THE ROLE OF CORPORATE VALUE CLUSTERS IN ETHICS, SOCIAL RESPONSIBILITY AND PERFORMANCE: A STUDY OF FINANCIAL PROFESSIONALS AND IMPLICATIONS FOR THE FINANCIAL MELTDOWN

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ABSTRACT

This paper delved into the mindset that was responsible for the financial meltdown-related scandals. Research relating to this mindset from different perspectives was reviewed. The findings from this literature review were used to create a conceptual framework for this empirical, ethical and corporate social responsibility (CSR) study of financial professionals. Data were collected from the survey of the professional membership of a large national association of financial professionals. This paper reports the results of the analysis of data relative to the relationships among the four constructs—financial professionals' perceived organizational value clusters, ethics, corporate social responsibility, and corporate performance. Such explanatory constructs as organizational political interests, power structure of corporate governance, interplay of different worldviews and cognitive styles were used to enlighten the nature of value and action judgments that affected financial professionals' attitudes on ethical and social responsibility issues and corporate performance.

INTRODUCTION

Recently many academics and practitioners have tried to explain the catastrophic phenomena that emerged in the 2008 Financial System. From a legal perspective, some argued that there were not enough cogent laws and regulations necessary to monitor and prevent such wrongdoings. In an economic and business context, others attributed the economic breakdowns to various economic theories, often using sophisticated quantitative econometric models (see Jackson's (2010) legal, business, and economic mental models). In response to such inundated rationalistic and deterministic explanations, many others (Bonvin and Dembinski, 2002; Chow, 2010; Financial Crisis Inquiry Commission, 2010; Jin and Drozdenko, 2003, 2010; Lewis, 1989, 2010; Perrini,and Minoja, 2008; Sorkin, 2010, Swamy, 2009) delved into the critical role of the mindset – persisting patterns of human value and action judgments (Vickers, 1965; Checkland and Scholes, 1999) that led up to the financial crisis. They also scrutinized the behavioral causal

patterns of the financial professionals and executives involved in the financial meltdowns from a moral-cultural viewpoint. They explored different types of their perceived corporate core values, their ethical and social responsibility orientations, and their corporate governance environments (Gill, 2008). In various ways, they strongly maintained that underneath the surface of financial system's scandals, human value judgments and actions, influenced by different corporate cultures, are accountable for the financial disasters and callous malfeasances (Gill, 2008; Swamy, 2009**;** Financial Crisis Inquiry Commission, 2010**;** Hudson, M. (2010; Jackson, 2010; Jin and Drozdenko, 2010; Sorkin, 2010).

They argued that the prime causes for the financial collapse were due to more fundamental reasons than some financial external environments (e.g., de-regulated investment banking industry and subprime mortgage market) over which financial professionals did not have control, or unregulated financial instruments and mechanisms, such as concealed derivative transactions and hedge fund operations . Instead, they held that the man really caused the crash. The financial catastrophe reflects some degree of human moral-cultural failure to heed human virtues, to respect intrinsic human dignity, and to the common good (Jackson, 2010). It is like saying that the human actions (e.g., computer program instructions and system design specifications written by humans)—not "that darn new computer system" -- as often heard in an organizational setting -- caused any troublesome problems, deficiencies, and errors found in the newly designed system. Such human actions responsible for such failures were attributed to the inherent weaknesses imbedded in human nature (e.g., greediness and lack of integrity), to certain wrong value and action judgments and to the lack of their strong sense of professional ethical responsibility. The human actions originated in the insufficient consciousness of responsibility for the consequences of their selfish greedy actions on others at work. Recent events offer numerous examples. Subprime mortgage loans, which were at the heart of the financial collapse, were made to people who clearly lacked the resources to make the required payments, through use of such tactics as NINJA (no income, no job and no assets) loans, pay-option adjustable rate mortgages, under which mortgage balances could actually increase, and teaser rate mortgages. Often, the real terms of the loans were deliberately concealed from buyers. Employees of subprime mortgage giant Ameriquest Mortgage, under pressure from its top executive, utilized high-pressure tactics and committed outright fraud in order to inflate production numbers, generate profits through the associated fees, and increase their own commissions. Their actions destroyed the lives of many who fell victim to the abandonment of any semblance of underwriting standards and the unrelenting drive to increase volume (Hudson 2010). Lewis (2010) tells the tale of a strawberry picker making $14,000 annually who qualified for a $720,000 mortgage without any down payment, and a nanny from Jamaica who, with her sister, owned six townhouses in Queens, New York. When their first house rose in price, lenders encouraged them to refinance and use the cash to buy additional homes. By the time housing prices had started to fall, they were unable to make any of the payments.

