

## The Effects of Organizational Culture, Emotional Intelligence, Organizational Trust and Leadership Effectiveness on the Satisfaction of Employees and Customers

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### Abstract

*A random sample of 170 workers taken from various Regional and Zonal Offices in Amhara Region participated in this study. Data were collected using different scales to assess the predictive powers of organizational culture, organizational trust, leadership effectiveness, emotional intelligence, employee satisfaction and quality service to customer satisfaction. Correlational and regression analyses revealed that all the relationships were significant and in the expected directions. The regression analysis evidenced that the only significant predictor variable to customer satisfaction was quality of service rendered by the organizations to meet the demands of the customers, which in turn was influenced by employee satisfaction. Path analysis revealed that employee satisfaction and quality of service together explained 44% of the variance in customer satisfaction. It was found that leadership effectiveness, emotional intelligence, organizational culture, and organizational trust accounted for 64% of the variance in employee satisfaction. Leadership effectiveness per se was influenced by both emotional intelligence and organizational culture (75% of the variance). In general organizational culture and emotional intelligence were found to be the most significant predictor factors that contributed indirectly to the satisfaction of customers. This implies that organizations that have conducive working culture and leaders who have high level of emotional intelligence, and where workers tend to trust their heads and colleagues work towards meeting the needs of their customers. As developmental efforts are by and large contingent on the quality of governance, endeavors should be put forth to train leaders who are emotionally intelligent, if not more, as well as cognitively competent.*

**Keywords:** emotional intelligence, leadership effectiveness, organizational culture, job satisfaction, organizational trust

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## **Introduction**

Good governance, effective leadership, effective management, etc., are catchy phrases we encounter now and then in various national and international media. When a listener tunes him/herself to radio, watches television, or reads any press media; corruption, good governance, and other leadership-related concepts come to the front pages of the presentations. The extent to which the words are put into practice is one thing. But the reality is it is unthinkable to achieve any development without effective leadership. One, who governs, leads or manages an organization or a country determines, to a greater extent, the economic, social, and/or political fate of that organization or country. The effectiveness of the leader is tantamount to the success or failure of the organization or the country he/she leads. The philosophy and practice of the leader either ruins or bolsters the normal functioning of the organization. The principles he/she follows, his/her creativity and innovativeness, style of leadership, trustworthiness, cognitive competences, moral authority, vision, emotional intelligence, collegial trust, and other qualities would undoubtedly affect the organizational atmosphere and the satisfaction of his/her employees, which ultimately impinge on the quality of services rendered to customers and the satisfaction they derive from the services they get.

Leaders may occupy positions either through political assignment, on merit or affirmative action basis. In any case, it is imperative that the leader who assumes the position should have qualities required by leadership. Covey (2004: 319) wrote, "the new economy is based primarily on knowledge work. That means wealth has migrated from money and things to people – both intellectual and social capital." As services are primarily meant for people, the central focus of leadership should be the employees and the customers.

Leadership effectiveness is affected by a multitude of factors. Organizational culture, emotional intelligence and cognitive ability of the leader are a few of them that influence leadership competence and effectiveness. There is a proliferation of literature that shows the relationships between or among these variables. Studies reported that organizational culture determines the existence, effectiveness, and performance or success of organizations (Denison, 2000; Denison, 1990; Denison and Mishra, 1995; and Kotter and Heskett, 1992; Fisher, as cited in Fleenor, and Bryant, 2002; and Fleenor, and Bryant, 2002). Other researchers were skeptical if organizational culture has any effect on the performance of organization (Lim, 1995). The differences between the research

outcomes could be, according to Lim, attributed to methodological approaches. Lim suggested the use of moderator variables to explain the link between culture and performance. Hence, in this study one moderator variable, called emotional intelligence, was included to examine if it mediates between organizational culture and leadership effectiveness.

Organizational culture affects also the nature of relationships among the workers within the organizations and the way they interact with outsiders. Cherniss (2001) and Ohm (2006) argued that leadership effectiveness comes out of the culture of the organization. Gillespie, Denison, Haaland, Smerek, and Neale (2008) reported also the link between organizational culture and customer satisfaction. But what is organizational culture? There are a number of definitions given to organizational culture (Denison, 1990; Schein, 1992). For instance, Schein (1992:12) defined organizational culture as a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

According to Schein, the assumptions and values of the organizations tie workers and leaders together to achieve stated objectives of their organizations. More recently Schein and his colleague argued that modern organizational culture must be team-oriented, innovative, capable of managing diversity, able to encourage creativity and to use technologies, and to be facilitative and supportive (Schein, 1992; Sherriton and Stern, 1997).

On the other hand, Denison and his colleagues developed an organizational culture framework which comprises four dimensions that are assumed to relate to organizational effectiveness: Involvement, Consistency, Adaptability and Mission. According to Denison (1990), involvement and consistency represent the learned responses to the problems of internal integration, whereas adaptability and mission traits pertain to the organization's ability to survive in the external environment. The first two traits describe the organization's being customer-focused and the latter ones reflect that the organization is strategy-oriented. According to him, these four traits measure "the underlying values, beliefs, and principles that serve as a foundation for an organization's management system as well as the set of management practices and behaviors that both exemplify and reinforce those basic principles" (Denison, 1990: 2), which represent the definition of organizational culture. This organizational culture model provides systems approach to study the way organizations function and affect the

perceptions, attitudes, work habits, and other psychological make ups of the members of the organizations.

These four components of organizational culture are described briefly as follows. The first trait, Involvement, focuses on employees' commitment and sense of ownership, involvement in decisions that affect them, and team-orientation. Effective organizations empower their employees, use teamwork, and continuously develop the capacity of their employees through training and workshops (Denison, 2000; Fey & Denison, 2000). Thus, effective managers are likely to be adaptive, yet highly consistent and predictable, and to foster high involvement, but to do so within the context of a shared sense of mission.

The second component, which is Consistency, refers to the existence of organizational systems and processes that promote real alignment and efficiency over time. It is the focus on a common set of management principles, consensus regarding right and wrong ways to do things, and coordination and integration across different units and departments of an organization. "The fundamental concept is that implicit control systems, based on internalized values, are a more effective means of achieving coordination than external control systems that rely on explicit rules and regulations" (Denison, 1990: 9). This pertains to the organizations ability to have positive controlling systems that enable the leaders how the work is going on and the customers are served by the organizations. This is possible through establishing shared values and understanding of the purpose of the organization by the communities of the organization.

