NORTHWESTERN
UNIVERSITY

Forum for People Performance Management & Measurement

EXECUTIVE SUMMARY

Linking Organizational Characteristics to Employee Attitudes and Behavior – A Look at the Downstream Effects on Market Response & Financial Performance

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OVERVIEW

A set of organizational surveys was designed to focus on linking internal performance strategies to market and financial outcomes. In particular, our goal is to understand the organizational characteristics that best engender the necessary employee attitudes and behaviors to drive an organization's market and financial success.

Focusing on non-customer contact employees, the study sought to understand the organizational drivers of employee satisfaction and employee engagement (the degree of employee motivation and sense of inspiration, personal involvement, and supportiveness), and the downstream effects of these employee attitudes on customers and financial performance. Data was obtained from a stratified random sample of 100 organizations in the U.S. media industry, specifically investigating the following organizational characteristics:

- Organizational Culture
- Organizational Climate
- Human Resource Systems
- Market Characteristics

The effect of these organizational characteristics was studied with respect to employee satisfaction and engagement, as well as the downstream effects of these employee attitudes on market performance, as measured by customer satisfaction, and financial performance, i.e., profitability.

This Executive Summary provides an overview of the key findings from the study and then provides more specific data to support these findings.

SUMMARY OF KEY FINDINGS:

Key findings from the study include the following:

- There is a direct link between employee satisfaction and customer satisfaction, and between customer satisfaction and improved financial performance.
- The key organizational characteristic for explaining employee satisfaction is organizational communication (a measure of the downward and upward communication in an organization).

- Employee satisfaction is a key antecedent to employee engagement.
  - Interaction between managers and employees with regards to supportiveness and goal setting, as well as job design were also key drivers of employee engagement.
- Organizational culture was another significant driver of employee engagement, where employees must be expected to cooperate and work together, but also to take charge and provide a voice for the customer within the organization.
  - A fully cooperative culture feels the need to reach consensus on a single option, where a culture promoting healthy competition provides multiple choices which are then balanced against one another in an attempt to develop an optimal solution.
- When individuals and teams are competing to implement the optimal behaviors oriented to the market and its customers, such competition can work to the advantage of both the organization and its customers.
- Organizations with engaged employees have customers who use their products more, and increased customer usage leads to higher levels of customer satisfaction.
- It is an organization's employees who influence the behavior and attitudes of customers, and it is customers who drive an organization's profitability through the purchase and use of its products.
- In the end, customers who are more satisfied with an organization's products are less expensive to serve, use the product more, and, hence, are more profitable customers.

A focus on market outcomes, e.g., customer satisfaction, is warranted as they were found to mediate the relationships between employee attitudes and financial performance.

FORUM BACKGROUND

What is the Forum for People Performance Management and Measurement?

The Forum for People Performance Management and Measurement is a research center within the Medill Integrated Marketing Communications (IMC) graduate program at Northwestern University. It is funded by the Incentive Performance Center, which is made up of a number of top incentive companies and industry leaders dedicated to research and educational programs that improve human performance in business. A central objective of the Forum is to develop and disseminate knowledge about communications, engagement and management such that businesses can better design, implement and manage people-based initiatives both inside and outside an organization.

A number of research initiatives by the Forum are planned over the next three years to investigate the value and importance of employee incentives along with the other key issues of communications, engagement, and management.

PAST RESEARCH

While a number of studies exist addressing the issues of incentive programs, employee engagement, and organizational performance, including a previous study published by the Forum, the present study was not designed to understand the effects of particular incentive systems, but rather to understand the organizational characteristics best suited for creating an environment likely to engender a satisfied and motivated workforce, and the downstream market and financial effects of such a workforce. There have been previous research efforts to understand these relationships – and these will be addressed below – but few have attempted to model organizational characteristics, employee attitudes, customer response, and financial performance simultaneously, typically due to the difficulty in obtaining such data for a reasonable set of organizations.

