Examining the Relationship between Employee Attitudes and a Firm’s Financial Performance: A Theoretical Framework and Causal Investigation

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Since the introduction of the balanced scorecard (Kaplan and Norton, 1992), accounting researchers have conducted numerous studies that examine the relationship of non-financial measures with firm performance (see, for example, Ittner and Larcker, 1998; Hoque and James, 2000; Banker et al., 2000; Ittner et al., 2003; Davis and Albright, 2004). Kaplan and Norton (1996) argue these non-financial measures may be better predictors of performance than traditional financial accounting measures.

The assumed relationship between non-financial measures and performance is that non-financial measures drive performance. Employee attitudes often are used as non-financial measures of performance. However, Schneider et al. (2003b) have developed a model that suggests performance (i.e., financial outcomes) drives employee attitude, rather than the reverse. Our research empirically explores this relationship.

BACKGROUND AND MODEL DEVELOPMENT

There are important reasons for studying the links between financial performance and employee attitudes. Research suggests that when customers...
are more satisfied with a firm, they increase their loyalty which results in reducing price elasticities, lowering market costs, and decreasing transaction costs, thereby improving overall financial performance (Anderson et al., 1994; Fornell, 1992; Reichheld and Sasser, 1990). However, firms must depend upon their employees to improve customer satisfaction. Specifically addressing this issue, the management literature finds a direct link between employee attitudes and customer satisfaction (Schneider and Bowen, 1985; Schneider et al., 1980 1992). When employees are more satisfied with their firms, they provide customers with better interactions, thereby increasing customer satisfaction.

In addition, numerous studies show that employee attitudes also contribute to organizational citizenship behaviors (OCBs) (Bateman and Organ, 1983; George, 1991; Konovsky and Organ, 1996; Moorman, 1991; Smith et al., 1983; Williams and Anderson, 1991). Organizational citizenship behaviors are voluntary employee behaviors that go beyond minimum job requirements, and, in turn, contribute to firm outcomes (Organ, 1988). Thus, evidence exists from a variety of perspectives that understanding employee attitudes and the relationship to a firm’s financial performance is an important issue.

Acceptance of organizational goals and a willingness to exert effort on the organization’s behalf is a characteristic of strong organizational commitment (Angle and Perry, 1981; Porter et al., 1974; Bridges and Harrison, 2003; Colbert and Kwon, 2000). According to Mathieu and Zajac (1990) and Randall (1990), work outcomes, such as job performance, are linked to organizational commitment. Further, Westerman and Simmons (2007) find that work environment may play a predominant role in employee performance and commitment. Nouri and Parker (1996) argue that while self-interest is a powerfully motivating force in the workplace, individuals with strong organizational affiliations can be motivated by organizational interest (organizational commitment). Difficult goals are more likely to lead to significant performance gains if individuals are committed to achieving them (Webb, 2004). Mathieu and Zajac (1990) found organizational commitment to positively correlate with employee motivation and to correlate negatively with turnover and absenteeism. In addition, they found affective (attitudinal) commitment to have a stronger relationship with work outcomes than continuance or “calculative” commitment.1

Despite advances that have been made in understanding the relationship between employee attitudes and financial performance, there are still several shortcomings. Typically, most research, regardless of the field, analyzes secondary data sets where the survey questions were tailored for a particular study. Rarely have any of these studies used existing, validated measures of the attitudinal variables of interest or designed the study to specifically test a model. Moreover, employee job satisfaction is often the only attitudinal variable

1 “Affective commitment is characterized by: (1) a strong belief in and acceptance of the organization’s goals and values and (2) a willingness to exert considerable effort on behalf of the organization” (Porter et al., 1974: 604). Continuance (or calculative) commitment originates in the perceived costs associated with leaving the organization (e.g., loss of benefits and seniority) (Becker, 1960).
investigated. There are many other potentially important attitudinal predictors such as pay satisfaction, commitment, or organizational justice perceptions that should have an impact on a firm’s performance. By addressing some of these shortcomings, our research further explores the relationship between attitudes and a firm’s financial performance.

First, we begin by presenting a theoretical framework for understanding how employee attitudes should be related to financial performance. Second, drawing from the social psychology literature, we present evidence and test our hypothesis that firm performance predicts attitudes. Since our study is longitudinal, we have several data points containing both financial and non-financial measures. We assess several employee attitudes, using existing, validated measures, and offer both research and practical implications for our findings.