Adaptability, which is the third component of organizational culture, is the ability of the organization to quickly and appropriately respond to internal change as a result of external conditions and pressures (Denison & Mishra, 1995). The world is changing so fast and organizations, public or private, business or other, should adapt to such rapid changes. Organizations that are highly internally-focused and integrated could face difficulty adapting to external demands, which may jeopardize their proper functioning. Hence it is important to ensure the capacity of the leader for creating change, understanding the customer and meeting their needs, and continuing to learn as an organization (Fey & Denison, 2000; Nadler, 1998) if they want to survive the tough competitions that happen as a result of globalization.

The last trait called Mission refers to the degree to which workers know and understand the reasons why their organization exists and where it is going. Organizations that have a mission containing clear objectives that provide

meaning and direction to their employees are effective (Denison & Mishra, 1995). More specifically, organizations with clear missions have a clear purpose and direction, goals and objectives, and a vision for the future (Fey & Denison, 2000).

This study, therefore, depends on this organizational culture framework to study its effect on emotional intelligence, leadership effectiveness, organizational trust, employee satisfaction, and quality of service. Organizational trust develops as workers see a positive relationship between their leaders and colleagues. Organizational culture that fosters positive relationship is a fertile ground to create a feeling of trust among themselves, about those whom they lead and working with them.

Other than organizational culture, an important variable that impinges on leadership effectiveness, job performance and employee satisfaction is emotional intelligence. Emotional intelligence is defined as "the capacity for recognizing our own feelings and those of others, for motivating ourselves and for managing emotions effectively in ourselves and others" (HayGroup, 2006:2). It represents the capacity of individuals to manage relationships with others and to be socially aware. Moreover, it includes self-management and self-awareness. Individuals' behaviors are most of the time judged in terms of their skills to manage their emotions. According to Goleman, emotionally intelligent leaders have such abilities "as being able to motivate oneself and persist in the face of frustrations; to control impulse and delay gratification; to regulate one's moods and keep distress from swamping the ability to think; to empathize and to hope" (Goleman, 1995:34). From this description of the term, we can imply that emotional intelligence is a significant factor that could play a paramount role in affecting the working atmosphere the organization and the satisfaction of employees.

Goleman and HayGroup have identified a set of competencies that emotional intelligence comprised. These competencies fall into four clusters: Self-Awareness, which refers to the ability to understand one's emotions, strengths, and weaknesses; Self-Management, which is defined as the capacity to effectively manage one's motives and regulating behavior. Social Awareness refers to the understanding the feelings of others and why they feel and act as they do. The other competency is Relationship Management, which refers to the ability to get results from others and reach personal goals.

Cherniss (2001) and HayGroup (2006) stated that emotional intelligence influences organizational effectiveness in a number of areas including employee

recruitment and retention, development of talent, teamwork; employee commitment, morale and health, innovation, increased performance, proper use of time and resources, improved motivation, restored trust, efficiency, quality of service; and customer loyalty. This nature of emotional intelligence signifies its importance in affecting the leadership effectiveness and the type of relationship leaders have with their subordinates. Cherniss further argued that emotional intelligence is partly an outcome of organizational culture. He stated that emotional intelligence could develop through the interactions of workers with their environment and their colleagues. Leaders similarly learn from their organizational cultures how to manage relationships, become self-aware and develop social awareness.

Though there are different approaches to define leadership effectiveness and what makes an individual a leader, and the debate on the cause of effective leadership still continues, Bennis (1994) argued that all leaders share some common traits. These include a guiding vision or purpose, passion or enthusiasm and the ability to communicate that passion to others, and integrity. According to Bennis, a leader should have a purpose or a goal to pursue regardless of the obstacles he/she encounters. That is, he/she has to have a clear idea of what she/he wants to do professionally and personally. Integrity is a trait which consists of three ingredients: self-knowledge, candor, and maturity. Self-knowledge is knowing one's strengths and weaknesses. Candor is being honest with oneself. Maturity is the result of the lessons learned through following, while observing others, learning to be dedicated, and working with others. It is being truthful and never servile. The last two traits go hand in hand: curiosity and daring. A leader wants to learn as much as possible and is willing to take risks.

These are traits which are regarded as the qualities that effective leaders need to have in leading their organizations. Specially, integrity, and its components represent the idea of emotional intelligence which is central to leadership.

Another variable that is crucial in the proper functioning of an organization is organizational trust. Trust is an important quality that is interwoven with leadership success and organizational effectiveness. Covey (2004:147) expounded the importance of trust in relationships and organizations saying, "just as trust is the key to all relationships, so also is trust the glue of organizations. It is the cement that holds the bricks together," – the people in the organization. People act and react in their environment based on the level of trust they have in other people or situations. It is an important dimension on which almost every

interaction can be characterized. Wheelless & Grotz (1997:651) defined trust as “expectancy held by an individual or a group that the word, promise, verbal or written statement or perception of another individual or group can be relied upon.” Similarly, organizational behaviorists Zaheer, McEvily, & Perrone (1998: 143) defined trust as “the expectation that an actor (1) can be relied on to fulfill obligations, (2) will behave in a predictable manner, and (3) will act and negotiate fairly when the possibility for opportunism is present.” In these definitions, the concept of trust represents the inter-reliance among different parties of an organization. In leadership of an organization, trust plays a critical role which determines the performance of the workers and the leaders.

Quoting Eisenhower’s, one of the American Presidents, statement about the importance of trust, Covey (2004:146) said, “the supreme quality for leadership is unquestionably integrity. Without it, no real success is possible no matter whether it is on a section gang, a football field, in an army, or in an office.” Integrity, according to Covey, is one of the components of character – which includes trust, sense of openness, and optimism. To Covey (2004:147), “trust is the fruit of the trustworthiness of both people and organizations,” which comes from different sources that include personal and institutional components.

Researchers consider trust as an important factor in facilitating a number of positive outcomes for individuals and organizations. They showed that it is important in a range of organizational activities and processes such as team work, leadership, goal setting, performance appraisal, and, in general, cooperative behaviors (e.g., Axelrod, 1984; Gambetta, 1988; Mayer *et al.*, 1995; McAllister, 1995, all cited by Watson, 2005).

Flaherty & Pappas (2000), as cited in Watson (2005), indicated that employees’ trust in their manager has been linked to individual outcomes such as higher job satisfaction, productivity, and commitment to the organization. Moreover, it has been indicated that trust is correlated with organizational outcomes such as higher sales and profits, lower employee turnover (Davis, *et al.*, 2000), and enabling cooperative behavior (Gambetta, 1988) (all cited in Watson, 2005).

