

# EXPLORING THE EFFECTS OF ORGANISATIONAL CAPABILITIES AND MANAGERIAL COMPETENCIES ON THE ORGANISATIONAL EFFECTIVENESS

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**Abstract** Nowadays, there is no need to say that organisational effectiveness is important. In today's competitive world, consultants and academics propose new bases to enhance the effectiveness and performance of organisations. In this paper, we have used two new approaches which have found significant emphasis from the part of researchers: organisational capabilities and managerial competencies.

This paper aims to evaluate the effects of managerial competencies and organisational capabilities on the organisational effectiveness. This study develops an integrated model to be tested. The survey data have been collected from 58 managers in all levels of four companies. The results show that the proposed model significantly explains the variance of organisational effectiveness. Findings reveal that both organisational capabilities and managerial competencies contribute significantly to enhancing organisational effectiveness, although the effect of organisational capabilities on organisational effectiveness is more than that of managerial competencies.

**Keywords:** Organisational Capabilities, Managerial Competencies, Organisational Effectiveness

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## INTRODUCTION

Organisational effectiveness has served as a unifying theme for more than a century of research on the management and design of organisations. Most management writers address ways and means of making organisations more effective (Thibodeaux & Favilla, 1996). Organisational effectiveness is a measure of how appropriate organisational goals are and how well those goals are being met (Robbins & Coulter, 2012). Achieving effectiveness is a complex matter because different stakeholders have different interests and needs that they want satisfied by the organisation (Daft, 2010).

Many researchers have studied the field from different aspects. One can distinguish four kinds of studies in the field: (1) studies noticing organisational effectiveness in a special area (Handa & Adas, 1996; Herman & Renz, 2004; Shilbury & Moore, 2006; Cho, 2007); (2) studies measuring the level of organisational effectiveness (Prekert & Ehnfors, 1997; Redshaw, 2000; Walton & Dawson, 2001; Zairi & Jarrar, 2001; Lee & Brower, 2006); (3) studies considering the mediating effect of one variable on the relation between one independent variable and organisational effectiveness (Eerde, Tang, & Talbot, 2008; Zheng, Yang, & McLean, 2010;

Munir, Rehman, & Nazir, 2013); and (4) studies regarding the relationship between organisational effectiveness and another variable (Elmuti, 1996; Gelade & Gilbert, 2003; Riordan, Vandenberg, & Richardson, 2005; Chen, 2008; Santa & Giri, 2009). This study aims to examine the impact of new and major factors affecting organisational effectiveness, thus we can consider it in the new category.

The new factors discussed earlier fall into two categories: individual and organisational. Within the individual category, we have considered managerial competencies, which include knowledge, skills, abilities, and personal characteristics. Regarding organisational category, organisational capabilities have been distinguished, which is a set of decision options for producing significant outputs of a particular type (Winter, 2003). Since the impact of these constructs on the organisational effectiveness has not been yet verified in depth, this study tries to answer the following questions:

- (1) What are the effects of managerial competencies on organisational effectiveness?
  - (2) What are the effects of organisational capabilities on organisational effectiveness?
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- (3) How do the two categories differ in their respective impacts on organisational effectiveness?

The remainder of this paper is organized as follows: second section presents the study's theoretical background. Third section describes the research model and hypotheses. Fourth section explains the research methodology. Fifth section examines the research results. Section 6 discusses the implications of the results. Seventh section provides the conclusion and limitations of this research.

## THEORETICAL BACKGROUND

### Organisational Effectiveness

Organisational effectiveness is a measure of how appropriate organisational goals are and how well those goals are being met (Robbins & Coulter, 2012). Others define it the effectiveness of organisations in achieving goals at the organisational level (Cameron & Whetten, 1983; Quinn & Rohrbaugh, 1983). It is also defined as the extent to which an organisation fulfills the objectives (Thibodeaus & Favilla, 1995). Emphasizing the importance of organisational effectiveness, Hall asserted that "in essence, the outcome of structural arrangements, processes such as decision making and leadership, and dealing with the environment are designed to contribute to organisational effectiveness" (Lee & Brower, 2006).

There are four competing theories in organisational effectiveness studies, each of which make different assumptions about the types of organisational activities to establish a comprehensive theory about organisational effectiveness: rational goal theory, system theory, multiple-constituency theory, and competing values theory.

