocrisy, yet it is also understandable that leaders deal in complexity, and it is this complexity that sometimes forces leaders to say and do different things (Brunsson, 2002; J.P. Kotter, 1990).

Research on leadership and management continues to focus on optimal leadership skills that can move a team of people forward to fulfilling the objectives and goals of an organization in complex environments. While leadership traits, behaviors, competency, know-how, and resource management are all important aspects of moving an organization forward, the leaders' awareness that integrity is a strategic asset may be an essential key to organizational success not discussed in traditional leadership theories. Intentional focus on integrity may enhance decision-making capability in complex situations, forces attention on core issues, and indirectly and directly strengthens relationships with constituents.

Just as a marketing, financial or product strategies are important to organizational survival, Petrick and Quinn (2001; 2001) purport that integrity is an overlooked intangible asset that can advance a company's long term sustainable competitive advantage. In fact, they argue that a leader's ability to concentrate on intangible assets such as integrity is essential in leading global markets. They write that leaders need to be aware of the following:

> As the speed of comparable tangible asset acquisition accelerates and the pace of imitation quickens, corporations that want to sustain distinctive global competitive advantage need to protect, exploit and enhance their unique intangible assets . . . Integrity capacity is the individual and/or collective capability for repeated process alignment of moral awareness, deliberation, character and conduct that demonstrates balanced judgment, enhances sustained moral development and promotes supportive systems for moral decision making (p.332-333).

Petrick and Quinn (2001) continue to make a case for the development of intangible assets by underlining the competitive advantage it creates. Intangible assets, when developed with care, are much more difficult to replicate than tangible assets (Barney, 1986). In addition, they outline several unfortunate trends, such as workplace violence, impulsivity, polarization due to uncompromising parties, etc. that demand the "integrity capacity" of organizations (p. 334).

Kraemer (2003), arguing that integrity starts at the pinnacle of an organization, writes, " Integrity defines the structure of every thing we must do . . . For integrity to work, we need to know what it is, how it works, and where it fits into our business lives" (p.244). He concludes with " That's what leaderships is all about. Not trying to be right, but rather always trying to do the right thing" (p. 246). The emphasis is on the action. On a similar note, Worden (2003) warns that leaders need to pay attention to integrity because it can assist leaders in their attempts to balance tensions between strategic performance pressures and vision. If the leader can manage integrity then the leader preserves the "reputational capital" of their organizations and themselves, building trust inside and outside its' walls (Worden, 2003, p.31). Therefore, leaders need to define integrity for themselves, figure out how it works within their specific business context.

Morrison (2001) wrote that a focus on integrity is essential to leadership, and if leaders are seen as lacking integrity externally and internally, they not only destroy their reputation but the reputation of their organization. It would then seem that integrity self-awareness is a first step to understanding how leaders measure on discrepancies between actions and words. Morrison (2001) also stated that if leaders are committed to high standards and work to reduce the discrepancies between actions and words, they foster immeasurable organizational growth. Morrison (2001) then outlines additional essential ingredients that leaders need to possess if they are to help their organizations and employees meet their objectives. These leaders must be good at observing their surroundings, excel at asking tough questions and understand and consistently remind themselves of their core values.

A key outcome to focusing on integrity is that it builds trust within, strengthening internal and external relationships. Trust evolves and becomes more organic (T. Simons, 2002a). Even though the perception of leader/manager behavioral integrity is an indirect approach to strengthening the relationship between the two, the relationship between the leader and follower is strengthened exponentially as followers witness leaders trying to do the right thing. This in turn contributes to followers' positive perceptions of a leader's integrity capacity. Thus, competitive advantage can be realized as a direct result of increasing reputational capital, and the management of integrity capacity is achieved through leaders' efforts to reduce discrepancies between espoused values and action. As leaders work to reduce hypocrisy, followers are more likely to recognize leaders' efforts and more likely to place their trust in the leader's and organizations' purpose and directives.

A Theory of Behavioral Integrity

In a similar vein as Argyris (1976) and Casson (1993), Simons' (2002a) work on Behavioral Integrity (BI) lays out a theory that incongruence between perceived values and practices falls in line with the argument of this paper. Simons also maintains that BI or congruence between values and practices is far more important than "digging" for clusters of cultural values. Reviewing literature on trust, credibility and psychological contracts, Simons recognizes that word-deed alignment is talked about as a critical aspect of each but has not been recognized as a separate construct. He argues that a theory of BI is a "central concept" that can be separated out from constructs such as trust, credibility and psychological contracts to explain better the impact that value-practice congruence has on an organization performance (p. 18).

Simons defines Behavioral Integrity as "the perceived pattern of alignment between an actor's words and deeds" (T. Simons, 2002a, p.19). He explains that the "actor" is not only limited to a single manager or leader but can also be ascribed to a business unit or the organization as a whole. In addition, Simons comments that BI is not about holding fast to moral or ethical principles but standing firm to whatever is said whether or not it is accepted as moral. This resonates with the arguments made earlier by Collins and Porras (1997) that it is not so much the content as the alignment.

Simons' main line of reasoning is that the perception that managers, business units or organizations practice what they preach is a critical antecedent to the development of trust. Trust will increase if employees perceive that their managers' actions match their words. Secondly, he suggests that trust is a mediating variable between BI and several related constructs such as performance outcomes, loyalty, and organizational citizenship behavior. If trust increases then so does loyalty, contribution, effort and performance (T. Simons, 2002a).

In an effort to distinguish BI from other constructs, Simons (2002a) explains that BI is subjective. It is an ascribed trait and developed as a result of past experiences. It is subjective because each person's perceptions of congruity or incongruity are colored by past experiences and interest in particular issues. What might be seen as incongruent to one employee may not be seen the same way by another because they do not share the same history with a particular manager and/or they may or may not care about the value under question.

Building on the theory of Fundamental Attribution Error (Ross, 1977), Simons contends that BI is an ascribed trait because employees will attribute incongruence or congruence between words and deeds as a function of personality rather than a reaction to a situation (T. Simons, 2002a). He does state that it is important to note that even though perceptions are subjective, a composite of perceptions usually reveals consistent patterns of congruence or incongruence when data from several subjects are amassed and averaged. Finally, perceptions of a manager's current BI are built on the evaluations of past experiences with that same manager.

It is not clear if BI is applied globally to an individual or if it is what Simons calls "domain specific" (T. Simons, 2002a, p.25). Are individuals seen as lacking BI overall or are they perceived as incongruent in one area? It would seem that the lack of BI in one area would spill over and contaminate the perception of BI in other areas even if the manager rates high on BI in those other areas. However, it may also be true that employees assign more value to congruence in one domain than another.

Simons model clearly shows how BI is influenced by and influences constructs such as organizational change, managerial fads, trust, psychological contracts, credibility, employee dependence, loyalty, organizational citizenship, and performance (Figure 4, page 72). In addition, he delineates BI from trust, psychological contracts, and credibility and outlines how BI differentiates itself by focusing on the impact that the specific word-deed alignment construct has on each of the three phenomenon (Table 2).

Table 2. Defining Behavioral Integrity, Trust, Credibility, Psychological Contracts and Hypocrisy

Behavioral Integrity	Ascribed trait, describing a perceived pattern of alignment between another's words and deeds. BI is a present-time trait whose ascription draws on history.
Trust (from Mayer et al. 1995, p. 712)	The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party. While BI looks back to the past, trust looks forward toward future decisions. By this definition, one would expect BI to be one of a few key antecedents to trust.
Credibility (from O'Keefe 1990, p. 130)	A perceivers' assessment of believability, or of whether a given speaker is likely to provide messages that will be reliable guides to belief and behavior. This construct, widely discussed in persuasion, marketing, and legal literatures, largely overlaps with trust, and may be considered a subclass of trust. Credibility, like trust, is forward looking. Like trust, one would expect credibility to be affected by BI and other factors.
Psychological Contracts (from Rousseau and McLean Parks 1993)	Individual's beliefs regarding a reciprocal exchange agreement based on perceived implicit and explicit promises. If an employee perceives a psychological contract violation in the workplace, he is extremely likely to downgrade his ascriptions of his employer's BI.

	Psychological contract violations may be understood as especially egregious and salient perceived word-deed misalignments.
Hypocrisy (from Brunsson 1989, p. 205)	Inconsistency between talk and action, presentation and results. Hypocrisy, like BI, is anchored in past actions. Hypocrisy may be considered as an antonym of BI. Most treatments of hypocrisy are unsympathetic to the actor in part because they do not acknowledge the role of the perceiver in defining the presence or absence of word-deed alignment.

(Source: Simons 2002, p. 20)

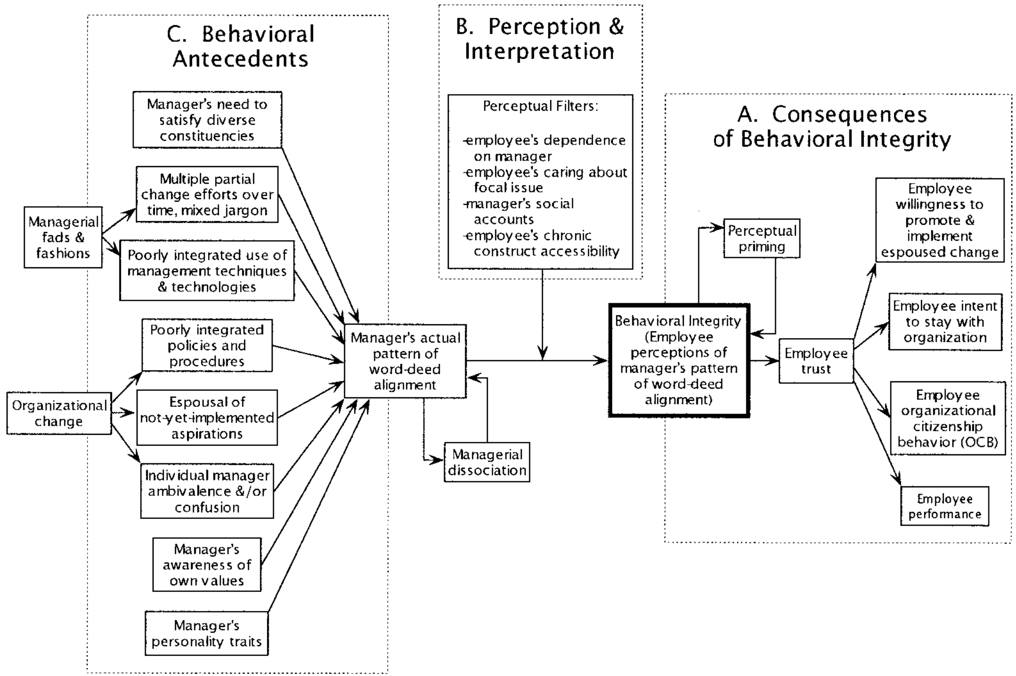

Figure 4. Conceptual Diagram of Antecedents and Consequences of Behavioral Integrity. Source: Simons (2002a, p.20).

A closer examination of the model (Figure 4) shows a process where managers struggle to achieve the goals of their units while contending with numerous stakeholders and organizational changes, which make competing and contradictory demands on the managers. In an effort to meet particular goals managers may find that there is a gap between what they say they will do and what they are actually doing. For the most part managers try to appear congruent but may have to deviate from their words for a number of organizational reasons which are beyond their control. In the meantime, employees are scrutinizing managers' actions and judging their ability to be integral to their commitments and word. Managers are then perceived as congruent or incongruent and judgments are made on whether or not they can be trusted. If a manager's trust is perceived as low, then employees under their supervision reduce effort, loyalty, etc. and performance suffers. If the model holds, it then becomes extremely important for managers to send clear messages to subordinates about expectations and for organizations to do what they can to ensure harmony between a managers words and actions.

Simons (2002a) maintains that word-deed alignment is central in defining trust. He argues, however, that researchers need to separate out the word-deed alignment construct from other concepts of trust in order to examine the phenomenon that precedes the experience of trust (p. 20). Deconstructing several definitions of trust, Simons notes that levels of trust are determined through "mechanisms of perceived reliability and perceived value or goal congruence" (p. 22). Simons uses Mayer et al.'s definition of trust which states that trust comes from the "perceptions of another's integrity, ability and benevolence . . ." (p. 20). Trust is also defined as a "willingness to be vulnerable" or as an expectation that somebody will take action with an individual's best interest in mind (p. 21). Game theorists add another level to the definition of trust by stating it is an "estimation of future cooperation" and that it is assumed that trust is based on an assumption that values and goals are shared. Simons sums up by saying that previous definitions of trust include the key components;

1. making yourself vulnerable
2. expecting that others will act in your best interest
3. an expectation of behavioral reliability

4. an assumption that goals and values are congruent

He concludes that BI shapes the extent of trust through "perceived reliability and perceived value and goal congruity" (p. 21).

Drawing on the research of Lewicki and Bunker (1996) and McAllister (1995), Simons explains that increased word-deed alignment assists employees in moving from perfunctory to natural levels of trust. The argument is that managers can assist their employees in moving from "calculus-based trust" to more "affective-based trust" as managers continue to walk their talk. Yet, any inconsistencies in managers' behavior can impede the development of higher levels of trust. Reciprocity of trust is when employees perceive that their boss does not trust them and therefore they reduce the amount of trust they place in their boss. Simons (T. Simons, 2002a) citing from Creed and Miles (1996) explains that if employees feel that their boss does not trust them, then they infer that the boss does not value what they value, leading to further reductions in trust.

Simon (2002a) also proposes that credibility is a "subclass" of trust because it includes and mirrors the three critical components of trust namely integrity, benevolence and ability. Also, it places the receivers of the message from the "credible" source in a place of vulnerability because they must believe the speaker's words (p. 22). While BI looks back at word-deed patterns of alignment, credibility looks forward. Thus credibility is strengthened through word-deed congruence.

By their nature psychological contracts are usually spoken or unspoken reciprocal expectations between an employee and employer. Simons (2002) quoting Rousseau and McLean Parks (1993) defines psychological contracts as "an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that person and another party (p. 19). For instance, a newly hired employee is aware that there is an unspoken or implicit agreement between them and the company that hired them about behavior/work expectations. In return for fair treatment, timely feedback on work projects and a safe working environment, the employee implicitly agrees to be loyal, to work hard and to show up for work with a good attitude (Robbins, 2003). Research on the breach of psychological contracts has shown to decrease employee trust in their employers (T. Simons, 2002a). Simons argues that the operationalization of a psychological contract limits its scope to situations where there is a misalignment between espoused values and behaviors between two parties. BI on the other hand includes a broader range of situations and is not limited to perceived value-action incongruence in an expected reciprocal relationship. Simons (2002a) does state, that "The perception of managers' adherence to psychological contracts may be considered as an especially potent antecedent to BI . . . the accumulation of perceived falsehoods, as they are seen as a pattern, affects BI and thus affects employees trust in management" (p. 23). The breach of a psychological contract is "potent" because it is viewed by employees as a specific, personal violation between them and the organization, and not just as a general violation of overall incongruity.

