

# How Do Leaders Influence Virtuous Organizational Cultures?

A dissertation submitted

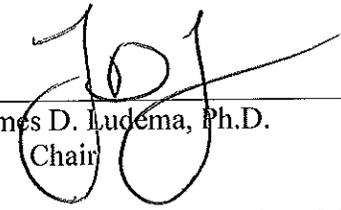
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## **Abstract**

In this dissertation, I explore the research question, “How do leaders influence organizational culture, especially as it relates to virtuous aspects of those cultures?” I conduct a comparative case study of five companies from the Small Giants Community, a group of firms committed to driving profitable growth by providing unusually high levels of care for employees, customers, and their communities. The companies are: Beryl Health; Blue Plate Catering; Integrated Project Management Company, Inc. (IPM); Service Express, Inc. (SEI); and Tasty Catering. Using appreciative interviews, site visits, archival documents, and the coding procedures of grounded theory, I identify six ways in which the leaders of these companies influence organizational culture. First, the values of the firm begin with the values of the leaders. Second, the CEOs serve as de facto Chief Culture Officers. Third, they elevate the focus from values to virtues (goods of first intent) such as compassion, honesty, integrity, service, respect, and excellence. Fourth, they engage employees and customers in defining the values and creating the culture. Fifth, they integrate the values into every aspect of the organization. Sixth, they tenaciously keep the focus on values. Drawing from the literature on organizational virtuousness, the social construction of organizational cultures, and self-determination theory, I theorize that these six forms of influence create high-performing organizational cultures by supporting virtuous internal integration and virtuous external adaptation that meet the fundamental human needs of autonomy, competence, and relatedness among employees, customers, and other stakeholders. I suggest that, if applied consistently

over time, the six forms of influence create a virtuous resonance of positive relationships and positive energy among leaders, employees, customers, and other stakeholders—a resonance that supports long-term health, vitality, and performance. I conclude by offering implications for future research and practice.

## **Dedication**

This work is dedicated to my wife and my parents. My wife, the love of my life and my best friend, deserves a doctorate in unwavering support, longsuffering, encouragement, and patience. My parents, Mr. and Mrs. James L. Smith, made it their life goal to provide love, education, opportunity, and living examples of God's grace for their children. I am also deeply thankful for the prayers and faithful encouragement of Allene, Amy, Brian and Christen, Lisa, A.J., and Anna.

## Acknowledgments

While I imagine some envision and conduct their doctoral studies mostly as a solo act, I am glad in my case that it took a whole band. I have never been in a true cohort program before, and didn't know what to expect. It has been a pleasure and an honor, and I believe I learned as much from Cohort 1 as I did in the coursework or dissertation process. Thank you all.

Thank you, faculty and staff of the Center for Values-Driven Leadership. This really is a program that is needed, timely, and will contribute to making organizations more a part of the solution to some of the problems we all face. Thank you, Jim, Marie, Deb, Gus, Kevin, Mike, and Amber—for the vision to put the program together, and all the work and sacrifice to make it happen.

My committee deserves special thanks for endurance, wisdom, strategic intervention, and pushing me to do more and better. Thank you, Jim, for shepherding me through this process. I am especially thankful for your wisdom in those several times when I was the biggest obstacle to the process. Kim, your strategic and insightful inputs solved large issues, and caused things to fall in place. Thank you, Kim. Mary Jo—yes, I still like your “style of provoking,” and it has been very, very valuable throughout this process. Thank you, Mary Jo.

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## **Chapter 1: Introduction**

During my Ph.D. coursework at Benedictine University, I was introduced to appreciative inquiry, a positive approach to organizational research and change that focuses on studying human systems when they are at their best (Cooperrider & Srivastva, 1987). Appreciative inquiry is based on the assumption that every organization has an enabling set of underlying dynamics, often hidden and under-explored, that allows it to flourish in small and large ways. When studied, explained, and understood, these dynamics hold the potential to promote even greater flourishing, both for the organization under study and for other organizations. From this perspective, researchers are encouraged to make normative choices about what to study so that their research contributes as much as possible to understanding the positive dimensions of organizational life. For example, if a researcher decides to study “organizational joy” over “organizational stress,” they are making a normative choice to enable the growth of joy in organizations by developing a deeper understanding of the forces and factors that make it possible.

With this appreciative perspective in mind, I became intrigued with the literature on organizational culture and organizational virtuousness because I believed it held strong potential to promote individual and organizational flourishing. I explored readings on leadership (Greenleaf, 1973; George, 2003; Conger & Riggio, 2007), organizational change (Cooperrider & Srivastva, 1987; Hatch, 1993, 2011; Ford, 1999), organizational culture (Schein, 1984, 2010; Hatch, 1993, 2011; Cameron &

Quinn, 2011), ethics (Brown & Treviño, 2006; Audi, 2009), and Positive Organizational Scholarship (POS) (Cameron, Mora, Leutscher, & Calarco, 2011; Heynoski & Quinn, 2012). Many of these works explored virtuous leader characteristics (Greenleaf, 1973; George, 2003; Brown & Treviño, 2006), virtuous or positive culture (Audi, 2009; Heynoski & Quinn, 2012), and the advantages of virtuous culture (Fredrickson, 1998; Cameron et al., 2011), but few examined what the leaders of virtuous firms do on a regular basis to influence organizational culture in the direction of becoming or remaining virtuous. I decided to focus my dissertation research on exploring this gap by examining the leadership actions, behaviors, and processes that contribute to developing and maintaining virtuous organizational cultures. My research question became: “How do leaders influence organizational culture, especially as it relates to virtuous aspects of those cultures?”

### ***Organizational Virtuousness***

Cameron et al (2011) define virtues as traits that represent the highest aspirations of human kind (Comte-Sponville, 2001; Peterson & Seligman, 2004). According to Cameron et al. (2011), “this is consistent with what Aristotle labeled goods of first intent—or ‘that which is good in itself and is to be chosen for its own sake’ (Aristotle, n.d., p. 3)” (p. 269). When I refer to virtuous organizational cultures in this dissertation, I draw on Cameron, Bright, and Caza (2004) who propose that attributing the quality of virtuousness to an organization means that the organization enables and supports virtuous activities on the part of its members. They distinguish between virtuousness *in* organizations (i.e., transcendent, elevating behavior of the

organization's members) and virtuousness enabled *by* organizations (i.e., features of the organization that engender virtuousness on the part of members), and they define organizational virtuousness as including individuals' actions, collective activities, cultural attributes, and processes that enable dissemination and perpetuation of virtuousness in an organization.

Cameron et al (2004) point out that virtuousness does not refer to an all-or-nothing condition, because neither individuals nor organizations are completely virtuous or non-virtuous, nor are they virtuous or non-virtuous all the time. However, virtuousness has three key attributes. First, it is associated with moral goodness, however that is defined in a given culture or organization. It represents what is good, right, and worthy of cultivation (McCullough & Snyder, 2000; Peterson & Park, 2003). Second, it is associated with human impact that promotes individual flourishing and moral character (Doherty, 1995; Ryff & Singer, 1998), human strength, self-control, and resilience (Baumeister & Exline, 1999, 2000), and meaningful purpose and transcendent principles (Dent, 1984; Emmons, 1999; Roberts, 1988). Objects or acts, such as an organization's structure, are not inherently virtuous or non-virtuous but gain their virtue by the impact they have on human flourishing. Third, virtuousness is characterized by social benefit that extends beyond mere self-interest. Virtuousness creates social value that transcends the instrumental desires of the actor. It produces benefit to others regardless of reciprocity or reward (Aristotle, trans. 1924).

Despite the fact that virtuousness is inherently valuable apart from any benefit that may accrue, studies linking virtuousness and performance have begun to appear in the scholarly literature (Bright, 2006; Bright, Cameron, & Caza, 2006; Cameron, 2003; Chun, 2005; Marotto, Roos, & Victor, 2007). Cameron et al (2011) conducted two studies, one in 40 business units in the financial services industry and one in 29 nursing units in the health care industry, that explore the relationships between virtues (called positive practices in these studies) and various measures of organizational effectiveness. Drawing from several assessment instruments and reviews of the literature (e.g., Kidder, 1997; Peterson & Seligman, 2003; Sandage & Hill, 2001), they selected 29 virtues (including forgiveness, integrity, trustworthiness, appreciation, humility, hope, caring, compassion, optimism, courage, generosity, honesty, apology, positive energy, openness, profound purpose, encouragement, trust, love, commitment, meaningfulness, a sense of calling, human strength, kindness, benevolence, courtesy, respect, honoring, and doing good), conducted an exploratory factor analysis on them, and identified an underlying structure with six stable dimensions that were predictive of organizational effectiveness (Cameron et al, 2011, p. 271). They include:

1. Caring. People care for, are interested in, and maintain responsibility for one another as friends.
2. Compassionate support. People provide support for one another, including kindness and compassion when others are struggling.

3. Forgiveness. People avoid blame and forgive mistakes.
4. Inspiration. People inspire one another at work.
5. Meaning. The meaningfulness of the work is emphasized and people are elevated and rewarded by the work.
6. Respect, integrity, and gratitude. People treat one another with respect and express appreciation for one another. They trust one another and maintain integrity.

Building on the work of Cameron and his colleagues (2004, 2011), in this dissertation, my definition of virtuous organizational cultures includes those that support and enable moral goodness (people's highest aspirations), human flourishing, and social benefit regardless of reciprocity or reward. They are cultures characterized by positive practices such as caring, compassionate support, forgiveness, inspiration, meaning, respect, integrity, and gratitude.

### ***The Return on Values Project***

Near the mid-point of my doctoral coursework, the [Center for Values-Driven Leadership](#) at Benedictine University began working with the [Center for Positive Organizations](#) at the University of Michigan and the [Small Giants Community](#), a group of growth oriented entrepreneurs in the US (headquartered in Dallas, Texas), on a research initiative called the [Return on Values Project](#). The Small Giants Community consists of companies committed to driving profitable growth by

building what they call values-driven organizations, that is, organizations that espouse people-centered values and align their cultures to enact those values. They invest heavily in employee personal and professional growth, exceptional customer service, and contributing to their local communities. The Return on Values Project studies these companies to explore the question, “What is the link between values-driven cultures and profit in small and mid-size businesses?” More specifically, “What are the principles, practices, processes, beliefs, systems, structures, relationships, behaviors, approaches to leadership, management, employee engagement, customer relations, innovation, market orientation, finance, metrics, etc. that define the cultures of Small Giant-like companies and drive top and bottom-line growth over time?” Return on Values is a three-year project (September 2012–August 2015), and the research team consists of faculty, staff, and doctoral students at Benedictine University and the University of Michigan and members of the Small Giants Community.

Methodologically, the Return on Values Project uses a mixed-methods approach, including a quantitative assessment instrument (currently under development) that measures a range of organizational culture dimensions as the independent variables and relates them to performance (including profitable growth) over time as the dependent variables. This instrument will be sent to a large sample (thousands) of companies in three rounds over the next two years. On the qualitative side, 30 deep-dive case studies will be conducted of exemplary companies as measured by the

assessment instrument. Prior to the completion of the assessment instrument, deep dive companies are selected through a referral and vetting process conducted by the research team and other industry experts. To date, seven deep-dive case studies have been conducted.

Although the charter of the Small Giants Community does not explicitly use the words “virtue” or “virtuous,” I felt that their commitment to and proven track record of learning about and building values-driven organizational cultures made them an ideal target population for my dissertation. Many of the Small Giants companies have repeatedly won “best places to work” awards, have been recognized by industry experts, and have been featured in books, articles, and the business press for their dedication to their values and practices that appear to be virtuous. For example, one of the firms, Beryl Health, places a high premium on compassion and helping employees find meaning at work, while another, Integrated Project Management Company, Inc. (hereafter, Integrated Project Management), has a strong commitment to and reputation for honesty, integrity, and caring, all of which align with Cameron et al.’s (2011) list of virtues mentioned above.

Virtues and values are not synonymous (Audi, 2009; Cameron et al., 2011). Values are the ideals or customs of a group toward which the members have an affective regard. Audi (2009) refers to this as “a caring attitude toward the thing(s) in question” (p. 149). Values may be positive (e.g., integrity, honesty, kindness) or negative (e.g.,

deception, cruelty, duplicity, etc.). Values may refer to modes of behavior (instrumental values) or end states (terminal values), but in the end they are simply ideals or customs esteemed by a given group (Grojean, Resick, Dickson, & Smith, 2004, p. 225). Virtues are those things sought for their own sake, which are ennobling, honorable, and life giving (Cameron, 2003, pp. 50–52). Acknowledging that values and virtue differs, and that awards, recognition, and accolades in the business press are often misleading (e.g., Enron), I felt that the companies in the Small Giants Community like Beryl Health and Integrated Project Management who espoused and apparently enacted virtues such as compassion, meaning, honesty, integrity, and caring, would be ideal sites in which to explore inductively my research question: “How do leaders influence organizational culture, especially as it relates to virtuous aspects of those cultures?” With this in mind, I joined the Return on Values research team, elected to use a comparative case study research design, and began to study the ways in which leaders shape culture in five Small Giants companies: Beryl Health; Blue Plate Catering; Integrated Project Management; Service Express, Incorporated; and Tasty Catering.

Beryl Health is a medical call center with an energetic, programmatic, and comprehensive employee engagement culture. Beryl’s employee engagement is considered by the C-suite to be integral with the firm’s value creation model and ability to charge premium prices for compassion-based service. At the time of the study, Beryl was privately owned, had approximately 400 employees, and annual

revenues of about \$40 million. In the interviews at Beryl, the leaders reported consistent double digit growth, triple digit profit growth, and profitability estimated to be five to six times higher than their competitors. Beryl is located in the Dallas, TX area.

Located in Chicago, Blue Plate is an event and corporate caterer. Servicing up to 35 events a day, Blue Plate employs up to 600 fulltime, and 1,000-1,500 part-time. The CEO of the privately held firm reports between \$35 million and \$40 million of revenue per year. Blue Plate's culture focuses on making people happy (inside and outside the firm), and treating others as one wants to be treated.

After studying why some projects succeed and others fail, Integrated Project Management began offering project leadership as well as the science of project management. The Chicago-based firm has a culture of integrity and professionalism, and is not shy to address cultural and relational issues that block goal attainment, both internally and with clients. In 2012 Integrated Project Management served 67 clients, generated over \$22 million in revenues, and employs about 100 people.

Service Express found a niche in computer system maintenance, which has led to expansion from the upper mid-west to 25 sites in 12 states. The company's vision is to help employees meet their personal, professional, and financial goals. Company goals are an aggregation of 200 employees' goals. In 2012, Service Express had more

than 200 employees, and expressed its financial results in terms of earnings before interest, depreciation, and amortization (EBITDA). Service Express annual average growth in sales is 18% while EBITDA growth is 19%.

Tasty is a Chicago-based, family owned catering firm, focused primarily on corporate clients. Young managers in the firm confronted the CEO with a demand to cease his command-and-control style and build an employee-centric culture. The conversation transformed Tasty's culture into one with robust employee engagement efforts, open financial books, and many decisions made at the lowest practical level. Tasty is proud of their 98% employee engagement score, and reports \$6.5 million in revenue in 2012. Tasty has approximately 50 full and 200 part-time team members.

### ***Overview of the Dissertation***

In Chapter 2, I set the stage for my dissertation research by reviewing the literature on organizational culture (Hofstede, 1980; Schein, 1984, 2010; Gagliardi, 1986; Cameron & Ettington, 1988; Hatch, 1993, 2011; Pratt & Ashforth, 2003; Cameron & Quinn, 2011; Hartnell & Walumbwa, 2011) organizational virtuousness (Cameron & Caza, 2002; Spreitzer & Sonenshein, 2003, 2004; Park and Peterson, 2003; Wrzesniewski, 2003; Cameron, Bright & Caza, 2004; Peterson & Seligman, 2004; Spreitzer, Sutcliffe, Dutton, Sonenshein, & Grant, 2005; Brown & Treviño, 2006; Audi, 2009; Cameron, Mora, Leutscher, & Calarco, 2011), and how organizational culture can be changed, including the role of leadership in changing culture (Schein, 1984, 2010; Gagliardi, 1986; Bass & Avolio, 1993; Hatch, 1993, 2011; Frederickson,

1998; Cooperrider & Sekerka, 2003; George, 2003; Treviño, Brown, & Hartman, 2003; Avolio & Gardner, 2005; Brown, Treviño, & Harrison, 2005; Brown & Treviño, 2006; Greenleaf, 2008; Palanski & Yammarino, 2009; Vacharkulksemsuk, Sekerka, & Fredrickson, 2011; Heynoski & Quinn, 2012).

I conclude first that while scholars disagree on the nature of organizational culture (Cameron & Ettington, 1988), organizations, like the societies in which they operate, have cultures. By saying organizations have cultures, I place myself in the functional tradition of organizational culture. Culture helps define who is part of the organization, who is not, and how to interact both internally and externally.

Second, I conclude leaders can influence organizational culture through their actions and the systems or processes they put into place (e.g., Bass & Avolio, 1993; Hartnell & Walumbwa, 2011). Leaders influence culture by being role models, teachers, and coaches (Brown & Treviño, 2006; Schein, 2010); via support and compassion (Bass & Avolio, 1993); by selecting what to pay attention to, measure, and control; by allocating resources; by how they hire, fire, and promote; by how they react to critical incidents; by how they design and execute systems and processes; by using physical space; by making formal statements of values and vision; and through the stories they tell and rituals they conduct (Schein, 2010). Through words and actions leaders have significant direct and indirect influence on culture in their organizations.

In Chapter 3 I explain my research methodology. I used a comparative case study design (Eisenhardt, 1989; Yin, 2009), an appreciative inquiry protocol to collect my data (Cooperrider & Srivastva, 1987; Ludema, Whitney, Mohr, & Griffin, 2003), and the coding procedures of grounded theory to analyze my data (Gioia, Corley, & Hamilton, 2012). After participating in field visits with Beryl Health and Service Express and receiving the data collected by other members of the Return on Values research team at Blue Plate Catering, Integrated Project Management, and Tasty Catering, I conducted a round of first-order coding on the interviews, participant observation field notes, and archival documents alone and then participated in two research team meetings to calibrate, refine, and deepen my first-order coding in collaboration with the other members of the research team. Throughout the process, the research team and I used Dedoose<sup>®</sup>, a qualitative research software, to manage the data, create a hierarchy of codes, and write memos linked to the codes. After the two research team meetings, I worked with my dissertation chair and select members of the research team to combine my first-order codes into second-order themes (found in Chapter 4) and then worked with my dissertation committee to arrange my second-order themes into aggregate dimensions, link them to the literature, and craft an integrative storyline.

Chapter 4 explores the second-order themes generated from the data. I began this study with expectations that the data would reveal specific leadership actions and behaviors that contribute to virtuous organizational culture. They did, but a larger and

more interesting picture emerged. Leadership actions and behaviors, while important, were only one element in a more complex constellation of factors. I discovered six ways in which the leaders of these companies influence organizational culture. First, the values of the firms begin with the values of the leaders. Second, the CEOs serve as de facto Chief Culture Officers, regardless of their official titles. Third, they elevate the focus from values to virtues (goods of first intent), whether they realize it or not. Fourth, they engage employees and customers in defining the values and creating the culture. Fifth, they integrate the values into every aspect of the organization. Sixth, they tenaciously keep the focus on values

In Chapter 5, I will discuss how the six themes and three aggregate dimensions of my data structure (Figure 2 in Chapter 3) lead me to believe I argue that organizational cultures are socially constructed (Gergen, 1985; Cooperrider & Srivastva, 1987; Ford, 1999) and the strategic role of leaders in influencing culture is to support an ongoing conversation about the culture and values through multiple mechanisms both internally with employees and externally with customers (e.g., role modeling; how they hire, fire, and reward; the products they offer; which clients they work with and how they manage relationships with clients). I argue that to the extent these conversations are focused on virtues such as caring, compassionate support, forgiveness, meaning, inspiration, respect, integrity, and gratitude (Cameron et al., 2011), they meet needs of autonomy, competence, and relatedness for employees and customers (Deci & Ryan, 2000), which produces energy for increased connection,

action, and performance (Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009).

In Chapter 6, I offer some concluding remarks, and implications for future research and practice. An intriguing future research project would follow these firms over time to confirm or improve the observations here. A second possible project would add to this appreciative study several negative example firms for comparison and contrast. A third possibility would be a deeper examination of the cultural processes and dynamics alleged in this dissertation. The fourth potentially informative study would examine the possibility that employee engagement culture is, or contains elements of, distributed leadership—using the direction, alignment, and commitment leadership ontology proposed by Drath et al. (2008).

## Chapter 2: Literature Review

### ***What Do We Mean by Organizational Culture?***

Culture is an abstract concept, and there are many definitions. Northouse (2010) defines culture as “the learned beliefs, values, rules, norms, symbols, and traditions that are common to a group of people . . . it is these shared qualities of a group that make them unique” (p. 336). Perhaps one of the most interesting summations of culture in general is from Hofstede (1980), “Culture is defined as a collective programming of the mind” that “is common to people belonging to a certain group or category” (pp. 13 & 15) but not shared by all.

It is now commonly recognized that organizations, like societies, can have cultures of their own (Hatch, 1993, p. 657). Hofstede, Neuijen, Ohayv, and Sanders (1990) describe organizational culture as having layers like an onion, which from outside to inside are: symbols, heroes, rituals, and values (p. 291). The outer layers—symbols, heroes, and rituals—can be observed, and therefore can be classified together as “practices” (Hofstede et al., 1990, p. 291). Values, the center of Hofstede et al.’s (1990) model, are difficult to verbalize, rarely discussed, and taken for granted. They cannot be observed—yet they are “manifested in alternatives of behavior” (p. 291).

Two broad schools of thought have developed to explain organizational culture: functionalist and subjectivist (Hartnell & Walumbwa, 2011, pp. 226–227).

Functionalists say that culture defines shared values and appropriate behaviors

(norms); culture can be observed; and some of its content can be quantified.

Subjectivists argue that while some aspects of culture are observable (e.g., artifacts), much of culture is unobservable (tacit) and symbolic (rich with symbolism). Some consider culture a metaphor for interpreting patterns of behavior. Both the subjectivist and functionalist views have strengths and weaknesses. Alvesson (2011) provides a subjectivist definition of culture: “Culture refers to shared orientation to social reality created through negotiation of meaning and the use of symbolism in social interactions” (p. 14). The combination of functionalism and symbolism is rare (Hartnell & Walumbwa, 2011, p. 227), yet promising, and has some support in literature. For example, Jarnagin and Slocum (2007) argue that people need both the tangible and intangible to produce effective change. Hatch’s (1993, 2011) view is also an example of a hybrid functionalist-subjectivist view, which emphasizes symbols, interpretation, and processes, including the process of (objective) materialization of values and assumptions in artifacts.

### **Functionalist view**

Schein (2010) is arguably among the most widely cited functionalist. Schein defines organizational culture as:

a pattern of shared basic assumptions learned by the group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. (p. 18)

Schein's definition emphasizes that culture is a set of shared assumptions about the external and internal challenges that groups or organizations face. Cameron and Quinn (2011) elaborate and add some practical examples:

[Culture] encompasses the take-for-granted values, underlying assumptions, expectations, collective memories, and definitions present in an organization. It represents "how things are around here." It reflects the prevailing ideology that people carry inside their heads. It conveys a sense of identity to employees, provides unwritten and often unspoken guidelines for how to get along in the organization, and it helps stabilize the social system that they experience. (p. 19)

The internal processes required to support external adaptation (survival) and internal integration are (Schein, 2010, p. 94):

- Common language and categories
- Group boundaries and membership criteria
- Distribution of power, status, and authority
- Norms for trust, intimacy friendship and love
- Allocation of rewards and punishments
- How to explain the unexplainable.

Schein (2010) outlines three levels of culture: artifacts; espoused beliefs and values; and basic underlying assumptions (p. 23ff.). Artifacts are readily observable items and behaviors. Examples of artifacts are published values, the dress code (written or unwritten), amounts of physical space allocated to individuals or functions, language and terminology, and other observable traits. However, Schein cautions that while

artifacts are easily discovered or observed, they are difficult to interpret accurately (p. 24).

Espoused beliefs and values are simply those assumptions, values, ideologies, or rationalizations that the group *says* it holds (Schein, 2010, pp. 27–28). The espoused beliefs and values may, or may not, be reflected in the actual actions of the group, i.e., the values-in-use. A group’s espoused beliefs and values may be vague, and may even be contradictory—creating a need to understand the underlying assumptions that are the foundation for actions in the organization. Espoused beliefs and values are observable, for example through interviews or examining documents.

Basic underlying assumptions develop from solutions to important problems that consistently produce the desired outcome (Schein, 2010, p. 27). Such solutions become taken for granted, and eventually “nonconfrontable and nondebatable” (Schein, 2010, p. 28). The underlying assumptions relieve anxieties, and it is easier and more comfortable for group members to deny data or distort facts than to face the anxiety that might come from questioning the assumptions. Because of this power of deeply held cultural elements, Schein (2010) says:

The most central issue for leaders is to understand the deeper levels of a culture, to assess the functionality of the assumptions made at that level, and to deal with the anxiety that is unleashed when those assumptions are challenged. (p. 33)

**Symbolism and a hybrid view**

Some scholars emphasize the importance of symbols and their interpretations in organizational culture (e.g., Pettigrew, 1979). These scholars view the shared learning and viewpoints in organizational culture as communicated, at least partly, through symbols (Alvesson, 2011, p. 15). Some note that artifacts can be strategic tools in influencing organizational culture, but are subject to interpretation by constituents (Vilnai-Yavetz, & Rafaeli, 2011, p. 370). The use of symbols (artifacts such as rites, rituals, stories, etc.) is seen by Gagliardi (1986) as central to the leader's job (pp. 117–118). One reason is that the “symbolic field” (pp. 123–125), a shared, simplified map of reality that guides interpretation of events and meaning, is a key element in cultural change.

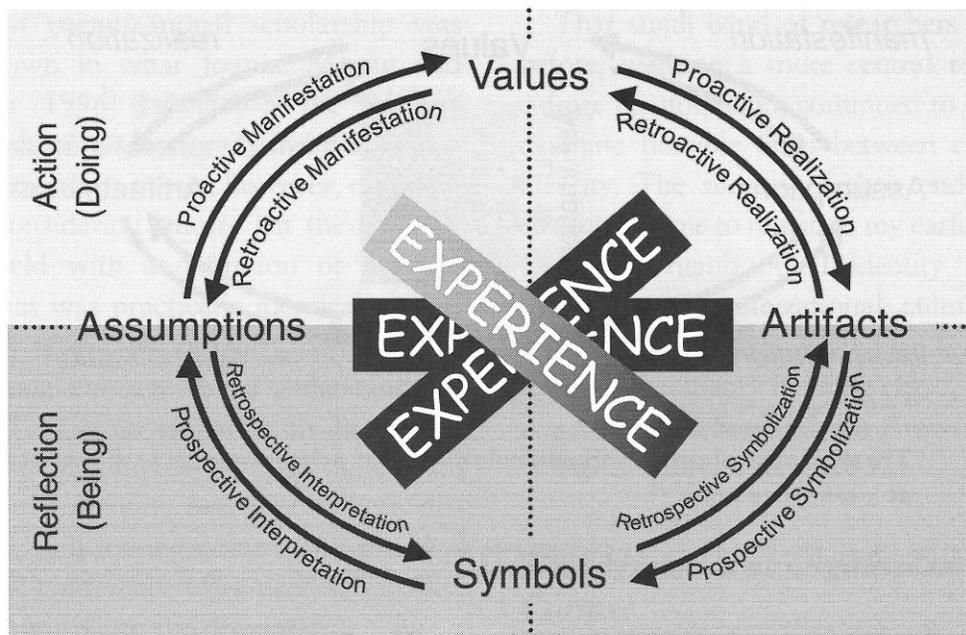
Gagliardi (1986) asserts that if the range of possible solutions available for external adaptation and/or internal integration is not sufficient to solve the problem(s), then change takes one of three paths: apparent cultural change, cultural revolution, and incremental change. Apparent cultural change is superficial or pseudo-change, which ultimately fails to resolve the external or internal issues. Another path is cultural revolution, which involves a radical and costly change in the organization, and usually, in personnel (Gagliardi, 1986, p. 130). The third possible path for change is incremental. Incremental change requires three conditions: congruence between the values associated with the new competences and the firm's traditional assumptions and values; collective experience of success in executing the new competences, and;

leadership promotion of the “mythical interpretation” of success after it has happened (Gagliardi, 1986, p. 130ff.).

A potentially symbolic leadership behavior with cultural implications is described by Pratt and Ashforth (2003) in the context of providing transcendence. Leaders can provide a cosmology, a “comprehensive system of beliefs” that defines membership in the group, what the group’s purpose is, and generally defines reality and truth (Pratt & Ashforth, 2003, p. 323). If the leader provides a cosmology and acts out the cosmology with integrity, the leader becomes a role model and the cosmology becomes a “living document” (p. 324). This makes the cosmology real and the organization’s members begin to identify with the behavior and trust the leader. Similarly, leaders who fail to act in accordance with the cosmology set a negative example, and the workers, sensitive to signs of insincerity, feel confirmed in their cynicism.

Another view of culture change emphasizing symbolism is put forward by Hatch. Hatch (1993) builds a model linking leadership actions, interpretation by the organization’s members, and the resulting effects on values and assumptions. Hatch (1993) based her model on Schein’s (1984) organizational culture model of artifacts, values, and assumptions. Most interesting is Hatch’s attempt to explain how the deepest level of culture, assumptions, can be changed (Hatch, 2011, p. 343) by the same processes that also provide cultural stability.

Hatch (1993) extends Schein by focusing on the processes connecting the elements of culture and adding some ideas from a symbolic-interpretive perspective (e.g., Pettigrew, 1979). In Hatch (1993), four processes connect Schein's assumptions, values and artifacts, and Hatch's own addition of symbols. Hatch later clarifies the model (Hatch, 2011), as shown in Figure 1 below.



*Source:* Hatch, 1993, modified in Hatch, 2011

**Figure 1. Hatch's Cultural Dynamics Model**

Each process has a proactive element and a retroactive element. In the latest summary of the model, Hatch (2011, p. 345) emphasizes the proactive (clockwise—see Figure 1) cultural dynamics, and the search for who or what propels the cultural dynamic

motion. The four processes or dynamics in the model are manifestation, realization, symbolism, and interpretation (Hatch, 1993, 2011).

Manifestation (Hatch, 1993, pp. 662–665) refers to the process through which assumptions produce expectations, expectations produce perceptions, and perceptions result in “what should be” or values. The resultant values can either reinforce or challenge the original assumptions through the retroactive arrow of manifestation.

Hatch defines realization (1993, pp. 665–669) as a process through which the values shape behaviors that produce tangible artifacts—which then either confirm or challenge the values. Avant-garde art is an example of values which become tangible artifacts and challenge broadly accepted values.

Symbolism is an addition to Schein’s (1984, 2010) original model, and represents a symbolic-interpretive element. Hatch (1993) describes symbolization in terms of literal (or first order) meaning and surplus meaning (pp. 670–672). The example given is a bouquet of roses: It has a literal meaning (flowers, decoration, etc.), plus a surplus meaning that may be very personal to the recipient (relationship, appreciation, love, etc.). For artifacts to be culturally significant, they must be translated into symbols (p. 670). Once they become symbols, “organizational members then retrospectively (re)construct their artifacts as meaningful on the basis of their symbolic memory” (p. 671). Hatch summarizes, “Prospective symbolization is the

process by which cultural symbols are made from associations between the literal experience of artifacts and surplus meaning” (p. 672).

Interpretation builds on symbolization, but is not a repetition of symbolization (pp. 673–676). Expanding on the first order and surplus meaning of a symbol, interpretation is a broader process, with a wider context. Through interpretation, cultural assumptions are exposed to new data, and as a result assumptions can be reinforced or modified (p. 675).

Cultural change is dynamic, polyphonic, and contains many interrelated participants and elements. Hatch and Cunliffe (2006) summarize the interpretation phase mechanism for changing a culture:

The possibility of cultural change comes when assumptions are symbolically challenged within the interpretation process. . . . Active attempts by managers to change organizations would therefore also be described as part of these [cultural dynamics] processes. An attempt to intentionally introduce change usually begins with the processes of realization and symbolization when management or contact with another culture introduces a new idea through language and other artifact . . . which then may be symbolized and interpreted by those who will either carry the change forward or deny it any influence. (p. 212)

The idea of beginning change with the realization phase finds resonance in the theory that cognitive change follows behavioral change (Burke, 2011, p. 152).

**Type or forms of organizational culture**

Cameron and Ettington (1988) note the many different definitions of organizational culture, and note that the majority deal with values, beliefs, and assumptions (p. 362).

However, there is a fundamental difference in the approach of scholars to organizational culture. An anthropological approach assumes “organizations are cultures,” while a sociological approach assumes “organizations have cultures” (Cameron & Ettington, 1988, p. 360). Of note in the comparison of these literature traditions is that in both camps, the literature speaks of the members of the culture interpreting data (Cameron & Ettington, 1988, p. 360).

Cameron and Ettington (1988) and Cameron and Quinn (2011) attempt to bring clarity to the discussion of culture by classifying cultures by type, each type with its own common leadership style, bonding agent, and strategic emphasis. The four forms or types of culture are adhocracy, clan, hierarchy, and market (Cameron & Ettington, 1988, p. 372).

**Definition of organizational culture**

My view of organizational culture is primarily functionalist (Schein, 2010; Cameron & Quinn, 2011) meaning culture is observable and consists of content that can be quantified (Hartnell & Walumbwa, 2011, p. 227). However, I have sympathy for those who emphasize an element of interpretation in organizational culture (e.g., Hatch, 1993; 2011). I will use Schein’s (2010) definition of organizational culture, quoted above, in this dissertation.