The rational goal perspective defies organisational effectiveness as the extent to which an organisation achieves its goal (Hall, 1980). From systems perspective, organisational effectiveness can be assessed by checking internal consistency, ability to exploit resources from the environment, and the like (Campbell, 1977) and mainly depends on the match between organisational characteristics and environmental circumstances (Whetten & Cameron, 1994). General multiple-constituency views regard organisations as systems that generate different assessments of effectiveness from different constituencies (Connolly et al., 1980; Goodman & Pennings, 1977; Tsui, 1990). The competing values approach integrates the rational goal approach and the natural system approach that guides us to a more systematic and holistic understanding of organisational effectiveness.

This approach is based on three dimensions. The first dimension is related to organisational focus, from an

internal to an external emphasis. The second dimension is organisational structure, from stability to flexibility. The third dimension captures the distinction between means and ends, or processes and outcomes. These three dimensions lead to four models of effectiveness. The human relations quadrant, which emphasizes flexibility and internal focus; the open system quadrant, which underscores flexibility and external focus; the rational goal quadrant, which stresses control and external focus; and the internal process quadrant, which highlights control and internal focus (Whetten & Cameron, 1994).

### Managerial Competencies

A competency was defined in the literature from various perspectives. Quinn, Faerman, Thompson, and McGrath (1990) indicated that competencies were associated with knowledge and skills for implementing certain assignments or projects effectively. A competency is defined as a capability or ability. It is a set of related but different sets of behaviour organized around an underlying construct, which we call the "intent". The behaviours are alternate manifestations of the intent, as appropriate in various situations or times (Boyatzis, 2008).

Competencies can be divided into three development phases: *individual competencies* (White, 1959; Boyatzis, 1982; Schroder, 1989; Carroll & McCrackin, 1997), *managing competencies* in an organisation by means of competency models (McLagan, 1997; Rothwell & Lindholm, 1999), and the identification of *core competencies*, a sum of organisation key organisational competencies that may be exploited to gain competitive advantage (Prahalad & Hamel, 1990; Ulrich & Lake, 1991; Rothwell & Lindholm, 1999).

Based on the functions of jobs, DDI (Development Dimensions International) recommended that competencies have different layers. Core competencies were needed by all members of an organisation if they were to achieve a core competitive advantage for the organisation. The second layer was managerial competencies which were required of members of management (Hsieh, Lin, & Lee, 2012).

Bratton (1998) explains that managerial competency is any knowledge, skill, trait, motive, attitude, value, or other personal characteristics essential to perform a job. KSAs (knowledge, skills, abilities) are fundamental aspects of competencies, but competencies are more behaviour-based rather than skill-based. In brief, each competency requires several KSAs. While KSAs may underlie competencies just as personal traits may underlie competencies (Hsieh et al., 2012). Thus, the authors accept KSAs as managerial competencies and name them KSAPs.

## Organisational Capabilities

In the early 1990s the need to distinguish capabilities from resources to provide a better explanation of value creation paved the way for the capability-based view of competitive strategy (Weerawardena & Mavondo, 2011). To be capable of some thing is to have a generally reliable capacity to bring that thing about as a result of intended action. Capabilities fill the gap between intention and outcome, and they fill it in such a way that the outcome bears a definite resemblance to what was intended (Dosi, Nelson, & Winter, 2002).

Organisational capabilities include routines and processes (Nelson & Winter, 1982) and make superior use of a firm's resources (Penrose, 1959). Organisational capabilities are the ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs into outputs (Grant, 1996). Organisational capability refers to the ability of an organisation to achieve the goals that have been set for it (Salaman & Asch, 2003). Winter describes an organisational capability as a set of decision options for producing significant outputs of a particular type (Winter, 2003). Organisational capabilities represent the ability of an organisation to perform a coordinated set of activities utilising organisational resources, for the purpose of achieving a particular end result (Helfat & Peteraf, 2003).

## RESEARCH MODEL AND HYPOTHESES

This study adopts resource-based theory and competency-based approach as the theoretical basis of the research model. This section presents the research model and related hypotheses for our study based on these two theories.

### Resource-based Theory

Resource-based theory seeks competitive advantage via internal resources. Proposing that a company's sustained competitive advantage is primarily determined by its resource endowments (Wheelen & Hunger, 2012). This theory proposes that the valuable, rare, inimitable, and organisation capabilities can be based to gain and sustain competitive advantage (Barney & Clark, 2007).