Rationale for the Study

It is evident that organizational researchers are interested in helping corporations increase effectiveness and profits (Maister, 2001b). Their attempts to discover causal links between particular organizational constructs such as cultural values, trust, credibility and performance have been impressive but have missed some important ideas.

The first idea is that it does not matter what is valued but that there is congruence between words and deeds. The second is that congruence between values and practices is, in and of itself, a concept that is separate from the constructs of trust, credibility and psychological contracts. Finally, and perhaps the strongest rationale for this study, is that there is very little, if any, empirical research on the relationship between corporate behavioral integrity and performance.

The importance of congruence between values and actions, systemic integrity or internal cohesion is embedded in the culture-performance link research, however, these studies have not examined the specific relationship between congruence and performance independent of other variable. Simons (2002) seems to be the only theorist that has defined the congruence construct in a way that it can be examined and correlated with outcome measures on its own.

Purpose of the Study

The central task of this study was to examine the relationship between corporate integrity and performance to test the hypothesis that there is a significant positive relationship between congruence and a range of performance outcomes. Exploring the relationship between value-practice congruence and organizational performance is the main question driving this research. To what extent does value-practice congruity play a role in enhancing employee satisfaction, customer orientation and financial performance?

Research Hypotheses

The hypotheses predict that the presence of value-practice congruence will have a positive impact on multiple organizational performance outcomes. The only dependent variable used by several studies examined in the literature review was financial performance. Several researchers (Claire, 1996; Denison, 1984; Ho & McKay, 2002; John P. Kotter & Heskett, 1992; Rousseau, 1990a) have recommended that future research use more than financial results as a dependent variable and take into account other indicators of corporate performance. Therefore, the decision was made to compare the level of congruence not only to financial outcomes but to employee satisfaction and customer orientation as well. Examining multifaceted indicators of organizational performance is often referred to as a "balanced scorecard" (BSC). The following is an excellent definition by Ho and McKay:

> [Balanced scorecard] is a strategic measurement and management system that translates an organization's mission and strategy into a balanced set of integrated performance measures. BSC's strength lies in its use of both financial and nonfinancial measures in encouraging and rewarding employees in achieving an organization's long-term goals . . . such as customer relationships, product innovation, customized products, employee skills, motivation, and information technology. By including all critical success factors in the performance measurement system, the organization will have a better idea of how to achieve its goals (2002, p. 204).

The hypotheses can be broken down into the following:

Hypothesis 1: Employee satisfaction will be higher in companies that employees perceive to be more congruent.

Hypothesis 2: Customer orientation will be higher in companies that employees perceive to be more congruent.

Hypothesis 3: Financial performance will be better in companies that employees perceive to be more congruent.

CHAPTER 3: METHODOLOGY

This study examined pre-existing cultural data on 62 public and private companies from the U.S., Canada and Europe that was previously collected between 2001 and 2002. Data was collected and housed by the Hagberg Consulting Group. Each company completed surveys as a part of an agreement to have the Hagberg Consulting Group assess and analyze their organizational cultures for varying business reasons. The companies that were surveyed belonged to the banking, construction, biomedical, high tech, retail, education, service and manufacturing industries.

Companies that employed the consulting firm to analyze their culture strongly encouraged their employees to complete the Culture Assessment Tool either online or in paper format and guaranteed the confidentiality of the results. This study examined the responses of a total of 3,037 employees from these 62 companies and maintains the confidentiality of employees and companies. Table 3 (page 80) outlines the demographic items that were incorporated, including Length of Service, Position, and Function. Although respondents were encouraged to provide demographic information, they were given the option to decline. The option to not indicate Length of Service, Level and Function was installed as a mechanism for respondents to feel that there was some control over their anonymity. As a result, there is missing data on Length of Service, Level and Function. Descriptive summaries of the data show that 65% of respondents did not indicate their work function or what department they worked in, as compared to 12% for Length of Service and Level. Function is a specific identifier, more so than length of service or level, and one deduction for such a large absence of responses is that employees may have felt they would be exposed if the department in which they worked was identified.

Table 3. Demographics by Length of Service, Level and Function

Variable	Values	Total Number of Respondents	Percentages
Length of Service	<1 year	410	13.5%
	1-3 years	666	21.9
	3-5 years	542	17.8
	5-10 years	434	14.3
	> 10 years	612	20.2
	Did not indicate (missing data)	373	12.3
	Total	3037	100.0%
Level	Senior Executive	348	11.5%
	Manager	809	26.6
	Employee	1501	49.4
	Did not indicate (missing data)	379	12.5
	Total	3037	100.0%
Function	Administration	190	6.3%
	Product Development	91	3.0
	Finance/Accounting	148	4.9
	Human Resources	74	2.4
	Information Technology	87	2.9
	Merchandising	314	10.3
	Marketing	112	3.7
	R&D	19	.6
	Did not indicate (missing data)	2002	65.9
	Total	3037	100.0%

Instrument

Hagberg Consulting Group developed the Cultural Assessment Tool (CAT) in 1996. Utilizing the expertise of a cultural anthropologist, extensive literature reviews were conducted in organizational behavior and anthropology to determine the most relevant constructs of organizational culture. Once the review was completed, a list of culture constructs was developed that provided the foundation for the development of scales. Values and practices that made up each scale were identified, and survey items were written to measure those practices. Initially, ten items were developed for each of the 45 scales. In an effort to reduce the size of the instrument the developers tested the assessment instrument on employees across 24 companies and used statistical analyses to identify reliable shorter subscales.

The CAT has been modified and developed over the last nine years and has progressed from a pencil and paper test to online administration. Other developments included additional literature reviews and research to identify new scales and to identify behaviors and values that are associated with existing scales, a review of the entire instrument by experts in organizational behavior and anthropology and by content experts in domains relating to specific scales, a review and assistance from experts in survey construction and item development, incorporating expert knowledge and experiences gained from using the CAT with clients, and feedback gathered from experts and laypersons to confirm the instrument's face validity.

The version of CAT used for this study consisted of 170 items and measures 45 cultural scales (Appendix A, page 121). Respondents answered each question on the CAT using a 5-point Likert scale; 1 = strongly disagree, 2 = moderately disagree, 3 = neutral, 4 = moderately agree, and 5 = strongly agree. "Unable to Rate" was also included as an option for employees taking the survey.

Using Cronbach's Alpha, internal reliability for each of the 14 CAT scales used in this study range from **.71** to **.87**, indicating that items are consistent within their respective constructs (Table 4, page 82). Although concurrent validity does not exist for the CAT it should be noted that there is qualitative data that consistently confirms the accuracy of the quantitative dimension. Whenever the CAT is administered, respondents have the opportunity to provide responses to open-ended questions such as, "Describe the culture of this organization", "What business practices, or values embraced by the organization, inhibit performance?" or "How does the style of the leader impact the organization?" There has been no formal statistical analysis between the quantitative and qualitative outcomes of the Culture Assessment Tool, however, anecdotal impressions seem to confirm the relationship between the two. Qualitative data were not used in this study.

Table 4. Cronbach's Alpha Reliability Coefficients of Cultural Assessment Tools (45 Scales)

CAT Scales	*Cronbach's Alpha (α)*
Acceptance of Change*	.77
Accountability	.74
Aggressiveness	.73
Autonomy	.82
Broader Meaning	.81
Business Ethics	.70
Bureaucracy	.76
Candor	.76
Competitor Awareness	.75
Compensation	.72
Confronting Conflict	.75
Confidence in Management	.82
Commitment to Core Values	.75
Customer Driven	.70
Decision Participation	.87
Supporting Employee Growth	.81
Entrepreneurial	n/a
External Focus	.73
Financial Focus	.80
Financial Awareness	.75
Financial Results	.60
Goal Orientation	.76
Non-Hierarchical	.78
Individualism	.77
Information Sharing	.62
Creativity and Innovation	.76
Learning	.75
Loyalty	.92
Meritocracy	.82
Nimbleness	.75
Organizational Identity	.86
Pressure, Pace & Stress	.58
People Focus	.62
Performance Driven	.73
Performance Pressure	.59
Politics	.87
Retention	.44
Risk-Taking	.79
Seriousness	.70
Silo Mentality	.78
Systems & Procedures	.80
Teamwork	.80
Time Horizon	.79
Trust	.84
Valuing Excellence	.65

* Scales that contained both practice and value items (i.e. we value X & we practice X) and used in the study are in bold font.

Data Analysis

Developing a value-practice congruence measure was the first step in setting up the data for analysis. The purpose of the study was to compare varying "gaps" in congruence between value statements and practice statements with performance outcomes.

In order to create a congruence score it was necessary to use CAT scales that included a value item and at least one practice item related to the value in question. A review of the CAT revealed that 14 of the 45 scales included value statements (Appendix B). Previous versions of the CAT included more value statements but there has been a progressive movement away from including values statements as corporations, interested in using the CAT, expressed that practice statements were more useful for capturing day-to-day culture. Thus, the decision was made to use a version of the CAT that was used between June 2001 and November 2002 (Appendix A).

CAT scales that included both value and practice items were located, and a discrete variables congruence measure was built on a 25-point scale, where 25 equaled the most congruence and 1 equaled the least congruence (Table 5). It is a 25-point scale because a Likert scale of 1 through 5 was used. When examining all possible scores between values and practices one can produce 25 different possibilities. The following table represents the value assigned to each congruence scores between 1 and 25. For example, an espoused organizational value score of 5 and a practice score of 5 means an individual strongly agrees that the organization he or she belongs to values a particular value and practices it.

Subsequently, meaning had to be attached to the range of possible scores so they could be ranked from the most congruent to the least congruent. The solution was to examine all possible variations of practice and value items and subjectively determine what scores represented more congruence and what scores represented the least congruence. The decision was made to give higher congruent ratings to value and practice paired scores with the least amount of disparity between integers (i.e. 5 & 5 or 4 & 5) and to give lower congruent ratings to value and practice paired scores with highest amount of disparity between integers (i.e. 1 & 5, 1 & 4). Furthermore, higher ratings were given to value and practice paired scores where practice was rating higher than value. The rationale being that practicing is better than not practicing whether or not the value is espoused or not.

Congruence means there is little or no gap between what is being said and what is being done, so, a high value score (4 = agree or 5 = strongly agree) in relation to a high practice score (4 = agree or 5 = strongly agree) is viewed as a high level of congruence. Incongruence means there is a gap between rhetoric and behavior, thus, a high value score (4-agree or 5-strongly agree) and low practice score (1-strongly disagree or 2 disagree) represents this level of discrepancy. In the first instance, employees are saying, "we value and we practice these principles in our organization". In the second instance, employees are saying "we say we value these ideas but there is very little or no evidence that these ideas are practiced". In between the two extremes are varying degrees of congruence/incongruence.

Table 5. Ranking Matrix of Congruence Scores

		ESPOUSED ORGANIZATIONAL VALUE				
		Strongly Disagree	*Disagree*	*Neutral*	*Agree*	*Strongly Agree*
		1	2	3	4	5
WE PRACTICE	1	9	7	5	3	**1**
	2	10	8	6	4	2
	3	11	14	17	20	21
	4	12	15	18	22	24
	5	13	16	19	23	**25**

The next step was to determine outcome measures so congruence scores could be plotted against the performance of all 62 companies. Outcome measures included perceived financial health, employee satisfaction and customer orientation. The outcome measures displayed in Tables 6, 7, and 8 (pages 87- 88) all the items pulled from scales that measured perceived performance in these areas.

Customer orientation outcomes used items from the Customer Drive scale. This does not directly measure customer satisfaction but does measure the amount of energy put into making sure that customers' needs are addressed. It is assumed that time spent on getting customer feedback, building customer relationships and keeping commitments to the customer means that higher scores are on these items represents a more satisfied customers base.

The employee satisfaction outcome measure uses items from the Employee Loyalty, Organizational Identity and Retention Scales (Table 8, page 87). If an employee feels a strong allegiance or emotional connection to a company, then one can argue that they will have a much easier time staying committed and staying with a company. Thus, high scores on these items indicate that employees are feeling fulfilled and satisfied with their current work situation.

The majority of companies in this study were privately owned, thus it was not possible to get access to financial records. As a result, a decision was made to extrapolate a company's financial performance from items in the Financial Results scale, which are stated as:

1. I would invest my own money in this company.
2. Over the last year, our financial results have been outstanding.
3. We have consistently been more profitable than our competitors.

Using only the scores of managers and senior executives in the finance and accounting functions, the perceived financial health of each unit was extracted for 33 of the 62 companies. The responses of these senior leaders were used because senior leaders are more likely to have a deeper understanding and knowledge of their company's finances. Admittedly, access to the actual financial records would have added to the rigor of this study, but it can also be argued that senior executives (a) clearly know and understand more about a company's financial health than other employees and (b) can actually provide a much more accurate picture of a business units financial position than quarterly or annual SEC reports, where individual business unit results could get "washed out" in summative accounting filings.

Taking the mean of three items listed above created this outcome variable for financial results based on the responses of managers and senior executives in finance and accounting roles. This variable could only be computed for n = 33 companies, since for some companies no respondents met the above criteria, or observations were missing. Once this mean value was calculated, another company performance variable was created by assigning the company's mean value on the financial results measure to each observation belonging to a given company. For instance, if the mean for company A on the financial outcome measure was 4, then this value was assigned to all observations belonging to company A, and so on for all 33 companies and a total of n = 1159 respondents in the database. Thus, the financial outcomes measure is the mean of upper management's perceptions of their company's financial health.

Decidedly, interest was at the organizational level therefore the analyses were set up to produce organizational level results. Consequently, mean practices scores and mean value scores were computed for each of the 14 scales by averaging the "practices" items and "values" items in each scale. Finally, an overall mean congruence score was also computed by averaging, for each observation in the database, the congruence score for each scale.