**Levels of analysis**

In the quest to understand the extent to which values, assumptions, and beliefs are shared, some scholars debate the existence and importance of subcultures within organizations. An integrated view of organizational culture sees the whole organization as having (practically speaking) one culture (Hartnell & Walumbwa, 2011, pp. 231–235). The common descriptions of Southwest Airlines are an example of an integrated view, in which it is assumed that all the subunits of the company agree on the same values, norms, etc. Those taking the view that subgroups and units of an organization can have their own cultures emphasize the power of the subcultures and the differing interpretations of reality in each subgroup (Hartnell & Walumbwa, 2011, pp. 235–240). Other possible levels of cultural analysis range from the national level, division by gender or race, regional cultures, by profession or job, and finally at the individual level (Yammarino & Dansereau, 2011; Cameron & Quinn, 2011).

Another helpful way of classifying subcultures is differentiation based on the extent to which they adhere to the dominant culture's values. Martin and Siehl (1983) propose three types of subcultures: enhancing, orthogonal, and countercultural (pp. 53ff). Enhancing subcultures hold the dominant culture's values more vigorously than other parts of the organization. Groups that simultaneously hold the dominant culture's values and a separate, non-contradicting set of values are labeled orthogonal subcultures. Countercultures hold core values that contradict core values of the dominant culture.

My research will take the approach that there are multiple levels of culture within an organization. Further, leadership at each level plays a role in culture formation and values definition at their respective level and, to varying degrees, at other levels both above and below. For example, both organizational-level leaders and group-level leaders have input to culture at the group level (cf. Hartnell & Walumbwa, 2011, p. 231).

While acknowledging that subcultures do exist, are relevant, and can vary from the dominant organizational culture, my dissertation takes the position that the organizational level of analysis is legitimate when examining the roles or behaviors of senior leaders. I believe this view is justified by the phenomenon of overall organizational culture existing simultaneously with subcultures in the way that each element of a hologram is unique, but contains common information that can be used to reproduce the entire image (Cameron & Quinn, 2011, p. 170).

### ***What Is Virtuous Organizational Culture?***

Below I will briefly review selected literature relevant to virtuous organizations, beginning with definitions to add clarity.

#### **Defining value**

Audi (2009) defines value as:

Roughly, the worth of something, either (1) intrinsic worth (also called intrinsic value), the worth it has in itself, apart from its consequences, or (2) instrumental worth, its worth as a means to something else... A

thing (including ethical conduct) can have both intrinsic and instrumental value. What is valuable is not automatically valued. (*In reference to a person's values, "values" means roughly a caring attitude toward the thing(s) in question [emphasis added]*). (p. 149)

Another definition of note is provided by Grojean, Resick, Dickson, and Smith (2004): "Values are relatively stable beliefs that certain modes of behavior (instrumental values) or end states (terminal values) are desirable" (p. 225). In this dissertation, I will use Audi's (2009, p. 149) definition.

### **Defining virtue**

Building on the work of Cameron and Quinn (2011) and Cameron et al. (2004), in this dissertation, my definition of virtuous organizational cultures includes those that support and enable moral goodness (people's highest aspirations), human flourishing, and social benefit regardless of reciprocity or reward. They are cultures characterized by positive practices such as caring, compassionate support, forgiveness, inspiration, meaning, respect, integrity, and gratitude.

### **Positive Organizational Scholarship (POS) and virtuous culture**

Positive Organizational Scholarship (POS) has contributed to the recent discussions of organizational virtue and the value to the firm (results) of organizational virtue. Virtuousness, affirmative bias, and positively deviant behavior are the three categories POS uses to define positive practice (Cameron et al., 2011, pp. 268–269).

#### Virtuousness

From POS view, virtuousness is that which individuals and organizations seek to be when they are at their very best: ennobling individuals; encouraging flourishing,

health, and happiness; having transcendent meaning; and providing resilience (Cameron et al., 2004). A virtuous organization is one that seeks not just to meet its obligations internally and externally, but instead to strive for what is best and what should be—to encourage achievement of the highest human potential (Cameron & Caza, 2002, p. 34). POS says that organizational virtuousness includes “individual’s actions, collective activities, cultural attributes, or processes that enable dissemination and perpetuation of virtuousness in an organization” (Cameron et al., 2004, p. 768).

Cameron et al. (2004) list 29 virtuous concepts that can be used to characterize virtuousness in organizations: forgiveness, integrity, trustworthiness, appreciation, humility, hope, caring, compassion, optimism, courage, generosity, honesty, apology, positive energy, openness, profound purpose, encouragement, trust, love, commitment, meaningfulness, a sense of calling, human strength, kindness, benevolence, courtesy, respect, honoring, and doing good (pp. 774–775). These 29 concepts were empirically refined in Cameron et al. (2011) to a list of six dimensions of positive practice most predictive of performance: caring; compassionate support; forgiveness; meaning; inspiration, and; respect, integrity, and gratitude (p. 271).

According to POS literature, virtuousness may take the form of various leadership behaviors that directly or indirectly influence virtuous organizational culture. Caring and concern is mentioned frequently in POS literature (Cameron, 2011, p. 31; Cameron & Caza, 2002, p. 40; Brown & Treviño, 2006, pp. 597, 600). The ability of

leaders to influence organizations (even societies) through forgiveness can be powerful. Examples are Tutu and Mandela (Cameron & Caza, 2002, pp. 41–43). There is also correlation between organizational forgiveness, productivity, and reduced turnover after downsizing (Cameron & Caza, 2002, p. 41). The requirement for integrity in leadership and organizations is also emphasized in POS (Cameron, 2011, p. 31).

Positive practices also imply that organizational systems have a role in virtuous organizational culture. Systems that provide or encourage motivations other than financial reward can increase meaning for the employee (Cameron, 2011, p. 31). Wrzesniewski (2003) notes that finding meanings outside of financial reward is often an outgrowth of organizations that seek to contribute to the common good and help organizational members thrive (p. 299). Organizational cultures that encourage and provide opportunities for common good activities, e.g., community projects, facilitate increased meaning.

Pratt and Ashforth (2003) also note that organizations can encourage or discourage meaningfulness via job redesign; employee involvement; path-goal leadership; and nurturing callings. Meaningfulness at work (membership) is encouraged through building cultures, ideologies, identities; visionary, charismatic or transformational leadership; and building charismatic or leadership communities.

While gratitude is not normally considered a leading topic in leadership literature, POS has attempted to bring it into the conversation of virtuous organizations.

Cameron (2011, p. 31) lists gratitude as an element of virtuousness. Gratitude is listed among the practices that increase the “welfare of human capital” (Cameron et al., 2011, p. 284). Emmons (2003) says gratitude builds social capital and counters unpleasant and toxic emotions in the workplace.

#### Affirmative bias

Affirmative bias focuses on possibilities rather than deficits, and includes appreciative inquiry, strengths based approaches, positive climate, and positive relationships among other factors (Cameron et al., 2011, p. 268–269). An affirmative bias does not preclude examining negative outcomes or events, but puts them in frames that look forward toward learning and better outcomes in the future.

#### Positively deviant behavior

POS also holds that virtuous organizations are deviant in the positive sense: They are unique, relatively rare, and have marked differences from their peers. Leaders can also display positive deviance. The demonstration of positive deviance often involves, or is perceived to involve, caring for and supporting members of the organization in the midst of a unique circumstance. Positive deviance is defined as intentionally deviating from a group’s (work unit, or even industry) norm in an honorable way to produce a positive human outcome (Cameron et al., 2011, p. 268; Spreitzer & Sonenshein, 2003, pp. 207–210).

Positive deviance is compared to several similar constructs: organizational citizenship behavior (OCB), corporate social responsibility (CSR), creativity/innovation (C/I), and whistle blowing (Spreitzer & Sonenshein, 2004, pp. 836–841). Each of these behaviors departs from some standard or norm, but only positive deviance departs from referent group norms, voluntarily, and without regard for the consequence of violating the norm.

### **Three POS attributes of virtuous cultures**

While there is no single variable that accurately measures virtuousness, POS proposes three key attributes to describe virtue and its relevance to organizations: moral goodness, human impact, and social betterment (Cameron et al., 2004). Moral goodness in this context refers Aristotle’s goods of first intent, those things sought for their own sake. Human impacts include flourishing, character, self-control, meaningful purpose, and resilience (Cameron, 2003, p. 49). This impact on human beings can be indirect, as in the case of organizational structure that can enable human flourishing or discourage it. The social betterment aspect of virtue can be described as motivations beyond the gain of the actor, i.e., non-instrumental intent.

### **Other important elements of POS**

The concept of thriving can be discussed as an element of a virtuous culture—or as a possible result. Thriving at work is the “psychological state in which individuals experience both a sense of vitality and a sense of learning at work” (Spreitzer, Sutcliffe, Dutton, Sonenshein, & Grant, 2005, p. 538). Vitality is a sense of energy available leading to a positive feeling, and learning is acquiring and being able to

apply new knowledge and skills. Spreitzer, Porath, and Gibson (2012) define and measure thriving as simultaneous vitality and learning.

Thriving is similar to several other constructs, yet distinguishable (Spreitzer et al., 2005). Resilience is similar to thriving, yet resilience is a reaction to difficulty, while thriving at work focuses on the positive development of an individual. Flourishing requires much of the positive aspects of thriving. Yet flourishing is a more general term and does not require learning. Like flourishing, the concept of flow does not require learning. Another general term, well-being, is more hedonistic than thriving—which contains both hedonistic and eudemonic elements.

Both learning and vitality must be present for thriving—individually they produce either burnout or stagnation (Spreitzer et al., 2012). When both are sufficiently present, then thriving occurs. Examples of thriving as both vitality and learning can be found in both white-collar and blue-collar settings. There is a point of diminishing returns for learning, too much leads to burnout—yet there is no point of diminishing returns for vitality.

Both individuals and organizations have a role in facilitating thriving. What can individuals do to enhance their own thriving? Individuals must monitor their vitality and learning, and the balance between the two, and “craft” their work to be more meaningful and impactful. (Spreitzer et al., 2012). Organizations and leaders also

have a role to play in an individual's thriving, since the organization is the context for employee vitality and learning at work. Contextual factors that can enhance thriving include (Spreitzer et al., 2012, pp. 158–161):

- Decision-making discretion—enables a sense of control
- Broad information sharing—helps employees understand the meaning of the work and how they can contribute
- Minimizing incivility—both towards employees and customers
- Provide performance feedback—examples include open book management and 360-degree evaluations
- Promoting diversity

### **A definition of virtuous organizations**

Park and Peterson (2003) list “five widely valued organizational-level virtues”: purpose, safety, fairness, humanity, and dignity (p. 44). The 29 virtuous concepts in Cameron et al. (2004) were empirically refined to the six dimensions of virtuous practice in Cameron et al. (2011, pp. 270ff.): caring; compassionate support; forgiveness; inspiration; meaning; and respect, integrity, and gratitude. In my dissertation, the definition of virtuous organizational culture follows Cameron et al. (2004) and includes “virtuousness among organization members in the organization as well as being enabled by the organization” (p. 775). My definition also includes “individuals’ actions, collective activities, cultural attributes, or processes that enable dissemination and perpetuation of virtuousness in an organization” (p. 768). Organizational virtuousness is exemplified by caring; compassionate support;

forgiveness; inspiration; meaning; and respect, integrity, and gratitude (Cameron et al., 2011).

## ***How Is Organizational Culture Changed?***

### **Schein's functionalist view**

Schein (2010) identifies “mechanisms” that a leader may use to embed or change a group or organizational culture. These mechanisms, summarized from Schein (2010, pp. 235ff) are listed below:

#### Schein: Primary Embedding Mechanisms

- What leaders pay attention to, measure, control
- How leaders react to critical incidents
- How leaders allocate resources
- Deliberate role modeling, teaching, coaching
- How leaders allocate rewards & status
- How leaders recruit, select, promote, excommunicate

#### Schein: Secondary Articulation & Reinforcement

- Organizational design and structure
- Organizational systems and procedures
- Rites & rituals
- Design of physical space, facades, buildings
- Stories about important events & people
- Formal statements of philosophy, creeds, charters

The primary levers are those which Schein (2010) calls “embedding mechanisms” (pp. 237–250). While all the primary levers are important, Schein (2010) labels “what the leader pays attention to” as the most powerful mechanism (p. 237). An example is a new procedure or form—if the boss uses it, others will, too. If the boss disregards the new procedure, it will eventually be disregarded by others. Another primary lever is how the leader reacts to crises and incidents, including conflict. The leader’s reaction sets both an example and reveals her underlying assumptions. Two similar levers, the allocation of resources and allocation of rewards and status carry messages to employees about what really matters and what values are actually in play, versus those values that are only espoused. In a similar way, how leaders select and hire new employees, promote some and fire others is observed by members of the firm who, over time, form opinions about what is acceptable and what is not. Deliberate role modeling, teaching, and coaching convey intended (and sometimes unintended) messages to employees.

Schein (2010) classifies less direct means of communicating and reinforcing the culture as secondary levers. Another aspect of these levers that helps classify them as secondary is that to be effective, they must be congruent with the primary levers. As an example, a firm with espoused values of egalitarianism and equality would confirm formal cultural messages with a relatively flat organizational chart, executive offices that were not too dissimilar in size and features from other offices, etc. Likewise the rituals of the organization and the myths and heroes must be aligned

with the cultural values if they are to be effective levers. Employees also draw clues as to a firm's genuine values via their interaction with organizational systems and procedures. Schein (2010) describes the levers as "the most powerful daily behavioral things that leaders do and the more formal mechanisms that come to support and reinforce the primary messages" (p. 236).

### **POS and change**

Cameron (2008) describes the paradox of attempting positive change in organizations. Human beings have a tendency toward the positive, but react more strongly to negative events or input. In short, for positive change to occur there must be significantly more positive factors than negative factors. For example, studies found that the best performing teams had three to five positive emotions for every negative emotion (Cameron, 2008, p. 18).

The term "positive" as applied to organizational change (Cameron, 2008, p. 9) has come to mean one or more of the following: extraordinary performance, affirmative bias, and/or virtuousness and eudemonism. According to Cameron, heliotropic tendencies, the tendency noted in humans to move toward that which is life giving or positive (2008, p. 9), is the mechanism through which positive climate and practices produce positive change in organizations. Heliotropic tendencies "mitigate negative tendencies and produce positive change" (Cameron, 2008, p. 18). This effect is described in the literature and has been noted in behavioral science, physiology, and cognitive studies (Cameron et al., 2011).

Positive emotions increase the possible range of a person's thoughts and actions ("though-action repertoire") and build the person's enduring personal strengths, according to Fredrickson (1998, p. 307). In particular, Fredrickson names joy, interest, love, and contentment (pp. 304–307). The "broaden and build model" (p. 315) lays a foundation for positive emotions as beneficial to individuals in terms of psychological and physical health and well-being. Fredrickson's ideas have been used as elements of models of positive change, for example to build positive organizational climate (Vacharkulksemsuk, Sekerka, & Fredrickson, 2011), and have broadly influenced POS.

Applying Fredrickson (1998) and other POS scholarship, Cooperrider and Sekerka (2003) propose a three stage model of positive change in organizations. The first stage, elevating inquiry (Cooperrider & Sekerka, 2003, pp. 223–234) combines a focus on strengths (instead of problems) with the proposition that human systems move toward the questions they ask. Therefore, if positive questions are the focus, then positive growth should result. In the next stage, as people realize their strengths and those of others around them, there is a natural cooperation that Cooperrider and Sekerka label a "fusion of strengths" (p. 236). The final stage, activation of energy, is characterized by encouragement and felt empowerment to change, based on the learning in the previous stages (p. 238).

Heynoski and Quinn (2012) describe two attempts by leaders to significantly change organizational culture in manufacturing firms using POS principles. One effort was successful. The other failed overall, but produced some pockets of success. In the successful firm-wide change, and in the successful subset changes in the second firm, leaders changed the assumptions of the culture through conversations. The shift in conversations was toward the positive, as illustrated in a summary from Heynoski and Quinn (2012) in Table 1.

**Table 1 Positive Organizing Assumptions and Discourse**

<b>Assumptions of Normal Organizing</b>	<b>Assumptions of Positive Organizing</b>	<b>Discourse of Positive Organizing</b>
People pursue their self-interests	People sacrifice for the common good	People are sacrificing for the common good
People pursue external rewards	People pursue intrinsic satisfaction	People are intrinsically motivated
People live in assumptions of exchange	People live in assumptions of contribution	People speak in terms of what they can contribute
People minimize personal costs	People exceed expectations	People are investing, stretching, learning and exceeding expectations
People prefer the status quo	People initiate change	People suggest and support new initiatives
People lose trust	People build trust	People trust each other
People communicate politically	People communicate authentically	People engage in authentic dialog, constructively challenging each other
People see constraints	People envision possibilities	People see the possibilities
People assume	People assume equality	People speak to each other

<b>Assumptions of Normal Organizing</b>	<b>Assumptions of Positive Organizing</b>	<b>Discourse of Positive Organizing</b>
hierarchy		as equals
People compete for scarce resources	People expand the resource pool	People are creating resources as they speak

*Source:* Adapted from Heynoski and Quinn, 2012

Leadership actions and words played a key role in both the change and failure to change. In the unsuccessful firm-wide change, leaders' words and the culture they demonstrated (e.g., Table 1, first column) was contrary to the positive values they sought to instill (Heynoski & Quinn, 2012, p. 122). In contrast, the supportive and congruent behaviors and words of the other firm's leaders, based on respect and continuous improvement (see Table 1, Discourse column), led to significant change in what was considered an intractable, adversarial culture (pp. 118–120). Of note in Heynoski and Quinn (2012) is the length of time it took for culture change to take place in one of the company (over years), and the measurement of successful change. Success is defined as changing the nature of the cultural discourse (see informal survey questions, Heynoski & Quinn, 2012, p. 123) from "normal organizing" (e.g., "people are pursuing their self-interest") to "positive organizing" (e.g., "people are sacrificing for the common good"). The authors also note that in one case, when key lower level leaders responsible for initiating much of the dialog with workers were promoted, the culture reverted to "normal patterns of knowing and telling" (p. 124).

### **General leadership influences on culture**

Leaders directly and indirectly influence organizational culture and virtue (Bass & Avolio, 1993; Hartnell & Walumbwa, 2011; Schein, 2010; Toor & Ofori, 2009;

Wilderom, 2011). Culture has even been listed as an element of leadership from ancient times (Ahn, Ettner, & Loupin, 2011). Schein (2010) describes his mechanisms as ways that leaders “teach their organizations how to perceive, think, feel, and behave based on their [the leaders’] own conscious and unconscious convictions” (p. 236). Several genres of leadership scholarship discuss leadership’s influence on cultural elements, or espouse leadership behaviors congruent with virtuous organizational culture.

In describing ethical leadership Brown and Treviño (2006) state:

To recap, the emerging research suggests that ethical leaders are characterized as honest, caring, and principled individuals who make fair and balanced decisions. Ethical leaders also frequently communicate with their followers about ethics, set clear ethical standards and use rewards and punishments to see that those standards are followed. Finally, ethical leaders do not just talk a good game—they practice what they preach and are proactive role models for ethical conduct. (p. 597)

Brown and Treviño (2006) elaborate and emphasize that ethical leaders model ethical behavior in “side-by-side” proximity (pp. 600–601; cf. Audi, 2009, pp. 18–19).

Treviño and Brown also discuss the leader’s influence on value-congruent reward systems (Treviño, Brown, & Hartman, 2003; Brown, Treviño, & Harrison, 2005).

The interrelationship between leaders and organizational culture can be seen in other leadership scholarship: Cameron (2011) argues that responsible leadership is virtuous leadership; and Bass and Avolio (1993) say leaders develop culture and culture

influences leadership development. Perhaps more indirect but still substantial leadership influence on culture can be found in spiritual leadership (Avolio & Gardner, 2005); servant leadership (Greenleaf, 2008), and authentic leadership (George, 2003).

One common theme in the literature linking leadership and organizational culture is leadership integrity. For example, integrity is an element of ethical leadership (Brown, Treviño, & Harrison, 2005, p. 119; De Hoogh & Den Hartog, 2008, p. 300), and spiritual leadership (Toor & Ofori, 2009, p. 536). Motivated by the paradox that integrity plays a key role in leadership, yet no satisfactory explanation exists describing *how* integrity affects leadership, Palanski and Yammarino (2009) develop theories that explain the mechanics of leadership integrity at multiple levels of organizations. Of special interest to the authors are the effects of leadership integrity on follower trust, satisfaction, and performance.

Palanski and Yammarino (2009) list 19 propositions to describe how leadership integrity works within the levels and variability of organizations. These propositions are displayed graphically in Appendix A. This graphic reveals Palanski and Yammarino's theory that leadership integrity has direct influence on trust, satisfaction, norms and climate at the individual, group, and organizational levels. Other leadership scholars also outline examples that enhance a leaders' or organizations' integrity and trust: fairness (Peterson & Park, 2006, p. 1152);

benefiting others and refraining from harm (Kanungo, 2001, pp. 260–261); relational transparency (Brown & Treviño, 2006, p. 599).

Many would intuitively agree that dignity and respect are foundational for virtuous organizations, and indeed these topics appear often in leadership literature. Servant leadership speaks to promoting diversity (Spreitzer, Porath, & Gibson, 2012, pp. 158–161) and the conceptual skills necessary to discern justice, fairness, etc. (Toor & Ofori, 2009, p. 536). Similarly, authentic leadership lists balanced processing (Avolio & Gardner, 2005, p. 317; Toor & Ofori, 2009, p. 536), and transformational leadership lists individualized consideration (Northouse, 2010, p. 179). De Hoogh and Den Hartog (2008, p. 298) note fairness is an element of ethical leadership. Other examples include: minimizing incivility (Spreitzer et al., 2012, pp. 158–161); and self-control (Cameron, 2003, p. 49).

Dahlsgaard, Peterson, and Seligman (2005) define *transcendence* as “strengths that forge connections to the larger universe and thereby provide meaning” (p. 205). In the context of virtuous leadership influence, transcendence implies leadership behaviors that demonstrate coherence between tactical leadership action and the larger reality. This connection can facilitate inspiration, hope, and zest (cf. Park & Peterson, 2003). Leadership scholarship addresses this dynamic using various terms. George’s (2003) comments about authentic behavior also support transcendence (tactical action tied to a larger reality). Fry, Vitucci, and Cedillo (2005, p. 858) argue that followers with

hope and faith in a transcendent vision, working in a context that values altruistic love, display a higher sense of calling, membership, and commitment. Inspiration is sometimes described in terms similar to transcendence. For example, Bass and Steidlmeier (1999) say inspirational motivation “provides followers with challenges and meaning for engaging in shared goals and undertakings. . . . [and] . . . tend[s] to focus on the best in people—on harmony, charity and good works” (p. 188).

Leadership literature often speaks of other leadership behaviors relevant to virtuous organizational culture. Avolio and Gardner (2005) list concern for others and altruism as an element of spiritual leadership (p. 331). Authentic leadership is also described by Avolio and Gardner as creating value for the community and helping subordinates grow and succeed (p. 318). Transformational leadership describes leader characteristics that enhance support and compassion: individualized consideration and intellectual stimulation (Bass & Avolio, 1993, p. 112; Northouse, 2010, p. 177–179). Servant leadership encourages putting others’ needs first (Greenleaf, 2008, p. 15).

Symbolic views of organizational culture change also include significant roles for leaders. Briody, Pester, and Trotter (2012) examine the role of telling stories in changing plant culture at General Motors (GM). Going beyond simple recounting of events as stories, Briody et al. (2012) explain how a contentious event at a GM plant was documented, analyzed and used as a training tool to show employees and managers how to collaborate and change their way of dealing with each other and

problems. The results at the GM plant demonstrate that, “Organizational-cultural change can result from and be sustained by the power of a story” (Briody et al., 2012, p. 81). Schein (2010), a functionalist, also identifies “stories about important events and people” as a secondary cultural embedding mechanism (p. 236).

An interesting symbolic/hybrid cultural view example is Hatch’s (2011) discussion of Ray Anderson of Interface. Citing Amodeo’s (2005) study of Interface, Inc., Hatch (2011) notes that Anderson’s interpretation of negative remarks about industry in general and his subsequent openness to change allowed him to become a change agent and make space for employees to create lasting cultural change. Hatch emphasizes cultural change as a result of listening to identity clues from stakeholders, reflecting on that input (interpretation), and responding (p. 345). In addition to listening to external stakeholders, employees listen, observe, interpret and respond to the leader’s words and deed, take their clues about “how things are really done around here,” and respond based on their interpretations (cf. Hatch, 2011, pp. 342–345). In this way, Hatch (1993, 2011) argues that interpretation by both the leader and employees, of both external inputs and internal observations, plays a significant role in organizational culture.

### ***Summary of Literature Review***

Organizations, like the societies in which they operate, have cultures. Culture helps define who is part of the organization, who is not, and how to interact both internally and externally. Scholars disagree on the nature of organizational culture. Some take a

functionalist position arguing that cultures consist of definable elements and can be changed by using levers or mechanism (e.g., Schein, 2010). Others emphasize the role of symbols and their interpretation in creating meaning in culture (e.g., Gagliardi, 1986). Hybrid views combine elements of both functionalism and interpretation (e.g., Hatch, 1993). Neither functionalist nor symbolist can claim universal acceptance of their view, but the functionalist view seems to predominate (Cameron & Quinn, 2011, p. 18).

Virtue, according to Audi (2009) is: “A broadly action-guiding trait of character for which the person merits a kind of praise” (p. 149). Along with Park and Peterson (2003, p. 44), Cameron et al., (2011), and others, I propose that organizations can display or enact some virtues, e.g.: purpose, safety, fairness, humanity, and dignity. Palanski and Yammarino (2009) show how integrity can flow across internal boundaries in an organization, suggesting that other virtuous behavior can flow through organizations in similar ways. POS discusses positive deviant behavior, affirmative bias, and other topics that arguably overlap significantly with discussions of virtuous organizational culture (e.g., Spreitzer & Sonenshein, 2003; Cameron et al., 2011).

In my dissertation, the definition of virtuous organizational culture follows Cameron et al. (2004) and includes the actions of individuals and collective activities that enable and perpetuate virtuousness in organizations. Examples include: caring;

compassionate support; forgiveness; inspiration; meaning; and respect, integrity and gratitude (Cameron et al., 2011).

Leaders can influence organizational culture through their actions and the systems or processes they put into place (e.g., Bass & Avolio, 1993; Hartnell & Walumbwa, 2011; Schein, 2010). Scholars have a variety of opinions regarding how leaders influence or change organizational culture, generally (but not exclusively) following the functionalist or symbolist/interpretive views mentioned above. Ethical, authentic, transformational and servant leadership genres speak to various ways leaders can be more transparent, help followers find larger meaning in work, and put others' needs ahead of their own.

Leaders do not, by themselves, form organizational culture. Because my interest focuses on senior leaders, emphasis has been placed on leaders in the literature review. However, even within this literature we see clues that culture involves two-way interaction with others (e.g., culture solves problems of internal integration; Schein, 2010), some amount of interpretation of events and behaviors (Hatch, 1993, 2011) and by definition culture includes human interaction. The leadership has a role to play, but it takes more than the leadership to ensure that desirable traits of organizational culture like respect, compassion, humanity, integrity, and honesty are consistently experienced as part of everyday life in an organizational culture.

***What Questions Need to Be Answered?***

If virtues can be enacted *in* and to some degree *by* organizational cultures (Park & Peterson, 2003; Cameron et al., 2004), and leaders influence culture through their words and actions (Bass & Avolio, 1993; Hartnell & Walumbwa, 2011; Schein, 2010), how do leaders enable, encourage, and maintain virtuous organizational culture in a context where their words and actions may or may not be interpreted as the leaders intend (Hatch, 1993, 2011)? A similar question is raised by Cameron (2003) who lists “how virtuousness is fostered, enacted, and nurtured in organizations” as a future research topic (p. 64). In this dissertation, I will address these issues by exploring the research question: “How do leaders influence organizational culture, especially as it relates to virtuous aspects of those cultures?”

## **Chapter 3: Research Approach and Methods**

To explore my research question, I employ a comparative case study design, use an appreciative inquiry protocol to collect my data, and use the coding procedures of grounded theory to analyze my data. This chapter describes my research design and methods in detail. I begin by defining comparative case study and show why it is appropriate for my dissertation research. I then explain the context of the research, including a description of the five companies in which the research was done. Next, I walk the reader through my data collection and analysis procedures and show how I gathered my data and then moved from first order coding, to second order coding, to writing my explanatory storyline. Finally, I elaborate the potential limitations of my research, including sampling bias, expectation bias, and the non-longitudinal nature of the study.

### ***Comparative Case Study Design***

According to Yin (2009), case studies are appropriate when “how” or “why” questions are being asked, when the investigator has little control over events, and when the focus is on a phenomenon in its “real-life” context. My study fits all three criteria. I set out to study inductively how leaders shape culture in five Small Giants companies: Beryl Health; Blue Plate Catering; Integrated Project Management; Service Express; and Tasty Catering. My research question was a “how” question, I had no control over events in the five companies, and my research was focused on the

phenomenon of how leaders influence culture in the “real-life” context of these companies.

A comparative case design is also ideal for this dissertation because it allows me to investigate the phenomenon of how leaders influence culture across five different companies and to detect similarities and differences across the cases. According to Eisenhardt (1989), the iterative process of comparative case studies facilitates the possibility of finding unexpected themes and relationships in the data and of building evidence for theory or model development, which is what I set out to do.

Eisenhardt (1989) emphasizes eight important steps in case study research: (1) clearly defining the research question; (2) selecting the proper population or sample; (3) using the correct protocol or instrument; (4) getting into the field; (5) analyzing data and looking for cross-case patterns; (6) forming hypotheses; (7) comparison with extant literature; and (8) reaching closure or saturation. I will address research question and target population here and Eisenhardt’s other points in the sections below on data collection and data analysis.

In terms of a clearly-defined research question, mine is: “How do leaders influence organizational culture, especially as it relates to virtuous aspects of those cultures?”

In terms of selecting the proper population or sample, as mentioned in Chapter 1, near the mid-point of my doctoral coursework, I became involved in a research initiative

called the [Return on Values Project](#) designed to explore the question, “What is the link between values-driven cultures and profit in small and mid-size businesses?” The project was being conducted in collaboration with the Small Giants Community, a group of entrepreneurial firms committed to driving profitable growth by building what they call values-driven organizations, that is, organizations that espouse people-centered values and align their cultures to enact those values. Although the charter of the Small Giants Community does not explicitly use the words “virtue” or “virtuous,” I felt that their commitment to building values-driven organizational cultures made them an ideal target population for my dissertation. I joined the Return on Values research team, elected to use a comparative case study research design, and began to study the ways in which leaders shape culture at five Small Giants companies. Below is a detailed description of each of the companies.

### **Beryl Health (Beryl)**

The Beryl Companies are known for their strong commitment to their employees, expressed in a very active employee engagement culture. Beryl has experienced consistent growth and increasing profitability over its lifetime. Paul Spiegelman, CEO, is one of three original founders of the business that became the Beryl Companies. The three brothers founded a small medical alert business in 1985, and operated out of an eight by 10 room. When their service was instrumental in saving a lady’s life, Spiegelman began to market the business more broadly. The brothers received a contract with a local hospital, and eventually became known as quality health care communication service providers. Eventually Hospital Corporation of

America (HCA) asked the brothers to manage a nationwide call center. In 1998 the brothers bought the call center from HCA, and consolidated other operations from California at their present Bedford (Dallas), TX location.

The Beryl Companies are made up of four independent but related firms: Beryl Health, The Beryl Institute, The Circle, and the Small Giants Community. Beryl Health, the cornerstone of the Beryl companies and the firm that is studied here, is a medical call-center business. The Beryl Institute is a thought-leadership organization that strives to improve patient experience across the medical industry. The Circle is a training endeavor, propagating employee engagement practices and explaining the value to the firm of treating employees well. The Small Giants Community brings together business leaders who focus on value-based business practices to exchange information, best practices, and to support one another

Beryl Health describes itself as a patient experience company that provides service to patients as a call center. Beryl contracts with over 500 hospitals around the country to provide pre- and post-clinical visit information to their patients, seeking to guide the patients to the best care. For example, Beryl may answer the phone in the name of a client hospital and help the caller find a physician who can address their medical need or question. Likewise, Beryl may follow up with patients in the name of a client hospital to ensure the patient is taking their medication, has no problems after a procedure, etc. Beryl considers itself a premium provider of medical call-center

service. The value proposition Beryl brings to justify the premium is compassion and empathy. Spiegelman considers this compassion and empathy, both within Beryl and as displayed to patients, to be a key element of his business.

Beryl has approximately 400 employees and was, until late 2012, owned by the founders. After the Return on Values Project interviews were conducted in late 2012, Beryl Health was sold to Stericycle. Beryl is now one of three branded call center/communication businesses that comprise Stericycle Communication Solutions (<http://www.stericyclecommunications.com/>). Spiegelman, CEO of Beryl Health during the interviews, is now Stericycle's Chief Culture Officer.

Since Beryl Health was privately held until December of 2012, there is no publically available financial information available through 2012. Stericycle's 2013 financial report consolidates results from all subsidiaries, and therefore Beryl's results are not presented separately. At the time of the study, it was estimated that Beryl had annual revenues of about \$40 million. In the interviews at Beryl the leaders reported consistent double digit growth, triple digit profit growth, and profitability estimated to be five to six times higher than their competitors. During the interviews all the C-Suite members stressed that the emphasis on culture and employee engagement did not mean Beryl was just about fun and games. Beryl is serious about hard business metrics and top and bottom line growth.