Building organisational capability focuses internal organisational processes and systems on meeting customer needs and ensures that the skills and efforts of employees are directed toward achieving the goals of the organisation as a whole (Ulrich & Lake, 1990).

**H1:** Organisational capabilities positively influence organisational effectiveness.

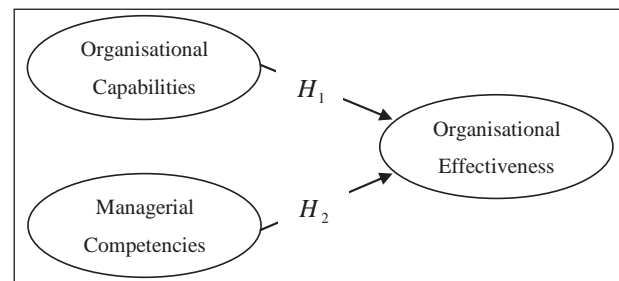
## Competency-based Approach

There are a number of ways in which the human resource function can help an enterprise create more value. The human resource function ensures that the company has the right mix of skilled people to perform its value creation activities effectively. A theory of performance is the basis for the concept of competency. The theory used in this approach is a basic contingency theory. Maximum performance is believed to occur when the person's capability or talent is consistent with the needs of the job demands and the organisational environment (Boyatzis, 1982).

Russell's (2001) evidence indicates that general manager competencies are positively related to unit performance. Other findings show that aggregated managerial competencies are positively related to performance (Levenson, Van der Stede, & Cohen, 2006). Another relating research has revealed that managerial competencies have a significant effect on organisational effectiveness (Haery, Aghajani, & Bahrami, 2013). Therefore, this study expects managerial competencies to positively influence organisational effectiveness, which leads to the second hypothesis:

**H2:** Managerial competencies positively influence organisational effectiveness.

**Fig 1: Research Model**



## RESEARCH METHODOLOGY

This section explains item measurement and data collection in our research.

### Measurement

The instrument for testing the research model consists of three parts. One part, which relates to items of "organisational capabilities", was adapted from Lopez-Cabrales, Valle, and Herrero (2006). Items of "organisational effectiveness" were based on items defined by Robbins (2009). Finally, items of "managerial competencies" were developed from six critical competencies based on the work of Abraham, Karns, Shaw

and Mena (2001). The instrument was reviewed by four researchers to check for problems with wording. The survey questionnaire is shown in Appendix. A five-point scale was used for all survey items.

### Sample and Data Collection

Our population was made up of knowledge-based organisations. As the members of our population were scattered in the different geographical areas, we used cluster sampling technique so that the sample would be representative. Finally, the data for this study were collected from four big companies, included in two clusters out of four. The questionnaires were distributed among anyone who had managerial tasks by face-to-face contact and one person in each company was determined as the responsible for gathering them and sending them back to the researchers. The survey was conducted from February 2, 2014 to March 20, 2014, obtaining 58 valid responses with 48.33% valid response rate. According to Saunders, Lewis, and Thornhill (2009), a response rate of approximately 35 percent is reasonable for most academic studies involving managers. Therefore, the response rate of 48.33% in this paper has been acceptable.

## RESEARCH RESULTS

Because of the small sample size, which presented in the previous section, the research model was analyzed using partial least squares (PLS) via Smart PLS. In this method, structural models can be analyzed regardless of the sample size. On one hand we were encountered with a model to be tested through structural equation modeling and on the other hand the size of samples was small. PLS is useful in analysing such data due to resampling by bootstrapping (Marcoulides, Chin, & Saunders, 2009).