It has been indicated that organizational trust has its basis in the individuals, i.e., the employees and the leaders: it is individual members of organizations, rather than the organizations themselves, that trust each other (Zaheer *et al.*, 1998). Generally, as Creed & Miles (1996) proposed, trust in leaders is important for effective functioning teams and organizations where tasks are complex and unstructured, and require high levels of interdependence, cooperation, and

information sharing, which are the foundations of the organizations and proper delivery of services.

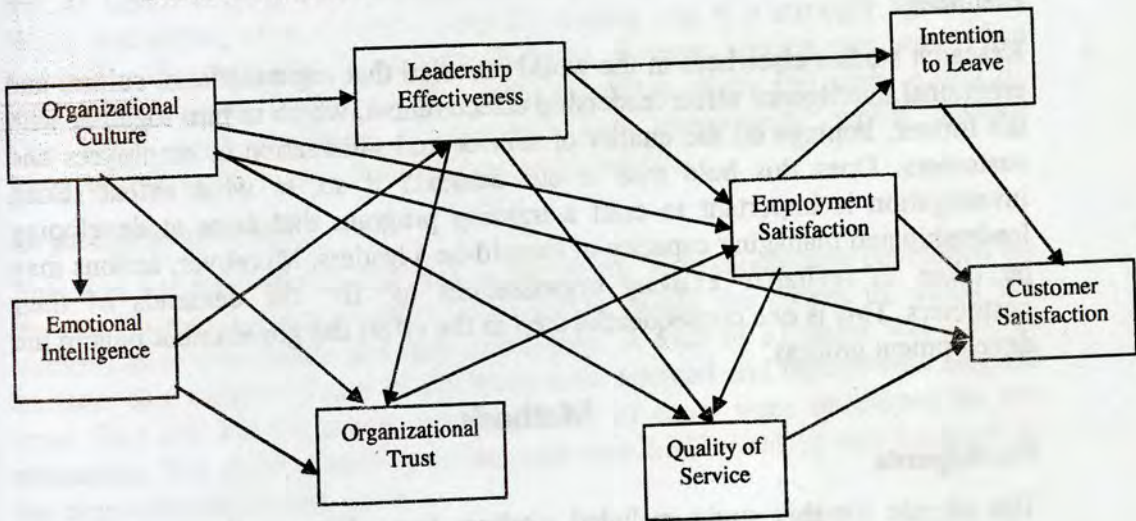
From the above discussions, we can explicitly infer that organizational trust develops out of the culture of the organization. Trust, which shows an accepting tendency of individuals to work cooperatively and to rely on each other, affects the leaders to lead effectively and to create an atmosphere that maximizes productivity and satisfaction.

In summary, organizational culture and emotional intelligence are important factors that contribute to the development of trust in organization, to the psychological wellbeing of workers and quality of service, and customer satisfaction. Based on the theoretical and empirical discussions presented above, a model in Figure 1 was developed to be tested in this study. The objectives of the study were to answer the following research questions.

- Do organizational culture and emotional intelligence significantly predict leadership effectiveness and organizational trust of employees?
- Do organizational culture, emotional intelligence, organizational trust, and leadership effectiveness significantly predict employee satisfaction and quality of service?
- Do organizational culture, leadership effectiveness, organizational trust, employee satisfaction and perceived quality of service significantly predict customer satisfaction? Which of these variables have the strongest effect?
- Which of these variables significantly predict the intention of employees to leave jobs?
- Are there significant relationships among all these variables?



Figure 1. The proposed model that shows the relationships of the predictor and criterion variables



Be it a public or private organization, its goal is to provide services or to produce products that satisfy the demands of its customers. Specially, public organizations have the mandate to meet their customers' needs. As their purpose is primarily to meet the demands of the public, they are expected to be accountable, transparent, responsive, respect rules of law, and be characterized by equity. In this rapidly changing world, inability to respond to the demands of the internal and external environment would mean a red light that signals a warning message to the public at large and to the government in particular that the organizations might be at the verge of collapse.

The elements mentioned so far are major issues directly related to leadership or governance. Canada Corps Knowledge Sharing Kit (2005:4) stated, "the elements of governance in a country can tell us a great deal about the people's options, their access to knowledge and opportunities. Each of the elements, and good governance itself, can be understood to be both a means and a goal of development." Hence, having good leadership is tantamount to laying the foundation for development and prosperity. But what are the factors that affect leadership effectiveness of organization leaders? Why do they fail to provide quality services that satisfy both their internal (employees) and external customers? Understanding those factors that hinder or facilitate organizational

leadership by those concerned is a first step to take proper measures that aim at improving the services to be rendered and satisfying the demands of the customers.

Research studies elsewhere in the world revealed that organizational culture and emotional intelligence affect leadership effectiveness, which in turn together with the former, impinge on the quality of service and satisfaction of employees and customers. Does this hold true in our context? If so, to what extent? Such investigation is important to craft a training program that aims at developing leadership and managing capacity of (would-be-) leaders. Moreover, actions may be taken to revitalize existing organizations to "fit" the demands of their customers. This is one consequential step in the effort the government puts in the development process.

## **Methods**

### **Participants**

The sample for this study included workers from different Amhara National Regional State Bureaus and a few Departments in Bahir Dar Special and West Gojjam Zones. A total of 309 copies of a questionnaire were distributed to the employees. Of these numbers of copies given out to the participants, only 170 usable and properly completed questionnaire copies were returned. This was a little more than 55% response rate. The sex proportion showed that 42 of the respondents were female and 127 were male workers. One respondent did not indicate his/her sex. The participants were given the questionnaires in their offices and were told to fill in them and to return them the following day.

### **Variables and Measurements**

In this study a number of variables were included. They include organizational culture, organizational trust, emotional intelligence, employee satisfaction, leadership effectiveness, quality of service, intention to leave job, and customer satisfaction. Some of these variables were predictor and others were criterion. To gather data about these variables, a number of scales were adopted and adapted from different sources.

### **Organizational Culture**

The items used to measure organizational culture were partly adapted from Denison Organizational Culture Survey (Denison & Neale, 1996; Denison &

Young, 1999) and some were developed by the researcher based on both theories of Denison (1990) and Schein (1992). The questionnaire had 44 items scored on a 4-point Likert scale where the maximum was 4 and the minimum point was 1. When statements were worded positively scaling was 4 = strongly agree, 3 = agree, 2 = disagree, and 1 = strongly disagree. Reverse scoring was used when items were phrased negatively. The alpha reliability of the full scale was 0.96. The items were designed to measure four components which include Involvement, Consistency, Adaptability, and Mission.