As of 2013, Beryl and Paul Spiegelman have been recognized for culture and entrepreneurship by several organizations:

- Inc. 5000, one of the Fastest Growing Private Companies, 2010, 2011, 2012
- Society for Human Resource Management and Great Place to Work Institute®, named one of the best companies to work for in America
- Modern Healthcare, one of the top 100 “Best Places to Work in Healthcare,” 2008, 2009
- Modern Healthcare, one of the top 20 outsourcing companies in all of healthcare for the last five years
- One of the best places to work in Texas, two consecutive years; one of the best places to work in Dallas/Ft. Worth, four consecutive years

### **Blue Plate**

Jim Horan, CEO of Blue Plate, came to the catering industry influenced by two significant life experiences. Horan’s experience as a clinical social worker for 12 years before founding Blue Plate in 1983 reveals his passion for people. His experience growing up in a “big Irish Catholic [Chicago] west side family” that loved to entertain up to 40 for Sunday lunch taught him team work and gave him a love for preparing quality food. Horan came into the food industry gradually. While he was a social worker, he was often called upon or volunteered to organize events and prepare food for various groups of friends. For a while he catered for the film industry in the Chicago area. Eventually he left social work completely and entered the food industry fulltime, founding Blue Plate in Chicago in 1983. In his interview, Horan expressed

the joy he receives from making his customers, coworkers, and friends happy in the context of good food.

To Horan, social work and the food business are both about making people happy. In both contexts, he is guided by the values he learned at home as a child. According to Horan, his family's emphasis on the golden rule—treat others as you want to be treated—has been a guiding principle throughout his life. At Blue Plate, the culture reflects both the golden rule and the unofficial motto, “happy people making people happy.” During his interview, Horan remarked: “I have one of the best jobs in the world. We get people in every day and we try to make them happy.” Horan expresses his ideas about organizational culture in straight forward terms:

We can have a very complex discussion about culture, but I don't think it's really that complex. And I also don't want to align myself with the other people that are really treating it . . . somewhat as a fad. We live it.

Blue Plate is busy trying to make people happy through both event-oriented and corporate catering. The business is seasonal, at peak times there may be 35 events each day. The larger and more complex events can require up to 150 staff to be present. Employment numbers also vary widely by season. Full-time employees vary between 500 and 600, while part time staff varies from 1,000 to 1,500. Every day at Blue Plate is different. Dan Joseph, Vice President of Operations explained that on any given day, Blue Plate is “producing a restaurant” at multiple sites, each serving

from 10 to as many as 2,500 people. The work can be chaotic, time critical, and unpredictable.

Blue Plate is the primary business, but Horan's larger enterprise includes food services at The Symphony Center in Chicago. In addition, Horan is a managing partner and investor in Park Grille, also in Chicago. This study focuses on Blue Plate.

Blue Plate is privately held. When asked about financial results, Horan responded: "The financial number—I tell people we do somewhere between thirty five and forty million dollars in business but that's restaurants, that's catering, that's concessions—that's a whole conglomeration."

### **Integrated Project Management (IPM)**

Integrated Project Management's business, according to founder and CEO Rich Panico, is to "transform strategy into reality," or in other words, to help companies achieve what they believe is most important. Integrated Project Management provides their clients with "project leadership," not just project management. The difference, according to Panico, is that while both are needed, project management focuses on the rules and processes for successful project execution, and project leadership provides the "soft" skills necessary to build collaboration and lasting organizational change. Over the years Integrated Project Management has had many prominent clients: Johnson & Johnson, Nestle, Nabisco, Mars, and Genentech. Integrated Project

Management serves a variety of industries, but focuses on life sciences, consumer products; healthcare, and industrial products.

Panico founded Integrated Project Management in 1988 in Chicago, which remains the home office. Since that time, the firm has opened offices in San Francisco, St. Louis, Boston, and Los Angeles. Panico held a senior management position in the Personal Products division of Johnson & Johnson, but always had an entrepreneurial spirit. He describes the conceptual development of Integrated Project Management in his interview:

I had done an analysis of various industries and projects and why they succeeded, why they failed and what I learned was that most organizations, even those who tended to be at the top of their game, truly lack the ability to execute reliably and so I took everything I had learned and put it together in this business model with the intention of creating an extraordinary culture.

The culture of Integrated Project Management is integral with their business model.

Panico says:

But I would say that our greatest differentiator in the way we conduct the business of project management is engaging people's hearts—bringing our values—the values that we have here within our home—bringing those to a client's site so that people truly know we're there to help.

Panico reports that in his experience, most companies' problems are not due to a lack of intellectual capacity or ability; instead, most problems of scale are cultural. Panico gave an example of working with a large company in Chapter 11. After spending time

at the company in Chapter 11, Panico made his presentation to the leadership. He shocked the leaders by telling them to forget about the competition, because their chief problems were not working together, not communicating with each other, and not respecting each other. After the initial shock, the leaders were very receptive.

Integrated Project Management believes its values and consistency in applying them both internally and with clients pays off. Integrated Project Management's roughly 100 employees generated over \$22 million in revenues in 2012 while serving 67 clients.

Integrated Project Management's list of awards supports Panico's description of the firm's pursuit of perfection in both culture and business. For seven consecutive years (2007–2013), Integrated Project Management has been named as one of *Inc.* magazine's Fastest-Growing Private Companies (the *Inc.* 5000). Integrated Project Management has been honored four consecutive years (2010–2013) as a 50 Best Small & Medium Workplace by Great Place to Work Institute®.

### **Service Express, Incorporated (SEI)**

Service Express, Incorporated of Grand Rapids, MI began as a second generation entrepreneurial offspring during the growth of corporate computing and the advent of large data centers. In the 1970s and 1980s, Digital Equipment Corporation (DEC) was a successful and early innovator in the computer industry. DEC focused on selling new hardware. When companies upgraded they had no way to recapture the cost of

their old equipment. Some companies gave their old hardware away, others simply threw it away. In 1986 Keith Harold and Joe Ken left DEC to start a business that would sell the used computers to smaller companies. This new company was called Great Lakes. Eventually they hired a salesman named Mike McCullough.

McCullough saw a business opportunity in servicing the computers for their corporate users. He believed he could beat the original equipment manufacturers maintenance service on both price and quality. A division of Great Lakes was formed to service data center hardware. Eventually, a business arrangement between Great Lakes and DEC required Great Lakes to divest the hardware maintenance business. McCullough believed the maintenance division could stand on its own, and founded Service Express, Incorporated in 1986.

Influenced by books like *Good to Great* (Collins, 2001) and *Built to Last* (Collins & Porras, 1994), and committed to his personal values, McCullough set out to make Service Express a values-driven and core objective-focused company. He wrote four objectives on his white board, and frequently pointed to them during discussions about business matters and opportunities. The four objectives were: revenue growth; margin retention; take care of customers; take care of your employees. With some change in wording, these four concepts remain the core objectives of Service Express today. McCullough was also a mentor, and routinely involved key subordinates in business decisions, asking their opinions and challenging their assumptions and

thinking. Through his mentoring, McCullough demonstrated how values and objectives could be operationalized in a successful business. Two of McCullough's mentees are in the Service Express C-suite today: CEO Ron Alvesteffer and COO Dwight Strayer.

Today Service Express has 25 sites in 12 states performing server and storage maintenance, operating system support, data center relocation, networking solutions, and hardware sales (<http://www.seiservice.com/>).

The unique culture of Service Express is focused on service, both internally and externally. Service Express's vision is to help their employees meet their personal, financial and professional goals. This vision is operationalized through formal systems of recording and sharing the goals with supervisors, and receiving the feedback necessary to make progress toward the goals. This vision is not a mere slogan; Ron Alvesteffer says "that [the vision] is why we exist as a company."

Company goals are formed by rolling up all the employee goals. In 2012, Service Express had more than 200 employees, and expressed its financial results in terms of earnings before interest, depreciation, and amortization (EBITDA). Service Express annual average growth in sales is 18% while EBITDA growth is 19%.

### **Tasty Catering (Tasty)**

Tom Walter and his brother, Larry and Kevin, are serial entrepreneurs. They have founded multiple businesses, many of them in the food industry. Tasty Catering

began in the back of a fast food restaurant owned by the brothers in 1989. Tasty became a standalone business in 1995. As Tasty developed, the brothers chose corporate catering as their niche. In all their businesses, they applied the strong Catholic values they learned at home as children.

Along the entrepreneurial journey Walter learned some lessons the hard way. Hiring solely for talent often led to very disappointing results when talented performers failed to live up to expectations of attitude and character. When unexpected road modifications limited access to one of his restaurants, he learned the value of having advisors. Themes began to emerge in Walter's experience: the value of human capital, significance of the individual, wisdom of his basic values, and value of wise counsel.

These themes converged in late 2005 when two of Tasty's brightest young stars confronted Walter in his office one morning. They told Walter that unless he changed his command-and-control style, they were leaving. The two wanted an employee-generated and employee-maintained culture. Realizing that these two represented Tasty's future and therefore a major portion of his retirement plan, Walter agreed. The conversation in the office led to an intense study of the book *Good to Great* (Collins, 2001) and the genesis of Tasty's new culture.

In March of 2006, representatives from all Tasty's teams came together to forge the new culture. The owners of the company were present, but were not allowed to speak. The employees determined Tasty's core values. The values are so engrained in the day to day life of Tasty that employees now reference them in conversation by number.

Part of the new culture is an open financial information sharing system based on *The Great Game of Business* (Stack, 1994). The transparency has increased ownership of the work by teams and individuals, and the credibility of management. A lunch-room wall replicates the current profit and loss statement. Weekly and quarterly meetings include the teams calling out their financial results and progress toward goals. In 2012 Tasty employed approximately 50 full-time team members, 200 part time team members, and generated \$6.5 million in revenue.

The culture change also included an emphasis on employee engagement, and Walter reported in the fall of 2013 that Tasty measures employee engagement three times a year, and reported a score of 98% during the interviews, using different tools to measure engagement. Follow-up emails to Tom Walter revealed the most recent score (March, 2014) of 96%, and the three tools used are the Gallup 12, an internally (Tasty) developed instrument of most repeated questions in "best places to work" surveys, and a proprietary instrument.

### ***Data Collection***

As mentioned earlier, Eisenhardt (1989) lists eight steps of case study research: (1) clearly defining the research question; (2) selecting the proper population or sample; (3) using the correct protocol or instrument; (4) getting into the field; (5) analyzing data and looking for cross-case patterns; (6) forming hypotheses; (7) comparison with extant literature; and (8) reaching closure or saturation. Above, I addressed the research question and population. In this section, I address using the correct protocol and getting into the field.

I used an appreciative inquiry protocol to collect my data (Cooperrider & Srivastva, 1987; Ludema et al., 2003). Research done using appreciative inquiry attempts to locate and highlight the forces and factors at play when a phenomenon is at its best. Therefore, appreciative inquiry questions are unconditionally positive, focused on learning from examples, even if they are few, in which the phenomenon under study was thriving. Appreciative inquiry questions are usually narrative in nature, in the case of interviews, asking interviewees to share stories about when a given phenomenon was at its best and then collaborate with the researcher in identifying the enabling factors of that phenomenon.

Field work consisted of two-day site visits made to all five companies, and three types of data were collected: (1) semi-structured individual interviews with an average of 12 people in each organization, (2) participant observation field notes, and

(3) archival documents. I participated in two of the site visits, Beryl Health and Service Express, and relied on other members of the Return on Values research team for data collection at Blue Plate Catering, Integrated Project Management, and Tasty Catering.

In each organization, interviews were conducted with the Founder/CEO, members of the senior leadership team (usually five or six team members), and a diagonal slice of other employees from multiple functions and levels (usually five or six people). The length of the interviews ranged from 30 minutes to 90 minutes and were videotaped and transcribed verbatim. The transcripts were uploaded into Dedoose<sup>®</sup>, a web-based research software, coded, and content analyzed. The interview questions were focused on the core research agenda of the Return on Values Project (i.e., the link between values-driven cultures and profit in small and mid-size businesses) and focused on the history of the firms, how their values were derived, the role of the leaders in operationalizing the values, and the direct and indirect impacts of the firm's values on the companies' human and financial performance (see Appendix B for sample interview guide). As is common in most qualitative research, the interview guides served only as a starting and ending point for conversation and storytelling. As each interview evolved, the conversations followed multiple streams of interest to both the interviewees and to us as researchers. In the end, the interviews yielded dozens of content-rich stories germane to my study, from every level of the

organizations, about the leaders' role in shaping organizational culture, especially as it relates to virtuous aspects of those cultures.

In each organization, participant observation field notes were taken based on the procedures outlined by Spradley (1980), uploaded into Dedoose®, coded, and content analyzed. Most of the observations had to do with the physical plant and the day-to-day interactions among employees. For example, at Beryl Health, a call center, the physical plant was remarkable. It was a former Wal-Mart store that had been remodeled to accommodate close to 400 Beryl employees. Each call center associate had his or her own work station, which is highly unusual in the call-center industry, and each work station was decorated according to the employee's tastes. There were pictures of family and friends and vacations and souvenirs from sports teams and shows and science competitions, and during breaks people could be seen huddled around these mementos laughing, talking, and celebrating with their neighbors. It also happened to be Halloween when we visited Beryl, so many of the work stations were decorated, employees (including senior leadership) were in costume, and employees' children were traipsing through in costume trick-or-treating. The atmosphere could be described as celebrative, joyful, and family-oriented.

Thousands of pages of archival documents were collected, including mission, vision, and values statements; memos; performance review forms; recruiting, hiring, and firing forms; orientation and training curricula; employee engagement surveys and

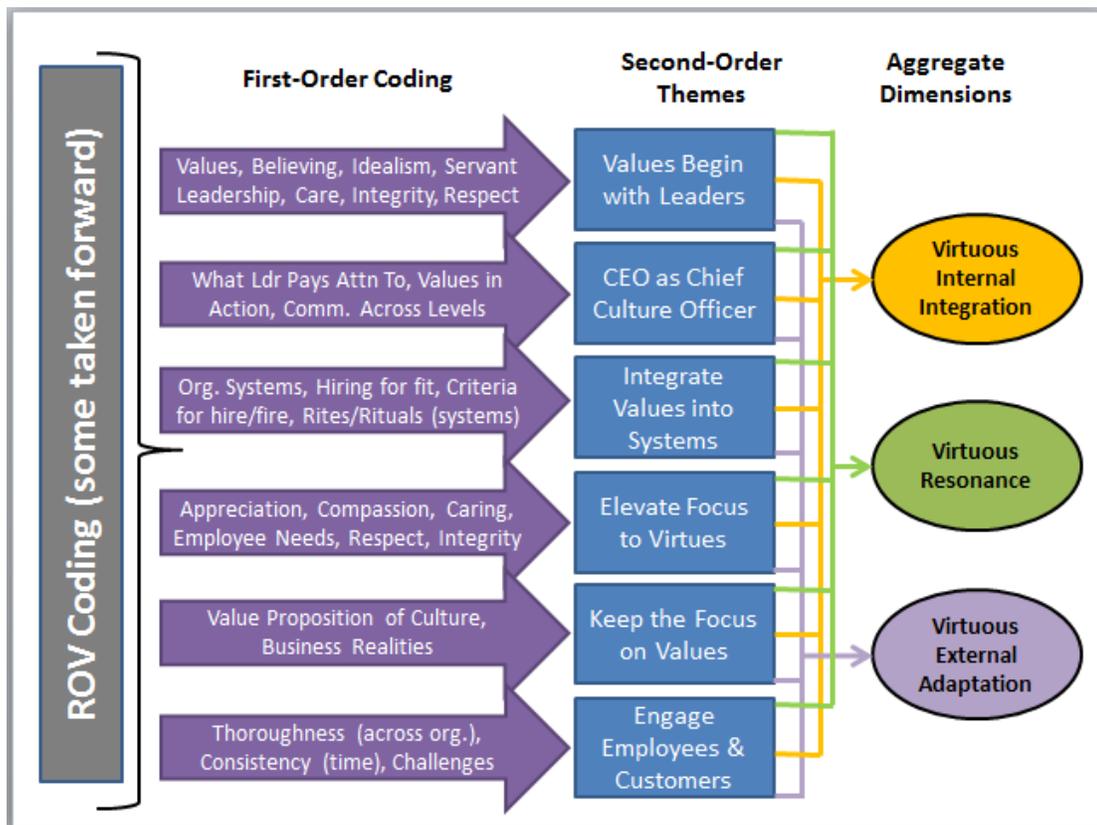
scores; customer satisfaction surveys and scores; performance management metrics and scores; reports on financial results; applications for “best places to work awards;” published books and articles about the companies; books and articles published by members of the companies; and web-based content. These documents were coded and content analyzed and key themes were uploaded into Dedoose<sup>®</sup> for integration into the data analysis process.

After participating in field visits with Beryl Health and Service Express, and receiving the data collected by other members of the Return on Values research team at Blue Plate Catering, Integrated Project Management, and Tasty Catering, I conducted a round of first-order coding on the interviews, participant observation field notes, and archival documents alone. I then participated in two research team meetings to calibrate, refine, and deepen my first-order coding in collaboration with the other members of the research team. Throughout the process, the research team and I used Dedoose<sup>®</sup>, a qualitative research software, to manage the data, create a hierarchy of codes, and write memos linked to the codes. After the two research team meetings, I worked with my dissertation chair and select members of the research team to aggregate my first-order codes into second-order themes (found in Chapter 4) and then worked with my dissertation committee to integrate my second-order themes into an integrative storyline (found in Chapter 5).

## ***Data Analysis***

In this section, I address Eisenhardt's (1989) steps 5–8: analyzing data and looking for cross-case patterns, forming hypotheses, comparing with extant literature, and reaching closure or saturation. To analyze my data, I used the coding procedures of grounded theory as outlined by Gioia et al. (2012). They include: (1) first-order coding in which the researcher stays close to the data and whenever possible the words and phrases used by the participants; (2) second-order coding, which is more abstract, more researcher-centric, and seeks to discover what is going on (theoretically) in the data; (3) distilling second-order coding further into aggregate dimensions that help reveal the possible theoretical implications of the data; (4) identifying a model or integrative storyline that begins to emerge, illuminating the relationships between the themes, and dimensions in the data.

Following Gioia et al. (2012), below are the steps I used to analyze my data. A data structure that shows my first-order coding, second-order coding, and aggregate dimensions can be found in Figure 2.



**Figure 2. Data Structure**

**Step 1:** I conducted first-order coding on all the interview transcripts, participant observation field notes, and archival documents from Beryl Health and Service Express. I also conducted first-order coding on all leadership interviews from Blue Plate Catering, Integrated Project Management, and Tasty Catering. I defined “leadership” as C-Suite members, Vice-Presidents, Directors, and if not already covered by those titles, the Human Resources Manager. In addition to my personal first-order coding, two faculty members, one research associate, and five students

participating in the Return on Values Project coded the same materials. This round of coding generated over 1,300 codes that helped to answer the Return on Values Project research question, “What is the link between culture and profit in small to mid-sized companies?”

**Step 2:** Through discussion and collective analysis, in two research team meetings (April and May 2013), the 1,300 initial codes were reduced and combined into 68 first-order codes. These are represented in Figure 2 by the bar on the left that reads, “ROV Coding (some taken forward).”

**Step 3:** Following the two research team meetings, in agreement with my dissertation committee chair, I pulled away from the general Return on Values Project research question on the link between culture and profit and turned my attention to my specific research question, “How do leaders influence organizational culture, especially as it relates to virtuous aspects of those cultures?” I retained access to all of the Return on Values Project data in Dedoose<sup>®</sup>, along with the codes hierarchies of the other members of the research team. This allowed me to pursue my own research question while still maintaining contact with any data analysis generated by others that might help inform my study.

**Step 4:** Now focused on my specific research question and working with the data from all five firms, I conducted additional rounds of first-order coding looking for

patterns across the five firms. I identified 48 prominent first-order codes. These are represented in the “First-Order Coding” column of my data structure (Figure 2).

**Step 5:** I moved into the second-order coding stage by refining and combining my first-order coding and look for emerging patterns. Dedoose<sup>®</sup> allowed me to generate documents of all excerpts identified with various codes, producing iterative interaction with the data by code across interviews. Pattern detection was done in this iterative fashion, comparing interview excerpts within each company and across companies. This repetitive comparison and interaction with the data allowed me to identify six key themes listed in the “Second-Order Themes” column of my data structure (Figure 2). These themes represent the six key things leaders do to influence organizational culture, especially as it relates to virtuous aspects of those cultures, as reflected in my data.

**Step 6:** Throughout the data analysis process, I used memoing as a way to flesh out and give texture and meaning to the emerging codes, but at this point I began to write as a way to test my second-order themes. I shared drafts of these memos with other members of the Return on Values research team as a way to mitigate my biases and enhance the richness of my analysis. These memos were refined and eventually combined into Chapter 4 of the dissertation. In Chapter 4, I identify six ways in which the leaders of these companies influence organizational culture. First, the values of the firms begin with the values of the leaders. Second, the CEOs serve as de facto

Chief Culture Officers. Third, they elevate the focus from values to virtues, regardless of whether they realize it. Fourth, they engage employees and customers in defining the values and creating the culture. Fifth, they integrate the values into every aspect of the organization. Sixth, they tenaciously keep the focus on values.

**Step 7:** I moved into the third stage of coding and arranged my six key themes into three aggregate dimensions: virtuous internal integration, virtuous external adaptation, and virtuous resonance. In comparing the five companies, it became clear that the leaders evolved through similar processes. The leaders (Spiegelman, Alvesteffer, Horan, Panico, and Walter) brought their personal values to their leadership roles and aligned their businesses around those values. In all five cases, their primary core values were virtues (goods of first intent). For Spiegelman, it was care and compassion; for Horan, the golden rule; for Panico, honesty, integrity, and caring; for Alvesteffer, service and helping employees find meaning in work; and for Walter, it was dignity and respect. None of the leaders seem to consciously differentiate between virtues and values, and none of them chose their primary core values because of their link with virtues or performance. They chose the virtuous values simply because they thought it was the “right thing to do.” The leaders believe there is a link between their values, employees, customers, and the marketplace, and to varying degrees, they have integrated the mental model of this link into their economic value creation efforts. Consistent with this mental model they aligned the internal operations of their organizations with the values, creating virtuous internal

integration. Externally, they sought to align their relationships with customers and product offerings with their values, resulting in virtuous external adaptation. The virtuous values found resonance inside and outside the firms. This resonance around virtuous values seemed significantly different from any resonance or energy around instrumental values such as responsibility, teamwork, etc.

**Step 8:** Following Gioia et al. (2012), I created an integrative storyline by drawing on the literature to explain my aggregate dimensions as a dynamic phenomenon, or turning the static photograph into a movie (p. 22). I argue that organizational cultures are socially constructed (Gergen, 1985; Cooperrider & Srivastva, 1987; Ford, 1999) and the strategic role of leaders in influencing culture is to support an ongoing conversation about the culture and values through multiple mechanisms both internally with employees and externally with customers (e.g., role modeling; how they hire, fire, and reward; the products they offer; which clients they work with and how they manage relationships with clients). I argue that to the extent these conversations are focused on virtues such as caring, compassionate support, forgiveness, meaning, inspiration, respect, integrity, and gratitude (Cameron et al., 2011), they meet needs of autonomy, competence, and relatedness for employees and customers (Deci & Ryan, 2000), which produces energy for increased connection, action, and performance (Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009).

### ***Methodological Limitations***

The methodological limitations in the study include: sampling, inexperience in using comparative case study and grounded theory coding procedures, plus my personal biases and expectations. As the study progressed and the data pointed to a social construction theme, another limitation became apparent: my study is not longitudinal, and therefore limited in its ability to describe the social construction processes that created the observed social constructions.

### **Sample bias**

Sample bias is a legitimate concern in my study. The interviewees were chosen by the leaders of the firms. However, sample bias was mitigated in three ways. First, the selection of the five firms themselves was a theoretical sample (Eisenhardt, 1989). The Return on Values Project and my dissertation, both as appreciative studies, sought companies with strong reputations for people-centric culture and practices. The bias is mitigated because we were looking for positive examples.

Second, we spent approximately two days on site at each company. There were three to four team members for each site visit, providing an estimated collective 56 to 64 hours of participant observation. Third, because my dissertation focuses on leaders and their influence on culture, it is logical to use leaders as the population. The fourth mitigation was the diligence of the three or four site visit team members in looking for disconfirming information (Eisenhardt, 1989).

**Personal bias**

Personal bias is an insidious problem that requires vigilance. I confess known and more dangerous unknown biases. However, my Chair gave frequent and pointed feedback on my biases, continually reminding me to “unshackle” myself from certain concepts or favorite literature. Further, all the initial coding of the Return on Values Project data was done as a team. The team included three faculty members and four other students. Although I did later receive my own copy of the data, all the original team coding work was included in my copy. Almost all my coding was done during the initial phase of the Return on Values Project, when the three faculty members and four other students had full access to review my work. Later, as I began to produce drafts of chapters and the dissertation, the committee members joined my chair in pointing out bias and urging me to reexamine data and my own thinking to “let the data speak.”

**Inexperience**

Inexperience in grounded theory coding procedures and case study methodology is also a valid concern. One reason I volunteered to participate in the Return on Values Project was to mitigate my inexperience by being part of a group of students supervised by and working closely with faculty. My membership in the Return on Values Project cadre of students has provided checks and balances to my biases in coding during discussions with other students (formally at the coding meeting and during informal discussions). As I watched experienced faculty members conduct interviews at Beryl and Service Express, and read the transcripts from the other firms, the possible mistakes and other negative effects of my inexperience in qualitative

interviewing techniques was diminished. My committee and chair have been invaluable in guiding me through methodology issues and questions.

### **Non-longitudinal nature of the study**

As the study progressed, it became clear from the data that the leaders' influence on the culture could not be explained solely on the basis of traditional functionalists levers (e.g., Schein, 2010) and there was a social construction process of some kind involved. This observation solidified over time, but came too late to develop some reasonable way to study the social construction processes that led over time to the socially constructed cultures observed. Gioia et al. (2012, p. 22) speak to this issue of building a model of a process from a static photograph, and stress the importance of maintaining focus on building a model that expresses the informants' experiences as contained in the data. To mitigate this limitation I have focused the development of the storyline (in Chapter 5) on my understanding of the informants' experiences in the data, and deliberately use the term 'integrative storyline' rather than model to signal this tension between snapshot and movie.

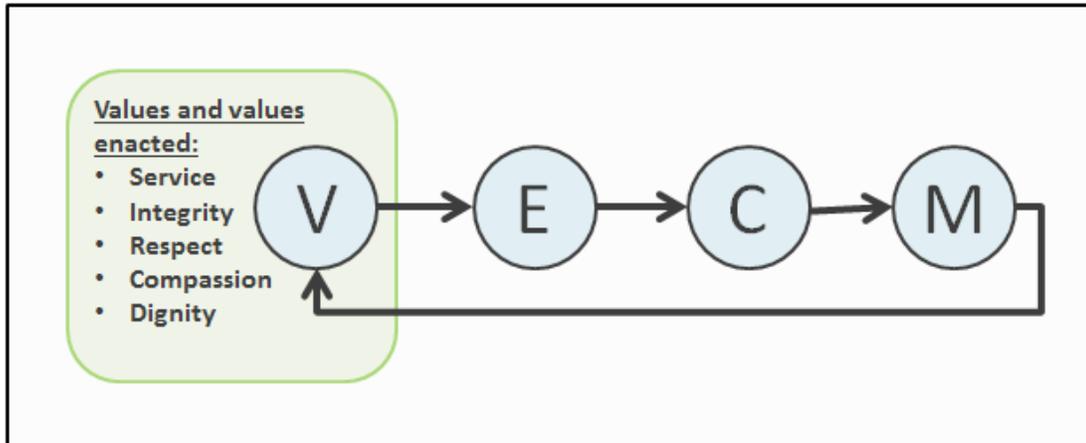
## Chapter 4: Results

### **Overview**

This chapter explores the second-order themes generated from my analysis and illustrates them with quotes and stories from the data. I began this study expecting to discover specific leadership actions and behaviors that contribute to virtuous organizational culture. I did find specific actions and behaviors, but a larger and more interesting picture emerged. Leadership actions and behaviors, while important, were only one element in a more complex constellation of factors.

One of the most interesting elements in the data is a common mental model held, with some variations, by all the leaders. This mental model is significant because it connects values, culture, and economic value creation. All the leaders profess they hold and try to operationalize a variation of a mental model that states that if they enact certain values within their firms, the employees will consider themselves to be treated well and cared for, and in turn the employees will treat customers well, leading to better business results. In short, the leaders profess that the loop connects values, employees, customers, the marketplace, and the subsequent business results feed back into the firm. I call this mental model the values-employee-customer-marketplace (VECM) loop (see Figure 3). The loop begins with values. The values enacted within each of the five firms vary slightly, so there is no secret formula. But there is a common theme of virtuous values as will be discussed below. The loop ends with financial business results that feed back into the firms. While my dissertation does not

explore the financial results of these firms, it does explore the organizational culture aspects of this loop and what makes the loop seem to work within these five firms.



**Figure 3. The VECM Loop**

The data points out six themes that seem to be essential building blocks in these firms to make the loop both possible and (culturally) effective within the five companies.

The six themes seem to simultaneously support the loop, and help answer the question: How do leaders influence organizational culture, especially as it relates to virtuous aspects of those cultures? Near the end of the chapter I will give a possible explanation of how these six building blocks can both be how the leaders influence virtuous culture and support the loop. Below are brief descriptions of the building blocks, followed by more detailed explanations.

First, the interviews reveal that the values of the firm, and therefore the values of the mental model loop, begin with the values of the leaders. This is not a trait theory

element, but instead an acknowledgement of the influence of founders and leaders on values and culture. While this building block is not new or surprising, it seems critical in the data to understanding how the leaders explain their cultures and the loop model they claim to operationalize.

Second, each CEO seems to be, regardless of the title on the office door, the de facto “Chief Culture Officer.” Each CEO is a champion or vanguard of the firm’s values in their own way. Similar to the concept that “what the leader pays attention to gets done,” the CEO’s setting of the pace in the culture seems to facilitate the internal “realness” of the values, and in that way contributes to the internal links of the values-employee-customer-marketplace loop. This advocacy does not relieve others of responsibility for the values; instead people at every level play important roles in knitting the values into every day operations.

Third, what seems to set these five firms apart from those firms that we might consider typical is that many of the enacted values are virtuous (albeit imperfectly enacted). We could name many companies that espouse and operationalize values of teamwork, quality, accountability, competitiveness, responsibility, and discipline. But these five companies claim that they have cultures that are characterized by virtuous values such as caring, compassionate, inspiring, integrity, and provide meaning and respect (c.f. Cameron et al., 2011; and also Aristotle’s “goods of first intent”; Park & Peterson, 2003; Peterson & Seligman, 2004; Dahlsgaard et al., 2005; Peterson & Park, 2006;

Audi, 2009). The leaders of the five firms do not use the term *virtues*. Instead they speak of *values*. Regardless of the vocabulary, the focus on values at the firms has been elevated from the expected (instrumental, e.g., teamwork), to the virtuous (non-instrumental, e.g., compassion and integrity).

The fourth building block notes that the leaders engaged others in defining and operationalizing the values, and building the culture around them. To varying degrees and through different means, the cultures were defined with input from employees, customers, and with consideration of business realities and marketplace conditions. The possibility of external input to a values-based organizational culture is intriguing.

The fifth building block is how the leaders diligently work to integrate virtuous values into all aspects of their firms. While organizational systems and processes are often considered mundane necessities, each leader, in their own style and methodology, expended energy over time to ensure the firm's values were integrated into policies, organizational systems, and the firm's economic value creation for customers. The effort to integrate virtuous values into the firm at the daily life level of systems and processes seems consistent with the leaders' mental model of a values-employee-customer-marketplace loop.

The first five building blocks are not one-time activities. The sixth observation is the leaders' ongoing focus on the values and self-discipline to remain consistent. The

leaders' continuing focus and efforts to protect the values and propagate the culture seem to facilitate the values becoming part of the way of life at each company. Also, this effort by leaders guards the perceived values-employee-customer-marketplace loop concept by preventing cultural or value drift over time. None of the leaders are perfectly consistent, nor are any of the cultures without their flaws. But the leaders' continual personal attention to values, self-discipline, and consistency seem to be important inputs into the firms' ongoing interpretation and meaning-making process around values and culture—and therefore to the leaders' self-reported mental model of how their firms create economic value.

### ***The Six Building Block Themes***

Through the process outlined in Chapter 3, the coding and excerpt data led me to the six building block themes and the professed mental model outlined above. The data leading to the six themes are explored in more detail below. Whenever practical, I have tried to let the leaders speak for themselves with excerpts from the transcripts.

#### **The values of the firm begin with the values of the leaders**

The loop mental model in these firms begins with values enacted in the firm. The enacted values seem heavily influenced by, or to begin with, the values of the leaders. The values of the leaders (i.e., their prior experiences, upbringing, and underlying beliefs) seem as important to the discussion of the five organizational cultures as the actions and behaviors the leaders exhibit. This is not an invocation of trait theory, because the values, backgrounds, and beliefs of the leaders vary. Further there is no evidence in the data or claim that these values are innate, inborn, or immutable. Nor

are any of the leaders perfect or perfectly consistent in their values. But the leaders' values are essential to the discussion of these five firms for several reasons. First, in four of the five firms the current CEOs are the founders, and in the fifth firm (Service Express) the current CEO was chosen by the founder. Founders have significant influence and impact on organizational culture. Secondly, the genuineness with which the leaders profess to hold their values (as presented in the interviews, and reinforced by observation during the site visits) seems to be reflected in stories of the leaders' daily operating "modes," rather than a temporary (and perhaps instrumental) behavior selected when convenient. Third, the data points out that what the leaders pay attention to also influences culture (e.g., hiring/firing for fit; teaching dishwashers about emotional intelligence; mixing employee goals with core objectives, etc.). Again, this dissertation is not arguing for a trait, but instead acknowledging that within the data we see that founders (and near-founders) have significant cultural impact, that what the leaders pay attention to within their organization also has cultural impact, and that impact seems enhanced when leaders are consistent. *Consistent* does not imply perfection: None of the leaders are perfect or perfectly consistent. Yet they seem to be consistent enough to be credible, to be considered as leaders whose actions match their words (enough). We see that consistency in numerous stories of acts of compassion, placing long term values ahead of short term financial gain, etc. throughout the interviews. These stories of value-enactment seem to flow out of the values the leaders profess to hold. For example, Spiegelman professes values from his background about

treating people well—and says those values inform his culture at Beryl. Walter and Horan say their values impact their culture, etc.