### Measurement Model

Internal reliability has been checked by Cronbach's  $\alpha$ . The smallest value of Cronbach's  $\alpha$  was 0.689 indicating satisfactory levels of reliability. Confirmatory factor analysis (CFA) was then conducted to test the measurement model, looking for convergent validity. Loading of all items were greater than 0.5 except for four items: OE2, OE4, FD1, and PS1. CFA has been reconducted after deleting these items from the model, and the resulting factor loadings were greater than 0.5, satisfying convergent validity conditions. To confirm the reliability of the latent variables, composite reliability (CR) and the average variance extracted (AVE) are assessed. The CR and AVE of second-order variables

were calculated manually, due to the misleading numbers shown in second-order variables by PLS. The formula of calculating AVE and CR are as follows:

$$CR = \frac{\sum_{i=1}^m (f_i)^2}{\sum_{i=1}^m (f_i)^2 + \sum_{i=1}^m (1 - f_i)} \quad (1)$$

$$AVE = \frac{\sum_{i=1}^m f_i^2}{m} \quad (2)$$

$f_i$ : Factor loadings related to second-order variable

$m$ : Number of first-order variables related to second-order variable

As shown in Table 1, CR values of all variables are greater than 0.7 and AVE values of all variables are greater than 0.5, thus, all values exceed acceptable values and reliability of latent variables are admitted. For discriminant validity, the AVE from the construct should be greater than the variance shared by that construct and the other constructs in the model (Chin, Gopal, & Salisbury, 1997). Table 2 shows that the square root of AVE of each latent variable is greater than the correlation of that variable with other latent variables, satisfying discriminant validity.

### Structural Model

The bootstrap resampling method (with 300 resamples) was used for the analysis to determine the significance of the path coefficients. The structural equation model results are shown in Fig. 2. Analysis revealed that, according to our expectations, organisational capabilities have a significant positive effect on organisational effectiveness ( $\beta=0.706$ ;  $t=18.138$ ). Furthermore, managerial competencies have also a significant positive effect on organisational effectiveness ( $\beta=0.511$ ;  $t=4.523$ ). Meanwhile, for the R squares of the latent variables to be accepted, they should be more than 0.33 (Chin, 1998). As shown in Fig. 2, all R squares satisfy this condition. Thus, the goodness-of-fit is to some extent high. Another index to qualify the goodness-of-fit is GoF (Tenenhaus, Amato, & Esposito Vinzi, 2004). The formula of calculating this index is as follows:

$$GoF = \sqrt{\overline{Communalities} \times \overline{R^2}} \quad (3)$$

$\overline{Communalities}$ : Average of communalities of first-order variables

$\overline{R^2}$ : Average of R square of all variables

Fig. 2: Structural Model

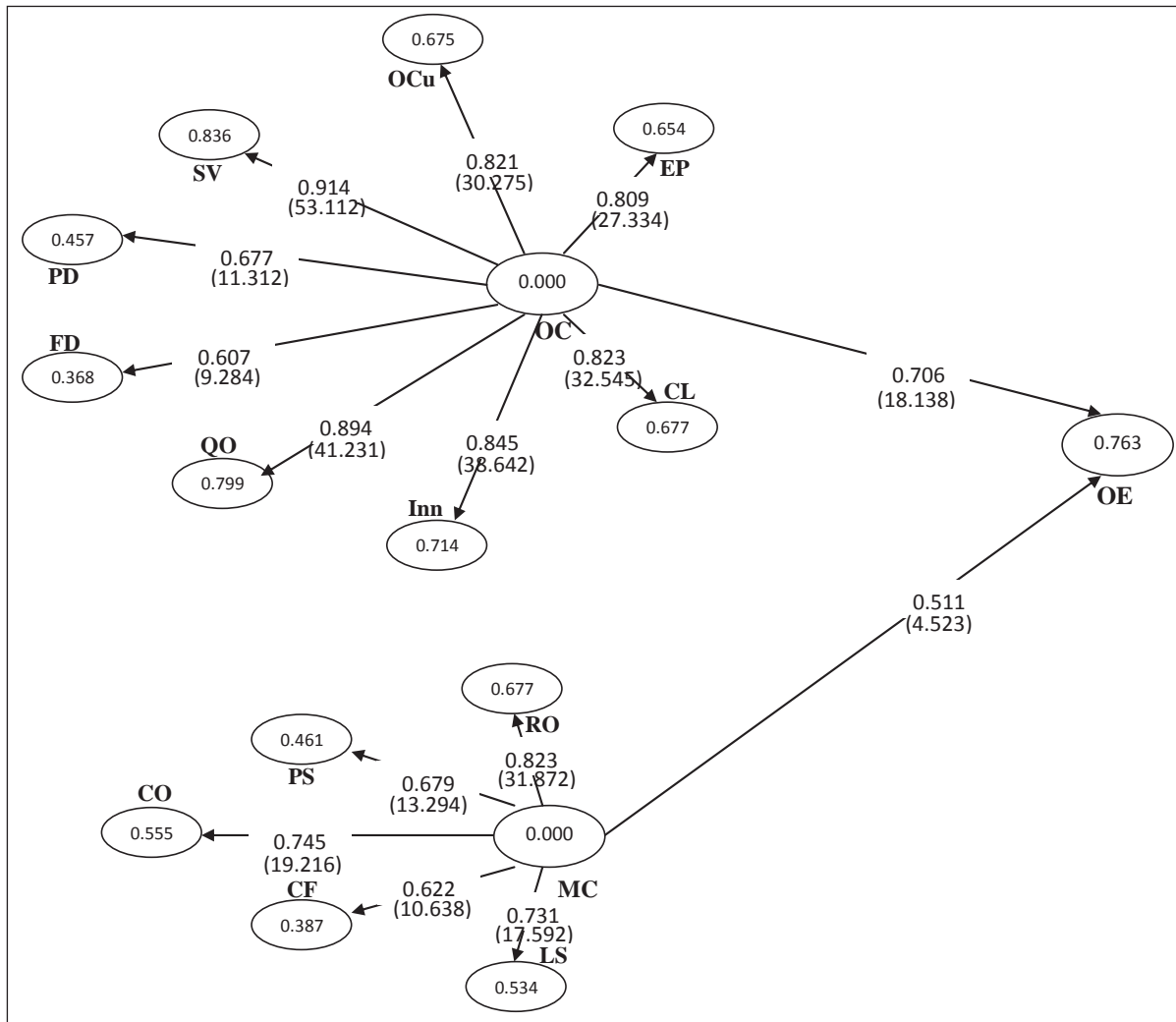


Table 1: Scale Reliabilities and Convergent Validity

Construct	Cronbach's $\alpha$	CR	AVE	Item	Factor Loading
CF	0.721	0.843	0.642	CF1	0.775
				CF2	0.802
				CF3	0.825
CL	0.871	0.906	0.658	CL1	0.799
				CL2	0.784
				CL3	0.871
				CL4	0.801
				CL5	0.799
CO	0.884	0.907	0.522	CS1	0.787
				CS2	0.657
				CS3	0.822
				CS4	0.688
				TW1	0.665
				TW2	0.824
				TW3	0.589
				TW4	0.701
TW5	0.734				

EP	0.821	0.869	0.527	EP1	0.692
				EP2	0.686
				EP3	0.845
				EP4	0.774
				EP5	0.612
				EP6	0.724
FD	0.689	0.770	0.456	FD2	0.686
				FD3	0.658
				FD4	0.712
				FD5	0.644
Inn	0.806	0.875	0.639	Inn1	0.869
				Inn2	0.887
				Inn3	0.781
				Inn4	0.635
LS	0.713	0.817	0.529	LS1	0.726
				LS2	0.628
				LS3	0.746
				LS4	0.799
MC	0.876	0.651	0.523		
OC	0.954	0.763	0.647		
OCu	0.799	0.855	0.502	OCu1	0.778
				OCu2	0.847
				OCu3	0.600
				OCu4	0.563
				OCu5	0.638
				OCu6	0.778
OE	0.815	0.864	0.518	OE1	0.865
				OE3	0.702
				OE5	0.757
				OE6	0.717
				OE7	0.669
				OE8	0.577
PD	0.803	0.870	0.628	PD1	0.718
				PD2	0.770
				PD3	0.796
				PD4	0.877
PS	0.772	0.898	0.814	PS2	0.901
				PS3	0.904
QO	0.803	0.861	0.556	QO1	0.878
				QO2	0.756
				QO3	0.716
				QO4	0.659
				QO5	0.700
RO	0.845	0.896	0.683	RO1	0.838
				RO2	0.871
				RO3	0.798
				RO4	0.797
SV	0.909	0.932	0.734	SV1	0.883
				SV2	0.822
				SV3	0.880
				SV4	0.863
				SV5	0.833

Notes: CF: Customer-focused; CL: Customer Loyalty; CO: Collaborative-oriented; EP: Obtaining the Employee Potential; FD: Flexible Design; Inn: Innovation; LS: Leadership Skills; MC: Managerial Competencies; OC: Organisational Capabilities; OCu: Organisational Culture; OE: Organisational Effectiveness; PD: Product Diversity; PS: Problem Solver; QO: Quality Orientation; RO: Result-oriented; SV: Strategic Vision; CR: Composite Reliability; AVE: Average Variance Extracted.

