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An Empirical Examination of the Moderating Influence of Dogmatism on the Relationship Between Adult Attention Deficit and Time Management at Work

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College of Charleston

This empirical research study examines the moderating influence of dogmatism (DG) on the relationship between adult attention deficit (AAD) and time management at work (TMW). Observers of 138 subjects completed assessments of AAD and TMW, and the subjects themselves completed a self-report measure of DG. Regression analysis supports the hypotheses of (1) a negative correlation between AAD and TMW, and (2) a moderating influence of DG on the relationship between AAD and TMW. The negative relationship between AAD and TMW significantly declines as DG increases. Organizations need to help disordered employees find substitutes for dogmatic thinking processes that possess similar protective and decision-making benefits but avoid the related inflexibility and social challenges. Future research requires the inclusion of variables that classify work situations according to their time management requirements. This will provide greater clarity about the influence of DG on the various time management situations faced by disordered employees. This is the first empirical examination of AAD, DG, and TMW, and helps employers who face increasing social, legal and economic pressures to support functional but disordered employees.

Attention related disorders are the most commonly diagnosed neurobehavioral disorders in the world (Polanczyk et al., 2007) and remain prevalent through adolescence into adulthood (Faraone & Biederman, 2005). Recent prevalence research suggests that at least 5% of the global adult population have clinical levels of attention related disorders (Polanczyk et al., 2007) costing the global economy approximately

144 million days of lost production per annum (de Graaf et al., 2008). Despite the prevalence and general impact of attention disorders, relatively little research has been conducted on the impact of adult attention disorders within the nomological network that determines individual and team performance in organizations (Halbesleben, Wheeler, & Shanine, 2013). The study helps address the gap by examining the moderating influence of dogmatism on the relationship between adult attention deficit and time management at work.

Adult Attention Deficit

Definition, Measurement and Prevalence

The most commonly diagnosed childhood disorder is attention deficit hyperactivity-impulsivity disorder (ADHD) which is defined as a persistent pattern of inattention and/or hyperactivity-impulsivity that interferes with development, has symptoms presenting in multiple life settings, and negatively impacts functioning (e.g., social, academic etc.) (American Psychiatric Association Diagnostic and Statistical Manual-DSM-V, 2013). A clinical diagnosis requires the presence of a particular number and type of symptoms.

Lifespan research suggests that the majority of children will continue to experience symptoms as adults (Barkley et al., 2002), and a recent population screen of 966 adults suggests prevalence of approximately 3% using a narrow definition and 16% using a broader definition (Faraone & Biederman, 2005). A review of prevalence research suggests that at least 11 million adults within the United States (Barkley, Murphy, & Fischer, 2010) and over 200 million adults globally (Polanczyk et al., 2007) possess clinical levels of the disorder making it a significant global public health and workplace challenge.

Research on symptom prevalence through adolescence and into adulthood suggests a continuation of symptoms accompanied by a general decline in symptom intensity and a relatively greater decline or absence of the hyperactivity component (Biederman et al., 2006; Brown, 1995). Brown (1995) suggests that strict reference to the symptoms of inattention contained within the diagnostic and statistical manual of mental disorders (American Psychiatric Association-DSM-V, 2013) does not capture all of the key adult symptoms, and that the hyperactivity component should be excluded from the adult construct.

Research conducted by Brown (1996) on symptoms that commonly occur among adults with attention deficits produced the following 5 symptom clusters (factors):

1. Difficulty activating and organizing work (difficulty getting organized and started on tasks predominantly caused by a relative higher arousal threshold and/or chronic anxiety)
2. Difficulty sustaining attention and concentration (difficulties staying focused on priority tasks that are not of high personal interest, receiving, and organizing information and resisting distraction)
3. Difficulty sustaining energy and effort (insufficient and/or inconsistent levels of general energy and difficulty sustaining effort required to complete important tasks)
4. Difficulty managing emotional interference (difficulty with intense, negative

and disruptive mood states; relatively high and sustained levels of irritability and emotional reactivity; difficulty managing emotions that constrain the development of constructive relationships)

5. Difficulty utilizing working memory and accessing/recalling learned material (episodic or consistent chronic forgetfulness, difficulty organizing, sequencing and retaining information in short term memory, and problems accessing and using learned material)

The symptom clusters provide more extensive coverage of the DSM criteria for inattention, similar coverage of the impulsivity criteria, but exclude reference to the hyperactivity criteria. Difficulties with energy and effort is mostly an addition to the DSM criteria and is supported by the state regulation theory of attention disorders (Sanders & Van Duren, 1998) and associated research (Metin et al., 2014). Difficulties managing emotional interference is also mostly an addition and is supported by recent research suggesting a relatively independent contribution of emotional liabilities to the disorder (Skirrow & Asherson, 2013; Sjöwall, 2013). Much of the content of the symptom clusters is a more comprehensive representation of most of the DSM ADHD criteria with the addition of energy, effort and emotion related liabilities, and the exclusion of hyperactivity.

Brown (2005) refers to this collection of symptom clusters as adult attention deficit (AAD) which is a dimensional rather than a categorical diagnosis. Brown (1996) uses dimensional (severity) measurement of the symptom clusters to determine the level of AAD and provides a suggested level at which AAD becomes particularly disruptive (the level at which adult attention deficit (AAD) becomes adult attention deficit disorder (AADD)).

Researchers and practitioners have expressed concern about a simplistic interpretation and use of the attention disorder construct arising from categorical diagnosis based on the presence (or lack thereof) of a particular number and type of symptoms. The categorical approach both ignores evidence that symptoms and associated impairment fall along a continuum (Achenbach, 1991; Blacker & Tsuang, 1992; Levy et al., 1997; Sherman, Iacono, & McGue, 1997), and excludes non-clinically disordered adults from full consideration within research on nomological networks of interest (Nigg, 2006). Clinical cut points are often imprecise, and the categorical approach is relatively insensitive compared with dimensional measurement because change is restricted to movement from one category to another (Rossiter, 2004). Limitations of the categorical approach within organizational behavior research is addressed by using dimensional measurement and correlation analysis when modeling the disorder within individual and team performance networks (Coetzer, 2010).

Adult attention deficit (AAD) is defined as a persistent pattern of inattention and related cognitive, emotional and effort related symptoms that occur with varying levels of severity and creates progressively greater challenges within the personal, academic and work life of adults as severity increases (Brown, 1996; Coetzer, 2010). The inclusion of a clinical threshold does not represent a demarcation point between qualitatively different phenomena, but rather identifies a transition range along the symptom/impairment continuum where the condition is most likely to become particularly disruptive.

Brown (1996, 2005) suggests that symptoms associated with AAD as opposed to ADHD are a more prevalent problem among adults, and that non-clinically impaired adults require better consideration by both researchers and practitioners. The measurement qualities, potential prevalence and impact of the AAD variable within the adult performance nomological network supports the inclusion of the variable within organizational behavior research. Research by Coetzer (2007, 2009, 2010) demonstrates that dimensional measurement and correlation of AAD with organizational behavior variables reveals important components of the individual and team performance nomological network. Dimensional measurement of AAD based on the Brown Adult Attention Deficit Disorder Scale (BAADS) (Brown, 1996) and a correlation-based approach is used in this study to examine the relationships between AAD, dogmatism and time management at work.

No large scale clinical prevalence studies have been conducted using the Brown Adult Attention Deficit Disorder Scale (Brown, 1996). However, the range of 3% to 16% suggested by previous adult ADHD clinical prevalence studies (Faraone & Biederman, 2005), and the likelihood of AADD being more prevalent than adult ADHD (AADHD), suggests a prevalence range of between 5% and 15% (adults who experience particularly disruptive impairment arising from AAD). A higher prevalence range is also supported by research suggesting a history of under-reporting due to poor self-awareness (inability to be self-attentive), denial, fear of a negative social stigma, and complex coping mechanisms that mask symptoms but require excessive expenditure of energy and/or concentrate impairment in one particular life situation while protecting others (Brown, 2001; Barkley, 2010; Goldstein, 2002; Manor et al., 2012; Palmini, 2008).

The term condition as used in this research refers to adult attention deficit (AAD) and all its associated levels, including the lower levels associated with the absence of symptoms and no significant impairment. The term clinical disorder, or clinically disordered, refers to a condition that has reached the suggested clinical threshold whereas the term non-clinical disorder, or non-clinically disordered, refers to a condition involving impairment that falls below the suggested clinical threshold. The term disorder, or disordered, refers to those dimensions of the condition associated with some degree of impairment, both non-clinical and clinical.

Occupational and Organizational Impact

Research by Biederman et al. (2006) found that, on average, adults with ADHD have household incomes that are \$10,791 lower for high school graduates and \$4,334 lower for college graduates. Annual income loss for adults with ADHD in the United States is similar to losses associated with drug and alcohol abuse (Biederman et al., 2006).

Organizational behavior research studies using categorical diagnosis of adult ADHD identified associations with poor interview performance (Weiss & Hechtman, 1993), higher workplace accident rates (Reynolds, 1997), lower job performance ratings (Barkley, 2013), higher absenteeism (Secnik, Swensen, & Lage, 2005), lower productivity (Kessler et al., 2009) and higher turnover (Kleinman et al., 2009). Adults with ADHD are also perceived by their employers as requiring more supervision and less able to complete assignments (Barkley, 1990). They are also more likely to change jobs (Reynolds, 1996), engage in part time employment (Biederman et al., 2006),

and seek out jobs that don't require repetitive tasks, close supervision, sedentary performance conditions and concentration over long periods of time (Mannuzza et al., 1993). A review of data from Fortune 200 companies found that medical costs for clinically disordered employees were 48% higher (Secnik et al., 2005).

Research studies using dimensional measurement of AAD identified associations between difficulty with teamwork (Coetzer & Richmond, 2007; Coetzer & Trimble, 2009, 2010), greater reliance on coworkers (Coetzer & Trimble, 2009), difficulty managing conflict (Coetzer & Trimble, 2010), job stress (Coetzer, Hanson, & Trimble, 2009), lower self-efficacy (Coetzer et al., 2009) and less effective task management systems (Coetzer & Richmond, 2009),

Attention related disorders are also associated with positive behaviors like the ability to work in a fast paced environment, ingenuity, innovation, creativity, determination, perseverance, risk taking, and intense focus on things of interest (Mannuzza et al., 1993; Nicolaou et al., 2011; Shecklmann et al., 2008; Stuart, 1992; White & Shah, 2006, 2011) which may explain why entrepreneurs appear to have significantly higher prevalence rates (Nicolaou et al., 2011; Nixdorff, 2008). Recent research by White and Shah (2011) suggests that adults with ADHD attain higher overall levels of creative achievement across a variety of occupational and task domains.

The ability of an organization to foster employee innovativeness, creativity, and an entre/intrapreneurial orientation may be one of the most significant contributors to sustained organizational success within an increasingly globalized economy (Tewari, 2011). Research by Zhou (2003) suggests that employees with low creativity benefit from working closely with highly creative employees. Organizational innovation, creativity and success is therefore potentially influenced by the manner in which highly creative employees, many of whom may be disordered to varying degrees, are distributed and deployed throughout the organization.

Managerial strategies that appropriately leverage the potential strengths of the disorder while removing, reducing or mitigating the deficits are needed to ensure successful deployment of disordered employees (Kessler et al., 2009). Most researchers and practitioners agree that multimodal management of the disorder involving a combination of medicinal and non-medicinal support (counseling, coaching, training, and supportive conditions) has the greatest potential for success (Shaw et al., 2012). Multimodal management of the disorder in the contemporary workplace requires a comprehensive understanding of the impact of the disorder on personal performance capacity (core workplace competencies, motivation, and other performance supporting personal states); performance behavior including key mediators and moderators; and performance outcomes at the individual, team, and organizational level (Coetzer et al., 2009).

General Theory of Adult Attention Deficit and Work Performance – Constraints on Performance

Work performance deficits associated with disordered attention have recently been explained using attention control theory (ACT) which proposes that any conditions that create inattention disrupt the efficient and effective performance of priority tasks (Eysenck et al., 2007). The efficient and effective achievement of goals is thought to be influenced by two interdependent attentional systems: the stimulus driven system

and the goal driven system (Corbetta & Schulman, 2002). The stimulus driven system responds to external stimuli that are making immediate demands on attention, and the goal driven system uses higher order cognitive processes and control systems to keep individuals progressing toward broader goals (Miller & Cohen, 2001).

Disordered employees are thought to have both an imbalance between their attentional systems, and difficulty making optimal use of the goal driven system (Halbesleben et al., 2013). The imbalance is the result of disproportionate expenditure of attentional resources on external stimuli that are immediately gratifying and often task irrelevant or non-critical. Suboptimal use of the goal driven system is caused by limited ability to inhibit initial responses, higher vulnerability to distraction, and disrupted control of working memory (Alvarez & Emory, 2006). This prevents optimal development and use of higher order cognitive processes like planning, prioritizing, modeling and predicting, decision making, problem solving, and regulation of both emotion and effort (Barkley, 1997).

Impulsivity and emotional interference associated with the disorder also make it difficult to participate in meetings and to collaborate and coordinate with others on tasks that are not of personal interest and immediately gratifying (Jackson & Farrugia, 1997; Kitchen, 2006; Patton, 2009). ACT suggests that disordered employees will have a relatively lower ability to translate effort into efficient and effective performance on priority tasks because of higher distractibility, diffuse expenditure of energy, disrupted workplace relationships and constrained higher order cognitive processes (Halbesleben et al., 2013).

Disordered adults may have a relatively greater propensity for organizational citizenship behavior (OCB) which offers more immediate gratification but often comes at the expense of priority work tasks (Halbesleben et al., 2013). This suggests that both the disordered employee and some coworkers who benefit from the OCB may have a positive perspective of performance while others who are impacted by poor performance on priority tasks will often have the opposite experience.

General Theory of Adult Attention Deficit and Work Performance – Contributions to Performance

Disordered attention is also associated with productive behavior like creativity, intense concentration on things of personal interest, determination and an entre/intrapreneurial mindset (Mannuzza et al., 1993; Nicolaou et al., 2011; Schecklmann et al., 2008; White & Shah, 2006, 2011). Notable modern entrepreneurs who acknowledged that aspects of an attention disorder were useful to them include Richard Branson (founder of Virgin), Ingvar Kamprad (founder of Ikea), David Neeleman (founder of JetBlue), Charles Schwab (founder of the Schwab Corporation), and Paul Orfalea (founder of Kinkos). Hartmann (2003) suggests that significant historical figures like Thomas Edison, Albert Einstein, Henry Ford, Walt Disney, and many others demonstrated the symptoms of attention disorders and were able to take advantage of some of the benefits like perseverance, hyperfocus on things of personal interest, and creativity. Research by White and Shah (2011) suggests that adults with attention disorders attain higher overall levels of creative achievement across a variety of occupational and task domains. In fast paced work

environments, disordered adults may perform just as well, if not better, than non-disordered (Stuart, 1992).

The attention deficit characteristic of low arousability is thought to produce a higher sensation seeking drive which generates higher levels of risk taking and novelty/stimulation seeking behavior (Farley, 1985). Content validation research by Conners, Erhardt, and Sparrow (1999) identifies a cognitive restlessness symptom cluster that is similar to novelty/stimulation seeking behavior. Subsequent research by Sagvolden et al. (2005) suggests that the maintenance of novel behavior is associated with reduced reinforcement and extinction opportunities caused by the disorder.

Higher levels of creativity associated with the disorder are thought to be the result of uninhibited attention spans (wider and more diffused) and increased protection from both internal and external inhibitors. Widened and defocused attention adds more elements to the attentional stream which increases the number of potential combinations (Mendelsohn, 1976). Protection from external inhibitors is caused by high distractibility that prevents disordered adults from focusing on immediate external constraints (Memmert, 2009). Protection from internal inhibitors is caused by disrupted links between working and long term memory that reduces the influence of previously developed and stored schema (Park et al., 2003).

Translating creativity into practical benefit requires both divergent thinking and the ability to focus attention and work within certain constraints (Finke & Bettle, 1996; Finke, Ward, & Smith, 1992). Research conducted by White and Shah (2011) suggests that disordered adults have a significantly greater preference for the idea generation stage of decision making and problem solving which requires divergent thinking. They have significantly lower preference for defining the decision making situation or further developing and refining ideas and solutions, all of which predominantly requires convergent thinking and active consideration of constraints. Disordered and non-disordered adults appear to have similar preferences regarding the implementation stage of decision making.

Treatment and Management of Attention Disorders

Attention disorders are highly treatable (Barkley, 2010; Shaw et al., 2012) but also challenging because of a complex etiological structure with multiple points of intervention and variation within the form of the disorder (Barkley, 2010; Brown & Gerbarg, 2012; Chacko, Kofler, & Jarrett, 2014). Treatments are typically divided into medicinal correction of neurotransmitter imbalance and non-medicinal activities that address related cognitive, emotional, and behavioral deficits, and create or secure corrective or supportive environments (Hodgson, Hutchinson, & Denson, 2014; Sibley et al., 2014).

Non-medicinal treatment includes education, neurofeedback, various forms of counseling, coaching and training (cognitive-behavioral, experiential, systemic), and behavioral and compensatory management (person-situation fit and accommodation) (Hodgson et al., 2014; Sibley et al., 2014). Research suggests that other factors like exercise, nutrition, and meditation may also contribute to effective management of the disorder (Stevens et al., 2011; Hurt & Arnold, 2015; Zeidan, 2010). Most researchers and clinicians agree that multimodal management of the disorder involving

a combination of medicinal and non-medicinal interventions has the greatest potential for success (Shaw et al., 2012; Travell & Visser, 2006).

Adult Attention Deficit in Contemporary Organizations

Rapid changes in social and economic conditions brought about by technological advances, globalization, human migration, and other factors are changing the nature of work and how organizations are designed and managed (Dastmalchian & Blyton, 2001; Davis-Blake & Broschak, 2009). Organizations are emphasizing decentralization, delegation, empowerment, co-management, collaboration, teamwork, and employee self-regulation as a way to address increasing rates of complexity and change (Freese, 2008). This is delegating and distributing increasingly complex responsibilities and competencies throughout the organization which employees are expected to embrace, develop, and enact in an increasingly independent manner (Manz et al., 2015). Many of these competencies rely on higher order cognitive processes like inhibiting initial responses, planning, prioritizing, critical thinking, modeling, prediction, regulation of emotion, regulation of effort, and problem solving.

Success in most endeavors is based upon the ability to set and achieve goals within a particular time frame (Yanping & Soman, 2014). Increasing rates of change and complexity mean that the demonstration of competency is increasingly dependent on the use of time (Kessler & Chakrabarti, 1996; Langerak, Griffin, & Hultink, 2010). The extent to which capacities like planning, project management, creativity, decision making, problem solving, and learning achieve the distinction of competency is increasingly dependent on the time taken to execute such activities. Time management is therefore an apex competency meaning that it fundamentally influences the extent to which many other capacities become competencies (Barling, Kelloway, & Cheung, 1996). The disruption of higher order cognitive processes and the social challenges created by the disorder are potential constraints on the ability to develop and enact many contemporary workplace competencies, including time management.

Other highly valued competencies like creativity, innovation and an entre/intrapreneurial orientation appear to be enhanced by the disorder. The ability of an organization to design managerial strategies that foster employee innovativeness, creativity and an entre/intrapreneurial orientation may be one of the most significant contributors to sustained organizational success within an increasingly globalized economy (Meisinger, 2007; Simon et al., 2011; Tewari, 2011). This suggests that some of the most highly valued employees may also be disordered to varying degrees and that supportive managerial strategies are required.

The development of multimodal management of the disorder in the workplace requires a comprehensive understanding of the impact of the disorder on personal performance capacity (core workplace competencies, motivation, and other performance supporting personal states); performance behavior including key mediators and moderators; and performance outcomes at the individual, team, and organizational level (Coetzer et al., 2009). This study examined the moderating influence of dogmatism on the relationship between AAD and time management.

Time Management

Definition and Influence

Time management is defined as the effective allocation and use of time while performing goal-directed activities, and includes setting and prioritizing goals, monitoring progress, and managing personal productivity (Claessens et al., 2007; Rapp, Bachrach, & Rapp, 2013).

Time is a scarce resource that must be effectively allocated and used efficiently. Effective allocation means distributing the scarce resource across competing demands in a manner that maximizes the likelihood of success in the shortest possible time. Efficient use means that the allocated time is used with limited waste. Limiting ineffective use of time requires predication, modeling and organization of interdependent tasks in relation to each other. Limiting inefficient use of time includes minimizing distractions, reducing time spend on non-priority and non-value added activities, and avoiding unnecessary reductions in pace.

Research on the content and dimensionality of the construct has identified a number of significantly correlated but distinct dimensions (Macan et al., 1990). These include setting achievable short and long term goals, prioritizing, scheduling, using time management tools, avoiding distractions, optimal allocation of effort across tasks, monitoring progress and making efficient adjustments, maintaining an organized environment and maintaining a constructive attitude toward time (Biswas, 2000; Britton & Tesser, 1991; Claessens et al., 2007; Hall & Hursch, 1982; Macan et al., 1990; Tripoli, 1998).

The ability to manage time efficiently and effectively is a skill (Lakein, 1973) that is associated with lower job stress (Jamal, 1984), less emotional exhaustion (Peeters & Rutte, 2005), increased job satisfaction (Macan et al., 1990), and higher individual performance (Barling et al., 1996; Britton & Tesser, 1991; Yet Mee Lim & Seers, 1993; Radhakrishna, Yoder, & Baggett, 1991).

The unified theory of adult attention deficit developed by Barkley (1997) suggested that difficulties with sequencing events in working memory has the effect of disrupting a disordered person's sense of time. Barkley (1997) suggested that disordered adults have a relatively disorganized sense of time which they often experience as proceeding more slowly than non-disordered adults.

Research has clearly established a negative association between attention disorders and time management in children and adolescents (Radonovich & Mostofsky, 2004; Sonuga-Barke et al., 2008), and national surveys of adults with attention disorders suggest difficulty managing time. Recent research by Carelli and Wiberg (2012) supports a relationship between adult ADHD and poor time management, and exploratory research by Tolchinsky and Jefferson (2011) identified the mediating influence of poor time management on the relationship between adult ADHD and problematic video game play. A search of multiple databases (medline, psyc-info, academic source premier, business source premier, etc.) produced no empirical studies on the relationship between AAD and time management.

Dogmatism

Definition and Influence

Belief and disbelief systems satisfy the need for a cognitive framework that defines situations and provides protection from threats (Rokeach, 1960). Dogmatism is generally defined as a closed belief system resulting from a rigid attachment to particular beliefs that are resistant to opposing beliefs. Rokeach (1960) suggested that dogmatism is defensive in nature and encompasses a constellation of psychoanalytic defenses that help to shield a vulnerable mind. More recently, Altemeyer (1996) defined dogmatism as “an unjustified and unchangeable certainty in one’s beliefs, reflecting conviction beyond the reach of evidence to the contrary” (p. 201). Rigid attachment to a particular set of beliefs helps to protect self-directing processes that are relatively more vulnerable to external and internal stimulus (Johnson, 2010). Defensive cognitive closure, rigid certainty and isolating (compartmentalizing) contradictory beliefs is a way to protect higher order cognitive processes from complex external stimulus that may create the experience of cognitive chaos, confusion, vulnerability and anxiety. Rigid cognitive structures are also a way to defend against the disruptive impact of emotions like anxiety, fear, or anger that have reached a level of intensity that disrupts self-directing cognitive processes.

Developmental psychologists have consistently identified early psychosocial conditions in the parenting process and a biological vulnerability for hyper-arousal, environmental stressors and disrupted socio-culture learning as the distal causes (Johnson, 2010). Anxiety that arises in childhood and persists through adolescence and into adulthood will help to rigidify the belief system as a means of personal defense. Recent research by Brown (2007) identifies an association between disrupted functioning of short term memory and dogmatism, suggesting a link between rigid thinking and adult attention deficit.

Research on the impact of dogmatism on mental health and general functioning has identified mostly detrimental, but some beneficial effects (Richek, Mayo, & Puryear, 1970; Riggio & Taylor, 2000; Rokeach, 1960). Research on the occupational impact of dogmatism has revealed an association with both high and low performance (Funk & Carter, 1971; Swanson, Cornette, & Kieth, 1991). Dogmatic workers are likely to struggle in situations that are dynamic, uncertain, complex, and require high levels of reflection, flexibility, and cooperation with others (Schore, 2003). However, a dogmatic thinking style may be useful when performance conditions require cognitive and emotional states that are particularly vulnerable to external and internal stimuli that evoke disruptive cognitive dissonance (Gross, 2006). The impact of dogmatism on health and performance appears to be moderated by personal vulnerability to disruptive dissonance. For workers who are prone to confusion and indecision as the complexity and intensity of external and internal stimulus increases, the benefits of a dogmatic style may outweigh the costs.

The Relationship between Dogmatism, Adult Attention Deficit, and Time Management

Hypotheses

The general proposition guiding this research study is that AAD constrains the effective and efficient management of time at work, and that dogmatism moderates this relationship. Disordered adults who are more dogmatic will be able to generate a higher level of cognitive protection from the disorganizing effect of the disorder and will, as a result, manifest a relatively higher level of decisiveness that supports more efficient and effective time management.

Adult workers who experience difficulties with getting organized and started on tasks, concentration, sustaining effort, managing emotional interference, and using short term working memory will be less effective at managing their time. They will be less able to effectively prioritize and allocate time across important work tasks, make accurate predictions of time required to complete tasks, get important tasks done without wasting time, maintain an organized working environment, and make use of time management tools. Therefore,

Hypothesis 1: Adult attention deficit is negatively associated with time management at work.

The distraction, confusion, and indecisiveness associated with the disorder can be constrained by employing a more dogmatic thinking style that provides higher order cognitive processes with some protection from disruptive internal and external stimuli. A more dogmatic thinking style will also help to manifest a higher level of decisiveness. The protective and decisive aspects of a dogmatic thinking style will reduce the extent to which the disorder undermines time management at work. Thus,

Hypothesis 2: Dogmatism will moderate the relationship between adult attention deficit and time management at work.

Methods

Subjects and Procedures

The subjects were 138 actively employed business graduate students. Each subject identified a person who was familiar with their general behavior and another who was familiar with their current management of work related tasks. The first observer completed an observer version of the Brown Adult Attention Deficit scale (BAADS), and the second person completed an assessment of the subject's time management at work. Each subject completed a self-report measure of dogmatism.

A principle components factor analysis with a Varimax rotation was used to confirm the dimensionality of the time management measure and examine the contribution of the individual items to the factor(s). Product moment correlations were used to test the hypothesized relationships between the measures. A linear regression that included the multiplication of standardized independent and

moderator variables (moderator variable) was used to test for a significant moderating effect.