**Attitudes**

While early research suggested that work-related behaviors were reflected in successful organizational outcomes (Argris, 1957; McGregor, 1960), most of this work focused more on individual outcomes rather than organization performance. More recent works (Harter *et al*., 2002; Ostroff, 1992; Ryan *et al*., 1996; Schneider *et al*., 2003b) have demonstrated specific relationships between financial performance and employee attitudes. Thus, research on the relationship between employee attitudes and a firm’s financial performance has been investigated on two sides: the strength of that relationship, but more importantly, a search for causality.

**The Quest for Causality**

Schneider *et al*. (2003b) originally proposed a model to support attitudes predicting performance; however, they found the opposite with many of their variables. These authors argued that results from the research of Porter and Lawler (1968) as well as Locke and Latham (1990) suggest that when organizations do well, employees can reap the benefits of that success through rewards (i.e., pay increases) which, in turn, lead to increased satisfaction or other work attitudes. Thus, when firms do well, this should lead to an increase in positive employee attitudes, consistent with the model depicted in Figure I. Ostroff (1992) also proposed that if performance causes attitudes, then an increase in, or improvement of, firm performance should translate into improved employee attitudes. The consistency principle would support these contentions as well; that is, if all is going well in a firm, employees should maintain positive beliefs and feelings congruent with their knowledge of the firm’s performance. Accordingly, and based on this theory and research:

**H1:** A firm’s performance will have an impact on employee attitudes.
METHOD

Field Site Description

The field site for this study was a community bank (“the bank”) located in the southeast United States. The bank employed approximately 480 employees at over 45 branches and one headquarters location; all bank locations were contained within one state. The branches were grouped into 14 banking centers and these banking centers were divided into three geographic regions. The bank produced internal financial reports at the banking center, region and bank-wide level on a monthly basis.

Data Collection

Two separate web-based surveys were distributed to bank employees in October 2001 (survey 1) and July 2003 (survey 2). Each survey gathered similar information pertaining to employee attitudes and behaviors as well as demographic information. For each survey, bank employees received an email from an executive vice-president asking them to participate in the survey. The email contained a link to a website that hosted the survey. Employees who participated had their names placed in a drawing for one of 10 cash prizes of $50.

Survey 1 generated 293 responses (a 61% response rate). A large majority of responses (79%) were from females and 62% of the responses were from individuals employed at the bank for less than four years. Employees in
clerical positions (tellers, customer service representatives, loan assistants and administrative assistants) made up 62% of the responses; the remainder of the responses was from employees in non-clerical positions (such as branch presidents and headquarter professionals).

Survey 2 generated 364 responses (a 76% response rate). Female respondents accounted for 81% in survey 2 and 61% of the responses were from employees employed at the bank for less than four years. Employees in clerical positions (tellers, customer service representatives, loan assistants and administrative assistants) made up 45% of the responses in survey 2. Finally, quarterly financial performance data were gathered for each banking center from December 2000 to September 2003.

Analyses were run using all data from both surveys as well as matching data between surveys 1 and 2. Although findings were consistent in both analyses, the purpose of our research was to demonstrate that bank performance would predict attitudes. To do this, we needed to assess a change in performance and how this change impacted attitudes in general. Thus, for purposes of our study, we used the full data set for these analyses.

Attitudinal Measures Collected in Surveys 1 and 2

**Job Satisfaction.** Due to the number of other constructs being investigated, a single-item measure of overall job satisfaction was used to minimize the number of questions on the employee survey. One-item satisfaction measures have been shown to be acceptable and valid measures (Scarpello and Campbell, 1983; Wanous et al., 1997).

**Pay Satisfaction.** A modified version of the Pay Satisfaction Questionnaire (PSQ) (Heneman and Schwab, 1985) was used. Five items assessed each of the PSQ categories (level, benefits, raise, structure) and overall pay satisfaction on a scale of 1 = very dissatisfied to 7 = very satisfied. Cronbach’s alpha was 0.88 at time 1 and 0.89 at time 2.

**Organizational Commitment.** The 12-item organizational commitment measure from O’Reilly and Chatman’s (1986) work was used on a scale of 1 = strongly disagree to 7 = strongly agree. Items were summed to form a single construct. Reliabilities were 0.91 at time 1 and 0.88 at time 2.