### **Organizational Trust**

This was another variable included in the study. A questionnaire developed by Hoy & Tschannen-Moran (1999) was used to assess the extent to which the workers trust their heads and their colleagues. A total of 31 items was used to measure this variable. Some of the items were adopted and others were adapted from Hoy and his colleague, whereas some of them were developed by the researcher. The alpha reliability of the scale was 0.947. Scaling was the same as the organizational culture scale.

### **Emotional Intelligence**

This variable was measured using a standardized questionnaire developed by the HayGroup. Emotional intelligence was measured using a 72 items scale adapted from Bipath (2007). The items were scored on a four point scale where 4 stands for "Always", 3 for "Usually", 2 for "Sometimes" and 1 for "Never", when the items were stated positively, otherwise reverse scoring was used. The scale was used to measure four subcomponents of Emotional Intelligence. They were Self-Awareness, Self-Management, Social Awareness and Relationship Management. The overall reliability of the scale as estimated by Cronbach alpha was 0.976.

### **Leadership Effectiveness**

A questionnaire used by Nowack (2006) with four additional items was used. But through item analysis 2 of the additional items were found problematic and were dropped from the analysis. The final scale had 11 items with a reliability estimate of 0.942. The reported alpha coefficient for the original 9 items was 0.91. A six point scale was used to measure this variable ranging from 1 to 6, with 1 representing strongly disagree and 6 standing for strongly agree.

### **Employee Satisfaction**

The scale designed to measure this variable consisted of 47 items adapted from (Best Companies Group, 2008) that were meant to gauge the extent to which employees were satisfied with various components of their jobs and the work environment. The components measured were Satisfaction in Leadership and Planning, Culture and Communication, Roles, Pay and Benefits, Training and Development, and Relationship. The questionnaire had a reliability estimate of 0.97. Scoring was done on a five point scale ranging from 1 to 5. In the scale 5 = strongly agree, 4 = agree, 3 undecided, 2 = disagree, and 1 = strongly disagree. Some items stated negatively were scored in a reversed direction.

### **Quality of Service**

This variable was measured by one item adopted from Best Companies Group (2008) and scoring was the same as the previous variable. Here the purpose was to examine the perception of the workers on the quality of the service rendered to customers of their organizations.

### **Customer Satisfaction**

Like the quality service, this variable was measured using a single item adopted from Best Companies Group (2008). The purpose of this scale was to assess the extent to which the workers perceived the services they delivered to their customers and were satisfying. Scaling was the same as employee satisfaction scale.

### **Intention to Leave Job**

Taken from the Best Companies Group (2008), like the above three variables, a single item was used to measure this variable. Its purpose was to see the extent to which the workers have the intention to leave their jobs. All the items were translated into Amharic to avoid language problem on the part of the respondents.

## **Data Collection Procedure**

The data were collected from the participants in their offices. Those employees who were in their offices at the time of data collection were given the questionnaires. The questionnaires were distributed by the researcher himself and two assistant data collectors. Once the questionnaires were given to the participants, they were kindly requested to return them the following day. To

avoid any problem of anonymity due to exposure of their responses, the participants were given envelopes to put in and seal the questionnaires they filled in. This was thought to increase the validity of the evidences they provide. Though repeated attempts were done by the researcher to encourage the participants to carefully and completely fill in the questionnaires and to return them back, the majority of the questionnaires was incomplete and had to be discarded. Accordingly, the final number of usable questionnaires was 170 and analysis was done based on this sample.

### **Data Analysis Techniques**

After the data were collected, correlational analysis was performed to examine the simple relationship between the variables. To investigate the joint and independent contributions of some predictor variables to some other criterion variables, linear regression analysis and stepwise regression were carried out. Path model was fitted using AMOS 5 to look into the direct, indirect, and total effects of the exogenous and mediating variables on customer satisfaction.

### **Results of the Study**

In this section results obtained are presented. Table 1 shows the descriptive statistics and intercorrelations among the various variables treated in the study. The results indicated that the mean ratings of the employees regarding their general satisfaction were low (Mean = 2.51 out of a scale of 5). Similarly, out of the scale of 7 the mean score of the perceived satisfaction of customers was found to be low (Mean = 3.46). The expected averages for these two variables were 3 and 4, respectively. But the intention to leave was greater than the expected average, which was 3. Furthermore, the respondents rated the quality of the service provided to customers by their organizations a little more than the expected average, which was 4 (scored out of 7).

The correlations among the variables revealed that sex related significantly and negatively with leadership effectiveness, organizational trust, and organizational culture. The other variables did not relate with sex though all except the intention to leave the job are negative. This represented that females tended to perceive their leaders to be more effective in leadership, to feel positive about the organizational culture, and to have higher level of organizational trust more than their male counterparts. Intention to leave the current job related significantly but negatively with all measured variables. The intercorrelations among the measured

variables, viz.; employees' general satisfaction, service quality, customer satisfaction, leadership effectiveness, employee satisfaction, leader's emotional intelligence, organizational trust and organizational culture were significant and in the expected direction ( $r$  ranges from 0.292 to 0.800).

Table 1. Descriptive statistics and intercorrelations among the variables

Variables	Mean	SD	1	2	3	4	5	6	7	8	9
1. Sex											
2. Intention to Leave	3.61	1.390	0.021								
3. General Satisfaction	2.51	0.974	-0.016	-0.344**							
4. Service quality	4.64	1.199	-0.016	-0.234**	0.305**						
5. Customer Satisfaction	3.46	1.083	-0.014	-0.264**	0.292**	0.633**					
6. Leadership Effectiveness	43.282	13.074	-0.215**	-0.277**	0.365**	0.316**	0.364**				
7. Employee Satisfaction	150.124	32.577	-0.120	-0.431**	0.445**	0.469**	0.477**	0.738**			
8. Emotional Intelligence	183.094	42.192	-0.143	-0.349**	0.401**	0.300**	0.320**	0.807**	0.680**		
9. Organizational trust	102.571	21.609	-0.227**	-0.370**	0.381**	0.352**	0.362**	0.778**	0.706**	0.825**	
10. Organizational Culture	143.571	29.598	-0.269**	-0.294**	0.383**	0.460**	0.447**	0.800**	0.772**	0.711**	0.778**

\*\*  $p < 0.001$  level (2-tailed),  $p < 0.05$  level (2-tailed). Sex code = 0 for female and 1 for male.

To investigate the consistency of the relationships among the variables, further analysis was conducted for each sex group independently. The results in Table 2 showed astonishingly similar patterns for male and female workers.

Table 2. Descriptive statistics and intercorrelations for male (n= 127) and female (n = 42) workers.