Measures

Adult Attention Deficit (ADD)

The Brown (1996) Adult Attention Deficit Scale (BAADS) contained 40 self-report items that measured the 5 symptom clusters. Organizing and activating to work (cluster 1) measured difficulty in getting organized and started on tasks (e.g., “experiences excessive difficulty getting started on tasks”). Sustaining attention and concentration (cluster 2) measured problems in paying attention and concentrating while performing tasks (e.g., “listens and tries to pay attention but soon becomes distracted”). Sustaining energy and effort (cluster 3) measured problems in maintaining the required energy and effort while performing tasks (e.g., “runs out of steam and doesn’t follow through”). Managing affective interference (cluster 4) measured difficulty with moods, emotional reactivity, and sensitivity to criticism (e.g., “is easily irritated” and “has a short fuse with sudden outbursts of anger”). Utilizing working memory and accessing recall (cluster 5) measured forgetfulness in daily routines and problems with recall of learned material (e.g., “intends to do things but forgets”). The questions were phrased in third person singular to support observer ratings (e.g., “the person being described is disorganized”). The instrument used a 4-point behavioral frequency scale (0=never, 1=once a week, 2=twice a week, 3=almost daily). A total score for AAD was generated by adding up the scores on all of the questions.

Dogmatism

The new dogmatism scale (DOG) (Altmeyer, 1996) was used to measure dogmatism. The instrument was designed and validated for use with adults and contained 20 items that measured general dogmatism. Example items for the scale included the following: “I am absolutely certain that my ideas about the fundamental issues in life are correct”; “The things I believe in are so completely true, I could never doubt them”; and “I have never discovered a system of beliefs that explains everything to my satisfaction” (reverse coded). Subjects used a 7-point Likert scale (1=strongly disagree, 2=disagree, 3=slightly disagree, 4=neutral, 5=slightly agree, 6=agree, 7=strongly agree) to rate the extent to which they agreed with each item. Each of the subjects completed the dogmatism measure and a total score was derived by adding up the scores on the individual items (some items needed to be reversed).

Time Management

Items for measuring time management were developed after reviewing the time management disposition scale (Huang & Zhijie, 2001), the time management behavior scale (Macan et al., 1990), the assessment of time management skills (White, Riley, & Flom, 2013), time management of professionals scale (Biswas, 2000), and the time management questionnaire (Britton & Tesser, 1991). Ten items that represented each of the general components of time management were selected and worded in a manner that referred to the general situation that the subjects were embedded in (see Table

1). The questions were phrased in third person singular to support observer ratings (e.g., “the person being described makes effective use of time management tools”). Example items were “plans the execution of important work tasks effectively”, “makes accurate predictions of how long it will take to complete important tasks”, and “has an organized system for completing important tasks.” The observers used a 7-point Likert scale (1=strongly disagree, 2=disagree, 3=slightly disagree, 4=neutral, 5=slightly agree, 6=agree, 7=strongly agree) to rate the extent they believed the subject engaged in each time management activity. A total score for time management was generated by adding up the scores on the individual items.

Results

Descriptives, Factor Analysis, Correlations, and Regression

A principle components factor analysis with an orthogonal rotation (Varimax) was conducted to examine the structure of the project manager effectiveness instrument. The factor analysis for the time management at work items produced a single factor with factor loadings ranging from 0.64 to 0.83 which suggested that each item was making a meaningful contribution to the measure. The Cronbach alpha internal reliability coefficient was $\alpha = 0.85$ and could not be improved by eliminating items. This suggested that the instrument had good internal reliability and each item was making a meaningful contribution.

Table 1: Principle Components Factor Analysis of Time Management at Work Items with a Varimax Rotation

The Person Being Observed...	Component 1
Makes effective use of time management tools (e.g. lists, to dos, written schedule etc.) to manage his/her important work tasks	0.83
Gets important work tasks done without wasting time	0.82
Prioritizes and allocates time across important work tasks effectively	0.82
Sets explicit, clear and achievable work goals	0.81
Plans the execution of important work tasks effectively	0.78
Makes accurate predictions of how long it will take to complete important work tasks	0.76
Has an organized system for completing important work tasks	0.72
Has a constructive attitude toward the allocation and use of time to complete important work tasks	0.69
Consistently maintains an organized environment for completing important work tasks	0.67
Monitors progress on important work tasks and makes necessary changes efficiently	0.64

Means, standard deviations, and correlations among the variables appear in Table 2. All variable distributions were approximately normal and demonstrated reasonable variation across their respective scales. No univariate or bivariate outliers were considered problematic and the product moment correlations revealed significant associations between the variables. Cronbach alpha internal reliability coefficients ranged from ($\alpha = 0.85$) to ($\alpha = 0.91$), suggesting good internal reliabilities. The linear regression for testing the moderation effect produced no problematic residuals.

Table 2: Means, Standard Deviations, Correlations, and Internal Reliabilities

	Mean	Std Dev	1	2	3
1 Time Management	53.28	10.61	0.85		
2 Dogmatism	78.68	24.12	.01	0.86	
3 Adult Attention Deficit	38.42	16.37	-.39**	-.11	0.91

Note 1: Cronbach Alpha internal reliabilities are shown on the diagonal
 Note 2: ** Correlation is significant at the 0.01 level (2-tailed).

Empirical Test of Hypothesis

The significance threshold for empirical tests was set at $\alpha = 0.05$ (2 tailed). The correlation between AAD and time management at work (H1) was statistically significant ($r = -0.39$, $p < 0.01$). The linear regression of time management at work on adult attention deficit, dogmatism, and the moderator (multiplication of the standardized dogmatism and adult attention deficit variables) produced a statistically significant moderator effect ($\beta = 0.17$ $p = 0.037$). The regression of time management at work on adult attention deficit for the half of the dataset with the highest dogmatism scores produced a beta of -0.24, while the same regression on the half of the dataset with the lowest dogmatism scores produced a beta of -0.53. This suggested that increasing dogmatism reduced the constraining influence of the disorder.

Discussion

The results of this research suggested that the negative relationship between adult attention deficit and time management at work significantly declined as dogmatism increased. The direction of the association between AAD and project manager effectiveness cannot be determined from this study and there may be a bidirectional relationship that may result in a reinforcing and debilitating cycle. The large number of studies confirming the significant contribution of genetic factors to the manifestation of the disorder (Barkley, 2010) provided general support for the hypothesized direction in this study.

Implications for Organizations and Education Institutions

Organizations wishing to ensure the timely completion of key tasks need to be aware of the influence of AAD on time management in the workplace. The emergence of more empowered work cultures, tighter deadlines, the need for creativity/innovation, and project-oriented work represents both an opportunity and challenge for disordered employees. Disordered employees without the necessary support will not be able to leverage their strengths and may constrain the performance of interdependent others.

The protective influence of dogmatism on time management at work suggests the need for conditions, competencies, and tools that protect higher order cognitive resources from disruptive external and internal stimulus. The provision of intensive and adapted time management training/coaching, time management tools, and a work space free of unnecessary distractions may be especially important for disordered

employees. Although a dogmatic style may be beneficial under relatively simple and stable conditions, it is unlikely that a defensive and rigid cognitive style will support employee performance under increasingly dynamic, complex, and collaborative conditions. Organizations need to help disordered employees find substitutes for dogmatic thinking processes that possess similar protective benefits but avoid the related inflexibility and social challenges associated with being dogmatic. Helping disordered employees to better manage anxiety, stress, emotional disruption, and find an appropriate balance between assertiveness and collaboration, is likely to play an important role in developing constructive substitutes for using a dogmatic style to constrain the disruptive impact of the disorder.

The increasing availability of effective coaches (life, organizational, task, peer, manager as coach, etc.) (Theeboom, Beersma, & van Vianen, 2014) offers a potential substitute for close supervision and a potentially more accepted and developmental resource for keeping disordered employees oriented toward timely and successful completion of priority tasks and projects. Effective organizational coaches could address a wide range of cognitive, emotional and behavioral deficits, and protect the employee from the reinforcing cycles of failure that many disordered employees experience (Nadeau, 1997). Establishing reciprocal peer coaching systems within employee teams or the organization as a whole, that addresses challenges at the individual and relational level may add considerable mutual value, especially for disordered employees (Kubik, 2010; Parker et al., 2013). Coaching processes that contain the necessary structure and content for supporting disordered employees are needed.

The effective use of employee teams represents an opportunity for distributing the creative benefits associated with the disorder while managing the deficits. Team members and peer coaches can help disordered employees to activate, organize, stay on track, maintain a balance between organizational citizenship opportunities and priority work tasks, avoid experiences of failure and manage challenging emotions. They can also help disordered employees address the pitfalls of rigid thinking and behavior. In return, team members can benefit from the creativity that disordered employees may offer. This will require the careful design of teams to ensure optimal person-role fit and supportive team development interventions. Team building that educates team members about the disorder and addresses the social and task performance challenges while taking advantage of the benefits is required. Structured collaborative decision making processes that provide team members with the opportunity to optimally locate themselves within the process should improve person-role fit, avoid the problems of excessive rigidity and ensure timely decisions. Partnering disordered employees with someone who is flexible and has strong administration and social skills may support individual, team, and organizational effectiveness.

The multimodal approach to managing the disorder in the workplace suggests that sustained improvement will depend on other forms of support like the general education of both managers and employees, establishing supportive organizational cultures and climates, appropriate medication, and coaching/training that address key underlying cognitive, emotional, and behavior deficits (e.g., retention training to support effective and efficient use of short term memory). The provision of employee assistance programs that provide disordered, potentially disordered, and non-disordered

employees with information about the disorder and opportunities for assessment is an important part of the constructive management of employee diversity. This will help to create a more inclusive, supportive, and responsive organizational culture. This will also increase the likelihood of the employee seeking out other important parts of multimodal treatment, particularly medicinal support.

Education institutions, like management programs within universities, need to assist new project managers to recognize and respond to the symptoms of the disorder in both themselves and others. Early diagnoses and treatment may help to prevent the exacerbating cycles of failure that often accompany the condition. Educating future managers about the condition will help to ensure that they do not become a contributor to the emergence and reinforcement of such cycles through ignorance or the inability to be supportive. Time management training, peer coaching systems and student team interventions that address the disorder in a constructive manner will help prepare all future managers for the challenges of the contemporary workplace. Education and training that improves self-awareness, emotional intelligence, effective use of working memory, and constructive assertiveness may help substitute for the protective use of dogmatic thinking styles.

Increasing social, economic and legal pressures to provide reasonable accommodation for functional but disordered employees and take appropriate advantage of employee diversity underscores the general social value of this research.

Limitations and Suggestions for Future Research

A more complete understanding of the relationship between adult attention deficit, dogmatism, and time management requires a classification of performance situations in terms of varying needs and types of time management. This study did not include classification and measurement of the various performance situations that the subjects were embedded in. Complex, dynamic, and collaborative performance situations that require both flexibility and efficient time management may eliminate the benefits of using a more dogmatic style to constrain the negative influence of the disorder. The classification and measurement of different performance situations would help to reveal the moderating influence of varying time management requirements across performance situations.

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What is an Ethical Leader?: The Characteristics of Ethical Leadership from the Perceptions Held by Australian Senior Executives

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This paper presents the findings of a qualitative study that examines the characteristics of ethical leadership. Seventy-eight (78) Australian senior executives, represented by diverse industry backgrounds from both the public and private sectors, participated in the study. The researcher conducted semi-structured face-to-face interviews in which participants were asked to describe the characteristics and behaviors of an individual in a professional context they identified as an ethical leader. The participants' responses were analyzed with the assistance of NVivo (QSR International Pty Ltd, 2003), a qualitative data storage and retrieval program. The principal findings consisted of three themes: value alignment, governance, and relationship-centeredness. Ethical leaders are perceived to be individuals who behave with integrity, courage, and trustworthiness. They are relationship-centered, with fairness and altruism as the defining features of their engagement with others. In matters of governance, ethical leaders demonstrate adherence to formal accountability measures and exercise discernment in their decision-making responsibilities. More importantly, leaders perceived to be ethical demonstrate a strong alignment between what they espouse and how this is demonstrated in their behavior. This paper presents an overview of the literature in the area of ethical leadership and a discussion on the findings of this study in relation to the literature. It concludes with recommendations for further research.

In the competitive global business environment, there has been increased interest in the ethical behavior of leaders. The ethical dimension of leadership has given rise to the construct ethical leadership, and Ciulla (2001, p. 318) stressed the need to establish whether there is anything ethically distinctive about leadership itself and stated that “[u]nderstanding the moral challenges that are distinctive to people in leadership positions is fundamental to understanding the very nature of leadership”. While ethical leadership has gained the increased attention of scholars, descriptive research on ethical research is a new and emerging area (Brown & Mitchell, 2010). Trevino et al. (2000, 2003) undertook important foundational work in an area that included defining ethical leadership and establishing it as a distinct construct in leadership research.

Other research attributes in which ethical leadership is related to follower outcomes includes job satisfaction, organizational citizenship behavior (OCB), and organizational commitment (Brown, Trevino, & Harrison, 2005; Walumbwa & Schaubroeck, 2009). Northouse (2007) said ethics is central to leadership because of the nature of the process of influence. As such, a leader's ethics are closely connected with the leader's identity and how this influences his or her behavior. Bass and Steidlmeier (1999) stated that the ethical nature of leadership can be best understood by character and behavior (agents and actions), both of which are colored by an individuals' value and belief systems. According to Jones (1995), the best guarantee of consistent ethical leadership lies in the discovery of persons for whom high moral standards are a way of life. The research findings presented in this paper focus on senior executives' perceptions of what behavior they have observed in other leaders which they believe represents the profile of an ethical leader.

Literature Review: Ethical Leadership

In examining ethics and leadership, much of the literature focuses on a normative or philosophical perspective; that is, what leaders *ought* or *should* do (Brown et al., 2005; Brown & Trevino, 2006b; Ciulla, 2005; Kanungo & Mendonca, 1996). Ethics and leadership considers such aspects as the characteristics of leaders themselves, the nature of their influence, how they engage followers in accomplishing mutual goals, and the affect leaders have on the organization's values (Ehrhart & Klein, 2001; Dickson et al., 2001; Fields, 2007; Mendonca, 2001). The identification of an ethical or moral dimension to leadership is not new. This point was acknowledged by Sims and Brinkmann (2002) in their reference to the work of management theorist Chester Barnard. Barnard (1938) wrote that an important role of the leader is to define and develop a moral code in the organization. Raphael and Macfie (1976) also drew on the seminal work of philosopher and economist Adam Smith (1723–1790) and his acknowledgement of a moral dimension to the operation of the free market economy. The moral or ethical component to leadership is a defining characteristic of the construct of ethical leadership, which is the focus of this study.

The antecedents and outcomes of ethical leadership have been researched using social learning theory (Bandura, 1977, 1986) and social exchange theory (Blau, 1964). Trevino et al. (2000, 2003) argued that both are related to the leader's characteristics and to situational factors that influence followers' perceptions of a leader being ethical.

Both Brown and Trevino (2006b) and Brown and Mitchell (2010) identified the need for greater understanding of the relationship between ethical and unethical leadership. For example, one question posed was whether ethical and unethical leadership are single constructs or opposite ends of a single continuum (Brown & Trevino, 2006a). Finally, as pointed out by Brand (2009), quantitative research in business ethics has predominated. However, given leadership is a social phenomenon, more qualitative research is needed.

Ethical Leadership: Construct Development

Brown and Mitchell (2010) confirmed the primary role leadership plays in promoting ethical conduct in organizations. However, while the topic of ethics in leadership has been extensively discussed by scholars, Brown and Trevino (2006b) believed a “[m]ore descriptive and predictive social scientific approach to ethics and leadership has remained underdeveloped and fragmented, leaving scholars and practitioners with few answers to even the most fundamental questions, such as what is ethical leadership?” (p. 595). The qualitative research of Trevino et al. (2000, 2003) identified two dimensions – moral person and moral manager – as being integral to ethical leadership. In essence, the moral person dimension means “[e]thical leaders are characterized as honest, caring and principled individuals who make fair and balanced decisions” (Brown & Trevino, 2006b, p. 596). The moral manager is characterized by individuals who clearly communicate ethical standards to followers and use rewards and punishments to ensure the standards are followed.

The research by Trevino et al. (2003) sought data from two types of informants, senior executives and ethics officers, relating to their perceptions of executive ethical leadership. The data gathered from their in-depth, semi-structured interviews were based on questions that related to matters such as participants’ definition of executive leadership and the traits and behaviors they associated with ethical leadership. Most ethical officers considered unethical leadership rare among executive leaders, so Trevino and colleagues adopted the term *ethically neutral successful leadership* (ENS leadership) which was associated with leaders’ participants not perceived as distinctively ethical or unethical. A notable finding in relation to ENS leadership was that many of the executive leaders interviewed rejected the concept of ENS leadership. The four themes and some of the main descriptive statements that emerged from this research included: people orientation, visible ethical actions and traits, setting ethical standards, and accountability and broad ethical awareness. This research represented an important advance in exploring the distinctive characteristics of the ethical leadership construct.

Ethical Leadership: Construct Comparison

Brown and Trevino (2006b) compared ethical leadership with authentic, spiritual, and transformational leadership. The common characteristics of all these leadership constructs were: concern for others (altruism), integrity, and role modelling. The most defining characteristic that emerged from the research by Brown and Trevino (2006b) was what they termed the ‘moral manager’ dimension of an ethical leader. While a moral dimension was identified in transformational, spiritual, and authentic leadership constructs, ethical leadership had a distinct application to this moral dimension.

Specifically, an ethical leader sets for followers, clear expectations relating to ethical conduct. Further, the leader communicates these expectations through modelling and a reward system to hold followers accountable for ethical behavior. Commonalities between ethical leadership and transformational, spiritual, and authentic leadership will now be outlined.

Transformational Leadership

The transformational leadership construct was identified by Burns (1978) as having a moral component, which provided the basis for a leader to inspire followers to work towards a collective organizational purpose. As constructs, ethical and transformational leadership share common characteristics such as integrity and concern for others (Brown & Trevino, 2006b). Some scholars questioned the assumed presence of an ethical dimension to transformational leadership. For example, Kanungo and Mendonca (1996) suggested that transformational leadership has an ethical dimension, whereas it is not present in transactional leadership. Bass (1985) countered this assumption by saying transformational leaders could be ethical or unethical. Further, Bass and Steidlmeier (1999) applied the terms ‘authentic’ and ‘pseudo-authentic’ to distinguish between transformational leaders who were ethical or unethical. Ethical leadership has been identified as having what is termed the ‘idealized influence’ component of transformational leadership, which refers to the explicit ethical content (Brown et al., 2005). However, the key difference between the two constructs lies in the transactional nature of how ethical leaders model and make explicit their expectations about ethical conduct and standards in the organization (Brown & Trevino, 2006b).

Spiritual Leadership

The construct of spiritual leadership emphasizes a sense of ‘calling’ and vision for the organization. These motives may potentially mean a spiritual leader is also ethical (Fry, 2003). However, in contrast, the characteristic relating to ethical leadership that defines the difference is the transactional nature of how an ethical leader influences the ethical conduct of followers (Brown & Trevino, 2006b). Ethical leaders, like spiritual and transformational leaders demonstrate integrity and care for others (altruism).

Authentic Leadership

Authentic leaders’ self-awareness and authenticity are not recognized as being part of the ethical leadership construct (Gardner et al., 2005). Authenticity has been identified as inherent in individuals who have strong personal insight and self-regulation (Luthans & Avolio, 2003). Being ‘true to oneself’ was not identified by respondents in interviews conducted by Trevino et al. (2000). Luthans and Avolio (2003) identified authentic leadership as a ‘root construct’ since it potentially shares the characteristics of other leadership constructs such as transformational and ethical leadership. Brown and Trevino (2006b) acknowledged the ethical component of both the authentic and ethical leadership constructs. However, they emphasized that self-awareness (authenticity) is not part of the ethical leadership construct. Having said this, the literature did attribute, for example, moral identity and self-awareness

as important factors in influencing a leader's ethical conduct (Ashkanasy, Windsor, & Trevino, 2006; Caldwell, 2009; Peterson, 2004; Reynolds, 2006; Shao, Aquino, & Freeman, 2008; Werhane, 2008).

In summary, the distinctive feature of the ethical leadership construct that it does not share with others theories of leadership, is the transactional-style management of the ethical standards and behavior in the organization. Ethical leaders model and are proactive in setting and maintaining ethical conduct (Brown & Trevino, 2006b; Trevino & Nelson, 2004). The following section outlines some characteristics identified in the literature as being part of the ethical leadership construct.

Ethical Leadership: Characteristics

Integrity is identified in the literature as being an important component of leadership effectiveness (Chun, 2005; Gardner et al., 2005; Parry & Proctor-Thomas, 2002). The definition of integrity proposed by Palanski and Yammarino (2009) incorporated components that have been associated with the ethical leadership construct. The component of 'wholeness' in integrity, included in the categories by Palanski and Yammarino (2009), encompassed characteristics such as honesty, kindness, and trustworthiness, all identified as being positive traits of ethical leadership (Brown & Trevino, 2006b). Scholars such as Kirkpatrick and Locke (1991) and Kouzes and Posner (1993) identified leaders' honesty, integrity, and trustworthiness as important traits in leader credibility and effectiveness.

A defining feature of ethical leadership that is given emphasis in the literature is the modelling of characteristics such as fairness, care for others, and trustworthiness (Bandura, 1986; Brown et al., 2005; Trevino, 1986). That is, ethical leaders model who they are and provide cues to followers in expectation of the standards of behavior they have in the organization (Brown & Trevino, 2006b). Related to the concept of modelling, some scholars identify that the proximity of the leader to their followers influences trustworthiness and positive employee outcomes, such as job satisfaction and productivity (Dirks & Ferrin, 2002; Andersen, 2005). The Big Five personality factors have been applied to identify characteristics that are positively aligned with ethical leadership (Costa & McCrae, 1998). Most particularly, the dimensions of agreeableness and conscientiousness are proposed as being most closely associated with ethical leadership (Chun, 2005; Brown & Trevino, 2006b). Traits such as altruism, dutifulness, trustworthiness, kindness, and cooperation are characteristics which describe these two personality factors.

Fairness in decision-making has been positively identified with the ethical leadership construct. Blau's (1964) social exchange theory was applied by Brown and Trevino (2006b) to propose that ethical leaders' fair and caring behavior towards followers is associated with lower employee counterproductive behavior. However, De Cremer (2003) pointed out that a leader's consistent use of procedural fairness does matter and if inconsistency does prevail, employees have more negative perceptions about the leader and themselves.

Therefore, ethical leaders are characterized by individuals who are honest, trustworthy, fair-minded and care about the welfare of others, all characteristics shared by other positive leadership constructs (Toor & Ofori, 2009). The dimension that most

defines the construct is the transactional ‘moral person–moral manager’ dimension identified by Brown and Trevino (2006b).

Methodology

An important requirement of this study was to identify closely with a belief system or paradigm that enabled the researcher to advance assumptions about the social world; that is, how science should be conducted and what constituted legitimate problems, solutions, and criteria of proof (Creswell, 1994). This study of ethical leadership did not hold a predetermined theory or clear definition to be tested. Therefore, the focus of the research was more closely aligned with the fundamental assumptions and characteristics upon which the qualitative mode of inquiry rested.

Patton (1990) defined a paradigm as a worldview or way of breaking down the complexities of the real world. The focus of this research was an exploration of the phenomenon of ethical leadership. However, knowledge of the variables and theory-base within this phenomenon were limited. Therefore, the paradigm was constructivist in nature. The research attempted to make sense out of, or interpret experience from, the perspectives of those who lived it (Schwandt, 1994a). The experiences of senior executives in the public and private sectors in the states of Western Australia and Victoria were the focus in this study. It was through the investigation of data from these respondents that the researcher sought to make sense of the social phenomenon being investigated by contrasting, comparing, replicating, cataloguing and classifying the object of study (Huberman & Miles, 2002).

In the case of a qualitative process of inquiry, an understanding of the social or human problem was based on building a complex, holistic picture and was conducted in the respondents’ natural setting (Creswell, 1994). A qualitative methodology was adopted in this study because it allowed the researcher to study issues pertaining to ethical leadership in rich detail and greater depth (Hitchcock & Hughes, 1989; Patton, 1990). Most importantly, inductive logic would prevail in a study in which “categories will emerge from informants, rather than are identified a priori by the researcher” (Creswell, 1994, p. 48). Thus, data collection was not constrained by predetermined categories of analysis, ensuring that the emerging themes were representative of respondents’ experiences and interpretations (Coll & Chapman, 2000).

Data Collection Methods

Questions were presented to the respondents through the principal research method of semi-structured interviews. The use of the semi-structured interview method, although consisting of set questions, allowed variation and individual input by participants and minimization of pre-determined responses. In this study, the responses contained within the collected data were descriptive, spontaneous, and personal. Therefore, if respondents wished to contribute personal experiences, which were not directly related to the questions, the researcher included these, if they provided some context and insight into the phenomenon of ethical leadership.

Written journals were maintained for all participants. These journals contained notes relating to the interview and observations and descriptions about the professional environment of participants. Many respondents also provided organizational material, such as strategic plans and annual reports, which were included in the journal material. Further information, such as the display of company values and details of operational processes, were also recorded in the journals to provide context for the interviews. The journal notes were used to capture observable characteristics and mannerisms of the participants which, when combined with listening to the recorded interview, gave the researcher a richer sense of the participant's communication through such elements as non-verbal cues and body language. Cross-referencing between journal notes and recorded interviews during data analysis assisted in the clarification of meaning, since the essence of words spoken was sometimes better captured in what was not said, rather than what was actually recorded.

Data Coding and Analysis

Data analysis in this research adopted the inductive research method of content analysis. As described by Patton (1990), data analysis is a creative process and, as such, extends beyond the process of identifying, coding and categorizing the primary features of the data. Patton (1990) stated that, "inductive analysis means that the patterns, themes, and categories of analysis come from the data; they emerge out of the data, rather than being imposed on them prior to data collection and analysis" (p. 390). A creative process inherent in the inductive research method means that there is no clear division between the data collection phase and the data analysis.

Data collected in the interviews were transcribed verbatim into text units and color coded in preparation for processing using the qualitative software program NVivo (QSR, 2003; Richards & Richards, 1990, 1993). The coding and categorization processes for analysis of data were based on content analysis (Holsti, 1969). The process of content analysis was adopted so that meaning could be created from the themes and concepts emerging from the data. NVivo was used to facilitate a system of storage, categorization, comparison, and retrieval of data. The verbatim transcripts from respondents' interviews were imported into the NVivo program as rich text files. This allowed the researcher to code single words, sentences or paragraphs in individual colors, which represented units of meaning or nodes. These nodes formed the basis from which themes and categories could be determined. The NVivo program had several cross-reference and retrieval features that allowed the researcher to compile data sets for comparison and analysis in the formation of themes and categories relating to the interview questions.

Each respondent was allocated a pseudonym, determined according to location, private or public organization and the number of interviews conducted. This allowed for both respondent confidentiality and identification by the researcher for the purpose of coding and categorization. An example of a pseudonym was PP1, which represented the first respondent to be interviewed from the private sector in Perth, Western Australia. Another example, VG5, represented the fifth respondent from the government sector of Victoria.

Sample

Participants in this study were drawn from senior executives from both the public and private sectors in two states of Australia. These executives held principal positions in their organizations. The term 'principal position' denoted executives who held the position of Chief Executive Officer (CEO). There was a commitment to ensure both males and females were represented equally in this research. However, at senior executive level, female representation was found to be difficult to achieve, particularly in the private sector. Industry groups represented by the private sector were diverse and included organizations that had both national and international contexts.