**Organizational Justice.** Again, due to the size of our survey, a reduced measure of organizational justice was used. Six items representing perceptions of procedural fairness and three items representing distributive fairness were taken from Moorman’s (1991) measure of organizational justice. While Moorman also assessed interactional justice, those items were not used in our study. Using a scale of 1 = strongly disagree to 7 = strongly agree, respondents indicated the degree to which they perceived fairness in the firm. Reliability estimates for procedural fairness were 0.91 at time 1 and 0.93 at time 2. Cronbach’s alphas were 0.96 at time 1 and 0.96 at time 2 for distributive justice.

**Financial Performance Measure.** Consistent with similar prior research,
(Schneider et al., 2003b; Ittner et al., 2003), we used return on assets (ROA) as a measure of financial performance. Improving ROA was a shared goal of each banking center and the measure represented a direct and independent assessment of performance. Further, because our study used several business units within the same organization, we avoided several common concerns that arise when comparing financial and attitudinal data cross-sectionally, such as industry differences, economic differences between various regions, and corporate culture dynamics.

Data Analysis Procedures

The goal of this research was to test our hypothesis that financial performance impacts employee attitudes.

According to Figure I, if financial performance is a predictor of employee attitudes, a significant difference in employee attitudes for banking centers with differing financial performance should be observed at some point in time after the observed financial performance. To test this assertion, banking centers were divided into “high” and “low” groups based on their financial performance. Attitudes of employees in the “high”-performing banking centers were compared to employee attitudes of those in the “low”-performing banking centers. Banking centers were segmented by ROA level and by change in ROA for various time periods to determine if either predicted employee attitudes. The “high” and “low” groups of banking centers consisted of the top third and bottom third of banking centers as they ranked on ROA level and change. Comparing the attitude measures of those banking centers in the top third to those in the bottom third ensured that a significant difference existed in ROA measures for the groups in the comparison. Both sets of analyses described above were conducted on survey 1 data and repeated with survey 2 data to test our assertions at two different points in time.

RESULTS

Average intercorrelations across time among the key attitudinal variables are presented in Table 1. Tables 2 (time 1) and 3 (time 2) present the results of the statistical tests comparing employee attitudes for employees in higher ROA-performing banking centers to employees in lower ROA-performing banking centers. Significant differences were found in employee attitudes using both levels of ROA and changes in ROA as a means for segmenting attitude data.

When comparing employee attitudes using levels of ROA as a predictor, employees in banking centers with lower levels of ROA (one and two quarters prior to measuring attitude levels) were observed to have higher attitude levels compared to employees in banking centers with greater ROA performance. Many of these differences were statistically significant, as indicated in Tables 2 and 3. These findings are consistent across both survey periods and are opposite of the expectations derived from theory and previous studies.
Table 1

Descriptive Statistics and Average Intercorrelations of Measures (with Cronbach’s Alpha Coefficients)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Mean</th>
<th>SD</th>
<th>N</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Job Satisfaction</td>
<td>6.15</td>
<td>1.03</td>
<td>660</td>
<td></td>
<td></td>
<td>0.52</td>
<td></td>
<td>(.88)</td>
</tr>
<tr>
<td>2. Pay Satisfaction</td>
<td>4.61</td>
<td>1.39</td>
<td>640</td>
<td>0.52</td>
<td></td>
<td></td>
<td>0.58</td>
<td>(.90)</td>
</tr>
<tr>
<td>3. Organizational Commitment</td>
<td>5.71</td>
<td>0.91</td>
<td>641</td>
<td>0.61</td>
<td>0.58</td>
<td></td>
<td>0.54</td>
<td>(.92)</td>
</tr>
<tr>
<td>4. Procedural Justice</td>
<td>5.07</td>
<td>1.26</td>
<td>651</td>
<td>0.55</td>
<td>0.60</td>
<td>0.54</td>
<td></td>
<td>(.92)</td>
</tr>
<tr>
<td>5. Distributive Justice</td>
<td>4.65</td>
<td>1.68</td>
<td>654</td>
<td>0.47</td>
<td>0.77</td>
<td>0.55</td>
<td>0.65</td>
<td>(.97)</td>
</tr>
</tbody>
</table>

Note: Descriptive statistics, correlations, and Cronbach’s alpha data are for the combined data set for both surveys. Cronbach’s alpha is located on the diagonal.
### Table 2

**Relationships between Employee Attitudes and ROA Performance**  
Financial Performance as a Predictor of Employee Attitudes