Variables	Female		1	2	3	4	5	6	7	8	9	Male		
	Mean	SD										Mean	SD	
1. IT	3.550	1.452		-0.322	-0.273	-0.248	-0.341	-0.401	-0.343	-0.232	-0.273		3.61	1.375
2. EI	193.857	41.120	-0.414		0.707	0.826	0.832	0.666	0.423	0.269	0.335		179.961	42.021
3. OC	157.500	30.173	-0.361	0.701		0.779	0.714	0.761	0.378	0.497	0.489		139.110	28.131
4. LE	48.262	12.309	-0.339	0.721	0.839		0.753	0.718	0.352	0.302	0.345		41.858	12.779
5. OT	111.191	22.690	-0.454	0.799	0.896	0.820		0.642	0.355	0.306	0.296		99.858	20.595
6. ES	156.929	33.720	-0.517	0.710	0.810	0.825	0.865		0.410	0.512	0.514		147.913	32.137
7. GS	2.550	0.968	-0.323	0.312	0.427	0.377	0.466	0.563		0.219	0.259		2.510	0.975
8. SQ	4.690	1.297	-0.206 <sup>a</sup>	0.349 <sup>+</sup>	0.410	0.295 <sup>+</sup>	0.468	0.383	0.488		0.621		4.650	1.151
9. CS	3.500	1.274	-0.218 <sup>a</sup>	0.256 <sup>+</sup>	0.394	0.370	0.512	0.420	0.326	0.628			3.460	0.998

<sup>a</sup>p > 0.05. +p < 0.05. Others p < 0.001. The values under the diagonal are for female workers.

Since simple association and/or correlation does not show the predictive capacity or influence of one variable on the other, a multiple regression analysis was carried out. The criterion variable was Customer Satisfaction (CS) and the predictor variables were Employee Satisfaction (ES), Leader's Emotional Intelligence (EI), Organizational Trust (OT), Organizational Culture (OC), Intention to Leave (IT), Service Quality (SQ), and Leadership Effectiveness (LE). The results in Table 3 showed that the variables jointly explained 44.8% of the variance in customer satisfaction ( $R = 0.669$ ,  $R^2 = 0.448$ ).

Table 3. Multiple regression analysis of the effects of EI, OC, LE, OT, ES, SQ and IT on Customer Satisfaction

Variables	b	Std. Error	Beta	t	p	R	R <sup>2</sup>	Adj. R <sup>2</sup>
Constant	.450	.519		.867	.387	0.669	0.448*	0.424
EI	-.001	.003	-.056	-.473	.637			
OC	.002	.004	.064	.535	.594			
LE	.006	.010	.077	.627	.532			
TO	-.001	.006	-.010	-.084	.933			
ES	.005	.004	.146	1.379	.170			
SQ	.466	.062	.516	7.565	.000			
IT	-.050	.052	-.064	-.961	.338			

\*F = 18.800,  $df_1 = 7$ ,  $df_2 = 162$ .  $p < 0.0001$

The only significant predictor of customer satisfaction was found to be Service Quality (SQ). The other values did not reach the level of significance. To identify the best predictor from among this group of variables, a stepwise regression analysis (forward method) was run. Employee Satisfaction and Service Quality were identified as the best predictors of Customer Satisfaction, which accounted for 44.2% of its variance. The results are presented in Table 4.

Table 4. Stepwise regression analysis of the variables on customer satisfaction

Model	Variables	b	Std. Error	Beta	t	p	R	R <sup>2</sup>	$\Delta R^2$
1	Quality Service	0.572	0.054	0.633	10.603	0.000	0.633	0.401	0.401*
2	Quality Service	0.474	.059	0.525	8.023	0.000	0.665	0.442	0.041**
	Employee Satisfaction	0.008	.002	0.230	3.514	0.001			

\*F = 112.44 ( $df_1 = 1$ ,  $df_2 = 168$ ),  $p < 0.0001$ ; \*\*F = 12.351 ( $df_1 = 1$ ,  $df_2 = 167$ ),  $p < 0.001$



The effect of Service Quality was strong ( $\beta = 0.525$ ) compared to the effect of Employee Satisfaction on Customer Satisfaction. This can be further evidenced by the amount of variance accounted for by the two variables. From the total variance in Customer Satisfaction explained by the two variables, 40.1% (or 90.72% of  $R^2$ ) was the share contributed by Service Quality. Employee Satisfaction explained only 4.1% of the variance in Customer Satisfaction. Further regression analysis was done to examine the effects of Emotional Intelligence, Leadership Effectiveness, Organizational Culture and Organizational Trust on Employee Satisfaction.

Table 5. Multiple regression of leadership effectiveness, organizational trust, organizational culture and emotional intelligence on employee satisfaction.

Variables	b	Std. Error	Beta	t	p	R	R <sup>2</sup>	Adj. R <sup>2</sup>
Leadership effectiveness	0.560	0.233	0.225	2.402	0.017	0.805	0.648*	0.639
Organizational Trust	0.170	0.142	0.113	1.203	0.231			
Emotional Intelligence	0.072	0.071	0.094	1.013	0.313			
Organizational Culture	0.482	0.093	0.438	5.171	0.000			

\* $F=75.784$  ( $df_1 = 4$ ,  $df_2 = 165$ ),  $p < 0.001$

Table 5 presents the results for the effect of the variables on Employee Satisfaction. The overall coefficient of determination was statistically and strongly significant ( $p < 0.001$ ). The variables jointly explained 64.8% of the variance in the Employee Satisfaction. However, it was only Leadership effectiveness ( $\beta = 0.225$ ,  $t = 2,402$ ,  $p < 0.05$ ) and organizational culture ( $\beta = 0.438$ ,  $t = 5.171$ ,  $p < 0.001$ ) that significantly predicted employee satisfaction. To select the most important factors from these four variables that significantly predicted employee satisfaction, a stepwise regression analysis was carried out. Though organizational trust was not found to be a significant predictor, the stepwise regression analysis unveiled it to have a significant effect on employee satisfaction.

Table 6 indicated that the three most important variables that significantly predicted workers' satisfaction were Organizational Culture ( $\beta = 0.434$ ), Leadership Effectiveness ( $\beta = 0.266$ ) and Organizational Trust ( $\beta = 0.161$ ).

The leader's emotional intelligence had no significant contribution to satisfaction of workers. The three variables in combination accounted for 64.5% of the criterion variable. But the lion's share was made by Organizational Culture, about 60% of the variance in worker's satisfaction.

The results show that Organizational Culture alone explained 59.6% of the variance in the satisfaction of workers in the organizations ( $p < 0.001$ ). The second important factor that positively and significantly contributed to employee satisfaction was Leadership Effectiveness. It explained 4.1% of the variance in satisfaction, as indicated by the  $\Delta R^2$ .