Another example of human actions as the cause of the financial collapse lies in the structuring and sale of mortgage backed securities (MBS), collateralized debt obligations (CDOs) and other derivative securities, by Wall Street's investment banks. Working hand in hand with the mass producers of subprime mortgage loans, these investment banks bought the loans from the issuers, repackaged them as MBS and subsequently as CDOs, and sold them to investors. The subprime mortgage issuers thus had a ready supply of buyers for their loans, enabling them to obtain the liquidity needed to continue to lending and relieving them of the adverse consequences of default. CDOs represented a second tier of derivatives that were structured from pools of MBS. The CDOs were bundled into tranches, according to the amount of risk they carried, and sold to investors. However, the underlying loan portfolios were far more opaque, making CDO risk difficult to assess. They were not traded on exchanges and were essentially "black-box"

investments held by investors whose identity remained unknown to the public. CDOs spawned additional tiers derivative instruments, such as "synthetic" CDOs and credit default swaps (CDS), neither of which served a real business or social purpose, but instead provided investment banks with the opportunity to make enormous profits through fees and complex trades, while creating risk that spread like a malignancy through the financial system. The sums involved were staggering. According to the Financial Crisis Inquiry Commission (2010), Goldman Sachs' derivatives book had a notional value of $53 trillion in June 2008, and the CDS market had a value between $35 and $65 trillion. All parties would presumably have remained whole, if housing prices had continued to rise, enabling subprime mortgagees to continue to refinance in order to stave off default. Once the rise in housing prices stopped, and subprime mortgagees started to default on their loans, the entire complex structure of derivatives fell, taking with it financial institutions, the economy and the American people. From the issuing of subprime mortgages where unethical behavior was perhaps most blatant, to the creation and sale of complex derivatives, where ethical lapses may have been more latent, the behavior of all participants in the financial collapse raises serious questions regarding ethics and social responsibility

Goldman Sachs came under particular fire for structuring and selling CDOs that were destined for a loss in value and disparaged by its own sales staff, while also creating and profiting from the CDS that would pay off when that loss in value was realized. When questioned about this in testimony before the Financial Crisis Inquiry Commission, Goldman executives appeared to be somewhat less than forthcoming, maintaining their innocence, and offering explanations or rationalizations rooted in the de-personalized operation of the system, rather than in the values, ethics and social responsibility of the principals involved. Goldman executives conceded the possibility of poor decision-making, but not wrongdoing. CEO Lloyd Blankfein said his firm simply underwrote derivatives to the most sophisticated investors who sought that exposure, with the implication that they were merely satisfying investor demand. Lewis (2010) presents evidence that clearly refutes this as he describes investment vehicles that were deceptively sold to investors who had no idea of the risk they were undertaking.

The basic motivational objective of this research paper is to empirically inquire into key considerations that are related to, or possibly inform, the recent human failures in ethical thinking and social responsibility consciousness in a series of breakdowns in the Financial System. To achieve this objective, we conducted survey research in 2009 with members of a large national association of financial professionals in the United States. We will investigate the relationships among the four major constructs: 1) organizational core value clusters or environments as perceived by the financial professionals; 2) the ethical attitudes and behaviors of the financial professionals; 3) the corporate social responsibility and top-down and bottom-up governing structures; 4) and the outcomes of corporate performances measured in terms of profits, market share, and non-financial measures, such as organizational commitment and user/client satisfaction. We then present the results of our hypothesis-based data analysis and interpret the empirical findings. To understand the implications of the findings, we will attempt to explore them in terms of some key insightful concepts and conceptual models in the literature on the causes of the financial meltdowns.

LITERATURE REVIEW

We reviewed relevant past literature in the form of publications by scholars and researchers, professional writings by real world practitioners, expressed documents by spiritual leaders of different religions, and hearings and reports by government agencies, task forces and commissions. Many academic sources of materials were related to the reality of the financial

world's disgraces. One such a study by Vitell et al. (2003) showed that ethics was closely linked to social responsibility like two sides of the same coin, both of which "share a common link"(63).

Our recent research (Jin and Drozdenko, 2003, 2010) demonstrated that the organizations which were more socially responsible were also more ethical and more morally reflective. Jackson's (2010) observed that beneath the financial crisis, there was a moral depression which "calls for a fresh mindset that penetrates deeper and wider than" (755) the other legal, economic, and business models. He posited the "moral-cultural mental model," which was grounded in virtues, respect for human dignity, and the common good. This basic premise is consistent with a strong bent on social responsibility commitment. The lack of higher human and social value-based "mindsets" was responsible for the failed human actions that caused those unethical and immoral actions in the financial markets (Lewis, 1998, 2010; Sorkin, 2010; Swamy, 2009).

Perrini and Minoja (2008) also echoed this view, stating that their qualitative study turned up evidence for such an important antecedent that "the beliefs and value systems of entrepreneurs played a fundamental role in shaping a sustainable corporate strategy" (p. 47). The mindset viewed as a way of human value judgments affecting action judgments (Vickers, 1965) underlies the wrongdoings committed during a series of events that set off the financial downfall. Some of the financial executives' mindsets responsible for the financial crash made them oblivious to the consequences of their irresponsible actions on innocent investors, employees, and other stakeholders.