Though there have been some empirical studies regarding the link between employee satisfaction and customer and financial outcomes, the results of such studies have been equivocal at best, both in terms of the nature of the relationship and its causal direction. In addition, all of the previous studies have examined the relationship in the context of a face-to-face interaction between employees and customers.

This is the first study of which we are aware attempting to study this link in a context that does not involve face-to-face relationships between employees and customers. Those employees engaged in face-to-face interaction with an organization's customers often comprise a small number of the organization's overall human assets. For those employees not actively engaged in face-to-face relationships with customers, their attitudes and behaviors with respect to these customers are still vitally important. For these employees, their interaction with customers is indirect – through the organization's products and services which are, themselves, the result of the market-related activities and behaviors of these employees. Hence, the products and services produced by the organization's employees to be consumed by the organization's customers are the embodiment of the attitudes and behaviors of the employees who produced them.

In the present research, we study the attitudes of employees related to satisfaction and engagement. Individual employees are responsible for implementing the activities and behaviors necessary for an organization to function, and some past research has attempted to link such attitudes to organizational performance[1]. The results of these efforts have often been equivocal, both in terms of the nature of the relationship, i.e., whether the relationship is direct

[1] Heskett, J. L., Jones, T.O., Loveman, G.W., Sasser, W.E. and Schlesinger, L.A. (1994), "Putting the Service-Profit Chain to Work," *Harvard Business Review*, 72 (2), 164-174.
Delaney, J.T. and Huselid, M.A. (1996), "The Impact of Human Resource Management Practices on Perceptions of Organizational Performance," *Academy of Management Journal*, 39 (4), 949-969.
Schneider, B., Henges, P.J., Smith, D.B. and Salvaggio, A.N. (2003), "Which Comes First: Employee Attitudes or Organizational Financial and Market Performance?," *Journal of Applied Psychology*, 88 (5), 836-851.

or indirect, and in terms of the causal direction of the relationship. In addition, many of the results are only moderately significant, suggesting the possibility that additional concepts are likely necessary to understand these relationships.

THEORETICAL BACKGROUND

In this section, we will provide a brief background on the organizational characteristics under study and their expected influence on employee attitudes and downstream market and financial outcomes. We will address four sets of organizational characteristics: organizational culture, organizational climate, human resource systems, and market characteristics. We will conclude this section with a brief review of the market and financial outcomes under study.

Organizational Culture:

Organizational culture has been defined as the set of shared assumptions and beliefs about an organization and its function in the marketplace[2] or "the ways of thinking, behaving, and believing that members of a social unit have in common"[3]. As such, culture has been commonly treated by organizational researchers as a set of cognitions shared by members of a social unit.

According to these previous researchers, an organization's culture is thought to play a key role in strategy formulation, firm performance, and competitive advantage. Culture may also have indirect effects on performance in benefiting other aspects of an organization. For example, researchers[4] have found that organizational culture is linked to service quality and employee performance, both of which have been identified as fundamental links in Harvard's *Service Profit Chain* leading to subsequent consumer and financial success indicators.

The current study utilizes Cooke and Rousseau's (1988) cultural model which identifies four different cultural types found in organizations: *Cooperative*, *Competitive*, *Passive*, and *Aggressive*. We will address each type in turn.

Cooperative Culture. Members of organizations with cooperative cultures are encouraged to set goals, take initiative, and work together to attain personal and organization objectives. Cooperative styles imply a high valuation on individuals and are expected to be associated with greater decision authority and greater confidence that the distributed authority will not be abused. Cooperative norms encourage behaviors such as goal attainment, enjoying one's work, and maintaining one's personal integrity and standards.

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[2] Barney, J.B. (1986), "Organizational Culture: Can It Be a Source of Sustained Competitive Advantage?," *Academy of Management Review*, 11(3), 656-665.

[3] Cooke, R.A. and Rousseau, D.M. (1988), "Behavioral Norms and Expectations: A Quantitative Approach to the Assessment of Organizational Culture," *Group & Organization Studies*, 13 (3), 245-273.