Table 6. A stepwise regression analysis of the effects of OC, OT and EI on Employee Satisfaction

Model	Variables	b	Std. Error	Beta	t	p	R	R <sup>2</sup>	$\Delta R^2$
1	Organizational Culture	0.850	0.054	0.772	15.752	0.000	0.772	0.596*	
2	Organizational Culture	0.555	0.085	0.504	6.489	0.000	0.798	0.637*	0.041**
	Leadership Effectiveness	0.836	0.194	0.335	4.319	0.000			
3	Organizational Culture	0.478	0.093	0.434	5.130	0.000	0.803	0.645*	0.009***
	Leadership Effectiveness	0.662	0.211	0.266	3.147	0.002			
	Organizational Trust	0.243	0.122	0.161	1.997	0.047			

\*  $p < 0.001$ ; \*\*  $p < 0.05$

The other objective was to assess the composite and independent contributions of Emotional Intelligence, Leadership Effectiveness and Organizational Culture on Organizational trust. The stepwise regression analysis results in Table 7 demonstrated that Emotional Intelligence and Organizational Culture were the significant predictors of Organizational Trust. They jointly accounted for 75.5% of the variance.

Table 7. Stepwise regression analysis of the effects of Leadership Effectiveness, Organizational Culture and Emotional Intelligence on Organizational Trust

Model	Variables	b	Std. Error	Beta	t	Sig.	R	R <sup>2</sup>	$\Delta R^2$
1	Emotional Intelligence	0.423	0.022	0.825	18.945	0.000	0.825	0.681*	
2	Emotional Intelligence	0.282	0.028	0.550	10.100	0.000	0.869	0.755*	0.074**
	Organizational Culture	0.283	0.040	0.387	7.118	0.000			

\*p&lt;0.0001, \*\*p&lt;0.01

However, it was the leaders' emotional intelligence that contributed much to the variance in organizational trust. Leadership effectiveness did not contribute significantly to the workers' trust level.

Further analysis was made to examine the predictive capacity of Organizational Culture and Emotional Intelligence on Leadership Effectiveness. It was found that both variables have strong relationship with Leadership Effectiveness. Results presented in Table 8 revealed that the two variables jointly explained 74.5% of the variance in the Leadership Effectiveness.

Table 8. Stepwise regression of Emotional Intelligence and Organizational Culture on Leadership Effectiveness

Model	Variables	b	Std. Error	Beta	t	Sig.	R	R <sup>2</sup>	$\Delta R^2$
1	Emotional Intelligence	0.250	0.014	0.807	17.682	0.000		0.650*	
2	Emotional Intelligence	0.149	0.017	0.481	8.814	0.000	0.868	0.754*	0.103*
	Organizational Culture	0.202	0.024	0.457	8.378	0.000			

\*p &lt; 0.0001

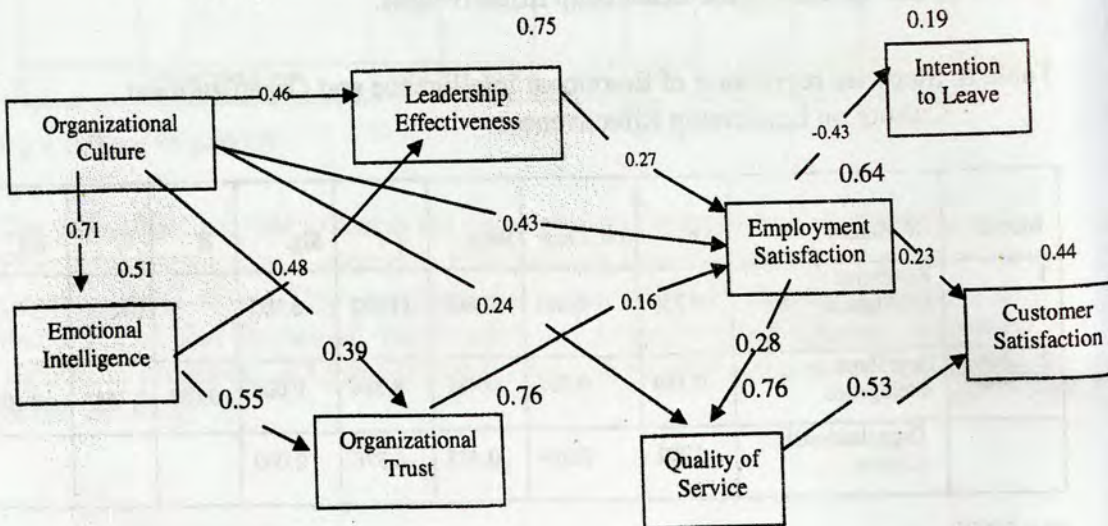
The two variables had comparable effects on Leadership Effectiveness in terms of standardized beta coefficients, beta = 0.481 for Emotional Intelligence and beta = 0.457 for Organizational Culture.

The final purpose of the study was investigating the causal relationships of the variables using path analysis. The results are presented in Figure 2.

A maximum likelihood method was used to determine the effects of the predictor variables on the criterion variables. The goodness of fit of the model was tested and found to be more than satisfactory. This was substantiated by chi-square value and its p-value, the root mean square error of approximation (RMSEA), the goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI), Normed Fit Index (NFI), and other indices like incremental fit index (IFI) and comparative fit index (CFI).

Values of chi-square ( $\chi^2 = 18.713, p < 0.227$ ) and RMSEA. (0.038,  $p < 0.600$ ) suggest that the model fit the data very well. Since chi-square test is very sensitive to sample size, a variety of other indices that were suggested by many measurement experts were employed. Based on the indices found, the model fitted the data very well and it is reasonable to discuss the results accordingly.

Figure 2. Model representing the effects of predictor variables on customer satisfaction (numbers at the upper right corner of the boxes are R<sup>2</sup> values)



In summary the model was accepted as it satisfies the requirements suggested for a good model. In the model, only significant path coefficients were retained. As can be seen from the model, customer satisfaction was directly and significantly predicted by service quality and employee satisfaction. The satisfaction of employees was affected significantly by the leadership effectiveness, organizational trust and leadership effectiveness. This implies that those leaders who were rated to have high level of leadership effectiveness were found to have workers who were relatively satisfied with their jobs. Moreover, those workers who tend to have high level of organizational trust, and those who perceived their organizations to have conducive organizational culture were found to be satisfied. One interesting result was the effect employee satisfaction has on the intention to leave. Those workers who felt dissatisfied with their jobs tend to have high intention to leave their jobs. The effect of leadership effectiveness on the intention to leave was mediated by the employee satisfaction. In other words, the results imply that before employees decide to leave their jobs, they should have some experiences of dissatisfaction.