The leaders' backgrounds and upbringings varied, as did the sources of their underlying beliefs. When asked to explain important events that formed Tasty Catering's values and culture, CEO Tom Walter explained one source for Tasty's values:

Some of the events that helped shape Tasty Catering to becoming the operation that it is and the significant contributor to the population to the human capital that work with us is that I realized at an early age that I was somebody and I heard Dr. Martin Luther King say, I am somebody. And at that time I was just one of eleven children who came from a poor background—poverty stricken household but we were always religious and moral and we always believed in God and a higher power, so we were rooted in faith, hope and charity. The other things were the tenants of Christianity but I always felt like an outsider because I felt that my ideas didn't mesh until I heard those famous words, I am somebody and that I never forgot. The employees that work for us are somebody. That everybody that I'm surrounded with is somebody with hopes and needs and fears and anxieties.

Here Walter draws on Christian influences from his childhood and the words of Dr. Martin Luther King, Jr. to highlight his deep belief in the fundamental dignity and worth of every human being. For Walter, this value is expressed in the phrase, "I am somebody." Believing he is leading people who possess dignity and worth motivates Walter to create a workplace in which each person is respected for who they are and is cared for in full appreciation of their hopes, needs, fears, and anxieties. Walter later revealed his passion for ongoing preservation of dignity: "I thought [preserving dignity] was the right thing to do. It was the moral and ethical thing to treat our

employees with respect and dignity and it was the best business situation to maximize the talents.”

Rich Panico, CEO of Integrated Project Management, described his personal motivations for building his company’s culture:

The greatest influence in my life was my dad . . . And what I learned from him was very, very simple. Never compromise . . . never compromise your honesty and integrity. Your reputation is the most valuable thing you have. It’s just that simple. . . . But he taught me what I consider those basic truths that have served me really well. . . . I took that influence and obviously I decided to focus it to this endeavor that we call a business, because I’ve always had a very, very strong desire to positively influence outcome—positively influence outcomes. I love situations where we can help others. Whether it’s to help a company improve its competitiveness and ultimately that saves jobs or just help an individual, and I love to make the journey fun.

Like Walter, Panico brings influences from parents and childhood, and channels them into business.

Panico also explained how his leadership and interest in culture (“creating [an] environment,” “realized that culture was important”) is part of who he is as a person:

My friends will tell you . . . I love the creating [an] environment where people get excited about what they’re doing. In the simplest of terms that’s what I’ve done my entire life. And, that’s what gets me going. I just love to be the person that’s hey . . . I got this idea. Let me find people who are going to be just as excited about it, and let’s go do it. Let’s have fun. I love camaraderie. And it’s something that’s been in me since I was a kid. I think that’s just a God given gift and I’ve realized it and I’ve applied it.

At another point in the interview, Panico elaborated on his longstanding interest in culture:

I realized that culture was important as far back as I can remember. As a child, being the person that came up with an idea and getting my friends excited about it and creating that atmosphere where we could accomplish something that we thought was great, even though in magnitude back then thinking as a child. What is it? I remember getting a bunch of my friends excited about building a baseball field out in the middle of a prairie and building the dugout cause they were building homes and we could get the scrap from that and I was always the person who came up with the idea and then I couldn't let it rest. I couldn't let it rest. I had to just pull everybody in, get them excited about it.

The three excerpts taken together show, through Panico's self-description and self-reported influence of his family, how he describes his business; how he explains his emphasis on integrity and culture, and the type of culture he says he seeks to build and maintain.

The CEOs of Blue Plate and Beryl Health also expressed their values as originating in life lessons and experiences early in life, and as foundational to how they approach organizational culture. The leaders assume these life lessons are applicable in all contexts. Blue Plate's CEO, Jim Horan, said:

And so I go back to growing up with my family. In our family den there was a ruler that sat on the table in the den and it was it looked like a golden ruler. And on the back of it was "do unto others as you would have others do unto you." And you know, that's just the way the family was. You just did things a certain way. It goes back to the entertaining you did. It goes back to the collaboration we had. It goes back to treating each other right. All those real basic values that I was trained in. I didn't know a different way to it. And so I just really felt it.

It is clear Horan draws on values from his early family memories to form the culture of Blue Plate.

Beryl's Spiegelman described how he and his brothers who founded the business were influenced early in life and brought those values into business:

I think I was just brought up with good core values from my parents. My dad always taught me to be nice and never burn a bridge and to respect people. But it turned out that that's not the way all business run evidently . . . Why did we decide on this model? Did we work somewhere else and have a bad experience? Did we think this was the new way of doing business? There wasn't any of that. We just didn't know any different. We didn't know any better. We just knew early on by our own employees telling us that we were doing something unique for them.

To summarize Spiegelman, the proto-culture of Beryl began as the Spiegelman brothers reflected their values in their early business ventures.

Another underlying belief theme running through the interviews is an idealistic focus on helping people. This focus on helping seemed to be considered "right" and appropriate across contexts (work and personal). Leaders often expressed their desire to care for people and the pleasure they find in helping people meet their goals, showing compassion to those facing difficulty, and generally attempting to improve lives. The COO of Service Express, Dwight Strayer, put it this way: "So to me it's not about computers. It's not about work. It's about a mission. I'm changing lives." After

a vision retreat with a consultant developing and polishing vision and mission statements, the Jim Horan of Blue Plate recounted: “We came back and it’s like—you know you can boil this down to simply saying we’re just happy people making people happy.” Service Express’s CFO, Ron Alvesteffer, described his desire to change the lives of every employee:

[At the beginning of the interview] when we first started talking [I] quoted my hire date of August 18, 1997, and that’s significant because I want everybody in the company to be able to quote their hire date and say that’s the day my life changed.

Helping people is something Integrated Project Management’s Panico has always desired to do: “I’ve always cared for people . . . and I think that’s a blessing that I have this in my heart.” When asked for an example of his caring for employees at Integrated Project Management, Panico explained that he always sends out holiday cards to his employees, wishing blessings for them and their families: “And I don’t do it out of any sense of obligation. I do it because that’s what I believe is right. That’s how I want to be treated.” Paul Spiegelman shared a more personal expression of the intersection between his underlying beliefs of purpose and business: “I exist to enhance the lives of people that work here.”

In summary, the leaders’ values were formed from a variety of contexts (parents, words of famous people, experiences of pleasure in helping others, etc.). The leaders’ values seem to be a critical influence in these five firms, both for their internal cultures and the initiation of the values-employee-customer-marketplace loop model.

This element in the data is not in itself new, nor necessarily surprising. However, in these five firms that operate on a mental model of a values-employee-customer-marketplace loop, it seems to be an essential foundational part of the culture and very important to understanding both how the firms explain their cultures and how they explain the loop.

Again, this dissertation is not arguing for a trait. However, with the discussion of leaders values in context of the loop mental model, I acknowledge that the data points out the significant impact of the values of founders (and near-founders); the impact of what the leaders pay attention to within their organizations; and how consistency over time (albeit imperfect) seems to enhance the cultural impact. The leaders are not perfect, yet they seem to be consistent enough to be credible, to be considered as leaders whose actions match their words.

### **CEO as Chief Culture Officer**

All five CEOs are revealed in the data to be the de facto “Chief Culture Officer” of their firms—regardless of the title on their business cards. The leaders displayed what seems to be a higher than typical personal responsibility for the values of the firm, the expression of values in their organizational cultures, and the role of leaders as the role models of the values. But beyond just being role models and taking what seems to be more than typical responsibility for the culture, these leaders seem to take this “Chief Culture Officer” role as one of, if not the most important, contribution they make to

the firm. This heightened responsibility was revealed in direct statements and stories revealing C-suite leadership of efforts to champion and operationalize the values in the life of their firms.

Some of the leaders interviewed expressed clear ideas about the role of leadership in organizational culture as pace setters or champions. From his vantage as CEO of Service Express, Ron Alvesteffer described the importance of leadership in forming organizational culture:

I think the key components of our culture . . . I think it begins with our leadership team and having that servant leadership mentality. And that's requirement here. . . . As leaders, we work for our employees. We're there to serve them and I think that sets the tone for our culture right from the beginning.

Spiegelman was more direct in describing his role as a champion of values in the organization's culture:

I do have to take credit for the tone of the business. And I can't deny the fact that I am the culture and the culture is me. But it's one thing to have a vision and set the tone for the business; it's another thing to execute on that vision.

This comment by Spiegelman of "being the culture" is interesting because Beryl has another C-suite position for culture. Lara Morrow is the "Queen of Fun and Laughter" at Beryl, and her impact in and importance to Beryl's culture is significant. In effect, Spiegelman is the Chief Culture Officer and Morrow is the executive responsible for

operationalizing the cultural values in company-wide programs and events (e.g., the internally advertised cultural reinforcement programs).

Spiegelman's role as CEO and "Chief Culture Officer" was confirmed by other leaders at Beryl. Andrew Pryor, Beryl's VP of Human Resources, gave a passionate endorsement of the CEO's role in virtuous organizational culture:

So for me, a key message to a company that wants to build and enable a culture is that it comes from the top down. A good, kind CEO will hire good, kind people who will treat his employees with love and care and will want to invest in their careers. . . . So for me, if you are thinking of changing your culture or enabling a culture you have to have buy-in from the top because that's where every message and every company cascades down from.

CEO responsibility for culture took similar forms other firms. At Tasty, Tom Walter's title was changed to Chief Culture Officer. Alvesteffer, CEO of Service Express, said maintaining the firm's culture during numeric and geographic growth "is probably the number one thing that I work on and that I think about."

Stories from the interviews provided examples of how the belief that CEOs must lead the way in a values-focused culture was operationalized in the firms. One Beryl employee shared a story of leaders acting with unexpected levels of compassion and loyalty when he discovered his mother had one month to live. The employee did not ask for special treatment. As soon as the situation became known, the leaders discussed it and took compassionate action to stand with the employee during a difficult time:

I just found out my mom had been diagnosed with cancer and I'm depressed and just kind of went about my business. The next day Lara [Queen of Fun and Laughter] told me that Paul [CEO] told her to buy me tickets to go see my mom. And . . . because he thought I should be with her. I hadn't been here hardly a year. . . . I wouldn't wish that month on anybody but I'm very thankful to Paul and Lara for—they didn't even know me. I got to spend the last month of my mom's life with her because of them. And you can't . . . you can't . . . who does that for people. Especially people you really don't know and you've only working for them for a year. I never missed a day of pay because of them.

By granting this relatively new employee a month of paid vacation and covering travel costs, Beryl's leaders championed and the value of compassion.

The data from Tasty also revealed CEO and owner-level “leading-the-way” stories. Tom Walter, Tasty's CEO/Chief Culture Officer, described his typical day: “The majority of my time daily is spent being involved with people. Emotionally with people.” Jamie Pritscher, Director of Communication at Tasty, told the story of how one of the company's owners acted with simple but meaningful beneficence during a time when she was both working and continuing her education. The owner's actions were not required, nor part of any engagement program. Larry Walter personally made Pritscher a box lunch each day before she left for school. At the end of the story, Pritscher said, “And so it's a silly little thing as a box lunch but it really made all the difference in the world.”

In summary, the CEOs of the five firms (sometimes supported by other C-suite members) champion their firms' values and consider their roles as leaders to include

being vanguards of the values, living out the values in the context of the organization. The CEOs taking their contribution to the culture seriously seems to be, in these five firms, an important element that helps hold the internal links of the values-employee-customer-marketplace loop together. Similar to the concept that “what the leader pays attention to gets done,” the CEO’s setting of the pace in the culture seems to facilitate the internal “realness” of the values. This dissertation focuses on the influence of the leaders, but this does not imply that only the leader(s) creates or perpetuates the culture. There is evidence in the data that culture is created at multiple levels (e.g., see the discussion of employee inputs below).

### **Elevating the focus from values to virtues, whether you know it or not**

The mental model of a values-employee-customer-marketplace loop obviously begins with the values in question. The discussion here is about the virtuousness of some of the values. All five companies have espoused values (see Table 2 below). Some, but not all of the espoused values are virtuous, i.e., goods of first intent (Aristotle, trans 1924), and fit this dissertation’s definition of virtuous organizational culture (Cameron et al, 2011): caring; compassionate support; forgiveness; meaning; inspiration, and; respect, integrity, and gratitude. Other espoused values seem to be useful guides for internal operation at the five companies, but are not in themselves virtuous. These useful values could be considered instrumental, or values of “second intent,” rather than non-instrumental values of first intent. Examples of instrumental values include accountability at Beryl and competitiveness at Tasty. Of note also is Beryl’s virtuous enacted value of compassion, which the company attempts to operationalize in almost

every aspect of its culture, but does *not* appear in Beryl's espoused value list. Table 2 uses material summarized from Return on Values Project interview data, with material on Tasty's values provided in Thompson, Benedetto, Walter, and Meyer (2013).

**Table 2. Values of the Five Firms**

<b>Company</b>	<b>Stated Values</b>
Beryl Health (Beryl)	<ul style="list-style-type: none"> <li>• Spirit of camaraderie</li> <li>• Never sacrificing quality</li> <li>• Always do the right thing</li> <li>• Passion for customer service</li> <li>• Commitment to accountability</li> </ul>
Blue Plate	Happy people making people happy. (More formal values statements exist, but are not used.)
Integrated Project Management	Honesty, Integrity, Spirituality, Caring, Respect, Humility, Responsibility, and Excellence
Service Express, Incorporated	Work with employees to achieve their personal, professional, and financial goals.
Tasty Catering	<ol style="list-style-type: none"> <li>1. Always moral, ethical, and legal.</li> <li>2. Treat others with respect.</li> <li>3. Quality in everything we do.</li> <li>4. High customer service standards.</li> <li>5. Competitiveness: A strong determination to be the best.</li> <li>6. An enduring culture of individual discipline.</li> <li>7. Freedom and responsibility within the culture of discipline.</li> </ol>

*Sources:* Adapted from Return to Values project and Thompson, Benedetto, Walter, & Meyer, 2013

What seems to set these five firms apart from those firms that we might consider typical is that many of the enacted values are both widely operationalized and virtuous (albeit imperfectly, c.f. Cameron et al., 2011). Many companies espouse and operationalize values of teamwork, quality, accountability, competitiveness, responsibility, and discipline. But these five companies claim that they have cultures that are characterized by virtuous values such as caring, compassionate, inspiring, integrity, and provide meaning and respect. In the interviews there were many stories from various levels of the organizations of this kind of virtuousness.

For these leaders the values were not slogans—the values seem to represent what *should be* present in the world and in relationships. In the interviews, it seems that the virtuous values are considered to be part of what *should be*, and therefore the values are not compartmentalized into categories or certain contexts, but cross from private to public. The interviews indicate these leaders consider it logical and natural that they should enact these values in business contexts just as they would enact them in other contexts. This view that the virtuous values are what “should be” and can cross boundaries may help partially explain why the leaders hold the mental model of the values-employee-customer-marketplace loop in which the internal values cross boundaries to interact with external stakeholders.

Regardless of the mechanism that the leaders may believe allows values to flow inside and/or outside of the organization, the virtuous values play, according to the leaders, a

significant role in the values-employee-customer-marketplace loop. When the different leaders describe their personal variation on the loop, they all mention virtuous values, e.g.: compassion, dignity and respect for the individual, integrity, non-instrumental service, etc. as the internal cultural elements that are transmitted externally and resonate with external stakeholders.

The fact that the leaders talk about integrity, compassion, etc. as company values and as being transmitted externally where they resonate with external stakeholders does not seem to correlate with the leaders calling these values “virtuous” or otherwise equating them with virtues. To the leaders, they are simply the values. However, as emphasized above, the data reveals that regardless of the vocabulary used to describe them, the many of the values the leaders emphasize are virtuous (Cameron et al., 2011).

The following sections describe how the five firms strive to operationalize their virtuous values. In the interviews, many mentioned caring, acts of compassion, respect, and the dignity and worth of every human being.

#### Dignity and worth

Several Beryl associates made comments about being treated as a person, not a number. Melissa Bloom, a Strategic Account Executive, put it this way:

This is a call center and it's really unlike any other call center, and I've worked with others over the years in a number of industries. And so when I would hear things like, you're not just a [number]. They really care about me. Paul [CEO] came up and actually met with me. . . . it

was amazing and he was asking me questions . . . I was really, really pleased because you want people to feel valued and respected.

A story from Tom Walter, CEO of Tasty, demonstrated how the organizational virtue of dignity was expressed in a modification to physical space and resulted in a corresponding increase in productivity:

And one lady, Jodi, complained that the door opening and shutting next to her cubical was driving her nuts . . . bang, bang, bang, bang . . . how much of her sixty thousand thoughts is this company receiving in a positive way? And how many are we receiving in a negative way? So that night my brother . . . had the door [closer] switched and he had the clicker stop taped closed. Within three weeks we had new cubes put up—taller cubes around that door to silence the door and within two months we had her moved to a different area of the building and her productivity just increased tenfold because the disrupter was removed.

At Service Express the research team heard a story of how a Vice President made extra effort to treat a front-line employee with humanity and dignity. The employee's story recounts how Dwight Strayer, at the time VP of Service, made personal contacts with a front-line employee, displayed interest, and communicated that the employee had worth and dignity beyond his ability to make timely service calls:

So my first year I'm not a leader, I'm a service engineer and I wrote on my vision goal—my son was a very good football player . . . What's important to me is I don't want to miss a game . . . I wrote on my vision goal—see every one of my son's football games. See how that works out. I'm a field engineer. I get a service call at six o'clock at night. I got to go take care of my customer. It was the first Friday . . . the first game in [the] season and I get a phone call from the Vice President of Service. . . . And he says, "Hi Peter. How're [you] doing?" . . . "I noticed on your vision you have that you want to see all of your son's football games." I said, "Yeah." He goes, "It's Friday night. You have a game tonight right?" I said, "Yeah, absolutely." And he goes, "Well, when are you gonna take off work?" And I said, "I get off at five

o'clock so I'll take off then." "If I remember right Peter," [he said], "you live over an hour away from home and if traffic's bad it could even be worse than that." And I said, "Yeah, but I get off at five so I'll go right to the stadium. I'm okay." And he says, "Oh no. Why don't you take off around three so you can miss the traffic and have dinner with your family before you go to the game tonight?" I'm like, who does this! This is unheard of. The following week I'm at the game. I get a text message from the V.P. of Service: "What's the score?" . . . He personally involved himself with me . . . I'm not an employee number.

The story emphasizes Service Express's commitment to helping employees meet goals, and the importance of treating employees with dignity and respect, even if the action might hinder short term gain around Service Express's foundational value of service.

#### Care and compassion

A Beryl associate came in on her day off to tell the research team the story of how the Beryl "family," led by the C-suite, displayed compassion to her and helped her maintain dignity in a very dark hour. In addition to the more overt actions to show compassion to this employee, Beryl's leadership also took steps to preserve the associate's dignity by guaranteeing her job during an approximately six month long absence, and providing school supplies and Christmas events for her children.

The associate is a single mother with three children, and at the time of the events in her story she had just discovered she was expecting. Less than a year into her tenure at Beryl, and while attending a Beryl softball game, she received a phone call saying her son had been struck by a car. At first she didn't know how badly the child had been hurt, but called a friend to drive her to the hospital and called her supervisor to say she

wouldn't be at work the next morning. She turned around from calling her supervisor, to find the entire softball team had left the field, and was there to support her. The softball team held hands and prayed for her. Soon her friend arrived and took her to the hospital. As the evening progressed, she was contacted by the Lara Morrow (the "Queen of Fun and Laughter"), her team lead, her team members, and Beryl employees "that I had no idea who they were or how they got my number."

Her son did not survive the night. Early the next day the Lance Shipp (CFO) called her about her job. She remembers the call clearly:

And the next day Lance called and said, your job's safe . . . you're fine. And I said but I've only been there a year. I don't have a lot of time. Well people are donating their vacation hours for you and it's gonna be okay. You don't worry about coming back. You stay and take care of your girls.

Many Beryl employees attended the viewing, even though it required travel to a nearby town. The funeral was on a Monday, traditionally Beryl's highest call-volume day.

I turned around and my whole Beryl team was walking down the aisle to say that they were there for me and come to find out that people had come in on their days off or had cancelled their vacation to come in and take the calls so my teammates could be there for me when I needed them.

These events happened just prior to one of Beryl's biggest yearly events, the Gong Show—an employee favorite. Because of this associate's tragedy, and another employee who had experienced a life changing event, Beryl's leaders cancelled this

key event in its employee engagement plan, and instead opened the space for employees to pray or meditate.

Over 1,400 hours of leave were donated to this associate. Beryl employees donated gift cards to buy school supplies for her children. Shortly after she came back to work, in November of that year, her doctor put her on bed rest. Lara Morrow invited the associate's children for Christmas Eve, and since the expectant mom was on bed rest and could not drive, the Morrow provided transportation. When her son was born in January, Beryl rallied around her to welcome her new son. The associate returned to work after her maternity leave.

Not only did Beryl (as a whole) show this employee compassion, but the leaders too steps to preserve dignity. The CFO guaranteed the Associate's job the morning after the accident. Ms. Morrow led efforts to provide the children's school supplies and personally ensured the Associate's children attended some Christmas events.

At Tasty, another interesting story was revealed involving direct compassionate intervention in an employee's life situation. The CEO recalled the action of a senior company leader:

For example, we had a girl who went through a terrible divorce. She was beaten up by her husband one day and [one of the owners] took a whole bunch of people, cash and a couple of trucks and moved her out to an apartment that day because he couldn't stand [it].

The intimate details of the situation were not recorded in the interview, but in the context it was obvious the employee welcomed the intervention. The leader took a risk and stepped into a situation that few managers would tackle. Assuming the lady was in real danger of future harm, he not only helped keep the lady safe, but also reflected compassion, wisdom and courage.

Caring for others can take multiple forms, and compassionate support does not require that the recipient first experience a tragic event. Caring for others can include efforts to allow or help them develop their potential. During the Return on Values Project interviews at Beryl a company practice emerged as an example of developmental organizational humanity. Beryl invests in employees by providing resources for them to continue their education, regardless of any benefit to Beryl. Andrew Pryor explained Beryl's viewpoint: "The key is we don't care what they go back to college for as long as they're going to school to continue their education we'll pay for it." Discussions at Beryl revealed that the company had provided funding for one employee to pursue his education toward being a history professor, and another to become a hospice nurse (a service not provided by Beryl).

The research team discovered another example of developmental caring at Tasty. A series of leadership meetings at Tasty provides stimulation and development for leaders—all the way down the organizational hierarchy. Dishwashers are taught the same leadership topics as managers. The Tom Walter described the meetings and their results:

In our leadership team meetings we discuss ideas and theorems that are typically discussed in leadership team. We talk about organizational development. We'll spend a half hour discussing different takes in organizational development. . . . Emotional intelligence ranks really high and can you imagine dishwashers that understand emotional intelligence, understand perceiving, reasoning, understand and motivating through emotional intelligence. What kind of organization has that?

Tom Walter of Tasty also told how Tasty intentionally attempts to develop young people in the community:

Most of the people that work for us started at the age of fifteen or sixteen or seventeen—in their teens. We recruit children from the local high schools bringing the best and brightest . . . and we teach them at an early age how to become an adult. We accelerate the emotional intelligence curb . . . if you could take a seventeen year old and give them the emotional intelligence of a nineteen or twenty year old can you imagine the competitive advantage they'll have when they go to college.

Other examples of developmental caring include Blue Plate's emphasis on employee growth and promotion from within, and Service Express's focus on employees' personal and professional goals.

#### Temperance: Humility, gratitude and appreciation

The interviews contained several stories of leaders expressing humility, gratitude or appreciation outside of formal organizational programs or systems. The following excerpts are representative.

Jamie Pritscher, Director of Communications at Tasty, told the story in which an owner of the company enacted humility, and apologized in a way that aligned with the firm's value of respect. One of the owners lost his temper with a server. Although they

were in the food preparation area, not in front of the clients, nevertheless the display of anger was witnessed by 40 to 50 staff members:

He [Larry] had every right to be angry and fly off the handle in the situation, but was that treating people with respect? Absolutely not and it wasn't living our core values. So [a] huge public apology went out to all the serving staff, so people who didn't even know about it knew about the situation and what happened. At lunch, Larry stood up . . . and publicly recognized the situation, apologized to everyone throughout it, and the person that he got into a little tiff with, if you will, he sent them flowers and a personal letter. . . . So I think it's just a whole reaction of treating people with respect.

When asked why he spends so much time walking around and talking to employees, the CEO of Blue Plate explained how thanking people can take many forms:

I like working with people and my purpose is just to thank them and I think one of the best ways to thank people is just by having a relationship with them and just nurturing that relationship. It doesn't have to be dramatic. I'm not walking around passing out money. . . . A thank you might come in the form of a joke. It might just come in the form of just asking them what someone is doing. It might be complimenting them on what they're doing. It might be asking them about what their family is about. . . . So thanking takes all different forms, but they know. They know that you care.

A member of the Beryl marketing team gave some examples of executive-level gratitude. The lady was not a manager, so her story relays how the CEO expressed thanks several levels into the organizational chart:

But I think one of the most rewarding things is when you'll just get an email from your CEO saying... Oh, this was great. Or really proud of you guys. One sentence with a period but it just makes all the difference ... things aren't slipping through the cracks in terms of recognition and so that's what keeps us going.

Integrity and trust

Rich Panico of Integrated Project Management outlined his beliefs about the relationship between trust and leadership: “I’ve always believed that if you can earn someone’s trust and loyalty, that that’s the real power of leadership.” Beryl’s Spiegelman linked follower trust with leader genuineness: “And the only way to gain trust is to have people believe that you’re genuine about what you say.”

The five firms provided several examples of trust and leadership integrity. At Tasty, Erin Walter, CEO of the spin-off Nuphoriq, explained how she was shocked at the trust Tasty put in her:

So I think that one is the biggest piece for me . . . when I first started was the biggest part of the culture that I couldn’t believe. I was . . . they let me make decisions and I’m like you’re really gonna let me make that decision with all that money on those billboards. Really. You’re gonna trust me? It was shocking but that’s the way that everybody when you work here, you get that freedom and you really start to thrive because of it so that’s a big piece of our culture.

A more direct example of trust from the C-suite is the series of monthly meetings at Tasty called the Good to Great Council. The employees own the meetings. Here is how Tom Walter described the meetings, and the trust the leaders have placed in the group:

Only one owner is permitted in the room because we don’t want three of the eight-hundred-pound elephants in the room intimidating people, and we have one vote and the rest of the employees have one vote and if they decide to sell the business we have to sell the business. That’s how much trust we’ve put into the employees.

Many stories in the interviews, for example those of leaders consistently acting out the values in acts of compassion and acts that affirmed human dignity and worth, could be interpreted to include an element of leader integrity. In other words, the leaders seem to be concerned with behaving in ways that are consistent with their words. Service Express's Ron Alvesteffer shared one of his concerns about integrity:

The one thing that I want to make sure doesn't happen is that I don't turn into this talking head at the top of a company talking about employee engagement and culture and I have somebody else in another office somewhere listening to that and saying . . . that's just a bunch of talk.

### **Engaging employees and customers in defining the values**

The leaders' use of the term *values* in the interviews seems to imply that given values are "right," applicable inside and outside the organization, and up and down a given firm's hierarchy. As described above, the leaders at all five firms stated variations of the idea that if a company takes care of its employees and treats employees well, the employees will in turn take care of customers, and therefore the company. An unstated, underlying assumption seems to be that employees, customers, and the marketplace are linked in some way that the organizational culture can influence. This assumption found expression in various ways as leaders spoke about competitive advantage and/or value propositions involving their internal organizational values and cultures being expressed externally to stakeholders.

Applying values consistently across internal and external stakeholders can be complex, and sometimes reportedly costs these firms revenue. But the commitment to

operationalize the values across multiple stakeholders is exemplified in this comment from Mike McLeod, VP of Operations (at the time of the interviews, now COO) of Integrated Project Management:

[We look at new business opportunities] through the eyes of three key stakeholders. The client, obviously . . . to be able to add value and deliver results on that project. We look at the employee... and we ask ourselves is this aligned with their career desires? Is this the type of project they want? Are they going to be stretched in a good way? Are they going to be bored in this assignment? ... Would being on the road be a hardship for them? . . . We really try to make it a win for the employee. And then obviously we look at the business and making sure it's the right match. . . . So really making sure each of those three stakeholders have a win, win, win scenario is a big part of our resource planning philosophy but it's difficult and a lot of time that means we have to turn down work if we don't have people for it.

In this brief excerpt we see that not only is Integrated Project Management concerned about consistently applying values across internal and external stakeholders, but also about what those stakeholders want. McLeod says he must consider not only the client's needs, but what the employee wants, what is best for the employee's career, what will develop the employee, etc. In this way, the various stakeholders have some input to the process of applying the values consistently across stakeholders.

### Employees

Employees of the five firms are obviously a key element in what I describe as the leaders' mental model of a values-employee-customer-marketplace loop. This is at least in part a reflection of what the leaders call their "employee engagement" cultures. The leaders all express some variation of the employee engagement theme, generally summarized as the employees experience the "right" values expressed

internally and in turn they are more content and/or motivated, resulting in improved performance with customers. In the interviews this theme is represented by the emphasis on compassion at Beryl, integrity at Integrated Project Management, respect/human capital at Tasty, service at Service Express, and the golden rule at Blue Plate. In the interviews, as this employee engagement theme is described, the employee's action seems to be focused primarily on the customer. In other words, while the values are expected to make the employee happier and improve internal relationships and coordination (which might just be a by-product of hiring for "fit"), the descriptions by leaders of the value to marketplace loop seem to emphasize the external action of employees toward customers (the improved performance). This loop and the external transmission of values by employees will be discussed below.

Another interesting possibility regarding employees at the five firms is their *internal input* to the culture and its values.

Employees at the five firms influence and have input to the culture in direct and indirect ways. The type, amount, and intentionality of input by employees vary significantly among the five companies. All the firms have indirect cultural influence by their employees. This indirect influence by employees is seen in the variation in style and content of employee engagement efforts at each firm. The flavor of employee engagement in the firms roughly matches the level of skill/education in the front line workforce. This is both a practical matter, and arguably, a passive employee influence on their culture. For example, Service Express frontline employees generally

have high technical skills and multiple technical certifications. Service Express focuses employee engagement on self-actualization (meeting personal goals). Beryl engages employees through compassion, support, and career path opportunities. This emphasis seems to match the softer skillset and demographics of frontline workers at Beryl. Integrated Project Management's engagement of its skilled workforce emphasizes challenging work and the esteem of being a member of a unique organization with high integrity. Tasty's engagement of their mixed-skill cadre of employees is broad, emphasizing respect, education, opportunity, challenge, and development. Like Tasty, Blue Plate's cadre of employees with a variety of skills seems to flavor engagement practices emphasizing training, development, and promotion from within.

Tasty provided the most direct example of employee input to organizational culture. Tasty's culture was designed by the employees. Tom Walters recounted the process and his thoughts on its significance:

So one day in March we started the process of developing the culture. It was March of 2006 and on a white board in our conference room one representative from each team started listing what their team felt were core values. . . . Now the players in the room—the people in the room were people who we trusted—their morals and their ethics. We trusted their work ethic. There were some who were brand new to the company—like two or three months. We wanted some fresh outside impact. . . . *Now the owners were invited to sit in the room but we were told we couldn't talk. That it was going to be their culture; it was going to be their statements. So like the three stooges we sat in the corner in the conference room and listened to them and observed them. . . .* I said, this is amazing. As I went through the seven core values I realized that Maslow was in there, that Kant's ethical requirements of leadership was contained in there *and I was dumb-founded that these ranging*

*from culinary workers to delivery people to production experts to salespeople were writing a philosophical book on what human behavior should be—what interaction should be [emphasis added].*

Tasty's owners displayed significant trust and complied with the employees' request to remain silent during culture design, the most direct example of employee input into the culture of the five firms.

At Beryl, employees directly influence the culture through leading and participating in branded and internally advertised employee engagement programs. Employees volunteer for positions in the programs, and such positions are considered somewhat prestigious. The programs range from being a "Buddy" (a practical and cultural guide) to a new employee to sports teams. The most significant employee input to the culture seems to be the Better Beryl Bureau: a volunteer group of approximately 70 employees who help propagate the culture through planning events, morale programs, community outreach, etc. Beryl's branded employee engagement efforts are discussed in more detail below.

At Service Express, employees have direct input into company goals. Through a system of recording employees' personal, financial, and professional aspirations, Service Express aggregates employee goals to define corporate goals. This system will be described in more detail in the section outlining integrating values and organizational systems.

While there was no evidence in the interviews at the five firms that employees are shut out of cultural discussions or input, it did seem that employees had less direct influence in defining the cultures of Blue Plate and Integrated Project Management. At these two firms, the founders' original vision for the culture and values seemed more constant. A similar statement could be made about founder Mike McCullough's influence on servant culture at Service Express, but the focus there on employee goals seems to provide opportunity for more direct input through aggregated goals. The more static nature of culture at Blue Plate and Integrated Project Management can be seen in the remarks of their CEOs. Horan of Blue Plate said:

Our culture is no different today than it was ten years ago—ten years ago, twenty ago, thirty years ago. We're a little more sophisticated. I think we're a little more detailed oriented. We've had the time to get better at everything [including] culture. And so I go back to growing up with my family. In our family den there was a ruler that sat on the table in the den and it was it looked like a golden ruler.