[4] Klein, A.S., Masi, R.J., and Weidner, C.K. (1995), "Organization Culture, Distribution and Amount of Control, and Perceptions of Quality: An Empirical Study of Linkages," *Group & Organization Management*, 20 (2), 122-148.

Competitive Culture. In organizations with competitive cultural norms, members are typically rewarded for taking charge and being in control. In such organizations, winning is often highly valued and members are rewarded for out-performing each other. Such an approach has been used effectively in designing sales force incentives and other compensation schemes. A competitive culture encourages decisiveness, rewards achievement, and creates an environment of high expectations. On the other hand, an overly competitive culture can inhibit effectiveness by reducing cooperation and promoting unrealistic standards of performance.

Passive Culture. In organizations where a passive culture dominates, conflicts are avoided and members feel as if they must agree with, gain the approval of, and be liked by others. Such organizations tend to be conservative, traditional, and bureaucratically controlled, where members are expected to follow the rules and make a good impression. This type of work environment can limit organizational effectiveness by minimizing constructive expression of ideas and opinions, suppressing innovation, and stifling flexibility.

Aggressive Culture. Aggressive norms minimize influence at lower levels by emphasizing adherence to directives and authority. Aggressive norms promote such behaviors as procrastination, inflexibly following rules and procedures, waiting for direction from superiors before acting, and could also cause service quality to become confused with winning power and pointing out the flaws of others.

Organizational Climate:

Organizational climate reflects the way that organizations operationalize their culture in daily routines and behaviors[5]. Organizational climate represents workers perception of their objective work situation, including the characteristics of the organization they work for and the nature of their relationships with other people while doing their job.

Issues regarding communication, supervisory interactions, and job design are key drivers the climate within an organization. Communication within the organization is critical to disseminate information and create an environment where employees feel valued. In addition, employees' perceptions of supervisory behavior have considerable impact on their work attitudes. Effective job design and empowerment enable employees to act on behalf of the customer, improve decision making, and increase autonomy, all of which should lead to greater job satisfaction.

[5] Deshpandé, R. and Webster, F.E. (1989), "Organizational Culture and Marketing: Defining the Research Agenda," *Journal of Marketing*, 53 (1), 3-15.
[6] Huselid, M.A. (1995), "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance," *Academy of Management Journal*, 38 (3), 635-672.
[7] Reichheld, F.F. (1996), *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value*, Boston, MA: Harvard Business School Press.

Human Resource Systems:

Key managerial systems identified in previous research include selection, development, performance management, and compensation systems[6]. In drawing prospective employees to fit the organization's strategies, successful managers select hires based on those traits. Training and development further enhances the development of those skills and the acquisition of new, trainable skills. Human resource initiatives aimed at providing employees with the necessary skills and tools to deliver customer value cannot be viewed as costs, but rather must be regarded as investments with high and measurable returns. Previous theory also states that one of the primary keys to developing a strong organization lies in the way employees are compensated and rewarded. For example, when compensation systems are keyed to market driven indicators, appropriate behavior is reinforced.

Market Characteristics:

It stands to reason that certain market characteristics may influence employee attitudes, as well as customer and financial outcomes. In particular, an organization's size (in terms of number of employees), the size of the market in which the organization operates, and the competitive environment, are all factors that can potentially impact the concepts under study.

Market Outcomes:

Higher levels of customer satisfaction have been found to lead to higher levels of customer retention and loyalty[7], and products and services that provide high satisfaction have a higher proportion of repeat business and higher gross margins, in addition to reduced acquisition costs and increased long term revenues. It is for these reasons that studying customer satisfaction as an outcome measure of an organization's internal activities is justified.

In addition to customer satisfaction, another customer response that is of distinct interest is frequency of purchase and use in the product category. It is typically hypothesized that those customers who use more of your product or service are more likely to continue to do so in the future. Improvements in customer usage should then result in improved financial performance.

Financial Outcomes:

Efforts to improve the organization and its products or services entail costs that are not reflected in revenue improvements or increases in customer retention. Therefore, to truly understand the financial ramifications of an organization's market-based efforts, these costs must be accounted for. Such costs can be accounted for directly or by utilizing a financial measure that accounts for both revenue and cost, such as profitability.