**Table 2: Correlation Matrix and Discriminant Assessment**

	CF	CL	CO	EP	FD	Inn	LS	OCu	OE	PD	PS	QO	RO	SV
CF	0.801													
CL	0.118	0.811												
CO	0.070	0.293	0.723											
EP	0.081	0.595	0.319	0.726										
FD	-0.093	0.381	-0.063	0.558	0.675									
Inn	0.007	0.537	-0.036	0.676	0.526	0.799								
LS	0.365	-0.021	0.157	-0.083	-0.110	0.015	0.727							
OCu	0.106	0.614	0.038	0.539	0.383	-0.671	0.005	0.709						
OE	0.062	0.553	0.008	0.526	0.412	0.695	0.100	0.630	0.720					
PD	-0.087	0.612	0.349	0.532	0.299	0.436	-0.198	0.439	0.307	0.792				
PS	0.338	0.190	0.501	0.204	0.021	0.022	0.152	0.221	0.127	0.079	0.902			
QO	0.007	0.685	0.069	0.664	0.603	0.701	0.002	0.676	0.657	0.594	0.021	0.746		
RO	0.477	0.118	0.366	0.065	-0.017	0.005	0.570	0.063	0.028	-0.071	0.426	0.039	0.826	
SV	0.106	0.755	0.214	0.649	0.475	0.753	0.030	0.621	0.615	0.530	0.230	0.718	0.224	0.857

Notes: CF: Customer-focused; CL: Customer Loyalty; CO: Collaborative-oriented; EP: Obtaining the Employee Potential; FD: Flexible Design; Inn: Innovation; LS: Leadership Skills; OCu: Organisational Culture; OE: Organisational Effectiveness; PD: Product Diversity; PS: Problem Solver; QO: Quality Orientation; RO: Result-oriented; SV: Strategic Vision; diagonal bold letters are square roots of AVE.

**Table 3: Communalities, R squares and GoF**

	Communality	R square
CF	0.642	0.387
CL	0.658	0.677
CO	0.522	0.555
EP	0.527	0.654
FD	0.456	0.368
Inn	0.639	0.714
LS	0.529	0.534
OCu	0.502	0.675
OE	0.518	0.763
PD	0.628	0.457
PS	0.814	0.461
QO	0.556	0.799
RO	0.683	0.677
SV	0.734	0.836
Sum	8.408	8.557
Average	0.601	0.611
GoF	0.606	

As indicated in Table 3, GoF is very greater than 0.36 (the threshold value of GoF), which again implies that goodness-of-fit is completely acceptable.

## DISCUSSION AND IMPLICATIONS

The purpose of this paper was to examine the effects of organisational capabilities (OC) and managerial competencies (MC) on organisational effectiveness (OE). Structural Equation Modeling (SEM) was used to examine these impacts. According to the small sample size, Smart-PLS was used to analyse the model depicted in the Fig. 1.

As indicated in the previous section, organisational capabilities have a significant positive effect on organisational effectiveness ( $\beta=0.706$ ;  $t=18.138$ ). This result was consistent with previous studies: Grafton, Lillis, and Widener (2010) have found that there is a propensity for greater current performance outcomes in firms better able to exploit their existing capabilities. Barney (1991) has suggested that organisational resources and capabilities are key factors for competitive advantage and its sustainability. Hassab Elnaby, Hwang, and Vonderembse (2012) have shown that organisational capabilities positively impacts firm performance.

On the other hand, managerial competencies has also a significant positive effect on organisational effectiveness ( $\beta=0.511$ ;  $t=4.523$ ). This finding was also in line with similar studies: Ahiauzu (2006) argues that there is a relationship between managerial competencies and organizational

performance. Boyatzis (1982; 2008) emphasizes that the possession of competencies leads to effective performance. There has been stated a positive relationship between individual competencies and organisational performance in the empirical study of Levenson *et al.* (2006). Zaim, Yasar, and Ünal (2013) have illustrated that managerial competencies highly affects organisational performance. According to Long and Ismail (2011), HR professionals' competencies can improve organisational effectiveness. Ngo, Jiang, and Loi (2013) have found a significant and positive effect of competency on firm performance. Wickramasinghe and Zoyza (2007) have shown particular set of key individual competencies is required for a business to achieve its strategic goals.