#### Survey 1 (collected October 2001)

<table>
<thead>
<tr>
<th>ROA Data (Predictor)</th>
<th>Organizational Commitment</th>
<th>Job Satisfaction</th>
<th>Pay Satisfaction</th>
<th>Distributive Justice</th>
<th>Procedural Justice</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
</tr>
<tr>
<td>March 2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIGH (N = 53)</td>
<td>5.28**</td>
<td>1.09</td>
<td>5.96</td>
<td>1.11</td>
<td>4.20</td>
</tr>
<tr>
<td>LOW (N = 73)</td>
<td>5.90</td>
<td>0.82</td>
<td>6.14</td>
<td>1.00</td>
<td>4.77</td>
</tr>
<tr>
<td>F-Stat</td>
<td>13.349**</td>
<td>1.013</td>
<td>5.558*</td>
<td></td>
<td>5.299*</td>
</tr>
<tr>
<td>June 2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIGH (N = 60)</td>
<td>5.15</td>
<td>1.04</td>
<td>5.72</td>
<td>1.24</td>
<td>4.04</td>
</tr>
<tr>
<td>LOW (N = 77)</td>
<td>5.54</td>
<td>1.18</td>
<td>5.85</td>
<td>1.36</td>
<td>4.27</td>
</tr>
<tr>
<td>F-Stat</td>
<td>4.149*</td>
<td>0.334</td>
<td>0.875</td>
<td></td>
<td>2.319</td>
</tr>
<tr>
<td>Sept 2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIGH (N = 70)</td>
<td>5.34</td>
<td>1.03</td>
<td>5.90</td>
<td>0.95</td>
<td>4.28</td>
</tr>
<tr>
<td>LOW (N = 69)</td>
<td>5.87</td>
<td>0.81</td>
<td>6.24</td>
<td>0.86</td>
<td>4.79</td>
</tr>
<tr>
<td>F-Stat</td>
<td>11.158**</td>
<td>3.805</td>
<td>4.917*</td>
<td></td>
<td>5.247*</td>
</tr>
<tr>
<td>∆ March-Sept 2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIGH (N = 46)</td>
<td>5.91</td>
<td>0.82</td>
<td>6.42</td>
<td>0.65</td>
<td>4.77</td>
</tr>
<tr>
<td>LOW (N = 89)</td>
<td>5.13</td>
<td>1.16</td>
<td>5.62</td>
<td>1.36</td>
<td>3.90</td>
</tr>
<tr>
<td>F-Stat</td>
<td>16.867**</td>
<td>14.925</td>
<td>11.078**</td>
<td></td>
<td>8.689*</td>
</tr>
</tbody>
</table>

*aRepresents high and low groupings of banking centers based on either the level or change in ROA for the period shown. Each group of banking centers includes the top (or bottom) five centers based on ROA performance.  
*Significant at the 0.05 level (two-tailed test); **Significant at the 0.01 level (two-tailed test).*
### Table 2 (continued)

<table>
<thead>
<tr>
<th>ROA Data (Predictor)</th>
<th>Organizational Commitment</th>
<th>Job Satisfaction</th>
<th>Pay Satisfaction</th>
<th>Distributive Justice</th>
<th>Procedural Justice</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
</tr>
<tr>
<td>Δ June-Sept 2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIGH (N = 45)</td>
<td>6.08</td>
<td>0.68</td>
<td>6.49</td>
<td>0.62</td>
<td>5.03</td>
</tr>
<tr>
<td>LOW (N = 70)</td>
<td>5.01</td>
<td>1.24</td>
<td>5.57</td>
<td>1.40</td>
<td>3.73</td>
</tr>
<tr>
<td>F-Stat</td>
<td>27.935**</td>
<td>17.822**</td>
<td>23.900**</td>
<td>14.616**</td>
<td>7.163**</td>
</tr>
</tbody>
</table>

*Represents high and low groupings of banking centers based on either the level or change in ROA for the period shown. Each group of banking centers includes the top (or bottom) five centers based on ROA performance.