Summary:

This current Forum for People Performance study is an attempt to add to the compelling evidence of these previous studies by specifically inquiring about a number of organizations' employee attitudes and linking them with their organizational culture and climate, human resource systems, market characteristics, and their market and financial performance.

METHODOLOGY

There are two broad approaches to organizational studies – one can sample organizations across industries or within industries. There are some problems with mixing organizations across industries, including the difficulty in constructing items to measure the same concept in different contexts. In addition, while the heterogeneity obtained by sampling organizations from a variety of industries provides valued generality, it also creates unwanted noise in the data that may obscure the effects one is searching for. Thus, for this research we selected the within industry approach to maximize item interpretability across organizations, as well as to avoid some of the undesired effects of organizational heterogeneity.

All of the organizations selected for study are involved in the U.S. media industry. In seeking to obtain as representative a sample of organizations as possible, one hundred organizations were selected from the media universe in the United States in a stratified random sampling procedure. The universe, representing approximately 1,500 organizations, was divided into six strata based on market size, region of the country, and organizational size. The stratification increases confidence that this sample of organizations generalizes to the industry level, and the homogeneous sample provides a viable context for understanding the nature of the conceptual relationships under study.

All research instruments, with the exception of financial performance data, were survey based. All analysis conducted on the data involved OLS regression performed in multiple stages. All data was aggregated to the organizational level for analysis.

RESPONDENTS AND MEASURES

Within each of the 100 organizations selected for this study, a project manager was identified as our key research contact. This project manager worked with the research team to identify the managerial teams and individual employees necessary for completing the survey instruments for the study.

Employee Satisfaction and Engagement:

Measures regarding employee satisfaction and engagement were drawn from the *Organizational Effectiveness Inventory*[8] (OEI) and

[8] *Organizational Effectiveness Inventory* is a Trademark of Human Synergistics/Center for Applied Research International. The Inventory and supporting materials are Copyrighted © 2000 by Human Synergistics/Center for Applied Research, Inc.

were completed by 5,568 employee respondents representing 90 of the 100 organizations in the overall sample. The project manager at each organization was utilized in identifying employee respondents and ensuring the completion of the surveys. Respondents were randomly selected from the key operational areas of the organization (e.g., product development, operations, marketing, and administration). The number of respondents from each area of the organization was proportional to the size of that area relative to the rest of the organization, and sampling from each organization was proportional to the size of the organization relative to the other organizations in the sample. This purposive and proportional sampling technique resulted in the number of sampled employees ranging from 15 to 344 (mean = 59.5).

The scales for employee satisfaction relate to employee perspectives for the following dimensions: stress, job satisfaction, and quality of service. Stress refers to the extent to which people feel they are being pushed beyond their normal range of comfort by organizational demands, pressures, or conflicts. Job satisfaction covers issues related to the extent to which members report positive appraisals of their work situation. Quality of service refers to the extent to which members believe they are responsible for identifying and satisfying the needs of customers.

The scales for employee engagement relate to employee perspectives on the following dimensions: inspiration, personal involvement, and supportiveness. Inspiration refers to the extent to which forces within and on organizational members lead them to behave in ways consistent with organizational goal attainment. Personal involvement is focused on the extent to which people at all levels actively participate in shaping the organization and helping it to achieve its mission. Supportiveness covers issues related to the extent to which managers are personally supportive and considerate of their direct reports.

Organizational Culture:

Organizational culture was measured using the *Organizational Culture Inventory*[9] (OCI) which was completed by the same 5,568 employees representing 90 of the organizations in the overall sample. The OCI is a 120-item, 12-factor scale designed to measure an individual respondent's perceptions of his or her organization's culture. The OCI assesses the ways in which organizational members are expected to think and behave in relation both to their tasks and to other people.