In this sense, the mindsets lacked their social responsibility consciousness. The insensible and unmindful frame of mind was attributed in part to the preoccupation of the culprits with their myopic cognitive style which was solely based on some mathematical algorithms intended to determine the optimal path to the quick financial gains. Their rationalistic deterministic and positivist predisposition or state of mind tended to ignore the reality of socio-political-affective considerations that were an integral part of imperfect, uncertain, and complex human world or human activity systems (Checkland and Scholes, 1999). Such a view was shared by other scholars and researchers For example, referring to this frame of mind related to the mischaracterization of the causal nature of the financial crash, Jackson (2010) stated:

> The use of the word "crisis" characterize the melt-down likely flows from an *ingrained habit of viewing* (*italic* is the authors'*)* the world of business in general, and financial markets in particular, as if they operated according to the same kind of mechanistic, determined, and repeatable behavior, like the chemical reactions that scientists study in the laboratory (737).

In the wake of the financial catastrophe, a team of financial executives called for such a mindset by "establishing and maintaining bonds of trust between holders and users of capital, as well as between the operators themselves. Such trust is the corner-stone of the efforts to achieve common good, whereby the interests of individual operators and financial institutions are integrated with those of the community at large" (Bonvin and Dembinski, 2002, 190). Lewis (2010) explored the mindset of traders in Wall Street who practiced their cut-throat competitive ways consistent with the Social Darwinist's "survival of the fittest" mentality. He further reflected that in 2009 this gambling jungle had persisted many years since he wrote his first 1989 book "Liar's Poker"that described the same callous and gambling mindset of traders 20 years earlier. Swany (2009) called for a return to basic corporate governance ethics and mindset and spirituality,after presenting some documented evidence for unethical conduct found in the corporate banking system which had also investment banking functions.

Reflecting on his many years of experience in observing investment banking financial transactions and instruments as a deputy corporate legal counselor for J. P. Morgan, Chow (2010), now retired, suggested that we take a fresh look at the role of individual actions and values, psychological make-ups and motivational considerations as a key consideration in the recent downfall of investment bank corporations. He also suggested that the goodness in the hearts of common employees is suppressed in an authoritarian top-down controlled punitive organizational culture. As a result, employees would not feel safe in expressing their views against any unethical business decisions that they may have observed at work.

In this sense, employees who have the intention to do right things intrinsically are not allowed their ethical mindset to fully take effect in the daily corporate business flow. Thus one way to prevent or minimize any unethical business conduct or morally indefensible actions was to counterbalance the tempted unethical inclinations with the human intention to do good in their heart. This led to the dire need to nurture and maintain an open trusting culture where employees feel safe and free to express their true feelings and ideas and to challenge any unethical ways entertained by upper management as well as rank and file organizational members. Sorkin (2010). in his NY Times bestselling book, emphasized that the financial crackdown did not occur out of some “invisible” forces beyond human control, but was due to the human failures. He stated: “In the end, this drama is a human one, a tale about the fallibility of people who thought they themselves were too big to fail.” (p. 7). In addition to the recognition of the human errors, and not some theoretical concepts, in explaining the basis for the financial shocks, Sorkin (2010) made another main point that people had overconfidence in the widely inter-connected bigness and in the long-term invincible sustainability of its “success.”

CONCEPTUAL FRAMEWORK

A main thesis of this paper is that organizational core value clusters or organizational ideology affects corporate ethical and social responsibility-consciousness and that corporate social responsibility is a fundamental driving force in strengthening professional ethical thinking consciousness. Corporate social responsibility is closely integrated with a corporate ethical and moral environment and corporate value system that affect various professional decisions, including ethical choice decisions. Underlying our conceptual framework for this ethical and social responsibility thinking paradigm are Vicker (1965)’s appreciation system theory and Soft Systems Theory by Checkland and Scholes (1999). Vickers (1965) presented the concept of the cycles of three inter-connected human judgments (reality, value, and action) and chosen actions as his foundation framework for the streams of day-to-day human experiences.. Checkland and Scholes (1999) interpreted and summarized Vicker’s theoretical framework as follows: "There is a recursive loop in which the flux of events and ideas generates appreciation, and appreciation itself contributes to the flux. Appreciation leads to action that itself contributes to the flux. The actions that follow from reality and value judgments are based on standards whose "source is the previous history of the system itself" (A52).

The conceptual framework (Figure 1) of the present paper, partially adapted from the thoughts of Vickers (1965) and Soft Systems Methodology by Checkland and Scholes (1999), focuses on the relationships among four major constructs: 1) financial professionals’ perceived corporate ideological value orientations; 2) their attitudes on corporate ethical issue; 3) their attitudes on corporate social responsibility issues; and 3) financial corporate performance outcomes. These relationships are assumed to be affected by financial professionals’ reality check by interacting with happenings in the financial markets and economic environments, their value judgments, and their action judgments.