Information relating to private sector executives was obtained through the assistance of the Chamber of Commerce and Industry. This agency is responsible for both providing advice to business groups and for maintaining official databases of business profiles in Australia. Business contact details were made available through their databases. Senior executives from the public sector were randomly selected through government websites, the Chamber of Commerce, and industry databases. The sample represented a range of government portfolios, including independent statutory authorities and local government. Following the selection of potential respondents, contact was made by facsimile transmission of a letter which introduced the researcher, the purpose of the research, the timeframe in which the interviews would be conducted, and the invitation to be interviewed. The facsimile letter indicated that a follow-up telephone call would be made by the researcher to ascertain availability of the executive to participate in this research.

A letter of invitation was sent to a total of 199 executives, of which 152 were from the state of Western Australia and 47 from the state of Victoria. Seventy-eight (78) senior executives accepted the invitation to be interviewed with representation from both private and public sectors in both states. The diversity of industry groups represented, together with the size of the sample, provided a rich source of data encapsulating a range of experiences.

Findings: What is Ethical Leadership?

Three principal themes emerged from this research to describe the characteristics of ethical leadership, namely, value alignment, governance, and relationship-centeredness. The three themes and their qualifying categories are presented below.

Value Alignment

The theme of value alignment represented a defining characteristic of ethical leaders recalled by respondents. Value alignment was qualified by three categories: integrity, courage, and trustworthiness. Most respondents' descriptions and discussion included references to value alignment. Respondents emphasized alignment as a holistic concept that was reflected and reinforced in all aspects of an individual's behavior. Many referred to value alignment as being the essence of what defined an individual's character. An individual's ethos or character, referred to the enduring traits, attitudes, sensibilities, and beliefs that affect how an individual perceives, acts, and lives (Glover, 1999).

The expression 'model values' was used by many respondents, but most referred to the 'living of values'; the latter being an innate aspect of an individual's character and belief system. More importantly, the demonstration of these values did not depend on whether the leader was being observed by others, nor was it linked to a specific professional position or reward system. In essence, the leader 'acted out' his or her values because they were seen to originate from a strongly-held, intrinsic belief system. Therefore, the values were explicit because the alignment of the individual's words and actions were unambiguous to the observer. The following respondent articulated this concept of value alignment:

It's actually about if you're a leader, as I am here, then I have to live by a set of values or ethics, which ever you want to call it and not be seen to behave as it were hypocritical, because I think, and so the being self-aware thing is always being conscious of the need for your behavior to be demonstrably in accordance with those values and ethics. (VG9)

Integrity

In recalling examples of ethical leaders, respondents used the term integrity to refer to core values, such as honesty, trustworthiness and personal values, which were observable and consistently demonstrated. Integrity was described as a holistic and collective expression, dependent on the interrelated strength of all the values that formed the identity of an ethical leader. This concept of integrity as the interconnectedness of values was well defined in the following respondent's recollection:

It's about that sense of integrity and I guess the best way of describing that was when we had a number of values and the last value was integrity and I always claimed that integrity was the value that kept all the others in check. In other words, when you are acting with integrity you're acting in accordance with all the other values. (PG19)

In particular, it was the way an ethical leader related to others that defined his or her integrity. Individuals who demonstrated integrity were leaders who sought to engage and communicate with others and whose behavior reflected the value they placed on collaboration and consensus. However, this did not mean leaders avoided conversations or decisions that may have evoked differences of opinion or group conflict. An integral component of integrity was a commitment by leaders to seek resolution rather than to avoid conflict in their relationships with others.

Respondent's recollections of ethical leaders incorporated the value of honesty into their meaning of integrity. A leader who had integrity was also honest. The manner in which honesty was recognized by respondents aligned with leaders who consistently presented themselves in an authentic and truthful way and who did not misrepresent themselves or a situation to others. Honesty was described by respondents as an individual demonstrating a willingness to be open and truthful about a situation and, more importantly, having consistency and alignment between what was said they would do and what was actually done.

While respondents recalled that honesty was fundamental to the integrity of an ethical leader, the challenges and difficulties that being honest presented in their professional relationships was also a common theme among respondents' recollections. The concept of honesty was not expressed as always being fully open or truthful in professional and personal relationships. A dilemma recalled by respondents resided in making a judgement about what to reveal, or not reveal, to individuals involved in a specific situation. Many respondents described the potential damage which could arise to both themselves and others should complete honesty be exercised. This specific dilemma relating to the expression of honesty is illustrated in the following description:

Sometimes you don't tell everyone the whole truth because the outcome would be devastating to them and you know your staff or you know the space in which some people are in and you learn that over time. (PG9)

Therefore, inherent in this dilemma was making judgements about the degree of honesty and the level of openness that respondents adopted in their engagement with others. Respondents were conscious that the effects of being honest with others varied between individuals, and this was considered a difficult aspect to manage. For many respondents, personal values were reflected in both honest intentions and honest action, commonly referred to as leaders who 'made clear what they stood for,' and this further illustrated the meaning of the theme of value alignment. The term 'principles' was used synonymously with personal values and embodied a leader who was true to his or her beliefs and provided an expectation for integrity in both themselves and others.

Although respondents expressed a strong commitment to a consistency of values in both their private and professional lives, many acknowledged there was a perception held by some of their professional colleagues that this did not apply to the business environment. As the following description illustrates, this perception was not necessarily shared by all members of the business community:

I also worked in the private sector and there was the constant dilemma between delivering wealth for your owners and that sometimes, shouldn't, but sometimes, tended to bend people's value systems. I'm not talking about bending the rules, I'm talking about what you might think in your own life is a good value set but apparently when you get into business it's a different value set and I don't necessarily see that it's any different. (PG12)

Courage

The second category which emerged from data to qualify value alignment was courage. Respondents recalled courage in the context of ethical leaders who exhibited mental and emotional strength in the execution of their responsibilities as leaders. Leaders who demonstrated courage were described by respondents as taking 'ownership' of the manner in which decisions were made and not abrogating their decision-making responsibilities to others. Central to this commitment were clearly defined values that appeared to guide leaders' behavior and decision-making. Most particularly, respondents recalled courage as being demonstrated when leaders remained committed

to their values in the face of strong criticism or opposition. Further, such leaders were prepared to be the dissenting voice and stand alone on issues rather than compromise their values or principles.

Courage was also demonstrated by ethical leaders who took responsibility for their decisions; further, they rarely took at face-value information or situations without critical examination and consideration. This level of scrutiny extended to an expectation that individuals in the organization would be accountable for their actions. This call to account by leaders was undertaken even if the issues were unpopular or had the potential to cause distress or disruption in the organization. This example of courage is encapsulated in the following recollection:

He used to ask the hard questions and he would often put those who brought certain circumstances to him, not through the grinder, but certainly didn't necessarily immediately accept the arguments which were put to him. (PG10)

Finally, another application of the meaning of courage observed by respondents in ethical leaders was a strong commitment to the development and promotion of an ethical culture in the organization. Respondents expressed that this emanated from the leader's values that he or she instilled consistently into every aspect of the organization's operations. Many respondents acknowledged this as being a potentially challenging undertaking, requiring a consistent level of courage, particularly when leading organizational change. In these circumstances, respondents expressed courage as being a necessary characteristic to manage those opposed or resistant to change.

Trustworthiness

The third and final category to emerge from data to qualify the theme value alignment was trustworthiness. This category featured prominently across all groups in this research. Leaders who gained the trust of others demonstrated, over time, transparent value alignment between words and action. Such trustworthiness, respondents recalled, could not be feigned or acquired quickly. A leader's reputation for trustworthiness was built up over a long period, through recognition by others that what a leader said was consistently and transparently reflected in what he or she did. Many respondents made reference to such expressions as 'follow through' in reference to an ethical leader having trustworthiness, someone who did not 'let others down'. Therefore, a trustworthy leader gave others a sense of assurance that the expectations of the role would be fulfilled consistently over time. An important observation made by many respondents was that a reputation for trustworthiness had the potential to be easily destroyed. Indeed, as the following respondent noted, trust could evaporate very quickly:

There's a lovely saying that and I don't know whether you ever encountered it, and I didn't hear about it until a year ago and it's remained with me since, which is that truth arrives on, no, trust arrives on foot but departs on horseback. (PG21)

Governance

The second theme, governance, emerged from data and focused on mechanisms and administrative processes of accountability most often associated with systems of governance. That is, policies, regulations and operating systems applicable to the administration of an organization. Two categories, accountability and discernment, qualified the theme of governance. Integrated into the theme of governance were respondents' references to the importance of relationships through which activities relating to governance took place. This meant that ethical leaders were mindful not only of their legal obligations, but also took into consideration the effect of their decisions on key stakeholders both within and external to the organization. Therefore, ethical leaders considered their governance responsibilities not just from an economic position but also from social, cultural, and environmental perspectives. In recalling examples relating to governance, respondents expressed this as leaders exercising what is termed as the 'spirit of the law'.

Accountability

Accountability was a common expression through which respondents described recollections of ethical leaders' decision-making. Essentially, accountability was recalled by respondents as an expectation which required that protocols relating to governance were being followed. As such, accountability involved decision-making which, if opened to examination by others, reflected clarity and honesty. Transparency was a common expression used by respondents to describe decisions in which the leader's actions were clear and unambiguous. Therefore, transparency not only included satisfying the rules of governance and accountability, but reflected decision-making that allowed people to understand the rationale and purpose behind the decision.

Ethical leaders' recognition of the measures of accountability was strongly aligned with a sense of duty and commitment to a course of action and with decisions founded on doing the 'right thing' irrespective of whether the outcomes were popular or resulted in commercial loss for the organization. These leaders were described as being able to live with their decisions, and having clear consciences, relating to both their actions and the consequences of those actions. Therefore, ethical leaders made decisions based on their rightness, not popularity or 'goodness'. This meaning is clearly illustrated in the following description:

At times there probably would have been an advantage to cut corners, to not provide a full quality service, but at all times we have done that, sometimes to our commercial cost. At the end of the day and at three o'clock in the morning when you wake up thinking about it, you've got to be able to go back to sleep and I've never had any difficulty doing that. (PP20)

Accountability in decision-making by ethical leaders was described by respondents as being closely aligned with effective communication. That is, a leader's decision-making processes demonstrated accountability when supported by clear communication, which ensured people were informed about decisions made by the leader. A willingness to provide a clear representation of a decision or situation so

its details were not ambiguous to others was cited as an important component of accountability. In doing so, ethical leaders provided stakeholders with a realistic and honest 'picture' of the nature of the decision-making process.

Discernment

The second and final category that emerged from data relating to the theme of governance was discernment. An ethical leader's ability to 'step back' and give careful consideration to matters associated with the ability to form better judgements. These judgements, according to respondents, required discernment because they involved issues that were often complex and multi-faceted in terms of their consequences. A leader who demonstrated discernment approached decision-making processes in a considered and holistic manner. These leaders were described as being able to 'live with their decisions' or having 'a clear conscience'. These expressions included not only the decisions themselves, but also the consequences and effects that those decisions may have had on stakeholders both inside and outside the organization. This meaning is reflected in the following recollection:

The person I am thinking of always had enough, actually always kept sufficient distance between himself and the day-to-day job to be able to recognize when there were bigger picture considerations that need to be taken care of. So I don't think, many people who may make poor decisions, I don't think they do it. (VG1)

A component of discernment identified by respondents was impartiality in ethical leaders' decisions relating to governance. Impartiality encompassed decision-making which was fair and even-handed. Fairness was expressed by respondents as being a central component of impartiality and included consideration of interests of all parties affected by the decision-making process. This did not mean a leader met everyone's needs; rather, the leader undertook an equitable and impartial consideration of all affected parties. Overall, discernment was evident in leaders who, at the core of their decision-making, were governed by doing 'the right thing'.

Relationship-Centeredness

The third and final theme to describe the characteristics of ethical leadership was relationship-centeredness. Two categories, fairness and altruism, qualified the theme of relationship-centeredness. Respondents' recollections focused on the value ethical leaders placed in others. Therefore, leaders who had genuine consideration for others and actively encouraged their inclusion and involvement in the communication process demonstrated relationship-centeredness. This commitment to people by ethical leaders translated into relationship-building being a hallmark of a successful organization. Effective communication was recalled by respondents as integral to the demonstration of relationship-centeredness. This was evidenced by a leader's genuine commitment to listen and consider the views of others. In addition, seeking their understanding in the decision-making process was also deemed as being an important aspect of effective communication. While ethical leaders' decisions were not predetermined, and often

formed by genuine engagement and consensus with others, ethical leaders nevertheless took responsibility for the final decision as evidenced in the following recollection:

Professional relationships were based on trying very hard to best explain the circumstances and decisions and being very prepared to hear people's views about what they thought the best course of action was but then being pretty clear about where the responsibility lay for taking a decision and then doing so. (VG5)

Respondents also described empathy as integral to relationship-centeredness. A leader who demonstrated empathy gave priority to understanding others and took into consideration people's personal and professional circumstances when making decisions. Ethical leaders who demonstrated relationship-centeredness were seen as being responsive to the individuals with whom they related and had what could be termed a mindfulness and consideration for differences among people. For example, an appreciation of different levels of expertise, personalities, and ethnic backgrounds was perceived by ethical leaders as having a positive influence in an organization. This responsiveness and regard for others was recognized in the leader's day-to-day interaction and communication with others, which demonstrated a genuine respect for difference. This respect was evident in leaders who, for example, established workplace policies and practices that drew on the collective strengths of individual differences. Therefore, leaders' respect for difference was integral to their commitment to relationship building and was not seen as an extra or add-on to existing practices.

Fairness

The qualifying category fairness was cited by respondents as an essential characteristic through which an ethical leader demonstrated respect for others. It was perceived by respondents as being synonymous with the equitable treatment of people. Such treatment entailed having in place opportunities, including public and private forums, for people to express their views and address concerns. Many respondents' recollections centered on ethical leaders who demonstrated fairness by exercising impartiality. This was commonly expressed by leaders as making judgements without 'fear or favor'. That is, not giving any individual special consideration based on positional power or personal relationships. This is clearly illustrated in the following recollection:

It didn't matter whether, who you were, if you didn't meet these requirements that's the way you were treated and it didn't matter whether you were a Supreme Court judge or the little local market gardener, you got treated the same way, so that was a good example of ethical standards and the fairness of treating everybody equally regardless of who they were or where they came from. (PG19)

Overall, respondents believed fairness represented treating people in a considerate and even-handed manner. However, its application and demonstration brought with it a common dilemma recalled by many respondents. For example, leaders could recognize the needs of different groups competing for limited resources. However, no matter how carefully leaders considered the distribution of the resources, those stakeholders who 'missed out' would not necessarily perceive the decision as equitable or fair. Notwithstanding this challenge, leaders who communicated closely with key stakeholders in the issue being addressed were more likely to have a reputation for behaving in a fair manner.

Altruism

The final category to qualify relationship-centeredness was altruism and it was expressed as a commitment to the service of others. An ethical leader who demonstrated altruism supported people through daily gestures of compassion and kindness. Altruism was described as an awareness of the needs of others and, in particular, as a sense of benevolence or generosity in 'giving back' to the community. Ethical leaders exhibited an innate desire to base action on promoting the greatest good and benefit to others. This commitment to the welfare of others was described by respondents in different ways. Many referred to an ethical leader's demonstration of altruism as being apparent when individuals' needs were put before their own. This was often described by respondents in situations where leaders could legitimately make decisions to serve their own self-interests, but instead chose to meet the obligations of others and the organization first.

Another quality recalled by respondents to describe individuals who demonstrated acts of altruism was humility. Ethical leaders who demonstrated humility were not focused on themselves. Some of the characteristics recalled by respondents to describe humility were leaders who took pride in their achievements but did not claim to have succeeded without the contributions of others. Ethical leaders also demonstrated humility by being modest about their role or success. That is not to say they were selfless and did not seek to fulfil their own ambitions, rather, they were more likely to 'play down' the significance of their own achievements and graciously acknowledge the role of others in their own and the organization's success. The concept of altruism was also described by some respondents as 'serving the public interests'. In their recollections, this was expressed as a sense of duty to serve the interests of groups or individuals in the community. This service extended beyond matters relating strictly to business affairs. 'Serving the public interest' encompassed a level of community engagement which contributed to areas such as issues of general health and well-being. Two examples were lawyers who offered their services to some members of the public pro-bono or mining companies that formed community partnerships relating to environmental issues and education.

The propensity to forgo self-interest was also expressed in the context of leaders who invested their time and energy nurturing the careers of other individuals in their organization. While it was seen as important to provide a professional environment in which individuals could reach their full potential, many respondents expressed this commitment to others as having 'a down side' for the organization. That is, the

provision of opportunities for individuals to develop their professional expertise meant they potentially could become more competitive or attractive to other organizations. Therefore, an altruistic leader graciously accepted that in assisting others to develop to their full potential, they may lose individuals whom, given the choice, the leader would rather have retained for the benefit of their own organization.

In summary, data emerging from this research qualified ethical leaders as characterized by three principal themes: value alignment, governance, and relationship-centeredness. These themes were qualified by respondents' recollections and described ethical leaders as individuals whose words and actions are consistently aligned. Ethical leaders are recognized by others for their integrity, courage, and trustworthiness. In matters of governance, their decision-making is accountable and approached with discernment. Finally, ethical leaders are focused on relationships based on fairness and altruism.

Discussion

The literature suggests individuals' propensity for ethical or unethical conduct may vary according to a range of complex individual, environmental, and contextual factors (Brown & Trevino, 2006b; Brown & Mitchell, 2010; Caldwell, 2009). The three themes relating to ethical leadership which emerged from the data: value alignment, governance, and relationship-centeredness are discussed in relation to literature which aligns with the principal findings of this research.

Value Alignment

The consistent alignment between an ethical leader's words and actions is the defining characteristic of the theme value alignment. The seminal work of Argyris (1997) most closely applied to the theme value alignment that emerged from this research. In particular, Argyris stated, "human beings hold two different master designs. The first incorporates the theories humans espouse about dealing effectively with others. The second design involves the theories they actually use (i.e., their theories-in-use)" (p. 10). It is this concept of alignment which was featured in the findings of this research. Respondents' recollections of the characteristics of ethical leaders were strongly represented by the witnessed, unambiguous alignment of what leaders said they would do and what they did. Therefore, according to respondents' recollections, what leaders said they would do and what they actually do supports Argyris's theory. Integrity is identified as being important to leadership effectiveness (Chun, 2005; Parry & Proctor-Thomson, 2002; Peterson, 2004; Resick et al., 2006). Nevertheless, based on a search of the literature, there is yet to emerge a clear definition of this term. Researchers such as Becker (1998), Storr (2004), and Parry and Proctor-Thomas (2002) have all identified the lack of a consistent definition or meaning. Many respondents in this research used the terms integrity, honesty and trustworthiness interchangeably in their recollections of ethical leaders. This is supported by Chun (2005) who identified a close relationship between the concepts of honesty, and trustworthiness.

An aspect of honesty evident in the literature that did not emerge in this research was self-honesty and awareness (Dickson et al., 2001; Fry, 2003; Reave, 2005). The work of Brown and Trevino (2006b) in their examination of the authentic leadership

construct, found that authenticity and self-awareness were not part of the ethical leadership construct. Respondents in this research did not refer to self-knowledge or emotional intelligence being an essential component of ethical leadership. However, respondents' references to 'being true to oneself' may be viewed as indicative of having self-awareness and commitment to one's values.

Palanski and Yammarino (2007) made the point that while integrity was recognized as integral to effective leadership, there was little research on the relationship between leadership and integrity. They suggested that integrity be considered a virtue. Whetstone (2001) described virtue "[t]o be a qualitative characteristic, generally considered part of a person's character, something within a person, although neither materially nor biologically identifiable. A virtue is closer to an internal value, something of the spiritual essence of the person" (p. 4). The respondents in this research, while not specifically using the term 'virtue', made reference to personal or internal values, the terms of which fit with Whetstone's (2001) definition. This concept of virtue was also reflected in the work of Chun (2005) who developed a virtue character scale that included integrity to measure the link between organizational level virtue and organizational performance. Chismar (2001) also described virtues as ethical character traits that included integrity, and that represented behavior which was demonstrated over time and related to day-to-day business activities.

Palanski and Yammarino (2009) adopted the definition of integrity to mean consistency of action between words and behavior. This aligned closely with the meaning of the theme value alignment in this research. Simons (2002) used the term behavioral integrity as the perceived pattern of alignment between words and action. Ryan (2000) described integrity as putting truth into practice. These meanings all supported the key finding of this research relating to respondents' recollections of the integrity of ethical leaders. An important point made by Palanski and Yammarino (2009) was how critical it was that characteristics such as integrity were researched at group and organizational levels, since leadership is concerned with interdependent relationships which are an essential component of a group or an organization. Respondents' recollections related to ethical leaders' behavior in both the individual and group environments.

One of the ways respondents in this research perceived the integrity of ethical leaders was by the values they demonstrated. Schwandt (1994b) defined values as "[d]esirable states, objects, goals, or behaviors transcending specific situations and applied as normative standards to judge and to choose among alternative modes of behavior" (p. 2). Further, the pursuit of goals that are aligned with one's personal values have been associated with positive outcomes, such as a sense of well-being, job attitudes, and performance (Bono & Judge, 2003; Cha & Edmondson, 2006; Judge et al., 2005). Badaracco and Ellsworth (1992) supported this finding by stating it is the consistency with which leaders demonstrate their personal values in daily action that constitutes integrity.

The relationship between an ethical leader's integrity and his or her trustworthiness represented an important finding in this research. While trustworthiness may be considered an integral component of integrity, it was commonly recalled by respondents in this research as a separate characteristic of ethical leadership. This suggested that the consistent alignment between an ethical leader's words and actions, that is, integrity, was a central determinant of trust (Becker, 1998). The social theory of

trust put forward by Sztompka (1999) referred to primary trustworthiness as being the initial estimate individuals make in determining whether or not to confer trust upon another person (the trustee) or institution. Sztompka (1999) asserted that a trustee's reputation, performance and behavior over time, provided some primary basis to make assessments relating to an individual's trustworthiness. Schoorman, Mayer, and Davis (2007) argued that trust was an aspect of relationships which varied within persons and across relationships. In the context of this research, the perception of trustworthiness of ethical leaders was gained, over time, through consistent and predictable behavior in the relationships leaders hold with individuals and groups.

Respondents in this research made reference to trustworthiness being demonstrated in a number of ways and this was supported by Rotter's (1971) definition of trust being "[a] generalized expectancy held by any individual or group that the word, promise, verbal, or written statement of another individual or group can be relied on" (p. 444). While trustworthiness may be demonstrated by verbal or written statements, respondents placed greater importance on ethical leaders' trustworthiness being evidenced by words which were followed up by appropriate action. In particular, this action signaled to others that an ethical leader carried out what he or she said would be done. This alignment of words and action needed to be demonstrated consistently for a leader to develop a reputation for trustworthiness. Respondents made reference to leader integrity and saw a relationship between a leader's trustworthiness and the perception that the leader had integrity.

A meta-analysis on trust in leadership by Dirks and Ferrin (2002) found the proximity of leaders to employees was more strongly associated with employee outcomes, such as job satisfaction and performance, than with leaders who were distant. This finding was supported in research by Andersen (2005), which focused on why Swedish subordinates trusted their managers, who found the level of trust to be high among employees, who had a close relationship with their manager, and those who could observe the manager's behavior more directly than could other employees. This concept of proximity and trustworthiness was also evident in this research. Senior executives' recollections of ethical leaders were individuals with whom they had a close working relationship. Many respondents' examples of ethical leaders were those who had influenced their careers before they became senior executives themselves. They were individuals in whom respondents placed trust and sought guidance during the development of their careers.

Courage emerged from the data as another concept related to value alignment. In the context of this research, courage referred to an ethical leader's capacity to demonstrate perseverance and leadership strength. Many respondents used the word 'resilience' to describe acts of courage by ethical leaders. Resilience was described in the literature as one aspect of positive psychological capital (Norman, Avolio, & Luthans, 2010). Together with hope, optimism and efficacy, resilience represented "[a] higher-order, core construct which can be thought of as one's positive psychological resources or capabilities" (Luthans et al., 2007, p. 545). While courage may be included as an aspect of one's positive psychological resources, the literature defined resilience differently from courage. Luthans (2002) defined resilience as the "[p]ositive psychological capacity to rebound, to 'bounce back' from adversity, uncertainty, conflict, failure or

even positive change, progress and increased responsibility” (p. 702). Bohn (2002) defined a sense of resilience as one component of what he termed ‘organizational efficacy’. This was the capacity of the organization and its members to cope with the demands and challenges of the business environment.

A specific aspect of courage recalled by respondents in this research related to ethical leaders who demonstrated a commitment to the development of an ethical culture in the organization. This was achieved by leaders who were not afraid to ‘call people to account’ and make clear their expectations about ethical conduct. Courage was evident in leaders who stood by their decisions, even in the face of opposition or unpopularity. That is, an ethical leader did what he or she believed was right, not popular. The courage of one’s convictions captures the meaning recalled by respondents more succinctly than the term resilience. Therefore, respondents did not associate courage with ethical leaders rising above adversity, which is the core meaning of resilience evident in the literature. In the context of this research, the concept of resilience may be seen as a component of courage, but it did not completely encapsulate its meaning.

A theory that more closely defined the meaning of courage by respondents in this research was that proposed by Schlenker (2008). He asserted there were two dimensions to an ‘ethical ideology’ which was the system of beliefs and values an individual holds relating to matters of right and wrong; they were principled and expedient ethical ideology. A principled ideology was defined as the “[i]deas that moral principles exist and should guide conduct, that principles have a trans-situational quality and should be followed regardless of personal consequences or self-serving rationalizations, and that integrity, in the sense of a steadfast commitment to one’s principles, is inherently valuable and a defining quality of one’s identity” (Schlenker, 2008, p. 1079). This definition fits with respondents’ recollection of ethical leaders’ courage in the face of resistance and potential personal loss. In contrast, individuals holding an expedient ideology believed moral principles were flexible and deviations were justifiable for personal gain.

The literature pertaining to ethical leaders ‘calling people to account’ on ethical standards and behavior, supported the research findings related to courage. Seminal research by Trevino et al. (2000, 2003), Trevino and Nelson (2004), Brown and Trevino (2006a, 2006b) and Brown et al. (2005) represented important empirical and theoretical works which conceptualized and measured the newly emerging construct of ethical leadership. In a comparative analysis of three leadership constructs with ethical leadership, Brown and Trevino (2006b) established one key feature that distinguished ethical leadership from authentic, spiritual and transformational leadership; “ethical leaders explicitly focus attention on ethical standards through communication and accountability processes” (p. 600). When respondents recalled the characteristics of ethical leadership in this research, individuals who had courage were prepared to ‘call people to account’ on breaches of conduct rather than ‘turn a blind’ eye. In other research by Weaver et al. (2005), “[n]ot only did ethical role models communicate their ethical standards, they also held their subordinates accountable to high ethical standards” (p. 322). Those findings were part of qualitative research consisting of interviews within diverse organizations in the United States of America. Earlier qualitative research by Trevino et al. (2003), in which senior executives and ethics officers were interviewed about the characteristics of ethical leadership, revealed similar findings in relation to

ethical leaders emulating high ethical standards and holding people accountable for those standards in the organization.