Organizational Climate:

Organizational routines were measured using the OEI as described

[9] *Organizational Culture Inventory* is a Trademark of Human Synergistics International. The Inventory and supporting materials are Copyrighted © 1989 by Human Synergistics, Inc.
[10] The *People Management Practices* survey is Copyrighted © 2000 by Roberts, Nathanson, and Wolfson *LLP*.

above. In addition to measuring employee attitudes, the OEI is designed to measure an individual respondent's perceptions of various managerial practices and operationalizations of an organization's culture. This inventory was completed by the same set of 5,568 employees that completed the Organizational Culture Inventory (OCI). The particular scales selected as measures for organizational routines in this particular study include job design, communication, and managerial facilitation.

Human Resource Systems:

The *People Management Practices*[10] survey was designed to collect information on the department level managerial practices within the organization. In total, 269 groups of senior managers representing 83 of the organizations involved in the study completed the survey as a group. We were not concerned with individual perceptions of managerial practices, but rather with departmental level views regarding these practices, so this method of completing the survey seems appropriate. The survey consisted of 76 items covering the four factors of selection, development, performance management, and compensation.

Market Characteristics:

Size of the organization and its market, as well as level of competition, were incorporated into the models as control variables. Several variables were collected to measure the size of the organization including unit sales, revenue, and total number of employees, and number of households in the organization's geographic market was used to measure market size. For level of competition, a variable representing the number of direct competitors was selected. All of this data was available from an independent source for this industry.

Customer Outcomes:

A total of 110,000 surveys, with three dollar bills attached, were mailed to prospective respondents in the 100 markets involved in the study. A total of 37,036 customers completed the survey, resulting in approximately a 34% response rate, with the number of respondents per market ranging from 271 to 472 (mean = 366.7). These respondents completed an 88-item survey measuring a number of factors related to media use and sources of entertainment and information. A number of variables were derived from this information, from which two were selected for utilization in this study – a frequency of purchase index to measure customer behavior and a customer satisfaction index.

To test for non-response bias, we followed up the mail survey with a telephone survey of 2,000 non-responders. These non-responders completed a condensed version of the mail survey covering the key customer variables derived in preliminary analysis. Minimal significant differences were identified between responders and non-responders, and no significant differences were found for the frequency of purchase index and customer satisfaction index employed in the present study.

Financial Outcomes:

As referenced earlier, profitability is a crucial financial outcome for understanding the value provided by the constructs under study in this model. It is presumed that efforts to improve employee attitudes and enact valued behaviors within the organization entail costs, and profitability, as opposed to revenue or customer loyalty measures, takes such costs into direct account. The sample of 100 organizations participating in this study included both private and public organizations. Therefore, publicly available data on financial performance were not available for all organizations, and for those public organizations in the sample, a number were part of larger media conglomerates that do not break out performance data by sub-unit. However, there are third party organizations that collect such information annually to provide participating organizations with information on industry norms for items like revenue, expenses, staffing, and capital investments. It was from this information that we drew our measure for profitability. Thus, the financial data reported in this study was provided to a third party outside of any direct involvement in our research, and was derived directly from financial reports for these organizations. In total, financial data was available for 90 of the 100 organizations in our sample.

RESEARCH QUESTIONS

The present research will study the interrelationship between employee satisfaction and employee engagement, the antecedent organizational characteristics for these two employee attitudes, and their downstream market and financial consequences. We address three classes of structural questions: first, do employee satisfaction and employee engagement have unique antecedents; second, does each have an impact on subsequent market and/or financial outcomes; and third, are the effects direct or indirect in their impact on the outcome variables.

RESULTS

1. **Do Employee Satisfaction and Employee Engagement have unique organizational antecedents?**

   Yes, Employee Satisfaction and Employee Engagement do indeed have different organizational predictors. The analysis conducted and the results are discussed below.

   As mentioned above, the organizational characteristics under study included 4 cultural types (Cooperative, Competitive, Passive, & Aggressive), 3 climate measures (Communication, Managerial Facilitation, & Job Design), 4 human resource systems (Selection, Development, Performance Management, & Compensation), and 3 market characteristic measures (Organization Size, Market Size, & Market Competition).