Table 6. Means, Standard Deviations, Reliability Coefficient and Intercorrelations of Financial Results Measure*

	Mean	*SD*	*Inter-Item Correlations*		
			1	2	3
1. Over the last year our financial results have been outstanding.	3.29	1.28	1.00	0.26	0.48
2. I would invest my own money in this company.	3.67	1.21	0.26	1.00	0.27
3. We have been consistently more profitable than our competitors.	3.34	1.15	0.48	0.27	1.00

* Reliability Coefficient = .60

Table 7. Means, Standard Deviations, Reliability Coefficient and Intercorrelations of Customer Orientation Measure*

	Mean	SD	Inter-Item Correlations				
			1	2	3	4	5
1. Commitment to the customer is the driving force of the organization	4.06	1.01	1.00	0.32	0.41	0.47	0.29
2. Management spends a good deal of time with customers and business partners	3.53	1.15	0.32	1.00	0.35	0.25	0.28
3. We repeatedly ask our customers how we can improve our products and services	3.56	1.12	0.41	0.35	1.00	0.30	0.28
4. No matter how difficult or painful, we keep our commitments to our customers	4.09	0.98	0.47	0.25	0.30	1.00	0.26
5. In my workgroup we regularly change the way we do things in order to accommodate our customer's needs	3.67	1.06	0.29	0.28	0.28	0.26	1.00

* Reliability Coefficient = .70

Table 8. Means, Standard Deviations, Reliability Coefficient and Intercorrelations of Employee Satisfaction Measure*

	Mean	SD	Inter-Item Correlations										
			1	2	3	4	5	6	7	8	9	10	11
1. Leaving the organization would be extremely difficult and would require a good deal of personal soul searching	3.45	1.36	1.00	0.66	0.66	0.67	0.66	0.52	0.44	0.54	0.49	0.50	0.32
2. I feel a strong allegiance and sense of commitment to the organization	4.03	1.10	0.66	1.00	0.73	0.70	0.79	0.62	0.51	0.62	0.62	0.51	0.32
3. I feel emotionally attached to the organization	3.62	1.20	0.66	0.73	1.00	0.74	0.78	0.54	0.43	0.56	0.55	0.43	0.27
4. I feel a strong obligation to remain in this organization	3.51	1.28	0.67	0.70	0.74	1.00	0.70	0.52	0.44	0.54	0.54	0.49	0.32
5. I feel a strong connection to the organization	3.84	1.15	0.66	0.79	0.78	0.70	1.00	0.63	0.50	0.64	0.63	0.48	0.31
6. I am extremely proud to tell others that I work for the organization	4.16	0.99	0.52	0.62	0.54	0.52	0.63	1.00	0.55	0.66	0.55	0.46	0.32
7. In this organization we share a common purpose that is inspiring and motivating	3.48	1.11	0.44	0.51	0.43	0.44	0.50	0.55	1.00	0.66	0.58	0.37	0.31
8. Working in this organization gives employees a sense of belonging to something special and unique	3.69	1.12	0.54	0.62	0.56	0.54	0.64	0.66	0.66	1.00	0.66	0.43	0.35
9. The organization fosters a strong sense of loyalty and belonging	3.52	1.15	0.49	0.62	0.55	0.54	0.63	0.55	0.58	0.66	1.00	0.38	0.30
10. I am not actively looking for another job outside the organization	3.97	1.29	0.50	0.51	0.43	0.49	0.48	0.46	0.37	0.43	0.38	1.00	0.28
11. My manager is one of the main reasons I stay in this organization	3.28	1.43	0.32	0.32	0.27	0.32	0.31	0.32	0.31	0.35	0.30	0.28	1.00

* Reliability Coefficient = .92

Most studies struggle with missing data. Fortunately there are several statistical methods for dealing with missing data points. Although less sophisticated than regressional models, expediency drove the decision to use within-company means to replace missing data. In order to deal with missing data in this sample, the first step was to replace missing values for each item in the 14 scales used in the analysis, as well as for each item in the scales used to compute the outcome variables. Missing data points were replaced with within-company means for a given item. For example, if the mean for company A on item 1 of scale 1 was 3, every missing observation for that company on item 1 was imputed three as its value for that item of that scale.

In view of the decidedly skewed distribution of most of the variables used (Figures 5,6,7 and 8, p. 90-91) in the analysis, the Spearman *rho* nonparametric correlation coefficient was preferred to the Pearson product-moment statistic to evaluate the strength and direction of bivariate association. The congruence scores were ordinally ranked, therefore it was also prudent to use Spearman's *rho* as it makes no assumptions about interval scales (Hinton, 1995; Shavelson, 1996; SPSS, 1999). Although there are some limitations to using Spearman's *rho,* those limitations are offset by the studies large sample size.

The final step was to determine if any statistically significant differences between groups existed. The first examination was between senior managers and staff and the second analysis was between those employed less than five years versus those employed more than five years. When comparing the means of two independent groups on some attributes such as managers vs. employees, the standard test normally used is the Student's *t*-test. Yet, certain assumptions must be met in order to use this test: primarily that the data are normally distributed in the population. Based on the sample distribution of the congruence scores and outcome variables it does not appear that a normal distribution assumption can be met. However, the *t*-test is fairly robust especially if the sample size is large. Therefore Student's *t*-test was used to test the means of the groups of interest. Also, for sake of completeness, the results of the nonparametric equivalent of the *t*-test (Mann-Whitney test) are provided: the conclusions are the same for both tests.

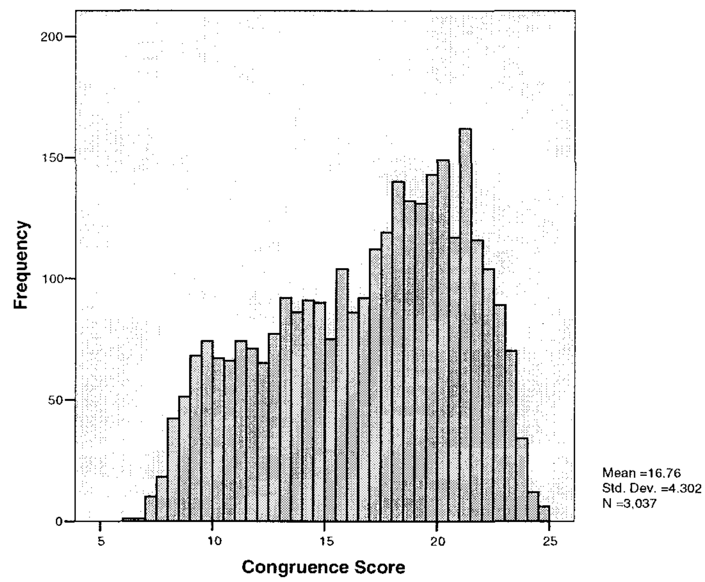

Figure 5. Distribution of Congruence Scores

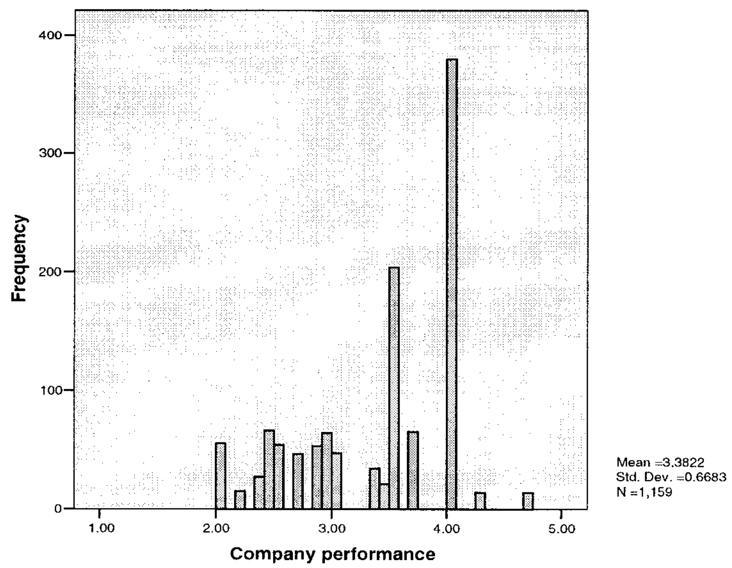

Figure 6. Distribution of Company Financial Performance Outcomes

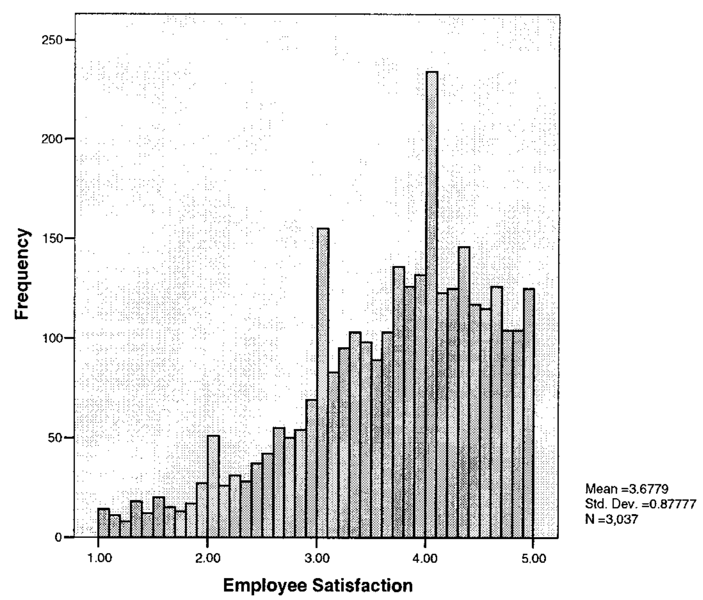

Figure 7. Distribution of Employee Satisfaction Scores

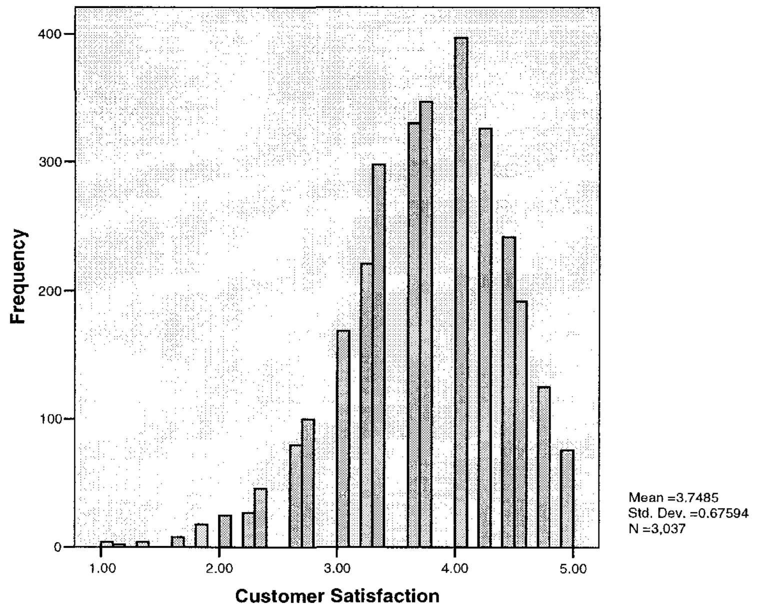

Figure 8. Distribution of Customer Orientation Scores

CHAPTER 4: RESULTS

This study involved 3,037 employees from 62 different companies in the United States, Canada and Europe. The companies represent a range of industries, and the sample of business units from each of these companies is quite diverse. Participant demographics are divided into years of service, position in company, and function.

On point to keep in mind is the possible impact that the economic environment of the time had on company financial performance. During 2001 and 2002, the time that data was collected, the U.S. was suffering from a significant economic downturn as a result of the dot-com crash, accounting scandals and world events. A review of financial benchmarks and indices from major U.S. security exchanges illustrate the financial atmosphere. Each index shows a dramatic annual percent decrease in bases points for the years 2001 and 2002 (see Tables 9, 10 and 11).

Table 9. Dow Jones Industrial Average Composite Index 1998 - 2004

Date	Open	High	Low	Close	Volume	Annual % Change
12/31/1998	2607.59	2968.00	2376.13	2870.83	220148930.00	10.10%
12/31/1999	2870.73	3369.20	2817.21	3214.38	303923238.00	11.97%
12/29/2000	3215.00	3341.64	2743.01	3317.41	579655880.00	3.21%
12/31/2001	**3318.10**	**3394.56**	**2431.56**	**2892.22**	**683815380.00**	**-12.82%**
12/31/2002	**2892.25**	**3109.63**	**2017.39**	**2374.96**	**753511380.00**	**-17.88%**
12/31/2003	2376.08	3009.90	2085.02	3000.75	588977820.00	26.35%
12/31/2004	3000.22	3417.78	2833.26	3395.82	5385100.00	13.17%

Table 10. NASDAQ Composite Index 1998 - 2004

Date	Open	High	Low	Close	Volume	Annual % Change
12/31/1998	1574.10	2200.62	1343.87	2192.68	19824400.00	39.63%
12/31/1999	2207.54	4090.61	2192.67	4069.31	26564726.00	85.59%
12/29/2000	4186.18	5132.52	2288.16	2470.52	43633731.00	-39.29%
12/31/2001	**2474.16**	**2892.36**	**1387.06**	**1950.40**	**46465493.00**	**-21.05%**
12/31/2002	**1965.18**	**2098.88**	**1108.49**	**1335.51**	**43110143.00**	**-31.53%**
12/31/2003	1346.93	2015.23	1253.22	2003.37	40575797.00	50.01%
12/31/2004	2011.43	2185.56	1750.82	2175.44	44295642.00	8.59%

Table 11. New York Stock Exchange Composite 1998 - 2003

Date	Open	High	Low	Close	Volume	Annual % Change
12/31/1998	511.19	601.76	462.69	595.81	0	16.55%
12/31/1999	595.81	663.50	572.38	650.30	0	9.15%
12/29/2000	650.30	681.19	575.01	656.87	0	1.01%
12/31/2001	**656.87**	**667.71**	**494.63**	**589.80**	**0**	**-10.21%**
12/31/2002	**589.80**	**610.95**	**416.85**	**472.87**	**0**	**-19.83%**
12/15/2003	472.87	573.58	421.52	572.56	0	21.08%

Data were analyzed at the organizational level to test the three different hypotheses. The three hypotheses were tested using Spearman's *rho* bivariate correlations as described. The results of each correlation will be discussed individually. The results for all the correlations between congruence scores and all three organizational performance outcomes can be viewed in Table 12. Tables 13 and 14 show the correlations between mean practice scores and mean value scores and the three outcome measures.

A key point to keep in mind as one peruses the results is that the correlations use the level of congruence between values and practices, not the actual value itself. Therefore when viewing the relationship between Conflict and Employee Satisfaction, for instance, the correlation is between the level of congruence on Conflict and Employee Satisfaction, not between Conflict and Employee Satisfaction.

Table 12. Spearman's *Rho* Correlations Between Congruence Scores and Organizational Performance Outcome Measures

Congruence Scale	Financial Performance n=1159	Employee Satisfaction n=3037	Customer Orientation n=3037
Acceptance of Change	-.140**	.419**	.389**
Autonomy	-.091**	.553**	.452**
Business Ethics	-.029	.468**	.391**
Candor	-.133**	.561**	.399**
Competitor Awareness	-.014	.280**	.358**
Conflict	-.135**	.455**	.373**
Decision Participation	-.182**	.538**	.406**
Employee Growth	-.108**	.600**	.407**
Goal Orientation	-.040	.489**	.441**
Innovation	-.015	.530**	.433**
Learning	-.058*	.519**	.476**
Meritocracy	-.095**	.558**	.414**
Risk-taking	-.015	.368**	.302**
Seriousness	-.089**	.386**	.284**

*. Significant at p <. 05.
**. Significant at p <. 01.