The act of ethical leaders modelling values, and their influence on follower behavior and organizational outcomes has been studied in relation to two social learning theories (Brown et al., 2005; Brown & Trevino, 2006b). The first, Bandura's (1977) social learning theory, was based on the concept that individuals learn by observing and following the behavior and values of role models. According to Brown and Trevino (2006b) "[e]thical leaders are likely sources of guidance because their attractiveness and credibility as role models draws attention to their modeled behavior" (p. 597). However, as Brown and Trevino suggested, ethical role modelling encompassed more than a leader's positional authority. Followers observe and make judgements related to both positive and negative leadership modelling. Bandura's social learning theory supported the value alignment theme in this research. Respondents' recollections of ethical leadership were strongly related to what behavior they could directly observe in a leader. The effect of this behavior on both respondents and other individuals played a role in the judgements they made about leaders. Moreover, impressions of leaders were formed whether or not leaders 'walked the talk'.

Governance

Respondents in this research used such expressions as 'acting lawfully', 'making responsible decisions', and 'withstanding public scrutiny' to describe behavior relating to accountability by ethical leaders. Although it was not explicitly stated by respondents, their recollections did suggest that ethical leaders were conscious that accountability requirements involved scrutiny of their conduct. This aligned with the literature relating to accountability theory. Beu, Buckley, and Harvey (2003) defined accountability as "[t]he perception of defending or justifying one's conduct to an audience that has reward or sanction authority and where rewards or sanctions are perceived to be contingent upon audience evaluation of such conduct" (p. 89). Indeed, Tetlock (1992) made the point that without the capacity to call individuals or agencies to account for their actions, there would be no basis for social order. Accountability measures, contended Tetlock (1992), were more likely to result in individuals conforming to the expectation of others.

Frink and Klimoski (2004) referred to accountability as "[t]he adhesive that binds social systems together" (p. 2). Therefore, pressure to conform was not only through accountability measures, but also a complex web of interpersonal relationships. Beu et al. (2003) asserted that the complexity of these relationships was the driving force behind ethical behavior in the workplace. In the context of this research, it was the influence of the ethical leaders' modelled behavior that had the most salient influence on individual and group behavior. Respondents' recollections were drawn from observations and perceptions of ethical leadership behavior and the effect this had on the behavior of followers. The relationship between ethical leadership and follower behavior was strongly supported in the literature (Brown & Trevino, 2006a, 2006b; Brown et al., 2005). It has been suggested by some scholars that leaders with ethical characteristics are positively linked to effective organizations (Ciulla, 2005; Kanunga & Mendonca, 2001; Sarros, Cooper, & Hartigan, 2006).

Respondents in this research placed the fulfilment of accountability measures

relating to governance as being an important characteristic of an ethical leader. In particular, respondents' recollections related closely to leaders' decision-making and how this affected the followers' relationships with and perceptions of leaders. This was also supported by Bandura's (1986) social learning theory, since respondents' observations of leaders' approach to accountability requirements contributed to the perceptions they form of leaders. In relation to how an ethical leader demonstrated responsible governance practices, the category discernment encapsulated respondents' descriptions of how an ethical leader approached decision-making. When ethical leaders exercised discernment they considered decisions carefully, 'weighing up' the options and applying the required 'checks and balances' of requirements relating to governance.

The literature which aligned most closely with the meaning of discernment in the context of this research was 'conscientiousness', one of the Big Five factors representing the basic underlying dimensions of personality (Brown & Trevino, 2006b; Chun, 2005; Costa & McCrae, 1998; Kalshoven, Den Hartog, & De Hoogh, 2010). The other four factors of the Big Five are: agreeableness, openness, extraversion, and neuroticism (Costa & McCrae, 1998). Leaders considered conscientious and who exercised discernment in decision-making were cautious before acting and adhered closely to their duties and responsibilities. Respondents in this research recalled ethical leaders communicating and seeking input from others as being part of the concept of discernment. This process was evident in Collier and Esteban's (2000) use of the term 'communities of discernment' in describing a group of individuals who had a shared purpose and commitment to make judgements and decisions that were morally right. That is, open dialogue between the members of a professional community was more likely to lead to decisions considered beneficial to all members of the community.

Conscientious and discerning behavior in leaders was expected to be positively related to ethical leadership (Brown et al., 2005; De Hoogh & Den Hartog, 2008). Brown and Trevino (2006b) proposed that conscientiousness and agreeableness were positively related to ethical leaders. Agreeableness encompassed traits such as altruism, trustworthiness, and kindness (Costa & McCrae, 1992; Kalshoven et al., 2010). This aligned with key traits of ethical leadership that emerged from data in this research. For example, altruism and trustworthiness were associated with the trait agreeableness and discernment, courage and accountability described a conscientiousness leader. These traits were perceived by respondents as being positive qualities in ethical leaders. Walumbwa and Schaubroeck (2009) also found conscientiousness and agreeableness to be positively related to ethical leadership.

Relationship-Centeredness

The final theme that emerged from data in this research to support the characteristics of an ethical leader was relationship-centeredness. This theme aligned very closely with Brown and Trevino's (2006b) definition of an ethical leader demonstrating "normatively appropriate conduct through personal actions and interpersonal relationships and promoting such conduct to followers through two-way communication, reinforcement, and decision-making" (p. 595). Fairness described the nature of the relationship ethical leaders developed with their followers. Many of the decisions leaders make can have an effect on followers (van Knippenberg, De Cremer, & Van Knippenberg,

2007). Therefore, followers were concerned about the fairness of decisions. Thus, “the perceived fairness of the leader, either in terms of outcomes received (distributive fairness), the procedures used to arrive at these outcomes (procedural fairness), or the quality of interpersonal treatment (interactional fairness), may substantially impact leadership effectiveness” (van Knippenberg & De Cremer, 2008, p. 174). For example, research by De Cremer and Tyler (2007) found fair procedures promoted cooperation when an enacting authority is trusted.

The findings of this research placed the concept of fairness central to a leader being perceived as ethical by others. Most particularly, respondents perceived ways in which an ethical leader demonstrated fairness as being closely associated with other characteristics such as trustworthiness, integrity, and discernment. One concept respondents recalled in ethical leaders who demonstrated fairness was respect. In the context of this research, respectful leaders recognized the importance and value of others and sought to genuinely listen, empathize, and consider their feelings and views. This meaning of respect aligns with van Quaquebeke and Eckloff's (2010) definition of respect as “[a] person's attitude towards other people, in whom he/she sees a reason that, in itself, justifies a degree of attention and a type of behavior that in return engenders in the target a feeling of being appreciated in importance and worth as a person” (p. 344). Earlier research conducted by van Quaquebeke and Eckloff (2010) found that employees valued what they termed ‘recognition respect’ by their leaders and ‘appraisal respect’ from their leaders. Recognition respect represented leaders who focused on understanding and treating others with such behavior such as kindness, whereas, appraisal respect related specifically to the esteem an employee received by leaders recognizing and rewarding their skills and achievement (van Quaquebeke & Eckloff, 2010).

The performance of work by employees is a central focus of the organization. In this research, respondents placed honest feedback and recognition of employees' work as an important demonstration of fairness. Respondents' recollections described ethical leaders as being open and honest in their disclosures, inclusive in their decision-making, and empathetic to followers' concerns. Therefore, fairness encompassed a number of qualities in the leader–follower relationship which included being empathetic. Chun (2005), for example, suggested the ability to be empathetic was a fundamental value of an individual with ethical character. The literature made a distinction between different aspects of justice, which was relevant to the concept of fairness in this research. Those aspects were: distributive justice, that centered on the fairness of outcomes received; interactional fairness, which related to dignity and respect with which one is treated; and procedural justice, which focused on fairness of procedures used to reach outcomes (Saunders & Thornhill, 2004; van Knippenberg et al., 2007). In the context of this research, the exercise of procedural justice by leaders was perceived by followers as demonstrating fairness. Research by De Cremer and van Knippenberg (2003) found that leaders' procedural fairness interacted with the favorability of outcomes and cooperative behavior in groups. The Brown et al. (2005) development of the ethical leadership scale (ELS) found that ethical leadership was positively related to interactional fairness.

The management of reward and punishment by leaders was cited by respondents

in this research as an important example to illustrate fairness. This was supported by literature which confirmed a leader's reputation for fairness was gained by his or her management of both rewards and punishment in the organization (Butterfield et al., 2005; Trevino, 1992a; Trevino & Youngblood, 1990). Further, Trevino (1992a) theorized that the management of punishment also served as a cue to observers about expectations relating to behavior, workplace justice and how leaders manage misconduct.

The respondents in this research recalled that ethical leaders, whose focus was on relationship building with others, demonstrated altruism. This was evident, according to respondents' recollections, in behavior that reflected humility, unpretentiousness, and a genuine interest in the welfare of others. Nagel (1970) described an element of altruism to be a willingness to act in consideration of the interests of others without having ulterior motives for such action. A specific example recalled by many respondents that conveyed altruism was that of ethical leaders who nurtured the career development of employees. This was considered an act of altruism because ethical leaders provided support and mentoring to employees even though in doing so they risked a loss to themselves and the organization if the employee sought professional opportunities outside the organization.

Research by Brown and Trevino (2006b) also examined the similarities and differences between ethical, spiritual, authentic, and transformational leadership. They identified altruism as a common trait in all the leadership constructs. In their research, altruism was described as demonstrating genuine care and concern for people. The importance of altruism was evident in literature that examined ethical leadership from a cross-cultural perspective. Resick et al. (2006) confirmed that altruism was an important characteristic in the development of what they termed a community or people orientation. There was a similar meaning reflected in this research since respondents made reference to the focus ethical leaders had on relationships with others, which was one of the three principal findings, namely, relationship-centeredness. Respondents also referred to the global business environment in which the building of relationships has become an important basis for success in business.

The work of Kanungo and Mendonca (1996) found altruism to be the critical ingredient to effective leadership. Indeed, they went so far as to say that "[b]y ignoring the altruistic motive, the discussion and research of the leadership phenomenon essentially avoided the moral and ethical issues that are involved in leadership" (Kanungo & Mendonca, 1996, p. 44). While they recognized that leadership behavior does have a set of needs, namely the need for power, achievement and affiliation, their view was that unless these needs are motivated by altruism, leadership behavior is ineffective. Ciulla (2005) believed there was a fundamental challenge in the way Kanungo and Mendonca (1996) represented the concept of altruism as leaders only can be truly effective if they are motivated by a concern for others. As stated by Ciulla (2005) "[b]oth selfishness and altruism refer to extreme types of motivation and behavior. Further, even if a leader does act altruistically it does not guarantee that their actions will be moral" (p. 327). Ciulla's argument relating to altruism was reflected in the findings of this research. Respondents recognized altruism as being a component of ethical leadership. However, they did not represent altruism as being an exclusive

act of self-sacrifice on the part of an ethical leader. Rather, acts of altruism occurred when leaders also demonstrated concern for their own self-interest. This was referred to by Kanango and Mendonca (1996) as utilitarian or mutual altruism. Price (2003) also supported this view when he claims that the self-interests of leaders can be served by the demonstration of what appears to be altruism.

The focus of this research was to explore and define the characteristics of ethical leadership. The moral manager dimension of ethical leadership was a defining characteristic of this research that was supported in the literature (Brown & Trevino, 2006b; Brown & Mitchell, 2010; Trevino et al., 2000). Three themes emerged from the data to define ethical leadership: value alignment, governance, and relationship-centeredness.

The theme of value alignment captured the most significant characteristic of an ethical leader. To be perceived as ethical, it is essential an individual's character and values, represented and expressed in words, are closely aligned with behavior. Many respondents referred to value alignment as 'living one's values' with those values being an expression of one's innate character. Ethical leaders' value alignment was recognized in individuals who demonstrated integrity, courage, and trustworthiness. While respondents recalled each of these characteristics individually, integrity was expressed as encompassing a number of core values, including honesty and trustworthiness. Ethical leaders demonstrated courage when they stood up for what they believed was right, even when their position on a matter may have been unpopular or against the views shared by others. This meaning was captured in the phrase 'the courage of one's convictions'. Courage was also reflected in leaders who 'called people to account' on ethical standards and behavior.

The theme governance described ethical leaders whose decision-making was defined by fair and transparent processes which followed both the 'letter' of the law and the 'spirit' of the law. In doing so ethical leaders accept accountability for their actions. Decision-making reflected discernment and was undertaken in an informed and impartial manner. Finally, ethical leaders are relationship-centered; that is, how they communicate and relate to others is a focus of their leadership style. Their relationships are defined by fairness, which encompasses qualities such as respect and empathy, both of which characterize altruism.

Future Research

The literature relating to ethics and leadership made a clear distinction pertaining to the construct of ethical leadership compared with other constructs, such as transformational, authentic, and spiritual leadership. Specifically, the transactional nature of the 'moral person, moral manager' defined an ethical leader (Brown & Trevino, 2006b). This raised the question of what place leadership styles may have in the perceptions individuals hold of the characteristics of ethical leaders. Therefore, to what extent, if any, is a leader's ethicality related to the style of leadership he or she exhibits? Perhaps, as Badaracco (2002) suggested, ethical leaders may not be individuals who are recognized as having 'larger-than-life' personalities or a reputation for so-called 'heroic acts'. Rather, they are individuals whose leadership is characterized by many day-to-

day acts, which quietly, but effectively, build a desired ethical climate and follower commitment in the organization. It may be beneficial that future research examines leaders perceived by followers to be ethical and whether any specific leadership style is identified by these followers as demonstrating ethical characteristics.

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CFO as a Strategic Partner of the CEO: Relational Demography and Firm Financial Performance

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This paper highlights the importance of the Chief Financial Officer (CFO) as a strategic partner of the Chief Executive Officer (CEO). Using a sample of 119 firms with a longitudinal design, a strategic partnership between the CFO and the CEO is found to have a positive influence on the firm's financial performance. Moreover, a series of propositions about the impact of the relational demography between the CEO and CFO on the CFO's strategic partnership with the CEO are tested. The results show that similarities in the CEO and CFO's educational level and tenure in the firm have an indirect positive effect on the firm's financial performance through the CFO's strategic partnership with the CEO. The theory and results presented herein provide the impetus for research on the role of the CFO in strategic management.

A growing body of literature has highlighted the importance of the CFO position (e.g., Dalton, 1999; Favaro, 2001; Heidrick & Struggles, 1998; Skærbæk & Tryggestad, 2010; Tulimieri & Banai, 2010; Zoni & Merchant, 2007). Zorn (2004) examined the rise of the CFO position among American firms from 1963-2000. The analysis pointed out a fundamental redistribution of the managerial roles in firms as a strategic response to environmental changes, "with greater relevance of financial considerations built into the executive structure and decision-making process" (p. 347). Similarly, the global survey report, "A New Role for New Times," released by a CFO research service in collaboration with KPMG in Singapore (2011), indicated

that finance functions are playing a bigger role in firms' strategic decision-making processes today compared to five years ago.

In general, this line of research has suggested that beyond their fiduciary roles (e.g., tax, auditing, financial reporting, internal control), CFOs should also have significant responsibilities in assisting CEOs with strategic management (e.g., Siegel & Sorensen, 1999; Skærbæk & Tryggestad, 2010; Zoni & Merchant, 2007). The furious competition and global economic turmoil in today's business environment require top executives to make decisions on a robust fact base that includes insights into the underlying economics of the business (Glaister & Hughes, 2008; Hrisak, 1996; Zorn, 2004). Some have suggested that CEOs outsource more of the strategic responsibility to CFOs who are in charge of the budget planning and controlling (Egon Zehnder International, 2008; Tulimieri & Banai, 2010). CFOs can provide insights to determine whether any strategic movements proposed by the CEO are financially feasible, as well as quantify the risks associated with lack of success (International Federation of Accountants Committee, 2002; Scheumann, 1999). CFOs also can give guidance to line managers on how to contribute to the firm's goals (Favaro, 2001) and manage in such a way as to generate value for the firm (Dalton, 1999).

Despite increasing acknowledgment of the importance of the CFO's strategic partnership with the CEO (Heidrick & Struggles, 1998; Howell, 2006; Tulimieri & Banai, 2010), the roles of CFOs in some companies are still mainly focused on traditional financial management tasks (Hiebl, 2013). For example, Bremer (2010) and Lüdtke (2010) analyzed the job descriptions of the 86 CFOs working for the largest publicly traded German firms in 1998 and 2007. Their findings suggested that the CFO had responsibility primarily for traditional tasks and only limited responsibility for strategic tasks. Many similar findings (e.g., Granlund & Lukka, 1998; Järvenpää, 2007) indicated that CFOs are increasingly working on strategic topics, but a radical transformation in their roles has not yet occurred. Such findings point to the fact that many CFO's responsibilities still consist of rather traditional tasks such as financial accounting, treasury, and management accounting.

To date, little research has been conducted to examine the effect of the strategic partnership between a CFO and CEO on a corporation's financial performance. There have been a growing number of publications regarding the position of CFOs in recent years (Hiebl, 2013), but most of these studies haven't addressed the CFO's role in strategic management, choosing to focus rather on the CFO's education and career background (e.g., Collier & Wilson, 1994), CFO turnover (e.g., Li, Sun, & Ettredge, 2010), or the CFO's influence on accounting practices (e.g., Gibbins, McCracken, & Salterio, 2007). Management critics have even suggested that a CFO's high involvement in management decision processes may deteriorate performance in his or her traditional fiduciary role, which may actually damage the firm's financial performance (Indjejikian & Matejka, 2006; Loomis, 1999). It has also been suggested that CFOs are risk averse and tend to decrease investment in research and development (R & D), new projects, and advertising (Winston, 2014). Therefore, an empirical test of the influence of the CFO's strategic partnership with the CEO on the firm's financial performance is needed to add to the knowledge about the role of the

CFO in a firm's strategic management.

In addition to concerns about the paucity of literature in this area, the study performed was further motivated by a commonly observed problem that the partnership between the CEO and the CFO is most often uneasy and ineffective. For example, it has been revealed that 40% of CEOs have actually fired their most recent CFOs (Dalton, 1999) due to claims by the CEO that the CFO lacked certain critical characteristics such as leadership, integrity, strategic vision, or communication skills. In contrast, from the CFO's standpoint, "many CEOs are mavericks — they and they alone establish the strategic direction, and they expect other senior managers to get on board with no debate" (Banham, 2010). With these different perspectives, one may question the characteristics a CFO must possess to best facilitate the CEO-CFO strategic partnership. Previous research about top management team (TMT) composition provides insights on how to staff the team as a whole (Escribá-Esteve, Sánchez-Peinado, & Sánchez-Peinado, 2009; Nielsen, 2010; Patzelt, Knyphausen-Aufseß, & Nikol, 2008). However, emerging studies about dyadic relationships among TMT members suggest that any top executive's effectiveness is mostly contingent upon the quality of their relationship with the CEO, since functional TMT members need to report directly to the CEO (Menz, 2012). Therefore, studies about the characteristics of the CEO-CFO ties are needed to understand what makes a CFO's strategic partnership with the CEO successful.

Taking all the above issues into account, the first objective of this study was to investigate the influence of the CFO's strategic partnership with the CEO on the firm's financial performance. Directly testing this relationship would contribute to the literature examining the role of CFOs by providing empirical evidence about the importance of the CFO in strategic management (Menz, 2012). Moreover, the relational demography of CEO-CFO ties was examined to reveal the effect on a CFO's strategic partnership with the CEO, as well as the firm's financial performance. By testing this directly, the present study contributed to the literature about functional top management team members by providing some direction on how to promote or select appropriate CFOs in order to enhance their strategic partnership with CEOs, which could further improve the firm's financial performance.

Background and Hypothesis

CFO's Strategic Partnership with CEO and Effect on Firm's Financial Performance

There are at least two reasons to believe that the CFO's strategic partnership with the CEO would have a positive effect on the firm's financial performance. First, previous literature indicates that CFOs possess unique knowledge and competencies that can make significant contributions to firms' strategic decision-making processes. The CFO is able to present a rigorous, fact-based understanding of how and where value is created in the firm and where value creation is likely to occur in the future (Heidrick & Struggles, 1998). The CFO can inform the CEO about strategic forces underlying the creation of economic profit and can help the CEO manage these forces (Zorn, 2004). Through their understanding of the economics of the business and their relationships with key constituencies (e.g., the investment community), CFOs offer a

unique perspective on how to organize the business to meet the necessary requirements (Tulimieri & Banai, 2010). They can offer CEOs a framework that outlines the upper and lower limits of a firm's financial requirements. Once this framework is in place, a strategic course for the firm can then be charted and its feasibility can be evaluated. CFOs also can provide insights on how to measure the progress of such a strategic course and to define the conditions for when to change the course, based on results or projections relative to the plan (Favaro, 2001). Therefore, the CFO's involvement in strategic management can increase the success of corporate strategy formulation and implementation and thus, enhance the firm's financial performance (Heidrick & Struggles, 1998).

Previous studies have suggested that plural forms of leadership at the top can lead to superior leadership effectiveness (e.g., Denis, Langley, & Sergi, 2012; Srivastava, Bartol, & Locke, 2006). The commitment, morale, and integration engendered by shared leadership among top executives has been suggested as being beneficial for a firm's financial performance (Alvarez & Svejnova, 2005; Beal et al., 2003; Denis et al., 2012; Pearce & Zahra, 1991). Top executives' involvement in strategic decision-making processes can also help a firm solve difficult problems and generate creative ideas and multiple alternatives (Edmondson, Roberto, & Watkins, 2003). By sharing leadership with CFOs, CEOs can focus on their key external roles and devote more effort to scanning the environment, learning from outside parties, and satisfying external resource providers (Hambrick & Cannella, 2004). A CFO's strategic partnership with the CEO can thus benefit the firm's financial performance through improved leadership effectiveness. Therefore,

Hypothesis 1: A CFO's strategic partnership with the CEO is positively correlated to the firm's financial performance.

Impact of Relational Demography on the CFO's Strategic Partnership with the CEO and Firm Financial Performance

Since the seminal article of organizational demographics by Pfeffer (1983) and the upper echelon theory by Hambrick and Mason (1984), researchers have devoted significant attention to the demographic characteristics of top managers. The underlying assumption is that demographic characteristics, as the proxy for more complex psychological activities, exert a significant influence on the interaction pattern among top managers (Nielsen, 2010). Therefore, firm outcomes such as financial performance can be traced back to the demographic characteristics, especially the degree of similarity, or dissimilarity, of the top managers.

Although numerous studies about the link between the TMT composition and firm financial performance exist, the results are rather inconsistent (Carpenter, Geletkanycz, & Sanders, 2004). Questions still remain about whether diversity in managerial backgrounds is advantageous for firms (Nielsen, 2010). Positive research findings suggest that heterogeneity among top executives is a source of advantage for firms through increasing adaptability and innovation (e.g., Bantel & Jackson, 1989; Elron, 1998). In contrast, research also has found that heterogeneity could be a source

of deterrent, leading to difficulties in knowledge integration and separation (e.g., Han, Han, & Brass, 2014). A certain amount of demographic similarity is needed for effective collaboration among top executives (O'Reilly, Snyder, & Boothe, 1993; Wagner, Pfeffer, & O'Reilly, 1984).

In the present study, there were at least two reasons to believe in a positive effect of CEO and CFO demographic similarities (e.g., age, gender, tenure, and education) on the degree of the CFO's strategic partnership with the CEO. The first being that because the CFO and CEO have different functional backgrounds, demographic similarities enable them to develop shared mental models of teamwork, which would then facilitate their communication and collaboration (Mathieu et al., 2000). The differences in their functional backgrounds may cause the CFO and CEO to have different cognitive schemas regarding corporate goals, values, and strategies. The lack of "common language" and knowledge about the other's expertise could hamper their interaction. A CEO and CFO from a similar demographic cohort, however, would have a variety of work-related and non-work-related experiences in common, thus leading to a shared understanding and belief structure (Wagner et al., 1984). For instance, it is more likely that a CEO and CFO who joined the organization at the same time would develop common knowledge of the organization's events and strategies for accomplishing the goals (Zenger & Lawrence, 1989). This shared understanding would facilitate their communication and promote the success of the CFO's strategic partnership with the CEO. Second, from a political point of view, demographic similarity could provide an important base for coalition formation (Westphal & Zajac, 1995). CEOs and CFOs who share similar demographic characteristics are likely to have greater attraction, affect, and trust toward each other. Therefore, they would be more likely to treat each other as in-group members who have an increased willingness to cooperate (Tsui & O'Reilly, 1989). Thus,

Hypothesis 2a: The CEO and CFO's age similarity has a positive effect on the degree of the CFO's strategic partnership with the CEO.

Hypothesis 2b: The CEO and CFO's tenure similarity has a positive effect on the degree of the CFO's strategic partnership with the CEO.

Hypothesis 2c: The CEO and CFO's gender similarity has a positive effect on the degree of the CFO's strategic partnership with the CEO.

Hypothesis 2d: The CEO and CFO's education similarity has a positive effect on the degree of the CFO's strategic partnership with the CEO.

The collective discussion about Hypothesis 1 and Hypotheses 2a through 2d indicates that the demographic similarity between CEO and CFO may influence the firm's financial performance through the CFO's strategic partnership with the CEO. Lastly,

Hypothesis 3a: CFO's strategic partnership with the CEO mediates the effect of the CEO and CFO's age similarity on firm's financial performance.

Hypothesis 3b: CFO's strategic partnership with the CEO mediates the effect of the CEO and CFO's tenure similarity on firm's financial performance.

Hypothesis 3c: CFO's strategic partnership with the CEO mediates the effect of the CEO and CFO's gender similarity on firm's financial performance.

Hypothesis 3d: CFO's strategic partnership with the CEO mediates the effect of the CEO and CFO's education similarity on firm's financial performance.

Methods

Sample and Procedure

As part of a large research project on CFO competencies, the initial sampling frame included all (1,718) IPO firms listed in Stock A in the Shanghai and Shenzhen Stock Market in China. To reduce common method bias (Podsakoff et al., 2003), the data were collected through multiple sources. Demographic information about the CFO and the CEO were manually collected from the firms' annual reports. Firm financial information was collected from the database of the Chinese-listed firms. To assess a CFO's strategic partnership with CEOs, invitations and surveys were sent to the CFOs in all of these firms. Of these, 119 CFOs agreed to participate in the study and returned the surveys, resulting in the final sample size (response rate = 7%). Following the approach of Delery and Doty (1996), response bias was checked by a logistic regression. A dependent (dummy) variable was coded 1 if a firm participated in the study and 0 if it did not. The independent variables in this regression included industry, total assets, liability-to-equity rate, and return on asset. None of these variables were significant, indicating that response bias was not a significant problem.

The 119 firms were from four types of industries: utilities (29.4%), manufacturing (46.2%), social services (6.72%), and finance and real estate (17.68%). The demographic information of these CFOs is summarized in Table 1. In terms of gender, 25.21% of the CFOs were female and 74.79% were male. The average age of the CFOs was 43 years. Only 1.68% were under the age of 30, while 49.58% were between 31 and 40 years old. Also, 41.18% were between 41 and 50 years old and 7.56% were over the age of 50. The average tenure was 7.25 years, 40.33% had less than 3 years of tenure, 18.49% had tenures between 4 and 7 years, and 41.18% had tenures greater than 7 years. In terms of education, 33.61% held an Associate's Degree, 41.17% had a Bachelor's Degree, 22.69% had a Master's Degree, and 2.53% held a Doctoral Degree.