   The key organizational characteristic for explaining Employee Satisfaction was Organizational Communication, a measure of organizational climate. Organizational Communication represents a measure of the downward communication in the organization, i.e., the effectiveness with which information about the organization is sent and received by employees, and the upward communication in the organization, i.e., the effectiveness with which information is sent from employees to people in higher level positions. The analysis in this study shows that Organizational Communication accounts for 45% of the variance in Employee Satisfaction (R^2=0.449), while none of the other 13 organizational characteristics under study were found to have a significant impact on Employee Satisfaction.

Table 1 – Employee Satisfaction

R^2=0.449		
Variable	Std. Estimate (β)	P-Value
Organizational Communication	0.670	p<.001

For Employee Engagement, there were several organizational characteristics found to be significant antecedents in the analysis. One of the key findings here is that Employee Satisfaction is indeed a significant antecedent to Employee Engagement, in addition to Managerial Facilitation and Job Design (Organizational Climate) and all 4 cultural types (Cooperative, Competitive, Passive, & Aggressive). Together these 7 variables accounted for 88% of the variance in Employee Engagement (R^2=0.884). Employee Satisfaction, Managerial Facilitation, Job Design, Cooperative Culture, and Competitive Culture were all positive predictors, while Passive Culture and Aggressive Culture were negative predictors.

Table 2 – Employee Engagement

R^2=0.884		
Variable	Std. Estimate (β)	P-Value
Employee Satisfaction	0.107	p<.05
Managerial Facilitation	0.456	p<.001
Job Design	0.210	p<.001
Constructive Culture	0.239	p<.001
Competitive Culture	0.168	p<.01
Passive Culture	-0.159	p<.01
Aggressive Culture	-0.171	p<.01

Interpreting these results, to achieve a motivated workforce, organizational managers must first ensure that their employees are satisfied, and one of the keys to creating a satisfied workforce is the development of an effective communication environment, both up and down the organization. Further means of motivating employees come from the interaction between managers and employees with regards to supportiveness and the extent to which managers establish and communicate expectations for performance. In addition, employees are more motivated when their job is effectively designed in terms of autonomy and clearly defined roles.

Turning to Organizational Culture, the cultural type best suited to creating a motivated workforce is a solid mix of Cooperative and Competitive, with Passive and Aggressive cultural norms dampening engagement. The takeaway here is that employees must be expected to cooperate and work together, but they must also be expected to take charge and fight when necessary. The competition espoused here is healthy competition – finding the best solution to a problem by presenting and evaluating competing alternatives. A cooperative only culture might be more apt to reach consensus on a single option rather than pitting multiple choices against one another in an effort to develop an optimal solution. This, however, does not imply aggressive techniques such as attacking competitive alternatives.

Somewhat surprisingly, none of the Human Resource Systems were found to influence either Employee Engagement or Employee Satisfaction. This is not to say that such systems do not impact other employee attitudes or other organizational factors, but rather that they do not directly effect the two employee attitudes analyzed in the present study.

2. Do Employee Satisfaction and Employee Engagement each have an impact on subsequent market and/or financial outcomes?

Yes. Employee Satisfaction has a direct an positive impact on Customer Satisfaction, while Employee Engagement has an indirect effect on Customer Satisfaction through two intervening mechanisms: 1) Employee Engagement has a direct and positive influence on an organization's level of market orientation[11] (a set of market-related organizational behaviors comprised of customer focus, coordination, and market focus) and 2) through its direct effect on market orientation, Employee Engagement has an indirect effect on Customer Behavior, which in turn directly influences Customer Satisfaction.

Table 3 – Customer Satisfaction

R^2=0.218		
Variable	Std. Estimate (β)	P-Value
Employee Satisfaction	0.312	*p*<.01
Customer Behavior	0.294	*p*<.01

Table 4 – Customer Behavior

R^2=0.121		
Variable	Std. Estimate (β)	P-Value
Market Orientation	0.347	*p*<.001

Continuing with the outcomes analysis, Customer Satisfaction directly influences Financial Performance, in this case

[11] Further information on market orientation is available from the authors upon request. Detailed discussion of this concept is beyond the scope of the present summary.

represented by profitability. The effects of Employee Satisfaction and Employee Engagement on Financial Performance are indirect through their impact on Customer Satisfaction.