Table 13. Spearman's *Rho* Correlations Between Mean Practice Scores and Organizational Performance Outcome Measures

Congruence Scale	Financial Performance n=1159	Employee Satisfaction n=3037	Customer Orientation n=3037
Acceptance of Change	-.176**	.470**	.431**
Autonomy	-.049	.498**	.415**
Business Ethics	-.020	.426**	.357**
Candor	-.096**	.533**	.374**
Competitor Awareness	-.025	.270**	.360**
Conflict	-.138**	.409**	.356**
Decision Participation	-.185**	.569**	.426**
Employee Growth	-.054	.625**	.391**
Goal Orientation	-.055	.477**	.423**
Innovation	-.016	.504**	.425**
Learning	-.063*	.496**	.475**
Meritocracy	-.090**	.605**	.430**
Risk-taking	-.025	.430**	.347**
Seriousness	-.115**	.302**	.207**

Table 14. Spearman's *Rho* Correlations Between Mean Value Scores and Organizational Performance Outcome Measures

Congruence Scale	Financial Performance n=1159	Employee Satisfaction n=3037	Customer Orientation n=3037
Acceptance of Change	-.059*	.409**	.364**
Autonomy	-.097**	.520**	.407**
Business Ethics	-.014	.379**	.324**
Candor	-.171**	.512**	.374**
Competitor Awareness	-.023	.230**	.296**
Conflict	-.112**	.501**	.393**
Decision Participation	-.206**	.497**	.380**
Employee Growth	-.180**	.531**	.417**
Goal Orientation	-.041	.463**	.454**
Innovation	-.035	.499**	.378**
Learning	-.034	.516**	.417**
Meritocracy	-.063*	.461**	.378**
Risk-taking	-.037	.253**	.233**
Seriousness	-.080**	.453**	.346**

The data show a significant association between increased congruence between practices and value and increased employee satisfaction and customer orientation. All of the correlations between the fourteen scales' congruence scores and Employee Satisfaction and Customer Orientation were significant at the .01 levels and in the predicted direction, supporting both hypotheses 1 and 2. However, it is also recognized that the large sample size may account for these significant results, and that the data may need to be examined in a relative rather than an absolute context.

The correlations between congruence scores and Employee Satisfaction (hypothesis 1) suggest that perceived congruence does play a role in Employee Satisfaction for many of the scales. Supporting Employee Growth (r = .60), Candor (r = .56), Meritocracy (r = .56), Autonomy (r = .55), Decision Participation (r = .54), Creativity & Innovation (r = .53), Learning (r= .52) and Goal Orientation (r = 49) contained the strongest correlations at the .01 levels. Moderate correlations were found at the .01 level with Business Ethics (r = .47), Conflict (r = .45) and Acceptance of Change (r = .42). Finally, still significant but weaker correlations were located within, Seriousness (r = .39), Risk Taking (r = .37), and Competitor Awareness (r = .28).

Again, all fourteen congruence scores produced statistically significant results when correlated with Customer Orientation. Even more, the 8 scales that scored the highest correlations with Employee Satisfaction also had the strongest correlations with Customer Orientation. They are Learning (r =.48), Autonomy (r =.45), Goal Orientation (r = .44), Creativity & Innovation (r = .43), Meritocracy (r = .41), Employee Growth (r = .41),Decision Participation (r = .41) and Candor (r = .40). Business Ethics (r = .39), Acceptance of Change (r = .39), Conflict (r = .37), and Competitor Awareness (r = .36) were the next strongest correlations with Risk Taking and Seriousness producing correlations of .30 and .28 respectively.

The next eight figures illustrate the relationship between the three outcome measures and the corresponding congruence scores. The y-axis represents the congruence scores from 1 (least congruent score) to 25 (most congruent score). The x-axis represents the mean score of the outcome measures. Since the same 8 scale congruence scores surfaced for Employee Satisfaction and Customer Orientation they will be displayed together.

It is not surprising that Employee Growth is strongly correlated with Employee Satisfaction (Figure 9). The item, "The organization consistently demonstrates a commitment to employee growth and development" displayed the highest correlation at .65. It supports the notion that following through on promises to develop one's workforce may pay off in employee satisfaction, retention and loyalty. The relationship between Employee Growth, Financial Performance, Employee Satisfaction and Customer Orientation is clear from the previous line graph. As perceived congruence increases between words and deeds on the Employee Growth scale congruence score the mean for Employee Satisfaction and Customer orientation also increases. However, the same does not hold for financial performance.

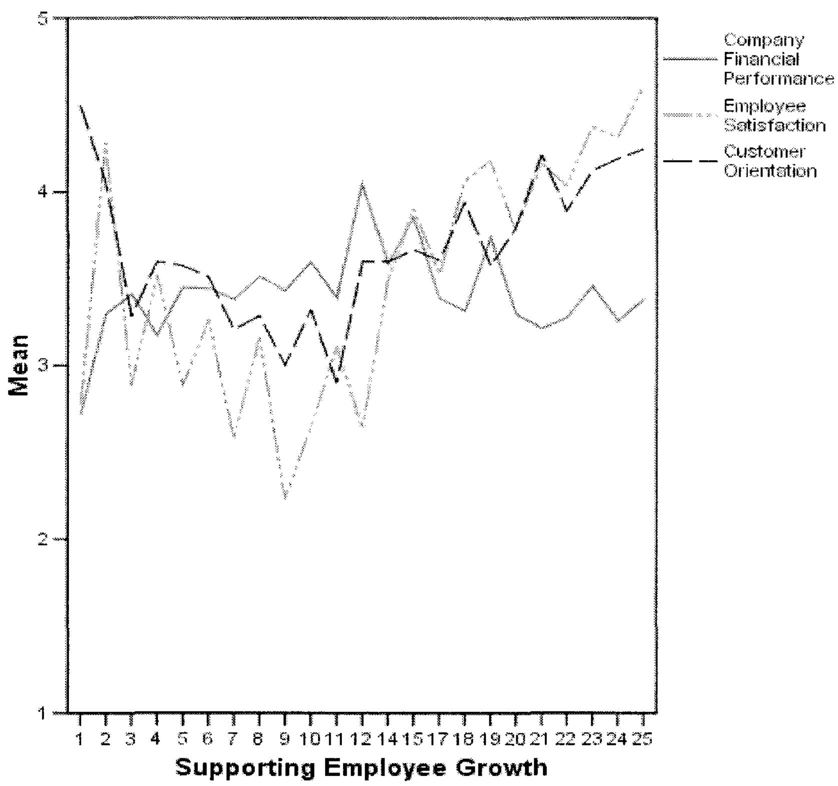

Figure 9. Relationship Between the Mean of Outcome Measures and Employee Growth Congruence Scores.

Note that Meritocracy also has a strong correlation with Employee Satisfaction and Customer Orientation (Figure 10). This is not surprising. It suggests that employee satisfaction improves when employees perceive leaders are "walking their talk" when it comes to appreciating and recognizing employees' work through rewards and promotions. Item level analyses show that the items, "In this organization rewards and promotions are based strictly on performance, achievement, and results rather than political favoritism" and "There is no doubt that people who get ahead in this organization have earned it" have the strongest correlations with Employee Satisfaction.

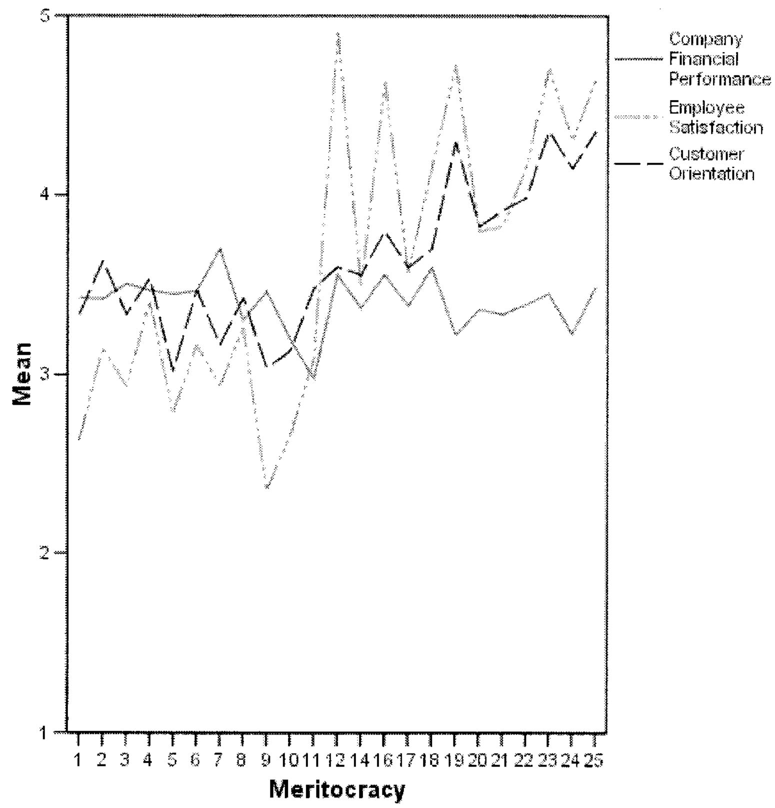

Figure 10. Relationship Between the Mean of Outcome Measures and Meritocracy Congruence Scores.

Decision Participation assesses the level of import or involvement an employee feels when it comes to organizational change or decision-making. The Decision Participation scale surveys employees' beliefs that they can state their opinions about important decisions and that those opinions will be heard and valued. This finding supports Denison's (1984; 1990; 1995) claim that employee involvement is a key cultural component to corporate success. A review of the line graph in figure 11 once again illustrates the relationship between the congruence scale and mean outcome measure scores. It is clear that as congruence increases on Decision Participation so does the mean on customer orientation and employee satisfaction

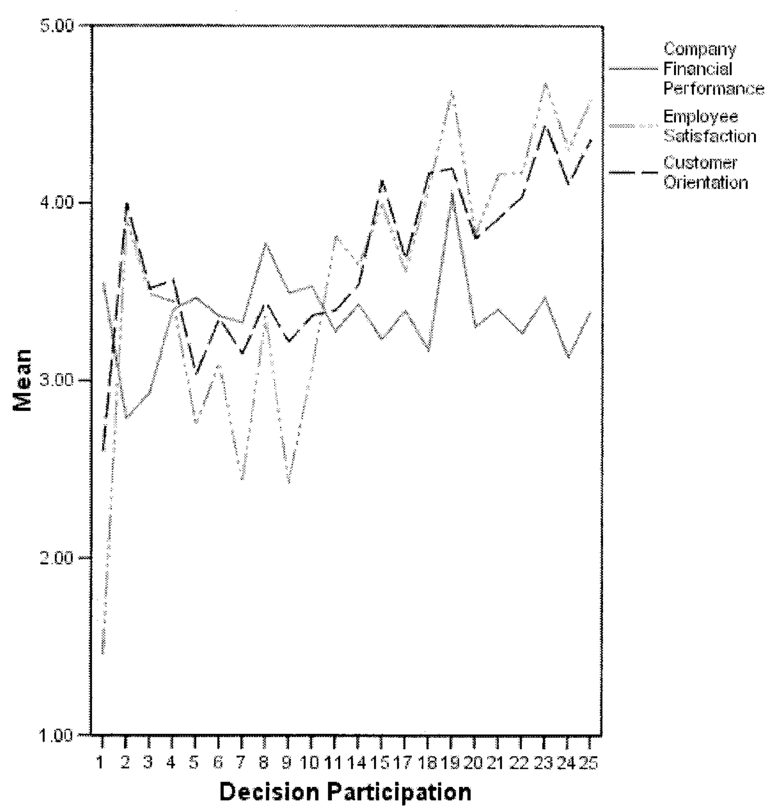

Figure 11. Relationship Between the Mean Scores of Outcome Measures and Decision Participation Congruence Score

Autonomy was the second highest correlation for Customer Orientation (.45) and the fourth highest correlation for Employee Satisfaction (.55). Whereas, Creativity & Innovation was the fourth strongest correlation for Customer Satisfaction (.43) and the sixth strongest for Employee Satisfaction (.53). Both Autonomy and Creativity &

Innovation had negative correlations with Company Financial Performance. Although the general trend for Company Financial Performance is a negative correlation, there are some visible spikes in the line graph between the mean score of Autonomy and Company Performance.

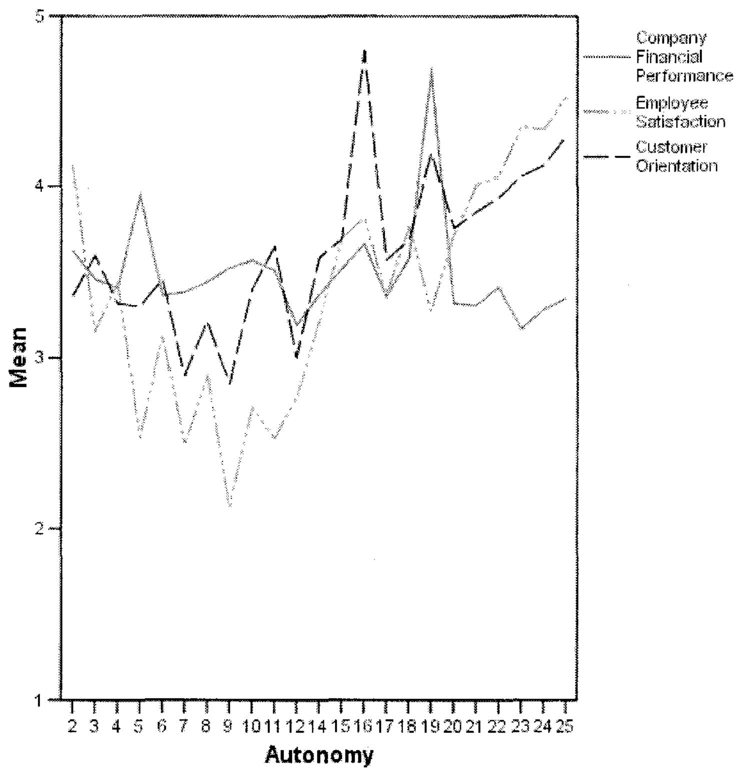

Figure 12. Relationship Between the Mean Scores of Outcome Measures and Autonomy Congruence Score.