Panico described the origin of Integrated Project Management's culture as a product of his study of firms that were successful in executing projects: "So I took everything I had learned and put it together in this business model with the intention of creating an extraordinary culture—what we still refer to as a values based culture."

The pattern observed at the five firms is that employee demographics (perhaps reinforced by hiring for fit) influences (makes input) to the flavor of employee engagement at the firms, and by doing so, influences the cultures. An example is the contrast between emphasis on internal family-feel building at Beryl and financial goal

attainment at Service Express. While none of the firms preclude more direct employee input to the cultures, three of the five have significant direct employee participation (or past culture-defining participation).

#### Customers, the marketplace, and economic value creation models

At the beginning of this section on engaging employees and customers, I noted that leaders at all five firms expressed a theory of a loop connecting values-employee-customer-marketplace. The following discussion about customer and marketplace influences on organizational culture and economic value creation models built on culture explores this leadership assumption of such a loop connecting internal values to the marketplace.

#### Customers

For each of the firms, customer requirements arguably make input that helps determine some characteristics of or emphases within their cultures. This input from customers varies among the firms in amount and the extent to which each firm seems to intentionally align internal aspects of the culture with customer requirements. For example Beryl seems to deliberately orient and integrate its culture around compassion, something highly prized by significant numbers of their callers facing health problems. In a similar but less programmatic way, Service Express orients its culture around service. Data center maintenance customers want technical expertise, timeliness, and clear and accurate communication. In short, Service Express's customers want service and the company emphasizes service internally (at least partially) to enhance service externally.

Integrated Project Management seems to be less programmatic than Beryl and Service Express in aligning internal culture with customer requirements. But it is interesting to note that Rich Panico analyzed successful projects and why some companies' projects fail. The unique culture Panico built at Integrated Project Management, uncompromising integrity and honesty with a mix of soft (people-oriented) skills and program management skills reflects the results of Panico's study that the hard skills alone were not sufficient to secure his client's success. Through Panico's study, customers arguably influenced Integrated Project Management's culture via hiring practices and internal emphasis that the "hard" skills alone are not enough.

Tasty has found that its internal values are noticed and valued by clients. Tom Walter commented that some of the customer focus groups rate culture-based behaviors of Tasty's drivers and production staff higher than Tasty's food. Walter said, "Because of our culture people know that our drivers are trustworthy, our drivers are on time, our drivers are courteous because they follow our culture statements." Arguably, what is noticed and valued by paying clients is both a reflection of a culture, and an important input to a culture as to how it should interface with others.

Blue Plate, with the most generic value statements of the five firms, is also culturally aligned with what clients want. Blue Plate seeks to make every client the hero by exceeding experiential (both relational and food quality) expectations. The golden rule

mantra takes the external forms of customer experience, partnership with the customer, and allowing the customer to get all the glory. Dan Joseph, VP of Operations, was asked to name the most important things his employees could deliver to clients. Joseph's top three deliverables to customers from employees are "engaging, smile and making people happy." Note that the top three deliverables according to Joseph are elements of the customer's experience, not the food itself, and the culture internally reinforces the delivery. Similar comments about the importance of the customer by Jennifer Perna, VP of Sales, emphasized events catered by Blue Plate should "make the client the superstar." A small example is never using Blue Plate napkins at an event, and instead using napkins with the client's logo. Perna's instructions to her salesforce include a reflection of the golden rule in the priority of the customer: "It's not about Blue Plate. It's about the client." Beth Bracco, Blue Plate's VP of Business Development, responded to questions about what resonates with Blue Plate's clients. Her number one response was relational, arguably a byproduct of emphasizing the golden rule: "So I would say the partnership—the relationship, that is number one."

In sum, the leaders of the five firms all express some variation of a mental model that holds that their values are part of a mutually beneficial and self-reinforcing relationship between the values of the five firms and what their customers want (i.e., the VECM loop). Examples of how the leaders attempt to operationalize the mental model are given below in the discussion of economic value creation models.

### The marketplace and economic value creation models

This section will discuss the possibility of marketplace inputs into the five firms' cultures, and how the firms describe their economic value creation models. The discussion of economic value creation below will give examples of how each firm attempts to operationalize the values-employee-customer-marketplace loop mental model.

The five firms are involved in four distinct industries: medical customer service (Beryl); technical service (Service Express); management consulting (Integrated Project Management); and food service (Blue Plate and Tasty). In the interviews at each firm, characteristics of the company's industry or marketplace seem to be an influence within the organizational culture and their perceived economic value creation models. While none of the interviews mentioned market surveys or demographic studies that directly and intentionally informed the values of their culture, the leaders seemed convinced that what they valued internally was also of value not only to their customers, but also gave them marketplace advantages. Or, stated differently, the leaders believe the marketplace values certain aspects of their cultures, and leaders have the ability to discern marketplace preferences related to their organizational cultures.

Each of the five firms, to varying degrees and with varying intentionality, seemed to allow the characteristics of their marketplace to influence the emphasis placed on various aspects of their culture receive. Beryl strives to stand out in a commodity

industry, medical call centers. Cultural emphasis on compassion increases Beryl's stature with existing and potential customers, and, according to Beryl's leadership, is the reason Beryl can charge a premium price for its services. Service Express competes on quality of service with a personal touch. To emphasize quality service with personal skills, Service Express orients its hiring, internal culture and leadership style around serving and helping others to meet their goals. Integrated Project Management differentiates itself in the marketplace by combining integrity and a mix of soft and hard skills, which are emphasized in the organizational culture.

Blue Plate seeks to consistently apply the golden rule internally and externally. While Blue Plate does not verbalize the concept directly, I interpret Blue Plate's intentionality in building a symbiotic internal-customer culture equation as just less than Beryl and Service Express. This is notable since the golden rule and "happy people" mantras are more generic than cultural emphases chosen by the other firms. In the interviews, the "golden rule" and "happy people" slogans seem common in discussions of internal and external relationships. However, the single most significant marketplace input influencing the Blue Plate culture is the chaotic nature of creating multiple mobile restaurants each day. This dynamic impacts the culture directly through hiring criteria, the hurried pace of many tasks, the daily necessity of overcoming multiple unforeseen problems, etc. The impact of the marketplace (multiple mobile restaurants each day) arguably makes Blue Plate's golden rule

emphasis an important internal lubricant to mitigate the potential negative relational and performance effects of near constant chaos.

Tasty emphasizes respect for both employees and customers. Jamie Pritscher, Tasty's Director of Communications, commented on Tasty's identity: "We're all customer centric focused people who find themselves in catering . . . that whole focus of people and culture, whether it's a client, or internally or externally." Tasty's culture reflects marketplace requirements for trustworthiness, respect, and courtesy as seen in the customer focus group information shared by Tom Walter above.

Economic value creation based on cultural values was a prominent theme in the data from four of the five firms. The firms seemed to assume a mutually reinforcing values-employee-customer-marketplace loop. The five firms seem to have, with varying degrees of formality, integrated their key value(s) into their economic value creation models. Some of the firms discuss the business and the culture as if they were inseparable. In the interviews, discussions of what value the firm offers its clients or customers almost invariably turned to aspects of the culture and the values. It seemed from the interviews that these firms do not consider their economic value proposition to be as tied to a brand, a product, or even a particular service—as it is tied to their culture.

At Tasty, the product or service itself seems considered a way to express to the customer the value proposition resident in the cultural values. Tom Walter of Tasty told how the company's first "big hairy audacious goal" (BHAG) was set, but did not contain the word "catering." When Walter queried one of the employees about why "catering" was not in the goal, she responded: "If we follow [the values] we're not just gonna be catering. We're gonna be whatever we want to be."

A similar view of values determining economic value proposition was expressed at Service Express. CEO Ron Alvesteffer sees data center service contracts, the heartbeat of similar companies, not as the business, but a vehicle through which the values of the culture (helping employees meet their personal goals) are realized. Consider this fascinating statement by Alvesteffer:

*It all starts with our vision to work with our employees to help them achieve their personal, professional and financial goals. That is why we exist as a company [emphasis added]. Selling service contracts for data center hardware, that's the vehicle we use to achieve our vision.*

This is an unusual statement from the CEO of a for profit business. The stated reason Service Express exists is not to make money (profit is a byproduct), not to go public one day, but to help employees achieve goals that the employees themselves define. Service Express's deliberate focus on serving its employees by helping them meet their goals is the heart of the company's value creation model. Service Express considers it an axiom that employees who are being served give better service, extra

effort, and bigger smiles to customers. Alvesteffer explained the relationship between the culture and the business during his interview:

And the whole theory is if we select and surround ourselves with the right people, find out what their goals are and then help them actually achieve all their goals, our company goals would be blown out of the water.

The connection was confirmed by Service Express CFO Kraig Harper when speaking of the firm's financial results said, "And our culture is what's behind those numbers."

But the Service Express version of the values-employee-customer-marketplace loop is not just expressed in terms of internal and external service; it is also balanced by a set of core objectives that includes service to employees, but also more traditional business metrics normally of concern to business owners. CFO Kraig Harper explained:

And one of the things that I learned from the owner here . . . is that there are four core objectives for Service Express, and they're all equally important, and that's growing our sales or revenues, growing our margins, but also employee engagement and also excellent customer service. There's not one that's more important than the other.

Harper went on to explain in more detail how all four objectives work together in the Service Express economic value creation model:

[As CFO] . . . that's one of the things I had to learn. It's a prove-it-to-me mentality a little bit. I had to learn how important our culture could be and the impact of focusing on our people rather than just on the dollars. And as I learned—what I learned about people is they want to have an impact on what they're doing but they also want to have

something that's going to positively impact them, so that brings us back to our vision. If we're working with our people to help them accomplish their goals, they work harder, they get better results, they're more engaged. And so as we then went through time we saw that actually our revenues went up, our margins improved and people accomplished their goals because we were focusing on their vision on their goals first we were then able to accomplish those things. I've worked for companies where we've focused on the bottom line first and we didn't grow and we didn't have the culture that was as positive as it is here, so I really have learned that if you focus on the people first and you have the right environment and everybody thinks the same way then you're gonna get the results that you want to get.

In these comments from Harper, the internal service to employees improves service to customers, and financial results. Arguably the internal emphasis on serving employees is the first step in Service Express's economic value creation model with four core objectives.

Beryl Health has the most clearly articulated theory of a values-driven economic value creation model. Beryl believes its value creation model begins with employees first, and if the employees are engaged, the financial results become lagging indicators of success. Beryl's culture, value proposition, and profitability are—in the minds of its senior leaders—intertwined in the “circle of growth.” The “circle of growth” at Beryl makes treating employees well and with compassion the starting point of value creation. The logic is that in order for customers to experience genuine compassion, the employees must be experiencing compassion and empathy within Beryl's culture. Customers who experience genuine compassion from Beryl's employees are more likely to be repeat customers. Additionally, Beryl attributes its ability to charge a

premium price for its service to the sincerity and genuineness that its employees are enabled to demonstrate due to the company's unique culture. Spiegelman says the circle of growth is central to everything at Beryl:

It all comes back to a philosophy in our business that we call the circle of growth. It simply says if we can focus first and foremost on our own people and get them to be loyal, that's going to drive customer loyalty. And if we get our customers to be loyal, that drives profitability into our business.

Although the basic philosophy of the circle of growth flowed naturally from the Spiegelman and his brothers from the beginning, formally stating and codifying the circle of growth was a process. The CEO related how the term and its formal definition came into being:

Back in 2002 we hired our first CFO, and he came in and saw this unique culture that we had. He saw the money we were spending on dress up days and decorations and events and parties, and he said . . . I know the first thing that we can do to drive greater margins in our business. We can stop doing some of those culture things. And I said, Pat, I don't know if I could quantify this connection for you, but I've got to believe that there's a connection between the environment we create for our people, the way we make them smile in our business, the way that they're productive in our business, and how that's made us a premium provider, more profitable than others, and made the Inc. 5000 Fastest Growing Private Companies five years in a row.

Five years later the same CFO had become a disciple of the culture, and was the first to coin the term *circle of growth*. He described it as a four stage process: The firm's loyalty to the employees results in better performance and higher commitment to Beryl, leading to higher customer loyalty and creating higher profitability.

Spiegelman seems convinced that values and daily culture enhancing commitment, loyalty, and performance are directly linked to the firm's financial success: "If I do the right thing and I come up with them with a set of core values that we live by every day and I give people something to connect to, the money will come." Andrew Pryor, VP of Human Resources at Beryl, echoed his CEO when he explained his view of the link between culture and profit, mixing the "soft" side of culture with the "hard" business of making a profit: "So the link between culture and profitability is very simple. Long tenured, happy people produce more benefits."

Integrated Project Management considers its integrity in both the "what" and "how" of program leadership solutions as its differentiator from competitors and central to its value equation for clients. The value Integrated Project Management offers customers is a solution customized to include the right mix of program management skills and people skills, chosen and executed with integrity. In this way, the cultural values of integrity and helping people are integrated into the economic value proposition to customers. Rich Panico concluded the description of his early study of successful corporate projects by linking Integrated Project Management's business model and its culture: "And so I took everything I had learned and put it together in this business model with the intention of creating an extraordinary culture—what we still refer to as a values based culture." When asked about the business value proposition, in context of the recent economic downturn, Panico replied: "How does it [culture of integrity, honesty, care and engaging people's hearts] *not* [emphasis added] drive business

success I guess would be my answer? . . . Now obviously that has to be coupled with performance.”

Later in the interview, Panico elaborated on Integrated Project Management’s unique approach to project management, project leadership, and culture:

But I would say that our greatest differentiator in the way we conduct the business of project management is engaging people’s hearts—bringing our values—the values that we have here within our home—bringing those to a client’s sight so that people truly know we’re there to help.

Integrated Project Management’s unique economic value proposition is engaging hearts while simultaneously providing world class project management and leadership skills. In short, the organization’s culture is the economic value proposition, and the culture’s genesis is in Panico and his study of what was successful in the marketplace.

At Blue Plate, the CEO explained culture’s relationship to economic value creation in very simple terms: “We’re just happy people making people happy.” More detailed comments about economic value creation models or mechanisms, other than those already discussed under customer input to culture, were not recorded at Blue Plate. My interpretation is that the company’s golden rule mantra finds expression in economic value creation through an emphasis on great customer experiences, as noted above. In summary, treating people internally with by the golden rule facilitates building good

external relationships and making the clients the “hero,” leading to repeat business and new business.

The link between culture and value creation at Tasty is significantly influenced by Tom Walter’s values and the nature of Tasty’s market niche. Tasty chose to avoid catering top end galas, and bottom of the market price driven events. In the middle, Tasty found a market that appreciates quality and service at a fair price. Within Tasty’s selected niche, the connection between economic value creation and the culture seems to be an emphasis on human capital. Walter told how he was impacted by Dr. King’s “I have a dream” speech, especially taking away the message that “everybody is somebody.” Mixed with Collins’ (2001) *Good to Great*, being “somebody” produces Tasty’s ideas about human capital. Tasty CFO Tim Walter drew a link between the people, the culture, and the value proposition. He said: “Our culture definitely does improve our profit margin and there [are] numerous reasons why. The first one is human capital. . . . We would lose [the people] without the culture and that’s what drives our business.” Tasty invests in human capital through development, training, and in some cases long term commitment and new business spin-offs. Tasty’s leadership believes living out their values is of economic value to the customer, i.e., part of the economic value creation model. Tom Walter made the following connection:

But throughout the industry and throughout the Chicagoland area Tasty Catering is known for the quality of its people as much as anything else. And then it breeds down to our trucks are always clean and waxed and beautiful and our employees are well dressed, well-mannered and

well behaved. And it all comes back to the culture point that we are responsible in our company.

To summarize: The leaders of all five firms expressed belief that if a company takes care of its employees and treats employees well, the employees will in turn take care of customers, and the company will benefit. While working with the data to explore this belief about employee engagement practices, I noted the unstated, underlying assumption by the leaders that values, employees, customers, and the marketplace are linked in some way that the organizational culture can influence. The leaders express that treating the employees well is both “right” and smart business. The leaders believe customers and the marketplace value certain aspects of their cultures (some very specific like “compassion,” other very general like “the golden rule”), and that leaders have the ability to discern or sense customer and marketplace preferences related to their organizational cultures. What I label the customer’s input and marketplace feedback into the culture (and the satisfactory reflection of that input back to the customer), seems to be, in the mind of the leaders, a mutually beneficial and self-reinforcing relationship between the values of the five firms and what their customers and markets seek. I have not addressed financial results or numeric growth, but rather possible external influences on organizational culture and possible ways the cultures “listen” to these possible external influences and arguably attempt to close the values-employee-customer-marketplace loop.

**Integrating the values into every aspect of the organization**

The five firms appear to expend significant time and energy to integrate their stated values into the everyday life of the company. The integration of values into daily life is a building block of the values-employee-customer-marketplace loop since internal systems and processes buttress (or hinder) employees' perceptions of what the values really are, and likewise, to the extent that the systems and processes interface with external stakeholders, may also influence their perception of the firms' values. This section will discuss how the five firms strive to integrate values into their leadership communications, organizational systems and processes.

Communicating the values

All five firms stressed communicating their values internally. The values are communicated to potential recruits, new hires, and are routinely communicated to existing employees. The leaders reported being involved in multiple aspects of this communication.

Traditional ways of communicating the values

All of the firms reported multiple means and/or venues they use to communicate vertically and laterally within the organization. These methods ranged from formal publications to daily executive walkabouts. Perhaps the best summary of the need to constantly communicate the culture in multiple venues and via multiple means came from Beryl's CEO. Spiegelman spoke of the need to over-communicate the culture and values in every venue where there is opportunity. Saturating everyone in the

message is important at Beryl. Here is Spiegelman's explanation of his involvement in this intentional over-communication:

You can't just post the vision on a website and have people understand it. You have to repeat, repeat, repeat what you've said in formal and informal ways. So we have quarterly town hall meetings and I stand up at every town hall meeting and I repeat the vision and I test people on the core values and we talk about our purpose in life and why we're here. We're connecting it constantly. . . . I send a personal letter every month to all the employees in the company where I share more personally what's going on with me and my family. I talk about a customer service story I had in my travels. I relate that back to the business. I make myself available to deliver this message in formal and informal ways.

Another example at Beryl is a pair of ongoing feedback practices through which line employees can interact directly with the CEO. Spiegelman receives feedback via intentional face to face meetings and anonymous questions. While not specifically limited to cultural topics, the feedback system is a forum for the C-suite to learn of employees' thoughts and interpretations about culture and values. Spiegelman said he answered anonymous questions received via an internal web site within 24 hours, and has monthly "chart and chew" meetings with 10 to 12 employees. Spiegelman explained his standard opening of the "chart and chew" meetings: "All I have to do is ask one question . . . how's it going? And you get feedback about what's going on with them and you learn."

Communicating through coaching, mentoring, and role modeling  
Interviews from all five companies revealed beliefs that coaching, mentoring and role modeling by executives and other senior leaders is valuable and expected. These

leadership behaviors are seen by the leaders as ways to communicate and propagate the culture and values. Table 3 summarizes selected examples from the interviews.

**Table 3. Role Modeling, Teaching, and Coaching**

<b>Role Modeling:</b>	<b>By:</b>
CEO's life makes him a "rock star" in catering community	Blue Plate VP of Business Devel.
Leader role modeling based on experience early in career	IPM CEO
Everyone knows what's really in the CEO's heart	IPM CEO
CEO lives out genuine care and concern	IPM CFO
Behaving in accordance with values on an ongoing basis	IPM CEO
Real leadership must be based on trust, not position	IPM CEO
People observe my behavior, my decisions	IPM CEO
"I am the culture, and the culture is me"	Beryl CEO
Leaders lead the culture, the HR department doesn't	Beryl VP of HR
Senior leaders continuously give genuine energy, encouragement	SEI Marketing Team member
Modeling service and servant leadership: if you tell us your goals, the leaders work for you	SEI CEO
To model respect, leaders must do what they say	Tasty Dir. of Comm.
Owner makes company-wide apology after losing temper	Tasty Dir. of Comm.

<b>Teaching:</b>	<b>By:</b>
Training leaders in the culture and philosophy	Beryl CEO
Leadership skill training	Beryl Executives, by expertise
Writing books and magazine articles	Beryl CEO
Culture training for new employees	SEI CEO; Beryl CEO, CFO, CCO
Training leaders below C-Suite in “the way”	SEI CEO
Book Clubs	Beryl CEO, CFO, VP of HR
<b>Coaching:</b>	<b>By:</b>
Coaching within the C-Suite	SEI CEO
Coaching leaders below the C-Suite	SEI CEO
Career guidance	Tasty CEO
My job is coaching	Blue Plate VP of Sales
Coaching for performance	Beryl VP of HR
Bi-weekly meetings with Supervisor, driven by employee	Beryl VP of HR
Budget line item for coaching lunches	Beryl VP of HR

#### Transparency and open books

The VP of Human Resources at Beryl stated, “We are an open door of transparency when it comes to our financials, when it comes to our performance.” Open sharing of financial performance data with employees was also a theme at Service Express. Kraig Harper, Service Express’s CFO, reported:

We have a performance measurement system where we’re tracking lots of different metrics and one of the things that we developed over time was we have a lot of that information on our intranet and so that it is available to all of our employees to look at.

Financial transparency coding was not as prominent at Blue Plate or Integrated Project Management.

Of the five companies, Tasty described the most extensive day-to-day system of internal financial transparency. Tasty leaders ensure every employee is involved in their open financial books system. One of the owners said, “For years before some of them could fluently speak English, they could read a P&L.” Tasty follows the model of open book management described in the book *The Great Game of Business* (Stack, 1994). The company’s financial info is available for everyone according to Tom Walter:

So we put the Great Game of Business in place and in one of our rooms where we have lunch—we have a whole wall that is our P&L statement and it’s broken down into line items, and it starts with sales—the income on the top—corporate sales and special event sales—and then all of the expenses—the cost of goods sold and then all the expenses. And everybody in the company owns one line.

The heart of the system is a weekly meeting to discuss financial details of the firm and to report on line items that the employees oversee. Tom Walter described the meetings in his interview:

We meet weekly and we call it a huddle and we meet for about thirty minutes and we talk and give real live updates of where we feel we are for the month. So for week one we’re looking at where we feel we’re gonna be for the entire month. And as we go from week two to week three to week four, those numbers get refined and we have fairly good estimates for the month and week three, and then the whole staff knows if we’re on target to hit our goal for the month or if we’re behind or where we need to catch up for the quarter. And the weekly huddle just

gives everybody an update of where we are as if I'm looking at it on a daily basis.

The Tasty implementation of open book management includes revealing how much the owners take out of the business. Larry Walter explained:

Before we did this we sat them down and had them all write down—this was the question . . . what do you think the three brothers take home after everything's paid? How much money do you think we make at the end of the year? . . . The average that everybody said, fifty five people was that we were taking home a million dollars at the end of the year. Some people guessed three million, some people guessed five million. But that was the perception of what they thought a business owner did and that opened our eyes and it opened their eyes. . . . But when we got all said and done there were three bills left on the table. . . . We were showing them that we only had thirty thousand dollars left over.

The executives at Tasty consider this transparency the right way to respect their employees, and that it has business benefits that outweigh any costs or loss of privacy.

Tom Walter noted that sharing the financial data removed mystery and disruptors from good performance:

How much sales are being under proposal and under contract? And that allows everybody in the company to know immediately know where their future business is. Will they have hours or will they not have hours? That removes disruptors and communicates openly to everybody in the company what sales is doing and where financial controls are.

Later in his interview, the Tom Walter revealed what he considered the most significant benefit of the open financial data at Tasty:

Open book really keeps employees engaged. It gives them a sense of ownership. They're part of the company. Like they're actual owner of the company even though they're not but because we do the open book

and we have profit sharing it's as if they are the owner. So they take everything that they do and the daily routine of being an owner.

Hire, fire, promote in alignment with values

All the companies in the study spent significant time and effort to ensure they hire people who fit their cultures. A recruiter at Service Express explained why the company is serious about culture fit:

And we don't look for just any average person. We look for the person who's going to come in and add to our culture and add to who we are, and add to the enthusiasm and the energy. We don't want people who are going to come in and take away. We don't want detractors. We want people who are going to add to who we are in our culture. . . . We've always said that we would rather not hire the right person than hire the wrong person. It doesn't do anyone any favors to bring someone on board who is not a good fit. Doesn't do [Service Express] any favors, and clearly doesn't do the candidate any favors as well.

Culture fit in these firms often means value fit. The value fit is taken seriously, and is specific. At Integrated Project Management, when asked about hiring, Panico stressed the importance of "bringing the right people on board. People who have the talent, but most importantly have the same values; not similar values." Mike McLeod, Integrated Project Management's VP of Operations (now COO), explained why the values were important in the day-to-day work: "We often talk about not only being a result focused organization but a means focused organization and that it's not just [winning] at all costs, it's doing the right thing the right way."

Beryl is also serious about getting the right people. On average, only three of 125 call-center candidates make it through Beryl's process. Skills are important, but culture,

especially an understanding of and ability to demonstrate genuine compassion, is considered vital. Glenda Derion, a recruiting at Beryl said: “We are looking for people with compassion first and foremost that understand the needs of others internally and externally. We’re also looking for people with certain skillsets of what is required to do the job.”

Spiegelman also emphasized cultural fit when describing the hiring process of managers and leaders at Beryl:

So what we do is we work very hard in that screening process to try to screen for culture to do things like personality assessments, multi-level interviews, putting people in different situations socially to determine—do they fit in the culture because to me hiring is about fit and skill. There’s enough people out there that have the skills to do the job we want them to do, but to have people that fit is a much more difficult thing to do.

Those employees whose primary responsibility will be working in the call center (called Associates) begin their interview process with Beryl with a phone call. The purpose of the call is to assess the clarity of their telephone voice, their diction, etc. Once past the phone screening, all employees face a long series of interviews. One of the first interview questions each potential employee is asked dives directly into culture fit and Beryl’s value proposition:

Once we make that contact initially we ask everyone a very basic question, but it’s key to our success and that [is] define the term compassion. What we’ve found is we can train people through our five week training program how to use our hardware and our software systems, how to navigate our computers, we can teach you how to read

a script. What we can't teach you is how to be kind to someone who is just diagnosed with cancer.

The next step for potential Beryl Associates is a series of skills assessment tests. Beryl specifically looks for typing, listening and spelling. If the candidate's skills are sufficient, they begin a three hour series of behavioral interviews—with a focus on compassion:

We're asking very specific questions about past behaviors that will help us predict future behavior. So questions like tell me about a time you helped someone even though you don't think they deserved it. It's a very simple question but we sort of get to find out two ways. One, how do you overcome adversity and two, why did you think the person didn't deserve the help in the first place. All going back in time back to compassion.

The third hour of behavioral interviewing is on the operations floor. The candidate is placed with an experienced and high performing veteran to see the realities of the work. The veteran is also evaluating the candidate:

So if we have a caller who calls in and they're looking for indigent care they have no money to pay for their healthcare and an applicant roles their eyes we automatically realize they're not part of compassion. If someone pulls out a cell phone and starts texting or taking/reading emails during that process when they're supposed to be doing the side-by-side experience we also realize that person's not going to be engaged in a position.

After their time on the floor, the candidate meets with their potential manager for a fourth hour of interviews. The process is intentionally long and rigorous. Andrew Pryor said: "It's in that fourth hour that people are tired and they start to let their guard down and that's when we really get to know I believe their true heart."

Beryl's hiring process for leaders, managers, even executives is very similar – only there are more interviews. The interviews for supervisors and managers may include an interview with representatives from the team or department the candidate manager would lead. This has the advantage of increasing buy-in to the hiring decision by the team or department.

Candidates for leadership positions are also screened for fit into Beryl's culture. Leaders have to have the right skills, but technical or analytical prowess is not enough. Andrew Pryor said Spiegelman's "humility and his heart, and his kindness" is the standard.

Leaders at Service Express are also screened for culture fit. Alvesteffer remarked: "We want to make sure that every leader that we promote or that we bring in has that servant leadership mentality. They walk in already wired . . . with the value system, the belief system."

At Integrated Project Management, every project manager is expected to be a leader—and leadership is one of the elements in determining cultural fit. Panico explained this was true from the founding of the company:

The soft skills which we have focused on since I founded the company are critically important. Often when we look at candidates it's very, very easy to find those who have say the hard skills. . . . That's only

fifty percent of what we need in an individual to succeed here. And the other fifty percent is all wrapped around leadership.

Each of the firms in the study described not only putting their time and effort into the recruiting and interview process—but also demanding time and effort from the interviewees. Beryl even described its process as daunting, intentionally long, and tiring. Service Express's process, also described as long and multi-staged, includes time spent with an experienced employee in a live service context. Service Express calls this a "ride along." Employees who make service calls literally ride along with an experienced service engineer. Others who work in the office "ride along" with an experienced person doing the same job projected for the candidate. In both cases, the candidate learns what the job really involves and is evaluated in context. Just as Beryl hires for compassion, Service Express hires for fit into their service oriented culture. Obviously, Service Express is concerned with service to external customers, but they hire for both external *and* internal service orientation. Alvesteffer said in a training session for new employees "there's a reason we call ourselves the island of misfit toys right. It doesn't matter the background. It doesn't matter the experience—where you come from. It's more your belief system and what you value."

Service Express considers this selection for values to be what makes them unique. Jessi Sprotte, a Marketing Lead Generation Specialist at Service Express, said: "We can teach people the industry we're in. But what we can't teach people is the characteristics—the behaviors that they're looking really for in the people that create

this special culture that we have here.” Service Express’s selection of candidates for values and culture fit was illustrated during the training for new employees observed by the Return on Values Project research team. One employee stood out as an example of hiring for culture fit. He had been with Service Express several months and had completed training as a computer service engineer. During a large group training session, the employee remarked: “Before I was in IT I was actually a dairy farmer for thirteen years and not many people are willing to hire a dairy farmer.” Service Express saw culture fit in this dairy farmer, and taught him the technical skills of their industry.

Integrated Project Management tends to describe selection for culture fit in terms of virtues. For example, CFO Jo Jackson explained: “We have two absolute elements . . . which means you have them or you’re not here. And those are honesty and integrity.” Jackson explained that twice in the company’s history “someone lied to us and they were fired on the spot. . . . Nobody gets fired for making a mistake, but if you lie you get fired.” Panico confirmed Integrated Project Management’s commitment to these virtues when he relayed a conversation with a candidate. Panico asked if the candidate was honest. The candidate replied, “I’m pretty honest.” Panico replied, “You’re pretty honest? When are you not honest? You’re either honest all the time or what you’re implying that sometimes you find reason not to be honest. We’re not looking for that.”

At Integrated Project Management, hiring for fit is more important than short-term revenue. Panico expressed his opinion about growth and revenue versus hiring for fit:

Compromise in hiring for fit decisions, or keeping those who do not fit yet perform well is, according to Panico, “a dangerous compromise and that would not be growing right. It would just be growing.” The same philosophy of hiring for fit was held with equal fervor by executives at Tasty, summarized by Tom Walter: “We believe in Jim Collins’ approach that you get the right people on the bus and then find the right seat and let the bus go wherever the bus is gonna go.”

Hiring for values is more subtle, but arguably just as important at Blue Plate. Much of the vocabulary used to describe successful hires revolved around tactical adaptability to the chaotic characteristics of the catering industry. Dan Joseph, VP of Operations, described successful candidates as having “presence,” “giving a first impression,” a helpful attitude, and being an energetic participant “in the game” of catering. The VP of Sales, Jennifer Perna, added creative problem solving in the chaos of “the moving restaurant.” CFO Calvin Gin stressed hiring the “best people” when they were available, even if there was not an immediate opening for them—even in economic downturns.

Blue Plate looks not only for people who can thrive in the chaos of catering, but those that try to live by the “golden rule”: treating others as they themselves would want to be treated. Perhaps the more subtle vocabulary at Blue Plate is explained in this comment CEO Horan: “[The culture] just attracted people that have a shared value system. They don’t have to change.” Horan said when he interviews candidates: “I

want to know if they're gonna work with us because we do what we do—we are who we are.”

Another factor that perhaps contributes to the more subtle hiring for fit model at Blue Plate is a perceived flexibility within the culture. It seems the culture at Blue Plate is simultaneously tactically-oriented (e.g., the moving restaurant versus compassion) and flexible (e.g., treat others as you want to be treated, versus service or compassion).

Beth Hayes, Director of Special Projects, commented on the culture's flexibility in terms of an “appreciation for different things make different people tick and we're not gonna put everybody into the same formula and just assume that it's gonna work.”

Hayes explained this flexibility enables Blue Plate “to assess what is gonna make that person successful and work with the person so they are successful.” It appears that rather than hiring for compassion or service orientation, Blue Plate hires people who attempt to apply the golden rule and can hack the “moving restaurant,” and then works to develop them over time.

At first this flexible/tactical emphasis in the Blue Plate culture, as expressed in hiring for fit, seemed to be a difference with the other firms in the study that were more verbal about hiring for a specific value or set of values. However, taking all the Blue Plate interviews as a whole seems to reveal that Blue Plate's vocabulary is simply another way of describing the same people-focus, hiring for fit, etc. within the framework of for-profit business realities.

The firms in the study all jealously guard their cultures by not only hiring for culture fit, but when necessary, firing for failure to fit the culture or a breach of cultural values. This doesn't mean that decisions to fire are made in a capricious manner. It does mean that leaders at these companies will terminate the employment of skilled performers because they don't live and embody the cultural values. Integrated Project Management's Panico mentioned the importance of culture fit over skill:

And when you bring on someone who ends up not being a fit in that organization, regardless of their talent, if their values and behaviors don't align with what has been established for our culture, we make a decision . . . I think any organization should make a decision and let them go.