Table 1: *Demographic Information of the CFOs in the Sample*

Demographic Variables	Values	<i>n</i>	%	Average
Gender	Female	30	25.21	0.75
	Male	89	74.79	
Age	< 30	2	1.68	43
	31- 40	59	49.58	
	41- 50	49	41.18	
	> 50	9	7.56	
	< 3	48	40.33	
Tenure	4- 7	22	18.49	7.25
	> 7	49	41.18	
Education	Associate degree	40	33.61	16.29
	Bachelor's degree	49	41.17	
	Master's degree	27	22.69	
	Doctoral degree	3	2.53	

Note: Age, tenure, and education are in years. Female is coded as 0, and Male is coded as 1.

Measures

Firm Financial Performance

To measure firm financial performance, return on assets (ROA) was used, defined as the net profits divided by total assets. ROA is a well understood and common measure used in studies about the impact of top management teams on firm performance (e.g., Geletkanycz & Hambrick, 1997; Zattoni, Gnan, & Huse, 2015). In order to rule out the possibility of reverse causality (i.e., financial performance might influence the degree of the CFOs' strategic partnership with the CEO), one-year lagged firm financial performance was examined.

CFO's Strategic Partnership with the CEO

Information regarding the CFO's strategic partnership with the CEO was obtained through a short survey based on previous literature on the role of the CFO in strategic management (e.g., Dalton, 1999; Favaro, 2001; Howell, 2006; Hrisak, 1996; Zoni & Merchant, 2007). CFOs were asked to indicate to what extent the CEO had asked them to be involved in the following functions: a) corporate strategic planning; b) communicating strategic objectives to internal and external stakeholders; c) incorporating strategic plans into operating budgets; and d) strategic performance management. The CFO's involvement in each function was measured with a 4-point Likert scale anchoring from "0" (no involvement at all) to "4" (greatly involved in). The average of these 4 scores was calculated in order to measure the CFO's strategic partnership with the CEO (Cronbach alpha = .83).

Demographic Similarity

The demographic similarities between a CEO and CFO were measured using the following procedures. Pair-wise comparisons were used to analyze gender similarity

and coded as 1 if both the CEO and CFO had the same gender. The degrees of similarity with respect to age, education, and tenure were calculated by the procedure used in Tsui and O'Reilly's study (1989). The dyadic D-scores were obtained by squaring the difference between the values for age, education, and tenure of the CEO and CFO. The squared terms were then used to derive an absolute difference score and to postulate an exponential function between the distance score and the outcome variable. Continuous difference scores on age, education, and tenure were then obtained. For example, a difference score of 0 for the age variable meant that a CEO and a CFO were identical in age. A difference score of 1 meant that they differed in age by one year, and a difference of 4 meant that they differed in age by two years (in either direction). The score was then reverse-coded by subtracting it from the maximum difference score so that larger scores denoted a greater similarity between the CEO and the CFO.

Control Variables

As suggested by prior studies (e.g., Smith et al., 1994), the CEO and CFO's average age, education, and tenure were controlled during the analysis. The firm's previous year's financial performance was controlled because it may have influenced the CFO's responses in the survey. For instance, if a firm had performed well in the previous year, the CFO may have been more likely to report a better strategic partnership with the CEO; if a firm had performed poorly, the CFO may have the tendency towards distancing him or herself from the decision-making process with the CEO due to social desirability bias. The effects of other firm characteristics, including the liability-to-equity rate, total assets, and industry also were controlled in the data analysis.

Results

The means, standard deviations, and intercorrelation values between the dependent and independent variables are summarized in Table 2. A review of the correlations among these variables indicated that the highest correlation was $r = 0.46$ (between education similarity and a CFO's strategic partnership with the CEO). The correlation matrix indicated that there were no multi-collinearity problems among the variables because all correlations were below 0.75 (Green, 1978).

Table 2: Means, Standard Deviations, and Intercorrelations of the Variables

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1 Firm financial performance next year	0.04	0.05												
2 Firm financial performance last year	0.05	0.05	0.35**											
3 CFO's strategic partnership with CEO	2.17	1.10	0.41**	0.27**										
4 Industry	1.24	0.93	-0.33**	-0.28**	-0.22*									
5 Liability-to-equity rate	1.15	1.43	-0.22*	-0.39**	-0.23**	0.44**								
6 Total asset (log)	21.70	1.16	0.21*	0.05	0.31**	-0.07	-0.20*							
7 Average age (pair)	44.39	5.07	-0.07	-0.10	0.03	-0.08	-0.05	0.30**						
8 Average education level (pair)	16.85	1.96	0.11	0.14	0.05	-0.13	-0.19	0.22*	-0.09					
9 Average tenure (pair)	3.17	1.64	0.02	0.05	0.10	0.08	-0.09	0.13	-0.16	-0.05				
10 Gender similarity	0.69	0.47	-0.12	0.02	-0.04	0.12	0.11	0.00	-0.13	0.01	0.13			
11 Education similarity	3.27	2.30	0.27**	0.18	0.46**	-0.23*	-0.14	0.28**	0.12	-0.29**	0.15	-0.15		
12 Age similarity	7.45	5.97	-0.03	0.11	-0.03	-0.12	-0.09	0.03	0.31**	0.03	-0.03	-0.02	0.10	
13 Tenure similarity	3.25	2.09	0.08	0.12	0.36**	-0.05	-0.10	0.12	0.17	0.02	0.02	0.08	0.16	-0.01

Note: $n = 119$ firms; * $p < .05$, ** $p < .01$

Table 3 shows the result of the regression analysis of the testing of Hypothesis 1. The result fully supported Hypothesis 1, which posited that the CFO's strategic partnership with the CEO was positively associated with a firm's financial performance ($\beta = .34$, $p < .05$). Table 4 presents the regression results for the testing of Hypotheses 2a through 2d, which predicted that demographic similarities between the CEO and the CFO would have a positive effect on the CFO's strategic partnership with the CEO. The regression results indicated that educational level similarity between the CEO and the CFO had a significant positive relationship with the CFO's strategic partnership with the CEO ($\beta = .35$, $p < .05$). Tenure similarity was also positively correlated with the CFO's strategic partnership with the CEO ($\beta = .32$, $p < .05$). However, similarities in gender and age had no significant impact on the CFO's strategic partnership with the CEO. Therefore, Hypotheses 2b and 2d were supported, whereas Hypotheses 2a and 2c were not supported.

Table 3: Results of the Regression Analyses of a CFO's Strategic Partnership with a CEO on Firm Financial Performance

Variables	Model1		Model2	
	β eta	T value	β eta	T value
Manufacturing industry	0.36*	2.16	0.26	1.53
Service industry	0.13	0.67	0.01	0.05
Utility industry	0.06	0.37	0.05	0.33
Liability-to-equity rate	-0.09	-0.59	-0.11	-0.73
Total asset (log)	0.13	0.94	0.08	0.58
Last year's firm financial performance	0.13	0.92	0.15	1.04
Average age (pair)	-0.05	-0.34	-0.07	-0.49
Average education level (pair)	0.05	0.36	-0.01	-0.06
Average tenure (pair)	-0.16	-1.30	-0.15	-1.22
Gender similarity	0.07	0.56	0.07	0.57
Education level similarity	0.16	1.13	0.05	0.30
Age similarity	-0.11	-0.76	-0.09	-0.66
Tenure similarity	0.14	1.03	0.03	0.24
CFO's strategic partnership with CEO			0.34*	2.14
ΔR^2		0.28		0.06
ΔF		1.59		4.55*

Note: $n = 119$ firms; * $p < .05$

Table 4: Results of Regression Analyses of the Demographic Effects on a CFO's Strategic Partnership with a CEO

Variables	Model 1		Model 2	
	<i>beta</i>	<i>T value</i>	<i>beta</i>	<i>T value</i>
Manufacturing industry	0.34*	2.20	0.30*	2.13
Service industry	0.38*	2.29	0.35*	2.15
Utility industry	0.06	0.44	0.02	0.18
Liability-to-equity rate	0.03	0.21	0.06	0.41
Total asset (log)	0.31*	2.49	0.15	1.28
Last year's performance	0.00	-0.01	-0.04	-0.30
Average age (pair)	0.13	1.03	0.06	0.46
Average education level (pair)	0.05	0.42	0.18	1.43
Average tenure (pair)	-0.02	-0.14	-0.05	-0.41
Gender similarity			0.00	0.01
Education level similarity			0.35*	2.81
Age similarity			-0.05	-0.43
Tenure similarity			0.32*	2.71
ΔR^2		0.25		0.22
ΔF		2.09*		5.18**

Note: $n = 119$ firms; * $p < .05$; ** $p < .01$

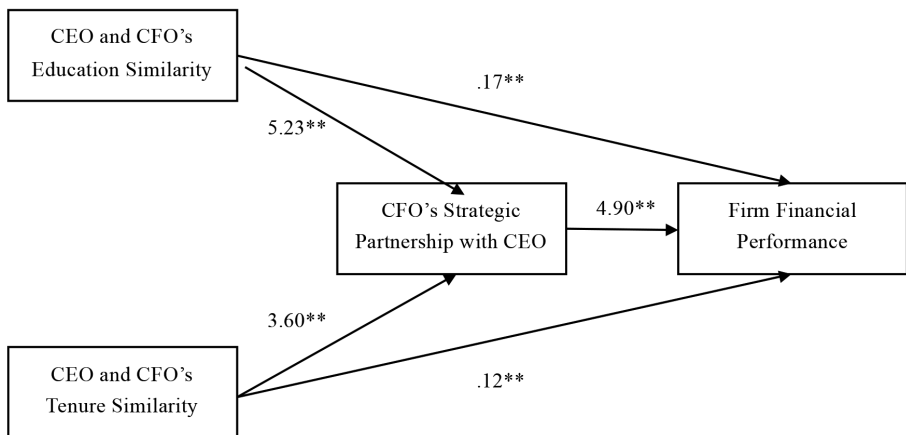
The bootstrapping method (Preacher & Hayes, 2004) was used to test the extent to which the effect of demographic similarity on a firm's financial performance was mediated by the CFO's strategic partnership with the CEO (Hypothesis 3a to 3d). The results are presented in Table 5, which shows that the CFO's strategic partnership with the CEO mediated the effect of the CEO and CFO's educational similarity on the firm's financial performance ($Z = 3.08, p < .01, 95\% \text{ Biased Corrected Confidence Interval} = .001 \text{ to } .006$). Moreover, the CFO's strategic partnership with the CEO mediated the effect of the CEO and CFO's tenure similarity on the firm's financial performance ($Z = 3.18, p < .01, 95\% \text{ Biased Corrected Confidence Interval} = .002 \text{ to } .007$). No significant mediating effect of the CFO's strategic partnership with the CEO was found in demographic similarity in either gender or age. Therefore, Hypotheses 3b and 3d were supported, while Hypotheses 3a and 3c were rejected.

Table 5: Results of Indirect Effects of Demographic Similarity on Firm Financial Performance through a CFO's Strategic Partnership with the CEO

Demographic Similarity	Boot Indirect Effect	Boot SE	Boot 95% CI	Boot Z	Boot p
Age similarity	-.001	.003	-.007 .005	-.34	.74
Tenure similarity	.004	.001	.002 .007	3.18**	.00
Gender similarity	-.002	.004	-.009 .006	-.39	.69
Education similarity	.004	.001	.001 .006	3.08**	.00

Note: $n = 119$ firms; bootstrap sample size = 5000; $p < .05$; $**p < .01$.

As a robust test, structural equation modeling was also performed with AMOS (version 2.0) to test the whole model. The significant standardized path coefficients are presented in Figure 1, showing, in particular, a significant positive influence of educational similarity on the CFO's strategic partnership with the CEO (*standardized beta* = 5.23, $p < .01$). Tenure similarity also had a significant positive influence on the CFO's strategic partnership with the CEO (*standardized beta* = 3.60, $p < .01$). The CFO's strategic partnership with the CEO was positively related with the firm's financial performance (*standardized beta* = 4.90, $p < .01$). Moreover, a positive indirect effect of educational similarity on the firm's financial performance through the CFO's strategic partnership with the CEO was found (*standardized indirect effect* = .17). Tenure similarity between the CEO and CFO had a positive indirect effect on the firm's financial performance through the CFO's strategic partnership with the CEO (*standardized indirect effect* = .12).

Figure 1: Results of Path Analysis of the Research Model

** $p < .01$; Chi square = 2.45, $df = 2$, $p = .29$, CFI = .99, NFI = .96, IFI = .99, TLI = .96, RMSEA = .00.

The absolute fit indices showed that the model tested did not differ significantly from the data ($\chi^2 = 2.45$, $df = 2$, $p = .29$ and $RMSEA = .00$). All incremental fit indices were above .90 ($CFI = .99$, $NFI = .96$; $TLI = .96$ and $IFI = .99$), showing that the model could not be improved significantly. Therefore, the path model was consistent with previous OLS regression findings results and supported Hypothesis 1, Hypotheses 2b, 2d, 3b, and 3d.

Discussion

The study contributed to the growing stream of research on the expanding role of CFOs (e.g., Favaro, 2001; Tulumieri & Banai, 2010; Zorn, 2004) in several ways. First, it provided empirical evidence supporting the benefit of expanding the CFO's function into the firm's strategic management process. CFOs are not merely leaders in implementing financial analyses, but important players in corporate strategic planning, communicating strategic objectives to stakeholders, incorporating strategic plans into operating budgets, and strategic performance management. The present findings confirmed that the CFO's strategic partnership with the CEO can lead to high financial performance for a firm. These results also added knowledge to the emerging research on the relationship between functional top managers by revealing the importance of the strategic partnership between CFOs and CEOs. As Menz (2012, p. 61) noted, "although the relationship between the more managerial functional TMT members (e.g., CFOs, CMOs, COOs, and CSOs) and the CEO seems particularly important, almost all of the studies analyzing the processes in such relationships are on the more technical functional executives (e.g., CIOs, CTOs)." Focusing on the CEO-CFO pairs, this study suggested that the CFO's involvement in a firm's strategic management helped the CEO develop more comprehensive views of business problems and take feasible actions. To enhance the firm's financial performance, CEOs should provide CFOs with more strategic decision-making opportunities and proactively share their leadership with their CFOs.

In addition, the findings shed light on the cognitive antecedents that enable the CEO and CFO to collaborate with each other. The current study didn't find any significant effect of gender or age similarity on the CFO's strategic partnership with the CEO. However, the results showed that similarities in the CEO and CFO's education level and firm tenure significantly enhanced their strategic partnership. Compared with age and gender, tenure and education reflected, to a larger extent, the top executive's firm-related knowledge and information-processing capability (Boivie, Jones, & Khanna, 2008). This indicated that the success of the strategic partnership between the CFO and the CEO is more likely based on their common skills and shared understanding about the firm. Since the CFO and CEO fulfill different functions, they may constantly struggle to find a common thread to integrate their different perspectives, opinions, and expertise (Han et al., 2014). The similarity in education level and firm tenure between CFOs and CEOs may lay out a common knowledge base, which can help each learn from the other's specialties, develop understanding, and share mental models (Huber & Lewis, 2010; Mathieu et al., 2000). Therefore, cognitive similarity (e.g., in education level, firm tenure) mitigated the threats posed by differences in functional

backgrounds and facilitates a successful strategic partnership between CEO and CFO.

Last but not least, this study contributed to upper echelon research by opening the black box of the influence of top managers' demography on a firm's financial performance. Upper echelon research has been previously criticized for lacking an appropriate examination of the intervening process (Carpenter et al., 2004; Nielsen, 2010). For instance, Lawrence (1997) argued that the use of demographic variables left the theoretical mechanism and the underlying phenomenon unexplored. This study explicitly included the CFO's strategic partnership with the CEO as one of the underlying mechanisms in the analysis. The findings suggested that the CFO's strategic partnership with the CEO mediates the positive influence of their demographic similarity in tenure and educational level on the firm's financial performance.

The results of the current study may be of interest to several parties beyond the research community. First, the study could be of interest to HRM professionals and CEOs who need decision support in selecting, training, and collaborating with their CFOs. The results suggested that to initiate an effective strategic partnership between the CEO and the CFO, the firm should consider creating a knowledge-based commonality between them so as to facilitate their collaboration. For example, firms could target CFO candidates with a level of education and tenure similar to those of the CEO during their recruiting. This study also added informational value to educators who were concerned with evaluating their curricular offerings. Business schools often incubate senior financial executives for corporations. Although many students aspire to hold positions with great responsibility, they often are not clear on how to successfully become a strategic partner. This study delivered some initial messages encouraging business school administrators and faculty members to train and embolden financial-centered MBA and EMBA participants to practice and hone their strategic partnership skills and not to limit themselves to the "counting" arena. Moreover, the findings may be useful for finance professionals and students who are looking toward career advancement. The results may also offer job candidates some self-selecting hints on the personal characteristics and skills required of a successful CFO as they consider a potential career opportunity.

Although the current study provided a number of insights into the importance of the CFO as a strategic partner of the CEO, several limitations should be noted. As a first step in exploring the role of the CFO as a strategic partner, the focus of the study was the CFO's strategic partnership with the CEO. The scope of the study was limited and caution should be exercised when generalizing the results to executives in other functions. Future studies could broaden the scope of observation to the strategic partnerships of other top executives (e.g., the Chief Operating Officer, Chief Technical Officer, and the Chief Information Officer) and analyze how relational demography influenced their strategic partnerships with CEOs as well as a firm's financial performance. Second, the CFO's strategic partnership with the CEO was measured through the CFOs' self-report survey. Future studies could combine the use of other methods, such as interviews, to examine if the current findings could be replicated. In particular, multiple sources such as CEOs and other executives could be used to collect information about the CFO's strategic partnership. Such a comprehensive approach may provide a more reliable measure for a CFOs' strategic partnerships with

a CEO. The current study also measured the firm's financial performance by return on asset only. A future study could replicate the current study by using portfolio performance measures, including organizational efficiency and effectiveness measures, to comprehensively assess the influence of the CFO's strategic partnership with the CEO. Although this study provided empirical evidence of demographic similarity as one of the antecedents of the CFO's strategic partnership with the CEO, the reasons for the degree of demographic similarity between a CEO and CFO were not explored. Factors such as political dynamics in firms may play a role in this issue. For instance, a powerful CEO may select a demographically similar CFO to build coalitions in the firm (Westphal & Zajac, 1995). Future research could examine the political or institutional influences on a CEO's appointment of a CFO. Why homogeneity or heterogeneity exists among top executives could be further examined as well (Carpenter et al., 2004; Nielsen, 2010). Lastly, though the current study found a positive relationship between the CEO and CFO's demographic similarity and the firm's one-year lagged performance, it is possible that over time, the positive effect of demographic similarity could diminish. Prior research has well documented the negative influence of similarity on group performance. For instance, too much similarity is suggested as a cause of groupthink (e.g., Jehn, Chadwick, & Thatcher, 1997). Future research could take into consideration the influence of time on the relationship between demographic similarities and its effect on the firm's performance.

Conclusions

This paper provided empirical evidence that a CFO's strategic partnership with a CEO led to high financial performance of a firm. Similarities in educational level and firm tenure between the CEO and the CFO were found to improve the firm's financial performance by expanding the CFO's role in strategic management. The study suggested that firms should pay more attention to the expanding role of the CFO as a strategic partner of the CEO. To facilitate such strategic partnership, it is necessary to create some knowledge-based commonality between the CEO and CFO to reduce any conflicts caused by the differences in their functional backgrounds.

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Tax Avoidance: The Good, the Bad, and the Future

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Basic U.S. tax rules are reviewed as they relate to aggressive tax avoidance and relevant stakeholders are identified. Differences between the spirit and letter of the law are examined, and the spirit of the law is determined as the appropriate measure of morality. Several moral theories are used to make an assessment that aggressive tax avoidance is unethical. Finally, action steps that can be taken by three of the most prominent stakeholders are formulated to address the root cause of aggressive tax avoidance: the perceived overly burdensome U.S. tax rates to which corporations are subjected.

Esteemed business ethicist Richard DeGeorge (2010) noted that the business of business is business: business exists to make a profit. All true businesses are driven by profit motive, and publicly held businesses especially want to provide the highest legally possible returns to their investors. As such, businesses will seek out mechanisms to make themselves more profitable. Most of those mechanisms are rooted in legal conduct and many are rooted in well-identified business practices such as pursuing a particular competitive advantage. However, some businesses will attempt to maximize profits by engaging in unethical or illegal conduct to maximize profit. This potential for possibly unethical and/or illegal behavior was the impetus to examine one particular path a business might take to skirt the law by not following the spirit of the law and only the letter of the law, by engaging in aggressive tax avoidance practices. Multinational entities (MNEs) have significant opportunities to report taxable income in countries with low tax rates and thereby avoid taxes in other locales such as the United States (U.S.). The question is not whether such

reporting is legal, but rather whether it is ethical. This paper discusses this type of tax avoidance in relationship to ethics and social responsibility.

Several examples of recent tax savings on a monumental scale set the stage for this ethical inquiry. According to Hagerty (2014), Caterpillar shifted \$8 billion in profits to a Swiss affiliate over a ten-year period to avoid almost \$2.5 billion in tax payments. Engel and Lyons (2014) reported that three companies (IBM, Apple, and GE) also saved shareholders' money by shifting earnings away from the U.S. From a 10-K filing, IBM's tax note addressed the fact that it had not provided deferred taxes on \$52.3 billion of undistributed earnings of non-U.S. subsidiaries as of end of year in 2013. By the end of September 2013, \$111.3 billion was held by Apple's foreign subsidiaries, while GE reported \$57.0 billion was held by its non-U.S. subsidiaries. The deferred tax liability of just these four exemplar companies is significant, especially in times of governmental budget tightening and growing national debt. Additionally, Hoffman (2014) indicated that Pfizer, in an attempt to take over the British firm AstraZeneca, would incur \$1 billion or more in tax savings by shifting cash accumulated overseas to lower tax jurisdictions. In all, it is estimated that the largest U.S.-based MNEs have accumulated almost \$2 trillion in profits outside the U.S. (Niquette, 2014).

A fiduciary duty is one of trust and confidence whereby the person acting for another is obligated to do so in a way that the one on whose behalf the actor is working can rely on as being in his best interests; he can have trust and confidence that those acting on his behalf are doing so with his best interests in mind (Cheeseman, 2016). For example, a caregiver of an elderly, infirm person owes a fiduciary duty to act in the elderly person's best interests rather than in their own self-interest. Existence of a fiduciary duty is equally true in the relationship between management and shareholders as in the previous example. Management's fiduciary duty is to act in the company stakeholders' best interest. Basic agency and corporate law indicate that management must act to preserve and pursue the rights of his shareholders (Cheeseman, 2016), but corporate leaders (or any corporate agents) cannot engage in any illegal or immoral act in the pursuit of those shareholder rights. Management may find itself wanting to act in the company's and shareholders' best interests but, simultaneously, recognize that the company, its employees, and its owners are integral parts of the society in which the company operates. The conundrum is that, while management would like to relieve the company's tax burden to the greatest extent possible, those same members of management benefit, as all of society benefits, from the payment of the very taxes that are being reduced or eliminated. The puzzle is made more difficult by the recognition that management and shareholders are not the only ones affected by the shifting of earnings to avoid tax payment; there are many stakeholders affected by this trend. Further, the clarity of the issue is muddled by the difference between legal and moral rights and responsibilities. This paper attempts to engage readers in the debate on which fiduciary duties preempt others, what stakeholders are of primary importance, and what legal or moral rules should be used to determine the question of whether aggressive tax avoidance is an acceptable business practice.

The paper is divided into several sections. First, basic applicable U.S. tax rules

are discussed. Second, relevant stakeholders, both those primarily and secondarily affected by the practice of aggressive tax avoidance, are identified. Next, differences between the spirit and the letter of the law are reviewed and a determination is made that the spirit of the law is the appropriate measure of morality. Several moral theories are then invoked in order to make an assessment of whether aggressive tax avoidance is moral. Finally, after having determined that aggressive tax avoidance is unethical, action steps are formulated that can be taken by three of the most prominent stakeholders to address the root cause of aggressive tax avoidance: the perceived over-burdensome tax rates to which U.S. corporations are subjected.

The Letter of the Law: Basic U.S. Tax Rules

The first point of information must be the definition of tax: a tax is “a compulsory levy by the government on the people’s income or wealth without a direct quid pro” (Song & Yarbrough, 1978, p. 442). Taxes can be assessed on a variety of things: earned income, capital gains, royalties, etc. Tax payment is mandated by governments to provide public goods and services to be consumed by members of that society. As Smith, Harmelink, and Hasselback (2014) noted, the increasing complexity of modern tax laws simply makes issues associated with tax much more difficult to sort out: the distinction between avoidance and evasion is fine enough without having the added burden of draconian and/or excessive tax regulations or rates.

Tax Avoidance or Evasion: A State of Mind?

Smith et al. (2014) also asserted that it is extremely difficult to differentiate between tax avoidance and evasion. Congress first appreciated the difficulty in 1954 and in 1986, made tax evasion a felony, defining evasion as based on the willful attempt to evade or defeat any tax imposed by the tax code (26 U.S. Code §7201, 2012). Tax evasion arises with the existence of a tax liability wherein the taxpayer fails to discharge that liability. While it is not illegal to search for and embrace transactions that avoid tax liability from being accrued, it is illegal not to disclose and/or discharge an existing tax liability. An integral part of this differentiation between the legal and illegal is the purpose of the action: if the principal purpose behind the failure to disclose/pay taxes is the evasion of the payment of taxes on currently existing tax liabilities, there is illegal tax evasion. The mere consideration of ways in which to limit tax liabilities is not sufficient to meet the legal threshold of tax evasion. Intent is critically important in this review. It is well established that good faith is foundation of all legal activities (i.e., see UCC §1-304, 2001). As Smith et al. (2014) stated, “the intent to evade tax occurs when a taxpayer knowingly misrepresents the facts. Intent is a mental process, as state of mind. A taxpayer’s intent is judged by his or her actions” (p. 1-8). Bad faith, then, is a hallmark of tax evasion; “faith,” whether good or bad, speaks more to the spirit of the law than the letter of the law, leading to the assertion that it is the spirit of the law that should be considered to determine the morality of aggressive tax avoidance.

Kirchler, Maciejovsky, and Schneider (2003) noted that “tax avoidance refers to an attempt to reduce tax payments by legal means, for instance by exploiting tax-loopholes, whereas tax evasion refers to an illegal reduction of tax payments, for instance by underreporting income or by stating higher deduction-rates” (p. 2). Legal avoidance of tax payment is the arrangement of one’s affairs before the tax liability has been accrued: managers organize their business activities such that income is subjected to a lower tax rate (Smith et al., 2014) or, in the case of the international movement of taxable revenue, not subject to U.S. tax at all. Tax avoidance is supported by law and practice: business people are obligated by their fiduciary duties to owners of equity to search out transactions and/or to time transactions to reduce their tax liabilities (Smith et al., 2014). Classic language in *Commissioner of Internal Revenue vs. Newman* (1947, p. 851) stated that:

Over and over again courts have said that there is nothing sinister in so arranging one’s affairs as to keep taxes as low as possible. Everyone does so, rich or poor; and all do right, for nobody owes any public duty to pay more than the law demands: taxes are enforced extractions, not voluntary contributions. To demand more in the name of morals is mere cant.