The direct, indirect and total effects of the predictor variables to the variances in the criterion variables are presented in Table 9.

Table 9. Direct, indirect and total effects of the predictor variables on Customer Satisfaction

Effect	Variables					
	Organizational Culture	Emotional Intelligence	Organizational Trust	Leadership Effectiveness	Employee Satisfaction	Service Quality
Direct	0.000	0.000	0.000	0.000	0.230	0.525
Indirect	0.419	0.082	0.061	0.101	0.148	0.000
Total	0.419	0.082	0.061	0.101	0.378	0.525

The total effects on Customer Satisfaction of Service Quality, Organizational Culture, Employee Satisfaction, and Leadership Effectiveness were high, betas = 0.525, 0.419, 0.378, and 0.101, respectively. From the model we can see that Emotional Intelligence and Organizational Culture strongly affected the Leadership Effectiveness of the leader. Specially, Organizational Culture was a very salient variable that affected almost all factors included in the study.

### Discussion

The purpose of this research was to explore the extent to which organizational culture, emotional intelligence, organizational trust, worker satisfaction, intention to leave, quality of service, and leadership effectiveness predict customer satisfaction. Both male and female workers working at various regional bureaus in the Amhara National Regional State were used as sources of data. The descriptive statistics showed that customer and overall employee satisfaction levels were below the expected mean whereas the level of the quality of service the bureaus offer to the customers were rated by the workers as relatively high. The workers seem to have more than average intention to quit their jobs if they get the chance to move to other jobs.

Correctional results on the other hand indicated that all the measured variables correlated significantly and in the expected directions. It was found that the intercorrelations among leadership effectiveness, employee satisfaction, organizational culture, emotional intelligence and organizational trust were strong ( $r$ 's range from 0.711 to 0.825). Other correlation coefficients were moderate which justify the importance of the variables in explaining the variance they share in common. The customer satisfaction, as rated by the workers, correlated significantly with all variables suggesting the role those variables play in the effort made by each bureau to provide a service that meets the needs and demands of the customers.

Research that aimed at examining the relationship between employee satisfaction and customer satisfaction began in 1980 with the work of Benjamin Schneider. Studies conducted on the same issues by Reichheld (1996), and Heskett, Sasser, and Schlesinger (1997) reported that there are direct and significant relationships between customer service variables (such as satisfaction and loyalty), and employee variables (such as satisfaction, enthusiasm, loyalty, commitment, capability, and internal service quality). In this research it was also found that employee satisfaction predicted the satisfaction of customers and the quality of

service provided to the customers. As indicated in the model, the two variables that directly and significantly predicted the satisfaction of customers were quality of service and worker satisfaction. Leadership effectiveness and organizational trust had no significant direct predictive capacity to customer satisfaction but their effects on employee satisfaction were strong and substantial. Other researchers have reported similar findings. For example, some researchers indicated that one of the most important variables that accounted for the satisfaction and empowerment of employees was the relationship they had with those who lead the organization (Ribelin, 2003; Eisenberger, Stinglhamber, Vandenberghe, Sucharski, Ivan & Rhoades, 2002; Rhoades, Eisenberger, & Armeli, 2001).

It may not be surprising that the leader could be a source of satisfaction for the employees and serves as an impetus for commitment and engagement in the work they perform. This is because the leader sets the psychological conditions of the organization and determines the direction to which the organization is moving. The steering wheel in his/her hands, the pedal under his/her feet as well as the speed under his/her control, though the roughness of the road may deter or fasten his/her move, the leader plays a strenuous role that could affect the psycho-social wellbeing of the workers which are the precursors to productivity, commitment, and motivation. Nowack (2006) also stated that the psychological well-being of the workers is affected mostly by the leaders' capacity and efficiency to manage. Workers who perceived the leaders as practicing poor management reported higher level of intentions to leave their job, high degree of stress and low degree of satisfaction and engagement. Though in this study leadership effectiveness failed to predict significantly the intention to leave the job, its effect through job satisfaction was considerably high.

Furthermore, Herman (1999), as cited by Nowack (2006), reported that 75% of "people voluntarily leaving jobs don't quit their jobs; they quit their bosses." Nowack further posited that leaders are those who can directly affect the moral, commitment, retention, engagement and satisfaction of employees. Similar results reported by Koys, as cited by Corporate Leadership Council (2003), revealed that employee satisfaction leads to customer satisfaction and to develop positive relationship with the customers which ultimately could result in customer loyalty. Customer loyalty development for the organizations that provide the services could imply that they develop trust in those working in the organizations and to the government as whole which would enable it to win the psychological aspects of the customers which is a fundamental antecedent to development.

Organizations that would never meet the demands of their customers would never win their hearts and minds. History tells us that the use of coercive actions to make the society accept policies and regulations would never be fruitful and bring about the desired changes, no matter how they were wonderful in their contents and in their expected outcomes.

Hence it looks justifiable that individuals who themselves are not satisfied could not provide quality service that could satisfy the demands of the customers. Loyalty and integrity of the workers could be in jeopardy when their psychological well-being is tarnished due to mishandling or otherwise.

Organizational trust is one important ingredient for the success of an organization. Workers who have trust in their leaders and colleagues feel more satisfied and tend to work hard than those who have low trust. But the trust employees have in their leaders tends to be more important than the trust in their colleagues to be satisfied in their jobs. The results in this study suggested that. Correlational analyses showed that trust in leaders correlated more strongly and highly with satisfaction of employees ( $r = 0.692$ ) than the correlation between trust in colleagues and satisfaction ( $r = 0.450$ ). Likewise, the correlation between trust in leaders and intention to leave job ( $r = -0.347$ ) was higher than the correlation between trust in colleagues and intention to leave a job ( $r = -0.271$ ). This signifies that workers will leave or tend to leave their jobs if the trust they have in their leaders is lower than the trust they have in their colleagues. This implies that the leader (the head in this case) is a key game player in the satisfaction of the workers than their colleagues, as well as that determines the intention to leave or to stay at a job.

The leader is the outcome of his/her culture. "Leaders arise out of the culture of the place in which they lead, and do not exist separately from that culture" (Ohm, 2006: 15). In this case what is practiced in the organizations' contexts will affect the functioning competence of leaders, the vision they will have and the mission they hold. The organizational culture correlated with almost all variables significantly. In the regression model, organizational culture was the major contributing factor to the emotional intelligence, leadership effectiveness, organizational trust, employee satisfaction, and quality of service. Emotional intelligence, as Goleman (1995) pointed out, emerges primarily through relationships. At the same time, emotional intelligence affects the quality of relationships.