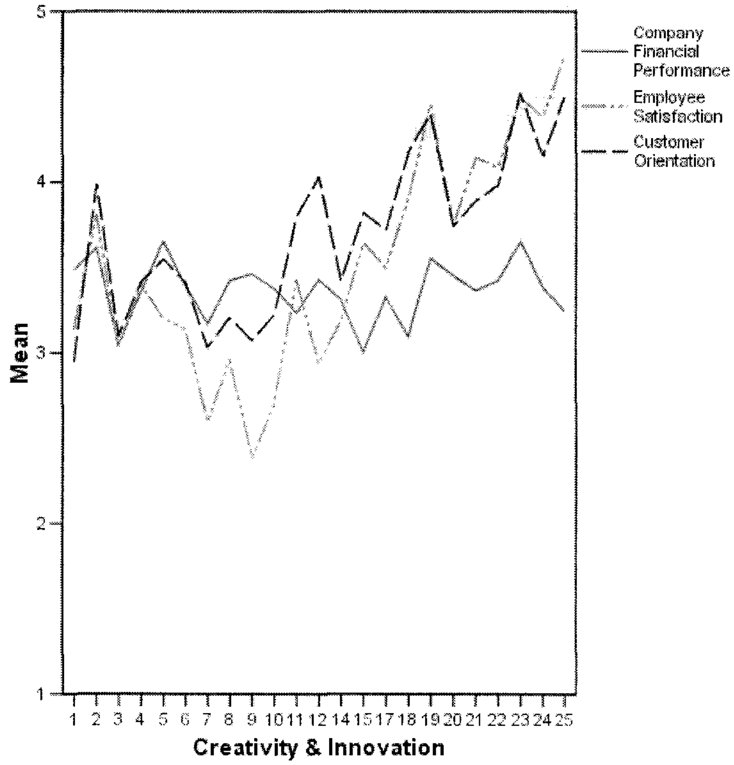

Figure 13. Relationship Between the Mean Scores of Outcome Measures and Creativity & Innovation Congruence Score.

Note that the correlations between the scales' congruence scores and Customer Orientation are less compelling than the correlations between the congruence scales and Employee Satisfaction. Nevertheless, these results do show that congruence between words and deeds may play an important role in ensuring customer orientation and support the second hypothesis, that customer orientation will be higher in companies that employees perceive to be more congruent.

The correlation between Learning and Customer Orientation was the strongest. An additional observation is that the same congruence scales receive the strongest correlations with Customer Orientation as they did with Employee Satisfaction.

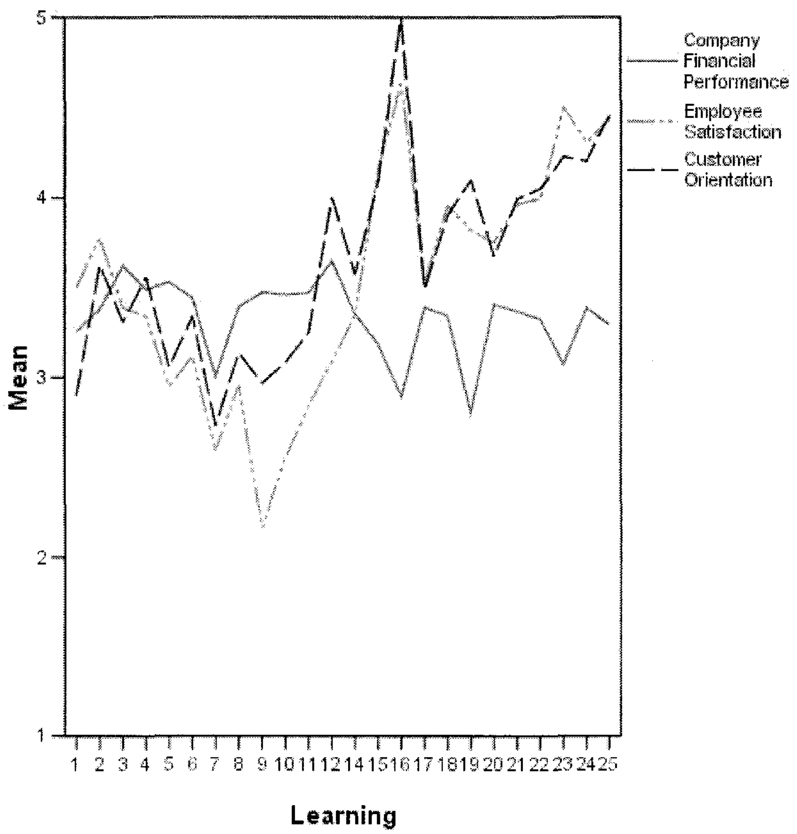

Figure 14. Relationship Between the Mean Scores of Outcome Measures and Learning Congruence Score

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Out of the top eight correlations Candor was the eighth strongest correlation when compared to the Customer Satisfaction means (Figure 15). Conversely, Candor was the second strongest correlation when compared to the Employee Satisfaction mean score. When examining the Goal Orientation scale's congruence scores (Figure 16) it scored a higher correlation with Customer Orientation than with Employee Satisfaction.

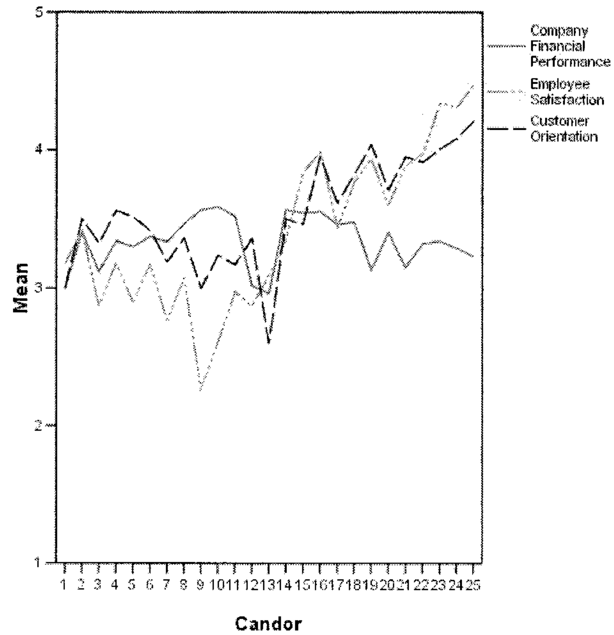

Figure 15. Relationship Between the Mean Scores of Outcome Measures and Candor Congruence Score

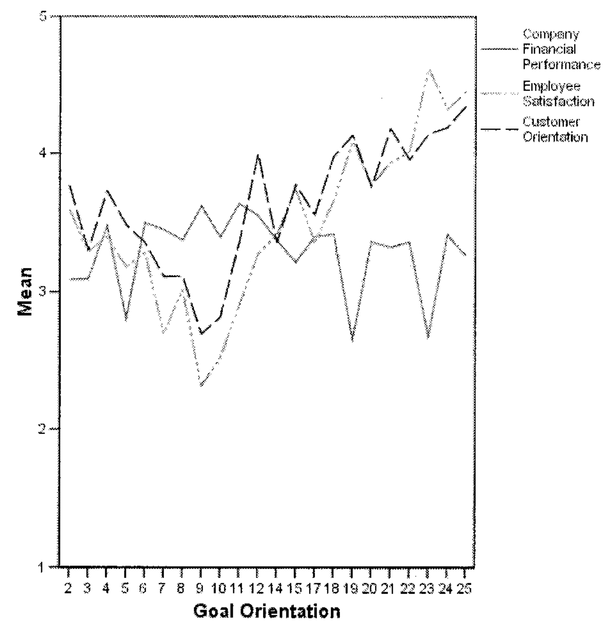

Figure 16. Relationship Between the Mean Scores of Outcome Measures and Goal Orientation Congruence Score

None of the congruence scales showed statistically significant positive correlations with Financial Results. Thus, the third hypothesis, that higher levels of employees' perceived congruence would result in better financial results, was not supported by the data. A number of factors may be responsible for this outcome. First, financial data was not readily available so the decision was made to use items of perceived financial health to create the financial results outcome measure. Second, to add more rigor, only the responses of senior managers in finance functions were used. Financial results were calculated only using the scores of managers and senior executives in the finance and accounting functions in 33 companies. Consequently, the sample size was substantially reduced which may have resulted in the loss of statistical power and produced the non-significant results. Finally, a review of economic indices for 2001 and 2002, the years of data collection, reveals a significant negative pattern in financial markets. However, the result may also be telling us that there really is no relationship between word-deed congruence and financial performance.

When exploring the difference between senior managers and employees, t-tests indicated a small but statistically significant difference between managers and their subordinates on congruence scores $t\ (2527) = 3.798$; $p < .001$. Essentially, managers have a stronger perception of organizational congruence than their workforce (Table 15). The non-parametric Mann-Whitney U also produced a significant difference at $z = 3.70$; $p > 0.01$.

Table 15. Sample Size, Mean, Standard Deviation of Management and Employee on Congruence Scores

Position	N	Mean Congruence Scores	Standard Deviation
Management	1157	17.22	4.36
Non-Management	1501	16.59	4.21

No statistical distinction was found when examining the difference between the two independent samples of those employees who worked less that 5 years and those who worked more than 5 years for their respective companies. Mann-Whitney U also confirmed this finding.

Table 16 displays correlations between all three organizational performance outcomes and two items that measure perceptions of behavioral integrity. These two items were not included in the recoded items because their scale did not contain a value and a practice item. However, they are included here to support the hypothesis that there is an important association between congruence and organizational performance outcomes.

Table 16. Correlations of Trust and Core Value Items with Organizational Performance Outcomes

Items	Employee Satisfaction	Customer Orientation	Financial Performance
"We trust senior management because they do as they say" (Trust2 Item)	.597**	.444**	.004
"Senior management consistently models our core values" (Corval2 Item)	.550**	.455**	-.098**

** p < .01

Note: Financial Performance were correlated only using scores of managers and senior executives in finance and accounting functions

CHAPTER 5: SUMMARY

Summary and Discussion

Organizational values are an incredibly important aspect of organizational life and identity, and it has been argued here that congruence between espoused values and daily organizational behaviors can influence a company's potential for success. The main purpose of this study was to test whether an important relationship exists between the level of an organization's word-deed congruence and organizational performance benchmarks such as employee satisfaction, focus on customer orientation and financial outcomes. Management theorists have presented models, akin to the service-profit chain, demonstrating a link between employee satisfaction, customer orientation and increased profits. As Simons (2002a) contends, increased congruence is a precursor to increased employee trust and employee trust is what facilitates productive internal corporate behavior.

There is clear evidence that industry can be hurt by a leaders' inability, ineffectiveness or refusal to live by their espoused values. Whether this is done knowingly or unknowingly, the outcome may have a negative effect on performance. The results of this research partially support this claim.

Hypothesis 1

The first hypothesis predicted that employee satisfaction would be higher in companies that employees perceived to be more congruence. Statistically, this means there will be a significant positive correlation between the congruence scales and Employee Satisfaction. In other words, the less disparity between values and practices the more an employee will feel committed, loyal and content about where they work. This hypothesis was fully supported since 14 of the 14 values produced significant correlations in the predicted direction with the Employee Satisfaction outcome measure.

High congruence levels on Employee Growth were significantly correlated with Employee Satisfaction. Although we cannot prove a causal relationship, the association suggests that the more congruence there is between what managers say they will do and what they actually do, in regards to employee growth, the more satisfied the employee. Organizational behavior researchers suggest employee satisfaction and motivation will increase significantly if employers focus on employee growth and development (Fisher, 1997; Greenberg & Baron, 2003; Robbins, 2003; Zahir et al., 1997). In fact, evidence exists in social psychology research that employees may be more motivated by growth opportunities than monetary rewards (Deci, 1971; Lepper, Greene, & Nisbett, 1973) . Heyman and Ariely (2004) recently argued that given the correct conditions or markets, employees will sometimes expend more energy for no payment than for low payment. I hopefully take it one step further and show that there are important relationships between employee satisfaction and management's acting on promises to help employees grow and develop.

Interestingly, Candor has the next highest association. This too makes sense because it speaks to an organizations' willingness to be forthright whether the news is good or bad. If staff feel that manager's really do allow employees to express their true feelings that can only add to an employee's workplace satisfaction. It may also be related to feeling like what they have to say has meaning and is valued. It could also contribute to staff being given an opportunity to express negative feelings, feelings that would otherwise fester if not expressed and dealt with.

The next strongest positive correlation was between Meritocracy and Employee Satisfaction. One possible explanation for this is that Meritocracy is about recognition for the work that is done. Employees look for fairness in the distribution of rewards. Employees are often concerned that they are being paid a fair market value for their labors, and they are keenly attuned to the distribution of internal rewards. If employees feel that their companies espouse the notion of meritocracy but do not act on those words, or renege on their promises for fair compensation and rewards, then employees may feel dissatisfied. It could also be argued that employees are very aware and perhaps very sensitive to unfair treatment. If subordinates feel that they deserve a raise, recognition or compensation in some form, because they have met or exceeded the espoused criteria of an organization, and those expectations are not met, then the employees may feel that there has been a breach in the psychological contract between them and the organization. Furthermore, if the employee feels that another employee has received undue recognition as a result of nepotism or political favoritism, then the dissatisfaction may be exacerbated.

Correlations between Employee Satisfaction and congruence scores on Decision Participation, Autonomy and Creativity & Innovation were next in significance. As it was mentioned earlier these scales address the level of freedom and involvement an employee feels when it comes to spearheading organizational change or making important decisions. Decision Participation speaks to this involvement in terms of contributing to team or management decisions. Autonomy speaks to the individuals freedom be independent, and making independent choices. Creativity and Innovation speak to the permission to think outside the box and come up with unique solutions and suggestions without being ridiculed or reprimanded. This finding helps to confirm the evidence found in existing literature that that employee involvement, freedom and creativity is crucial to employee satisfaction (Casson, 1993; Christensen, 1999; Collins & Porras, 1997; Denison & Mishra, 1995; Galang & Ferris, 1997; Greenberg & Baron, 2003; Pfeffer, 1998; Sarros, Tanewski, Winter, Santora, & Densten, 2002; Wang et al., 2003).

When reviewing the results of the first hypothesis it is not difficult to see how important it is for management to make certain they are doing all they can to reduce any contradictions between words and deeds if they want to ensure employee satisfaction. Although employees may not pay attention or care if managers are congruent on all the values championed by the company, they probably do pay attention to a select few that directly impact them and their happiness. It may be that the effects of incongruity are devastating enough to encourage leaders to under-promise and over-perform if they are interested in seeing their companies succeed. Simons (2002a) argued that if there is a high level of incongruity or a perception that managers are not aligning their actions with their words, then there may be dire outcomes via reduced employee performance, lack of organizational citizenship behavior, high employee turnover, and an general unwillingness to promote the values of the company. Employees probably also feel a high degree of anxiety and uncertainty, making it more difficult to be productive.

Hypothesis 2

The second hypothesis states that customer orientation will be higher in companies that are more congruent. Fourteen out of the 14 values used had significant positive correlations in the predicted direction, sustaining the second hypothesis. What's even more interesting is that the same eight scales that had strong associations with employee satisfaction are also strongly associated with customer orientation.