Furthermore, it was interesting to discover that the effect of organisational capabilities on organisational effectiveness is considerably greater than that of managerial competencies. Determining the different effect levels of organisational capabilities and managerial competencies on organisational effectiveness can bring a new suggestion to enhance organisational effectiveness. Our study empirically shows that both organisational and individual factors can increase effectiveness of organisations and none of them should be given up. Moreover, putting more emphasis on organisational part than individual part may lead to better outcomes. Thus, without underestimating the importance of managerial competencies, organisational capabilities, including organisational culture, strategic vision, obtaining employee potential, flexible design, innovation, quality orientation, product diversity, and customer loyalty-that can be seen as underpinnings of organisations- can much more give rise to organisational effectiveness.

On the basis of our findings, organisations should consider this difference in the decisions they make. Higher levels of organisational effectiveness can be expected from greater focus on organisational capabilities than managerial competencies. Hence, an enterprise should firstly endeavour to reinforce the organisational capabilities through exploration or exploitation activities, and secondly, enhance its managers' competencies through training and development.

**Table 4: Abbreviations**

<b>OE</b>	Organisational Effectiveness
<b>OC</b>	Organisational Capabilities
<b>EP</b>	Obtaining the Employee Potential
<b>OCu</b>	Organisational Culture
<b>SV</b>	Strategic Vision
<b>PD</b>	Product Diversity
<b>FD</b>	Flexible Design

<b>QO</b>	Quality Orientation
<b>Inn</b>	Innovation
<b>CL</b>	Customer Loyalty
<b>MC</b>	Managerial Competencies
<b>RO</b>	Result-oriented
<b>PS</b>	Problem Solver
<b>CO</b>	Collective-oriented
<b>CF</b>	Customer-focused
<b>LS</b>	Leadership Skills

## CONCLUSION AND LIMITATIONS

The purpose of this study was to examine the effects of organisational capabilities and managerial competencies on organisational effectiveness. By identifying organisational and individual factors affecting organisational effectiveness, this study has practically provided new findings of the respective impacts of organisational capabilities and managerial competencies on organisational effectiveness. The new findings will be very useful to exert resources and allocating them to the organisational and individual parts of organisations.

Despite its new findings, this study has the following limitations, which can be addressed by future research. Although this study concentrates on organisational capabilities and managerial competencies as major factors affecting organisational effectiveness, many other factors can also be included. For instance, this paper did not address the potential moderating effects such as type of industry sector. A longitudinal data collection method can also provide complementary results. Finally, collecting more data from different contexts can also lead to useful outcomes.

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**APPENDIX: ITEMS IN THE QUESTIONNAIRE**

A five-point scale was used for all survey items (1= strongly disagree, 2= disagree, 3= Neither agree nor disagree, 4= agree, 5= strongly agree).

		Organisational Effectiveness				
		1	2	3	4	5
OE1	Organisation responds effectively to environmental changes and demands.					
OE2	Work force is increasing constantly.					
OE3	Employees have an obvious understanding of organisational goals.					
OE4	Organisation produces high volume of outputs.					
OE5	Employees know the problems affecting their work.					
OE6	Organisational operations flow in a constant and regular manner.					
OE7	Employees cooperate well.					
OE8	Employees are equipped well to do their jobs.					
Items drawn from Robbins (1987).						
		Organisational Capabilities				
		1	2	3	4	5
<b>Organisational Culture</b>						
OCu1	Managers communicate to employees the shared values of the organisation.					
OCu2	Workers can identify and articulate the firm's shared values.					
OCu3	There are very few instances when workers' actions appear to violate the firm's espoused values.					
OCu4	The coherence between candidate's values and organisational culture is examined in the selection process.					
OCu5	Employees' behaviours that are coherent with organisational culture are rewarded.					
OCu6	Managers provide support to employees to reach organisational goals.					
		<b>Strategic Vision</b>				
		1	2	3	4	5
SV1	Managers assess organisational strengths and weaknesses.					
SV2	Managers make a range of organisational strengths, according to their added value and inimitability.					
SV3	Managers look for consensus to apply the planned strategy.					
SV4	The business strategy tends to be translated into operational plans.					
SV5	Managers define the employees' behaviours (linked to strategy) to be rewarded.					
		<b>Obtaining the Employee Potential</b>				
		1	2	3	4	5
EP1	The job analysis is important for recruitment.					
EP2	The selection process allows us to get the best candidate from the labor market.					
EP3	The employee is evaluated according to his/her contribution to the organisation.					
EP4	The employee is paid according to his/her contribution to the organisation.					
EP5	The organisational training is a useful tool for increasing employees' skills and abilities.					
EP6	The workgroups create a learning culture in the organisation.					
		<b>Flexible Design</b>				
		1	2	3	4	5
FD1	Jobs are broadly designed.					
FD2	The culture is characterized by a willingness, even eagerness, to change.					
FD3	Financial, physical, intangible, and human resources can be easily moved.					
FD4	Decision making is highly decentralized.					
FD5	Unimportant functions are externalized or outsourced.					
		<b>Innovation</b>				
		1	2	3	4	5
Inn1	Organisation rewards and recognises creative work.					
Inn2	Organisation has mechanisms for developing new ideas.					