Kirchler et al. (2003) also found that tax avoidance was perceived as being legal and moral, while tax evasion was seen as both illegal and immoral. The concern of this paper is with tax avoidance that is so aggressive that it has become suspect on a moral plane (Cruz, Shafer, & Strawser, 2000).

Mechanisms to Lower Tax Liabilities

The residential approach of international taxation is the form of taxation wherein the government taxes the international revenue of its residents without regard to where the income is earned, while the territorial approach to transnational income tax is founded in taxation of all parties, regardless of the taxpayer’s country of residency (Czinkota, Ronkainen, & Moffett, 2011). The corporate income tax rate in the U.S. is higher than in almost 30 members of the Organization for Economic Cooperation and Development (OECD), making the U.S. rate very uncompetitive to set up operations that would bring income through the organization’s tax structure into the U.S. (Myers, 2009). Not only do U.S. companies not want to have wealth reported in this very high rate venue, but this situation also makes it unattractive for other countries to invest in the U.S. Critics of the high U.S. tax rate and policies on international tax collection (Czinkota et al., 2011) have argued that “the U.S. could experience declining international competitiveness and even suffer a growing ‘hollowing out’ of the domestic economy because companies choose to invest and operate elsewhere” (p. 596).

Among developed countries, the U.S. imposes some of the highest effective tax rates on corporate entities. But there are also some extremely large loopholes in the tax law that allow corporations to avoid many U.S. tax consequences by using off-shore tax shelters. Weichenrieder (1996) has previously said, “in recent years,

various countries have introduced incentives aimed at attracting the more mobile parts of multinationals' corporate tax bases" (p. 53). Two very important types of these incentives are the avoidance mechanisms of the "check the box" loophole and the "look-through" rule.

The "check the box" loophole is a form of tax arbitrage (Slemrod & Yitzhaki, 2002) that allows U.S. companies to exploit differences in tax jurisdictions. The rule lets companies select how subsidiaries are classified for tax purposes and costs the U.S. approximately \$10 billion annually (Drawbaugh & Sullivan, 2013). The rule, originally designed to help simplify multinational corporate tax filings, began as a compromise that allowed the U.S. to tax "passive" foreign income such as royalties and interest earned, but not "active" income from normal business transactions. Companies are allowed to self-describe individual subsidiaries, including the use of a "disregarded" (or irrelevant-for-tax-purposes) entity concept. This concept allows high-volume "non-company branches" to be established in low-tax jurisdictions to absorb income from foreign operations. An Apple subsidiary in Ireland, for example, absorbs "all of the income from Apple's retail stores in Europe" (Drawbaugh & Sullivan, 2013). When attempts were made to eliminate the loophole, advocates said that U.S. MNEs would be damaged by "forcing them to pay more taxes not only in the United States, but also to high-tax nations such as France" (Drawbaugh & Sullivan, 2013). By 2004, thanks in part to the 'check the box' rule, U.S.-based multinational corporations paid an effective tax rate of about 2.3% on \$700 billion in foreign earnings (Drawbaugh & Sullivan, 2013). It has been estimated that U.S. companies keep about \$1.8 trillion of "unrepatriated" earnings that are not subject to tax while being held abroad (Gerth, Houlder, & Murphy, 2011).

In 2006, the "look through" rule was passed to give "corporations more latitude to move some types of income from one foreign unit to another without paying a tax" (Drawbaugh & Sullivan, 2013). The rule has been extended time-after-time, including in January 2013 in an attempt to keep the U.S. government from going off a "fiscal cliff" (Drawbaugh & Sullivan, 2013). Again, it would be hard for a profit-seeking business to ignore such legally permitted incentives to avoid taxes in light of management's fiduciary duty to serve the best interests of the shareholders. Indeed, it might be immoral to do so, depending on the aggressiveness of the avoidance. The more aggressive the tax avoidance, however, the more suspect, both legally and morally, tax avoidance becomes.

In the summer of 2013, the OECD Center for Tax Policy and Administration indicated strong support from the G20 countries to address the issue of "based erosion and profit shifting" (BEPS) so as to reform the international tax system (Goodall, 2013). According to the OECD (2013), BEPS created harm to governments, individual taxpayers, and businesses for the reasons indicated in Exhibit 1. Apple, for example, has corporate entities that pay no income tax to any taxing nation:

Apple Inc., a U.S. corporation, has used a variety of offshore structures, arrangements, and transactions to shift billions of dollars in profits away from the United States and into Ireland, where Apple appears to have negotiated a special corporate tax arrangement of less than 2%. Despite reporting net

income of \$30 billion over the four-year period 2009 to 2012, AOI [Apple Operations International] paid no corporate income taxes to any national government during that period. Similarly, Apple Sales International [ASI], a second Irish affiliate, is the repository for Apple's offshore intellectual property rights and the recipient of substantial income related to Apple worldwide sales, yet claims to be a tax resident nowhere and may be causing that income to go untaxed. (Verschoor, 2013, p. 13)

Exhibit 1: Harm from BEPS

Governments

- Have less revenue
- Have higher cost to ensure compliance
- Have had the integrity of the tax system undermined as certain parties believe low corporate taxes unfair
- Are, in developing countries, critically underfunding public investments that could promote economic growth
- Have non-optimal resource allocations

Individual Taxpayers

- Have to bear more of the tax burden because businesses are paying less in taxes

Businesses

- May face significant reputational risk if their effective tax rate is viewed as too low.
- May fail to take advantage of legal ways to reduce tax burden and thereby be placed at a competitive disadvantage
- May, if only operating domestically, be unable to compete with multinationals that can shift their profits to avoid or reduce taxes.

Source: Adapted from Organization for Economic Cooperation and Development (OECD), *Action Plan on Base Erosion and Profit Shifting* (2013, p. 8)

Regardless of the identification of problems associated with aggressive tax avoidance, some U.S. business groups, including the Chamber of Commerce and Business Roundtable, indicate a high level of concern that steps might be taken by international organizations to curb some of the aggressive tax avoidance strategies taken by companies (Houlder, Politi, & Wolf, 2013). Some of the tax strategies used by large MNEs are “increasingly politically unpalatable in some nations at a time of budget woes and persistent economic weakness,” but business groups think the opportunities are necessary to avoid double taxation and other barriers to cross-border trade and investment (Politi, 2013; Weichenrieder, 1996).

One OECD conclusion is that there is an increasing disconnect between the places where actual business activities occur and the places where profits are reported for tax purposes. Even the regulations for transfer prices are not providing much help. Even in the U.S., there is a varying tax system among the states as well as a varying jurisdictional adoption of the Uniform Division of Income for Tax Purposes Act (1957, amended 1966). If the states within one nation cannot agree, it would seem far-fetched that agreement on formulary apportionment globally could be reached. Even more unlikely would be an agreement on what constitutes “aggressive” tax

avoidance, versus legitimate tax avoidance, versus the moral overtones of each kind of avoidance.

Impact of Ethics on Behavior

Shafer and Simmons (2007) succinctly defined the problem of aggressive tax avoidance by stating that aggressive tax avoidance, or a person's failure to pay their taxes, violates principles of social/civic responsibility. Assessments about whether legal tax avoidance is ethical or unethical must be made considering the symbiotic nature of business and society (DeGeorge, 2010; Velasquez, 1999) and the harm that could accrue to society and individual groups or members of society. To do this, one must identify the stakeholders under consideration.

Stakeholders

Stakeholders are comprised of a diverse set of people and entities that might be positively or negatively affected by the actions of the company engaging in a particular behavior. Wood-Harper et al. (1996) defined a stakeholder as "any individual, group, organization, or institution that can affect, as well as be affected by, an individual's, group's, organization's, or institution's policy or policies" (p. 9). Stakeholders have been deemed to have specific rights such as respect, integrity, standards, transparency, and accountability (Waddock, Bodwell, & Graves, 2003). Primary stakeholders are those without whose participation and support the organization would cease to exist, while secondary stakeholders are those that can influence the organization, but could not cause dissolution if thwarted (Gonzalez-Benito & Gonzalez-Benito, 2006). In regard to the payment of taxes, the primary stakeholders would be the corporate shareholders, employees, and the governments of the countries in which the corporation transacts business or reports profits. Secondary stakeholders would include potential investors, creditors, competitors, and society at large.

From a business perspective, ethical behavior can be viewed as morally appropriate and 'right' conduct rather than the strict definition of legally 'right' conduct. Unfortunately, each group of stakeholders may have a different perception of what is 'right' and may use different theories and cultural contexts upon which to judge conduct. However, in most situations, businesses (in the form of the people who run them) generally do the 'right' thing for one (or both) of two reasons: because the 'right' thing is the 'right' thing to do or because the 'right' thing will provide positive benefits to the organization (Baron, 2009). The right thing could be legally mandated: most laws stem from what society finds to be the right thing (Velasquez, 1999). The morally right thing might also be to breach the law, where the law itself is wrong, as in the case of slavery, which, until the Emancipation Proclamation, was legal, but which is and has always been immoral. Such civil disobedience may be morally required, but the suspect action remains illegal (Hanson, Crosser, & Laufer, 1992). In the case of aggressive tax avoidance, the right thing legally and morally is to pay one's fair share of taxes. *Bullen v. Wisconsin* (1916) ruled that "when the law draws a line, a case is on one side of it or the other, and if on the safe side is none

the worse legally that a party has availed himself to the full of what the law permits. When an act is condemned as evasion, what is meant is that it is on the wrong side of the line”.

Approaches to ethical decision making can be classified as either teleological or deontological (DeGeorge, 2010). The teleological framework focuses on consequences (typically using utilitarianism or egoism theories) that result from the action. Deontological frameworks (such as Kantian and Rawlsian analyses) focus on duty; an action is either innately right or wrong and the consequences resulting from the action are irrelevant. Moral pluralism is the concept that one uses multiple approaches to ethical decision making (DeGeorge, 2010). This paper applies multiple ethical frameworks to support a position that aggressive tax avoidance is unethical.

The utilitarian analysis (Bentham, 1789) suggests that an action is morally correct if it produces the greatest amount of good for the greatest number of people or, in a “no-win” situation, the least amount of harm for the greatest number of those affected. In contrast, egoism uses the same thought processes of utilitarianism, but is limited to a review of consequences only to the extent that the decision maker himself is affected. The best decision is the one that produces the greatest good for the decision maker rather than for the greatest number. One might define the ‘decision maker’ as either the manager engaging in the process or the entire business entity doing so. In this instance, the use of egoism is not appropriate as the number of stakeholders who can be negatively impacted by aggressive tax avoidance is large and the harm accruing significant (i.e., OECD, 2013, Exhibit 1). Thus, the broader concept of utilitarianism, wherein the effects on any number of stakeholders can be considered, is used in this paper.

The utilitarian analysis requires the decision maker to engage in five steps to achieve the morally defensible choice of action, in this case, whether to aggressively avoid taxes or not. First, the action under consideration must be identified and identified clearly. Here, the question is indeed whether to aggressively avoid tax payment when it is or may be legally permitted. The second task is the identification of stakeholders, both primary and secondary stakeholders. Third, alternatives must be developed (i.e., to avoid taxes in a more reasonable way, to aggressively avoid taxes, or to evade taxes). The next step requires an assessment of the advantages and disadvantages of each of the alternatives. Finally, the decision maker should accept as the best ethical choice the alternative that provides the greatest good for the greatest number of stakeholders, or the least amount of harm for the greatest number of stakeholders.

The Kantian analysis (Kant, 1964) can be simplified in three simple questions that, if all are answered in the positive, a moral duty to act (or not to act) is imposed. A precursor to the application of Kant’s Categorical Imperatives is the requirement that the decision maker be in a rational state when making decisions as to the ethical nature of an action. In this instance, again, management is seeking the ultimate in rationale: they would like to limit to the greatest extent possible, legally and, hopefully, morally, the tax liabilities the firm accrues on behalf of their shareholders. Thus, the requirement that the actor is rational is met: management is indeed acting rationally to explore ways to limit their tax liabilities and maximize profits thereby.

The next step of the Kantian analysis is the posing of the three questions that are deemed to be Kant's Categorical Imperatives. First, the action should be universally consistent; that is, one must choose to act such that all will be treated the same and such that the actor would submit to that treatment. Second, the action must respect individuals as inherently or innately valuable, apart from any benefit that they might provide the actor. Third, the action must acknowledge and respect the autonomy of all rational beings. The Kantian analysis has been described simply as the idea that people should do unto others as they would have others do unto them (the Golden Rule).

The action of engaging in legal tax avoidance would be universally consistent in that any company engaging in such behavior would not be prosecuted; every company would be treated the same by the law and no company would be favored or singled out for prosecution. However, there is a difficulty in this philosophy relative to the particular issue of aggressive tax avoidance. All companies are not able to shelter their profits by taking advantage of tax arbitrage because some companies may have limited ability to establish subsidiaries that fit the check-the-box loophole. Further, tax avoidance, in and of itself, is valuable only for the benefits that will accrue to the acting company; aggressive tax avoidance does not treat as valuable or worthy of respect any stakeholder adversely affected by the constricted availability of tax revenues for a government's provision of public goods and services. Finally, individuals will generally agree that legally avoiding taxes is a rational process chosen by freely acting decision makers, but there is a question of whether those individuals would agree that the structure by which this legality has been designed is appropriate. The process has been specifically entitled a 'loophole' and many individuals would not agree that the use of 'loopholes' is entirely ethical. Many individuals might not want tax laws to be written so that certain companies (or individuals) are able to take advantage of a loophole, while others would not be free or otherwise able to similarly participate. Thus, legally avoiding taxes because of loopholes does not seem to be consistent with an ethical designation under Kantian analysis.

The Rawlsian analysis (Rawls, 1958, 1971) is considered a deontological theory based in the concept of justice. Principles of justice should be decided behind a "veil of ignorance" of one's position in society. If the decision maker is behind a veil of ignorance, in the "original position," he has no knowledge of his own characteristics, attributes or station in life, economically, politically or socially. By making decisions in this manner, based on Rawls' three Principles of Fairness, the rules determined should be fairest to everyone because everyone would be accorded liberties that were as great as everyone else's and societal opportunities would be equally available to all. These principles are designated the Principle of Equal Liberty, the Difference Principle, and the Principle of Fair Equality of Opportunity.

Under the Principle of Equal Liberty, everyone would be free to do what they felt was most important individually, to the extent that their freedom is constrained by others' freedoms. Under the Difference Principle, everyone would choose rules that would protect each person from being treated as the least important person in society. Under the Principle of Fair Equality of Opportunity, everyone would make rules that protect their own interests if they ultimately are found to be most talented or deserving. To illustrate, an ethical decision maker would not make rules that

would allow discrimination based on gender or race under Rawlsian theory because (given the “veil of ignorance”) that decision maker would not rationally subject himself/herself to personal discrimination.

The use of Rawlsian analysis to assess tax avoidance through tax shelters would quickly disenfranchise the notion of ethicality. If someone adopted a ‘veil of ignorance’ and was asked whether some companies should be able to obtain tax benefits because of a loophole in the tax law, that person would likely and adamantly answer in the negative. Such a benefit would be discriminatory to those unable to fit into the loophole. Companies with the financial resources to employ tax-savvy accountants and attorneys who are able to structure activities in avoidance of paying taxes that less aggressive interpretation of the law might mandate are “more” equal than companies with fewer financial means. The use of tax loopholes deprives those unequally disadvantaged, those without sufficient means to avoid tax payment, of the ability to avoid taxes. Moreover, Rawls’ principles are violated from the perspective of the rightful provision of public goods and services: those with greater ability to pay taxes are the same ones with the ability to avoid the payment of their fair share of taxes.

Corporate Tax Avoidance Actions and Ethical Behaviors

Apple, Google, Microsoft, and Hewlett-Packard are among the largest U.S. corporate entities that are taking advantage of the “check the box” loophole. Companies are also avoiding taxes through legitimate transfer pricing structures, tax rate negotiations, and domicile location. It seems that there are only a few questions to be asked to determine the morality of aggressive tax avoidance, utilizing any of the three ethical frameworks described above. For example, using the utilitarian analysis, which stakeholders benefit and which stakeholders are harmed by engaging in tax avoidance strategies that are so aggressive that they might be found to be illegal after the fact?

Of the stakeholders mentioned earlier, the corporation’s shareholders and employees receive the most benefits. The value of corporate stock increases because the reduced taxes generate higher profitability. Employees benefit through bonus and incentive plans, higher wages, or greater job security (because of corporate financial success); lower taxes result in higher cash flows that, in turn, may more easily allow creditor payments or organizational growth in jobs.

In contrast, the greatest harm is done to the countries that are not receiving what may be perceived to be an ‘equitable’ share of profits in the form of taxes. Additional harm can be attributed to competitors who either do not have the multinational presence or taxation expertise to engage in sheltering tactics. Harm may come to members of society-at-large because a greater tax burden is placed on all non-MNEs (from individuals to small businesses to purely domestic companies) to provide the resources needed to support governmental services.

Because of the difficulty of measuring benefits and costs, a comprehensive assessment of whether legal, though aggressive, tax avoidance in these instances is ethical cannot be made. However, if one believes that the societal harm (because of

reduced tax collections and governmental provision of benefits) is greater than the benefit provided to an individual company engaging in such actions, then utilization of tax shelters as previously discussed would not meet an ethical determination under utilitarianism. Thus, the second question posed is would legal tax avoidance, again, though perhaps suspiciously aggressive, be considered as meeting the 3 Kantian conditions?

The action of engaging in legal tax avoidance would be universally consistent in that any company engaging in such behavior would not be prosecuted; every company would be treated the same by the law and no company would be favored or singled out for prosecution. However, the difficulty in this philosophy relative to this particular issue has already been alluded to. Firstly, all companies are not able to shelter their profits by taking advantage of tax arbitrage because there may have been limited ability to establish ‘subsidiaries’ that fit the “check-the-box” loophole. Secondly, tax avoidance, in and of itself, is valuable only for the benefits that will be provided to the acting company, not the others that would be affected by the avoidance. Finally, while individuals could agree that legally avoiding taxes is a rational process chosen by freely acting decision makers, there is a question of whether those individuals would agree that the structure by which this legality has been designed is appropriate. The process has been specifically entitled a ‘loophole’ and many individuals would not agree that the use of loopholes is entirely ethical. Why would we adopt a law by which only some entities similarly situated are benefitted, but not others? Thus, legally but aggressively avoiding taxes because of loopholes does not seem to be consistent with an ethical designation under a Kantian analysis.

The use of Rawlsian analysis to assess tax avoidance through tax shelters would quickly disenfranchise the notion of ethicality. If one adopted a veil of ignorance and were asked whether some companies should be able to obtain tax benefits because of a loophole in the tax law, one would likely and adamantly answer in the negative. Such a benefit would be discriminatory to those unable to fit into the loophole. Table 1 is a depiction of the application of ethical principle to the practices of tax avoidance through legal loopholes and tax evasion.

Table 1: *Application of Ethical Principle to Tax Avoidance, Aggressive Tax Avoidance and Tax Evasion Practices*

Ethical Principles		Tax Approach		
Framework	Principles	Tax Avoidance	Aggressive Tax Avoidance	Tax Evasion
Utilitarianism	Social Utility	Ethical and legal	Not ethical, but possibly legal	Not ethical or legal
Kantian	Golden rule	Ethical and legal	Not ethical, but possibly legal	Not ethical or legal
Rawlsian	Justice	Ethical and legal	Not ethical, but possibly legal	Not ethical or legal

Fixing the Problem

Use of the “check-the-box” loophole to avoid tax payments is believed by corporate managers to be in the best organizational interest. Most members of society and most businesspeople today recognize the need for some level of government services and, to support such services, some level of taxes (McGee, Nickerson, & Fees, 2005; McGee, 2006; McGee, Ho, & Li, 2008).

In light of the incentives various governments have provided in the form of extremely favorable tax treatment to attract big business to “their shores,” it can hardly be deemed as positive that multinational business would thereafter not cavil at or hesitate to engage in tax avoidance, even aggressive tax avoidance (Weichenrieder, 1996). Thus, not surprisingly, Apple and other companies have indicated that they will not repatriate profits earned outside of the U.S. to the U.S. until corporate tax rates are lowered. Such a position could be viewed as economic extortion in that there is the threat that financial benefits will continue to be withheld from the U.S. tax coffers until the demand for tax reduction occurs.

Although the legitimacy of increased shareholder value by reducing taxes is a reasonable business action, perhaps the situation could be handled in alternative ways that would benefit both shareholders and the U.S. government. First, Congress should review the tax code to eliminate tax loopholes that benefit MNEs in an attempt to place all corporate entities on the same ‘tax footing.’ Further, acknowledgement that tax rates overseas are significantly lower elsewhere than are those in the U.S. and consideration of a phase-in for lowering those rates to make the playing field more level should be made. Second, Congress should consider what it really wants from U.S. corporations by assessing the benefits that could be provided under various options. The tax base provided by corporate entities took a downturn when they went offshore because of lower labor rates and when transfer prices were set to take advantage (to the extent possible) of tax arbitrage. Would the U.S. be better off if companies came back on-shore and created additional jobs? If so, Congress should provide tax incentives to encourage such action. Third, Congress (and other governmental entities at all levels) should find ways to entice foreign corporations to locate in the U.S. But any such enticements should not be given at the expense of ‘home-grown’ entities, especially those engaged in technology and other developing economic sectors that provide jobs allowing a higher standard of living. Fourth, U.S. company management needs to recognize that organizational success is made possible, in part, by the ability of the company to partake in the societal benefits that exist in this land of opportunity. The ability to provide such benefits must be supported by a healthy tax base. Therefore, giving back to the government in the form of taxes is nothing more than an ethical quid pro quo.

Fifth and finally, and this is slowly occurring, stockholders should be convinced that long-term returns on investments are more productive and socially responsible than short-term ones. Many companies are now focused on the triple bottom line of people, planet, and profits. People and planet are long-term sustainability concepts that encourage a view beyond this week’s Dow Jones Industrial Average. Table 2 is a summary of how each of these suggestions meets the moral standards mandated by the frameworks of utilitarianism, Kantianism, and the Rawlsian analysis.

Table 2: *Application of Ethical Principle to Tax Avoidance and Evasion Practices*

Paradigm Shift	Ethical Principles			Ethical Conclusion
	Utilitarian Analysis	Kantian Analysis	Rawlsian Analysis	
Revision of tax code and elimination of tax loopholes	<p><i>Benefits:</i> Increased tax revenue and/or lower rates for:</p> <ul style="list-style-type: none"> • Taxpayers • Society as a whole <p>Reduction of benefits to special-interest groups Fair payment from, and fair treatment for, all taxpayers Reduction in costs of tax preparation Easier for companies to repatriate profits earned overseas Reduction in stakeholder accusations of tax-dodging and organizational greed</p> <p><i>Costs:</i> Immediate decrease in maximization of profit Possible job implications for tax professionals</p>	<p>Equal treatment of all firms under the law Recognition of all firms as inherently valuable for the tax and employment base they contribute Ability of all firms to freely pursue profit maximization without fear of being at a competitive disadvantage because of inability to shift taxable income away from the U.S.</p>	<p>Equal treatment among all taxpayers so that each pays his fair share, which promotes social justice Social and economic inequalities would be diminished by ultimately increased tax collection to the greatest extent possible or practical, benefitting those least advantaged in society Those least advantaged would have the opportunity to become less disadvantaged through fair and complete tax collection and expenditure</p>	Yes
Tax base alteration to incentivize U.S. businesses return to the U.S.	<p><i>Benefits:</i> Long-run increase in tax revenues Increased employment levels</p> <p><i>Costs:</i> Possible short-term tax revenue decrease</p>	<p>All businesses would benefit equally by incentives to come back to or stay in the U. S.; no business would be treated differently than any other No business would be unfairly "used" to support societal needs, as all would be treated equally, not as an end to the government's/society's needs Incentives recognize firms' freedoms to do business fairly, bearing their fair share of communal costs</p>	<p>More attractive for U.S. business to be able to fairly compete in its home market, which promotes social justice Social and economic inequalities will be reduced as a result of increased tax income overall Those least advantaged in society will be in a more favorable position as a result of increased tax revenue and expenditure to minimize social and economic inequalities</p>	Yes
Tax base alteration to incentive foreign business to come to the U.S.	<p><i>Benefits:</i> Increased tax revenues Increased employment levels</p> <p><i>Costs:</i> Possible short-term tax revenue decrease</p>	<p>Businesses across national borders are treated equally as those in the home country Foreign businesses are not taxed at a higher rate than domestic firms, and thus are not used merely to further the interest of a higher tax base creation Foreign firms can freely chose to locate in the U. S., a lower tax based system</p>	<p>Equal liberties are given to all to locate in places with lower tax rates Differences among domestic and foreign firms can be reduced or eliminated, stimulating increased interest in locating in the U. S. Foreign firms are granted the same access to the huge U. S. markets in which to distribute their products or services</p>	Yes

Table 2: *continued*

Paradigm Shift	Ethical Principles			Ethical Conclusion
Away from Incentive to Aggressively Avoid Tax	Utilitarian Analysis	Kantian Analysis	Rawlsian Analysis	Is the action morally correct?
Management recognition that there is a symbiotic relationship between business, government and society	<i>Benefits:</i> More positive firm image with many stakeholders <i>Costs:</i> Potential short-term angst by stockholders demanding profit maximization	Management from all firms will be treated equally, as a partner in the provision of goods and services to society, to whom they already have a working/business relationship Management will recognize that firms and society cannot merely use each other as means to an end, but that these parties have common ends, benefitting each other Management freely engages in business transactions with society, who freely engages in that business, to the betterment of both	Management from all firms are treated equally by governments and society Social and economic inequality are recognized by management to exist and management recognizes a duty to address these inequalities as part of the symbiotic relationship with business, thus also aiding in the creation of a society that values granting opportunities to those most in need	Yes
Stockholders' recognition that there is a long-term, ongoing symbiotic relationship between business, government and society	<i>Benefits:</i> Paying one's fair share and associated virtuous feeling <i>Costs:</i> Potential short-term angst by shareholders demanding profit maximization	Stockholders from all firms will be treated equally, as a partner in the provision of goods and services to society, to whom they already have a working/business relationship Stockholders will recognize that firms and society cannot merely use each other as means to an end, but that the parties have common ends, benefitting each other Stockholders freely engages in business transactions with the firms' in which they hold stock and with society, who freely engages in that business, to the betterment of both	Stockholders from all firms are treated equally by governments and society Social and economic inequality are recognized by stockholders to exist and they recognize a duty to address these inequalities as part of the symbiotic relationship with business, thus also aiding in the creation of a society that values granting opportunities to those most in need	Yes

Future Research

A major question related to reducing the U.S. income tax rate is the extent to which the government's revenues would be reduced. For example, in early 2015, Rand Paul suggested a flat-tax rate of 17% on business income and said that would reduce government inflows by \$700 billion. Paul later suggested a 14% flat-tax which would obviously have a more extensive governmental revenue impact (Sahadi, 2015; Kohlhepp, 2015). Numerous other tax reduction proposals have been made, including a FairTax Plan that would tax only consumption (Baron, 2015). Although any tax rate reduction would slash government inflows, research needs to be performed as to the level of administrative and compliance costs that such a policy

might also reduce. Additionally, the total potential positive impact of benefits from economic growth, unemployment drops, elimination of loopholes, and repatriation of overseas funds should be estimated. In other words, the net positive or negative impact on U.S. society should be disclosed in a clear and transparent manner.