Learning, Autonomy, Goal Orientation, Creativity & Innovation, Meritocracy, Employee Growth, Decision Participation and Candor had the largest correlation with Customer Orientation. It could be easily said that integrity on all these scales help to keep employees satisfied but they may also be about keeping the customers satisfied. Keeping employees satisfied is just as important to customer satisfaction as focusing directly on customer satisfaction. In light of the service-profit chain theory, discussed earlier, this makes sense. Customers will be more satisfied when employees are satisfied. It is usually the case that when employees believe that they are being treated fairly, being rewarded justly, contributing to decision, feel a sense of autonomy, allowed to be creative, learning and have clear goals and objectives, they are more satisfied and motivated to do their work. Apparently, customers recognize the difference. Therefore, organizations with equitable reward policies are ensuring that customer satisfaction is maintained.

In addition, decision participation, according to Denison and others (1982; 1984; 1990; 1995), is one of the most important corporate values in influencing organizational performance because it helps employees feel as if they are empowered, and it helps organizations to stay flexible.

> High level of involvement and participation creates a sense of ownership and responsibility. Out of this ownership grows a greater commitment to the organization and a growing capacity to operate under conditions of autonomy (Denison & Mishra, 1995, p.218).

Therefore, it is not hard to imagine that reneging on promises of employee involvement can lead to decreased customer orientation. Employee negative feelings can be high if they feel they have been "left out" of decision-making processes or have no autonomy. These negative feelings may lead employees to take deviant overt and/or covert action that slows down or derails a company from its goals. Employees can express dissatisfaction by leaving the company (turnover and retention), becoming passive and negligent in their work (absenteeism, reduced effort) or by complaining. It is obvious then that these behaviors would have a particularly strong negative impact on customer orientation and ultimately customer satisfaction.

The ability to adapt and adjust to an ever-changing marketplace is key to customer orientation. Customers are savvy and have many choices, so it is important that organizations pay attention to their customer's needs or risk losing them. Learning, Innovation and Creativity and Candor can contribute to an organization's ability analyze its outdated practices and install new rules of operation. For instance, a team's ability to be frank about important issues without fear of repercussions or ridicule offsets the phenomenon of groupthink and groupshift, two potentially disastrous outcomes (Robbins, 2003). Rogue opinions may help groups avoid fatal business errors and help organizations adapt. Another good example is related to theories of the learning organization (Argyris, 1976). If candor is valued and practiced it can lead to organizational errors being corrected in systemic ways, allowing the organization to amend and faulty assumptions. Innovation is about an organization's ability to be constantly aware of the competition and either improve on existing services or introduce new products and services. Innovation and creativity are closely related to learning and candor in that they are all necessary components of successful organizational change.

The data seem to tell us that customer orientation increases with perceived congruence in these areas. Employee satisfaction, if dealt with appropriately, ensures that employees are happy with their work and working environments and customers are treated well as a result. Customer orientation, if experienced in day-to-day behavior, keeps the organization focused on market needs and works to address customer needs. Companies cannot just talk the good customer service talk if they want to keep customers. Several authors have stated that successful companies need to keep a balance between internal integration and external adaptation (Collins & Porras, 1997; Denison & Mishra, 1995; Schein, 1992). They need to be attuned to external changes and be willing to take certain risks. Again this research illuminates the need for leaders to move toward word-deed congruence as an essential strategy for ensuring corporate success.

Hypothesis 3

Hypothesis 3 predicted that financial performance would be better in companies that were more congruent. The data points to virtually no relationship between congruence on these fourteen scales and financial results. While employee and customer orientation benefited from perceived congruence there seems to be little benefit to the bottom line.

Limitations

By listing the main assumptions of this study I am not admitting that there are inherent shortcomings in these implicit claims but rather pointing out areas where potential deficiencies might exist. My hope is that readers will challenge these assumptions in an effort to think "beyond the box" and determine if these assumptions are getting in the way of researchers' attempts at finding answers to the question at hand. Explicit limitations are also discussed.

The primary assumption in this research is that organizations experience differing levels of congruence between words and deeds and that that gap can be measured and analyzed. Another assumption is that congruence between espoused values and action is desired. But could there be negative consequences to congruence or too much congruence? It is also assumed that a survey could capture this data and more specifically that the Culture Assessment Tool could accurately measure the organizational values and practices in these organizations. The Cultural Assessment Tool was originally designed to capture important information about a company's culture. It was not designed to measure an employee's perception of an organization's level of behavioral integrity. The study may have benefited from an item or two that directly measured the perceived behavioral integrity of a given business unit.

It is assumed that respondents were forthright and willingly answered items on the questionnaire. It is also assumed that employees had enough experience within their organization to speak to the values and practices items in the survey. Finally there is an assumption that employee satisfaction, customer orientation, and financial results are valid indicators of organizational performance.

The previous assumptions are listed to make the obvious explicit and to possibly raise questions about the assumptions of this research. Maybe there is no gap between words and actions that is measurable. Or perhaps there is a more effective way of capturing respondent's perceptions of corporate behavioral integrity. Whatever the case they are laid out for scrutiny (Booth, Colomb, & Williams, 1995).

This study employs a non-experimental survey design and therefore a major limitation is that no cause-effect conclusions can be confirmed. Furthermore, within each company data were collected at one point in time capturing the nuances of that particular moment in time. Unfortunately, it is impossible to determine which environmental conditions such as economic conditions, fluctuating organizational policy, historical anomalies and the stage of organizational development influenced the results and if those results can be replicated and generalized.

A large sample size is usually welcomed in this kind of research. However, one of the pitfalls of a large sample is the potential for missing data. Although within company means were used to replace missing data points, perhaps more sophisticated methods could have been used to "correct" the data. For example, regression statistics could have been used, using existing data, to create models that could more accurately predicted what a subjects score may have been given their scoring on other items in similar scales.

The Cultural Assessment Tool only had action and value items for 14 of the 45 scales, thus, limiting the scope of the study. Although I was not looking for significant relationships between values and performance per se, showing that all 45 scales in the assessment were in the predicted direction would have strengthened the study and its applicability. Because several of the correlations among the congruence scales were in the predicted direction, it is possible to suggest that other congruence scales could possibly influence organizational performance outcomes in the same way.

Another limitation was the lack of actual financial data on each company. Although having the financial and accounting managers and executives' reports on the financial health of the companies may have been more accurate than accounting reports, backing up those claims with actual financial indicators would have strengthened the confidence in the results. Many business leaders admittedly place priority on issues that show a tangible impact on the bottom line. The evidence of this study fails to support this assumption.

Focus on customer orientation is not the same as actual reports of customer satisfaction. However, the argument was made that if there is perceived congruence between values that focus on making sure customers are satisfied and actual behaviors towards that end, then it is relatively safe to assume that customers will be satisfied. Yet, reports on actual customer satisfaction would have strengthened the results.

Surveys can effectively capture a breadth of information but do not capture what anthropologist Clifford Geertz (1973) calls "thick description" (p.6). Thick description gets at the essence of thought, belief or behavior in a way that drills for information until the informant's knowledge is exhausted. Geertz uses the contraction of a human eyelid as an example. Quantitatively we can explain how many eye contractions occurred in one minute or ask someone to describe the physical movements involved in an eye contraction. But the meaning behind the "wink" is lost. Yet, the ethnographer can unearth the meaning behind a wink and determine if it was a wink of conspiracy, a wink of attraction or just a twitch (Geertz 1973). It may be that qualitative methods such as in-depth interviews could add a "thicker" descriptive and narrative component to the question of congruence and integrity in corporations.

The decision to use Spearman's *rho* bivariate correlations was driven by the research question and the format of the data. Although the tests were satisfactory and appropriate I believe the data may have revealed more information with the use of more advanced statistics such as hierarchical linear modeling.

All of the items in the Cultural Assessment Tool were positively stated, introducing a possible response bias. Determining response bias can be a complex procedure for a number of reasons and involves a review of test theory; a topic beyond the scope of this study. However, because all the items were positively stated, some caution is needed in reviewing the results. Two obvious problems that could have occurred are (a) the possibility that the positively stated items lead respondents to give more positive ratings and (b) respondents, disinterested in taking the survey, could potentially check off all "1's" or "5's" in order to quickly finish the survey.

If a response bias exists there may be more congruent than incongruent scores because the employee responses are used to produce both the congruence score and the employee and satisfaction outcome scores. This is a possibility since there is a large number of significant positive correlations were produced within the Employee Satisfaction and Customer Orientation outcome measures. In contrast, the Financial Results produced no significant correlations. This may be a direct result of very little response bias since the Financial Results outcome measure was produced using different cases than what was used to produce congruence scores. The employees produced the congruence score and senior management produced the financial outcome scores. Given that there are no items with negative statements it is not possible to test for response bias.

Implications for Practice

In light of the general populations' disparagement and cynicism towards modern day corporations, based on perceived and real hypocritical behavior, corporate leaders ought to take these and other results seriously in order to rectify general distrust and improve the execution of organizational goals. This research has attempted to illustrate the need to place more energy into the alignment of ideology with behavior than with the content of that ideology. This idea has been supported by several scholars in the field (Collins & Porras, 1997; Rob Goffee & Jones, 1996; Lencioni, 2002; Maister, 2001a; T. Simons, 2002a). Hence, the first implication is to shift one's focus from a focus on finding the right culture to a focus on developing a culture of integrity with the values that make sense for the company's respective industry, competitive environment and the economic circumstances of the time. Advocating for moral values is not the point, but promoting a reduction in hypocritical behavior is. A discussion of what should or should not be included in organizational values is best left to ethicists or organizational philosophers. Although I am in favor of moral discourse and think that business ethics should be advanced, I believe that a debate on moral values distracts from congruence because it focuses on "right" and "wrong" and not on the reduction of hypocritical behavior. It derails action. It is like the Monty Python skit of soccer playing philosophers.

The skit shows several famous European philosophers standing still on a soccer field wondering if kicking the ball is the "right" thing to do or not.

If I were to recommend that leaders pay close attention to the particular values measured here, then I would fall into the same trap as previous researchers. I would be assuming that these values in and of themselves are the key to increased effectiveness and efficiency. But that is not the case. What I have attempted to show is that congruence, integrity and alignment are important and perhaps more important for some values than for others. Then again to recommend action beyond the results of this study would be imprudent. So, the most obvious implication for practice is that leaders need to watch what they say and work as best they can to make sure their actions represent their words, especially in regard to the congruence scales that have a statistically significant relationship with the outcome measures. For instance, the results showed that there are particularly strong relationships involving meritocracy, decision participation, acceptance of change and risk taking. One then might conclude that it makes sense for senior leaders to <u>do</u> what they can to make sure employees feel that organizations are walking their talk in these realms. Again, if leaders say that they will involve employees in the important decisions of the company, the results show that if leaders act on that promise satisfaction ensues.

Yet, this may not be enough. Leaders have to be careful that their rhetoric resonates with the beliefs of their constituents (Kouzes & Posner, 2003a). They must also anticipate when their actions may seem counter to their words, and proactively communicate to their constituents the reasons behind their "incongruent" actions. They need to express reasons why their actions may seem out of alignment when in fact they are not. They must also tell their employees how forces beyond their control cause them to shift positions or take seemingly contrary actions. Some of these forces are described in Simons model (2002a) as fads, faulty organizational policies, and abandoned initiatives. Organizations also need to do what they can to ensure their managers are perceived as congruent -- reducing chances that organizational changes and initiatives do not undermine manager's efforts to reduce perceived hypocrisy.

The results of this study pointed to a significant relationship between employee satisfaction, customer orientation and being perceived as someone who keeps espoused values and actions in accord. In light of current business debacles or "explosions" (Schein 1990) it may seem obvious to highlight the need to pay attention to these results.

Leaders need to pay attention to their words and their action as well as do whatever they can to clearly communicate the reasoning behind their actions so as not to be wrongly accused of any misalignment. As Simons (2002a) and Brunsson (2002) have pointed out, leaders cannot be in control of all organizational events and often struggle to satisfy the demands of all their constituents. Hence, leaders need to make extra effort to communicate clearly the reasoning behind their words and actions in order to offset any misperceptions, internally and externally, of behavioral integrity.

Many companies pay homage to many of the values that have been researched here and many more that we have not mentioned, but worshipping these values and acting on them are two different things. Perhaps the most important finding is that if employees perceive that organizations, leaders and managers are living up their words, companies succeed in making sure employees, customers and shareholders are satisfied.

Outlining all the actions that organizations and senior executives can do to ensure congruence is beyond this paper. However, they can look at these results and begin to think about what they need to believe and do in order to bring words and deeds into alignment and to be perceived as congruent. Perhaps the first step is to look at what managers value (Argandona, 2003; Posner & Schmidt, 1992), how well those values conform to the constituents and organizations they work for (Enz, 1988; Posner, Kouzes, & Schmidt, 1985; Radhakrishnan, Kuhn, & Gelfand, 2000), how well they communicate their values, and most importantly, how they act.

Suggestions for Future Research

There is clearly a need for more theories that attempt to explain perceived behavioral integrity and its impact on organizational performance. So far the only comprehensive model that has been developed is Simons' model of perceived behavioral integrity (T. Simons, personal communication, September 2004). Researchers are in need of alternative theoretical models to test, and it is likely that disciplines such as communications, strategy, social psychology and business have much to offer.

The focus on instrumentation is another area where future researchers can contribute. Many research projects in the area of organizational culture, values and congruence have relied on existing databases. Many of these databases were not designed to capture the specific data that is being researched. In many instances analysts are doing statistical gymnastics to make the data fit the question. Consequently, there is a need for scholars to develop specific instruments to measure the constructs in question. Research in the area of word-deed congruence is no exception. Instruments are needed that accurately assess perceived and real hypocrisy within organizations.

Although I just suggested that better instrumentation is needed to assess organizational congruence, this is not to dismiss more qualitative methods for collecting data. I believe that researchers should consider the use of both qualitative and quantitative methods in the pursuit of answers. Because perceived behavioral integrity includes a subjective, human dynamic in the processing of perceptions and in the developing of interpretations, it may be that qualitative methods are the most useful for discovering additional information. In-depth interviews, participant observations, and case studies may just be a few of the approaches that would add to our understanding this phenomenon.

The ability to analyze differences between and within organizations is a quantitative problem. Conducting research that considers the interrelatedness or dependence of variables across different levels is crucial if this type of research is pursued. Utilizing hierarchical linear model to test for predicted outcomes is an avenue of research that will be fruitful whether one is studying the differences between companies within the same industry or across industries.

The premise of hierarchical linear modeling is that individuals are influenced by and influence their social groups (Hox, 1995). Hierarchical linear analysis is different than many other statistical analyses in that it bases its calculations on an assumption of dependence rather than independence (Hox, 1995; Singer & Willet, 2003). It recognizes that each level has an influence on the outcomes of other levels and takes into account the "dependence" between variables across levels, reducing the likelihood of making erroneous conclusions that are common when researchers aggregate or disaggregate data.