We hypothesized that the big corporations in the financial systems represented generally large bureaucracies. These bureaucracies can be classified as mechanistic-coercive (callous and authoritarian) or as organic-enabling (relatively democratic, open and trusting) bureaucratic organizations (Adler and Borys, 1996). The mechanistic-coercive bureaucratic organizations created concealed or closed arbitrary power-based decisional environments (Jin, 2000) that inhibited optimal and free expressions or exchanges among the employees or the stakeholders and between the employees and managers/executives. These hidden bureaucratic control environments were further accentuated by the undisclosed practices related to the dark financial market instruments, such as derivatives. This conception of Wall Street big corporations as rigid bureaucracies is substantiated by many years of Chow's (2010) working on Wall Street. He stated that "Wall Street firms by and large hew to a seemingly archaic, top-down command structure, laden with hierarchies." and that "Wall Street corporations lacked an open trusting culture and the conformist mindset and groupthink prevailed in Wall Street." (Chow, 2010, 2). He suggested that "the mindsets which originated in the persisting Wall Street bureaucratic culture will not be reformed by the recent financial reform act alone." (Chow, 2010, 2).

Our recent research studies (Jin and Drozdenko, 2003, 2010) demonstrated, based on data from three national surveys (direct marketing, information technology, and financial professionals), that organizational value clusters are strongly associated with two sets of organizational ideologies: one is humanistic, democratic, enabling, open, and trusting organizational environment (organic); the other is authoritarian, controlling, relatively closed, and coercive bureaucratic one (mechanistic). That is, our empirical findings consistently showed that organizational professional members in the organic organizational setting tended to perceive their organizations to be more ethical and socially responsible than those in the mechanistic organizations did. Further, the findings supported our hypotheses that higher organizational performances (e.g., measured by organizational commitment, profitability, and market share) were associated with the organic value cluster than with the mechanistic one (citations). The literature on Wall Street (e.g., Lewis, 2010; Sorkin, 2010) indicated that Wall Street large firms were characterized as "the fierce rivalries and power grabs that are part of the long-established cultures on Wall Street and in Washington." (Sorkin, 2010, p. 7) and Chow (2010) observed that big corporations on Wall Street had mechanistic organizational cultural environments.

The current ethics and CSR study with the members of a large U.S. financial professional association explores the relationships among the two sets of perceived organizational ideological core values of the financial corporations, business and professional ethics, corporate social responsibility, and the performance outcomes of the financial corporations.

(Insert Figure 1 here.)

RESEARCH METHODOLOGY
DATA COLLECTION METHOD AND MEASURES

An e-mail was sent to about 6000 members of a large national finance professional association in the Fall of 2009 inviting participation and linking them to the survey instrument. About 680 participants responded to the survey and of these 466 were no less than 95% complete. The survey contained 110 items designed to collect information about demographic attributes, personal ethics, social responsibility, community service, organizational ethics and organizational value clusters.

The survey included items used previously by Forcht (1987) and Vitell and Davis (1990) and items adapted by the researchers from their previous study (Jin and Drozdenko, 2010) for the

current sample of financial professionals. Respondents were also asked to evaluate items pertaining to organizational environments and values. These were managerial ideological items previously used by Beyer and Trice (1981) and Harrison (1988) and in our previous research.
The analysis presented here focuses on the 51 questions on personal and organizational ethics, 24 questions on organizational values and characteristics and 16 questions concerning social responsibility and community service.

DATA ANALYSIS

Five hypotheses were tested using parametric statistical methods computed in SPSS version 14. The same statistical tests were used for this study as were used in our previous published peer review articles (e.g., Jin and Drozdenko, 2010).

H1: Organizations in the financial industry can be classified into Organic and Mechanistic categories based on organizational value clusters.
H1 was confirmed. A Principal Components Factor Analysis with Varimax rotation was performed on the 24 survey items related to information about the respondent's organization. Extractions were manually limited to two factors in order to be consistent with the hypotheses of the two organizational types. Consistent with our past research, two primary organizational value clusters were identified. As presented in Table 1, the characteristics that were prominent in the organic factor included encouraging, stimulating, enterprising, equitable, collaborative, trusting, creative, driving, and sociable. In contrast, the mechanistic factor was characterized as being procedural, hierarchical, structured, ordered, regulated and cautious. Approximately 63% of organizations from our sample were classified as organic while 37% were classified as mechanistic based on which factor score was greater. This scheme of characterizing organizations based on the factor analysis was used as an independent variable in subsequent analyses.

(Place Table 1 here)

H2: Financial professionals working in organic organizations will report higher levels of ethical behavior in their organizations compared to financial professionals working in mechanistic organizations.

H2 was confirmed. Our analysis of the survey data indicated that respondents from organic organizations reported a significantly higher level of organizational ethics relative to respondents from mechanistic organizations. The overall MANOVA (Pillai's Trace) was $F=5.32$, df 32/471, $P<0.001$. A Bonferroni adjustment was used for the multiple comparisons of the organizational ethics items. For example, professionals from mechanistic organizations were significantly more likely to agree with the following statements:

- Managers in my company often engage in behaviors that I consider to be unethical.
- In order to succeed in my company, it is often necessary to compromise one's ethics.
- Successful managers in my company are generally more unethical than unsuccessful managers.