In the model it was, however, found that organizational culture did not directly and significantly predict customer satisfaction. It looks true that the customers are end-users who have immediate interaction mainly with the workers who are at the forefront to provide the service. Hence organizational culture may be considered as a distal factor that affects the satisfaction of customers through the quality of service provided by the workers and the satisfaction they have. But its effect via other variables was strong and high. Specially its effect on the leaders' emotional intelligence was considerably strong. These two variables accounted for 75% of the leadership effectiveness of the leader. This shows the extent of the importance of these two variables in explaining the leader's efficiency and management competence. Research in the area of emotional intelligence almost consistently showed that ability to regulate ones emotions and to recognize the emotions of others is a vital constituent of leadership.

Emotional intelligence as discussed earlier is the ability of individuals to sense how other people around them feel about the work situation and to make intervention that effectively helps settle various emotional upheaval in their organizations. According to Cherniss (2001), effective leaders are those who are able to manage their own emotions and their employees, win the trust of their workers as well as feel good to work with them. Emotional intelligence influences leadership effectiveness in a number of areas which include, according to Cherniss, teamwork, employee recruitment and retention; development of talent of employees; employee commitment, morale, and health; innovation; productivity; efficiency; quality of service; and customer loyalty.

Leading public institutions differ in many respects from private organizations. The primary goals of public institutions are providing services that private institutions may not offer. Accordingly, there are strong demands on the part of the society from the public institutions. Responding to these demands is not an easy task. The leader who takes up the position should be courageous, flexible, politically shrewd, mentally agile, willing to take risks, trustworthy, adaptive and responsive to the demands to the world around him/her, and positive thinker. The majority of these qualities can be mainly achieved, if leaders have emotional intelligence. It does not mean that cognitive intelligence is not important. Cognitive intelligence is important because leadership requires problem solving ability, logical analysis, information processing, the ability to predict, good command of language, decision making ability, and a dozen of other cognitive competencies. But those leaders who can easily understand their emotions and others are mainly more successful than those who are poor at it. Unfortunately in most organizations in Amhara Region or in

Ethiopia, less emphasis is given to emotional intelligence. Individuals become leaders of organizations mainly based on their political affiliation and to a certain degree on merit basis which depends to somehow on academic performance as determined by their college academic performance (Grade Point Average). Various management policies, recruitment regulations and management systems focus on the cognitive capabilities and performances of individuals. But research almost consistently showed that the affective aspect of individuals is by far important in successfully running organizations. HayGroup (1999:11), comparing the importance of the two the intelligence types, proposed, "emotional intelligence is twice as important as cognitive abilities in predicting outstanding employee performance, and accounts for more than 85 percent of star performance in top leaders." Another study also found that there is a positively significant correlation between emotional intelligence factors and effective leadership outcomes (Carulli and Com, 2003).

Leaders with high emotional intelligence are effective in managing organizations because emotional intelligence is related to specific behaviors that include, participative management, putting people at ease; building, mending and maintaining relationship; taking risks, decisiveness, confronting challenges, initiating and managing changes, as well as putting efforts in developing employees (Center for Creative Leadership, 2003). Hence it may not be surprising that leadership effectiveness which is affected by the leader's emotional intelligence directly predicted workers' satisfaction.

In their study of assessing emotional competencies, Boyatzis and Sala (2004), reported that emotional intelligence competencies related with job/life success, performance in client services and administrative roles, predicted success as a leader, worldwide management performance and potential, job performance of first-line supervisors, and leadership in multi-nationals. Moreover, leaders with high emotional intelligence were found to use more open communication with their subordinates, to have a tendency to use accommodating and collaborative styles, sociability, flexibility, as well as to promote harmony, and to resolve conflicts with win-win situations (Sunindijo and Hadikusumo, 2005). However, as stated previously, emotional intelligence *per se* is mainly crafted, built and maintained within the organizations based on the type of relationships the members have. Such relationship is guided and shaped by organizational culture.

Organizations that focus on the involvement of workers who are committed to their work, feel a sense of ownership and provide quality services, on teamwork, and on the development of the capability of their workers, were found to have the possibility of meeting the on-going demands of the customers and ever changing

world. Individuals who got the chance to be involved in the whole activities of their organizations develop a sense of ownership and responsibility towards their organization. This increases their feeling of having the authority, initiative, and ability to manage their own work (Denison, 1990).

According to Denison, one component of organizational culture is consistency. This involves the coordination and integration of different functions and units of the organization to be able to work together to achieve common goals and avoiding any boundaries that interfere with getting the work done. Sharing common goals, a set of values, and developing a sense of identity and a clear set of expectations are aspects of the organizations' consistency which have direct implication to the psycho-social well-being of the leaders as well as the workers. Moreover, the ability to settle differences through reconciliation and agreement is the other task that indicates consistency.

An organization's capacity to change in response to external conditions is another vital component of organizational culture, which is termed as adaptability (Denison, 1990). The organization should be able to create changes, read its environment and quickly respond to the current changes, and anticipate future changes. It should understand and react to its customers to meet its goals. An organization that fails to meet the demands of its customer and that has little or no concern to satisfy customers may cause unwanted results such as corruption, resource mismanagement, and other poor governance. The results of this research showed that organizational culture was the single most contributing factor to leadership effectiveness, emotional intelligence, organizational trust, and employee satisfaction, and even the quality of service.

Schein (1992:124) posited, in every culture there are shared assumptions about what it means to be human, what our basic instincts are, and what kinds of behavior are considered inhuman and therefore grounds for ejection from the group. There are also shared assumptions about the relationship of the individual to the group that ultimately reflect the concept of self.

The shared assumptions can affect the behavior and the culture of the working environment. They can also affect the leadership and relationships with the employees. In this case emotional intelligence helps the leader to effectively figure out these shared assumptions. The leader is then able to accept or challenge the assumptions. Furthermore, organizations have their own missions, which involve the strategic directions, values and goals of the organization, that serve as the foundation to provide the type of service required by the customers. They

determine the philosophies of the organizations and their communities in how to meet the demands of their customers, as well as to focus on where to go from there and what their goals should be.

In all analyses, the results suggest that organizational culture need to be given considerable attention in order to improve the quality of service the organizations provide, improve leadership effectiveness, develop emotional intelligence of leaders, and create an organizational trust among the workers. It is only by doing so that they could satisfy the demands of their customers. Customer satisfaction is a good indicator of good governance which is one consequential factor to socio-economic development of a country.

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