As Huneycutt (2009) asserted, stock trading fees plummeted and trading could occur at the mere click of a computer key, “[s]tocks slowly morphed from a form of ownership of real companies and into a form of abstract profit-making... [and] the majority of the market participants arguably were ignoring the fundamentals behind the companies they were investing in. Investing became about psychology and little more” (p. 1). Additional research should be obtained on ways to integrate a longer-term investment mentality into investors as well as a better understanding of the global benefits of the utilization of the triple bottom line as a corporate performance measurement.

Conclusion

In 2014, a Congressional Research Service tax expert testified that U.S. corporations were reporting profits in Bermuda that likely exceeded that country's GDP by approximately 1,000% (Gravelle, 2014) and that consisted of only one small country measured in a single year. The situation of tax avoidance through tax loopholes provides an unadulterated example of the difference between what is legal and what is ethical. Legality tends to conform to current societal norms rather than reflecting the totality of morality. In other words, there is a ‘spirit of the law’ (morality) and a ‘letter of the law’ (legality). Legitimizing a ‘wrong’ act because of circumstances or societal mores does not make that act any more moral (Raiborn & Payne, 1990). Table 3 presents the conclusions as to the ethical and legal natures of aggressive tax avoidance and tax evasion.

Table 3: *Conclusion of Ethical and Legal Conundrum of Aggressive Tax Avoidance and Tax Evasion*

Tax Avoidance and Evasion: Legal and/or Ethical?	Ethical	Unethical
Legal	Fair payment of taxes to legitimate governmental ends of provision of public goods and services	“Extreme” tax avoidance: making a legal interpretation of tax law that espouses only the letter of the law, while ignoring the spirit of the law
Illegal	Civil disobedience in the refusal to pay taxes legally owed, but which are disproportionate or unfairly burdensome taxes to a corrupt government	Tax evasion: the failure to pay legally owed taxes that are fairly assessed to support good faith, legitimate governmental interests to provide for the provision of public goods or services

This circumstance highlights why companies need to be aware of whether their managers are walking the walk or merely talking the talk. Leo Martin, director of GoodCorporation business advisers, sums up the reality of such activity: “Leaders need to show that they are prepared to give up moneymaking opportunities, if there is a risk that values might be compromised” (Newing, 2013, p. 6). The fact that the tax code allows a legal loophole does not mean that the ethical behavior of paying one’s fair share should be ignored.

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Coaching Urban Gymnastics in Chicago's Extreme Conditions

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Jesse White is the longest-serving and also the first African American to hold the position of Illinois Secretary of State. As a state elected official and gymnastics coach, White represents two distinct yet overlapping entities which will be outlined in this paper.

Under White's leadership and influence, the Secretary of State's office has become one of largest in the nation, providing more direct services to the people of Illinois than any other public agency. White's office issues state ID cards, auto-license plates and titles; registers corporations; enforces the Illinois Securities Act; and administers the Organ Donor Program. Additionally, Secretary White oversees the State Library and promotes literacy programs popular among K-12 and community colleges.

Despite Chicago's extremely violent reputation, White has spent 56 years working as a volunteer with the Jesse White Tumbling team, a program started in 1959 that offers a safe haven and positive environment for inner-city kids. The goal of the Tumblers is to help kids stay away from gangs, drugs, and to help at-risk youth commit to successful pathways in life. As a transformational-servant leader, White inspires and motivates others by providing meaning and challenge to their work or activity. Since the Tumblers programs began, more than 16,000 young men and women have performed with the team worldwide. Moreover, these young men and women will openly testify to White's influence, motivation, and individual attention.

According to organization theory, there are four primary behaviors that constitute transformational leadership (Gregory Stone, Russell, & Patterson, 2004):

- (1) Idealized influence
- (2) Inspirational motivation
- (3) Intellectual stimulation
- (4) Individualized consideration

Jesse White exemplifies these four leadership traits in his roles as both a volunteer coach and an elected public official.

Robert Greenleaf is credited as the author of the servant leadership concept by modern organizational theorists. Servant leadership, exemplified by Jesse White, focuses on serving others rather than upon serving the self and also on understanding the role of the leader as a servant (Greenleaf, 2002). Self-interest should not motivate servant leadership, rather, it should ascend to a higher plane of motivation. Servant leaders develop people by helping others to strive, excel and flourish.

The leader inspires followers to see the attractive future state, while communicating expectations and demonstrating a commitment to goals and a shared vision (Bass & Avolio, 1993).

The Early Days

Since 1959, Jesse White, former baseball and basketball college athlete has dedicated his life to excellence in public service and community development. White graduated from Alabama State University during the early days of the civil rights movement. From 1959 to 1966, White was a member of the Chicago Cubs AAA baseball farm system where he finished with a lifetime .291 batting average. He made it close to the major leagues but never got that coveted call.

White accepted his military draft responsibilities serving as a paratrooper in the United States Army's 101st Airborne Division, was a member of the Illinois National Guard, and held several political offices including Recorder of Deeds of Cook County. White also worked as a teacher and administrator for Chicago Public Schools for 33 years before being elected Secretary of State in 1998.

Jesse White Gymnastic Tumblers

As the Secretary of State for Illinois, Jesse White is equally known throughout the state of Illinois as the coach and founder of the Jesse White Tumblers. According to White, as told to the *Chicago Defender*:

I was working as a physical education teacher for the Chicago Park District on the West Side when one day my supervisor asked me to put together a one-time only gym show so I did. So I started teaching kids how to tumble and after the kids performed parents and park officials urged me to keep putting on shows. Becoming a Jesse White Tumbler is not an easy task. After trying out for the team ... those accepted must go through nine months of training before officially becoming a team member. And not everyone makes it through training, which is very intense. (Hutson, 2010).

The Tumblers are coached and mentored by White and 5 additional coaches. During each new season typically 900 youth tryout for the team but less than 450 are accepted. Several months later, additional eliminations occur during the training process. Approximately 50 to 60 tumbling students graduate from the training process each year. Selected Tumblers are required to practice 3 to 7 hours

a week and are often paid for their individual performances. According to White:

If we do a paid event, I take those funds and equally distribute it to the team members that performed. When I first started the tumbling team students were not paid and they participated solely for the love of the sport. But now I see that sometimes, not all the times, a motivating factor to be a tumbler is compensation and recognition.

White explained that with the economy being so tight many Tumblers, who come from low-income households, see their participation as their paid job:

I try to help them out as much as I can because I do not want them to be tempted to get money some other way. A lot of these kids come from fatherless and motherless homes so I am more than just their coach but for some their parent, mentor and friend. (Hutson, 2010)

The team has designated locations around the city where tryouts, training, tutoring, and practices are held, based on where a student lives. The more than 16,000 young men and women aged roughly 5 to 25, who have performed with the Tumblers come from some of the city's most unforgiving areas. "Everything that I do is in some way affected by what the team instilled in me," said Richard Blackmon Jr., 37, a former attorney and current Director of Training at a welfare-to-work program. Blackmon Jr. first made the tumbling team as a 5-year-old living in Cabrini-Green. "It was about so much more than just tumbling. It was about service and how you carried yourself as a young man," Blackmon Jr. said (Osnos, 1999).

Academics

In addition to tumbling, the organization also provides free tutoring and has given over \$300,000 dollars in collegiate funding over the past 14 years. Tutoring participation is mandated for those who fall below a C average in a semester. Students are still allowed to practice while they work to improve their grades but cannot perform until they bring their average up to a C or better. Each year about 8 to 10 students do not qualify academically to perform. But that does not deter White from his primary aim, which is to help at-risk youth navigate a path to success.

Another component to the tumbling team is its scholarship program. Established in 2000, the program provides academic and financial support for current and former members who plan to continue their education beyond high school. Among these, the program also offers admission and financial aid counseling and arranging college visits. Currently, there are 51 members enrolled in college, medical, and law school.

Extreme Challenges

Predicting extremely successful performances is of great interest to athletes and coaches (Hackman & Wageman, 2005). Those who train consistently well are also likely to compete well. But performance in training is not a perfect predictor of

performance in competition; a person who trains well can do poorly in competition. These events are usually attributed to the athlete's arousal level being too high because of effects of audience and/or fear of evaluation.

Over the years, there have been extreme challenges internal and external. According to a Miami University study done in 2005, all gymnasts are most fearful of injuries due to the difficulty in returning from an injury and being unable to participate in practices and competitions while injured. Most gymnasts described external aspects of their past performance experience, such as consistency and communication with significant others, as important sources of self-efficacy maintenance.

With or without training, external accidents are unfortunately, unavoidable. Due to high elevation and the aerial performance associated with this sport, the chances of injury can be high, and it can be extremely dangerous. The rigorous expectations for perfection by the most highly trained gymnastic tumbler can result in accidents if either the timing or placement of such exertions is not perfect. Thus, these are extreme athletic gambles.

On July 4, 2008, something went extremely wrong for one of the Jesse White Tumblers. Jarvis Williams, a senior in high school, had successfully completed his routine 50 or more times before. However, on that particular day, he turned his flips as he usually did but over-rotated just before landing, coming down on the back of his neck after soaring about 10 feet off the ground. An unfortunate accident and valiant attempt at perfection, his Tumbler days were over in that instant. He sustained a spinal cord injury and would never walk again.

Aside from the dangers of actually performing as a Tumbler, violence is also a very real factor in Chicago. Many members of the Jesse White Tumblers endure extreme sacrifices to travel to and from practice and are often close to gang-heavy areas. In September 2014, 16-year-old Devonshay Lofton was shot to death on the Northside Chicago walking down the sidewalk with friends. Jesse White described Devonshay Lofton as a responsible team member in good standings for over 5 years. This event was devastating to the tumbling team. However, thanks to the efforts of coaches, staff, parents and community stakeholders, Devonshay Lofton's death will hopefully not be a recurring event and helped to bring additional awareness to unwarranted gun violence in Chicago. In another context, it is another extreme example of the self-efficacy and coaching efficacy exhibited by this team and staff to overcome tragedy.

Self-Efficacy Theory

Persuasive techniques are widely used by coaches, managers, parents, and peers in attempting to influence an athlete's self-perceptions of efficacy. These techniques include verbal persuasion, evaluative feedback, expectations by others, self-talk, positive imagery, and other cognitive strategies. Self-efficacy beliefs based on persuasive sources are also likely to be weaker than those based on one's accomplishments, according to the theory (Feltz & Lirgg, 2001) (Bandura, 1977). Self-efficacy as defined by Christina Lee from the University of Adelaide, refers to the belief that a person can perform a particular activity in a particular

setting. Given adequate skills and incentives for the task, one's efficacy for that task determines the amount of effort expended, the degree of persistence, and the final result (Feltz & Lirgg, 2001).

Gymnastic performance is influenced by cognitive and emotional skills in addition to physical skills. Some athletes demonstrate greater mental toughness or perceptions of efficacy than others in the mental aspects of performance. The construct of self-efficacy has been of great interest to sports researchers and coaches (Vargas-Tonsing, Myers, & Feltz, 2004). In sport, the terms self-confidence and self-efficacy have been used to describe a person's perceived capability to accomplish a certain level of performance. An individual's efficacy beliefs can be influenced by four principal sources of information: performance accomplishments, vicarious experiences (or modeling), forms of verbal persuasion (e.g., feedback from coaches), and physiological states (Bandura, 1977, 1997). Performance accomplishments have been shown to be the most influential source of information in sport situations (Feltz et al., 1999). As Bandura (1997) posits, athletic efficacy involves control of disruptive thinking or distractions and affective states as well as physical performance. Perhaps the Jesse White Tumblers use practice and performance as an escape from the world outside the gymnasium or the negative influence of their neighborhoods (Bandura, 1997). Moreover, Gould et al. (1999) found that successful Olympic performance required extensive planning and flexibility to deal with numerous unexpected events and distraction. The parallels are clear and distinctive, yet also closely matched.

Extreme Conditioning Yields Global Attention

The Jesse White Tumblers program has received international praise. The team has traveled to Zagreb (Croatia), Tokyo, Beijing, Hong Kong for the Chinese New Year, Canada, and the Cayman Islands and have been featured in 4 movies and 25 commercials. They have performed at Half Time for every NBA team with the exception of the Oklahoma City Thunder and the Charlotte Hornets. They have also appeared in 2 presidential inaugural parades for President Clinton and President Obama. This year, the tumbling team will have more than 1,500 performances using 7 different units, consisting of 325 young men and women. In 2014, the Chicago Park District opened the Jesse White Community Center and Field House in honor of White's lifelong ability to transform lives and serve the community: Transformational-Servant Leadership.

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Conflict Management Strategies as Moderators in the Antecedents to Affective Conflict and its Influence on Team Effectiveness

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Strategic decisions are of paramount importance to the success of an organization. Strategic decision making teams encounter various types of conflicts in the process of making decisions. Based on information processing theory, the present study is devoted to the study of affective conflict or the disagreement among team members due to personality clashes. While affective conflict generally has deleterious consequences, in this study the antecedents of affective conflict are studied. Also studied are the effects of cognitive conflict or the disagreements arising in teams regarding tasks or content. In addition, the study investigates the relationship between conflict management styles and affective conflict. Data from 348 undergraduate and graduate students from 94 teams reveal that there is a negative relationship between affective conflict and team effectiveness. The study also reveals that, 1) there is a positive relationship between cognitive conflict and affective conflict, and 2) there is a positive relationship between process conflict and affective conflict. Hierarchical regression results reveal that cooperative conflict management style moderates the relationship between cognitive conflict and affective conflict, and competitive conflict management style moderates the relationship between process conflict and affective conflict. The implications for strategic decision making literature are discussed.

Strategic decision making teams play a vital role in the success of an organization. The team generally consists of a Chief Executive Officer (CEO) and a vice president of functional areas such as marketing, finance, production, and research and

development (R&D). This team is responsible for formulating and implementing corporate, competitive, and functional strategies, and for decisions that have long-term consequences (Eisenhardt & Zbaracki, 1992; Hambrick, 1994). The nature of the strategic decisions is such that all the team members are involved because these decisions are “important, in terms of the actions taken, the resources committed, or the precedents set” (Mintzberg et al., 1976, p.246). Examples of these decisions include restructuring decisions, plant layout decisions, new process technology decisions, conglomerate and concentric diversification decisions, and downsizing decisions. These decisions are ambiguous, unstructured, and complex (Mintzberg et al., 1976) and the nature of the ambiguity calls for teams to apply intellectual currencies together and resolve the complexity in decisions. Another major reason why teams are involved in the strategic decision is that problem-solving abilities of teams are greater than the individual capabilities and the synergy of ‘one plus one is greater than two’ is applicable (Daft, Bettenhausen, & Tyler, 1993). Each team member brings a variety of information and provides a wide range of perspectives to solve complex problems (Shaw, 1981). The effectiveness of teams depends on the quality of decisions made, which in turn, have influence on organizational outcomes.

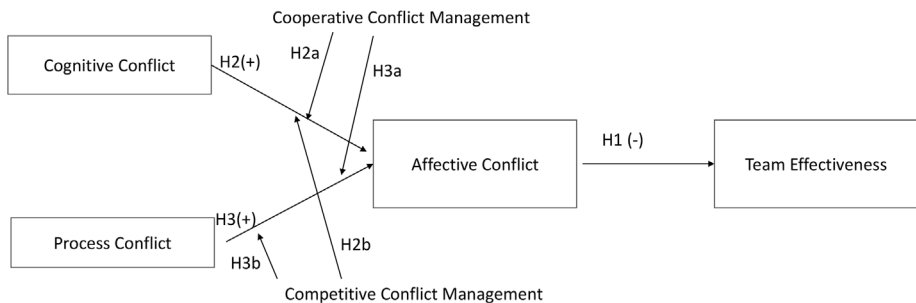
Team effectiveness does not come without a cost, however. The team members interact in the process of making decisions and this interaction may often result in two types of conflicts: cognitive conflict and affective conflict. The literature provides adequate support that these types of conflict have different outcomes; cognitive conflict is demonstrated to have a positive relationship with decision outcomes whereas affective conflict is negatively associated with the decision quality (Amason, 1996; Parayitam & Dooley, 2007, 2009). Some argue that the result of conflict on outcomes are equivocal (De Dreu & Weingart, 2003); whereas, a recent study demonstrated that too much cognitive conflict in decision making teams is bad (Parayitam & Dooley, 2011). Existing evidence also shows that the relationship between cognitive conflict and innovation is curvilinear (De Dreu & Weingart, 2003), and that the relationship between cognitive conflict and decision quality is curvilinear (Parayitam & Dooley, 2011).

Realizing that affective conflict has dysfunctional consequences, cognitive conflict has positive outcomes, and cognitive conflict has the potential to result in affective conflict, researchers focus on the mechanisms that reduce the effect of affective conflict and examine the dynamics of the conflict (Huan & Yazdanifard, 2012; Tjosvold, Law, & Sun, 2006). In addition to cognitive and affective conflict, there is another type of conflict (i.e., process conflict), which has been understudied in the literature but has interesting consequences. Disagreements about ‘how to’ implement decisions reflect the disagreements about allocation of resources and delegation of authority and whether these can be either productive or dysfunctional. For example, members having different functional backgrounds have different approaches to implementing decisions. Research has demonstrated that informational diversity results in increasing process conflict (Tjosvold et al., 2006). Process conflict, to some extent, is inevitable in teams. However, increasing process conflict has the potential to result in affective conflict because members may perceive being disliked by others when their viewpoints about the way in which decisions need to be implemented are not acceptable to others.

The interrelationships among various conflict types aside, the more important issue is their impact on task effectiveness. Conflict management scholars argue that conflict needs to be managed so that the negative impact of conflicts on team effectiveness is minimized (Alper, Tjosvold, & Law, 2000; Chen, Liu, & Tjosvold, 2004). Researchers also argue that if conflict is not dealt with properly it may result in disharmony among members and disrupt the relationships among them in the long run, which may have detrimental consequences to the organization (Jehn & Weldon, 1992; Kirkbride, Tang, & Westwood, 1991). Two types of conflict management are examined in the literature: cooperative conflict management and competitive conflict management (Deutsch, 1973). Research also supports that conflict management approaches affect team effectiveness and outcomes (Lovelace, Shapiro, & Weingart, 2001).

The present research is focused on the effect of conflict management types on conflict. Scant research exists that supports that cooperative approaches produce superior consequences over competitive approaches (Tjosvold, 1998). The conceptual model is presented in Figure 1 below.

Figure 1: *Cooperative Conflict Management as a Moderator in The Relationship Between Cognitive Conflict and Affective Conflict*



Theoretical Background and Hypotheses Development

Information processing theory (Galbraith, 1973) provides the theoretical foundation for the present research. Strategic decisions involve participation by top management team members (called Strategic Decision Making Teams, or SDMT) who are entrusted with the responsibility of formulating and implementing the corporate, competitive, and business strategies. According to information processing theory, members interact with each other and exchange information in order to make decisions. Members obtain, process, and interpret information from others and act upon it. In this process, three types of conflicts arise: cognitive conflict (task conflict), affective conflict (relationship conflict), and process conflict. Abundant research has demonstrated that cognitive conflict has positive outcomes whereas affective conflict has dysfunctional consequences (Amason, 1996; Dooley & Fryxell, 1999; Parayitam & Dooley, 2007, 2009). The research on process conflict and its consequences is very scarce, and it remains an under-researched area. In the current research, the inter-

relationships among these three types of conflict, and the effects of various conflict management approaches are studied. More specifically, the study seeks to explain the interrelated nature of various types of conflicts and how various types of conflict management styles moderate the relationships. Finally, the relationship between affective conflict and team effectiveness is examined.

Hypotheses Development

The Effects of Affective Conflict on Team Effectiveness.

Affective conflict is the disagreement among members because of personality likes and dislikes. When members do not get along, affective conflict is inevitable. Prior research has shown that affective conflict is dysfunctional because it adversely affects decision quality, decision commitment, and team effectiveness (Amason, 1996; Dooley & Fryxell, 1999; Parayitam & Dooley, 2007, 2009).

Affective conflict is concerned with people-related disagreements that include “tension, animosity, and annoyance among the team members” (Jehn, 1995, p. 258). Interaction among members may result in personality clashes and continued cognitive disagreements that may trigger animosity among the members (Janssen, Van de Vliert, & Veenstra, 1999). When these disagreements are carried to the extreme, they may trigger members to engage in political gamesmanship and sabotage decisions in the process (Finkelstein & Hambrick, 1996; Simons & Peterson, 2000). Members also tend to be ‘negative, irritable, suspicious and resentful’ toward others (Jehn, 1997, p. 532). When affective conflict erupts, emotional clashes and tensions cloud the task-related efforts and members spend considerable time on interpersonal aspects of the group rather than on the technical details of tasks (Parayitam & Dooley, 2007). When team members divert their energies to resolve interpersonal conflicts rather than tasks, they will not be able to adequately understand the decision’s relation to broader organizational goals. Finally, affective conflict decreases goodwill and mutual understanding among members, which hinders the completion of tasks (Deutsch, 1960). The negative consequences of affective conflict have been amply demonstrated by prior research and based on the above, the following hypothesis can be advanced:

Hypothesis 1: There will be a negative relationship between affective conflict and team effectiveness.

The Effects of Cognitive Conflict and Process Conflict on Affective Conflict

Abundant research evidence is available about the positive effect of cognitive conflict on decision outcomes (Amason, 1996; Dooley & Fryxell, 1999; Parayitam & Dooley, 2009). When members congregate on a decision making platform, they synthesize various alternatives. In this process, cognitive conflict about the content of the decision is inevitable. Cognitive conflict is concerned with disagreements among team members about the task or content, which then leads to a more thorough scrutiny of information. It enables the members to “provide deeper understanding of task issues and an exchange of information that facilitates generation of ideas, problem-solving and decision making” (Pelled, Eisenhardt, & Xin, 1999, p. 22-23). Though past research

has demonstrated that cognitive conflict is positively related to decision quality and decision commitment, there are limits to cognitive conflict. Indeed, the relationship between cognitive conflict and decision outcomes has been shown to be curvilinear (Parayitam & Dooley, 2011). Some empirical evidence suggests that cognitive conflict also breeds affective conflict (Parayitam & Dooley, 2009). The underlying logic behind this is that too much conflict about the content may be interpreted by the members as personal attacks. In other words, it is more likely that members may perceive task-related arguments and disagreements as personal attacks and these perceptions may eventually trigger affective conflict (Jehn, 1995; Ross & Ross, 1989). Disagreements about content for extended periods may result in misattributions, use of harsh and emotional language in arguments, or hurtful and aggressive tactics by the members to convince others about their viewpoints, which adversely affects the relationship between the members and results in affective conflict (Jehn, 1997). Members whose ideas are disputed (cognitive conflict) may feel that others in the group do not respect their ideas or viewpoints. They assume that their competence is challenged when others criticize their ideas, thus triggering emotional or affective conflict. Abundant empirical evidence supports that teams that experience higher levels of cognitive conflict will experience higher levels of affective conflict (Simons & Peterson, 2000).

Another important type of conflict is process conflict, which deals with the distribution and allocation of resources to implement decisions. Unfortunately, the effect of process conflict on decision outcomes remains an under-researched area. A common example of process conflict is a situation where top management team members advance competing arguments about allocation of resources to their respective departments. Process conflict deals with the implementation of decisions that often require commitment of sizable resources, and members often come into conflict about the implementation process. For example, when members decide to launch a new plant in Europe, the manner in which it needs to be implemented paves the way for process conflict. Though research evidence is scarce, it is postulated, similar to cognitive conflict, that process conflict also gives rise to personal clashes and affective conflict. Based on the above arguments, it can be hypothesized:

Hypothesis 2: There will be a positive relationship between cognitive conflict and affective conflict.

Hypothesis 3: There will be a positive relationship between process conflict and affective conflict.

Moderating Effects of Conflict Management Styles on the Relationship Between (A) Cognitive Conflict and Affective Conflict, and (B) Process Conflict and Affective Conflict.

Conflict management approaches (cooperative and competitive) play an important role in conflict management. Prior research suggests that conflict management approaches affect team outcomes (Lovelace, Shapiro, & Weingart, 2001). While research is scant, some evidence suggests that a cooperative approach results in more productive consequences than competitive conflict management approaches (Deutsch, 1973; Tjosvold, 1998). The type of conflict management approach depends on the

context, purpose, and the importance of strategic decisions. When organizations are engaged in strategic decisions with long-term consequences (e.g., downsizing, expansion, diversification, strategic alliances), teams engage in serious discussions regarding the content and process of decision implementation. Members unwittingly engage in competitive conflict management and cooperative conflict management. For example, when members demand that others agree to their positions, and consider conflict as a win-lose contest or when they overstate their position to get their own way, they are engaging in competitive conflict management. On the other hand, when members encourage a 'we are in it together' attitude, and seek solutions that will be good for the team and treat conflict as a mutual problem to solve, they are engaging in the cooperative conflict management approach (Tjosvold, Law, & Sun, 2006). Prior research has demonstrated that a cooperative conflict management approach is strongly associated with task conflict and a competitive conflict management approach is strongly associated with affective conflict (Tjosvold et al., 2006). Sometimes members focus on restating their positions rather than integrating ideas, which may affect the relationship between cognitive conflict and affective conflict and also between process conflict and affective conflict. The relationship between these types of conflict depends on the strength of these two types of conflict management approaches. The cooperative approach is expected to reduce the negative effect of cognitive conflict on affective conflict. At the same time, the competitive approach is expected to increase the negative effect of process conflict on affective conflict. Based on the above arguments the following are hypothesized:

Hypothesis 2a: Cooperative conflict management style moderates the relationship between cognitive conflict and affective conflict such that the relationship is more positive at lower levels of cooperative conflict management than at higher levels.

Hypothesis 2b: Competitive conflict management style moderates the relationship between cognitive conflict and affective conflict such that the relationship is more positive at higher levels of competitive conflict management style than at lower levels.

Hypothesis 3a: Cooperative conflict management style moderates the relationship between process conflict and affective conflict such that the relationship is more positive at lower levels of cooperative conflict management than at higher levels.

Hypothesis 3b: Competitive conflict management style moderates the relationship between process conflict and affective conflict such that the relationship is more positive at higher levels of competitive conflict management style than at lower levels.

Methodology

Data and Sample

Survey data were collected from 348 graduate and undergraduate students enrolled in a capstone strategic management course at a university located in the northeastern United States. In all, there were 94 teams with an average size of team 3.8 and a standard deviation of 0.95. There were 205 male and 143 female students. In the capstone course of 'strategic management' the students engaged in a simulated game and made strategic decisions over a 16-week semester. The results from the game had significant ramifications in terms of their performance and grade, and hence, students had a considerable stake in the outcome of the decisions. Students were divided into teams and made at least 10 weekly decisions. Surveys were given at the end of the simulation game, which allowed them to report on their group dynamics when they made strategic decisions.