Table 2 shows other significant differences between the organization types.

(Place Table 2 here)

H3: Financial professionals working in organic organizations will report higher levels of CSR in their organizations compared to financial professionals working in mechanistic organizations.
H3 was confirmed. Our analysis of the survey data indicated that respondents from organic organizations reported a significantly higher level of CSR relative to respondents from mechanistic organizations.

The overall MANOVA (Pillai's Trace) was F= 6.32, df 11/498, P< 0.001. A Bonferroni adjustment was used for the multiple comparisons of the CSR items. For example, professionals from organic organizations were significantly more likely to agree with the following statements:

- My organization has a strong commitment to a social responsibility beyond the interests of shareholders.
- As long as corporations generate acceptable shareholder returns, managers have a social responsibility beyond the interests of shareholders.
- My organization encourages employees to participate in community service projects and activities.

Table 3 shows other significant differences between the organization types.

(Place Table 3 here)

H4: Financial professionals working in organic organizations will report higher levels of organizational performance compared to financial professionals working in mechanistic organizations.

H4 was confirmed. Our analysis of the survey data indicated that respondents from organic organizations reported a significantly higher level of organization performance relative to respondents from mechanistic organizations.

The overall MANOVA (Pillai's Trace) was F= 4.27, df 11/499, P< 0.001. A Bonferroni adjustment was used for the multiple comparisons of the performance items. For example, professionals from organic organizations were significantly more likely to agree with the following statements:

- During the last five years, users in my organization have been satisfied with the quality of output from our new financial processes/procedures.
- My organization’s profit has been increasing over the last 5 years.
- The organization’s market share has been increasing over the last 5 years.

Table 4 shows other significant differences between the organization types.

(Place Table 4 here)

H5: Financial professionals working in organizations that reported to be more profitable will also report higher levels of ethics and CSR.

H5 was confirmed. Based on the response to the items about the organization’s profits during the last five years, organizations were placed into two categories. Analysis of the organizational ethics and CSR items indicated that respondents from more profitable organizations also tended to report significantly higher levels of ethics and CSR relative to respondents from less profitable organizations.

The overall MANOVA (Pillai's Trace) was F= 2.01, df 26/427, P< 0.003. A Bonferroni adjustment was used for the multiple comparisons of the items. For example, professionals from the more profitable organizations were significantly <u>less</u> likely to agree with the following statements compared to professionals from the less profitable organizations:

- Managers in my company often engage in behaviors that I consider to be unethical.
- In order to succeed in my company, it is often necessary to compromise one’s ethics.
- Successful managers in my company are generally more unethical than unsuccessful managers.

However, the professionals from the more profitable organizations were significantly <u>more</u> likely to agree with the following statements compared to professionals from the less profitable

organizations:

- My organization encourages employees to participate in community service projects and activities.
- My organization has a strong commitment to a social responsibility beyond the interests of shareholders.
- I have participated in one or more community service projects or activities over the past 5 years

Table 5 shows other significant differences between the profit categories.

(Place Table 5 here)

DISCUSSION

There is evidence that the recent catastrophe in the financial industry was at least in part attributable to unethical business practices as discussed above. In response, Swamy (2009) and others (Jackson, 2010) have called for a more ethical and socially responsible approach to managing the organization. Our findings support the notion that ethical and socially responsible organizations may be developed through the advancement of organic value characteristics. Further, our findings show that ethical and socially responsible organizations do not need to sacrifice profits in order to achieve these objectives. In fact, our data point to higher profits in organizations that are more ethical and socially responsible. The findings of the present study are not isolated but are consistent with our past research with Direct Marketing professionals and Information Technology professionals (Jin and Drozdenko, 2003; 2010). While there is still no undisputable causal evidence for the link between ethics, CSR and performance outcomes, there is also no evidence that organizations that espouse these values do so by sacrificing the financial performance indices prized by stakeholders. Therefore, we see little risk to organizations in developing strategies and tactics to adopt more organic organizational values.

Others whose research and studies we discussed above have presented findings that are in line with ours. The results of our data analysis are also consistent with the above-mentioned practitioners' insight and observations of the reality of the financial professional's world (Bonvin and Dembinski, 2002; Chow, 2010; Lewis, 1989, 2010; Perrini,and Minoja, 2008; Sorkin, 2010, Swamy, 2009**.** They supported the premises of the moral-cultural framework by Jackson (2010) and the corporate governance-CSR convergence model by Gill (2008).

The result of this study is consonant with the findings of the studies by Sjorberg, Vaughan, and Williams (1984) and Jin (2000) that a coercive bureaucracy was characterized by hidden power-based arbitrary decision making as was observed in the large investment banking bureaucratic organizations by Lewis (1989, 2010) and Sorkin (2010).