Hierarchical analysis, often referred to as multilevel or nested analysis, is flexible enough to measure differences across different levels between large groups and organizations (i.e. schools, companies, families) and the individuals nested within these groups (Singer & Willet, 2003). A hierarchical analysis could be used to study the differences between organizations. Following a hierarchical or multilevel analysis the first step would be to analyze a sample of companies, and the second step would be to analyze a sample of employees within each company (Hox, 1995). One could then determine how different hierarchical levels were influencing variables.

Using data from one point in time was a limitation of this study. It is suggested that future research include data that illustrates long-term and short-term growth over time. One interesting study would be to compare companies, using longitudinal data, to see if more congruent companies continue to outperform their less congruent counterparts over time. Numerous alternative hypotheses exist to explain the relationship between espoused values, value-in-use, and performance. Among those hypotheses are even more variables that may or may not have a direct or indirect impact on the outcomes. For instance, Casson (2002) argued that the strength of the U.S. economic system lies in the ability to maintain a critical level of trust, or else employees will "refuse to participate"(Kouzes & Posner, 2003a). It is not hard to translate this information to the impact increased or decreased trust could have on organizational, group and unit performance. Consequently, board members, senior executives and managers interested in increased productivity may need to place more emphasis on the development of organizational trust as it relates to behavioral integrity and potential negative and positive outcomes. However, organizational trust is best developed by acting in a congruent manner.

In an effort to substantiate the mediating role of trust between congruence levels and organizational performance outcomes, a four step regressional analysis could be employed (Baron & Kenny, 1986; Frazier, Tix, & Barron, 2004). Outcome, mediator and predictor variables could be regressed in four steps to see what relationship, if any, trust has with the dependent outcome measures.

Researchers could also study perceptual differences between senior executives, managers and frontline workers. Do organizational members perceive congruence in different ways depending on where they are in the company echelon? A related question that needs to be explored further is, "to what extent do different organizational members care about a set of values?" It may be that executives care a great deal about congruence around a particular set of values while frontline staff cares about a completely different set.

It would also be very interesting to see how much weight is given to word-deed congruence given the developmental stage of an organization. Congruence may mean something very different in start-ups versus blue chips and have a very different impact on the success of an organization. Examining the varying degrees of perceived congruence via length of service, level of education, age and gender would also yield valuable and vital information to the study of corporate behavioral integrity.

Perceptions may also differ depending on the magnitude and history of manager and non-manager relationships. Non-managers who experience close relationships with their managers may use more stringent criteria for assessing manager's congruence. Then again the reverse could be true. Non-managers may be more forgiving of managers to whom they are close.

Along these lines research is also needed to explore whether or not behavioral integrity is applied globally or within a particular domain (T. Simons, 2002a). It would be important to know how extensive or limited the assignments of integrity or hypocrisy are. It could be that subordinates only ascribe perceived behavioral integrity to a specific domain within a specific context. Then again, it may be that employees who witness or perceive that managers have been incongruent in one instance or domain may globally superimpose that ascription to the personality of the manager.

The question, "Can too much congruence cause organizational problems?" is another fertile area for exploration. As counterintuitive as this may seem, it is often the counterintuitive that generates the most interesting results. Could too much congruence be an antecedent to constructs such as organizational rigidity, groupthink or groupshift? For example, hypocrisy may play an important role in an organization's ability to adapt to the demands of several stakeholders whereas too much congruence may stifle an organization's ability to be diplomatic (Brunsson, 2002). These are all important questions that can add credence to the idea that values are only good if companies ensure that their leaders are emulating those values in their daily actions.

Conclusion

Integrity can be characterized as making and keeping a promise. Unfortunately, private and public promises are broken everyday, and the impact is profound. How often do we hear someone say that *this time* they are really serious about accomplishing a particular goal? For the hundredth time they tell us about their plan and go into great detail about how they will accomplish that plan. We begin to notice that we are having a hard time really listening to what they are saying and find ourselves tuning out or feeling frustrated. Why? Because we never see any real action toward accomplishing their stated goal. Consequently, we discount their words and question their integrity. We may have a hard time believing that they will follow through on other goals based on our assessment of incongruence between what they say they will do and what they actually do. In his book, "The 7 Habits of Highly Effective People", Stephen Covey explains why we "tune out";

> Lack of integrity can undermine almost any effort to create high trust accounts. People can seek to understand, remember the little things, keep their promises, clarify and fulfill expectations, and still fail to build reserves of trust if they are inwardly duplicitous. Integrity goes beyond honesty… Integrity is *conforming reality to our words*, in other words, keeping promises and fulfilling expectations (Covey, 1989, p. 195).

It used to be that a person's "word" was all that was needed to feel confident that a promise would be kept. Yet, in today's world, complex contracts with subsequent penalties are drafted in order to ensure that parties follow through on their "word". Even so, individuals, groups, institutions, organizations and nations continue to breach those contracts. New Year's resolutions are quickly abandoned, promises to return an item to a neighbor are ignored, Geneva conventions are disregarded, and corporate leaders behave in ways that contradict organizational values (i.e. Enron, WorldCom, Mutual Funds, Exxon, Halliburton, Martha Stewart, etc). Why is it so difficult to make a promise and keep it?

Covey (1989) believes that society has shifted from what he calls the "character ethic" to the "personality ethic" in order to shortcut the hard work involved in finding success. He defines the character ethic as the effort to integrate principles such as integrity, humility, temperance, courage, honesty, industry, etc. in the attempt to find success and happiness. The personality ethic, on the other hand, is defined by Covey as a set of slick techniques or skills to improve one's public persona in an effort to "lubricate the processes of human interactions", bypassing the often difficult work of building character (p. 19). Covey continues to state that techniques used to enhance communications or influence others are not necessarily problematic in and of themselves but that they are secondary traits. He writes,

> If I try to use human influence strategies and tactics of how to get other people to do what I want, to work better, to be more motivated, to like me and each other – while my character is fundamentally flawed, marked by duplicity and insincerity - then in the long run, I cannot be successful. My duplicity will breed distrust, and everything I do – even so-called good human relations techniques – will be perceived as manipulative. It simply makes no difference how good the rhetoric is or even how good the intentions are; if there is little or no trust, there is no foundation for permanent success
> (Covey, 1989, p. 21).

The character ethic says that you must till the ground, plant the seed, water the seed, weed the garden, and fertilize the soil to reap a good harvest. The personality ethic says that you can avoid all that and just go harvest. However, when the personality ethic fails to produce the desired results, words are disregarded and efforts to find another shortcut solution begins. It no longer matters that leaders follow through on their words just as long as what one says sounds good and that one looks good (i.e. making sure all the stakeholders are pleased, even if it means sending several different messages). One organizational researcher even advocates that hypocrisy is an organizational necessity for resolving strategic tensions in the pursuit of corporate legitimacy (Brunsson, 2002).

We see this kind of incongruence between what one says and what one does in every arena of life and across history. Yet, how often do we stop and really think about the consequences on our individual productivity, organizational performance and even on our national economies? It can be argued that individual productivity has an impact on organizational economic outcomes and ultimately gross domestic product, but how exactly does that relationship play out? Some have argued that organizational culture is key.

I agree that culture does play an important role in the production and performance of organizations and that perhaps there are a few key cultural variables that can enhance corporate effectiveness. However, the agreement ends there. I do not believe in the existence of a group of ideal cultural values that can be formulaically applied. Ensuring that there is congruence between the espoused values and actual behaviors is a better way to attain competitive advantage and effectiveness. In other words, it is the culture of integrity that sets companies apart.

Focusing on effectiveness is one way for companies to gain a competitive advantage, but they cannot ignore the influence of external environments on their decisions about how they must operate. In other words, economically competitive environments reinforce cultural practices. Companies interested in thriving in economically competitive scenarios must ensure that their corporate cultures fit the demands of external stakeholders. A review of any particular industry will reveal that companies competing in that industry adhere to similar ideologies. Although they can dictate to some extent what those cultural values might be to set themselves apart, they must pay careful attention to what the market demands. Therefore, the search for a holy grail cluster of cultural variables to secure the success of all companies, although a noble aspiration, is arguably less important than addressing the impact of word-deed congruence for three main reasons. First, while a cluster of cultural variables may fit for one company in a particular industry, it may not make sense for another company in another industry. Secondly, even if a cluster of key cultural values were proven to give a competitive advantage, once companies began to adopt those same values, a competitive advantage would no longer exist and a new cluster would have to be discovered (Barney, 1986). Thirdly, companies must pay attention to the changing demands of the market and find ways to make sure their culture is flexible enough to stay synchronized with industry specific shifts.

The inherent flaw in focusing on a core set of cultural variables that can be applied across companies is rigidity. There may be some values that stand the test of time. What is bothersome, however, is the argument that if values XYZ are prescribed across all companies, the effectiveness for all those companies will increase. So if a set of stable cultural variables is not the answer to competitive advantage what is? I am arguing here that congruence/integrity may be the one cultural variable that could, no matter what other values are espoused, be the key to advantageous corporate effectiveness because it does not discriminate among values, it only cares that the company adheres to what it says it values. Integrity then becomes a sort of meta value. One possible counter argument is that if all companies adopt the value of integrity, then they too lose their ability to gain an edge over their competitors. I believe, however, that integrity is a higher order value that is very difficult, but not impossible, for most companies to attain. The few companies that do try and make congruence between words and actions happen are going to find themselves rewarded for their hard work.

Unfortunately, we have too many "blind" leaders failing to see how they are contributing to the demise of their companies with their empty chatter and not recognizing the importance of being seen as congruent. They carelessly talk about visions, missions and values with little follow through or without real consideration for the hard work involved in actualizing those values. Enron is a company that fell hard because of this type of incongruence. Enron's mission statement included notions such as respect, integrity, communication and excellence (Haschak, 1998). Yet, their leaders practiced the complete opposite. Through embarrassing public hearings and court proceedings people discovered that Enron's leaders had not just ignored their company values but had engaged in behavior so contradictory to their espoused values that they were facing criminal charges.

This study has produced results indicating that there may be some competitive or commercial validity in reducing discrepancies between espoused values and day-to-day behaviors. Business leaders may be able to increase employee satisfaction and customer orientation paying close attention to some of these findings and finding ways of ensuring word-deed integrity exists in their organizations. They may find sustainable competitiveness in an ever-increasing competitive market by thinking of integrity as a strategic asset. They may also diffuse some of the "explosions" discussed above. But the study has also produced many more questions. Yet, the research is open to scrutiny in hopes that other scholars may be stimulated into thinking about ways of building on what has been found here, and building a more congruous workplace.

APPENDICES

APPENDIX A Complete Scales and Items for Cultural Assessment Tool

Acceptance of Change	Change is valued and seen as desirable at XYZ. At XYZ we don't hesitate to challenge ineffective practices or out-dated assumptions. The executive team is highly receptive to changing the way we do things here. Employees are encouraged to challenge policies, decisions, and procedures.
Accountability	In my department, we do not tolerate nonperformance. At XYZ we always hold people personally accountable for achieving their work goals and objectives. At XYZ we regularly measure individual performance as a way of holding people accountable. People who don't deliver on commitments do not last long at XYZ. At XYZ there are serious consequences for not meeting your commitments and deadlines.
Aggressiveness	XYZ is considered an aggressive organization. Being aggressive is a part of our corporate identity. We aggressively seek out and take advantage of new business opportunities.
Autonomy	Independent thinking is highly valued at XYZ. In my department, management trusts us to figure out the best way of getting the job done. Employees are given a high level of freedom in how they do their work. Management (executive team and other managers) gives employees a great deal of autonomy. Employees don't feel micromanaged.
Broader Meaning	At XYZ employees feel they are contributing to meaningful goals. Employees feel inspired and motivated by XYZ' goals. My manager communicates the broader significance of what we do. Management (executive team and other managers) helps employees understand the importance and context of decisions and goals.
Bureaucracy	My ability to be creative and flexible is not hampered by organizational rules, restrictions and multiple approval levels. We keep red tape, rules and restrictions to a minimum. Employees do not feel stifled by unnecessary rules, paperwork and bureaucracy.
Business Ethics	Unethical business practices in my department are extremely rare. At XYZ people are expected to follow agreed-upon behavioral standards or a shared code of ethics. Unethical behavior is never tolerated at XYZ, even when a person is getting outstanding results. At XYZ outstanding results are only valued if achieved according to the highest ethics and integrity.
Candor	The executive team wants to know both the good news and the bad news. We value an open, straightforward style of sharing information at XYZ. In my department, it is safe to speak your mind, even if it means disagreeing with management. Employees in my department feel free to express their true feelings.
Commitment to Core Values	In my department, XYZ' core values are always carefully considered when making plans and decisions. The executive team consistently models our core values. XYZ' core values are an important aspect of employee performance evaluations.

Competitor Awareness	At XYZ business decisions are made with careful consideration of what our competitors are doing. At XYZ we believe it is critical to be focused on our competition and know where we stand against them. We systematically gather information about our competitors' products, services, prices, performance, positioning, etc.
Confronting Conflict	At XYZ we believe that facing and working through our differences is healthy. In my department, we address conflict directly and don't pretend it doesn't exist. People don't hesitate to confront each other in my department. We always confront and resolve our conflicts with one another, even when they are unpleasant and uncomfortable.
Creativity & Innovation	We have new ideas coming from all levels of XYZ. Innovation and creativity are valued, rewarded and recognized in my department. People can experiment and take thoughtful risks without being criticized or punished. People feel free to experiment and contribute new ideas and approaches even when it falls outside of their job description.
Customer Driven	Management (executive team and other managers) spends a good deal of time with customers and business partners. No matter how difficult or painful, we keep our commitments to our customers. In my department, we regularly change the way we do things in order to accommodate our customers' needs. Commitment to the customer is the driving force of XYZ. We repeatedly ask our customers how we can improve our products and services.
Decision Participation	The executive team truly cares and considers employee welfare in decision-making. Employee opinions are highly valued by the executive team. The executive team believes that employee participation in decision-making produces better decisions. The executive team makes decisions after soliciting input from many individuals at various levels.
External Focus	We systematically monitor potential external threats (economic downturns, technological developments, political trends, etc.) that could impact XYZ. At XYZ we focus on learning about our market and adapting our strategy to differentiate and stay ahead. At XYZ we are highly sensitive to trends and emerging opportunities in the external environment. We focus on what's going on in our industry or market and don't get caught up in XYZ' internal issues.
Financial Awareness	I know what our revenues and profits were last year. I know what our financial goals are this year. I understand how to interpret XYZ' financial data. Management (executive team and other managers) shares detailed financial information with all employees (P&L, Balance sheet, etc.). Understanding XYZ' financial data helps me understand where to focus my efforts and goals.
Financial Focus	We run our business almost solely to achieve financial measures of success. The only concern of the executive team is increasing owner/shareholder value. The executive team seems to care only about financial performance. The bottom line is all that matters at XYZ.