Tom Walter of Tasty commented, "Anybody that seeks privileges seeks the back door. We're through with them." Alvesteffer of Service Express told a group of new employees about a specific salesman who had been let go a few years ago. The salesman drove revenue, but was rude and condescending to fellow employees yet turned on the charm for executives. After data gathering and discussion, Alvesteffer fired the productive salesman.

While this may appear harsh and subjective to some, based on experience in corporate life that seems to teach performance trumps everything else, the five firms seem to consider this to be both fair and consistent. The companies do their best to screen for values, as discussed above, and clearly communicate the values to the employees.

They make efforts to be consistent and thorough in applying the values to all aspects of the organization. The companies in the study continually communicate their values internally. In the interviews, the same values that led firms to fire for lack of culture fit also caused them to give opportunity and resources for employees who did fit the culture to address skill or training deficits affecting performance. If performance did not improve, the values motivated the firms to preserve the employee's dignity during the employment termination process. This is exemplified by the following interview excerpt from Integrated Project Management's VP of Operations (now COO), Mike McLeod:

So, if it's a performance based termination, we try very hard to address the performance issue and correct [it]. If it's a lack [of] skill or a lack of training, we provide feedback in a very continual fashion on their performance. We provide monthly what we call events where we kind of summarize their performance throughout the month so if something is not meeting our expectations they know it very early on. They receive coaching and feedback. If that's not enough then we identify training or other ways to get their skill level up. If that's still not enough and their performance is lagging, we give them a warning letter that if it's ultimately isn't corrected in a certain time period they're terminated.

A unique expression of Beryl's culture is the "Decision Day." After an employee has been trained and coached over time, if performance does not improve, the leaders consider terminating the employee. The process at Beryl often culminates in the employee's being given a day to consider her fit and commitment to Beryl. Andrew Pryor, Vice President of Human Resources, described the Decision Day in his interview:

And a Decision Day is when we believe we've tried everything else we can to help someone be successful. So we call them up to my office in Human Resources and the conversation always goes something like this. We want you to be a part of our team. We think we made a correct hiring decision. You absolutely one hundred percent have a job to come to tomorrow. But for today, we want you to go home. We're gonna pay you for today and we want you to make a decision. Is [Beryl] the company for you? Do you think you can meet our performance standards? Do you think you'd be happy continuing to work in our culture? And if not, come back tomorrow and resign and we part as friends. But if you want to come back tomorrow; if you want to be a part of this great organization we ask that you write a letter of commitment to us. And a letter of commitment are things you're gonna specifically do differently in order to be successful.

Note that in this explanation the issue that precipitated the Decision Day process could be performance, cultural fit, or some combination. The Decision Day process also requires the employee to nominate solutions and commit to behavior change.

Of course, not everyone gets a Decision Day—Beryl does terminate employees for cause when justified. Further, even after a Decision Day, the employee is monitored and must demonstrate the required improvements—writing a commitment letter is not a free pass. However, in the Decision Day process we can see the attempt to balance caring for the employee, the realities of business (performance), development of the employee, and maintenance of the culture.

Another example of this balancing act was revealed in the interviews at Service Express. Peter Winne, Manager of Recruiting, Tech Support and Training at Service Express, told how the values of service, servant leadership, honesty, and preserving

dignity are balanced with the cultural value of continual improvement and growth. When an employee who fits the culture fails to meet continual performance improvement goals, Service Express attempts to bolster skills and improve performance. If the performance still does not meet the goal, Service Express is committed to dealing honestly with the employee. Service Express leadership sees it as a service to help that employee move on to a better fit, rather than allow them to remain where they are not successful. Winne said, “But the key is during a termination . . . to do it with dignity. Do it where the person can walk out proud.”

#### Align organizational policies and processes with the values

One of the most striking observations of the five companies was the extent to which they attempt to permeate day-to-day activities with their values. Leaders reported taking actions to ensure consistency and alignment between their companies’ stated values and organizational systems, policies, and procedures. Beryl’s CEO said: “It takes years to develop [culture] and the reason you want consistency is because in order to run a business well you need trust. . . . To me, traditions and consistency are critical to gain the trust of your employees.” The ways the leaders attempted to align organizational policies and systems with their values varied significantly. Some of the firms were very programmatic in values-organizational system alignment, e.g., Beryl’s internally marketed programs. Expressions of alignment seemed least programmatic at Blue Plate. A less programmatic example of alignment is Blue Plate’s decision to continue the same level of benefits during an economic downturn. No new program

was devised—but a decision was taken involving organizational systems and how they should align with values.

Leaders of the five firms report investing themselves personally in efforts to build the values into all aspects of the organization, and regularly monitor key indicators of value and culture slippage. Spiegelman of Beryl explained the commitment to institutionalizing the culture:

Consistency means that's it's our commitment to institutionalizing the culture and to take those things that work and to do them again and again and again. . . . So it absolutely takes a village as they say. . . . Culture's no different. Then you institutionalize those procedures and I would say that in our company if you look at any process in our company or standard operating procedures, our cultural procedures are the most ingrained institutionalized procedures in our company.

Beryl's "cultural procedures" include not only the internally marketed employee engagement efforts, but also integration of compassion, care and family-feel into the style and way things are done. For example, on the first day of training for new hires Beryl deliberately communicates its culture. Most employees start at Beryl in a training group, and are told to arrive on the appointed day and gather in the lobby. When all are present, they are escorted onto the operations floor. What they see and hear as the doors open is a deliberate attempt to stamp the culture and caring community vibe on every employee from day one:

On the first day at our company when you are hired on, there's gonna be a group of thirty to forty people who line the front door. So we have two big giant double doors and the moment they open we've got thirty or forty people there clapping their hands to welcome to you to the

most unique company in America. I can't imagine anybody else who when the doors open there are thirty people there clapping for that person.

Occasionally the CFO or CEO is waiting inside the doors with the cheering employees, standing on a Segway, to lead the procession of new hires toward the training area.

The executives at some of the firms also expressed the value of systems and practices for information exchange between executives and employees. Tom Walter has his desk in an accessible area to facilitate communication. Horan of Blue Plate practices a version of management by walking around. At Beryl, leaders discussed specific systems they had in place to facilitate the communication necessary for genuine engagement. For example, Lara Morrow, Beryl's executive-level culture officer, described a system to keep the C-suite informed about employee life events.

The system allows the CEO and other C-suite members to be informed and show compassion:

There's a link on our intranet where somebody can submit a situation. And that comes through to myself and my [committee] leader and we immediately take action. We send an email to Lance [CFO] and Paul [CEO] with that person's picture, their name, their address and what's going on with them and anything that we have already done or we need them to do. Flowers are already sent. We need you to go to the hospital and visit them there . . . in Room 123. The funeral is such and such a day. Whatever is really happening. We let them know what we need them to do. And they will do that for us.

Normal, less traumatic employee life events are also celebrated in the Beryl C-suite. Lara Morrow described a system of tracking over 400 employees' anniversaries and how she provides details information to Spiegelman who sends the employees handwritten notes of congratulations.

The interviews also revealed another organizational system set through which the leaders invested in culture, and ensured consistency with values: feedback and performance management. The unique Decision Day tool of Beryl has been discussed above. Other firms also described expressions of values in feedback and performance management systems. In each case, the executives reportedly led the way and were intimately involved. For example, at Integrated Project Management, all the supervisors, including the executive level, spend eight to 16 hours preparing each subordinate's annual feedback. CEO Panico explained how another value affects Integrated Project Management's annual feedback process: "And if there are any surprises in the formal summary development plan, the manager or supervisor has to take it out because that means the supervisor didn't do his or her job." At Beryl, the feedback system reinforces the dignity of the employee and the core values of the firm through employees' "annual upwards evaluations" of their supervisor.

Beryl's performance management system has been developed to exemplify, measure, and encourage adoption of the company's values. The system's consistency with the values begins with transparency and setting expectations, including sharing the

average merit scores and merit increases. Employees at Beryl are rated not only on their performance, but also on their alignment with Beryl’s core values (see Appendices D and E). The values are visible in the categories rated, and relative weights given to the categories. The weighting of the various scoring areas are displayed in Table 4:

**Table 4 Relative Weights of Beryl’s Performance Evaluation System**

<b>Scoring Area</b>	<b>Support Staff/ Individual Contributor</b>	<b>Supervisor or Manager</b>
Core Values:	10%	10%
Functional Perf.	30%	30%
Personal Initiatives:	50%	40%
Face of Beryl:	10%	n/a
Leadership:	n/a	20%

Perhaps the most interesting measure is “the face of Beryl” which appears on the individual contributor’s scale, but not on the manager/supervisor’s. The individual evaluation form (Appendix C) describes the “face of Beryl” with the following bullet points:

- Takes initiative to seek out other opportunities to develop oneself
- Receptive to feedback and works to implement feedback
- Demonstrates leadership by assisting team members and providing feedback to improve team performance
- Influences others in a positive manner

- Conducts oneself in a professional manner and treats others with respect
- Ability to maintain confidentiality
- Ability to deal with ambiguity in a positive manner
- Conducts oneself in a supportive manner to build morale and commitment to the organization

Between the “core value” rating and the “face of Beryl” rating, 20% of most Beryl employees’ performance ratings are either directly related to Beryl’s core values, or reflect behaviors associated with the core values.

Instead of the “face of Beryl,” a manager is rated on leadership. In addition to common leadership behaviors, four of the eight descriptions of leadership (see Appendix D) relate to culture-based leadership expectations:

- Demonstrates appreciation and recognition of team member’s contributions
- Meets regularly on a one-to-one basis with team members
- Challenges and encourages team members to expand their capabilities, knowledge and skills
- Conducts oneself in a supportive manner to build morale and commitment to the organization.

Outside of the formal performance measurement system, Beryl attempts to set daily incentives for call center employees that match the firm’s values and purpose. The

CEO explained the incentives, unique in the call center industry, and how they reflect Beryl's values and purpose:

How does [compassion] manifest itself on a call? Well, we . . . part of that is how we bill for our services and how we share with our clients that that is important. In many call centers, you're paid by the call and your incented to take as many calls as you can, and also incented to get that person off the phone. Well, in our case, it's not about that. It's about service. We actually get paid by the minute, and our clients understand that we're gonna take as long as it takes with that patient or that mom or that consumer to make sure that they get what they need.

Beryl's theory of paying by the minute aligns incentives with cultural values and enables enacting the values.

The research team found another comprehensive alignment of values and feedback systems at Service Express. The stated goal of Service Express is to help employees meet their personal, financial, and professional goals. This mantra and core values of service and service leadership were pervasive during the team's visit to Service Express. Integrating employees' personal goals into firm goals sounds ambitious, impractical and impossible to manage. But Service Express does exactly that, in a very interesting combination of C-suite involvement and organizational systems. The system of tracking employee goals and firm goals at Service Express is called "SR5": Scorecards; Responsibilities, Objectives, and Indicators (ROI); and "five-fifteen" meetings. Each Service Express employee both designs his job responsibilities and records for the firm his personal, financial, and professional goals. The employee-defined job descriptions and measures make up the ROI. All the ROIs in a team roll up

into that team's measures of success, or scorecard. Each team's measurements roll up into their department's scorecard, etc. The personal goal information is kept private, but is visible to the supervisor and CEO Alvesteffer.

Service Express's "five-fifteen" is a quarterly meeting is so named because the required form is designed to be read in five minutes, and to be prepared in 15 minutes.

Alvesteffer described the meeting as a combination of employee engagement and corporate goals:

So this is our key objectives that we're gonna focus on—on a quarterly basis. . . . And it really turns into an employee development program because an employee will put on there, here's the key things I want to focus on. Here's the training certifications I want to get, here's the amount of revenue I want to sell—whatever it may be. They fill it out. They present it to their manager. They have the discussions.

In addition to the employee engagement, planning, and coordination function this system serves at Service Express, its most interesting purpose is completing the loop between stated values of service, employee personal goals and corporate outcomes.

Alvesteffer explained how all these elements come together:

So we get on the same page at the beginning of the quarter and then we work together throughout quarter to help you achieve your five fifteen. I'm working with my leaders to help them achieve their five fifteens, and if every employee again is achieving on a quarterly basis—they're taking a step forward in their development—in their achievements and what they're trying to accomplish, it's like our company is taking one giant step forward together on a quarterly basis. And your goals and priorities in your five fifteens need to align with your ROI's which is going to align with those scorecards. . . . Working with our employees to help them achieve their goals, making the right decisions for the business and then measuring our success, and those all go together and

the more success we're having the more goals we're achieving, the more the companies growing, the more engaged the employee is, and that's what's driven us over the past ten years.

Company values were not only expressed in “soft” organizational systems like feedback, goal setting, and notes from the CEO. Benefit systems were also mentioned in the interviews as avenues for expressing values. Examples that emerged in the interviews include:

- Paying 100% of employees' health insurance premiums (Integrated Project Management)
- Having a doctor or Physician's Assistant on-site certain days of the week, available to employees and their children (Beryl)
- Deliberately providing benefits well beyond industry standards, and maintaining the benefits through economic downturns (Blue Plate)
- Employee education/tuition programs (Beryl, Tasty).

Another intersection of employee engagement and C-suite involvement in organizational systems is a reward system build around core values at Beryl. Lara Morrow, Beryl's “Queen of Fun and Laughter” (the corporate culture executive) described an employee recognition program rewarding those who personify each of Beryl's values every month. Each month employees nominate coworkers who exemplify Beryl's values for recognition. An employee is chosen who best represented each value, and those employees are given special parking spots next to the CEO. The

monthly honorees qualify for a quarterly drawing for special prizes, chosen by the winner, up to \$250 in value.

Beryl also has a comprehensive set of internally marketed programs and systems for expressing the firm's values internally and externally. Once a part of the Beryl family, employees benefit from and participate in the internally marketed organizational expressions of compassion, family/belonging, or other values:

- Pride at Beryl: a peer recognition program (Pride is an acronym: Peers Recognizing Individual Deeds of Excellence).
- Beryl Well: a wellness program.
- Better Beryl Bureau: a volunteer group of approximately 70 employees who help propagate the culture through planning events, morale programs, community outreach, etc.
- Beryl Gong Show: an annual company-wide talent show.
- Beryl Cares: life events of employees, both joyous and difficult, are nominated by fellow employees to leadership for recognition or compassionate action. Leaders can take direct action as a quick response, and/or a special subcommittee of the Better Beryl Bureau can recommend leader actions or organize volunteers for a longer term solution.
- Beryl Outreach: a community service program.
- Leadership: internal leadership training program, teaching future leaders how to lead in the Beryl culture.

- Beryl Earth: environmental sustainability emphasis.
- Beryl Life: the company newsletter, mailed to employees' home address, which frequently features pictures of employees' family members and recognizes employees' milestones and awards.
- Beryl sports teams: sponsored softball, bowling, and basketball teams that compete in local community leagues.

Each of these programs is marketed internally to all employees, both as an opportunity to serve and for some of the programs, and as a resource in tough times. The marketing includes official logos for each program displayed prominently in one of the main hallways. Some of the programs have shirts or other "team" apparel. If employees are involved in an event of a group with which they volunteer, they are encouraged to wear their shirt or logo to work that day.

In the site visits and interview transcripts, I found no obvious gaps between the firms' stated values and their policies, operating procedures, or HR practices. The consistency and thoroughness of the cultures seems to play a key role in the employees' interpretation of leadership actions. Although the companies chose those who were interviewed, the employees interviewed seemed to genuinely believe that their leaders made significant effort to live the values, and were open to feedback when they did not.

To summarize value integration into organizational procedures and process, the five firms seem to make sincere and consistent expression of espoused organizational values in policies, procedures, etc. While no company is perfect, the selected firms strive and mostly succeed at integrating their values into daily life in their organizations. By consistently communicating the values from the C-suite, hiring and firing in ways consistent with their values, aligning their performance measures and incentives with their values, the firms strive—and generally succeed—in making the values come alive in daily organizational life.

### **Tenaciously keeping the focus on values**

None of the companies gave the impression that once their cultures were established they could turn on some cultural autopilot to keep things on course. It seemed that all the leaders were concerned with maintaining their cultures, and they recognized the dedication and energy necessary to sustain the cultures they consider to be central to both internal life and external value production. This willingness to expend energy seems consistent with the leaders' stated mental model of a values-employee-customer-marketplace loop: After all, if the culture is integrated into economic value production, there are business motives for maintaining the culture. There also seem to be more personal motives for maintaining some of the values/cultural aspects, as described above under various headings: The firms' values seem to begin with the CEO's values; the leaders seem to have expressing some of these values as part of their daily default modes; etc. Whatever the mechanism(s) at play, the data reveals that the leaders expend the energy to guard and perpetuate the cultural values.

Examples of tenacious guarding of and focus on values include several statements about the leader's centrality in the culture, Alvesteffer's worry about maintaining the culture in the face of numerical and geographic growth, and consistency in the face of challenges to values. The time and energy necessary to consistently communicate to new hires is another example. Andrew Pryor of Beryl said, "This really is a company that values its employees. It values investing in people. It takes time for new hires to trust that." Culture takes time and tenacity to build. Spiegelman said:

If we were just to one day declare that we were going to have a good culture and go out and get a keg of beer on a Friday, that's not what culture means. This is not an overnight sensation. It takes years to develop.

None of the firms claim to be perfect, or perfectly consistent. But the leaders seem to display tenacity in sticking to the values and the discipline to be consistent. They seem willing to invest the energy, time, and personal capital over the long term to consistently influence their cultures.

Many of the examples already discussed reveal elements or hints of tenacity and resources spent for the sake of guarding and perpetuating the values: the discipline of hiring and firing for value fit instead of short term revenue gain; internally branded programs that promote or exemplify values; consistently open financial systems, the ability to call out the boss when values are violated, etc. The Calvin Gin, CFO of Blue Plate, told a story that illustrates consistency in cultural values with financial

consequences. When faced with the recent economic downturn and resulting decisions about the firm's generous employee benefits, the CFO decided that if he was to err, it would be in favor of the company's values. Resisting input from Blue Plate's insurance broker to reduce benefits to the industry standard, Gin maintained Blue Plate's benefits package and responded: "I get what other people are doing but we think this is right."

Leaders at the other firms also displayed tenacity. Wearing pajamas to work at Beryl for the entire month of December, and embarrassing yourself at the Beryl Gong Shows over a period of years requires some desire to stick with it. Integrated Project Management's practices of consistently hiring for fit rather than short term gain and routinely evaluating business opportunities from multiple stakeholder perspectives requires leadership discipline. Maintaining the discipline to spend long hours on each direct report's evaluation at Integrated Project Management requires tenacity. Constant and repetitive communication about values in multiple internal venues demands leaders' attention. Alvesteffer's goal to perpetuate the culture and leadership style despite geographic expansion and growth in number of employees takes energy. But despite the investment of resources, energy, and time, none of the companies are perfect, or perfectly consistent. How they handle inconsistency and challenges to their values also reveals the leaders' tenacity.

In several interviews, the leaders mentioned challenges to their cultures from employees. As outlined above under hiring and firing for fit, employees in the five companies can be terminated for not applying or living up to their firm's values. The firings at Integrated Project Management for breaches of integrity are good examples. Service Express's termination of the sales leader is another example. Dwight Strayer of Service Express discussed the phenomenon of those who were not contributing to the culture, but just "just sitting in the wagon" being pulled along.

Beryl mentioned the most direct challenges to the culture via occasional examples of attitudes of entitlement. Two memorable stories emerged at Beryl about entitlement:

We've had people who came in and said they couldn't afford diapers or formula for their children and found out they didn't even have children. In one of the worst case instances we had a person who came in claiming they had cancer and found out later they didn't have cancer. So they asked for their team to support them. We've had holiday prize giveaways rigged at the ballot box so we found out.

During a time of high gasoline prices, Spiegelman gave each employee a \$50 gas card.

Lara Morrow relayed one employee's reaction:

And I had an employee [who] walked up and said; well I have two cars, why don't I get two cards. And I just politely took the card back and said, I'll take that one back as well and she was like, oh no, no, no, no . . . I'm sorry. I didn't mean to offend. And I said, you need to be very grateful and appreciative of what you get.

Beryl considers persevering through these occasional situations part of the price of having an engagement culture. Lara Morrow said: "So you're gonna have those

situations but you have to be able to have those difficult conversations and hold people accountable to appropriate behavior.”

Perhaps the most interesting evidence for tenacity at the five companies is not a few stories about entitlement mentalities or lying about sickness, and how the leaders dealt with the challenge, etc. Maybe the most interesting stories about tenacity are those told under different headings in this chapter. Being sure that you, as a leader, are living up to performance expectations on your evaluation to be an example, coach, and take ownership of the culture and its values requires consistent effort. Having a truly open financial system and allowing all the workers to know your details of your personal financial matters year in and year out requires some discipline. Passing up a tempting job from a new client, because you can't hire the right person who has both skills and the culture fit takes commitment to the culture. Firing a good performer for lack of culture fit, and exposing the firm (and yourself) to potential litigation takes a desire to stay the course. An argument can be made that many stories from the five firms involve some amount of leadership tenacity in maintaining the culture.

### ***Summary of the Six Building Blocks***

The six building blocks emerged from the data as both how the leaders influence virtuous culture and the underpinnings of the value-employee-customer-marketplace loop. The first building block consists of the values of the firms, which seemed to begin or originate with the leaders. There did not seem to be a formula of values. The values of the leaders, and the values enacted within each of the five firms vary

slightly. But there is a common virtuous theme within the values (Aristotle's "goods of first intent") (Cameron et al., 2011). This influence of the leader/CEO is not to be confused with trait theory. The leaders and their values varied. Instead this building block is an acknowledgement of the influence of founders and leaders on values and culture. While this building block is not new or surprising, it seems critical in the data to understanding how the leaders explain their cultures.

Second, the CEOs act as de facto Chief Culture Officers, regardless of the titles they chose for themselves. The data contain many stories of the leaders as role models, vanguards, and the leaders seeming acceptance of these roles as a significant responsibility and critical part of their jobs.

The third building block is elevating the focus from values to virtues, even if the elevation is not deliberate. Regardless of the vocabulary the leaders use to describe their values, many of their values are virtuous. While many firms espouse and effectively operationalize values of teamwork, quality, responsibility, etc., the five firms in the study claim to have cultures based on virtuous values. For example, the firms say their cultures are characterized by virtuous values such as caring, compassionate, inspiring, integrity, and provide meaning and respect (c.f. Cameron et al., 2011).

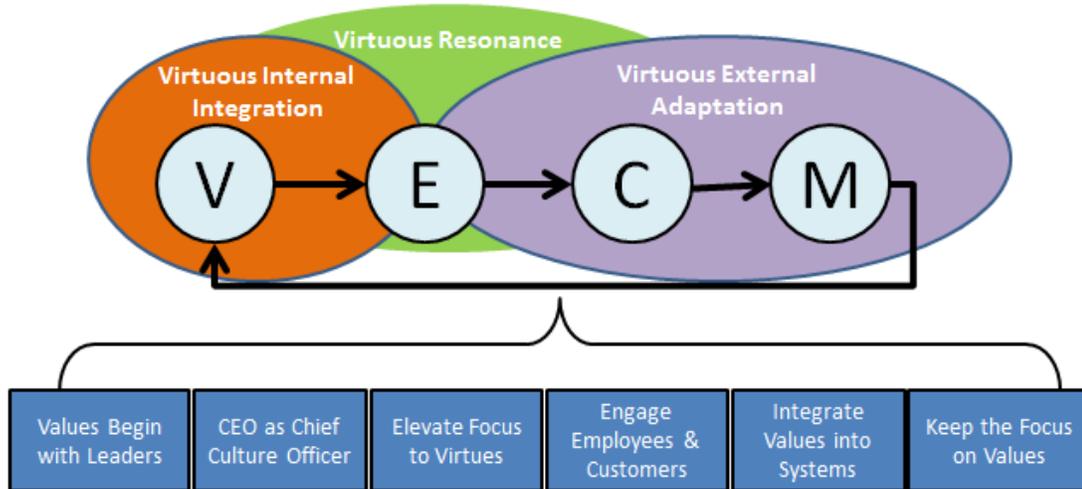
Fourth, engaging employees and customers in defining the values stood out as a building block of the loop. The employees play an important role by experience the internal expression of the values, expressing their reactions to the values both internally and externally, and providing indirect and direct input into the value/culture process of their firms. Employees in these five companies seem to have a dual internal and external role in what the leaders describe as their economic value production models. Customers give feedback (input) to the firm and its employees in terms of preferences, new business, etc. The characteristics of the marketplace also arguably influence and make input into the organizational cultures of the five firms through preferences, nature of the market (commodity or specialty service, etc.). To varying degrees and through different means, the five cultures were arguably defined with input from employees, customers, and with consideration of business realities and marketplace conditions.

The fifth building block is the leaders' diligent efforts to integrate the virtuous values into all aspects of their firms. In ways consistent with their own styles and values, the leaders invested energy and time to ensure the firm's values were integrated into policies, organizational systems, and the firm's economic value creation for customers. The effort to integrate virtuous values into the firm at the daily life level of systems and processes seems consistent with the leaders' mental model of a values-employee-customer-marketplace loop.

The sixth observation is the leaders' ongoing focus on and protection of the values and culture. This effort seems to facilitate the values becoming part of the "way of life" at each company and guards the values-employee-customer-marketplace economic value production concept. None of the leaders are perfectly consistent, nor are any of the cultures without their flaws. But the leaders' continual personal attention to values, self-discipline, and consistency seem to be important inputs into the firms' ongoing interpretation and meaning-making process around values and culture—and therefore to the leaders' self-reported mental model of how their firms create economic value.

### ***Why Are the Six Building Blocks Both Influences and Part of the Loop?***

As noted above, the six building blocks seem to be simultaneously how the leaders influence organizational culture, especially as it relates to virtuous aspects of those cultures, and the foundation for the mental model of a values-employee-customer-marketplace (VECM) loop. Stated differently, the data points out that the six themes seem to be essential building blocks in these firms to make the loop possible and also ways leaders influence the firms toward virtuous culture (Figure 4). So, why are the building blocks both the ways the leaders influence their cultures toward virtue and part of the loop?



**Figure 4. The VECM Loop and Building Blocks**

Stepping back in the analysis to a higher level of abstraction, it is interesting to note that the most prominent common elements in these three roles of the six building blocks are the virtuous values themselves. Perhaps this provides some hint as to how the blocks work together and what happens in the alleged loop.

The values that seem to be most influential in both the internal culture and the loop are those which are virtuous (e.g., care, integrity) versus those that are useful but instrumental (e.g., accountability, responsibility). By focusing on these virtuous values, the value conversation is elevated and the cultures seem to benefit. Likewise, the external customers and the marketplace seem to resonate with the virtuous values (integrity, respect, compassion, non-instrumental displays of service, etc.) more than the instrumental (responsibility, accountability, always legal, etc.).

At this higher level of abstraction, the data seems to suggest that the leaders' influence on the cultures via the six building blocks, and the internal and external resonance of the cultures are facilitated by the virtuous nature of the values the company attempts to enact. The external stakeholders respond more positively to the virtuous values than the instrumental values, and provide reinforcing feedback for virtuous behavior. The employees also respond more to care, compassion, meaningful work, etc. than to accountability, responsibility, etc., and in their dual internal/external role reflect the virtuous values back inside the firm and also transmit them to some degree externally (e.g., compassion at Beryl, integrity at Integrated Project Management). This resonance around virtue, by whatever mechanism(s), was so prominent in the data that in discussion with my committee resulted in a third aggregate dimension, virtuous resonance, which will be discussed more fully in Chapter 5.

To the extent this is an accurate analysis of what is happening in the cultures of the five firms, it provides a possible explanation of how the same six building blocks can be both the ways leaders influence the cultures and also resonate outside the firm with external stakeholders. To close the loop in cultural (not financial) terms, we can observe hints in the data that the external resonance of virtue with customers and the marketplace (e.g., positive reactions to compassion, or respectful delivery drivers, etc.) provides reinforcing feedback into the cultures encouraging continued virtuous behavior (“our drivers are sometimes rated higher than our food”) and resonates inside the firms in a symbiotic, self-reinforcing fashion.

***What Do These Leaders Do Differently?***

Many of the behaviors of the leaders in these five firms are common across all types of firms, across a spectrum of cultural virtue (as an example, see Appendix E). So what stands out as different about what these leaders do as it relates to virtue in their organizational cultures?

First of all, the values they bring to their organizations—values that are so influential (as described above)—set their vector toward treating people well, being honest and acting with integrity, showing respect to employees and clients, being compassionate, and in general seeing their work as a mission of improving lives and making the world a better place (as they define it). They are not perfect, nor are they “great man” (or “great woman”) leaders. They are not perfectly consistent. This vector based on their values and experiences gives them the virtuous focus described earlier, and seems to help motivate them to consistently be champions of the virtuous focus within their firms. While many leaders claim to believe in their firm’s values, the leaders of these firms walk the talk in a way that exceeds expectations of typical leaders. Again, they are not perfect—just doing it more and better than the expectations of typical leaders.

Part of walking the talk that these leaders display is the time, effort, and discipline that they show in integrating the virtuous values into practically all policies, organizational systems, and programs in their firms. This is work that many executives might consider mundane, even if simply supervising others who were executing the details.

Yet these leaders seem to have more than a typical concern that the systems and policies in their firms are as consistent with their values as possible. Once again, the firms and the leaders are not perfect—nor perfectly consistent—but most of them seem to expend more energy than expected from typical leader in being sure the daily life structures (policies, systems, etc.) are aligned with the virtuous values being preached from the corner office.

Together, the internal vector and energy expended in systematic consistency display another characteristic these leaders have in greater amount than expected from typical leaders: tenacity with respect to organizational culture. These leaders see the culture as critical to their businesses, both internally and externally, and guard the culture closely. I am tempted to say that some of these leaders think the culture *is* the business. The actions of the leaders show this tenacity to guard and maintain the culture in a way that is over and above that expected from typical leaders.

Another difference in these leaders is the mental model of loop connecting values, employees, customers, the marketplace—and practical actions they take to build and close their perceived loop. The leaders believe that treating the employees well is both “right” and smart business. The leaders believe the marketplace values certain aspects of their cultures, and that leaders have the ability to discern marketplace preferences related to their organizational cultures. They put their belief into practice by treating employees in ways that exceed normal expectations, and encouraging the employees

to therefore exceed customer expectations. The leaders expectantly wait for this internal virtuous culture emphasis focused on employees to loop back through the customer and characteristics of their industry and benefit their companies. In this dissertation I have not addressed financial results or numeric growth, but rather what the leaders do that influences and arguably closes this theoretical employee-customer-marketplace loop.

The leaders not only believe this values-employee-customer-marketplace loop exists and is how their businesses work, but (to varying degrees) they are evangelists of this theory of the symbiotic value-employee-customer-marketplace loop. Spiegelman is perhaps the most evangelistic, founding the Small Giants Community and The Circle (an employee engagement training effort) to spread the news of employee engagement. Tom Walter writes and speaks on cultural issues.

### ***Summary***

I was surprised to find, instead of a list of mechanism, six building blocks that seem to be both how the leaders influence organizational culture, especially as it relates to virtuous aspects of those cultures, and the foundation for their mental model of a values-employee-customer-marketplace loop. At a higher level of abstraction, it seems that virtuous values resonate both internally in the cultures and externally with customers and the marketplace—and the resonance creates a self-reinforcing, mutually beneficial feedback loop. The leaders are not, and do not claim to be perfect. But the

common theme in what sets them apart from the expected, typical leader is their vector toward virtue and practical efforts to enact virtue.

In Chapter 5 I draw on social constructionism, POS, and upward spiral literature to explain why the VECM loop might be so powerful in the five organizational cultures.

## Chapter 5: Discussion

### **Overview**

My analysis of the data from the five companies revealed the leaders' cultural influence through the six building blocks and the importance of the leaders' mental model of a connection between the values they champion in their cultures, the employees, customers, and the marketplace. The possible interplay between internal and external stakeholders around values, in the context of organizational culture, caused me to ponder what mechanism might be at work to combine the internal and external inputs, and what makes this interplay or process so powerful and energizing in these five firms. In this chapter I will explore literature that contains possible answers.

In this chapter I will discuss how the six themes and three aggregate dimensions of my data structure (Figure 2 in Chapter 3) lead me to believe that organizational cultures are socially constructed (Gergen, 1985; Cooperrider & Srivastva, 1987; Ford, 1999) and the primary role of leaders in influencing culture is to support an ongoing conversation about the culture and values through multiple mechanisms both internally with employees and externally with customers (e.g., role modeling; how they hire, fire, and reward; the products they offer; which clients they work with and how they manage relationships with clients). I argue that to the extent these conversations are focused on virtues such as caring, compassionate support, forgiveness, meaning, inspiration, respect, integrity, and gratitude (Cameron et al.,

2011), they meet needs of autonomy, competence, and relatedness for employees and customers (Deci & Ryan, 2000), which produces energy for increased connection, action, and performance (Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009).

### ***Discovering the Aggregate Dimensions***

As explained in Chapter 3 (Data Analysis, Step 7), I moved into the third stage of coding and through analysis and dialog with my committee I arranged my six key themes into three aggregate dimensions: virtuous internal integration, virtuous external adaptation, and virtuous resonance. This process of discovering aggregate dimensions is described as distilling by Gioia et al., (2012, p. 20). The following is a brief account of the distillation process.