Table 5 – Financial Performance

R^2=0.08		
Variable	Std. Estimate (β)	P-Value
Customer Satisfaction	0.280	p<.01

A closer look at Tables 3-5 indicates that, in contrast to Tables 1-2, the R^2 values are not particularly high. Two factors are at work in interpreting this result: 1) the data for market and financial outcomes were collected from sources independent of those providing data on employee attitudes, hence lowering any effects of method or response bias and 2) in determining customer satisfaction and profitability, there are many more variables at work than just the employee attitudes in which this research was interested. The fact that we see significant results at all indicates the importance of these findings and their implications for managers.

3. Are the effects of Employee Satisfaction and Employee Engagement on their subsequent market and financial outcomes direct or indirect?

As discussed in the results for #2 above, Employee Satisfaction and Employee Engagement have both direct and indirect effects on subsequent market and financial outcomes. Employee Satisfaction directly influences Customer Satisfaction, while Employee Engagement's effects on Customer Satisfaction are indirect through market orientation and Customer Behavior. Through their direct and indirect impact on Customer Satisfaction, Employee Satisfaction and Employee Engagement positively influence Financial Performance.

CONCLUSIONS AND NEXT STEPS

What is clear from this research is that Employee Satisfaction and Employee Engagement are important attitudes for managers to understand as they each influence critical market outcomes directly and, in turn, indirectly influence an organization's financial performance. Organizations with engaged employees have customers who use their products more, and increased customer usage leads to higher levels of customer satisfaction. In addition, satisfied employees see their positive attitudes transferred directly to satisfied customers. It is an organization's employees who influence the behavior and attitudes of customers, and it is these customers who drive an organization through the purchase and use of its products. Without customers, an organization ceases to exist. And, the proper target on which employees should focus is customers – employees have a direct effect on customer attitudes and behaviors, and hence, this is where the energy of an organization's employees should be directed.

It pays to make special note of the role played by the customer in determining the financial performance of an organization. While it is easier to measure and understand objective financial numbers, those financial numbers are driven by the actions of an organization's customers. And, customers who are more satisfied with an organization's products are less expensive to serve, and, hence, more profitable customers. Therefore, one of the key implications of this research is that a focus on customer response is a worthwhile endeavor in its own right.

One of the key organizational characteristics in determining Employee Satisfaction and Employee Engagement was organizational culture. With the above discussion highlighting the prominent role employees' play in driving customer attitudes and behavior, an organizational environment where employees are given a voice should be highly valued. Customers need a voice within the organization, and it requires some measure of intensity to make that voice heard. An environment where individuals and teams are competing to be winners can work to the advantage of both the organization and its customers if the goals are in line with developing behaviors oriented to the market and to customers, such competition to implement the "best" behaviors, products, and ideas will have positive results. Though competition may seem unhealthy in an ideal setting, internal competition can be very healthy for an organization – such a premise has driven many compensation schemes, especially for sales positions, for hundreds of years. If the competition is directed to the appropriate outcomes, e.g., the delivering of service quality to customers, such competition should lead to positive results. An Aggressive Culture, on the other hand, was not found to have the same type of positive influence. Rather, this cultural type, which represents an environment rife with confrontation and perfectionism, tended to consistently have a negative influence on employee attitudes.

Other key organizational factors identified in this research include the key role played by organizational communication in driving Employee Satisfaction, and the role played by managerial facilitation and job design in driving Employee Engagement. As mentioned in the Results #1 above, it was surprising to find that none of the four human resource systems (selection, development, performance management, and compensation) were found to directly influence Employee Satisfaction or Employee Engagement. Further research is needed to identify what areas of the organization are impacted by these human resource systems.

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