Strategic decisions within the simulated game included financing, marketing, production, and human resources. Examples of these strategic decisions included construction of a new plant, launching a new product, production decisions and new product development, raising money from the capital markets and major decisions in research and development. Thus, in this simulated game, the team members were actively involved in the strategic decision making process.

In general, research on top management teams involved in decision making also involved team data (Amason, 1996; Simons & Peterson, 2000; Parayitam & Dooley, 2007). Some researchers, however, have been of the opinion that data from a single respondent will be enough to provide sufficient information about the group dynamics and collect data from single source (Janssen et al., 1999; Miller et al., 1998). Team data was used in this research. Teams made decisions which were 'important, in terms of actions taken, the resources committed or the precedents set' (Mintzberg et al., 1976). Therefore, the decisions made by the team members in the simulated game were qualified under the definition of 'strategic decisions' and hence the present study can be considered under the umbrella of strategic decision making teams.

Measures, Reliability, And Validity

Before aggregating the data, inter-rater agreement coefficients (Rwg) were calculated for each of the key variables (James, Demaree, & Wolf, 1984).

The study measured *cognitive conflict* on a 7-point Likert type scale, using 3 items developed by Jehn (1995). The respondents were asked to express the existence of task-based differences and disagreements among the team members. The sample item read as: "How many differences of opinion were there within the group over the decisions?" The mean value of inter-rater agreement (Rwg) for cognitive conflict was 0.82, with the values ranging from 0.71 to 0.91. Reliability for cognitive conflict was strong, with an alpha of 0.89.

Affective conflict was measured on a 7-point Likert type scale, using 4 items developed by Jehn (1995). These items were related to the relationship conflict among the team members and the sample item read: "How much personal friction was there in the group during this decision?" The mean value of the inter-rater agreement (Rwg) for

affective conflict was 0.78, with the values ranging between 0.68 and 0.84. Reliability for the cognitive diversity scale was strong, with an alpha of 0.94.

Team effectiveness was measured using a 6-item scale developed by Van der Vegt, Emans, and Van de Vliert (2000). The sample items were: "Team members put considerable effort into their jobs"; "Team members are concerned about the quality of their work." The mean value of inter-rater agreement (Rwg) for decision quality was 0.85, with the values ranging between 0.74 and 0.92, and the alpha for the aggregated measure was 0.92.

Cooperative conflict management was measured with 5 items, on a 7-point scale, drawing from previous literature (Tjosvold et al., 2006). Respondents were asked to reflect on the extent of emphasis on mutual goals, understanding the views of all the members, and orientation towards joint benefits while making decisions. The sample question read as: "Team members treat conflict as a mutual problem to solve." The mean value of inter-rater agreement (Rwg) for cooperative conflict management quality was 0.87, with the values ranging between 0.71 and 0.93, and the alpha for the aggregated measure was 0.90.

Competitive conflict management was measured using 4 items, on a 7-point scale, also drawing on previous literature (Tjosvold et al., 2006). The competitive-approach scale measured the extent to which members viewed conflict as a win-lose situation and whether members used pressure and intimidation to get others to conform to their own view. The sample item read as: "Team members demand that others agree to their position". The mean value of inter-rater agreement (Rwg) for competitive conflict management was 0.78, with the values ranging between 0.71 and 0.89, and the alpha for the aggregated measure was 0.91.

Process conflict was measured with 3 items, on a 7-point scale that was developed by Shah and Jehn (1993). The sample item read as: "How much conflict is there about delegation of tasks within your team?" The mean value of the inter-rater agreement (Rwg) was 0.73, with the values ranging between 0.73 and 0.90 and Cronbach's alpha was 0.89.

The study included 3 control variables: organizational goals, organizational means, and team size. *Organizational goals* was measured using 4 items related to net profits, rate of growth, market share, and innovation. The mean value of inter-rater agreement (Rwg) for organizational goals was 0.82 with the values ranging between 0.71 and 0.93, and alpha for goals was 0.83. *Organizational means* was measured using 4 items including financial liquidity, advertising, product quality, and cost reduction. The mean value of the inter-rater agreement (Rwg) for organizational goals was 0.76 with the values ranging between 0.65 and 0.93, and alpha for means was 0.81. The team size was measured as the number of members in the team. The average size of the team reported in this study was 3.8 members with a standard deviation of 0.95.

Results

The means, standard deviations, and correlations among study variables are reported in Table 1 below.

Table 1: Descriptive Statistics: Means, Standard Deviations, and Correlations

	Mean	S.D	1	2	3	4	5	6	7	8	9
1. Organizational Goals	3.78	.260	1.000								
2.Means	3.92	.287	.777**	1.000							
3. Team Size	3.80	.954	-.115	-.026	1.000						
4.Affective Conflict	1.70	.677	-.102	-.101	.171	1.000					
5. Cognitive Conflict	2.04	.579	-.029	.010	.112	.861**	1.000				
6. Process Conflict	1.66	.543	.070	.059	.074	.869**	.850**	1.000			
7. Competitive Conflict Management	2.44	.630	-.002	.052	.004	.459**	.478**	.479**	1.000		
8. Cooperative Conflict Management	4.24	.428	.435**	.559**	.014	-.367*	-.264	-.377*	-.348*	1.000	
9. Team Effectiveness	4.19	.385	.486**	.614**	-.178	-.377*	-.210	-.347*	.429**	.849**	1.000

** p < .01

* p < .05

The initial analysis of the descriptive statistics table suggested that there were some problems with multicollinearity, because correlations between some variables were more than 0.8. Therefore, it was important to do a statistical check. It was observed that the variance inflation factor (VIF) was less than 2, suggesting that multicollinearity should not have been a problem. The variables were also centered to address this problem (Aiken & West, 1991; Kennedy, 1985).

Multiple regression analysis was used to test the hypotheses. Table 2 presents the results of hierarchical regression analysis of the effect of affective conflict on team effectiveness below.

Table 2: Regression Results of Relationship Between Affective Conflict and Team Effectiveness

Variables	Column 1 Team Effectiveness	Column 2 Team Effectiveness
	Step1 ^a	Step 2
Organizational Goals	-.01 (-.09; .94)	-.02 (-.12; .90)
Means	.62** (3.07; .004)	.59** (3.14; .003)
Team Size	-.16 (-1.27; .21)	-.11 (-.93; .36)
Affective Conflict		-.30* (-2.45; .02)
R ²	.40	.49
Adjusted R ²	.36	.43
F- Value	8.33***	8.63***
Δ R ²		.09
Δ F-Value		6.08*
df	3,89	4,88

^a standardized regression coefficients are reported; t values and p values are in parenthesis

*** p < 0.001; ** p < 0.01; *p<.05

When team effectiveness was the dependent variable, Column 1 (Step 1) showed the effect of control variables viz., organizational goals, means, and team size. Of these control variables only means was significant ($\beta = .62$; $p < .05$). The direct effects model presented in Step 2 (Column 2) suggested that affective conflict was negatively and significantly related to team effectiveness ($\beta = -.30$; $p < .05$). The model was significant ($F = 8.63$, $p < .001$) and explained 49% of variance in team effectiveness ($R^2 = .49$; Adj $R^2 = .43$; $\Delta R^2 = .09$; $\Delta F = 6.08$, $p < 0.001$). These results suggest that affective conflict explained an additional variance of 9% when compared to the model involving the control variables only. These results support that a negative relationship exists between affective conflict and team effectiveness, thus supporting Hypothesis 1. These results are also consistent with previous research (Amason, 1996; Jehn, 1995, 1997).

The hierarchical regression results of conflict management types as a moderator in the relationship between cognitive conflict and affective conflict and between process conflict and affective conflict are presented in Table 3.

Table 3: Hierarchical Regression Results of Conflict Management Types as a Moderator Between Cognitive Conflict and Affective Conflict and Process Conflict and Affective Conflict

Variables	Column 1 Affective Conflict	Column 2 Affective Conflict	Column 3 Affective Conflict
	Step1 ^a	Step 2	Step 3
Organizational Goals	-.307 (1.33; .19)	.05 (.29; .77)	.02 (.32; .76)
Means	.10 (.44; .66)	.24 (1.44; .16)	.004 (.58; .57)
Team Size	-.27 (1.86; .7)	-.15 (-1.86; .14)	-.01 (-.20; .84)
Cognitive Conflict		.39** (2.85; .007)	.45*** (4.83; .000)
Process Conflict		.54*** (3.99; .000)	.41*** (4.01; .000)
Cooperative Conflict Management			.04 (2.09; .05)
Competitive Conflict Management			.03 (1.46; .16)
Cognitive conflict x Cooperative Conflict Management			-.37*** (-4.42; .000)
Cognitive Conflict x Competitive Conflict Management			-.36*** (-4.73; .000)
Process Conflict x Cooperative Conflict Management			-.25** (-3.92; .001)
Process Conflict x Competitive Conflict Management			-.21** (-2.69; .013)
R ²	.40	.83	.85
Adjusted R ²	.36	.81	.82
F- Value	8.35***	34.29***	20.22***
ΔR^2		.43	.02
ΔF -Value		23.19***	1.95*
df	3,89	5,87	11,81

^a standardized regression coefficients are reported; t values and p values are in parenthesis

*** $p < 0.001$; ** $p < 0.01$; * $p < .05$

The control variables were plugged in first in Step 1 (Column 1) and the results revealed that none of the control variables were significantly influencing affective conflict. The direct effects of independent variables on affective conflict were shown in Column 2 (Step 2). The results showed that the regression coefficient of cognitive conflict on affective conflict was positive and significant ($\beta = .39$; $p < .05$), and also that the regression coefficient of process conflict on affective conflict was positive and significant ($\beta = .19$; $p = .37$). However, the regression coefficient of cognitive diversity was positive and significant ($\beta = .54$; $p < .001$). The model was significant ($F = 34.29$, $p < .001$) and explained 83% of variance in affective conflict because of both cognitive and process conflict ($R^2 = .83$; $\text{Adj } R^2 = .81$; $\Delta R^2 = .43$; $\Delta F = 23.19$, $p < 0.05$). The model explained an additional 43% variance in the dependent variable because of the two independent variables viz., cognitive conflict and process conflict. These regression results supported both Hypothesis 2 and Hypothesis 3.

The moderating effects of various types of conflict management styles were tested and presented in Step 3 (Column 3). The results showed that the regression coefficient of cognitive conflict was positive and significant ($\beta = .45$; $p < .001$); and the regression coefficient of process conflict was positive and significant ($\beta = .41$; $p < .001$). In addition, the coefficient for the interaction term of cooperative conflict management and cognitive conflict was negative and significant ($\beta = -.37$; $p < .001$); while the coefficient for the interaction term for competitive conflict management and cognitive conflict also was negative and significant ($\beta = -.36$; $p < .001$). Again, the interaction term for cooperative conflict management and process conflict was negative and significant ($\beta = -.25$; $p < .005$), and the beta coefficient for the interaction term between competitive conflict management and process conflict was negative and significant ($\beta = -.21$; $p < .05$). The regression model was significant, explaining 85% of variance in the dependent variable ($R^2 = .85$; $\text{Adj } R^2 = .82$; $F = 20.22$, $p < .001$; $R^2 = .02$; $\Delta F = 1.95$, $p < 0.05$). The interaction terms explained an additional variation of 2% in affective conflict. These results supported the moderation hypotheses, Hypothesis 2a, 2b, 3a, and 3b.

Figures 1(a) 1(b), 1(c) and 1(d) show the interaction plots by showing the regression lines linking the cognitive conflict and process conflict influence on affective conflict to high and low levels of cooperative conflict management and competitive conflict management. The procedure laid out by Aiken and West (1991) was followed by computing the slopes from beta coefficients derived from regression equations that adjusted the interaction term to reflect different values of moderators (low scores were defined as one standard deviation below the means, and high scores represented one standard deviation above the mean scores).

Figure 1(a): Cooperative Conflict Management as A Moderator in the Relationship Between Cognitive Conflict and Affective Conflict

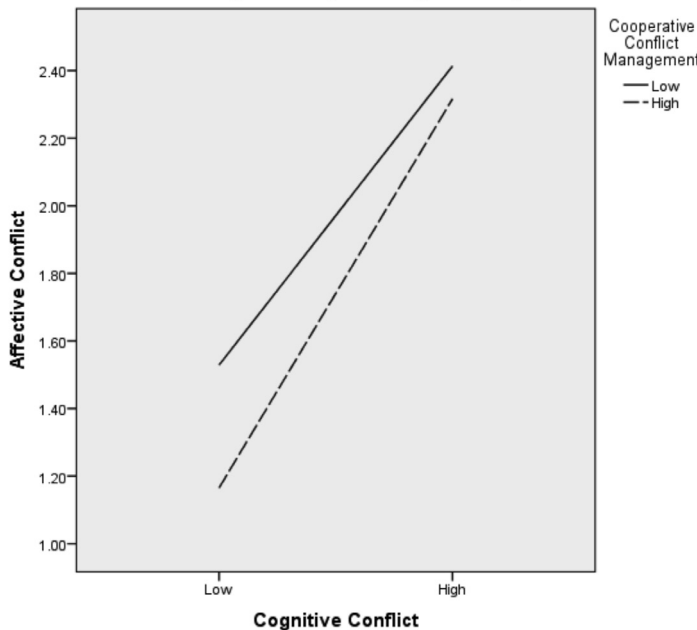


Figure 1(b): Competitive Conflict Maagement as A Moderator in the Relationship Between Cognitive Conflict and Affective Conflict

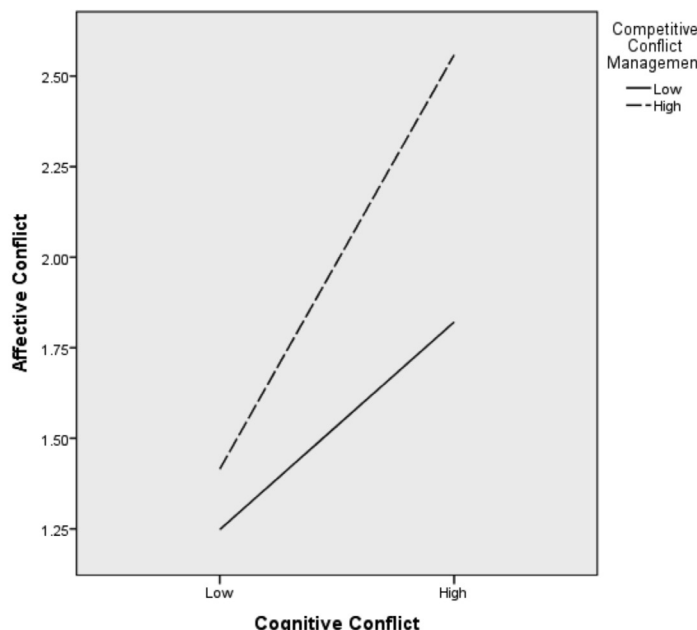


Figure 1(c): Cooperative Conflict Management as a Moderator in the Relationship Between Process Conflict and Affective Conflict

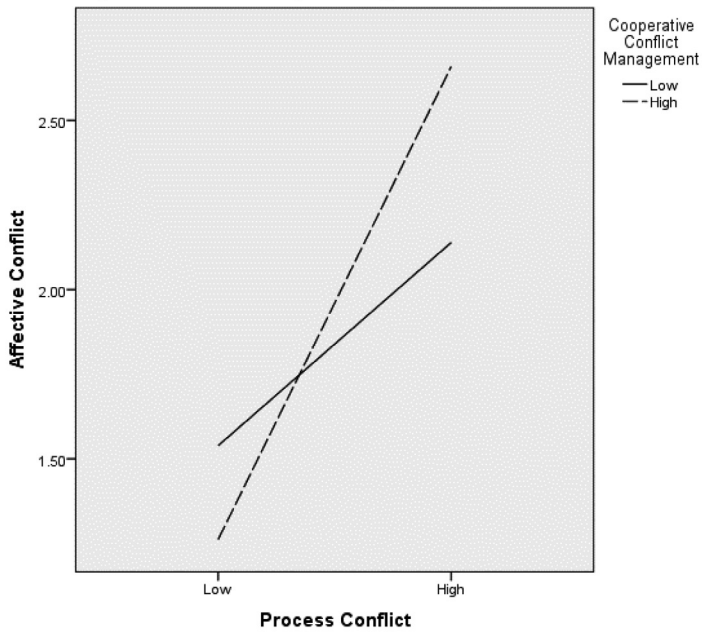
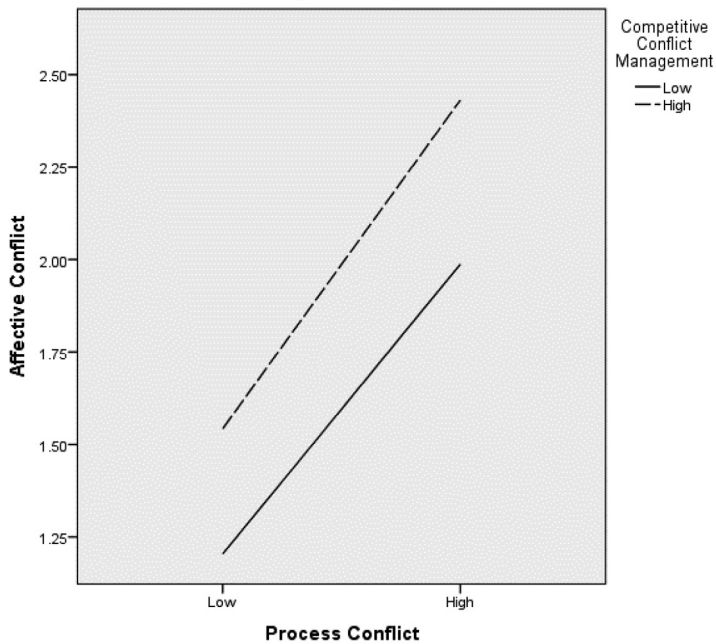


Figure 1(d): Competitive Conflict Management as a Moderator in the Relationship Between Cognitive Conflict and Affective Conflict



The effects of cognitive conflict (X_1) on affective conflict (Y) over the range of values for cooperative conflict management (Z) were also measured. Following Aiken and West (1991), the partial derivative of affective conflict with respect to cognitive conflict as $\partial Y/\partial X_1 = .45 - .37 Z$ was computed. The slopes significantly differed over the observed range of centered cooperative conflict management values ($-.99 \leq Z \leq .76$) as $\partial Y/\partial X_1$ is positive for values of less than 1.21 and negative for the values greater than 1.21. These results supported Hypothesis 2a.

Similarly, also examined were the effects of cognitive conflict (X_1) on affective conflict (Y) over the range of values for competitive conflict management (Z). The study computed the partial derivative of affective conflict with respect to cognitive conflict as $\partial Y/\partial X_1 = .45 - .36 Z$. The slopes significantly differed over the observed range of centered competitive conflict management values ($-1.36 \leq Z \leq 1.81$) as $\partial Y/\partial X_1$ is positive for values of less than 1.25 and negative for the values greater than 1.25. These results supported Hypothesis 2b.

The moderating effect of cooperative conflict management (Z) on the relationship between process conflict (X) and affective conflict (Y) was examined. The partial derivative of affective conflict with respect to cooperative conflict management was $\partial Y/\partial X_1 = .41 - .25 Z$. The slopes significantly differed over the observed range of centered cooperative conflict management values as $\partial Y/\partial X_1$ is positive for values of less than 1.64 and negative for the values greater than 1.64. These results supported Hypothesis 3a.

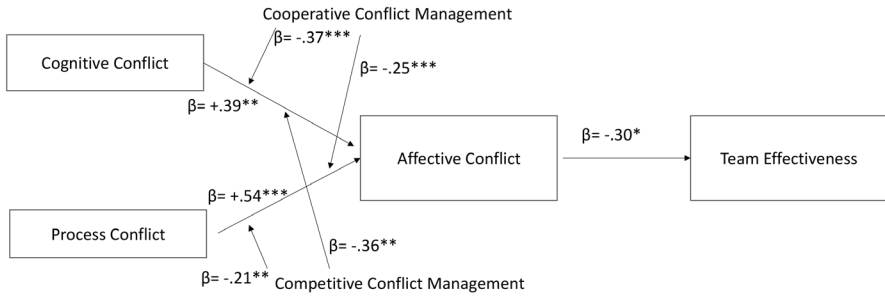
Finally, the study also examined the effects of process (X_1) on affective conflict (Y) over the range of values for competitive conflict management (Z). The partial derivative of affective conflict with respect to process conflict was $\partial Y/\partial X_1 = .41 - .21 Z$. The slopes significantly differed over the observed range of centered process conflict values as $\partial Y/\partial X_1$ is positive for values of less than 1.95 and negative for the values greater than 1.95. These results supported Hypothesis 3b.

The interaction plots suggested that the type of conflict management strategy acted as a moderator in the relationship between cognitive conflict and affective conflict and between process conflict and affective conflict. Figure 1(a) portrayed that at lower levels of cooperative conflict management strategy cognitive conflict leads to higher levels of affective conflict than at the higher levels of cooperative conflict management strategy. The interaction plot on Figure 1(b) suggested the reverse, such that at lower levels of competitive conflict management strategy, cognitive conflict lead to lower levels of affective conflict. When competitive conflict management strategy is 'high', cognitive conflict is associated with higher levels of affective conflict.

The interaction graph on Figure 1(c) showed a different result. At 'high' levels of a cooperative conflict management strategy, lower levels of process conflict lead to lower levels of affective conflict. In contrast, when the cooperative management style was 'high', high process conflict lead to high affective conflict. That means cooperative conflict management strategy can be particularly beneficial as long as process conflict is low. It is surprising that at higher levels of process conflict, lower levels of a cooperative conflict management strategy lead to lower levels of affective conflict than at high cooperative conflict management strategy levels. This phenomenon is difficult to explain. Finally, the interaction graph in Figure 1(d) revealed that when competitive conflict management strategy is 'low', process conflict is associated with lower levels of affective conflict than at higher levels of a competitive conflict management strategy. This

can be expected because competitive conflict management strategy adds to the process conflict in influencing the affective conflict. These results supported the interaction hypotheses. The summary of empirical results is presented in Figure 2 below.

Figure 2: Empirical Model



The summary of all hypotheses is captured in Table 3.

Table 3: Summary of Hypotheses

H1	There will be a negative relationship between affective conflict and team effectiveness.	Supported
H2	There will be a positive relationship between cognitive conflict and affective conflict.	Supported
H3	There will be a positive relationship between process conflict and affective conflict.	Supported
H2a	Cooperative conflict management style moderates the relationship between cognitive conflict and affective conflict such that the relationship is more negative at higher levels of cooperative conflict management than at lower levels.	Supported
H2b	Competitive conflict management style moderates the relationship between cognitive conflict and affective conflict such that the relationship is more positive at higher levels of competitive conflict management style than at higher levels.	Supported
H3a	Cooperative conflict management style moderates the relationship between process conflict and affective conflict such that the relationship is more positive at lower levels of cooperative conflict management than at higher levels.	Supported
H3b	Competitive conflict management style moderates the relationship between process conflict and affective conflict such that the relationship is more positive at higher levels of competitive conflict management style than at lower levels.	Supported

Discussion

The role of conflict management approaches in the inter-relationship between cognitive, affective, and process conflicts was examined in this research. Furthermore, the results also corroborated previous research that found there is a negative relationship between affective conflict and team effectiveness. Existing research has pointed out that managing conflict is very important in strengthening relationships and providing a positive working environment among teams in order to resolve strategic issues and solve problems (Jehn, 1997; Tjosvold, Poon, & Yu, 2005). One of the preconditions for the positive effect of conflict was management of these conflicts constructively (Lovelace et al., 2001). The results also supported the finding that discussion arising from content gradually results in person-based or affective conflict. One notable contribution of the present study was the finding of a positive effect of process conflict on affective conflict. Team members, when engaged in discussion about how to allocate resources in view of limited or scarce resources, can often confront each other aggressively, which then can result in affective conflict. It is not uncommon for functional managers to argue about the allocation of resources to their respective functional areas and therefore make a CEO's ability to resolve the conflicts difficult. The present research also dwells on how conflicts are managed (either through a cooperative conflict management approach or a competitive conflict management approach) and how the management approach influences the effects of cognitive conflict and process conflict on affective conflict.

When members encourage a 'we are in this together' attitude in resolving conflict, the positive effect of cognitive conflict on affect conflict will be reduced and vice versa. In this case, team members treat conflict as a mutual problem to solve. On the other hand, when team members demand that others agree to their position, the positive effect of cognitive conflict on affective conflict will be intensified. Similarly, when members work on the process of implementing decisions and decide about the optimal allocation of resources that are beneficial to all members and to the organization, the positive effect of process conflict on affective conflict will be reduced. In contrast, when one of the team members, for example the Vice President of Marketing, demands greater allocation of resources relative to other functional managers and insists that other members agree with this position, process conflict is aggravated by the competitive conflict management approach, resulting in a higher level of affective conflict. This study thus supported the moderating hypotheses that cooperative and competitive conflict management approaches have their respective effects on affective conflict.

Implications for Conflict Theory and Strategic Decision Making Research

The present study had implications for both strategic decision making research and conflict theory. Earlier researchers focused on cognitive conflict and affective conflict and their effects on decision outcomes (Amason, 1996; De Dreu & Weingart, 2003; Dooley & Fryxell, 1999; Jehn, Northcraft, & Neale, 1999). The previous researchers also focused on trust as a moderator in the relationship between the group process variables and decision outcomes (Parayitam & Dooley, 2007, 2009). However, process conflict has remained an under-researched area in the strategic management literature (Tjosvold et

al., 2006). This study focused on the moderating effect of types of conflict management strategies in the relationship between cognitive conflict and affective conflict and process conflict and affective conflict.

Limitations and Future Research

The study did contain limitations. Since the research was based on surveys, the limitations of surveys are inherent. For example, common method bias and social desirability bias need to be addressed. The study argued, however, that the respondents were unable to guess the hypotheses and thus responded in a socially desirable manner; hence, common method variance was not considered a major problem in this study (Podsakoff et al., 2003). As it is becoming increasingly difficult to get data from top management teams of companies, the present research focused on teams that have participated in a simulated strategy game in a strategy capstone course. It is believed that as long as the members accurately characterize their teams, data from the student population should not be a major limitation. Another limitation was social desirability bias. To address this, the respondents were informed about the survey's confidentiality and anonymity (Konrad & Linnehan, 1995). Another potential problem was the generalizability of the findings. However, to the extent to which the decision-making process in this study was similar to organizations across various industries, the results can be generalizable.

Despite these limitations, the present study offered several avenues for future research in the conflict and strategic decision making literature. First, researchers need to study the power dynamics among the team members and the influence of CEO power on trust, conflict, and agreement-seeking in influencing the decision outcomes. Since the research presented in this paper focused on strategic decisions, it would be useful to study group behavior when teams engaged in routine and simple tasks where members do not have a considerable stake in the outcome of the decisions, and see the interrelationships between the group process variables and decision outcomes. Increasing understanding of the role of process conflict in the relationship between various group process variables and organizational outcomes, together with the types of conflict management styles could have very significant implications for management.

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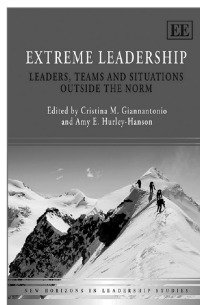
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