The myopic and entrenched nature of cognitive styles that governed value and action judgments in Wall Street as discussed above can be further substantiated by the report by Keohane (2010). The report found, based on recent studies, that people in general stubbornly adhered to their ingrained biased mindset, belief system, or cognitive style, world view, or perspective even after they are presented with new facts or information supporting what is contrary to, or otherwise refuting, their such a belief system. In view of Wall Street's deep-seated persisting myopic mindset, it will be a challenging and daunting task to transform it.

LIMITATIONS OF THE PRESENT STUDY

While we had a sufficient national sample of corporate financial managers and professionals for our study, there was not a large enough sample for studying the investment banking industry. Therefore we were not able to compare the relationships among core values, ethics, social

responsibility, and organizational performance found in the corporate finance industry with the relationships among the four (4) constructs found in the investment banking industry. As in any survey research, the current survey research results represent a snapshot of what is happening in the financial industry.

This study did not include the size of organizations as a variable in discerning small organizations from large corporations; as a result, it did not investigate differences in ethics and CSR between these two groups, e.g., small autocratic organizations vs. large coercive bureaucracies and small organic organizations vs. large enabling bureaucracies (Adler and Borys, 1996).

While the two main organizational value clusters (organic and mechanistic) served our purpose of analyzing our data, it needs to be recognized that there are organizations that seem to have a mix of two value types, which may be called a hybrid in flux of coercive and enabling natures of organizational culture. For example, recently literature touched on the interesting display of blending the two types in Walmart corporation.

RECOMMENDATIONS FOR FURTHER STUDY

It is recommended that in the future a study be conducted to investigate the differences between the coercive and enabling bureaucracies in the relationships among the four constructs discussed above. It is further recommended that the mechanistic and organic types of organizations be empirically divided by size – small, medium, and large. This sub-categorization will yield the empirically tested small organizational types based on the degree of formalization, i.e., organic and autocratic., and large organizational types based on the type of enabling dimension, i.e., Adler Borys'(1996) two type of bureaucracies (enabling and coercive). It is suggested that these different types of organizations be related to the four constructs, ethics, corporate social responsibility, and organizational performance.

Consistent with our findings and research premises, we recommend that a blend of empirical methodology with a participant action research strategy be used in investigating the constructs of the moral-cultural model presented by Jackson (2010). While recognizing research cost constraints, such a multi-research strategy will also be needed to verify the results of our survey research. To satisfy this need, the mixed research strategy may be used to intensively study a typical financial corporation in a corporate banking industry as well as in the investment banking and institutional investment industries.

Recently, literature touched on the increasingly important role that institutional investors played in strengthening and integrating corporate social responsibility into corporate governance. It will be an interesting and significant study to gain insight into differences between the institutional investors, corporate finance managers, and investment bankers.

CONCLUSION

To summarize our empirical findings, organic organizations are perceived by the financial professionals significantly more ethical, socially responsible than mechanistic organizations. They seem to be consistent with practitioners' observations and analyses discussed above. The more ethical and social responsible the financial professionals perceive their organizations to be, the higher the perceived performance outcomes of the financial corporations were. One of the implications of this study is that our findings help us to understand dynamics involved in the interplay between the financial corporate ethical and social responsibility attitudes and behaviors and its organizational value settings. We can conclude that the more open, democratic, and power-sharing the perceived organization environment of financial corporation is, the more positively the financial professionals tend to perceive the degree of corporate ethical fiber and

corporate social responsibility commitment. This will, in turn, generate more open, trusting, truthful environment which, many observers and analysts of the 2008 financial disaster agreed, was a critical success factor restoring the health of financial system.

Recently we have observed increasing emphasis placed on the need for strategizing the corporate social responsibility (Perrini and Minoja, 2008) and de-facto realization of the convergence of corporate governance and CSR and, to some degree, the business schools' efforts to incorporate CSR into the MBA curricula (Gill, 2008), We recommend that in addition to these developments, the corporate governance be strengthened with accelerated initiatives to develop more organic, open, trusting organic organizational ideology.

One cannot conclude that the financial fiasco was due to the lack of individual ethical or social responsibility consciousness alone. It seems more fair to say that along with the intrinsic human frailties and limitations, the relatively closed suspicious callous autocratic organizational value clusters that inhibited the full behavioral manifestations and free interactions of the inherently good intentions of the ethical minds were responsible for the financial disaster.