Financial Results	I would invest my own money in this company. Over the last year, our financial results have been outstanding. We have consistently been more profitable than our competitors.
Goal Orientation	Employees have a clear understanding of the long-term strategic goals of XYZ. In my department, we always link individual performance goals to the company's business objectives. Management (executive team and other managers) stresses the importance of clear goals for keeping us focused and on-track. In my department, all employees have clearly defined performance goals.
Individualism	Mavericks and non-conformists are accepted and appreciated at XYZ. At XYZ it is okay if you do not conform. You don't need to conform to get ahead at XYZ.
Information Sharing	I feel well informed about what's going on in my department. The executive team is careful to share information in a way that makes us all feel included as partners in the business. Information from the executive team is never censored.
Learning	Continuous learning is a high priority at XYZ. Teams and individuals leverage their learning experiences by sharing them across the organization. At XYZ we regularly take the time to learn from our mistakes. In my department, we routinely examine our successes and failures as a way to learn and improve performance.
Loyalty	I feel a strong allegiance and sense of commitment to XYZ. I feel a strong connection to XYZ. I feel emotionally attached to XYZ. Leaving XYZ would be extremely difficult and would require a good deal of personal soul searching. I feel a strong obligation to remain at XYZ.
Meritocracy	Management (executive team and other managers) believes that rewards and promotion should be earned as the result of competence and excellence in performance. There is no doubt that the people who get ahead at XYZ have earned it. In my department, individual contributions and performance are routinely appreciated and rewarded. At XYZ rewards and promotion are based strictly on performance, achievement, and results rather than political favoritism.
Nimbleness	We are able to quickly mobilize and refocus our resources as business needs change. XYZ rapidly responds to trends, opportunities, and threats. XYZ is consistently fast in getting new products/services to market. We rarely get tied down to a predetermined approach and lose our flexibility.
Non-Hierarchical	People at XYZ treat each other as equals, regardless of their position. At XYZ formal designations of power and authority are kept to a minimum. People at XYZ are not very focused on status differences. XYZ is not hierarchical.
Organizational Identity	I am extremely proud to tell others that I work for XYZ. At XYZ we share a common purpose that is inspiring and motivating. Working at XYZ gives employees a sense of belonging to something special and unique. XYZ fosters a strong sense of loyalty and belonging.
Performance Pressure	In my department, it is important to convey the impression that you can handle any workload. People who make it to the top at XYZ are those who put their work ahead of everything else in their lives. People in my department often work themselves into the ground. People who strive for work/life balance are seen as not truly committed to

	XYZ.
Politics	Divisive conflicts, intentional sabotage and bitter rivalries between groups within XYZ are extremely rare. Management (executive team and other managers) strives to minimize bias and eliminate unfairness in the way employees are treated. Maneuvering and behind-the-scenes lobbying to gain access to power, influence, and/or resources are uncommon in my department. Turf wars and power battles at the top of XYZ are extremely uncommon. In order to get ahead at XYZ you don't need to build alliances and relationships with the "right" people. Gossip, power struggles, and misinformation are not big problems at XYZ. XYZ is refreshingly free of politics.
Pressure, Stress & Pace	The work environment is intense and fast paced at XYZ. Our jobs generate high levels of tension or anxiety. We set unreasonable deadlines that cause stress among employees.
Risk-Taking	We value risk-taking at XYZ. Employees are supported for taking calculated risks, even if they don't work out. Risk-takers are valued, respected, encouraged and supported at XYZ.
Seriousness	We always value having fun as well as getting things done. There is always a playful and lighthearted attitude in my department.
Silo Mentality	We go out of our way to cultivate relationships with people in other departments and groups. We always consider the impact of our decisions on other departments and groups. We communicate freely across organizational boundaries with little censorship or distortion. People in my department are aware of what is happening in other parts of the organization. Around here, people identify more strongly with the overall organization rather than their workgroup or function.
Supporting Employee Growth	The executive team believes employees should be supported in finding ways to make their jobs more fulfilling. XYZ has consistently demonstrated a commitment to employee growth and development. XYZ makes a deliberate effort to provide employees with attractive career advancement opportunities.
Systems and Procedures	Our systems and procedures help us deliver results with consistency and speed. We have the necessary systems and procedures to ensure efficiency, reliability and quality throughout XYZ. Our processes and procedures are streamlined to ensure efficient communications and workflow.
Teamwork	There is a strong spirit of cooperation in my department. In our meetings we work collaboratively to achieve our goals. In my department, we listen to each other and effectively build off each other's ideas. Teamwork is modeled at the highest levels of XYZ. Our compensation system promotes teamwork and collaboration.
Time Horizon	We avoid over-reacting to the current crisis and keep our attention focused on our long-term strategy. We are expected to carefully consider the long-term consequences before finalizing decisions. At XYZ we typically take a long-term and proactive approach. We continually have our sights fixed on the long term.

Trust	We trust the executive team because they do as they say. Management (executive team and other managers) values creating an environment of trust. Employees are always treated with respect and consideration. The actions of management (executive team and other managers) demonstrate that employees are genuinely trusted.
Valuing Excellence	We would never release or sell a substandard product or deliver substandard service. Poor quality is never tolerated or ignored in my department. People at XYZ are not satisfied with anything less than the highest level of quality.

APPENDIX B Value and Practice Items for Each CAT Scale Used

Acceptance of Change
Value Item
- Change is valued and seen as desirable in this organization.

Practice Items
- Senior management is highly receptive to changing the way we do things here.
- Employees are encouraged to challenge policies, decisions and procedures.
- In this organization we don't hesitate to challenge ineffective practices or out of date assumptions.

Autonomy
Value Item
- Independent thinking is highly valued in this company.

Practice Items
- In my workgroup management trusts us to figure out the best way of getting the job done.
- Employees are given a high level of freedom in how they do their work.
- Employees don't feel micromanaged.
- Management gives employees a great deal of autonomy.

Business Ethics
Value Item
- In this organization people are expected to follow-agreed-upon behavioral standards or a shared code of ethics.

Practice Items
- In this organization outstanding results are only valued if achieved according to the highest ethics and integrity.
- Unethical behavior is never tolerated in this organization even when a person is getting outstanding results.
- Unethical business practices in my workgroup are extremely rare.

Candor
Value Item
- We value an open straightforward style of sharing information in this organization.

Practice Items
- Senior management wants to know both the good news and the bad news.
- In my workgroup it is safe to speak your mind even if it means disagreeing with management.
- Employees in my workgroup feel free to express their true feelings.

Competitor Awareness
Value Item
- In this organization we believe it is critical to be focused on our competition and know where we stand against them.

Practice Items
- In this organization business decisions are made with careful consideration of what our competitors are doing.
- We systematically gather information about our competitors' products, services, prices, performance, positioning, etc.

Conflict
Value Item
-At XYZ we believe that facing and working through our differences is healthy.

Practice Items
- In my department, we address conflict directly and don't pretend it doesn't exist.
- People don't hesitate to confront each other in my department.
- We always confront and resolve our conflicts with one another, even when they are unpleasant and uncomfortable.

Decision Participation
Value Item
- The senior management believes that employee participation in decision-making produces better decisions.

Practice Items
- Employee opinions are highly valued by senior management.
- Senior management makes decisions after soliciting input from many individuals at various levels.
-Senior management truly cares and considers employee welfare in decision-making.

Employee Growth
Value Item
- Senior management believes employees should be supported in finding ways to make their jobs more fulfilling.

Practice Item
- The organization makes a deliberate effort to provide employees with attractive career advancement opportunities.
- The organization has consistently demonstrated a commitment to employee growth and development.

Goal Orientation
Value Item
- Management stresses the importance of clear goals for keeping us focused and on-track.

Practice Items
- In my workgroup all employees have clearly defined performance goals.
- Employees have a clear understanding of the long-term strategic goals of the organization.
- In my workgroup we always link individual performance goals to the company's business objectives.

Innovation
Value Item
- Innovation and creativity are valued, rewarded and recognized in my workgroup.

Practice Items
- We have new ideas coming from all levels of the organization.
- People can experiment and take thoughtful risks without being criticized or punished.
- People feel free to experiment and contribute new ideas and approaches even when it falls outside of their job description.

Learning
Value Item
- Continuous learning is a high priority in this organization.

Practice Items
- In my workgroup we routinely examine our successes and failures as a way to learn and improve performance.
- In this organization we regularly take the time to learn from our mistakes.
- Teams and individuals leverage their learning experiences by sharing them across the organization.

Meritocracy
Value Item
- Management believes that rewards and promotions should be earned as the result of competence and excellence in performance.

Practice Items
- In this organization rewards and promotions are based strictly on performance, achievement, and results rather than political favoritism.
- There is no doubt that people who get ahead in this organization have earned it.
- In my workgroups, individual contributions and performance are routinely appreciated and rewarded.

Risk-Taking
Value Item
- We value risk-taking in this organization.

Practice Items
- Risk takers are valued, respected, encouraged and supported in this organization.
- Employees are supported for taking calculated risks, even if they don't work out.

Seriousness
Value Item
- We always value having fun as well as getting things done.

Practice Item
- There is always a playful and lighthearted attitude in my workgroup.

APPENDIX C Sample Letter Sent to Employees

To: All Employees
From: CEO
Date: June 5, 2001
SUBJECT: Current Culture Assessment for ABC Company

We are asking all employees to participate in a survey of corporate culture. The purpose of this survey is to get a 'snapshot' of our organizational culture. This will help us assess whether our current culture, from our employees' perspective, supports and drives the actions necessary to achieve our goals.

The results of the survey will be collected and tabulated by Hagberg Consulting Group (HCG), an outside organization that has developed the survey instrument. HCG will report only statistical summaries of results. No individual responses will be reported, and no attempt will be made to identify individual respondents.

The survey will take approximately 20 to 25 minutes to complete and will be administered electronically through HCG's Website. You will have 24-hour access between June 7th and June 21st and will have the opportunity to stop and return to the survey at any time.

Once the survey has closed, We will announce when the results of this survey will be available to all employees.

We are looking for 100% participation.

<u>I would like to thank you in advance for taking the time to complete the survey.</u>

APPENDIX D Instructions for Culture Assessment Tool

INSTRUCTION:

Be honest and candid in expressing your views. Your individual responses to the survey will be completely anonymous.

The survey contains 3 sections and should take approximately 20 to 25 minutes to complete. At any time you have the option to save your responses and continue later.

Section 1 includes demographic questions.

Section 2 consists of 170 items. Read each item carefully and select the response that best reflects your opinion. The possible responses range from "Strongly Disagree" to "Strongly Agree." Please answer all of the items. If you find that you are unable to rate an item, mark the "Unable to Rate" box.

Section 3 includes short answer questions.

PLEASE DO NOT USE THE "BACK" BUTTON ON YOUR BROWSER. Once you have answered a group of questions, YOU CANNOT GO BACK to change your responses.

APPENDIX E Demographic Questions for Culture Assessment Tool

Cultural Assessment for ABC Company

The following coding questions are necessary to maximize the usefulness of your survey responses. Because there may be varying opinions from employees in groups or locations, breaking down the results for these groups will enable management to understand and address these differences. No individual responses will be reported and no attempt will be made to identify individual respondents.

1. Which of the following best describes your Business Unit affiliation?

- ❑ Finance/Accounting
- ❑ Human Resources
- ❑ Information Technology/MIS
- ❑ Administration
- ❑ Sales
- ❑ Marketing
- ❑ R & D
- ❑ Manufacturing
- ❑ Engineering
- ❑ Other

2. Which of the following best describes your position?

- ❑ Non-Exempt
- ❑ Exempt
- ❑ Supervisor
- ❑ Manager
- ❑ Director
- ❑ Senior Director, Vice President, or above

3. What is your total length of service?

- ❑ Less than 1 year
- ❑ 1 to less than 3 years
- ❑ 3 to less than 5 years
- ❑ 5 to less than 10 years
- ❑ 10 years or more

4. What is you level of education?

- ❑ High School Diploma
- ❑ Associates Degree
- ❑ Bachelors Degree
- ❑ Masters Degree
- ❑ Post Graduate Work/Doctorate Degree

5. What is your age?

- ❑ Under 20
- ❑ 20-29
- ❑ 30-39
- ❑ 40-49
- ❑ 50-59
- ❑ 60 or over

6. What is your gender?

- ❑ Male
- ❑ Female

APPENDIX F Sample Format of Culture Assessment Tool

Cultural Assessment for ABC Company	Strongly Disagree	Moderately Disagree	**Neutral**	Moderately Agree	Strongly Agree	Unable to Rate
1. We value risk-taking in this organization.						
2. The organization makes a deliberate effort to provide employees with attractive career advancement opportunities.						
3. Risk-takers are valued, respected, encouraged and supported in this organization.						
4. In this organization we always hold people personally accountable for achieving their work goals and objectives.						
5. We systematically monitor potential external threats (economic downturns, technological developments, political trends, etc.) that could impact the organization.						
6. The actions of management demonstrate that employees are genuinely trusted.						
7. Teamwork is modeled at the highest levels of the organization.						
8. We have new ideas coming from all levels of the organization.						
9. This is a well-managed company.						
10. The organization rapidly responds to trends, opportunities, and threats.						
11. I would invest my own money in this company.						
12. Being aggressive is a part of our corporate identity.						
13. There is always a playful and lighthearted attitude in my workgroup.						
14. The organization is consistently fast in getting new products/services to market.						
15. Senior management seems to care only about financial performance.						
16. We set unreasonable deadlines that cause stress among employees.						

APPENDIX G Definition of Terms

1. **Organizational Culture:** The most comprehensive and useful definition of organizational culture is borrowed from Schein (1992) and is laid out as, *"A pattern of shared basic assumptions that the group learned as it solved problems of external and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems."* (p. 12).
2. **Values-Practice Congruence:** The level of correspondence between what one says they will do or value in a particular realm and what they actually do behaviorally in that same realm. Used interchangeably with word-deed congruence, perceived congruence, espoused values vs. theories-in-use and perceived behavioral integrity.
3. **Behavioral Integrity:** Ascribed trait, describing a perceived pattern of alignment between another's words and deeds. BI is a present-time trait whose ascription draws on history (Simon, 2001).
4. **Trust**: The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.
5. **Credibility**: A perceivers' assessment of believability, or of whether a given speaker is likely to provide messages that will be reliable guides to belief and behavior. This construct, widely discussed in persuasion, marketing, and legal literatures, largely overlaps with trust, and may be considered a subclass of trust.
6. **Psychological Contract:** Individual's beliefs regarding a reciprocal exchange agreement based on perceived implicit and explicit promises.

7. **Hypocrisy:** Inconsistency between talk, decision and action.
8. **Employee Satisfaction:** An outcome measure consisting of items that measure the level of employee loyalty, positive identification with organization and commitment to staying with an organization.
9. **Customer Orientation:** An outcome measure consisting of items that measure a company's focus on customer satisfaction. This is not customer satisfaction per se but rather the interest in ensuring customer satisfaction .
10. **Perceived Financial Performance:** An outcome measure consisting of items that measures senior executive perception of corporate financial performance.

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