*Significant at the 0.05 level (two-tailed test); **Significant at the 0.01 level (two-tailed test).
### Table 3

**Relationships between Employee Attitudes and ROA Performance**  
Financial Performance as a Predictor of Employee Attitudes

Survey 2 (collected July 2003)

<table>
<thead>
<tr>
<th>ROA Data (Predictor)</th>
<th>Organizational Commitment</th>
<th>Job Satisfaction</th>
<th>Pay Satisfaction</th>
<th>Distributive Justice</th>
<th>Procedural Justice</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
</tr>
<tr>
<td>Dec 2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIGH (N = 76)</td>
<td>5.45</td>
<td>0.99</td>
<td>5.92</td>
<td>1.14</td>
<td>4.19</td>
</tr>
<tr>
<td>LOW (N = 119)</td>
<td>5.90</td>
<td>0.74</td>
<td>6.38</td>
<td>0.82</td>
<td>4.80</td>
</tr>
<tr>
<td>March and June 2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIGH (N = 89)</td>
<td>5.59</td>
<td>0.94</td>
<td>6.01</td>
<td>1.05</td>
<td>4.47</td>
</tr>
<tr>
<td>LOW (N = 106)</td>
<td>5.84</td>
<td>0.79</td>
<td>6.36</td>
<td>0.89</td>
<td>4.66</td>
</tr>
<tr>
<td>F-Stat</td>
<td>3.882**</td>
<td>6.688**</td>
<td>0.918</td>
<td>4.035*</td>
<td>3.609</td>
</tr>
<tr>
<td>Δ Dec-Jun 2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIGH (N = 89)</td>
<td>6.00</td>
<td>0.75</td>
<td>6.41</td>
<td>0.82</td>
<td>4.95</td>
</tr>
<tr>
<td>LOW (N = 98)</td>
<td>5.68</td>
<td>0.87</td>
<td>6.18</td>
<td>0.94</td>
<td>4.60</td>
</tr>
<tr>
<td>F-Stat</td>
<td>7.393**</td>
<td>3.262</td>
<td>3.265</td>
<td>5.250*</td>
<td>3.440</td>
</tr>
<tr>
<td>Δ March - Jun 2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIGH (N = 97)</td>
<td>5.89</td>
<td>0.81</td>
<td>6.40</td>
<td>0.80</td>
<td>4.80</td>
</tr>
<tr>
<td>LOW (N = 100)</td>
<td>5.63</td>
<td>0.91</td>
<td>6.10</td>
<td>0.99</td>
<td>4.56</td>
</tr>
<tr>
<td>F-Stat</td>
<td>4.761*</td>
<td>5.913*</td>
<td>1.593</td>
<td>9.251**</td>
<td>7.88**</td>
</tr>
</tbody>
</table>

\(^a\)Represents high and low groupings of banking centers based on either the level or change in ROA for the period shown. Each group of banking centers includes the top (or bottom) five centers based on ROA performance.

\(^*\)Significant at the 0.05 level (two-tailed test); \(^**\)Significant at the 0.01 level (two-tailed test).
Comparing employee attitudes using changes in ROA as a predictor, employees in banking centers that are experiencing greater positive changes in ROA (one and two quarters prior to measuring attitude levels) were observed to have higher attitude levels compared to employees in banking centers experiencing little or negative changes in ROA. Most differences are statistically significant and all are in the expected direction; findings are consistent across both survey periods.

Post-hoc Analysis -- Employee Attitudes as Predictors of Financial Performance

Based on the equivocal findings of past research investigating causality and our findings in Tables 2 and 3, we tested the reverse hypothesis that attitudes predict firm performance. No evidence was found that employee attitudes are related to future financial performance. With one exception (see below), no significant differences existed between ROA levels or changes in ROA for banking centers with higher levels of employee attitudes when compared to banking centers with lower levels of employee attitudes. These results are constant for a period of one year after the collection of attitudinal data for survey 1.2

The one exception merits discussion. Banking centers with higher pay satisfaction in October 2001 had a significantly lower level of ROA performance in December 2001 than banking centers with lower pay satisfaction in October 2001. This result is inconsistent with expected relationships and does not hold for tests repeated with similar data collected in July 2003 (when compared to ROA levels for September 2003).

DISCUSSION

Despite a number of advances in our understanding of how employee attitudes are linked with a firm’s financial performance, research to date has still been unable to definitively determine the causal relationship between the two constructs. Our research differs from previous attitude/performance research in that it uses multiple validated measures of attitudes, takes place within a single organization, and collects attitudinal data at two different points in time. These combined research characteristics strengthen the research design and allow for more confidence in drawing conclusions from the results.