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Figure 1: A Conceptual Framework for Understanding the Relationships Among Financial Professionals (FP)' Perceived Corporate Core Values, Ethics, Corporate Social Responsibility, and Corporate Performance (Adapted from Jin and Drozdenko, 2010; Appreciation Systems Theory (Vickers,1965); Soft Systems Methodology (Checkland and Scholes, 1999))

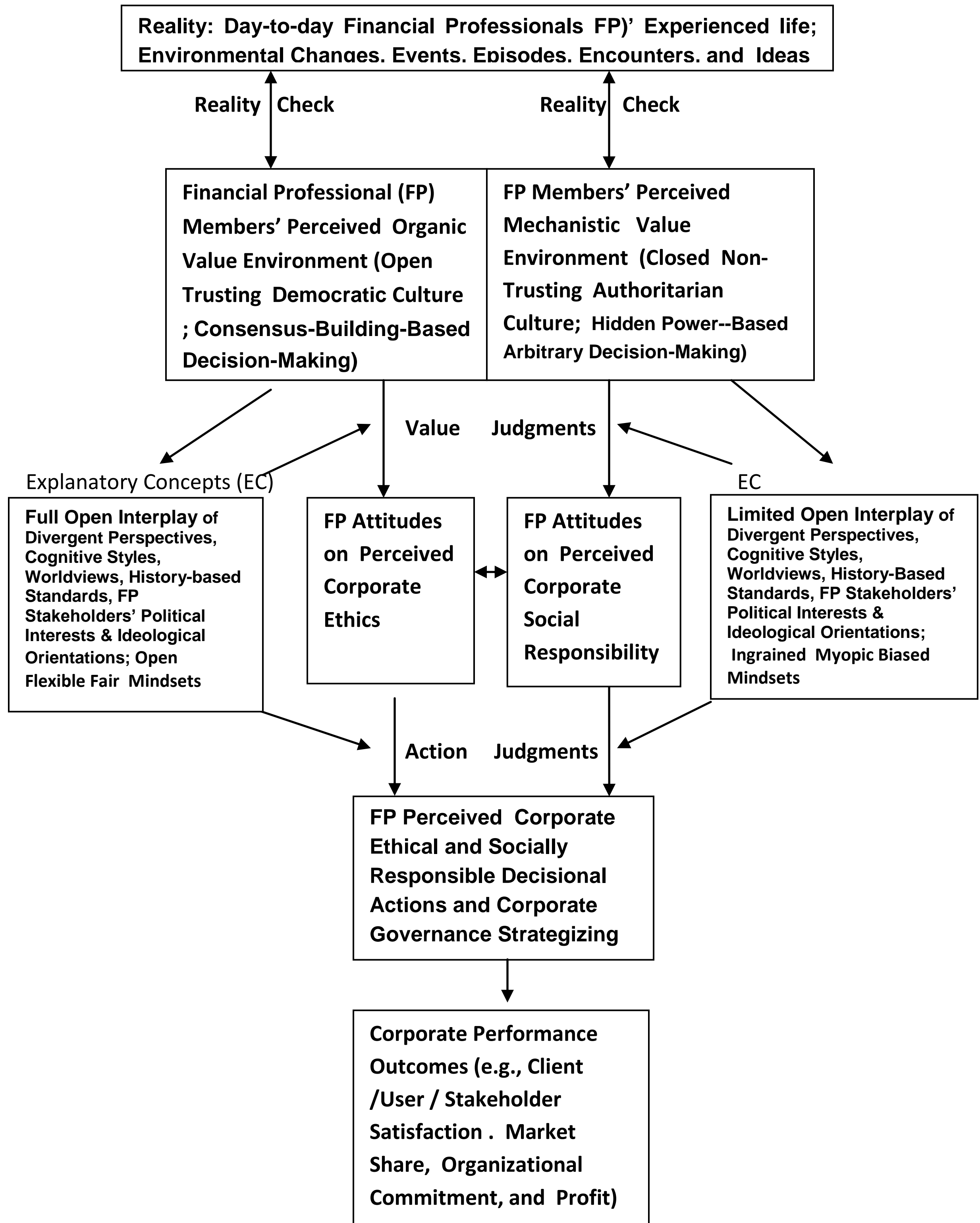

Table 1. Top Factor Loadings (.40 or greater) on Organizational Value Characteristics			
Factor 1 (Organic)		**Factor 2 (Mechanistic)**	
Encouraging	0.8465	Procedural	0.7791
Stimulating	0.8323	Hierarchical	0.7584
Enterprising	0.8079	Structured	0.7505
Equitable	0.7860	Ordered	0.6927
Collaborative	0.7746	Regulated	0.6330
Trusting	0.7608	Cautious	0.5527
Creative	0.7541	Power-oriented	0.4683
Driving	0.7135	Pressurized	0.4146
Sociable	0.6951	Established, solid	0.4102
Personal freedom	0.6602	Safe	0.4063
Relationships-oriented	0.6224		
Results-oriented	0.6047		
Established, solid	0.4238		
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			

Table 2.
Organizational Ethics Items - Mean Response by Organizational Value Cluster Category
All Mean Differences in this Table are Significant at less than the 0.05 p-level