In comparing the five companies, and in dialog with my committee, it became clear that the leaders' values had significant influence on their firms' cultures (c.f. Schein, 2010). The leaders (Spiegelman, Alvesteffer, Horan, Panico, and Walter) did not arrive at their companies as blank slates; each brought their personal values to their leadership. In all five cases, the primary core values brought by the leaders were virtues (goods of first intent) (Aristotle, trans. 1924). For Spiegelman, it was care and compassion; for Horan, the golden rule; for Panico, honesty, integrity, and caring; for Alvesteffer, service and helping employees find meaning in work; and for Walter, it was dignity and respect. When they started their businesses (or in the case of Alvesteffer, joined the business), none of them seem to have consciously differentiated

between virtues and values. They chose the virtuous values simply because they thought it was the “right thing to do.” The values they brought are consistent with virtuous organizational practice (Cameron et al., 2011). This does not imply the leaders are saints, or perfectly consistent. Nor does this observation argue for trait theory. It is merely an acknowledgement that the four founders’ values have significant influence (Schein, 2010) that cannot be dismissed, and that the fifth CEO (Alvesteffer) shares the founders values, was selected by the founder, and continues to have influence over his firm’s values just as the other CEOs do.

For these leaders the values were not slogans—they represent what *should be* present in the world and in relationships. Since the leaders considered the values to be “right” and what “should be,” they considered the values to be legitimately applied across boundaries between personal and organizational use. The interviews reveal that it seems natural to these leaders to align the internal systems of their organizations with their values. Examples of systems aligned include: hiring/firing for culture fit; and building employee and leader feedback systems that measure both performance and enactment of values. As they aligned internal systems and policies with the values (which happened to be virtuous), the leaders created internal integration (Schein, 2010). The first aggregate dimension emerged: virtuous internal integration.

The leaders also attempted to consistently apply their values in the context of external interactions and relationships. This includes their personal interactions with clients,

but also the leaders' inputs to the firms' interaction with clients through its employees (e.g., training programs, Beryl incentivizing longer conversations with callers, etc.). Their values seemed to give them the desire to align internal and external behavior into a consistent whole. This was evident in the mental model, common across the five firms and described in Chapter 4, that there is a link between their values, how they treat employees, how the employees in turn treat customers, and the results that the firm sees from customers and the marketplace (i.e., values are at the center of the firms' economic value creation models). As the firms align their external relationships and interactions around virtuous values, they build the second aggregate dimension: virtuous external integration (Schein, 2010).

A third aggregate dimension emerged through interaction with the data and the committee. Throughout the data, it was clear that the values more closely aligned to virtues (respect, care, compassion, etc.) animated the discussions of the cultures in ways that conversations involving other more instrumental values (teamwork, accountability, responsibility, etc.) did not. The stories the leaders and employees told about why their company was a great place to work, or a special time when the company lived up to its values always involved at least one virtuous value. Also, the stories about how the values are integrated into economic value creation (including market differentiation) featured virtuous values (compassion, integrity, treating customers as you would want to be treated, serving customers, etc.). It was clear that the virtuous values created, at least in these five firms and their self-reported

interactions with external stakeholders, a resonance that was different and more significant than other values that are generally more instrumental. The resonance around these values took on what seemed to be an almost spiritual character that was both prominent in the data and difficult to describe accurately. This resonance is the third aggregate dimension, and is labeled virtuous resonance.

### ***Creating an Integrative Storyline***

In this chapter, following Gioia et al. (2012), I create an integrative storyline by drawing on the literature to explain my aggregate dimensions as a dynamic phenomenon, or turning the static photograph into a movie (p. 8). I argue that organizational cultures are socially constructed (Gergen, 1985; Cooperrider & Srivastva, 1987; Ford, 1999) and the primary role of leaders in influencing culture is to support an ongoing conversation about the culture and values through multiple mechanisms both internally with employees and externally with customers (e.g., role modeling; how they hire, fire, and reward; the products they offer; which clients they work with and how they manage relationships with clients). I argue that to the extent these conversations are focused on virtues such as caring, compassionate support, forgiveness, meaning, inspiration, respect, integrity, and gratitude (Cameron et al., 2011), they meet needs of autonomy, competence, and relatedness for employees and customers (Deci & Ryan, 2000), which produces energy for increased connection, action, and performance (Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009).

In the remainder of this chapter, I will discuss my integrative storyline. I begin with the context: social construction of the five firms' culture. Next I discuss the primary role of the leaders in influencing their organizational cultures. Then I outline why I believe energy is created by these cultures both internally and externally.

### **The social construction of organizational culture**

I argue that in the five firms there is an ongoing process of socially constructing organizational culture. I came to this conclusion following Gioia et al. (2012) to create an integrative storyline by drawing on the literature to explain my static aggregate dimensions as a dynamic phenomenon. The stories of care, compassion, respect, integrity, significance and descriptions of leadership behaviors and organizational systems that operationalize the talk of virtuous values, weave a larger narrative about how the leaders, employees, and to some degree the organizational systems, customers, and the marketplace interact to create a “conversation” about virtuous organizational culture. I believe this analysis is supported by social construction literature (e.g., Gergen, 1985; Cooperrider & Srivastva, 1987; Ford & Ford, 1995; Ford, 1999). Also, the data in Chapter 4 supports these firms as (albeit imperfect) examples of virtue in organizations (Cameron & Caza, 2002; Park & Peterson, 2003; Cameron et al., 2004; Cameron et al., 2011; Audi, 2009; Heynoski & Quinn, 2012).

Some scholars contend social constructionism is based on the theory that through dialog, social systems are created and maintained (Gergen, 1985). Cooperrider &

Srivastva (1987, p. 136), in the context of appreciative inquiry, explain sociorationalism, better known now as social constructionism:

Valid knowledge or social theory is therefore a communal creation. Social knowledge is not "out there" in nature to be discovered through detached, value-free, observational methods (logical empiricism); nor can it be relegated to the subjective minds of isolated individuals (solipsism). Social knowledge resides in the interactive collectivity; it is created, maintained, and put to use by the human group. Dialogue, free from constraint or distortion, is necessary to determine the "nature of things" (sociorationalism).

In one view of social constructionism (e.g., Gergen, 1985), the organization is a series of conversations about the organization. Change is changing the conversation (Ford, 1999). Ford and Ford (1995) describe the change process in these terms: "Producing intentional change, then, is a matter of deliberately bringing into existence, through communication, a new reality or set of social structures" (p. 542). Changing the conversation can occur in several ways, and at several levels. Ford and Ford (1995, pp. 546–552) give examples of changing the conversation at the dyad or work group level through four primary conversations: initiative; understanding; performance; and closure.

#### Virtuous internal integration

One function of organizational culture is solving problems of internal integration (Schein, 2010). Internal integration problems include: creating a common language and conceptual categories; determining group boundaries (who is included/excluded); distributing power, status, authority; developing norms of trust, intimacy, friendship, and love; allocating rewards and punishments; and explaining the unexplainable

(Schein, 2010, p. 94). I argue that in the five companies, the internal integration described by Schein (2010) is happening inside the culture-constructive conversation, and includes inputs from employees, actions by leaders, and organizational systems and policies.

In this section I will first outline how the employees, leaders, and organizational systems may make input to the conversation. Then, I will give some examples of how these inputs address internal integration (Schein, 2010).

#### Employee Input

In Chapter 4 I outlined how employees had direct and indirect input into the cultures of the five firms. An example of direct input is the group of employees who defined Tasty's culture. Indirect input may take several forms, but common among the five firms was the indirect influence that employee demographics seems to have on the flavor of employee engagement efforts. These inputs are part of the culture-constructive conversation. Examples of how some of these (non-demographic) inputs are ongoing: employees lead many of the culture-related internal programs at Beryl, making and executing decisions that send cultural signals and also enhance internal integration. At Service Express, employee goals are aggregated into corporate goals, which in turn drive business factors affecting the culture (goals for numeric growth, methods and means for communicating cultural values across many more employees, training programs and leadership development for the numeric growth, etc.).

### Influence of leaders

The influence of the leaders on the culture conversation begins with the values these leaders brought to the dialog. The four leaders that are founders brought their values (what is “right,” what “should be”) into the organization at the beginning. As discussed earlier, many of these values happened to be virtuous (Cameron et al., 2011). The leaders did not seem to think of their values as virtuous, they were just “right” and what “should be.” Even if they did not label their values as virtues, because the leaders held virtuous values, and were active and vocal in promoting the virtuous values as what “should be” in their organizations, they influence the culture conversation through their participation in both word and deed.

The data in Chapter 4 give many examples of leaders enacting virtuous values (consistent with Cameron et al., 2011) in word and deed. In particular, the firms provide numerous examples of leaders enacting caring, compassionate support, meaning, respect, and integrity. In addition to the more dramatic stories of leaders supporting employees who are in crisis, there were less dramatic direct actions that communicated cultural messages. Spiegelman of Beryl brought chocolate to an employee who complained it had been removed from the vending machines. Strayer of Service Express ensured an employee could leave early from work so that the employee could attend his son’s sports events. Panico of Integrated Program Management sends holiday cards to his employees with good wishes. All these acts send cultural signals that become part of the culture conversation. Many of these acts could fall into the categories Schein (2010) outlines as primary embedding

mechanisms. Appendix D highlights some of the most prominent mechanisms detected in the data: what leaders pay attention to; coaching, teaching, and role modeling (see also Table 4 of Chapter 4 for many examples); organizational systems; and criteria for hiring and firing. These acts of the leaders help infuse the values into the culture, and facilitate internal cultural integration (Schein, 2010).

In addition to enacting several culture mechanisms from Schein (2010), the leaders seem to take a greater than typical personal responsibility for the values of the firm and the expression of values in their organizational cultures. This sense of responsibility was revealed in direct statements and stories revealing C-suite leadership of efforts to champion and operationalize the values in the daily life of their firms.

From a social construction view these acts become speech acts and part of the narrative of the cultures (Quinn & Dutton, 2005). In sum, the leaders send signals that influence the culture. The influence seems to be made stronger when the leaders themselves are standing up for the values (as champions, vanguards, or role models) and they show tenacity in doing so. Whether it is direct intervention in an employee's life to protect their physical safety (Tasty), or looking out for employee interests in assignments (Integrated Project Management), the leaders send signals about values.

### Internal role of organizational systems and policies

Organizational systems in these firms, for the most part, buttress (i.e., confirm) the words about values spoken by the leaders and the willingness of leaders to invest in employees. Organizational systems and procedures are a secondary cultural articulation and reinforcement mechanism (Schein, 2010).

All the firms in the study expend energy to ensure “hiring for culture fit,” four of the five have significant systems in place to interview and select new hires that fit the culture, and the fifth (Blue Plate) uses criteria that is just as rigorous, if perhaps less formally expressed in systems. Tasty has a very energetic and systematic program of financial transparency, including training and education so that dishwashers can read the firm’s P&L statement. Service Express steers its course toward corporate goals that are aggregate goals of employees, collected through an organizational system, measured through a related feedback process, and balanced with business realities through a publicized decision matrix including core objectives. Integrated Project Management has a performance feedback system that helps express the firm’s seriousness and commitment to integrity, honesty, a mix of soft and hard skills, and rigorous continual improvement. The feedback system at the consulting firm is so thorough that leaders spend hours on each report.

The organizational systems and policies themselves seem to send signals or information to the employees (and potential employees) about the seriousness and “realness” of the values in the firms, and to the extent the systems are interpreted to

confirm the values, the systems seem to buttress or support what is said and written inside the firms about values. The employees seem to take in this input from organizational systems as one of many inputs and experiences that helps them form their idea of what is real in the firms' cultures concerning values. Interviews with managers and frontline workers at the firms often mentioned how systems involving hiring, training, leadership communication, feedback, programs for development, decision making, care and compassion, etc. contributed to their perception of the organizational culture (including aspects of internal integration). Although organizational systems are important at the five companies, the data did not reveal that systems alone were sufficient nor did a special formula for organizational systems or levers. In their various forms within the five firms, the consistency of organizational systems seems to facilitate internal integration (Schein, 2010).

#### Summary of virtuous internal adaptation

The virtues themselves seem to resonate within these organizations and enhance both the culture-constructive conversation and internal integration signals sent by employees, leaders, and organizational systems. I propose that this is consistent with literature concerning social construction of culture (Gergen, 1985; Cooperrider & Srivastva, 1987; Ford & Ford, 1995; Ford, 1999); virtuous spirals mentioned in the literature (Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009); and with Schein's internal integration (2010). Many stories in the interviews involve internal expressions of virtues (Cameron, et al, 2011) that facilitated internal integration (Schein, 2010), and/or organizational systems

constructed to be consistent with the virtuous values of the firm and hence support internal integration. Examples include the common language and concept of compassion at Beryl; the family emphasis at Tasty and Beryl that helps define group membership; acts of care, compassionate support and consideration ranging from airline tickets to visit a dying relative to permission to leave early and attend a child's sports event (i.e., internal friendship and love); developing trust through open books and financial transparency at Service Express and Tasty; and showing friendship and love via the golden rule at Blue Plate.

#### Virtuous external adaptation

In this section I will briefly outline how the virtuous values of the five firms aid in external adaptation issues (Schein, 2010). Then I will discuss how external stakeholders seem to have input into the five firms' internal culture-constructing conversation.

#### Some examples of virtuous external adaptation

Within the context of social construction of the five organizational cultures, Schein (2010) can be helpful by reminding us that cultures not only solve problems of internal integration, but also problems of external adaptation. External adaptation problems include: mission and strategy; goals; means; measurements; and corrective actions (p. 74). Similar to topics found in the data, these external problems address various aspects of interface with customers and marketplace conditions. In the five firms we see examples of how virtuous values have effect on these external adaptation problems: mission and strategy ("happy people making people happy," differentiation

in the marketplace based on compassion, service, or a mix of “hard and soft” skills); goals (aggregate employee goals driving external revenue targets); measures (judging the compassion displayed to callers); and corrective actions (delegated authority to make the customer happy at catering events). Because there is overlap between Schein’s (2010) concept of external adaptation (pp. 73ff.) and what I label as external participation in the internal conversation that constructs the cultures of these five firms, the section below will give more information and examples of external adaptation.

#### External stakeholder input to the culture conversation

The possibility of external stakeholder feedback or input into the constructive culture conversation is one of the most interesting dynamics at the five companies. They all hold some variation of a mental model of links between values, employees, customers, and the marketplace and make efforts to put the model to practice. They believe that treating employees well leads to happy customers, which in turn leads to marketplace success. Through the efforts to put this theory into practice, the culture is made part of the economic value creation models (to varying degrees) in the five companies. The leaders consider positive feedback from customers regarding aspects of their cultures as confirmation of their values-employee-customer-marketplace model. Such feedback might be: “Your drivers are always on time and courteous” or, “Your service techs not only get the job done, but have people skills.” Through attempts to operationalize this model of a values-employee-customer-marketplace loop via economic value creation

models, the leaders may have also opened the door for external input to their internal cultural conversation.

None of the leaders expressed deliberate efforts to gain external cultural input, or included cultural conversation input as part of their conceptual VECM model.

However, they all did seem to assume that as their values resonated outwardly to clients, they would receive either positive feedback (i.e., the values were accurately displayed/transmitted to the client), or negative feedback (i.e., their values were not accurately/adequately displayed/transmitted, or there was a breakdown in values). This feedback and subsequent adjustments by the firms constitutes what I label as external input.

It is an intriguing possibility that the customers and the marketplace may not only value some cultural values or cultural-based characteristics of the five firms—but that the customers and the marketplace possibly had some type of input into what those values or characteristics should be. It should be noted that in examining the leaders' theory of a values-driven economic value creation loop and possible external inputs, I have not addressed financial results or numeric growth, but only possible external influences on organizational culture from customers and the marketplace, and possible ways the cultures might “listen” to these possible external influences in the context of socially constructing their cultures. Below I will discuss the possible input to and influences on culture from the customers and marketplaces of the five firms. It seems

possible that these inputs become part of the social construction of the culture, and also could be considered external adaptation.

For each of the firms, customer desires arguably play a role in determining some characteristics of or emphases within their cultures. The amount and extent to which each firm seems to intentionally align internal aspects of the culture with customer desires or requirements varies among the five firms. Beryl seems to deliberately orient and integrate its culture around compassion, something highly prized by significant numbers of their callers facing health problems. Service Express orients its culture around service with good communication skills, something data center maintenance customers want. Panico of Integrated Project Management said he built the firm's culture based not only on his own values, but also his marketplace study of what is required to deliver successful project leadership to his clients. Tom Walter of Tasty said sometimes cultural elements (trustworthy, courteous) are rated higher by his clients than Tasty's food quality. Blue Plate's golden rule mantra is generic, yet its operationalization results in making heroes of the clients and focusing on relationships. Dan Joseph, Blue Plate's VP of Operations, said the most important things his employees could deliver to clients are: "engaging, smile and making people happy." Blue Plate's culture seeks to internally reinforce each of these elements through the golden rule, and in that sense, the things customers desire influence Blue Plate's culture.

The leaders of the five firms all express some variation of the idea that their cultural values are part of a mutually beneficial and self-reinforcing relationship between their cultures and what their customers want. This study does not have sufficient data to attribute intentionality to the leaders, that is, to say the leaders set out to define internal culture with characteristics that appeal to customers. However, the examples in the preceding paragraph indicate there is strong circumstantial evidence that a mix of the leaders' values and their various expressions of employee engagement (through their belief in a values-employee-customer-marketplace loop) have resulted in de facto customer input into the culture conversation at the five firms (compassion, service, hard/soft skills, respect, the golden rule, etc.).

Marketplace characteristics may also have made input into the culture conversations at the five firms. The five firms are involved in four distinct industries: medical customer service (Beryl); technical service (Service Express); project management consulting (Integrated Project Management); and food service (Blue Plate and Tasty). While none of the interviews mentioned market surveys or demographic studies that directly and intentionally informed the values of their culture, the leaders seemed convinced that what they value internally is also of value not only to their customers, but also gave them marketplace advantages. Or, stated differently, the leaders believe the marketplace values certain aspects of their cultures, and leaders have the ability to discern marketplace preferences related to their organizational cultures. The general idea that culture can be a competitive advantage if it offers value is not new (e.g.,

Cameron & Quinn, 2011), nor is the idea that some aspects of culture help a firm adapt to its environment (e.g., Schein, 2010). What is interesting in the data is the possibility that the marketplace (and customers), in some ways, are participants in the socially constructive culture conversation over time. This data lends possible support to ideas from Hatch and Shultz (2002) concerning external influences on culture.

The five firms each emphasize elements of their culture that address some aspect of their marketplace. Beryl is in a commodity industry (call centers) and emphasizes compassion as a differentiator and justification for premium pricing. Beryl's culture emphasizes compassion. Service Express also is in a commodity industry (albeit with more specialized skills). Service Express competes on quality of service with a personal touch—and the market characteristic that demands differentiation is answered internally through a culture that emphasizes service and good personal skills.

Integrated Project Management is in the most specialized marketplace of the five firms studied, and aligns its culture with the demands of the market. Marketplace demands for credibility and credentials are reflected in the firm's hiring practices. Panico reports that 14 of 107 employees (13%) have Ph.D.s, and 70% have graduate degrees in business. In addition, these highly educated employees also must possess the relational skills Panico identified as necessary for project leadership success in his study of the marketplace. This combination of hard and soft skills reflects Panico's

market study, and is at least circumstantial evidence that what the marketplace demands (or was lacking) influenced the firm's culture, is internally reinforced in the culture, and sought out through organizational systems (hiring). In other words, the marketplace seems to have helped form some aspects of the firm's culture in interaction with Panico's personal values.

The most significant marketplace input influencing the Blue Plate culture seems to be the chaotic nature of creating multiple mobile restaurants each day. This dynamic impacts the culture directly through hiring criteria, the hurried pace of many tasks, the daily necessity of overcoming multiple unforeseen problems, etc. The impact of the marketplace (multiple mobile restaurants each day) arguably makes Blue Plate's golden rule emphasis an important internal lubricant to mitigate the potential negative relational and performance effects of near constant chaos. To the extent that the chaos of the moving restaurant marketplace is mitigated by enacting the golden rule, the marketplace has arguably influenced Blue Plate's culture.

Tasty emphasizes respect for both employees and customers. Like Integrated Project Management, Tasty seems to display a mix of the leaders' values and influence from the resonance of those values with customers and the marketplace. Tom Walter's values expressed in the phrase "human capital" are highly influential, and find reinforcing resonance with clients. Tasty's culture reflects marketplace requirements

for trustworthiness, respect, and courtesy as seen in the customer focus group information shared by Tom Walter.

#### Summary of virtuous external adaptation

What I label the customer's input and marketplace feedback into the culture (and the satisfactory reflection of that input back to the customer), seems to be, in the mind of the leaders, a mutually beneficial and self-reinforcing relationship between the values of the five firms and what their customers and markets seek. In addition to playing a role in the social construction of the cultures, the external feedback facilitates the external adaptation function (Schein, 2010) of organizational culture. None of the leaders made direct statements concerning external input into the firms' socially constructed cultures. I am arguing for a possible de facto external input, as a result or by-product of the leaders' VECM mental model.

The alleged de facto external cultural input by customers and the marketplace might partially explain cultural emphasis on compassion, service, soft/hard skills, the golden rule, respect, etc. It should be noted that to the extent some of these cultural emphases are influenced by customer input, there is no evidence in the data that the emphasis on these aspects or characteristics of culture are solely (or even primarily) determined by external input. Nor is there evidence in the data that these cultural emphases are primarily instrumental (and therefore non-virtuous). At the beginning of this paragraph I emphasized that the alleged external input might *partially* explain some aspects of the cultures. By partial I mean that in each company, the leaders' values seem to have

combined with the desires of customers and the realities of the marketplace to influence key cultural emphases (compassion, service, respect, golden rule, etc.).

Another way of expressing what might be happening between the cultures and their customers and marketplaces is that the leaders' values and the desires of the customers and marketplace found symbiotic resonance in one another. A third possibility put forward by a committee member is that virtuousness creates an attractive force that pulls together internal and external stakeholders.

#### Virtuous resonance

This third possibility, an attractiveness, energy, or resonance that seems to accompany virtue both inside and outside the companies is one way to describe the third aggregate dimension: virtuous resonance. In all five firms, the interviews held a common theme: the internal and external examples and stories of values were primarily about virtuous values. In other words, the stories were about respect, integrity, service, compassion, care, etc. There were very few mentions of more instrumental values some of the firms hold, such as teamwork, accountability, etc. The energy or resonance seemed to be around virtue. These stories and examples were in both internal and external contexts: with employees and with customers. The external stories involved positive reactions to virtues (e.g., Panico's resolute response to the client who violated an agreement not to recruit from Panico's firm; hospitals and patients alike affirming Beryl's compassion; Service Express' dedication to service for its own sake, etc.). The internal stories of virtue frequently mentioned compassion, treating people with respect and dignity, serving others, and behaving unselfishly.

In contrast, the more instrumental values did not seem to play prominent roles in the stories collected at the firms. For example, there were few stories that featured teamwork as an important element in the story. Stories of teamwork seemed to be told in other contexts (e.g., the golden rule; apologizing; transparency; integrity; etc.). One notable point from the data that seems to point to this virtuous resonance is the absence of the word “compassion” from Beryl’s values that are displayed prominently in large letters on the call floor (see Table 2). Compassion seemed to be a theme in almost every interview at Beryl, but it is not on the published list of values. This example from Beryl seems to reinforce the idea the instrumental values are not the ones that energize the firms. Instead, it seems to be the virtuous values that energize these firms and their interactions with clients and create what I label virtuous resonance.

### **What is the leader’s most strategic task in influencing cultures toward virtue?**

What is the strategic contribution that the leaders in these five firms make that influences their cultures toward virtue? The data and analysis in Chapter 4 point to six building blocks and the mental model of a link between values, employees, customers, and the marketplace (i.e., the VECM loop). To borrow from military terminology, we might categorize the leaders’ actions or contributions as occurring at three levels: tactical, operational, and strategic. The tactical level is foundational and consists of more direct actions. The six building blocks described in Chapter 4 could be considered tactical level leader actions to influence organizational culture toward

virtue. The operational level of military strategy occupies a space between the lower tactical level and the higher strategic level. The operational level often consists of coordination of multiple tactical elements for the accomplishment of a goal. We might think of the VECM loop mental model as the operational or coordination level of the leader's influence in on virtuous culture in the five firms, since it seems to rest upon the six building blocks and also tie them together in a synergistic whole. But what is the strategic level contribution of the leaders?

Based on the data and analysis in Chapter 4, including the interesting possibility of internal and external resonance with virtue (virtuous internal integration, virtuous external adaptation, and virtuous resonance), all within a context of socially constructed organizational culture (to include possible external inputs), the leaders' strategic-level contribution seems to be diligently keeping the constructive conversation focused on virtuous values. The leader, by virtue of position and the opportunities that the position brings, is in a unique position to keep internal and external elements of the culture constructive conversation focused on virtuous values. I believe this is consistent both with literature on social construction (Gergen, 1985; Cooperrider & Srivastva, 1987; Ford & Ford, 1995; Ford, 1999) and cultural influence mechanisms (Schein, 2010).

The leaders' strategic contribution via focusing the constructive conversation includes their tenacious and consistent (albeit imperfect) efforts to support an ongoing

conversation about the culture and values through multiple mechanisms and in all aspects of their firms, both internally with employees and externally with customers. This ongoing input from the leaders into the cultural conversation also includes their direct interaction with employees and clients, and indirect interactions via organizational systems, policies, contracts with clients, etc. It encompasses being role models, coaches, and teachers; how they hire, fire, and reward; the products they offer; which clients they work with (and which they refuse) and how they manage relationships with clients.

### **Energy increased via virtuous conversation**

Near the conclusion of Chapter 4 I noted that the employees seem to respond more to the virtuous cultural values such as care, compassion, meaningful work, etc. than to accountability, responsibility, etc., and in their dual internal/external role reflect the virtuous values back inside the firm and also transmit them to some degree externally to customers. Similarly, the customers seem to resonate with the virtuous values (e.g., positive reactions to compassion, or respectful delivery drivers, etc.) more than the more instrumental values, and it is possible that the external resonance of virtue with customers and the marketplace provides reinforcing feedback into the organizational cultures encouraging continued virtuous behavior. This external feedback on virtue seems to resonate inside the firms in a way that encourages more or continued virtuous behavior (e.g., either by encouraging employees and/or providing what the leaders interpret as confirmation of their VECM loop model). In short, what I call the internal and external resonance of virtues seems to help energize the five cultures.

In this section I will outline the logic from the literature explaining what I believe leads to building energy and momentum in the culture conversations at the five firms, and why it energizes interactions of the firms internally and externally. I argue that to the extent the firms' culture conversations are focused on virtues such as caring, compassionate support, forgiveness, meaning, inspiration, respect, integrity, and gratitude (Cameron et al., 2011), they meet needs of autonomy, competence, and relatedness for employees and customers (Deci & Ryan, 2000), which produces energy for increased connection, action, and performance (Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009).

#### Needs and self-determination theory

Deci and Ryan (2000) base their work on self-determination theory (SDT), and examine the role of needs in goal attainment: "According to SDT, a critical issue in the effects of goal pursuit and attainment concerns the degree to which people are able to satisfy their basic psychological needs as they pursue and attain their valued outcomes" (p. 227). Specifically, Deci and Ryan say that people experience more energy when needs for autonomy, competence, or relatedness are met, and experience less energy when these needs are not met. Quinn and Dutton (2005) and Di Virgilio and Ludema (2009) extend Deci and Ryan's (2000) efforts by connecting speech acts to the energy creation process around the needs of autonomy, competence or relatedness. In other words, Quinn and Dutton (2005) say that speech acts interpreted to increase autonomy, competence, or relatedness will increase the energy of

individuals or collective work units. Further, the opposite is also true according to Quinn and Dutton (2004), energy will decrease when speech acts are interpreted to decrease autonomy, competence, or relatedness.

Deci and Ryan (2000) stress that activities may be directed at basic need satisfaction, but often this is secondary. This is a difference from drive theory that stresses making up a needs deficit, as explained by Deci and Ryan (2000):

By contrast, in SDT, the set point is growth-oriented activity. That is, rather than viewing people as passively waiting for a disequilibrium, we view them as naturally inclined to act on their inner and outer environments, engage activities that interest them, and move toward personal and interpersonal coherence. Thus they do not have to be pushed or prodded to act. Further, and importantly, their behavior does not have to be aimed at need satisfaction per se, it may simply be focused on an interesting activity or an important goal if they are in a context that allows need satisfaction. (p. 230):

The three needs, competence, relatedness, and autonomy, are defined as follows by Deci & Ryan (2000). Competence is "a propensity to have an effect on the environment as well as to attain valued outcomes within it" (p. 231). Competence includes a sense that one can do the work at hand or is adequate to the task. Relatedness is the desire to feel connected to others people, both to love and care for them, and in turn, to be loved and cared for. Autonomy is the "desire to self-organize experience and behavior and to have activity be concordant with one's integrated sense of self" (p. 231). Autonomy is not just an internal locus of control, but "the experience of integration and freedom"(p. 231). Examples of autonomy include the freedom to use skills and capacities and express one's creativity or productivity.

Why the conversation is energizing

As noted above, Quinn and Dutton (2005) extend Deci and Ryan (2000) to say that speech acts build energy by increasing autonomy, relatedness or competence. Quinn and Dutton (2005) summarize their three-point thesis: “(1) people interpret speech acts and narrative roles in ways that affect their energy; (2) energy is a text that people interpret, affecting subsequent speech acts; and (3) energy also affects the amount of effort people devote to coordinated activities” (p. 44). Quinn & Dutton define what they mean by energy in conversation:

Thus, energy-in-conversation is (1) a person’s energy level, which that person interprets automatically as a reflection of how desirable a situation is, (2) a person’s interpretation of a conversational partner’s energy from his or her expressive gestures, and (3) a feeling of being eager to act and capable of acting, which affects how much effort a person will invest into the conversation and into subsequent, related activities. (p. 43)

As people interact, they read “texts” including the situation, the words and behaviors of those with whom they interact, and their own responses to determine if autonomy, relatedness, or competence is being increased or decreased. Quinn and Dutton (2005) explain how this relates to energy:

Changes in autonomy, competence, and relatedness change a person’s energy because they imply the meeting of basic human needs. Presumably, it is adaptive for someone to have reinforcing experiences like increased energy when basic needs are met and “punishing” experiences like decreased energy when basic needs are not met. Whatever the mechanism, evidence suggests that there is a relationship between these three constructs and energy. (p. 44)

This energy creation process is true not only of individuals, but collective work units as well. (p. 48)

Di Virgilio and Ludema (2009) point out that the energy creation in Quinn and Dutton (2005) is supported by Fredrickson (1998):

As people join in creating the narratives in which they can ‘see’ and anticipate their basic needs of autonomy, competence and relatedness being met, positive emotions are activated such as interest, joy, hope and pride in one’s association with others, the work, and the organization. These in turn lead to the enhanced thought-action repertoires associated with them. (Di Virgilio & Ludema, 2009, p. 80)

As autonomy, competence, or relatedness increase through conversation, Quinn and Dutton (2005) and Di Virgilio and Ludema (2009) also echo similar descriptions of upward spirals in other works: emotional contagion (Hatfield, Cacioppo, & Rapson, 1994); and heliotropic tendencies (Cameron, 2008).

Quinn and Dutton emphasize the role that interpretation has in building energy: i.e., “the reciprocal relationships among interpretation, speech acts, and energy” (p. 51). I believe the data from the five firms suggests that enacting (albeit imperfectly) virtues of first intent, “that which is good in itself and is to be chosen for its own sake” (Aristotle, *Metaphysics XII, 7*, trans. 1924), such as caring; compassionate support; forgiveness; inspiration; meaning; and respect, integrity, and gratitude (Cameron et al., 2011) seems to facilitates the increase in energy associated with meeting needs of autonomy, competence, or relatedness suggested by Quinn and Dutton (2005).

#### Generation of energy in virtuous internal integration

Internal integration is a function of organizational culture (Schein, 2010). Internal integration is not accomplished solely or necessarily even primarily through

organizational systems. However, since leadership actions are discussed elsewhere in this chapter, and because organizational systems were so prominent in the data, I will discuss some possible interplay here between organizational systems and virtuous internal integration.

The interplay of virtuous internal integration and organizational systems that confirm the messages sent to employees seems to be a significant part of the cultural dynamics at the five subject firms. The concept that organizational systems could be a part of this energy dialog is arguably implied in Quinn and Dutton (2005):

We propose that the level of energy people feel for a reality created in one narrative will significantly affect the energy people feel (and the effort they invest) in a subsequent, related narrative ... at least until the actions of the subsequent narrative alter reality in a way that increases or decreases participants' energy. (p. 50)

In my interpretation of this passage from Quinn and Dutton (2005), a person's interaction with organizational systems (hiring process, feedback process, etc.) can be one narrative that may affect the energy that person feels in another narrative (on a service call, answering the phone, dealing with a client, etc.). To the extent interaction with organizational systems increases an employee's perception of autonomy, competence or relatedness—energy increases (Quinn & Dutton, 2005). Likewise, by the same mechanism, energy could decrease to the extent interaction with organizational systems decrease perceptions of autonomy, competence, or relatedness.

The five firms label many of their internal integration functions as employee engagement efforts. Many of these employee engagement efforts are, or involve, organizational systems (branded internal programs a Beryl; system of gathering, tracking, aggregating employee goals at Service Express; open financial books at Tasty, etc.) To the extent that these employee engagement efforts/systems address or contribute to autonomy, competence, or relatedness (Quinn & Dutton, 2005) they arguably create energy and momentum in the cultures. For example, there are many stories of “family feel,” compassion, and “not feeling like a number” in the data that seem to build relational bonding or relatedness. Autonomy is found in the employee engagement literature (work-life fit in Galinsky & Matos, 2011; as a component of meaningfulness in Kahn, 1990), and arguably a product of some practices in the five firms including: open financial book systems that encourage employees to “think like owners” at Tasty; a story from Mike McLeod of senior leadership at Integrated Project Management empowering him and his empowerment of a team of consultants during a struggle with a client, etc. The data also contains stories of building competence through education, training, development, and delegation of responsibility.