Inn3	The work groups are diversely skilled.					
Inn4	It is easy to appropriate resources as funds, materials, facilities, and information.					
<b>Quality Orientation</b>		1	2	3	4	5
QO1	There is a strong commitment to quality at all organisational levels.					
QO2	Ongoing improvement is a key objective (target) for the organisation.					
QO3	Workers keep records and measures about the quality of their work.					
QO4	Techniques like “brainstorming” are used to improve the quality of outputs.					
QO5	Workers analyze critically the quality of their output.					
<b>Product Diversity</b>		1	2	3	4	5
PD1	Is your business located in several sectors?					
PD2	The organisation is able to obtain several products/services with a lower cost thanks to its synergy.					
PD3	The products/services are different but related.					
PD4	Product diversity is one organisational priority.					
<b>Customer Loyalty</b>		1	2	3	4	5
CL1	The key objective is customer satisfaction.					
CL2	The organisation is always available to hear customers’ needs or criticisms.					
CL3	The organisation treats all customers fairly and impartially.					
CL4	The percent of customer retention is high in comparison with other businesses in the same sector.					
CL5	The warranty allows a refund or repair of a bad product.					
Items drawn from Lopez-Cabrales et al. (2006).						
<b>Managerial Competencies</b>						
<b>Communication Skills</b>						
		1	2	3	4	5
CS1	I try to get the right message of others while listening to them.					
CS2	I provide feedback after receiving message.					
CS3	I respect to the people I am speaking to.					
CS4	I consider personal characteristics of others when I interact with them.					
Items drawn from Cheryl Hamilton (2011).						
<b>Team Worker</b>						
		1	2	3	4	5
TW1	I tend toward working together rather than competing.					
TW2	I can accurately “read” people’s emotions by their facial expressions, body language, and tone of voice.					
TW3	I am comfortable working with people whose personalities differ from mine.					
TW4	I communicate my ideas clearly to others.					
TW5	I meet deadlines and follow through on tasks.					
Items drawn from Carter, Bishop, and Kravitz(2012).						
<b>Problem Solver</b>						
		1	2	3	4	5
PS1	I can identify problems occurring in the organisation.					
PS2	I can promote solutions for the problems.					
PS3	I can explain the solution success.					
Items drawn from Bahner-Guhin and Wilcox (2003).						
<b>Customer Focused</b>						
		1	2	3	4	5
CF1	I get feedback from customers about products.					
CF2	I am trying to satisfy customers’ needs better than competitors.					
CF3	Our priority is what the customer demands.					
Items drawn from Smith (2003).						

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		1	2	3	4	5
<b>Results Oriented</b>						
RO1	I know the favorite results.					
RO2	I identify the building blocks of favorite results.					
RO3	I know the level of outputs necessary to achieve the desired results.					
RO4	I understand what to do when results aren't what was desired.					
Items drawn from Junes <i>et al.</i> (2008).						
<b>Leadership Skills</b>						
LS1	I choose the appropriate leadership style towards group expectations.					
LS2	I prefer the needs and concerns of others to those of mine.					
LS3	I take into account the organisational vision.					
LS4	I provide employees knowledge, skill and opportunity to access the organisation vision.					
Items drawn from The Ken Blanchard Companies (2006).						

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