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2 We conducted these statistical tests using financial data for up to two years after Survey 1 and found similar results. Our statistical analysis in this section relied on comparing two groups of five ROA measures. Due to the small number of observations in each group, we also performed nonparametric statistical tests and found similar results. The results of the second year comparisons and nonparametric tests were omitted for parsimony.
Research Implications

Our findings suggest financial performance leads to employee attitudes, most specifically when the financial performance improved. The findings are of interest to researchers (and practitioners) in a number of important ways. Most notably, we found that when exploring the relationship between financial performance and employee attitudes, it was important to investigate changes in financial performance rather than just levels of financial performance. When only levels of ROA were investigated, attitude levels, in general, were significantly higher in banking centers that had performed the worst financially and lower in banking centers that had performed the best financially. These findings were contrary to the expectations derived from theory and prior research. However, when looking at the changes in financial performance over three- and six-month periods preceding the collection of attitudinal data, banking centers that experienced the highest positive change in ROA had employees with significantly greater attitude levels than employees in banking centers that experienced the lowest change in financial performance. These results support Ostroff’s (1992) suggestion that the positive outcomes likely to occur when a firm does well translate to more satisfied employees. In follow-up discussions, the Vice President of the bank at which we conducted our study confirmed that employee compensation packages were affected by their banking center’s financial performance and that employees at the bank received monthly financial data, so they were well aware of the potential benefits to them when their banking center did well. However, in our study, we extend prior research beyond just job satisfaction to include other attitudinal variables, including organizational commitment, organizational justice and pay satisfaction. Not only were employees in financially-improving banking centers more satisfied with their job, they were significantly more committed to the organization, more satisfied with their pay, and perceived greater organizational fairness than their counterparts in banking centers that were not experiencing similar financial performance. Moreover, this finding was present for two different time periods in which we gathered attitudinal data. These results suggest that when firms do well financially, that success has potentially far-ranging effects on many different employee attitudes.

Managerial Implications

The findings from this research provide some practical/managerial applications. When a firm does well financially, there is the potential for positive outcomes for employees. Isen and her colleagues (see Isen and Baron, 1991) have shown that doing nice things for someone can create positive mood or affect in individuals. In turn, when individuals are in positive moods, positive outcomes occur (OCBs, creativity, etc.). Thus, ensuring employees are informed when a firm is doing well, especially if that favorable outcome will ultimately
lead to other positive outcomes for employees (e.g., raises, bonuses), can create positive affect in employees, explaining their positive attitudes. Thus, an important consideration for firms is to implement communication channels that convey successes to individuals in the firm.

When a firm performs well and employees benefit from that success, it is easy to see how those employees’ attitudes should be positive (or the reverse if a firm performs poorly); however, those favorable attitudes should then translate into positive individual behaviors that ultimately contribute to a firm’s success. Thus, organizations need to constantly reinforce positive attitudes. As discussed earlier, the culture of the firm is the ideal way to develop and strengthen those positive attitudes and behaviors and create a climate for valuing human resources as encouraged by Schneider and his colleagues (Schneider and Bowen, 1993; Schneider et al., 2003a; Schneider et al., 1994).

Limitations and Future Research

This study was subject to several important limitations. First, it was conducted in only one organization within one industry. While using a single firm helps reduce some of the effects of potential moderators such as different cultures, industry effects, etc., future research needs to test the hypothesized model in other industries and firms. Moreover, unlike the heavily customer-driven banking industry, other non-customer-oriented businesses may yield different results.

Another limitation is that this study only investigated the link between employee attitudes and financial performance. There are many other potential firm performance outcomes that could have differential effects on employee attitudes. For example, corporate citizenship has been shown to impact financial performance (Verschoor, 2002; Waddock and Graves, 1997). Since the social performance of a firm has the potential to be highly visible, particularly if the firm is behaving in a socially irresponsible way, such actions should be investigated to the extent that they impact employee attitudes or at least moderate the relationship between financial performance and attitudes. Thus, the impact of a firm’s social performance on attitudes is another fruitful area for future research.

Another important area for future research could be to investigate the timing sensitivity of the relationships explored in this study. There is no specific theory on the lasting effects of financial performance on attitudes. Such findings would benefit firms by providing a framework for the frequency of communicating successful firm outcomes, but also when to prepare for the effects of potentially negative attitudes should the firm experience financially difficult times.

Conclusion

While causality has been an elusive finding in the relationship between
employee attitudes and firm performance, this study extends existing research by presenting and testing a theoretically- and empirically-driven model that illustrates financial performance is likely to lead to employee attitudes. Both practical and empirical implications are offered along with several potential avenues for future research in continuing its efforts to unravel the intricacies surrounding this relationship. How a firm performs financially does have implications for the way its employees feel about the company.

References