Also of note: At a tactical level, much of what I have labeled in Chapter 4 as employee direct and indirect input to their organizational cultures seems similar to the literature around needs-based employee engagement—and therein is a possible connection between needs-based employee engagement (Kahn, 1990; Hill and Stephens, 2003; Macey & Schneider, 2008; Shuck, Reio, & Rocco, 2011; Shuck, Rocco, & Albornoz,

2011; Shuck & Herd, 2012) and upward spirals of energy and momentum described in the literature (Fredrickson, 1998; Hatfield et al., 1994; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009).

I believe the data and literature support an argument that to the extent internal integration-oriented (Schein, 2010), culture-constructive conversations (Gergen, 1985; Cooperrider & Srivastva, 1987; Ford & Ford, 1995; Ford, 1999) are focused on virtues such as caring, compassionate support, forgiveness, meaning, inspiration, respect, integrity, and gratitude (Cameron et al., 2011), including conversational inputs by organizational systems and policies (Schein, 2010), they meet needs of autonomy, competence, and relatedness for employees and customers (Deci & Ryan, 2000), which produces energy for increased connection, action, and performance (Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009).

#### Generation of energy in virtuous external adaptation

Through external inputs and resultant adaptation, the cultures of the five firms facilitate their economic value production and arguably increase the energy in relationships with their customers and some aspects of their marketplaces. Quinn and Dutton (2005) emphasize the roles of perceived increases in autonomy, relatedness, or competence in building energy. Through “listening” to the external input, the five firms practice external adaptation and increase energy in their external relationships.

Relatedness is evident in several stories of interaction with clients. In each case the context is, of course, a business relationship—but it seems more than instrumental. This non-instrumental element displays virtuousness (Aristotle, trans. 1924; Cameron et al., 2011). Blue Plate emphasizes relationships with clients, and clients becoming part of the family. Beryl provides a personal touch to patients seeking care. The “soft” skills offered to clients by Integrated Project Management not only facilitate the project at hand, but also communicate the client’s worth as human beings with feelings. In similar ways, autonomy (efficacy) is facilitated for both business and non-instrumental “because-it-is-right” reasons: Blue Plate seeks to take the pressure off clients and make them the heroes; Beryl provides expert advice to clients who sometimes are overwhelmed and unsure what to do; Integrated Project Management and Service Express provide solutions to problems the clients can not address themselves.

I believe the data and literature support that to the extent external adaptation (Schein, 2010) oriented, culture-constructive conversations (Gergen, 1985; Cooperrider & Srivastva, 1987; Ford & Ford, 1995; Ford, 1999) are focused on virtues such as caring, compassionate support, forgiveness, meaning, inspiration, respect, integrity, and gratitude (Cameron et al., 2011), including conversational inputs by organizational systems and policies that interact with customers, they meet needs of autonomy, competence, and relatedness for employees and customers (Deci & Ryan, 2000), which produces energy for increased connection, action, and performance

(Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009).

#### Generation of energy in virtuous resonance

I argue that in these firms, there is at least circumstantial evidence that both internal and external stakeholders seem to resonate with the operationalization of virtuous values. This argument is similar to arguments above, namely that to the extent the internal and external culture constructive conversation communicates perceived virtues such as caring, compassionate support, forgiveness, meaning, inspiration, respect, integrity, and gratitude (Cameron et al., 2011), they meet needs of autonomy, competence, and relatedness for employees and customers (Deci & Ryan, 2000), which produces energy for increased connection, action, and performance (Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009). But yet there seems to be a difference about this resonance that warrants a separate aggregate dimension.

The committee and I came to agree that within the data from these five firms, this resonance almost seems to be a spiritual element around the virtuous values that was not evident in stories or conversations about the instrumental values. The exact details and definition of this spiritual element could not be readily discerned from the data. There was discussion about how to describe this spiritual element and how and why it might be generated in interaction between individuals and groups and/or lead to energizing individuals and collectives. However, all agreed that the almost spiritual

character of this resonance around virtues operationalized in relationships with employees and clients was prominent and should be noted as an aggregate dimension.

### ***Chapter Summary***

In this chapter I outlined how analysis of the data and interaction with my committee lead me to believe that that organizational cultures are socially constructed (Gergen, 1985; Cooperrider & Srivastva, 1987; Ford, 1999) and the strategic-level role of leaders in influencing culture is to support an ongoing conversation about the culture and values through multiple mechanisms both internally with employees and externally with customers. I argue that to the extent these conversations are focused on virtues such as caring, compassionate support, forgiveness, meaning, inspiration, respect, integrity, and gratitude (Cameron et al., 2011), they meet needs of autonomy, competence, and relatedness for employees and customers (Deci & Ryan, 2000), which produces energy for increased connection, action, and performance (Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009).

## **Chapter 6: Conclusion and Future Studies**

### ***Conclusion***

Via a comparative case study of five firms from the Small Giants Community, I explored the research question, “How do leaders influence organizational culture, especially as it relates to virtuous aspects of those cultures?” The study was appreciative in nature, and the selected firms all express commitment to driving profitable growth by providing unusually high levels of care for employees, customers, and their communities. Data was collected in interviews, site visits and archival documents from Beryl Health; Blue Plate Catering; Integrated Project Management (IPM); Service Express, Inc. (SEI); and Tasty Catering.

Using the coding procedures of grounded theory, I identified six ways in which the leaders of these companies influence organizational culture. First, the values of the firm begin with the values of the leaders. This is not an endorsement of trait theory, but instead a recognition that founders and leaders have significant influence on cultural values. Second, the CEOs serve as de facto Chief Culture Officers. The leaders of the five firms seem to take more than typical responsibility for their organizational cultures. Third, they elevate the focus from values to virtues (goods of first intent) such as compassion, honesty, integrity, service, respect, excellence. The leaders did not use the vocabulary of virtues, but instead described their “values.” In the data, it was clear that the “values” that were most impactful were those which can arguably be identified as virtues in the literature (Aristotle’s “goods of first intent)

(Cameron et al., 2011). Fourth, the leaders engage employees and customers in defining the values and creating the culture. Employee input to culture seems to come primarily via employee engagement efforts at the firms. The alleged external input to the cultures seems to be, at least in part, a by-product of a mental model common among the leaders, which links values and organizational culture to economic value creation. This mental model will be discussed below. Fifth, the leaders report significant effort to integrate the values into every aspect of the organization, e.g., hiring, firing, policies, programs, feedback systems, and decision making. Sixth, the leaders seem to tenaciously guard the values and keep the values as a focus throughout the organizations and their dealings with clients.

The leaders of the five firms, in various vocabularies and with some variation in the details, all expressed some version of a mental model that links their organizations' values to customers and (to some degree) the broader marketplace in which they operate. This mental model seems to be integral to their interpretations of employee engagement. I have labeled this model the values-employee-customer-marketplace (VECM) model (Figure 3). In short, the leaders profess to believe that if they hold the proper values, and consistently treat employees according to those values, the employees will treat customers well, and in turn, the customers and marketplace will reward the firm. The model seems to be supported by the six building block themes above, and simultaneously provide an organizing principle that both helps the operationalization of the six building blocks, and seems to facilitate a synergistic

relationship between the six building blocks. This model (in its variations at each firm) seems to be how the leaders think of their cultures, their values' role in or contribution to the cultures, and how the values and culture are part of the firms' economic value creation models.

The VECM model begins with the firms' values, which the leaders seem to think are both "right" and what "should be" in relationships between individuals and collectives. Examples of these values from the five firms include service, integrity, respect, compassion, and dignity. The employees, experiencing these values expressed consistently within their organizational cultures, are more likely (according to the leaders' model) to treat customers well. Note that in this model the employees hold an important dual internal/external role and therefore can be influential both inside and outside the firms. According to the model, as employees reflect the values outward, customers and the marketplace will reward the "right" values.

Next, I distilled my six key themes into three aggregate dimensions: virtuous internal integration, virtuous external adaptation, and virtuous resonance. Consistent with the VECM mental model, and via the tactical level actions of the six themes, the leaders aligned the internal operations of their organizations with the values, and to the extent these values were virtuous, created virtuous internal integration (Schein, 2010).

Similarly, the leaders sought to align their external relationships with customers and product offerings with their virtuous values, resulting in virtuous external adaptation

(Schein, 2010). Both internally and externally, the virtuous values seemed to resonate with individuals and collectives. This resonance around virtuous values seemed significantly different from any resonance or energy around instrumental values such as responsibility, teamwork, etc. In consultation with my committee, the prominence of this resonance around virtue warranted a separate aggregate dimension, virtuous resonance.

To explore this resonance further, I turned to the literature for possible explanations of the momentum and energy in the firms. I argue that to the extent the firms' culture conversations are focused on virtues such as caring, compassionate support, forgiveness, meaning, inspiration, respect, integrity, and gratitude (Cameron et al., 2011), they meet needs of autonomy, competence, and relatedness for employees and customers (Deci & Ryan, 2000), which produces energy for increased connection, action, and performance (Fredrickson, 1998; Quinn & Dutton, 2005; Cameron, 2008; Di Virgilio & Ludema, 2009).

### ***Possible Contributions***

The concept in this dissertation of external inputs to socially constructed organizational culture is similar in some ways to discussion of external input regarding identity (Hatch & Shultz, 2002). Although this study did not address identity, the observation of possible external inputs in another context lends support to those studies of external influence to identity.

The possibility of external inputs into the construction of organizational culture may prove interesting beyond identity discussions. Perhaps those interested in sustainability or other externally-focused topics involving leadership and/or organizational culture will be encouraged to explore what seems in this study to be external input to culture. Certainly others would find discussions of external inputs to culture controversial, and perhaps they will be motivated to study these possible inputs as well.

### ***Possible Implications for Practice***

This study is limited as outlined in Chapter 3. The primary limitation is that the study was conducted using a small number of companies, and they were chosen as positive examples of virtuous culture and approached in an appreciative manner. In other words, no negative examples were included for comparison and contrast. For this and other reasons outlined in Chapter 3, the implications for practice here should be considered as themes and possibilities to consider, rather than proven principles.

Within the limitations of this study, the six building blocks emerged as possible (tactical) implications for leaders who aspire to influence organizational culture toward virtue. While it might be tempting to look at these as a checklist, none of the leaders in the firms seem to have such a checklist. Each of the five firms had their own personality and flavor of what they call employee engagement culture. I discovered no cookie cutter or shortcut, no list of practices that guarantee virtuous

culture, only concepts that are relatively easy to describe but appear to be challenging and require significant energy and effort to consistently operationalize.

Having acknowledged that there is no checklist, I would encourage practitioners who aspire to build virtuous organizational cultures to examine what these five firms seem to have done to build their cultures: the six building blocks (the tactical level), the mental model these leaders have of a values-employee-customer-marketplace loop (the mid, or operational level), and the strategic value of leaders becoming “broken records” about values (i.e., repeating the same message over and over, in both word and deed) both inside and outside of the organization. This analysis of the five firms, while not a checklist, can shed light on how these five firms build virtuous organizational cultures. This study examined a limited number of companies who are positive examples of virtuous culture, but acknowledging that limitation, there was no indication in the five firms that leaders could select one or two practices from those outlined in this dissertation and be successful in influencing their culture toward virtue. Instead, in these five firms, the elements listed in the dissertation seemed to work in concert. For example, while each firm had a different style, and each C-Suite had a slightly different set of virtuous values, each of the five firms displayed the six building blocks, a variation of the VECM loop model, and diligent efforts by the leader to keep the focus on values.

The study also seems to indicate that the values the leaders brought to their jobs set the vector or direction of values in their companies. Granted, four of the five were founders and therefore had an advantage in defining the cultural values. Nevertheless, the fifth CEO also has significance influence over the culture and perpetuating the values. I suspect practitioners who have seen themselves reflected in organizations they lead, for good and bad, will resonate somewhat with this observation that the leaders' values are very influential.

If the leader's values are so influential, can other leaders do what these leaders did? Practitioners can take some comfort that the backgrounds of the leaders varied. There did not seem to be any single set of experiences or education revealed in the interviews, which qualified the leaders for facilitating virtuous organizational culture. While the CEOs all happened to be men, there were several women holding C-suite positions and having significant influence on their cultures from corner offices. What the leaders did have in common was what seemed to be a sincere set of virtuous values (cf. Aristotle's goods of first intent such as compassion, honesty, integrity, service, respect; or the list in Cameron et al., 2011). This list of virtues seems daunting, especially for honest, self-aware practitioners. However, at several points in the study I note that none of the leaders or their companies are perfect, but based on the interviews, they seem to sincerely attempt to practice what they preach and own their mistakes.

While we cannot peer into the CEOs' minds and measure how sincerely they hold these virtuous values, we can say there is evidence in the data that they spend a significant part of their time and energy on ensuring these values are integral to daily life in their companies. The implication for practitioners is that the culture of these firms was not delegated to the HR department. Culture was a large part of the CEO's (and other C-suite members') jobs. All the leaders at these firms had culture and value propagation as one of their top priorities. They seemed to view culture and cultural values not as an afterthought or a "soft" topic that they would attend to after the "hard" business matters were settled. Instead, they seem to think culture is an integral part of their business, and a driver of the business in general and an antecedent to financial results.

### ***Future Research***

There are at least four possible future studies that could further explore the concepts uncovered in this comparative case study: examining these five firms over time; comparing high- and low-virtue firms; diving deeper into the alleged mechanisms described in this study; and an examination of employee engagement and the values-employee-customer-marketplace loop as a form of distributed leadership.

### **Examining the firms over time**

This study is limited by its short duration of observation, as described in Chapter 3.

One intriguing future research project would be examination of the firms over time.

One possible method might include converting some points of the analysis of this dissertation into several propositions that could be tested in a longer study. Such a

study could illuminate new dynamics at play, and/or improve upon the analysis done here.

### **Comparing high and low virtue firms**

Since this dissertation approached the five firms from an appreciative point of view, the study could be broadened to include other firms as negative examples (firms considered to have less virtuous cultures). These firms could be compared and contrasted with the data in this dissertation. The study would attempt to detect and explore the internal cultural dynamics of the firms, and any possible external cultural inputs to these negative example firms. The comparisons could shed light on the role of virtuous values internally and externally, and help confirm or improve the observations of this dissertation. This proposed study would most likely be a qualitative effort.

### **Deep dive into the alleged mechanisms in these cultures**

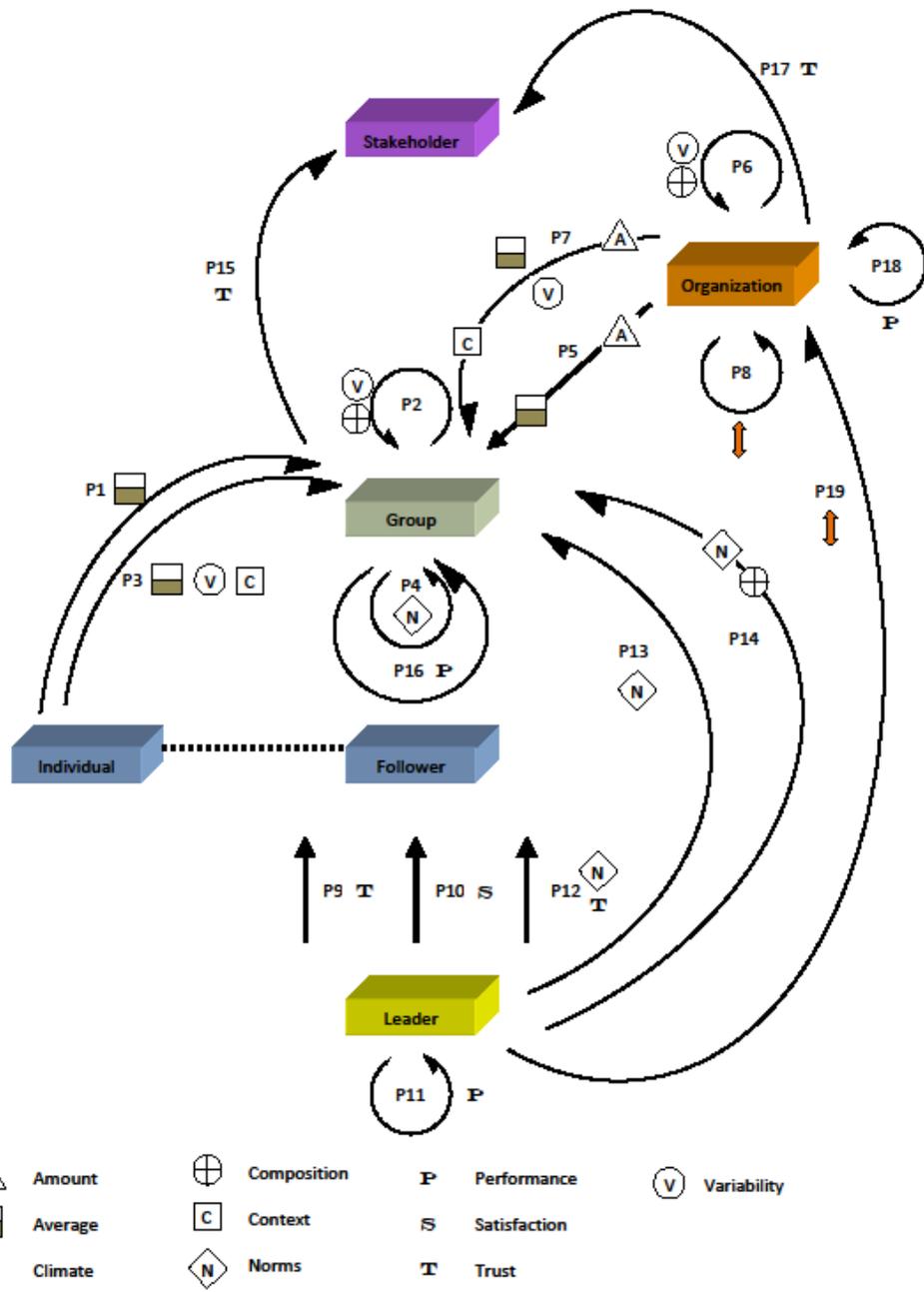
A third possible study would dive more deeply into the mechanisms alleged in this dissertation. The several dynamics at these five firms that help form their cultures could individually be explored. The six themes could each be explored more fully, as could their alleged cooperative effect in influencing culture under the VECM mental model. The variations of the VECM model at the firms (i.e., how each firm conceptualizes the role of values in employee engagement and economic value production) could be compared and contrasted to more deeply reveal the influence of values on economic value production. Another possibility would be to compare the VECM model variations at each firm in more detail, particularly the adaptations to

employee demographics and the characteristics of the firms' industry or marketplace. Another interesting question for further exploration was put forward by a committee member: does virtuousness creates an attractive force that pulls together internal and external stakeholders?

### **Examination of employee engagement as distributed leadership**

If it is true that via their employee engagement cultures and values-employee-customer-marketplace loops the five firms receive and act on inputs to their cultures, does that input constitute a form of distributed leadership? In other words, do the inputs by employees (direct and indirect) and the cultural signals received from external stakeholders constitute a form of leadership that helps guide the firms? Drath et al. (2008) propose a leadership ontology that raises such distributed or group leadership questions. In their article, Drath et al. (2008) examine who produces direction, alignment, and commitment within an organization. This ontology based on the alleged outcomes of leadership (direction, alignment, commitment) attempts to open up the lens to see how groups might be self-led, or led by multiple leaders. Perhaps the VECM loop model and employee engagement at these five firms makes them a potential venue to examine this alternative leadership ontology. The study would look for some process(es) involving internal and external stakeholders who do not necessarily bear the title of "leader," yet the process(es) produce direction, alignment, and commitment.

# Appendix A: Flow of Integrity in Organizations



Source: Palanski and Yammarino, 2009

## Appendix B: Interview Guide

The following is the interview guide for Beryl Health, and is representative of the questions used at each firm in my dissertation.

### ***ROV Questions for Beryl***

#### **1. What attracted you to beryl?**

To begin, I'd like to learn a bit about your personal story. Think back to when you first decided to join the Beryl Companies, what attracted you? What were your initial excitements and impressions? What do you find most meaningful, valuable, challenging, and exciting about your work?

#### **2. High-point experience**

During your time with Beryl, I'm sure you've had some ups and downs, some peaks and valleys, some high points and low points. I'd like you to reflect for a moment on a high point experience, a time when you felt most alive, most engaged, most proud of your involvement . . . tell the story. What happened? Who was involved? What brought it about? What role did you play? Why was it significant to you? How is this unique in the sense of being different from other you've been involved with?

Possible Probes: What made the experience possible?

- What was it about *you* that made it a great experience (e.g., your skills, values, commitments, relationships)?
- Who were significant others and what was it about *them* that made it a high point?
- What was it about Beryl as an organization that made the experience possible?
- What were some of the twists and turns in your story? For example, what was the biggest obstacle or challenge? How did you or others overcome any obstacles or challenges? What resources and strengths did you or others draw on to get through the rough spots?

#### **3. Positive impact**

Consider for a moment the impact of this experience on you as an individual, on Beryl, and on others such as coworkers, customers, your local community or society. How do you personally measure the impact of the experience? How would you describe the tangible impact of this experience on others? How would you describe its impact on Beryl as an organization? Have you seen any financial, cultural, or social indicators of impact?

#### **4. Motivation and purpose**

Nearly every action or activity is motivated by a philosophy or set of beliefs about what is right and good. What were the motivations behind the experience you just described? What values, beliefs, or assumptions about people, business, organizations, and society were fundamental to the actions and activities in your story? What do you think were the motivations of others? Where the decision makers at Beryl involved? If so, what do you think were their motivations? Were there specific events or actions that are indicators of their motivations?

#### **5. Valuing**

Taking into consideration the whole picture, what do you value most about Beryl as an organization? Can you give some examples? What is *the* core factor that gives life, health, and vitality to your organization (without it the organization would cease to exist)?

#### **6. Lessons learned**

Think about the lessons you have gained from the story. What do you think others can learn about building a great company from your story? What message would send to people who are inclined to build a business like Beryl?

#### **7. Images of the future**

Imagine that tonight you fall into a deep relaxing sleep, and you don't wake up until the year 2015. When you awake, you see that a miracle has occurred. Major changes have taken place, and Beryl has become everything you ever hoped it could be. You can truly say, without reservation, that this is the organization of your dreams. What do you see? What does it look like? What's going on around you? What's happening that's new and different? What do you see in terms of purpose, values, systems, people, ways of working, fiscal performance, others?





Notes:							
<b>2010 Personal Initiatives (Must Enter Weighting)</b>	<b>Weight %</b>	<b>(1) Needs Improv.</b>	<b>(2) Below</b>	<b>(3) Meets</b>	<b>(4) Above</b>	<b>(5) Exceeds</b>	<b>Total</b>
1							0
2							0
3							0
4							0
5							0
<b>2010 Personal Initiatives Average</b>	0%						0.0
Notes:							

<b>Face of Beryl - Behavior &amp; Attitude</b>		<b>(1) Needs Improv.</b>	<b>(2) Below</b>	<b>(3) Meets</b>	<b>(4) Above</b>	<b>(5) Exceeds</b>	<b>Total</b>
Takes initiative to seek out other opportunities to develop oneself.							0
Receptive to feedback and works to implement feedback.							0
Demonstrates leadership by assisting team members and providing feedback to improve team performance.							0
Influences others in a positive manner.							0
Conducts oneself in a professional manner and treats others with respect.							0
Ability to maintain confidentiality.							0
Ability to deal with ambiguity in a positive manner.							0
Conducts oneself in a supportive manner to build morale and commitment to the organization.							0
<b>Face of Beryl Average:</b>							0.0
Notes:							



# Appendix D: Beryl Supervisor Evaluation

 <b>B E R Y L</b> <small>Connecting People to Healthcare</small>			
<b>Performance Standards &amp; Evaluation Management - Non Team Lead</b>			
Co-Worker Name:		Job Title:	
Supervisor:		Review Period:	
Review Date:		Type of Review:	<input type="checkbox"/> Self Evaluation <input type="checkbox"/> Manager Evaluation
<b>INTRODUCTION</b>			
This evaluation will be based on the following standards:			
<b>Weighted Value:</b>			
<b>Core Values:</b>	10%		
<b>Functional Perf:</b>	30%		
<b>Leadership:</b>	20%		
<b>Personal Initiatives:</b>	40%		
<b>Rating Definitions:</b>			
<b>5 - Exceeds Expectations</b>	Consistently exceeds established performance standards and objectives. This recognizes rare and exceptional performance and may be indicative of a person's ability to move to the next level or deserving of special recognition. (1% - 5% of all evaluations)		
<b>4 - Above Expectations</b>	Going above and beyond the usual job. This may recognize exceptional performance in certain areas of the job or consistent work that often exceeds established performance standards and objectives (10%-20% of all evaluations)		
<b>3 - Meets Expectations</b>	Performance consistently meets the established performance standards and objectives. This person is good at their job. (50% - 75% of all evaluations)		
<b>2 - Below Expectations</b>	Performance is inconsistent and struggles to meet established performance standards and objectives. There also may be special issues or problems related to the work effort. (10% - 20% of all evaluations)		
<b>1 - Needs Improvement</b>	<i>Fails to meet</i> established performance standards and objectives. Immediate corrective action needed to continue employment. (1% - 3% of all evaluations)		
<b>Directions:</b>	Please insert a numeric evaluation rating for each functional line items below. The formulas will calculate automatically.		

Core Values	(1) Needs Improv	(2) Below	(3) Meets	(4) Above	(5) Exceeds	Total
<b>Passion for Customer Service</b> - strives to deliver an exceptional customer experience every time.						0.0
<b>Always Does the Right Thing</b> - possesses good ethics and morals and acts on them consistently.						0.0
<b>Never Sacrifices Quality</b> - strives to deliver high quality work in all endeavors.						0.0
<b>Spirit of Camaraderie</b> - consistently treats others as they would like to be treated.						0.0
<b>Commitment to Accountability</b> - consistently honors obligations, expectations, and commitments.						0.0
<b>Core Values Average:</b>						0.0
Notes:						

Functional Performance	(1) Needs Improv	(2) Below	(3) Meets	(4) Above	(5) Exceeds	Total
Demonstrates competence in job skills and knowledge.						0.0
Able to identify and act within the scope of the job to solve problems while exhibiting sound judgment and a systematic approach to decision making.						0.0
Acts to consistently improve productivity and quality of work.						0.0
Acknowledges own errors and focus on solutions.						0.0
Manages resources efficiently and in support of budget requirements.						0.0
Manages activities and priorities to get desired results.						0.0
Develops internal and external customer relationships by listening and understanding the customer.						0.0
Able to clearly present information in written and oral form.						0.0

Identifies and communicates problems and concerns through appropriate channels.							0.0
Keep commitments, communicates in a timely fashion when unable to meet commitments.							0.0
<b>Functional Performance Average:</b>							0.0
Notes							

<b>Leadership</b>		(1) Needs Improv	(2) Below	(3) Meets	(4) Above	(5) Exceeds	Total
Cooperates and communicates well across departments.							0.0
Demonstrates appreciation and recognition of team member's contributions.							0.0
Meets regularly on a one-to-one basis with team members.							0.0
Appropriately delegates work, sets clear expectations and holds team members accountable.							0.0
Challenges and encourages team members to expand their capabilities, knowledge and skills.							0.0
When dealing with conflict, properly gathers facts and communicates along appropriate channels.							0.0
Is able to communicate constructively in difficult situations.							0.0
Conducts oneself in a supportive manner to build morale and commitment to the organization							0.0
<b>Leadership Average:</b>							0.0
Notes:							

<b>2010 Personal Initiatives (Must Enter Weighting)</b>	Weight %	(1) Needs Improv	(2) Below	(3) Meets	(4) Above	(5) Exceeds	Total
1							0.0
2							0.0
3							0.0
4							0.0
5							0.0
<b>2010 Personal Initiatives</b>	0%						0.0
Notes:							

<b>Performance Summary</b>							<b>Total</b>
Core Values Average							0.0
Functional Average							0.0
Leadership Average							0.0
2010 Personal Initiatives Average							0.0
<b>Overall Performance Rating</b>							<b>0.0</b>
Notes:							

**Career Goals**

The purpose of writing a Career Goal is to give you a clear direction for the future. A Career Goal is a the vision you have for your own career. It is used for inspiring and motivating yourself. Your Career Goal may or may not pertain to Beryl but we want to know how we can we help you achieve your career dreams, ambitions and objectives.

What are your Career Goals? How do you plan to achieve them? How can Beryl help?

<b>Signature Section</b>							
Co-Worker Signature				Manager Signature			
Second Level Manager Signature				Date			

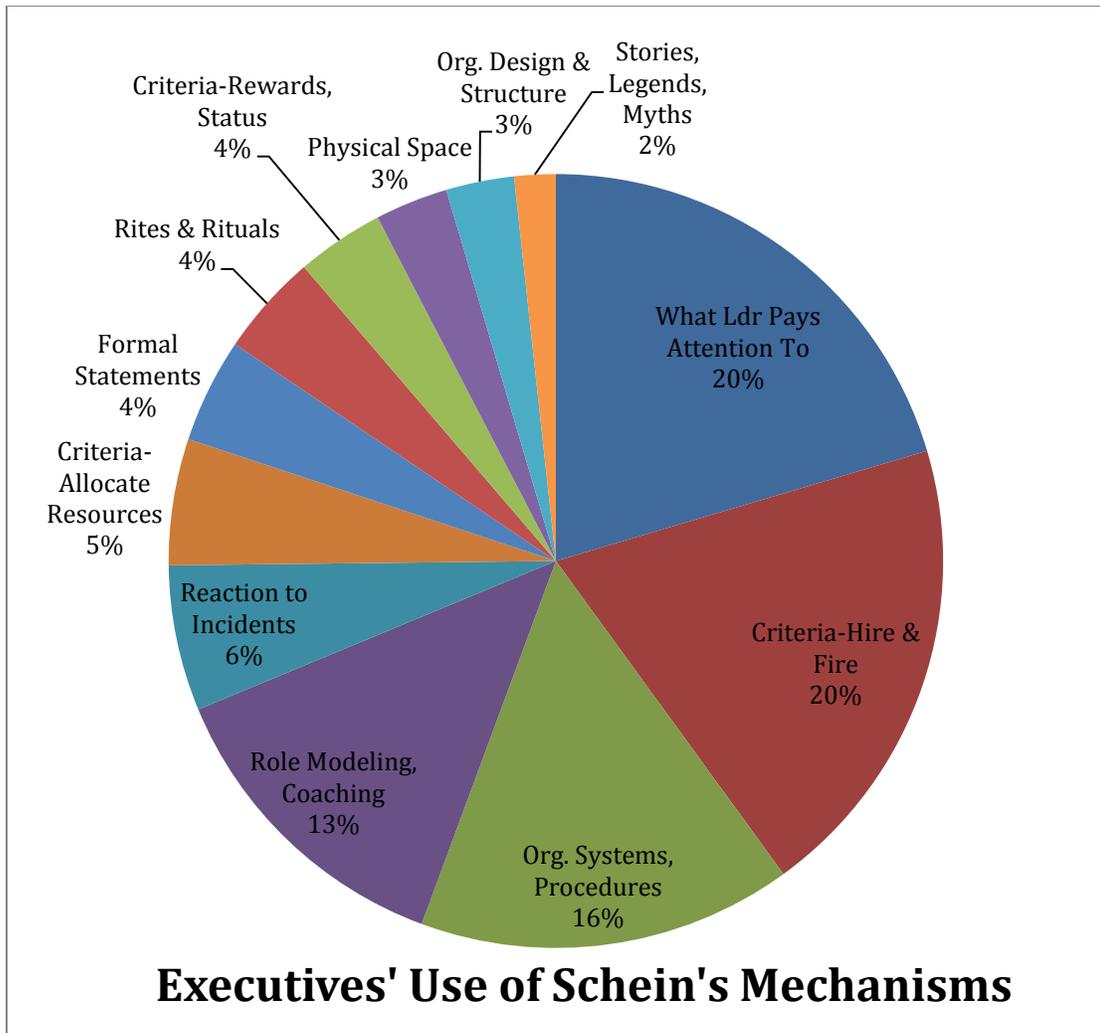
## Appendix E: Use of Schein's Levers

During the analysis of the data, themes began to emerge that were similar to Schein's (2010) cultural levers or mechanisms (pp. 235ff.). For example, hiring and firing criteria—namely culture fit—became a consistent theme. The executives explicitly and implicitly revealed how they pay attention not only to financial metrics, but are very concerned with indicators of cultural health, too. All of the executives mentioned role modeling on the part of leadership. Each leader described how organizational policies and procedures were designed to be consistent with the cultural values. As other companies were included in the study, the pattern continued.

The cultural levers could not comprehensively describe and contain all the executives' motivations and decision making processes, but some levers were so prominent in the interviews that any exploration of "what the leaders do" could not ignore them as part of the executives' self-reported behaviors. The executives in all five companies used Schein's (2010) cultural levers to create, maintain, and propagate their firms' cultures. Each of these primary and secondary levers was present in the interviews, and a simple count of code occurrence for each of the levers revealed that these levers were numerically among the most common codes in the study. Some levers did not appear as frequently as one might have expected in firms that emphasize value-based cultures: formal statements of values; criteria for rewards and status; and rites and rituals. On the other hand, some were quite prominent. Four of the levers accounted for almost 70% of the leader actions coded against the levers:

- What leaders pay attention to and control (labeled "Control" in Appendix B)
- Criteria for hiring, firing, and excommunicating
- Organizational systems and procedures
- Deliberate role modeling

These frequently occurring leader actions and behaviors reinforce the characterization of the executives as value-centric, people-focused, and holistic in their view of organizational culture and employee engagement. The leaders pay close attention to culture and values, ensure the right people are in the organization, match the organizational systems and procedures to the values and purpose, and practice what they preach. The graphic below displays the frequency of the cultural levers in the coding.



Source: Schein, 2010

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