Strongly Agree-1 Strongly Disagree-5	Organic	Mechanistic
Managers in my industry often engage in behaviors that I consider to be unethical.	4.0385	3.6835
Managers in my company often engage in behaviors that I consider to be unethical.	4.3566	4.0138
In order to succeed in my company, it is often necessary to compromise one's ethics.	4.5315	4.1606
Successful managers in my company are generally more unethical than unsuccessful managers.	4.3322	3.8991
Successful managers in my company take credit for the ideas and accomplishments of others.	3.7692	3.0321
Successful managers in my company withhold information that is detrimental to their self-interests.	3.9196	3.3394
Successful managers in my company attempt to make rival managers look bad in the eyes of important people in my company.	4.0874	3.4817
Successful managers in my company look for a "scapegoat" when they feel they may be associated with failure.	3.8916	3.0826
Successful managers in my company withhold information that is detrimental to the company's interests.	4.1364	3.6881
If I were to observe unethical behavior by managers in my organization, I would be reluctant to report this misconduct.	4.1049	3.8028
There are many opportunities for managers in my company to engage in unethical behaviors	3.5664	3.3211
My organization adequately communicates the code of ethics and ethical guidelines to employees.	1.8252	2.0321
Generally, my company is only concerned with results and not how I actually do my work or spend my time and effort.	3.5944	3.3761
There are many opportunities for managers in my industry to engage in unethical behaviors.	3.1923	2.9633
If a manager in my company is discovered to have engaged in unethical behavior that results primarily in personal gain (rather than company gain) he/she will be promptly reprimanded.	1.7727	1.9587
In my company, even if I am found in violation of some procedure, the company rarely imposes penalties.	3.9161	3.7477

Table 3.
CSR Items - Mean Response by Organizational Value Cluster Category
All Mean Differences in this Table are Significant at less than the 0.05 p-level

Strongly Agree-1 Strongly Disagree-5	Organic	Mechanistic
Top managers in my organization support common basic values, such as compassion and helping others in need.	1.7616	2.2579
My organization has a strong commitment to a social responsibility beyond the interests of shareholders.	2.0641	2.2851
As long as corporations generate acceptable shareholder returns, managers have a social responsibility beyond the interests of shareholders.	2.4804	2.2760
My organization encourages employees to participate in community service projects and activities.	1.8327	2.0136
The fact that corporations have great economic power in our society means that they have a social responsibility beyond the interests of the shareholders.	2.0427	1.8914

Table 4.
Performance Items - Mean Response by Organizational Value Cluster Category
All Mean Differences in this Table are Significant at less than the 0.05 p-level

Strongly Agree-1 Strongly Disagree-5	Organic	Mechanistic
During the last five years, users in my organization have been satisfied with the quality of output from our new financial processes/procedures.	2.2705	2.6018
Financial non-management professionals in my organizations are committed to organizational goals	2.0071	2.2715
My organization's ethical standards and guidelines influence its profitability positively.	2.0285	2.3665
During the last five years, users in my organization have been satisfied with the quality of output from their new information systems.	2.4875	2.8281
My organization's profit has been increasing over the last 5 years	2.4840	2.8688
My organization's financial management have proactively taken several strategic initiatives for the last 5 years	1.8612	2.1176
During the last five years, my organization has successfully implemented information systems development projects.	2.0214	2.2851
The organization's market share has been increasing over the last 5 years	2.1566	2.4163
My organization's financial management initiatives have contributed to the company profits.	1.9253	2.1222
During the last five years, my organization has successfully implemented new financial processes/procedures.	1.9395	2.1041

Table 5
Ethics and CSR Items by Reported Profit Categories
All Mean Differences in this Table are Significant at less than the 0.05 p-level

Strongly Agree-1 Strongly Disagree-5	Higher Profit	Lower Profit
Managers in my company often engage in behaviors that I consider to be unethical.	4.2800	4.1179
In order to succeed in my company, it is often necessary to compromise one's ethics.	4.4489	4.2926
In my company, even if I am found in violation of some procedure, the company rarely imposes penalties.	3.9111	3.7380
Successful managers in my company are generally more unethical than unsuccessful managers.	4.2489	4.0306
Successful managers in my company withhold information that is detrimental to their self-interests.	3.7956	3.5066
Successful managers in my company attempt to make rival managers look bad in the eyes of important people in my company.	3.9822	3.6507
Successful managers in my company look for a "scapegoat" when they feel they may be associated with failure.	3.6800	3.3624
Successful managers in my company withhold information that is detrimental to the company's interests.	4.0622	3.8079
If I were to observe unethical behavior by managers in my organization, I would be reluctant to report this misconduct.	4.1067	3.7904
My organization encourages employees to participate in community service projects and activities.	1.7778	2.0131
My organization has a strong commitment to a social responsibility beyond the interests of shareholders.	2.0311	2.2489
Top managers in my organization support common basic values, such as compassion and helping others in need.	1.8400	2.0961
My personal values are congruent with the values espoused by my organization.	1.9911	2.3013
I have participated in one or more community service projects or activities over the past 5 years.	1.8089	1.9869
Financial managers in my organization are committed to organizational goals.	1.7956	1.9214
Financial non-management professionals in my organizations are committed to organizational goals	2.0178	2.2358
My organization's ethical standards and guidelines influence its profitability positively.	2.0133	2.3755